

The Rationalization of
Charity: The Influences
of Professionalism in
the Nonprofit Sector

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This paper analyzes how professional values and practices influence the character of nonprofit organizations, with data from a random sample of 501(c)(3) operating charities in the San Francisco Bay Area collected between 2003 and 2004. Expanded professionalism in the nonprofit world involves not only paid, full-time careers and credentialed expertise but also the integration of professional ideals into the everyday world of charitable work. We develop key indicators of professionalism and measure organizational rationalization as expressed in the use of strategic planning, independent financial audits, quantitative program evaluation, and consultants. As hypothesized, charities operated by paid personnel and full-time management show higher levels of rationalization. While traditional professionals (doctors, lawyers, and the clergy) do not differ significantly from executives with no credentialed background in eschewing business-like practices, managerial professionals champion such efforts actively, as do semi-professionals, albeit more modestly. Management training is also an important spur to rationalization. We assess what is gained and lost and the tension that can arise when nonprofits become professionalized and adopt more methodical, bureaucratic procedures. ●

The occupational category of professionals has historically referred to individuals who derive legitimacy and authority from their formal education and claims to specialized expertise. These experts are thus authorized to act in specific jurisdictional domains (Freidson, 1986). Over the past century, professionals have sharply increased as a proportion of the labor force, to about 20 percent now (Brint, 1994; Abbott, 2005). This expansion reflects two trends: the growing salience of knowledge workers in contemporary society and a burgeoning number of jurisdictional domains for which advanced qualifications are deemed necessary. Beyond the numerical expansion of professionals, more diffuse notions of professionalism—such as commitment to work and dedication to improve one’s capabilities—have become pervasive in contemporary society.

A paradox arises, however, when one considers both concrete occupations and trends in society at large: the apparent decline in the influence of traditional professions such as law, medicine, and divinity has been accompanied by a general amplification of professionalism or the “professionalization of everyone” (Wilensky, 1964). This professionalism paradox has occurred in the context of the expansion of higher education and the concomitant growth of organizational populations. The growth of higher education has paved the way for “professionalized work environments . . . through the credential system,” in which “high levels of education and an orientation to formal knowledge are typical among staff and management” (Brint, 1994: 25). Stinchcombe (1965) pointed out that an increase in education leads to higher rates of organizational foundings, and modern organizations are increasingly staffed by educated and credentialed personnel (Meyer, 1977). There are more organizations now, in more social domains than in the past. Even in child rearing, the sage advice of grandmothers has been supplanted by a wide array

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Professionalism

of child development experts and agencies. This multiplication of formal organization has led to the rise of “organizational professionals” (DiMaggio and Powell, 1983) or the “administrative class” (Freidson, 1986), whose job it is to manage these organizations.

The growth of managerial professionals represents a profound institutional change. This group shares common administrative or management training and similar occupational norms; moreover, their professional and social networks expand as they practice their trade in a wider range of organizations (Khurana, 2007). These connections, in turn, enhance the diffusion of common evaluative and normative standards. This effort to render practices measurable or accountable can reduce knowledge to a routinized, codifiable product (Suddaby and Greenwood, 2001). These new managerial professionals link organizations and their environments, facilitating information flow, colonizing new domains of work, and erecting new status hierarchies based on the prestige of their training and employment. The demand for managerial expertise, at the same time, has become pervasive.

Much knowledge, once exclusively guarded by credentialed experts, is now packaged and standardized and made available to interested individuals and organizations seeking access to training opportunities to acquire necessary skills and expertise. As this standardization process expands, the authority of credentialed professionals is eroded (Jacobsson, 2000). Upstart professions such as accounting have encroached on lawyers’ turf (Dezalay and Garth, 2004; Suddaby and Greenwood, 2005). In the medical field, the rise of managed care, health maintenance organizations, and numerous insurance dictates over patient care have greatly undercut the autonomy of doctors and eroded much of their professional dominance (Scott et al., 2000). Moreover, life-time learning beyond formal education has become commonplace in organizations, as a human resources culture spreads. Such training augments opportunities for career development and emboldens individuals and organizations to pursue continuous improvement and professional aspirations (Scott and Meyer, 1991a; Monahan, Meyer, and Scott, 1994; Luo, 2006). In this context, a corpus of terms related to professionalism—such as professional, expert, expertise, authority—has acquired many varied and culturally elaborated connotations. The meanings of this family of terms have broadened, and “professional” has become synonymous with the qualifications for a particular role, independent of any conventional distinction based on training or certification and is increasingly bound up with a goal to improve one’s capabilities.

The ubiquitous incorporation of experts into everyday organizational affairs has led to the rationalization of a wide array of domains (Drori, Meyer, and Hwang, 2006). Professionals with competence in management can be distinguished from those with a cognitive base in a substantive field, such as law, medicine, or social work. For managerial professionals, the “pursuit of intelligence in organizations” forms the basis of their authority (March, 2006: 201). This abstract, generalized conception of management is considered broadly applicable, as it is viewed as a necessary and legitimate technical skill

(Meyer, 1994; Townley, 2002). As older sovereign professions with substantive expertise are increasingly incorporated into organizational settings, managerial professionals oversee these “heteronomous” organizations (Scott, 1965). At the same time, administrative expertise and knowledge have become standardized and commercialized for mass circulation and consumption (Suddaby and Greenwood, 2001). In this context, professionalism becomes infused with managerial aspirations and expectations, which also penetrate organizations through institutional pressures, competition, and employee training and development. Expanded professionalism has affected all sectors of society, particularly the nonprofit arena, formerly a world of amateurs and volunteers (Karl, 1998).

Many nonprofits in the United States now rely on paid staff and professionals in both substantive jurisdictions and management to pursue their missions. The voluntary sector accounts for 8.3 percent of the wages and salaries and 6 percent of the organizations in the U.S. (Pollak and Blackwood, 2007). Thoughtful analysts contend that the nonprofit sector is undergoing greater professionalization and fear that this may lead to the dominance of instrumental orientations, at the expense of expressive goals (Frumkin, 2002; Skocpol, 2003; Putnam, 2007). Nevertheless, volunteerism remains important, and nonprofits represent a participatory ethos and an associational culture that have been a central feature of American society (Hall, 2006). Participation in nonprofit organizations serves as a key training ground for democracy, as individuals learn how to become engaged citizens (Putnam, 1993; Clemens, 2006). By one estimate, almost half of adult Americans are involved in some type of charitable work (Abbott, 2005), while a recent statistical profile reports that 29 percent of Americans volunteered through a nonprofit organization in 2005 (Pollak and Blackwood, 2007). The nonprofit sector’s professionalization may have significant implications for its core identity as an arena for volunteerism and participation, as well as for its future development and role in society at large, especially given the ubiquitous presence of nonprofits in the daily lives of many citizens (Boris and Steuerle, 2006). Moreover, professionalization can lead to diminished experimentation, as well as an orientation towards doing *for* others rather than *with* them (Skocpol, 2003).

