Paternalistic or Participatory Governance? Examining Opportunities for Client Participation in Nonprofit Social Service Organizations

Nonprofits represent a substantial group of third-party agents that deliver public services, yet little is known about the extent to which these organizations embrace participatory governance practices. Using survey data from nonprofit social service agencies in Michigan, the author examines how these organizations provide opportunities for client participation and identifies factors that contribute to these practices. Four methods of securing client involvement are examined: participation in agency work groups, client feedback surveys, advisory boards and committees, and client service on the agency board of directors. The results indicate that government funding plays a systematic role in promoting these activities within nonprofits. These findings carry important implications for the government–nonprofit contract relationship by demonstrating that government funding shapes the practices of nonprofits in ways that promote democratic governance.

Local administrative agencies have a long history of seeking input from their citizens in the form of public hearings and feedback surveys, and providing opportunities for participation through citizen advisory boards, commissions, steering committees, task forces, and similar forums. These venues are designed to ensure democratic participation by giving citizens a voice in service planning and in local administrative decisions. These forums were also designed with the goal of enhancing administrative accountability. Given the inability of the electorate to hold public employees directly accountable, these measures offer at least an indirect means for citizens to promote accountability among local bureaucratic agencies. Yet the rise of third-party government has created a new dilemma for democratic participation and administrative accountability. Over the past several decades, public organizations have increasingly engaged private providers in the delivery of public services, which raises an important question for the field of public administration: What happens to democratic participation when the delivery of public services is entrusted to private providers?

Private nonprofit organizations represent a substantial group of third-party agents that deliver public services. The trend toward privatization of health and human services that began in the 1960s has gradually shaped the American welfare state in such a way that nonprofits now directly deliver the majority of government-funded social welfare services (Salamon 1995). Salamon (2002) demonstrates that government funding to the nonprofit sector increased by 195 percent between 1977 and 1997. Other evidence indicates that government revenues to the nonprofit sector reached $207.8 billion by the end of twentieth century (Independent Sector 2002) and accounted for approximately 52 percent of all income for the social service sector (Salamon 2002). With more than half of their revenues coming from government, private nonprofit social service agencies have grown increasingly “public” by virtue of their funding. Although many nonprofits function as extensions of the state, little is known about whether these organizations adopt a commitment to public values such as democratic participation, or how this commitment translates into organizational practices.

This analysis contributes to the knowledge base by examining the extent to which nonprofit social service agencies display participatory governance by establishing forums for client input. Borrowing from the literature on methods of citizen participation in local government (Crosby, Kelly, and Schaefer 1986; Kathlene and Martin 1991) and the literature on participation in nonprofit...
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Perhaps the most compelling argument in favor of client participation is that it leads to more responsive service delivery. Perhaps the most compelling argument in favor of client participation is that it leads to more responsive service delivery, as some empirical evidence has shown (Halvorsen 2003; Sharp 2004). However, this article explores the normative arguments underlying democratic identities and personal sense of citizenship (Berry, Portney, and Thomson 1993; Katan and Prager 1986; Soss 1999). Berry, Portney, and Thomson (1993), for example, identify three ways in which the benefits of participation manifest for those who participate. They suggest that participation “nourishes democracy” by educating individuals about how to become good citizens; participation enhances community by linking private individuals to the state; and participation forces institutions to be more responsive to the needs and interests of service recipients. Soss (1999) provides some evidence to support these claims. In examining welfare clients’ perceptions about their service providing agency, Soss finds that clients’ sense of political efficacy is directly shaped by their encounters with agency staff, and that clients extrapolate from these perceptions to form attitudes about government and citizenship more generally. Similarly, Katan and Prager (1986) suggest that opportunities for clients to participate in social service agencies can provide a means of empowering clients and may foster meaningful contributions to community life.

In addition to enhancing the democratic identities of individual participants, others have pointed to the benefits that participation may bring to the administering agency (Crosby, Kelly, and Schaefer 1986; Kathlene and Martin 1991; King, Feltey, and Susel 1998). One such benefit is that agencies are able to craft more effective policies and services when citizens are given a voice in service planning. For example, King, Feltey, and Susel (1998) argue that authentic participation promotes effective organizational performance. Other ways that client participation may add value for administrators include enhancing organizational legitimacy (Stivers 1994), increasing trust in the service providing institution (Callahan 2007), and reducing the likelihood that administrators will have to make ex post changes in program design (Rowe and Frewer 2000).
1984; Thomas 1982). Indeed, greater responsiveness was a prominent goal of the federal social welfare programs of the 1960s. The War on Poverty programs led to the formation of Community Action Agencies in cities throughout the country (Morone 1990). The administrative mandate of these programs for “maximum feasible participation” was designed to involve residents of poor communities in the planning and administration of social welfare programs, with the aim of empowering citizens to personally invest in the process of local public policy development. As an example of how federal administrators expected this participation to take shape, Community Action Agencies were required to have a majority of their board of directors composed of community residents (Smith 2000). Evidence shows that these arrangements had a mixed record of success in empowering poor citizens and in making services more responsive to their needs (for a thorough discussion, see Browning, Marshall, and Tabb 1984; Marrs and Rein 1982; Morone 1990; Strange 1972). However, the mandate for participation faded with the onset of a more conservative political climate and declining public support for large-scale federal programs that marked the end of the War on Poverty. Beginning in the late 1960s and early 1970s, federal social welfare policy began to shift away from client participation and direct empowerment of the poor and began to focus more on professionalized service delivery (Smith 2000).