In recent decades, the nonprofit sector has evolved from informal activities of charitable do-gooders to highly formalized endeavors by enterprising individuals. In such areas as health care, higher education, social services, and the arts, nonprofits are major service providers. An earlier era of rapid growth by nonprofits in the 1950s witnessed the translation of business models, such as decentralization and new forms of cost accounting, to the top ranks of the nonprofit sector. The early consulting firm of Cresap, McCormick, and Paget advised elite boarding schools, major universities, research hospitals, the Metropolitan Museum of Art, and even the Republican Party, the American Civil Liberties Union, and the Presbyterian Church of the U.S.A. (McKenna, 2006: 111–144). Research in the late 1980s and early 1990s showed that as nonprofits turned to external funding sources, they became more bureaucratic (Smith and Lipsky, 1993: 100–108;

Professionalism

Grønbjerg, 1993: 169–198). The past decade has seen more sweeping moves toward importing business models and practices, which may transform charitable groups into more instrumental, purposive organizations. These steps have been augmented by both internal managers who see these practices as essential to growth and survival and external proselytizers who urge the diffusion of business tools.

Professionals have long been important conduits through which new ideas and practices diffuse; hence their efforts have far-reaching influences on individual organizations and fields as a whole (Lubove, 1965; Powell and Friedkin, 1987; Staggengborg, 1988; DiMaggio, 1991; Jenkins, 1998). Most research on the organizational consequences of professionalization has tended to concentrate on specific areas, such as social services, social movement and advocacy organizations, or health care, rather than an entire sector. But widespread efforts to professionalize are likely to have the effect, perhaps unintended, of making a heterogeneous collection of organizations into a distinct, coherent sector with a common set of organizational routines.

To explore the nature and extent of the nonprofit sector's professionalism and its organizational repercussions, we drew on interviews conducted in 2003 and 2004 with the executive directors of a random sample of San Francisco Bay Area 501(c)(3) operating charities that represent the whole spectrum of nonprofit activities and missions. The different guises and ramifications of professionalism—a traditional sovereign career, an occupational group supported by legitimate claims to authority, or an aspiration or ideology—should be quite vivid in the contemporary nonprofit sector. The nonprofit world is a special case in which activities in pursuit of goals can be organized either on an intrinsic voluntary basis, as instrumental paid work, or some combination thereof. Because both the private and public sectors lack a volunteer component, it is impossible to see the full impact of professionalism. To illustrate the effects associated with professionalism, we need to delineate among its different types and assess how these forms and the organizational attributes of nonprofits are associated with specific organizational practices that facilitate rationalization, ostensibly to improve accountability and efficiency.

PROFESSIONALISM AND RATIONALIZATION IN THE NONPROFIT SECTOR

Key stakeholders, notably government and philanthropic funders and associations, have led the charge for greater efficiency and accountability in the nonprofit sector (see, for example, Independent Sector, Panel on the Nonprofit Sector, 2005). Competitive pressures have also prompted a more systematic and diligent search for funding, rendering an older model of informal, volunteer-based charity less viable (Smith and Lipsky, 1993; Salamon, 2003). Political pressures on nonprofits to increase their accountability have also grown considerably. Combine these forces with the rising popularity of venture philanthropy (Letts, Ryan, and Grossman, 1997) and social entrepreneurship (Dees, 1998; Dees and Elias, 1998), both of which draw heavily on metrics and practices

from the for-profit sector, and one sees a broad, seismic shift toward organizational rationalization underway in the nonprofit sector.

Rationalization denotes the integration of formalized roles and rules around unified sovereignty, entailing the construction of nonprofits as “actors” with clear identities (Meyer et al., 1994; Meyer, Boli, and Thomas, 1994; Brunsson and Sahlin-Andersson, 2000; Meyer, 2002). As constituents, funders, and regulators call for wider use of strategic planning and wield influence to make independent financial audits and quantitative evaluation of program outcomes more commonplace, nonprofits have to develop consistent accounts (Hwang and Suárez, 2005; Powell, Gammal, and Simard, 2005). Strategic plans, independent financial audits, and quantitative program evaluations all represent attempts to measure and formalize nonprofits’ activities. These practices locate rationality inside the organization (strategic planning) and establish specific substantive and financial areas for analysis (quantitative program evaluations and financial audits, respectively). Consultants are often brought in to develop and implement these practices and improve other areas of operation that are purportedly deficient.

More concretely, strategic plans are formal documents that articulate organizational goals and the means by which to achieve them over a specified period of time and propose to promote effective management by prioritizing goals under resource constraints. Nonprofits frequently use strategic planning as opportunities to revisit and redefine missions and to explore their strategies for revenue generation, fundraising, and public relations. While strategic plans are forward-looking statements, independent financial audits entail examining the completeness and accuracy of past financial accounts by a disinterested third party. Audits are intended to enhance accountability in the eyes of external stakeholders and the general public. Quantitative program evaluations attempt to measure the effectiveness of specific programs and allow organizations and their audiences to benchmark different organizations on common metrics. In addition, consultants have become highly active in the nonprofit sector, facilitating the spread of projects such as program assessment, public relations, fundraising, and earned-income efforts. Established consultancies, including Bain and McKinsey, have set up nonprofit branches or institutes, and nonprofit consultancies and intermediaries have also grown rapidly (Gammal et al., 2005). Though consultants may be involved with different tasks, their use reflects a widespread effort to improve productivity and render nonprofit activities more methodical. These varied practices and efforts contribute to both an image and a mind-set that renders nonprofits more instrumental and focused.

Previous research has documented the impact of professionals on organizational practice in specific nonprofit contexts. The nature and development of fields as varied as social work and art museums have been altered due to notable shifts in the cognitive bases and approaches of practitioners (Lubove, 1965; DiMaggio, 1991). Health care has gone through a series of administrative and managerial reforms over the past

Professionalism

decades (Arndt and Bigelow, 1995; Scott et al., 2000). In the world of political advocacy, Jenkins (1998: 212) has shown that social movement professionalization, defined as “the creation of permanent staff positions,” leads to movement successes, but in a prescribed fashion, as advocacy groups are “channeled” toward more moderate goals and tactics. Staggenborg (1988: 586–587) found that organizations in the pro-choice movement with “paid staff who make careers out of movement work” are more bureaucratic. Edwards (1994: 317) compared advocacy organizations in the peace movement on the basis of size and formalization, observing that larger organizations “have higher levels of procedural formality, and more centralized financial decision making.” In contrast, smaller peace organizations were “more likely to have high rates of member participation . . . and make decisions by consensus.” Thus, at the level of individual organizations, professionalism—whether in the guise of credentialism or reliance on paid staff—often leads to significant shifts in both nonprofits’ mission and structure (Minkoff and Powell, 2006).

One of the main contributions of the professions literature is the view that professionalization is both a sequence of meaningful events and an evolving form of social organization. Though the sequence may vary, a stage model is central to the professionalization project (Wilensky, 1964; Abbott, 1988; Brint, 1994). Wilensky (1964) identified five steps: (1) the beginning of full-time work; (2) the establishment of a training school; (3) the formation of a professional association; (4) the protection of jurisdiction through state-sanctioned licensing; and (5) the development of a formal code of ethics. This sequence is an ideal type, but some, if not all, of these events occur to varying degrees during the course of professionalization, especially for nonprofits, which often begin with volunteers and “amateur” staff.

Amateurs and professionals. The most obvious first step that sets any given line of work on the road to achieving the status of a profession is “to start doing full time the thing that needs doing” (Wilensky, 1964). Being a professional means having a vocation, and the beginning of full-time work in a given activity signals the birth of that labor as a vocation. In the same vein, but with a slightly different emphasis, Freidson (1994: 109) distinguished “professional” and “amateur” with a market-based view: “What makes the activity ‘work’ is its exchange value. What makes a person a ‘worker’ or a ‘professional’ is his relationship to the market.” This distinction is fundamental, as many nonprofit activities originated with volunteer efforts to serve a cause or the public and evolved into a full-time occupation supporting the livelihood of those involved in these activities. This characteristic is true both for the historical development of the sector and the life cycle of individual nonprofits.