Involving citizens in the process of administrative decision making is not necessarily easy or convenient. For example, it poses challenges for efficiency and raises dilemmas about how to overcome the technical expertise gap that often exists between administrators and citizens (for a discussion of these and other challenges, see Irvin and Stansbury 2004; Rowe and Frewer 2000). Yet the democratic norms guiding the American administrative system suggest that participation is an important value, and it constitutes an enduring issue of interest for public administration scholars. The increased use of third-party agents to provide social welfare services suggests a particular need to understand the factors that compel nonprofits to involve their clients in agency decision making. The next section provides a summary of what we know about the methods used by nonprofits to solicit client feedback and participation in agency decision making. While democratic participation is the underlying goal of establishing participatory mechanisms, this discussion illustrates how client participation may fulfill other organizational purposes as well.

Forms and Functions of Client Participation in the Social Services

In highlighting the central dilemma of democratic administration, Frederickson and Smith question how administrators reconcile administrative authority with the “seemingly contradictory and ultimately inefficient values of egalitarianism and democracy” (2003, 61). The increasing shift toward consumerism in the social services suggests that nonprofit administrators may find these values easier to reconcile. In many of the social service subsectors, nonprofit administrators have grown increasingly reliant on client feedback, not only as a way to increase service responsiveness, but also as a means of ensuring organizational accountability and measuring performance. Consistent with the New Public Management and reinventing government initiatives taking place in the public sector throughout the 1990s, social service administrators also shifted their orientation toward clients as “consumers of services” (Pollitt, Birchall, and Putnam 1998; Simmons and Birchall 2005). In the context of social service delivery, Simmons and Birchall argue that client participation offers “a way of using dialogue to support new forms of responsiveness and accountability in which users’ views can be taken into account” (2005, 261). Thus, by creating opportunities for clients to participate and provide input, nonprofit administrators might satisfy the dual goals of democratic participation and enhancing performance by adjusting programs and service to be more responsive to client needs.

What methods do nonprofits use to structure opportunities for client feedback and participation? Evidence suggests that advisory boards are one of the most common ways of capturing client input. Client participation through advisory boards has been documented across the social service subsectors in the areas of mental health (Jacobson and Curtis 2000), HIV/AIDS service agencies (Poindexter and Lane 2003), housing and homeless services (Buck et al. 2004), and child welfare (Berkowitz, Halfron, and Klee 1992). In many instances, however, advisory boards serve as vehicles for broader community participation and involve other key stakeholder groups in the environment in addition to clients. In a study of 249 nonprofits, Saidel (1998) finds that 40 percent of organizations report having an advisory board separate from their board of directors.

Morley, Vinson, and Hatry (2001) examine the use of surveys by nonprofits and find that this method of soliciting client input is quite common. Their study reveals that approximately 78 percent of nonprofits conduct client surveys designed to measure client satisfaction, client outcomes to be used as performance measures, or both. These authors also find that about half of these surveys also collect information from clients on other aspects of service quality such as timeliness of service provision and helpfulness of staff. Another way that clients might participate in nonprofit administration is by serving on the board of directors. Some findings suggest that client
participation on boards may be concentrated in the mental health, disability, and aging services sectors (Tower 1994). Others have reported that client participation on boards is relatively infrequent (Daley and Marsiglia 2001).

Nonprofits may also solicit client participation through a number of informal venues, including time-limited, project-specific work groups. Clients may contribute their input and experience to agency administrators in the planning and execution of activities such as fund-raising events, public education campaigns, or advocacy campaigns. For example, many domestic violence agencies hold annual events to participate in the national Take Back the Night protest movement. Clients of these agencies often assist agency staff in planning and carrying out a march or rally followed by a social gathering. Similarly, many mental health providers hold events during Mental Health Month in May to raise public awareness and increase access to services. Recipients of mental health services may participate in the planning of these events and advise staff in the development of brochures and press releases or suggest community locations that might be appropriate for targeting outreach efforts.

Of course, nonprofits may involve clients in ways other than those examined here. The purpose of this literature review is simply to highlight the most common mechanisms used by nonprofits to engage their clients in agency participation. While the preceding discussion suggests that creating opportunities for client participation is an organizational norm of nonprofits, some social service agencies are predisposed toward more authoritative governance and therefore limit opportunities for client participation. The next section examines these predispositions, highlighting how administrative responsiveness to funding principals may either encourage or discourage client participation in nonprofit agencies.

**Voluntary Failure and the Partnership Model of Government–Nonprofit Relations**

The theory of voluntary failure yields important insights about the types of problems that may arise as a result of nonprofits delivering social services. Salamon (1995) argues that prior to the spread of government contracting with nonprofits (pre-1960s), these organizations suffered from inherent weaknesses endogenous to their voluntary status. These weaknesses include amateurism, particularism, insufficiency, and paternalism. Amateurism refers to nonprofits’ historical reliance on voluntary labor rather than professionally trained staff, while particularism refers to the preference of nonprofits to serve specific subgroups of society, creating biased and inequitable outcomes in the distribution of services. Insufficiency is the problem of financial instability, as nonprofits traditionally relied on private charitable contributions that fluctuate with the economy and fail to provide a reliable source of income. Paternalism refers to the historical tradition for nonprofits to be governed predominantly by white civic and economic elites who engage in decision making on behalf of service recipients without giving them a voice in program planning or determining how services are to be delivered. Amateurism, particularism, insufficiency, and paternalism represent sources of “voluntary failure” (Salamon 1995). In the same way that market failures justify government intervention in private markets, Salamon contends that “voluntary failures” create a need for government to intervene in the private nonprofit sector.

As a remedy to the problems of voluntary failure, Salamon (1995) proposes a “partnership model of government–nonprofit relations.” The partnership model suggests that government funding corrects voluntary failures by imposing rules, restrictions, and obligations on nonprofits that accept government funding. The oversight authority of government organizations enables them to provide policy direction in social service provision and to ensure that nonprofit contract partners comply with administrative rules when implementing programs and services. Through funding relationships, government is able to embed public values within nonprofits. These values favor democratic participation, responsive service delivery, and equitable distribution of services. As added benefits, government is able to capture the flexibility and innovation that nonprofits bring to their service-providing roles.

The source of voluntary failure that Salamon describes as “philanthropic paternalism” is the primary focus of this analysis. Applied to the charitable sector, paternalism refers to the tradition for nonprofits to be funded by wealthy private donors whose influence extends into service delivery. Salamon’s description of paternalism suggests that as the financial sponsors of nonprofits, donors can dictate the manner in which programs and services are offered without regard for client input. Paternalistic governance tendencies stem from the receipt of private charity that was the original base of nonprofit funding. Salamon argues that when nonprofits rely on private charity, their practices reflect the preferences of donors, which may conflict with the interests or preferences of clients. According to Salamon,

> So long as private charity is the only support for the voluntary sector, those in control of the charitable resources can determine what the sector does and whom it serves. . . . Not only is this situation undemocratic, but it can create
a self-defeating sense of dependency on the part of the poor since it gives them no say over the resources that are spent on their behalf. (1995, 47)

The problem of philanthropic paternalism can be summed up as a situation in which the discretion of donors leads to organizational activities that are consistent with donors’ preferences, which may not be consistent with client preferences. The problem of undue influence of wealthy donors is often exacerbated by the service of these patrons on the board (Salamon 1995). Capturing the sentiment believed to underlie donors’ thinking, Anheir observes that “voluntary contributions and charitable giving depend on individual good will; they do not represent a right or entitlement” (2005, 31).

Thus, while private charity can promote paternalistic behavior by nonprofits, the partnership model suggests that government funding will correct this source of voluntary failure and lead to a more participatory form of governance in nonprofits. Nonprofits vary, however, in the extent to which they rely on government for their income, depending on their mission, history, and efforts to generate funds from other sources. Some social service organizations are funded almost entirely by government, whereas others receive no government funds, and still others rely on a mix of income sources. Therefore, organizations that rely more extensively on private charity may display greater paternalism and provide fewer opportunities for clients to participate in the planning, administration, and implementation of services, while nonprofits that are more heavily funded by government will be more likely to involve their clients in various forms of agency participation. Based on Salamon’s theoretical arguments, the following propositions are tested:

H1: Nonprofits that are more heavily dependent on private charitable contributions will be less likely to employ participatory governance practices.

H2: Nonprofits that are more heavily dependent on government funding will be more likely to employ participatory governance practices.

Salamon’s argument about philanthropic paternalism also lends itself to a test of how racial matching between the agency’s board and its clientele might affect the organization’s propensity for participatory governance. In the pre-1960s era, nonprofits were governed predominantly by white civic and economic elites, even though poor citizens and racial minorities made up a share of nonprofit clientele (Salamon 1995). When organizational leadership fails to reflect the racial characteristics of clients, the organization’s governance might be described as “racially mismatched.” Racially mismatched organizations may be more likely to display paternalistic tendencies. Although this logic is derived from Salamon’s paternalism argument, it can also be linked to theories of representation. For example, several studies of representative bureaucracy have empirically established a link between passive representation and active representation, whereby public organizations that are demographically representative of their clientele become more inclined to enact policies and deliver services that are consistent with the interests of those clients (Meier 1993; Meier and Bohte 2001; Sowa and Selden 2003; Wilkins and Keiser 2006). Moreover, findings from empirical research on political interest representation have shown that descriptive representation leads to substantive representation, meaning that when people in policy-making positions have social characteristics reflecting those of the constituency as a whole, the policies enacted will reflect the interests of the represented (Eisinger 1982; Welch and Bledsoe 1988). These theories and empirical research findings about the effects of racial representation suggest the following hypothesis:

H3: Nonprofits that have a greater racial representation mismatch will be less likely to employ participatory governance practices.

Before proceeding to test these hypotheses, it is important to note that Salamon’s framework is not without criticisms. Despite these criticisms, the partnership model represents one of the most widely accepted theoretical explanations for the evolution of the modern welfare state and the growth of the U.S. nonprofit social service sector. It offers a rich theoretical framework for testing hypotheses about the impact of government funding on nonprofit behavior and organizational governance. This study subjects Salamon’s theory to an empirical test using survey data from nonprofit social service organizations in Michigan.

Data and Methods
This analysis relies on survey data from a sample of 501(c)(3) nonprofit social service organizations in the state of Michigan. Surveys were administered by mail
in three waves during the summer of 2004. A total response rate of 60.4 percent was achieved, yielding a final sample of 76 social service organizations. The organizations were randomly selected from the Michigan attorney general’s database of licensed charities, which is free to the public and offers up-to-date mailing addresses and contact information. Surveys were addressed to executive directors by name, so it is assumed that these persons or a delegate in close proximity completed the questionnaire. Although the organizations included in this study were selected at random, the nature of the sampling frame makes it likely that organizations in this study are larger and more established than the average nonprofit. This factor and the relatively small size of the sample are data limitations that point to the need for caution in making inferences from the analyses. Organizations included in this sample are located in urban, suburban, and rural communities of various sizes, and they perform a wide range of human service functions. Table 1 provides a frequency distribution describing the types of human service organizations represented in the sample.