For instance, social work grew out of voluntary religious service to the poor and infirm in the late nineteenth century but became “scientific” and professional work—that is, credentialed and paid—by 1920 (Mohr and Duquenne, 1997; Abbott, 2005). This shift from volunteer-based to paid work shapes both individual careers and distinguishes two primary organizational forms: staffed vs. volunteer-based nonprofits.

Although these different modes of organizing do not necessarily reflect levels of expertise or the degree of commitment to a cause, nonprofits with full-time staff face concerns that are less salient in volunteer-based organizations. Most notable are organizational design questions and human resource and labor market issues, including affirmative action, workers' compensation, and equitable salaries (Baron, 2004). Hence we expect that professionally staffed and managed nonprofits differ significantly from volunteer-based organizations.

Hypothesis 1: Nonprofit organizations that are staffed and managed by paid personnel are associated with higher levels of organizational rationalization.

Credentialed experts and professional training and development. Professional authority and legitimacy lead to claims to technical expertise, typically acquired in the educational system. Accordingly, a key point of differentiation among occupations is the credentialed technical base of work. Between older, established professions like academe and science, let alone law and medicine, and local high school band boosters and swim teams, there is much variation in the degree to which nonprofit activities require advanced training and authority derived from expert knowledge. Some nonprofit organizations must, by virtue of their involvement in particular jurisdictions, such as health care and counseling, hire more credentialed personnel. In addition, many nonprofit leaders and employees acquire skills through development and training courses, often offered by professional associations or intermediaries, as well as for-profit vendors.

Beyond the requirements for formal study and training, the expansion of the educational system has resulted in the employment of many credentialed personnel in the nonprofit sector. This spread of expertise is also enhanced through volunteer executive directors and board chairs who are employed in professional activities in the for-profit or government sectors and "loan" their skills to nonprofits. The nonprofit sector experiences unusual cross-currents and exchanges of knowledge because volunteers can make significant contributions to management and service delivery.

The substantive prowess that provides expertise in the nonprofit sector varies greatly. Professionals and their networks serve as conduits of ideas, as they tend to share a single mind set (Galaskiewicz, 1985). This suggests that nonprofits led by credentialed professionals are much more likely to be in step with trends in other organizations and therefore more likely to consider and adopt practices that are regarded as prevalent in the broader environment. Thus we expect nonprofits run by credentialed professionals to depart from organizations led by non-credentialed managers:

Hypothesis 2: Nonprofit organizations managed by an executive with a professional degree are associated with higher levels of organizational rationalization.

Professional development and training also provide a valuable link to the external environment. Both nonprofit professional associations in specific subfields and sectorwide associations serve as important avenues of training and networking, as

Professionalism

well as opportunities to learn about other organizations and their best practices. Nonprofit intermediaries, such as consultants and trade associations, are “carriers” that bring the newest managerial know-how to nonprofit managers and staff (Sahlin-Andersson and Engwall, 2002). Moreover, national organizations with regional, state, and local affiliates, such as the National Parent Teacher Association or Boys and Girls Club of America, develop programs and resources for their affiliates, organize conferences or workshops on topics ranging from violence prevention and childhood nutrition to strategic planning and fundraising and provide training to staff, board members, and volunteers. This perceived need of the sector for professional advice and training has created a burgeoning new market for business school executive education and for-profit professional development firms.

In the context of an environment that rewards professionalism, many nonprofits routinely seek external opportunities for further improvement. For many volunteer-based organizations, such options may be the most feasible way to improve the capacity of their organizations and encounter new ideas, especially if the possibility of recruiting credentialed professionals exceeds their financial capacity. Participation in professional development and training brings nonprofits into closer contact with their external environment and prevalent organizational practices. Therefore we expect that:

Hypothesis 3: Nonprofit organizations whose staff and leaders participate in professional training and development are associated with higher levels of organizational rationalization.

Cognitive bases of professional expertise. There are two distinctive cognitive bases of professional expertise: one based on training in and command of a particular, substantive disciplinary area, and the other based on expertise in general management knowledge. The calling card of the latter is the view that organizations, in the abstract, are similar (Strang and Meyer, 1993). Indeed, for decades the hallmark of the most visible center of management education, the Harvard Business School, has been its training of general managers (Khurana, 2007). The skills of managerial professionals are not tied to the rise and fall of particular substantive areas but to the broader pursuit of organizational rationality (Drori, Meyer, and Hwang, 2006). Consequently, these managers promote the spread and institutionalization of organizational practices and models as they move easily across organizations, substantive areas, and sectors. These different kinds of competence are not inherently opposed to one another, and organizations may be well served by multiple skills. The backgrounds of organizational leaders, however, can shape how problems are interpreted and solutions are formulated (Fligstein, 1990). The pull of diverse forms of expertise can provoke tensions, most commonly in a struggle over a mandate to serve as many people and constituents as possible and the necessity of staying financially afloat as an organization. For example, Chaves (1993) found an uneasy coexistence between clergy and administrative officers in religious organizations, while Alexander (1996) pointed to similar strains between curators and managers in museums.

Although managerial professionals should leave a different imprint than substantive professionals, there is also variation among substantive professionals. Among the professions based on expertise in disciplinary areas, there are both more traditional, ideal-type professions and applied groups described as semi-professions. The former are highly institutionalized and legitimate and may be able to shield themselves more successfully from environmental pressures and retain control over a broader array of issues, including decisions over workplace procedures (Scott and Meyer, 1991b: 129–130). Moreover, traditional, ideal-type professions are more tightly bound to their normative orders and thus tend to be more conservative and less adaptive to external trends in general. Semi-professionals, such as child psychologists, educators, and criminologists are relatively less steeped in disciplinary traditions. As the semi-professionals are less wedded to professional orthodoxy, they may be freer to experiment with new practices and ideas. Consequently, semi-professionals may function as “explorers,” while ideal-type professions may more slowly lend their seal of approval only late in the institutionalization process as “settlers” (Sutton and Dobbin, 1996: 808; see also Hwang and Powell, 2005). In short, although professionals in general are more likely to be responsive to the demands of external environments than nonprofessionals, there is notable variation among types of professionals. Therefore we expect:

Hypothesis 4: Nonprofits directed by managerial professionals are associated with higher levels of organizational rationalization than nonprofits led by semi-professionals; and nonprofits managed by semi-professionals are associated with higher levels of organizational rationalization than nonprofits led by traditional professionals.

Though professionalism based on formal credentialism is one channel through which rationalization penetrates nonprofit organizations, enhanced professionalism through managerial training is another means. We expect a managerial disposition to be associated with business processes and organizational practices available in the broader environment. More concretely, nonprofit leaders who are more immersed in management training are more familiar with administrative ideas and practices that circulate in other sectors. Hence we expect nonprofits with a managerial orientation—acquired through managerial development and training—to be more receptive to rationalization practices. Put more formally,

Hypothesis 5: Nonprofit organizations whose leaders and staff attend professional training and development workshops or conferences in managerial topics are associated with higher levels of organizational rationalization.