**Dependent Variables**

Nonprofits’ propensity toward client participation is examined through four separate dependent variables. These variables are measured by a survey question that asked respondents to indicate, “Which of the following avenues are available for client participation within your organization?” Response options included participation in agency workgroups, client feedback or input surveys, client advisory boards or committees, and client membership on the board of directors. Respondents were instructed to check all that applied. Each of these four response options is treated as a distinct dependent variable. They represent substantively different forms of participation, so it is expected that some variation exists in the factors explaining nonprofits’ choices to make these venues available to clients. For example, serving on the board of directors presumably offers clients much greater influence in agency policy making than providing input in the form of a survey. All four client participation variables are measured as dichotomous responses, coded 1 if the respondent indicated that his or her organization provides the option and 0 if the organization does not provide the option.

**Independent Variables**

Three variables are used to test Salamon’s paternalism hypothesis, and another five variables are included in the models as controls. Private charitable funding is the first independent variable of interest. Drawn from the theory of voluntary failure, the hypothesis predicts that as an organization’s dependence on private charity increases, so does its propensity for paternalism. Therefore, these organizations will be less likely to provide opportunities for client participation. Dependence on private charity is measured as the proportion of the organization’s total budget that comes from private charitable contributions.

Government funding is the second independent variable included in the models. Based on Salamon’s partnership theory, the hypothesis projects that government funding will increase the likelihood of nonprofits offering forums for their clients to participate. Government funding is measured as the percentage of the organization’s total budget that comes from government, all levels combined.

The third variable designed to test the paternalism hypothesis is the extent to which the organization’s governing structure matches the racial demographics of the clientele served. While people of many races may be represented on nonprofit boards, and the same is true of nonprofit clients, this analysis examines the effects of representation mismatch for one specific racial group. The representation mismatch is measured as the difference in proportion between African American representation on the agency’s board of directors and the agency’s African American clientele. This measure was developed from a set of survey questions that asked respondents to report the percentage of African American clients served by the agency, and another that asked for the total percentage of the board composed by African American members. The mismatch variable was calculated based on the difference in proportion among these two. It is anticipated that as the mismatch grows larger, and the agency is governed by a primarily white board when the organization serves a large percentage of minority clients, then the likelihood that the organization will engage in participatory governance will decrease. In short, representation mismatch is predicted to have a negative effect on agency use of client participation venues.

**Control Variables**

Several variables are included as controls, based on literature that suggests these factors may influence the

<table>
<thead>
<tr>
<th>Table 1 Organizational Types</th>
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<tbody>
<tr>
<td>Primary mission</td>
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<tr>
<td>Family/child services</td>
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<tr>
<td>Mental health</td>
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<td>Domestic violence</td>
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<td>Community development</td>
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<td>Family planning</td>
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<td>Food program</td>
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<td>Housing and shelter</td>
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<td>Job training</td>
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<tr>
<td>Senior services</td>
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<tr>
<td>Substance abuse treatment</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>
dependent variables. These variables include age, size, and religious affiliation of the organization, sex of the executive director, and African American population in the city where the organization is located. Religiously affiliated nonprofits depend more heavily on private charity, and they may demonstrate greater paternalism in their orientation toward clients. Religious affiliation is treated as a dummy variable, coded 1 if the organization reported having a religious affiliation or faith base, and 0 if the organization does not have such an affiliation. The sex of the executive director is included in each of the models because previous research has linked democratic leadership styles to female managers (Kathlene 1994; Rinehart 1991). For example, Havens and Healy (1991) find that women are more responsive to input from subordinates and exhibit a more consensual leadership style than men. The sex of the executive director is treated as a dummy variable, coded 1 if the respondent is a female, and 0 if the respondent is a male.

Agency size may also affect nonprofits’ propensity for participatory governance. As social service organizations get larger, they become more professionalized and more bureaucratized (Smith and Lipsky 1993), so larger organizations may be more likely to provide opportunities for client participation as the institutionalized practice of professional management increases (Powell and DiMaggio 1991). On the other hand, opportunities for participation may be more accessible to clients in smaller agencies that have fewer layers of staff separating clients from agency administration.

Agency size is measured as the number of full-time-equivalent paid employees. Age of the organization is included because older organizations are more likely to have developed in the tradition of paternalism. Older, “pre-1930s” organizations (Salamon 1995) and “pre-1960s” organizations (Smith and Lipsky 1993) that were formed on the basis of private charity continue to benefit the most from wealthy donors because their legitimacy increases with age, enabling them to attract larger contributions. Finally, to isolate the effects of racial representation mismatch, the analysis controls for the African American population proportion in the city where the organization is located. Previous studies have demonstrated the effects of leadership based on race diminish once the analysis controls for the proportion of that race within the general population (Eisinger 1982; LeRoux 2007).

**Method of Analysis**

Logistic regression is used to estimate the likelihood that nonprofits will use each type of client participation within their organization, because each form of client participation is measured as a binary response. Therefore, the regression coefficients can be interpreted as either increasing or decreasing the likelihood of nonprofits providing each form of participation.