METHODS

Sample and Data

We analyzed a representative sample of 501(c)(3) charitable operating organizations from the population of nonprofits in the 10-county San Francisco Bay Area, which includes urban areas such as Oakland, San Jose, and San Francisco, as well as the suburbs of Marin and San Mateo counties, and formerly rural counties such as Napa, Solano, and Sonoma.

Professionalism

Organizations exempt from tax under section 501(c)(3) of the Internal Revenue Service code are charitable nonprofits and eligible to receive tax-deductible contributions. Operating organizations are the subset of 501(c)(3) nonprofits—distinguished from charitable funding organizations such as private foundations or public supporting organizations—that provide direct programs or services to clients and causes for the public benefit in such areas as the arts, education, environment, health, human services, and religion. Using data from the U.S. Internal Revenue Service (IRS) digitized by the National Center for Charitable Statistics (NCCS), we identified the population of IRS form 990 filers in the year 2000, which was the most complete recent year available. There were 7,106 operating charities in the 10-county area, from which we drew a random sample.

We approached the organizations initially by mail, followed up by telephone and e-mail, and eventually contacted 264 viable organizations to develop a sample of 200 operating charities. The means of access can have an effect on the willingness to participate in research, and certainly some executive directors were keen to talk with researchers from a prestigious business school. We made every effort to emphasize that we did not endorse specific business practices, nor were we offering consulting advice. Given that the sample organizations vary in size, activity, age, and location within the region and closely reflect the distribution of the full population, we do not think our institutional affiliation influenced the response rate, which was 76 percent. Of the non-respondents, 35 refused to participate, and 29 were dropped after four unsuccessful attempts to reach them, but most of those had ceased operations. Overall, the organizations in the sample are typically rather small, with approximately half having annual budgets below \$200,000, but some range into the tens of millions. The sample organizations, like the full population, come primarily from four major domains: human services (37 percent), education (21 percent), arts and culture (14 percent), and health (11 percent).

We conducted extensive, face-to-face interviews in 2003 and 2004 with the executive directors of staffed organizations or board presidents of purely volunteer-based organizations to learn about issues of founding, funding, management, governance, personnel, and external relations. All interviews were conducted using a standard interview protocol. The protocol was tested and refined during 20 pilot interviews with directors and included questions designed to gather specific facts about each organization and its staff, as well as open-ended queries that were used to facilitate the interviews and elicit more detailed responses. The interviews lasted approximately 90–120 minutes and were typically conducted at the offices of the nonprofits, where interviewers could see the leaders in their work surroundings. In some cases, we used information from the organization's Web site or IRS form 990 for corroboration. We made every effort to increase both the interview quality and intercoder reliability throughout the process: full-protocol tests and spot checks were conducted, interview notes were circulated among the research group, weekly meetings were held to discuss interview and coding issues, and the protocols were annotated to guide

interviewing and coding. We presented preliminary findings at workshops with some of the executive directors we interviewed and developed teaching cases based on several revelatory cases.

We obtained the financial data (total expenses and funding sources), organizational age, and activity area (such as health and human services) from the tax records provided by the IRS and NCCS. We constructed the measures used to capture the orientation and organizational practices of the sampled organizations from the data drawn directly from the interviews (see Appendix). For the analyses, we had responses to all the relevant questions from 190 organizations regarding the use of consultants, the presence of strategic planning and independent financial audit, and the collection of quantitative data for program evaluation. The analyses are thus based on constant cases.

The San Francisco Bay Area is a fertile region for nonprofits, with higher per-capita rates and median budgets than nonprofits in Los Angeles or other areas of California (Gammal et al., 2005). The region has a storied history of activism and radical politics, which led to the creation of rights and environment organizations early in the twentieth century and to the AIDS movement more recently. Nevertheless, after six years of research, we are less inclined to see the Bay Area as unique than to see it as but one of the leading edges of experimentation with new ideas. As one of the only western cities with a history of philanthropy and social service dating back to the Gold Rush and a substantial population early in the twentieth century, it is not surprising that the Bay Area has more established and larger nonprofits than other areas of the state. Yet the profile of the Bay Area nonprofit sector across age, activity, and size is remarkably similar to both that of other regions and the nation as a whole (Gammal et al., 2005). Although ideas about venture or high-engagement philanthropy have taken root in the Bay Area, it is by no means the only active region for new forms of charity. Social Venture Partners, the most replicated venture philanthropy group, began in Seattle before expanding to the Bay Area, Portland, Boston, Austin, New York, and Atlanta. Stanford University offers a nonprofit management concentration, but so do universities such as Duke, Indiana, Yale, Case Western, and Georgia State. A leading historian of philanthropy has argued that the "languid" style of post-World-War-II foundation practice has been replaced nationwide by a new preoccupation with short-term impact and impatience with basic research into underlying causes (Katz, 2006). Perhaps most critical from our perspective, the embrace of metrics and benchmarks is increasingly a global phenomenon that has circulated rapidly across different sectors (Power, 1997; Djelic and Sahlin-Andersson, 2006; Espeland and Sauder, 2007).

Dependent variable. For the dependent variable in the analysis, we constructed an *organizational rationalization* factor using four dichotomously coded variables (1 if present; 0 otherwise) indicating the presence of strategic planning, the conduct of an independent financial audit, collection of quantitative data for program evaluation, and the use of consultants. As we have noted, these organizational practices

Professionalism

have been pressed on nonprofits by foundations, government regulators, and large donors. Strategic planning, program evaluation, and the use of auditors and consultants are all activities that usher in new vocabularies and metrics and signal the value of different outputs and goals.

In our random sample, 89 of the 190 organizations (46.8 percent) were involved in strategic planning. Also, a similar number (97 organizations or 51 percent) commissioned independent financial audits. Relatively more nonprofits, 117 out of 190 (61.6 percent), collected quantitative data for the purpose of program evaluation. Finally, and most frequent, 128 of 190 organizations (67.4 percent) hired one or more consultants. Because these variables were binary, we used a matrix of tetrachoric correlation coefficients among these four variables to extract factor loadings via a principal components method. All four variables loaded strongly on one single general factor, and we obtained one factor with an eigenvalue greater than 1. Table 1 reports the factor loadings, eigenvalue, and the percent of variance explained among the four variables accounted for by this factor. We used the obtained factor loadings to compute the factor score, which was then recalculated as a z-score. Thus the dependent variable, the organizational rationalization factor, is a standardized factor score.

Organizational professionalism. The index of organizational professionalism is a sum of five variables. All five were coded as binary variables and were summed for each organization to measure the level of organizational professionalism (staffed by paid personnel = 1; use only paid personnel for service delivery = 1; managed by an executive director = 1; the executive director is a paid position = 1; and the executive director works full time for the organization = 1). The index was constructed so that an organization that is staffed and run only by paid personnel and managed by a full-time, paid executive director receives the highest score. A volunteer-based organization without a formal executive director position receives the lowest score. This index captures variation among nonprofits based on the fundamental volunteer-based and staffed distinction, the use of volunteers in service delivery, and the extent of executive leadership. In our sample, 26 organizations received a zero score as all volunteer-based and "amateurs." They included such organizations as a Pop

Table 1

Factor Solution for Organizational Rationalization (N = 197)*	
Variable	Factor loadings
Strategic planning	0.8233
Use of consultants	0.8212
Independent financial audit	0.9068
Quantitative program evaluation	.08114
Eigenvalue	2.38279
Percent of variance	70.82%

* There were 197 organizations with information on all four indicators. We dropped 7 cases due to missing information on other variables in the analyses reported in table 4.