Robust standard errors are reported with the regression coefficients.

**Findings**

To what extent do nonprofit clients have opportunities to participate in the organizations from which they receive services? The answer to this question depends on the mode of participation. The column displaying the means in table 2 reveals the percentage of organizations that provide each type of participation method. Descriptive statistics for all of variables in the model are included in this table as well.

The most common way that nonprofits service agencies obtain input from their clients is by administering surveys that ask for feedback. A majority of nonprofits (74 percent) reported the use of this method to solicit input from their clientele, which is relatively consistent with the rate of use detected by Morley, Vinson, and Hartry (2001). Approximately half the agencies in this study (49 percent) indicated that a client serves on the board of directors, affording these participants an authoritative role in organizational governance. This is somewhat unexpected, given the frequent observation in the nonprofit governance literature that boards are predominantly composed of white, upper-middle-class professionals (Daley and Marsiglia 2001; Widmer 1989). Overall, 41 percent of social service nonprofits offer opportunities for their clients to participate through an advisory board. This proportion is roughly consistent with Saidel’s (1998) finding on the incidence of advisory boards among nonprofits. Finally, inviting clients to participate in agency workgroups is the least common participation method used by nonprofits. Only 28 percent of nonprofits provide clients opportunities to participate in work groups, suggesting that nonprofit administrators prefer client participation to occur through routine forums such as boards, rather than ad hoc, project-specific work groups.

Turning to the bigger questions, are nonprofits more paternalistic when they rely on private charity? Does

<table>
<thead>
<tr>
<th>Table 2: Descriptive Statistics for Model Variables</th>
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<tbody>
<tr>
<td>Variable</td>
</tr>
<tr>
<td>Client participation in work groups</td>
</tr>
<tr>
<td>Client feedback surveys</td>
</tr>
<tr>
<td>Client advisory committee</td>
</tr>
<tr>
<td>Client board member</td>
</tr>
<tr>
<td>Private charity funding</td>
</tr>
<tr>
<td>Government funding</td>
</tr>
<tr>
<td>Racial mismatch</td>
</tr>
<tr>
<td>Religious affiliation</td>
</tr>
<tr>
<td>Female executive director</td>
</tr>
<tr>
<td>Age of organization</td>
</tr>
<tr>
<td>Agency size</td>
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<tr>
<td>African American population</td>
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</table>
government funding increase the likelihood that nonprofits will engage in participatory governance? These questions are first examined in the context of opportunities for clients to participate in agency work groups. The results displayed in table 3 suggest mixed support for the hypotheses. Government funding increases the likelihood that nonprofits will engage clients in agency work groups \( (b = 0.048; p < .01) \), but the results fail to yield support for the paternalism hypothesis. While the coefficient trends in the predicted direction \((-\)\), reliance on private charity fails to achieve statistical significance in the model. Thus, dependence on private charity for financial support does not necessarily decrease nonprofits’ likelihood of involving their clients in agency work groups. Two of the control variables are also statistically significant. Organizations with a female executive director have an increased likelihood of using this method of client participation \( (b = 1.934; p < .05) \), while agency size has the opposite effect \( (b = –0.046; p < .10) \). As agency size increases, nonprofits are less likely to involve clients through agency workgroups; this suggests that larger organizations with more layers of staffing simply may find it easier to capture client participation through more structured or routine mechanisms.

Moving on to client surveys, which factors explain the propensity of nonprofits to use this method for soliciting input from clients? Table 4 displays the results of this analysis. Although client surveys may be the most common way that nonprofits secure client feedback, they are also the most difficult to explain. Government funding is the only factor that increases nonprofits’ likelihood of surveying clients \( (b = 0.022; p < .01) \). At the same time, reliance on private charitable contributions decreases the likelihood of this activity \( (b = –0.051; p < .10) \). This analysis also yields support for the racial mismatch hypothesis \( (b = –0.026; p < .10) \). As nonprofit boards become less racially representative of their clientele, they are less likely to elicit their participation in the form of advisory boards. These effects of racial mismatch hold statistically, even after controlling for the percentage of the population that is African American in the city where the organization is located.

When it comes to more routine, formalized methods of client participation, such as service on an advisory board, what explains the decision of nonprofits to create these opportunities? Table 5 presents the findings from this analysis. In this case, the findings confirm each of the three hypotheses. Heavy reliance on government revenues increases the probability that nonprofits will offer their clients opportunities to participate in an advisory board \( (b = 0.022; p < .05) \). At the same time, reliance on private charitable contributions decreases the likelihood of this activity \( (b = –0.051; p < .10) \). As nonprofit boards become less racially representative of their clientele, they are less likely to create these opportunities.