Warner football club, a Little League baseball association, a railroad historical society, a Kiwanis group, and a parent teacher organization. At the other end of the spectrum, 20 organizations received the highest score, with all five indicators present. These included such organizations as a housing association, a health care organization, a college, a community development organization, and an environmental consulting group.

Credentialism and knowledge bases. The second set of variables measured the cognitive knowledge bases of professionalism. The interviews provided data on the educational backgrounds of both paid and volunteer executive directors, which we assigned to one of three categories. For organizations without a formal executive director position, we coded the educational background of the chair of the board of directors. In these organizations, board chairs are equivalent to executive directors, as they are responsible for organizational decisions and provide management leadership or oversight. We created a dummy variable for the organizations whose executive directors or board chairs had professional degrees of any kind. We then differentiated professional degrees into two categories: substantive and managerial. The dummy variable for managerial professionals covers a range of general management degrees, including Master's of Business Administration, Master's in Public Administration, and nonprofit management. We further distinguished the substantive degrees into traditional, sovereign professionals and semi-professionals. The former includes the ideal-type professions of law (J.D.), medicine (M.D.), divinity (M.A. in Divinity), and academe (Ph.D.). The latter consists of all other professional degrees that are neither managerial nor sovereign, such as education, clinical psychology, criminology, social work, and public health.

As discussed earlier, many nonprofit fields have been professionalized for some time, but managerial professionalism is rather recent. This pattern is reflected in the distributions of substantive and managerial professionals in our sample. In the 190 organizations, 24 (12.63 percent) had a sovereign professional degree; 36 (18.95 percent) had leaders with an applied (or semi-professional) degree; and 25 (13.16 percent) had leaders with an advanced managerial degree.

Professional and management training. While the credentialism variables capture the different cognitive dimensions (substantive, applied, or managerial) of professionalism rooted in the educational system, two dummy variables for training and professional development measure whether nonprofit managers, staff, and volunteers attend workshops or conferences to further hone their skills. Similar to our treatment of the cognitive bases of professional expertise, we differentiated training and development in substantive areas from management-related workshops or classes, such as executive programs in nonprofit strategy or board governance. Given that professionals are costly to hire, many nonprofits attempt to acquire skills by sending their leaders, staff, and volunteers to management and other professional training courses. In our sample, 104 organizations (54.7 percent) indicated that managers and staff attended management

Professionalism

development training or workshops, while 57.9 percent (110 organizations) participated in training in substantive areas.

Control variables. We controlled for organizational age by taking the logged age based on the year in which an organization was given nonprofit status by the IRS. We used the logged total annual expenses in dollars to control for organizational size. It is reasonable to assume that larger organizations are both more professionalized and rationalized. We used the total amount of annual expenses as a measure of organizational size, given the wide presence of volunteers and activities that are contracted to vendors and suppliers. We did not use the number of employees (or more generally participants) as a proxy for size because in the nonprofit sector, both volunteers and paid staff participate in service delivery. Further, our sample consists of the whole spectrum of nonprofits. The possibilities for economies of scale and scope differ greatly across types of nonprofit activities (Anheier, 2005: 155–159). Had our sample been drawn from a single activity area, such as museums or hospitals, the number of employees would be a useful measure of size. Given the diversity of nonprofits in the sample, however, expenses is a more reasonable metric by which organizations pursuing different activities and missions can be readily compared. In addition, we have information on full-time equivalents (FTE) for only 166 of 190 organizations in the analysis, because some nonprofit leaders were unable to provide accurate counts of their current employees. This may underscore the transient nature of nonprofit employment in certain domains that depend heavily on volunteers. For these 166 organizations, the correlation between the logged total expenses and the logged FTEs is quite high (0.825). Another major survey of nonprofit accountability, conducted by the Urban Institute, also used annual expenses as a measure of organizational size (Ostrower and Bobowick, 2006). Nonetheless, when we ran the analyses with a sample of 166, the results were almost identical, save for the effect of semi-professionals, which was dampened. The effect of managerial professionals, though still significant, was weakened too. A close look at the dropped cases revealed that a relatively large number of the nonprofits with missing information on the number of employees were headed by semi-professionals and managerial professionals (11 out of 24). Notably, among the dropped cases were some of the largest nonprofits in our sample. Therefore, we suspect this minor variation in results is due to missing data rather than to divergent effects of revenues and employees.

Because many managerial professionals are newcomers to the nonprofit field, it may well be that more recently founded organizations are more likely to use formal practices. In addition to age and size, therefore, we included a set of variables to control for those nonprofit fields in which professionalization has been underway the longest. We included a dummy variable for the human services, which has long been the mainstay of the nonprofit sector and its largest and most heterogeneous category, including such diverse activities as housing and shelter, youth development, social services, crime and law, and recreation and sports. Consequently, there is a greater possibility for unobserved heterogeneity in this

subfield. We also controlled for health-related nonprofits, as the health field underwent administrative rationalization several decades earlier. In short, we controlled for the most rationalized area (health) and the largest and most heterogeneous field (human services).¹

We also used the diversity of funding sources, a dummy variable for having government grants and/or contracts, and a dummy variable for receiving foundation grants as controls. Nonprofits draw their revenues from three broad categories: donations (private), government grants and contracts (public), and earned income (market). There is considerable variation in the extent to which nonprofits rely on different revenue sources. Donations come from individuals and organizations, such as corporations and foundations, and federated giving agencies such as the United Way. Government grants and contracts are also important sources of nonprofit revenue (Salamon, 1987). Program service revenues, such as fees, tickets, or tuition, and other earned income generated through rents and commercial activities are a third source of funds. We constructed a diversity index of financing to measure how even or skewed the distribution of a nonprofit organization's revenue was over these three sources using the following formula:

$$1 - \left[\sum_{i=2}^n (1/n - S_i)^2 \right] * n / (n - 1)$$

where n denotes the total number of funding sources and S_i the proportion of revenue drawn from the i th funding source in the total revenues. An organization that draws its revenues evenly from all three sources would score 1. In contrast, an organization that relies exclusively on one source would score 0. Of these funding sources, noncommercial sources may specify particular requirements for their funding, and heavy reliance on these funding sources may exert coercive pressures on nonprofits. Conversely, organizations with diversified funding sources may be able to respond more flexibly to external demands (Powell and Freidkin, 1987). This control allowed us to take resource dependencies on private, public, and market sources into account in all analyses. Finally, we included two dummy variables to control for the major funding sources that exert strong influences on nonprofits: foundations and government. Foundation grants often come with stipulations requiring such practices as strategic planning and quantitative program evaluation. Similarly, government contracts and grants create more demanding reporting requirements, including financial audits and quantitative program evaluation. Table 2 presents the descriptive statistics for all variables used in the analyses, and table 3 shows correlations among them.

Model Specification

We examined the association between professional and other organizational attributes and the rationalization factor using ordinary least squares regressions (OLS). The unit of analysis is a nonprofit organization, and we modeled the level of

¹ When we controlled for the four largest subsectors (human services, education, environment, and health), the results were more or less the same for the main professionalism effects, except for the effect of semi-professionals, which was dampened. The effects of the organizational professionalism index and the dummy variable for management training remained the same, while the effect of managerial professionals was weakened a little bit. Among the subsector controls, the dummy variable for arts organizations had a significant negative effect, while the dummy for health was no longer significant. It seems that arts nonprofits lag behind nonprofits in other subsectors when it comes to organizational rationalization, but there doesn't seem to be much difference, after trying different combinations of subsector controls. The subsector effects are mainly driven by the difference in the level of rationalization between two subsectors: arts and health.

Professionalism

Table 2

Descriptive Statistics (N = 190)*				
Variable	Mean	S.D.	Min.	Max.
Organizational rationalization factor score	0	1	-1.53	1.19
Organizational size (logged total expenses in \$)	12.50	2.03	6.09	19.11
Organizational age (logged)	2.67	.89	0	4.09
Human services	.41	.48	0	1
Health	.11	.31	0	1
Funding source diversity index	.40	.30	0	1
Receiving government funding	.37	.48	0	1
Receiving foundation grants	.57	.50	0	1
Organizational professionalism index	3.00	1.60	0	5
Professional degree	.44	.50	0	1
Traditional sovereign professionals	.13	.33	0	1
Semi-professionals	.190	.39	0	1
Managerial professionals	.13	.34	0	1
Professional training	.82	.45	0	1
Managerial professional training	.55	.50	0	1
Substantive professional training	.58	.50	0	1

* The reference category for human services and health is "non-human services / non-health"; the reference category for receiving government funding is "no government funding"; the reference category for foundation grants is "no foundation grants"; the reference category for professional degree is "no professional degree"; the reference category for professional training is "no professional training."

Table 3

Correlations among Variables (N = 190)*								
Variable	1	2	3	4	5	6	7	8
1. Organizational rationalization								
2. Organizational size	.6536							
3. Organizational age	.0547	.2903						
4. Human services	.1474	.1582	.0476					
5. Health	.1212	.0250	-.0642	-.2942				
6. Funding source diversity index	.2235	.1453	.2086	.0387	-.0274			
7. Receive government funding	.4671	.4413	.1139	.1833	.0788	.4844		
8. Receive foundation grants	.4556	.2499	-.0264	.1136	-.0016	.3850	.4378	
9. Organizational professionalism index	.6499	.5972	.0386	.0776	.0619	.1464	.3867	.3359
10. Professional degree	.2450	.1831	-.0338	-.0104	.0918	-.0809	.1549	.0817
11. Traditional sovereign professionals	-.0380	-.0001	-.1204	-.0597	.0176	-.0714	-.0277	-.0246
12. Semi-professionals	.1705	.1136	.0780	.0333	.0009	-.0230	.1597	.1181
13. Managerial professionals	.2182	.1582	-.0129	-.0083	.1111	-.0154	.0578	.0207
14. Professional training	.4455	.3839	.0976	.1374	-.0427	.0619	.3291	.1757
15. Managerial professional training	.4963	.3641	-.0017	.0066	.0170	.0368	.3219	.2210
16. Substantive professional training	.2463	.3408	.1848	.1049	-.0734	.1174	.2536	.0624
Variable	9	10	11	12	13	14	15	
10. Professional degree	.0767							
11. Traditional sovereign professionals	-.1401	.4271						
12. Semi-professionals	.1161	.5431	-.1434					
13. Managerial professionals	.1254	.4373	-.1480	-.1882				
14. Professional training	.3693	.1520	.0599	.0612	.1032			
15. Managerial professional training	.4530	.2346	-.0044	.1159	.1976	.6840		
16. Substantive professional training	.2430	.0079	.0676	-.0229	-.0149	.7293	.3810	

* The reference category for human services and health is "non-human services / non-health"; the reference category for receiving government funding is "no government funding"; the reference category for foundation grants is "no foundation grants"; the reference category for professional degree is "no professional degree"; the reference category for professional training is "no professional training."

organizational rationalization as measured in the standardized factor score based on the presence of four practices as a function of a set of control variables and the professionalism variables. In doing so, we first estimated the effects of control variables and added variables representing each dimension of professionalism: the organizational professionalism index, credentialism, and training. Then we further parsed out both professional credentialism and training into managerial and substantive categories.

RESULTS

Table 4 reports the effects of professionalism on the organizational rationalization factor, with attention to the different dimensions of professionalism. In model 1, which includes only the control variables, organizational size, age, the dummy variable for health-related nonprofits, and the dummy for

Table 4

OLS Regression Results for Influences of Professionalism on Organizational Rationalization (N = 190)*						
Variable	(1)	(2)	(3)	(4)	(5)	(6)
Organizational size	0.280*** (0.029)	0.196*** (0.032)	0.172*** (0.031)	0.183*** (0.032)	0.188*** (0.031)	0.178*** (0.032)
Organizational age	-0.128** (0.060)	-0.086 (0.057)	-0.084 (0.056)	-0.082 (0.057)	-0.073 (0.056)	-0.075 (0.056)
Human services	0.098 (0.109)	0.119 (0.102)	0.120 (0.099)	0.128 (0.101)	0.159 (0.100)	0.160 (0.099)
Health	0.343** (0.168)	0.322** (0.158)	0.334** (0.153)	0.286* (0.156)	0.349** (0.154)	0.323** (0.153)
Funding source diversity index	0.084 (0.203)	0.100 (0.190)	0.230 (0.187)	0.171 (0.190)	0.201 (0.186)	0.246 (0.187)
Receive government funding	0.178 (0.137)	0.117 (0.129)	0.004 (0.128)	0.080 (0.129)	0.033 (0.128)	0.008 (0.128)
Receive foundation grants	0.518*** (0.116)	0.418*** (0.111)	0.400*** (0.107)	0.403*** (0.110)	0.389*** (0.108)	0.382*** (0.108)
Organizational professionalism index		0.192*** (0.038)	0.181*** (0.037)	0.192*** (0.038)	0.153*** (0.038)	0.158*** (0.039)
Professional degree			0.227** (0.095)			
Traditional sovereign professionals				0.124 (0.146)		0.093 (0.144)
Semi-professionals				0.248** (0.125)		0.212* (0.123)
Managerial professionals				0.380*** (0.144)		0.293** (0.144)
Professional training			0.333*** (0.113)			
Management professional training					0.412*** (0.110)	0.357*** (0.112)
Substantive professional training					-0.068 (0.104)	-0.031 (0.105)
Constant	-3.626*** (0.342)	-3.196*** (0.333)	-3.217*** (0.321)	-3.162*** (0.328)	-3.214*** (0.324)	-3.178*** (0.322)
Degrees of freedom	7	8	10	11	10	13
R-squared	0.550	0.605	0.637	0.624	0.634	0.646

* $p < .10$; ** $p < .05$; *** $p < .01$; two-tailed tests.

* Standard errors are in parentheses.

Professionalism

receiving foundation grants are significantly associated with the rationalization factor. Of the statistically significant variables, organizational age has a negative effect, while the other three variables are positively associated with formal organizational practices. The patterns of association and statistical significance of the control variables remain unchanged in subsequent models, with the exception of organizational age, whose negative and significant effect disappears in the full model.²

As expected, larger, more financially secure organizations have more resources to invest in non-program-related activities, and strategic planning and independent financial audits can be both time consuming and resource intensive. As larger nonprofits tend to have more varied activities, and their directors are more likely to be involved in administration and less in direct program activity, planning and evaluation can serve as vehicles for organizational coordination and control. For example, the director of a large art museum remarked:

I had to surround myself with people who come from business. I have a deputy who has a very strong business background. He used to be a banker. And then the younger people I have been hiring come from the new wave of M.B.A.s that are getting into the nonprofit sector and are very strategic in terms of how you set your mission, your vision, your goal.