## Table 3. Factors Explaining Whether Nonprofits Offer Opportunities for Clients to Participate in Agency Workgroups

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>( \beta )</th>
<th>se</th>
<th>z-score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private charity funding</td>
<td>–0.001</td>
<td>0.011</td>
<td>–0.09</td>
</tr>
<tr>
<td>Government funding</td>
<td>0.048***</td>
<td>0.010</td>
<td>2.48</td>
</tr>
<tr>
<td>Racial mismatch (board/clients)</td>
<td>–0.028</td>
<td>0.021</td>
<td>–1.33</td>
</tr>
<tr>
<td>Religious affiliation</td>
<td>0.518</td>
<td>0.866</td>
<td>0.60</td>
</tr>
<tr>
<td>Female executive director</td>
<td>1.943**</td>
<td>1.028</td>
<td>1.98</td>
</tr>
<tr>
<td>Age of organization</td>
<td>0.037</td>
<td>0.023</td>
<td>1.62</td>
</tr>
<tr>
<td>Agency size</td>
<td>–0.046*</td>
<td>0.039</td>
<td>1.18</td>
</tr>
<tr>
<td>African American population</td>
<td>0.023</td>
<td>0.019</td>
<td>1.22</td>
</tr>
<tr>
<td>Constant</td>
<td>–2.272</td>
<td>1.442</td>
<td>–1.58</td>
</tr>
</tbody>
</table>

Pseudo \( R^2 = .324 \)

Log likelihood = –25.518231

\( x^2 = 24.47*** \)

\( n = 76 \)

*** \( p < .01 \); ** \( p < .05 \); * \( p < .10 \).

## Table 4. Factors Explaining Whether Nonprofits Conduct Client Feedback/Input Surveys

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>( \beta )</th>
<th>se</th>
<th>z-score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private charity funding</td>
<td>–0.012</td>
<td>0.013</td>
<td>–0.55</td>
</tr>
<tr>
<td>Government funding</td>
<td>0.038***</td>
<td>0.014</td>
<td>2.63</td>
</tr>
<tr>
<td>Racial mismatch (board/clients)</td>
<td>–0.007</td>
<td>0.018</td>
<td>–0.42</td>
</tr>
<tr>
<td>Religious affiliation</td>
<td>0.746</td>
<td>0.769</td>
<td>0.97</td>
</tr>
<tr>
<td>Female executive director</td>
<td>0.977</td>
<td>0.735</td>
<td>1.33</td>
</tr>
<tr>
<td>Age of organization</td>
<td>0.019</td>
<td>0.014</td>
<td>1.34</td>
</tr>
<tr>
<td>Agency size</td>
<td>–0.001</td>
<td>0.018</td>
<td>–0.16</td>
</tr>
<tr>
<td>African American population</td>
<td>–0.012</td>
<td>0.013</td>
<td>–0.092</td>
</tr>
<tr>
<td>Constant</td>
<td>–0.568</td>
<td>1.012</td>
<td>–0.56</td>
</tr>
</tbody>
</table>

Pseudo \( R^2 = .231 \)

Log likelihood = –32.85093

\( x^2 = 19.76*** \)

\( n = 76 \)

*** \( p < .01 \); ** \( p < .05 \); * \( p < .10 \).

## Table 5. Factors Explaining Whether Nonprofits Provide Opportunities for Client Participation on an Advisory Board/Committee

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>( \beta )</th>
<th>se</th>
<th>z-score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private charity funding</td>
<td>–0.026*</td>
<td>0.015</td>
<td>–1.71</td>
</tr>
<tr>
<td>Government funding</td>
<td>0.022**</td>
<td>0.010</td>
<td>2.10</td>
</tr>
<tr>
<td>Racial mismatch (board/clients)</td>
<td>–0.051*</td>
<td>0.012</td>
<td>–1.85</td>
</tr>
<tr>
<td>Religious affiliation</td>
<td>–0.003</td>
<td>0.916</td>
<td>0.00</td>
</tr>
<tr>
<td>Female executive director</td>
<td>0.284</td>
<td>0.651</td>
<td>0.44</td>
</tr>
<tr>
<td>Age of organization</td>
<td>0.014</td>
<td>0.013</td>
<td>1.06</td>
</tr>
<tr>
<td>Agency size</td>
<td>0.002</td>
<td>0.006</td>
<td>0.48</td>
</tr>
<tr>
<td>African American population</td>
<td>0.045***</td>
<td>0.015</td>
<td>2.86</td>
</tr>
<tr>
<td>Constant</td>
<td>–1.807*</td>
<td>0.982</td>
<td>–1.84</td>
</tr>
</tbody>
</table>

Pseudo \( R^2 = .310 \)

Log likelihood = –35.413445

\( x^2 = 31.94*** \)

\( n = 76 \)

*** \( p < .01 \); ** \( p < .05 \); * \( p < .10 \).
Taken together, this constellation of findings suggests that some of these organizations may provide this participation opportunity as a result of direct government mandate, as opposed to voluntary initiative. Some government-funded social service programs carry an explicit requirement for client participation and may require the use of specific methods, such as advisory boards (Saidel 1998). For example, a small number of organizations represented in this study are known to have originated as 1960s Community Action Agencies, which were required to have a majority of their boards composed of community residents (Smith 2000). However, further testing indicates that nonprofits’ use of advisory boards is not statistically linked to having a community action/development mission. Community development organizations use this method of client participation, but many other types of nonprofit social service providers use them as well, suggesting that there is no clear link between organizational mission and this form of client participation.

The final analysis examines client service on the board of directors. Board membership affords clients the opportunity to hold a position of legitimate decision-making authority, and therefore represents one of the most formal methods of participation. To what extent does reliance on specific forms of funding explain nonprofits’ adoption of this client participation mechanism? Table 6 displays the findings from this analysis. Again, the results yield mixed support for Salamon’s theory. As dependence on private charitable income increases, organizations become less likely to have a client serving on the board (b = −0.025; p < .05). This finding lends support to the paternalism hypothesis, but the second hypothesis predicting a corrective role for government funding is not supported. Reliance on government revenues has no statistical effect on the likelihood of nonprofits having a client on the board, departing from the trend that emerged in the preceding analyses. Two of the control variables help to explain this form of client participation among nonprofits. Agencies with a religious affiliation have a decreased likelihood of having a client on the board (b = −1.936; p < .05), suggesting that religiously affiliated nonprofits are more paternalistic in their orientation toward client participation on the board. However, when these organizations are located in communities with higher proportions of African American citizens, their likelihood of having clients serve on the board increases (b = 0.032; p < .05). Together, these findings suggest that the general pattern of faith-based organizations trends away from having clients as board members, but this pattern changes in communities that have a larger African American population.