This director, with a long career as an arts leader, turned to a younger generation of managerial professionals to bring a more strategic mind-set to his museum, despite their inexperience in the nonprofit sector.

The positive and significant effect of foundation grants is expected, as many foundations have recently become very strong advocates of systematic analysis in the nonprofit sector and can make formal measurement a condition of funding (e.g., William and Flora Hewlett Foundation, 2003). The director of a choral group described the process of applying for foundation grants as "very intensive. They evaluate us musically but they also ask: Are you a viable arts organization? Do you charge for tickets? Are your audience numbers growing? Is your board integrated? Is your organization serving various economic goals?" Further, the director attributed the adoption of strategic planning to the organization's interaction with a foundation officer: "It was because we were talking to the program director at the foundation; he was a real believer in planning and said that the organization needed a plan. So we did it, of course."

Most notably, foundations often urge nonprofits to engage consultants to assist in planning and other rationalization efforts. The director of a Boys and Girls Club noted that a foundation planning grant, given five years earlier, allowed them to hire a consultant who drafted their first strategic plan: "Because the plan was so well done, we now look forward to our annual strategic planning process." The executive director of another youth services organization commented that a foundation's capacity-building grant enabled the nonprofit to

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In a separate analysis in which we replaced the age variable with a dummy for organizations founded in the last 10 years, we found that the negative effect of age stems from the fact that more recently founded nonprofits are more rationalized than older organizations. This suggests that organizational rationalization does not occur as nonprofits age but that younger organizations are more likely to hire professional managers and are quicker to adopt more rationalized practices. The replacement of the age variable with the dummy variable for the younger organizations does not change the statistical patterns of other variables of interest.

hire consultants to design and run their new fundraising campaign:

He did an analysis of our sources of income and how we track that income, where our weaknesses and strengths are, and what things we should add to our kit in terms of fundraising. And then the second consultant we hired was a campaign manager who came in and helped us run the campaign. All this was made possible by foundation grants.

With respect to subsectoral differences, nonprofits in the health-related field tend to show a higher level of organizational rationalization, while human services nonprofits do not, relative to other activity areas. Even though we might expect diverse funding streams to shield organizations from fluctuations in the external funding environment, affording them more opportunity to focus on internal administrative efforts, we do not find this to be the case. Finally, government funding is not significantly related to organizational rationalization.

In model 2, we introduce the organizational professionalism index. When controlling for all other effects, the index is significant and positively associated with rationalization efforts. Organizations that are staffed and run by paid, full-time personnel are more prone to use analytical planning and assessments, as well as consultants, than volunteer-based organizations. We anticipated that having a paid staff and management would change the nature of nonprofit work, transforming informal efforts into formal practice. The executive director of one of the largest human services organizations in the Bay Area described the evolution of her organization in a fashion that accords with the results: "A bunch of community-minded volunteer folks did the first service project themselves as the board of directors, then we hired a professional staff and eventually made the transition to a big organization with \$98 million of annual activity." The transition from a volunteer-based nonprofit to an organization staffed by paid personnel and management is a milestone event with significant ramifications for organizational development and practices. The addition of other professionalism measures does not affect the direction or significance of this variable. Thus hypothesis 1 is supported.

In model 3, we examine the influence of professional degree and training. Nonprofits led by a professional degree holder, compared with organizations without a professionally credentialed leader, are more likely to adopt formal procedures. Moreover, the significant and positive effect of professional training suggests that nonprofits actively involved in external training and development are much more engaged in efforts to demonstrate accountability and awareness of current management practice. Hence hypotheses 2 and 3 are supported. This result is punctuated throughout our interviews. As but one illustration of the prevalence of training, the director of a local affiliate of a national youth organization listed a variety of programs that members of her 33-year-old organization attend:

There is an administrative conference every year organized by the national office. There is a board member conference every year

Professionalism

which brings together board members from California to share ideas. Recently, a couple of staffers came back from a week-long training offered by the national office. My human resource person just last week went to a conference on nonprofit risk management.

In model 4, we parse out the effects of professional credentialism into three categories: traditional professions, semi-professions, and managerial professions. A management degree has the strongest effect, while the dummy variable for organizations led by semi-professionals has a weaker but still significant positive effect. The traditional professional degree, however, is not associated with organizational rationalization, suggesting that nonprofits managed by traditional, sovereign professionals are not significantly different from organizations with "amateur" leaders. This pattern also holds with the inclusion of training variables. The effects of managerial professionals and semi-professionals remain positive and significant, although the magnitudes become weaker in model 6. The extent of organizational rationalization of a nonprofit led by a managerial professional or semi-professional leader is predicted to be higher by .29 and .21 standard deviations, respectively, than a nonprofit managed by a non-professional leader. The overall professional credentialism effect, shown in model 3, is primarily due to managerial professionals and semi-professionals. Therefore hypothesis 4 is supported, with the exception of traditional sovereign professionals, who appear no more likely to embrace rational practices and tools than nonprofessionals.

When the professional training variable is decomposed into management and substantive training in model 5, the dummy variable for management training has a significant effect, but the substantive training variable is not significant. Compared with organizations that do not attend any professional training and development, nonprofits involved in management training show higher levels of organizational rationalization (by .36 standard deviations), holding other factors constant. Model 6 shows that the overall professional training effect shown in model 3 is driven largely by management training. Nonprofits participating in substantive professional training are no more engaged in assessment and planning than organizations that do not send their employees to such sessions. Thus hypothesis 5 is supported.

The empirical analyses highlight four main findings concerning the relationship between professionalism and organizational rationalization. One, most notable among the control variables, the receipt of foundation grants is strongly associated with program assessment, benchmarking, and the use of consultants. In contrast, the index of funding source diversity and government funding are not potent predictors. Thus the impact of normative isomorphism is not explained by funding exigencies but by the imprint of specific carriers—managerial professionals and semi-professionals, as well as foundation officers. Two, there is a continuum that runs from purely volunteer-based nonprofits to organizations with salaried, full-time managers and employees, with the latter being more active users of new analytical tools. Three, there are significant points of departure between managerial professionals and semi-professionals, on the one hand, and traditional,

sovereign professionals, on the other. The former leave a much larger footprint of rationalization than the latter. Finally, management training is an important source of evaluative practices.

DISCUSSION

The professionalization of the nonprofit sector occurs in the context of a broad change in the external environment, a transformation in which the older professions have declined and highly educated and motivated individuals increasingly view their work as “professional,” i.e., a vocation deserving of dedication and commitment. Moreover, this change has been accompanied by the expansion of formal organization, which has moved into many domains in society that were previously more informal (Drori, Meyer, and Hwang, 2006). These broad changes in the institutional environment of nonprofits have expanded the scope of what it means to be a professional, and professionals now include a wide array of activities, roles, and persons.