**Discussion and Implications**

The partnership model suggests that government funding mediates the paternalistic tendencies of nonprofits by imposing rules, restrictions, and obligations on organizations that accept government funding. The preceding analyses sought to test this claim empirically by examining the effects of government funding and private charitable contributions on nonprofits’ use of client participation mechanisms. The results yield some support for Salamon’s theory, but the evidence is inconsistent. Dependence on private charity does decrease the use of client participation mechanisms by nonprofits, but only for two of the four activities examined. The results show stronger support for the hypothesis predicting that government funding will increase opportunities for client participation within nonprofit service agencies. However, here, too, the evidence is not entirely consistent. For most forms of client participation, government funding increases the likelihood that nonprofits will make these opportunities available to clients, although it does not increase the likelihood they will have an agency client serve on the board of directors.

These findings have important implications for both theory and practice and raise several questions for further research. In terms of theory, these findings demonstrate some support for Salamon’s partnership theory of government–nonprofit relations and point to the need to investigate how government funding may correct other sources of voluntary failure. For example, Salamon’s theory suggests that government
funding may also promote greater equity and neutrality in the ways in which nonprofits distribute their services. This proposition could be tested empirically through a study of nonprofits’ client eligibility policies. The partnership model offers a rich theoretical framework for those engaged in the study of government–nonprofit relations, and future research might benefit by deriving and testing hypotheses from this theory.

This analysis found only minimal support for the hypothesis that a racial mismatch between clients and the governance body reduces opportunities for client participation. Although this factor was statistically significant in only one of the analyses, its depressing effect on opportunities for client participation (advisory boards) suggests a need to further examine the effects of racial representation mismatch within nonprofit agencies. Evidence from the empirical public management research linking passive representation to active representation suggests that the theory of representative bureaucracy might hold some useful insights for studies of nonprofit governance and performance. For example, future research might examine the effects of racial mismatch between paid employees and clients of nonprofit agencies to determine whether client service outcomes are affected by racial representation. Moreover, this analysis examined the effects of representation mismatch only for African American clients. Further research might examine what effect representation mismatch has for other racial minority groups.

The finding that nonprofits display a greater propensity for participatory governance when they are funded by government also has considerable implications for policy and practice. Concerns about nonprofit accountability have heightened among policy makers, the public, and the media in recent years, causing many to question whether nonprofits are deserving recipients of government funding and whether they truly serve the public interest (Salamon 1996). The findings of this study may begin to offer some reassurance that government funding promotes the expression of public values by nonprofits in the form of more democratic organizational governance. This carries important consequences for how public organizations structure their contract requirements. Operating from the normative assumption that democratic participation is a desirable goal, public agencies might consider building client participation requirements into their social service contracts with nonprofits. Participatory governance may also have implications for nonprofit performance. To what extent does agency use of client participation methods translate into more responsive services? Do organizations that display more participatory governance have better client service outcomes? While these questions are beyond the scope of this analysis, they illustrate the need for further research, including qualitative studies examining the link between participatory governance practices and nonprofit performance.

The finding that private charitable contributions and government funding can have conflicting effects on nonprofit activities has somewhat troublesome implications for nonprofit practice, as most social service organizations are dependent on both sources of income to some degree (Independent Sector 2002). Nonprofit leaders may face conflicting demands from their government funders and individual donors. Because citizens donate to organizations serving causes they are most passionate about, nonprofits might be thought of as providing an outlet for the expression of intense preferences. The preferences of individual donors or groups of donors may compete with the public objectives of ensuring equity and participation. How do nonprofit leaders balance the conflicting demands of public and private interests when they are dependent on both for funding? This is yet another empirical question that remains to be answered.

**Conclusion**

This analysis sought to test Salamon’s theory that government funding corrects the source of voluntary failure known as philanthropic paternalism. Government funding substantially increases the likelihood that nonprofits will engage in participatory governance practices by creating opportunities for their clients to provide feedback and to participate in agency decision-making forums. Through these venues, nonprofit social service organizations may help shape the democratic identities of their clients by providing them with opportunities to learn how to express positions on issues and by exposing them to the processes of deliberation and debate. Nonprofit social service organizations may foster civic participation skills among their clients by soliciting their input on service planning and by creating forums for them to contribute to organizational governance. Evidence suggests that these types of experiences can enhance clients’ sense of political efficacy and help incorporate knowledge and skills that can be generalized to other settings (Soss 1999). By participating in intraorganizational venues within their service agency, clients may acquire experience and skills required for participation in a democratic society.

In cautioning that third-party public service delivery may threaten democratic governance, O’Toole (1997) argues that it can also create opportunities for strengthening governance, depending on the values and actions of public managers. Government contracting with nonprofit organizations represents one such opportunity for strengthening governance, but this analysis illustrates the need for public managers to carefully structure expectations and requirements...
of third-party service providers. Government agencies that award contracts and grants to third-party agents can help realize the objective of democratic governance by structuring award processes in ways that encourage client participation in agency operations. Ultimately, this analysis underscores the importance of government’s role in providing leadership in establishing policy direction. As this study suggests, government principals can encourage the expression of public values by their third-party agents by linking conditions of payment to desired practices that promote public interests.

While this analysis has shed light on the subject of client participation in nonprofit service agencies, a few limitations must be noted. Some organizations represented in this study have built-in program requirements for client participation, making it difficult to discern whether they offer these opportunities to their clients voluntarily, as a result of a contract requirement, or as a result of administrative regulations attached to the specific source of funding, which is a particularly common condition among federal grant programs. As discussed earlier in the context of the Community Action Agencies, some government-funded social service programs carry an explicit mandate for client participation and may require the use of specific methods, such as advisory boards. Second, simply increasing the supply of participation opportunities does not necessarily mean that more clients participate, or that they participate more frequently. This study also did not attempt to cover the full range of participation venues that may exist, so it is possible that clients participate in ways other than the ones examined here. Qualitative analysis is needed to arrive at a more complete understanding of the methods and depth of client involvement in shaping nonprofits’ administrative decisions. Finally, this study was restricted to a single state, and it has other data limitations that were noted earlier. Despite these inevitable limitations, this analysis moves us one step further in understanding client participation in nonprofit organizations and how government funding influences nonprofit practices, and it points to several interesting questions for further research.

Notes
1. Salamon’s theory has been criticized on the basis that it applies only to health and human service organizations (Swanstrom and Koschinsky 2000) and that it cannot explain the simultaneous existence of nonprofits, for-profits, and government in the same industries (Smith 2000). Others have argued that a truly independent voluntary sector cannot be coupled with government in the way the partnership model depicts (Psychitko and Boettke 2002). Despite such criticisms, the partnership model remains one of the strongest and most widely accepted theoretical explanations for the growth and existence of the U.S. nonprofit social service sector.
2. These 76 human service organizations represent a subset of the original data set. A total of 119 responses were received from the 197 public charities surveyed, which included several arts organizations, sports clubs, civic and fraternal organizations, and neighborhood associations. These organizations were excluded from this analysis because Salamon’s partnership model was proposed in the context of health and human service delivery. Therefore, this analysis examines only those organizations in the original data set that fit this description.
3. Because the sampling frame used (Michigan attorney general’s database of licensed charities) includes only those organizations licensed to solicit the public for donations, it is less likely that smaller organizations (those with budgets of $25,000 or less) would be represented in this database.
4. Of the organizations included in this study, 24 percent are located in small cities and towns with a population of less than 10,000, and another 26 percent are located in medium-sized communities (populations between 10,000 and 49,999). In all, 29 percent of the organizations are located in large cities (populations between 50,000 and 149,999), and the remaining 21 percent of agencies are located in very large cities with populations of 150,000 to 1 million (Grand Rapids and Detroit).
5. A correlation analysis was performed for the nine predictor variables as a precaution, and this analysis indicated that only government funding and private charitable donations were moderately negatively correlated ($r = -.41$).
6. Salamon makes a case for measuring government funding as a single variable. The intergovernmental transfer of funds from the federal to state, county, and municipal governments almost guarantees that the outcome confused survey responses. For example, a nonprofit mental health organization may hold a contract with the county community mental health board and therefore identify the county as its source of funding, but in fact, state and federal Medicaid revenues provide the funding for the agency’s services. Similarly, an urban nonprofit housing organization might identify the city as its source of funding without acknowledging that a large share of its funds come from federal Community Development Block Grants. Given the intricacies involved with intergovernmental funding arrangements, a choice was made to replicate Salamon’s measure and simply ask survey respondents which proportion of their budget comes from government.
7. The small sample precluded separate analysis of different racial groups, so the measure chosen was that of the largest minority group represented both in the state and in the sample. The survey statistics indicate that African Americans account for approximately
93 percent of all minorities at the board level and 91 percent of all minorities at the client level. Moreover, African Americans represent the largest minority group in the state population. Census Bureau statistics from 2000 indicate that African Americans population proportion in Michigan is 14.1 percent, while Hispanics represent 3 percent of the population, and all other racial and ethnic minority groups are represented in proportions of 1 percent or less.

8. Examples include Project Head Start, Medicaid-funded disability service programs, and the original Community Action Agencies that now operate as human service providers. Federal requirements for an advisory board may not necessarily mandate that the organization create a client advisory board, but a community advisory board composed of citizens, community business representatives, funding agents, and other stakeholders. Based on the data, the number of organizations in this study with federally mandated advisory boards cannot be definitely determined.

9. There are only two known Community Action Agencies represented in the sample, but there are five additional organizations in the sample designated with “S” codes (community development organizations) according the National Taxonomy of Exempt Enterprises coding system. To test for the possibility that Community Action Agencies may be the primary factor accounting for the dependent variable (use of advisory boards), a dummy variable was created for these seven organizations; 1= organization is an “S” code, 0= organization is not an “S” code. The model reported in table 5 was re-run to include to control for organizations being community development organizations, some of which were originally established as Community Action Agencies in the 1960s. The “S” code dummy was not statistically significant and did not change the findings reported in table 5. This same precautionary test was subsequently conducted for the analyses examining client participation on the board of directors. The inclusion of this variable did not change the findings about factors influencing client participation as board members.

References


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