In our sample of nonprofit leaders, we have former clients and parents of clients, activists, young managers with M.B.A.s, transplants fresh from the for-profit sector, and seasoned nonprofit veterans with advanced professional degrees. Yet by adopting formal, rational practices, these diverse individuals develop a *lingua franca*, and their disparate organizations are rendered more similar and brought into a common orbit (DiMaggio and Powell, 1983). These changes have created a fertile organizational context in which very different kinds of organizations—from day care centers to parent teacher associations (PTAs) to museums to health clinics—are now using quite similar organizational practices. In perhaps our most colorful interview, the director of a religious-training organization showed us his PowerPoint presentation to Christian leaders that urges them to “Build Market Share for God.” His organization contends that much biblical teaching today is uninspiring and needs to be enlivened and made more measurable.

The voluntary spirit of American society may be reflected in the vitality of nonprofits, but the sector has also become an important economic engine that provides employment to people interested in “doing good” as a primary source of livelihood. Consequently, there is a contrast between grass-roots volunteers and career-minded professionals. Our interviews captured this transformation from volunteer to professional quite aptly. The executive director of a small community-based literary organization started volunteering with an informal community group, then took that organization through the incorporation process and subsequently became its full-time paid director:

I did some volunteer work on a couple of literary projects in this area and then was asked to [become] a volunteer [for this organization]. [Eventually,] I ended up basically taking [the organization] on and using it as a vehicle for a whole lot of things in the community. Then, I proceeded to make it a legal nonprofit and create a board and raise funds, write grants, redesign the paper, take on the weekly poetry series, and take on some of the functions that are still with us today.

Professionalism

Similarly, the executive director of a human services organization, with a \$1.1 million budget, started as a client, began volunteering, and then worked her way up through various paid positions to full-time executive director:

I have been with [this organization] for 25 years; we've been around for 26. I was one of the early members when my child was first identified with special needs. . . . and at the time I graduated in the late '60s, there was a glut in the market of social workers, just like there was for a time for teachers. And so I went up to Canada and taught school for a year and came back down and was involved in different jobs, but nothing like this. And then when I had my child with special needs I started volunteering. I have a Master's in Special Education from Santa Clara that I went back to school to get.

The difference between "amateurs" and "professionals" is of particular importance, as it raises issues that are at the heart of nonprofits' identity and culture. The original meaning of amateur is someone who engages in an activity for joy and love. Our analyses show that as a nonprofit transitions from a group of "amateurs" to becoming "professional," it becomes more formalized. Rationalized activities, adopted to help improve organizations and achieve their missions, may nonetheless divert precious resources to activities somewhat distant from direct service provision. The comments of a beleaguered director of a transitional housing organization reveal his frustration with the numerous recent demands for accountability and assessment:

Every single grantor we have has a different evaluation tool or format or criteria they want us to use, and we measure all of them. Once you get it down, it changes and they want different information than before. Every year more and more time goes into the reporting and less time to actually working with people.

Rationalization opens up organizations to multitudes of institutional pressures and expectations, and nonprofits become interpenetrated with and further subject to changes in the external environment. Moreover, this process may transform the nature of a nonprofit's relationship with its core constituents, as a distinctive relationship needs to be translated into a more general language, sensible to a broader public. The executive director of a housing organization, who has a Master's of Public Administration, organized a symposium of key advisors and stakeholders to react to their newly proposed strategic plan. "We asked them what we should be thinking about and they said, 'Metrics, metrics, metrics. You have got to measure something.' We learned that our results have to be measurable in a way that people can understand." The quest for metrics, however, often proves to be elusive, and some things get lost in translation. The director of a special education school worried that such attempts are difficult and may come at the expense of real progress:

Sometimes you just can't put goals in quantity terms. For example, you want someone to become toilet trained when they come to the school not trained. That's pretty quantifiable. How many days are they dry? But what about, Is the child less agitated? That's much more difficult to quantify. So you have to say, How many seconds they can sit quietly without jumping up and running across room screaming? Grantees and regulators want quantifiable measures,

unfortunately, and don't want to know about the children's real progress.

The second dimension of professionalism, independent from the first, underscores the important role of organizational leaders and their educational background. The cognitive bases of professional knowledge have further implications for nonprofits. Organizational leaders who are credentialed with managerial degrees readily embrace formalization and rationalization, displacing sovereign professionals who are less enamored with this "progress" or fluent with its practices. A vivid illustration came from a doctor, the who was executive director of a large health services center, who spoke revealingly to the difference between substantive and managerial professionals: "We've been developing a long-range plan for some time now, and it's starting to come to fruition. . . . I'll be resigning. . . . It is really clear we need someone who is much more 'professional' and is not a clinician first." Here, the M.D. who had long run the health center felt he had to give way to a "professional." Similarly, the founder and president of the board of a small arts organization cast the importance of professional managers in the language of generalists and specialists:

With lots of small nonprofits, the principal people are generalists. The cliché would be "wearing a lot of different hats." For somebody who isn't a professional manager, I'm pretty good at all of the different things that I do. But there's a limitation. To get off the ground, the organization has to have one person who can do a million different things. But then that person's limitations keep the organization from expanding.

These comments are especially telling because the founder is a businesswoman who consults to a number of nonprofits. More sharply, the executive director of a Boys and Girls Club, who has an M.B.A., commented:

I don't know if my business background has made much of a difference in how I run the Boys and Girls Club, but I think my M.B.A. has made a big difference. I would say that, compared to my peers, I have a deeper understanding of accounting and finance, and they probably have a better understanding of the general mission and its purposes.

Perhaps the most notable manifestation of a managerial mindset is the ability to see commonalities across organizations and environments. A good example of this skill at transposition came from an M.B.A. who directed a large housing organization:

One of my favorite cases in business school was on Club Med. One of the things I took away from that case was that your best and cheapest business is repeat business, because new businesses cost you more money. So I said we need to be very serious about inner cities, where the need for housing exists. We need to be much more deliberative about gaining repeat business in places like Livermore, Fremont, and Richmond, where we already have a presence.

Similarly, the managerial worldview can recast even voluntary nonprofits, as the comments of the M.B.A.-trained, volunteer director of a small international health organization suggest: "Even though we are all volunteers, we are still a business!"

Professionalism

The challenge is you have to move from the passion aspect to change the organization from a development standpoint to have a realistic view of goals and objectives.”

The arts organizations in which we conducted interviews also provide an apt illustration of the tension between substantive orientation and managerial professionalism, as well as its consequences, particularly between curatorial-artistic goals and business values. As one director put it, “Why does everyone equate professionalism only with business practices?” The executive director of a performing arts nonprofit attested to this tension: “There can be a disconnect between the administration and the artistic side. That’s very common, and we’re not an exception in that regard. The artists want to play more concerts and do bigger productions, and the board and the administration have to say, ‘Well, only if we can afford it; times have been tough.’” The director of a large cultural facility also captured the consequences of this collision of values in a discussion of avant-garde dance:

When there is a financial problem, the first response of our board is, “Well, the problem is all this new, weird work that nobody wants to see, so if we mainstream our program we’ll do better.” The board told me, “We love your commitment to the arts, and it will come back, but right now you have to be more commercially focused.” But you have to make the right choice. If you say, for example, “we’ve been losing money on dance, so we’ll do less dance,” then you will have less people coming to see dance, which means that you will do even less dance. And the next thing you know, it’s gone.

This director recognized that the “managerialists,” with their cost-accounting view, see the different art forms as fungible, but he knows that the consequence of such thinking is that some forms of artistic expression are lost or abandoned.

In many interviews, the relationship between substantive and managerial orientations was largely framed as oppositional and surfaced as a strain in different organizational settings. But when nonprofits are “constructed as organizations,” with the incorporation of rationalized practices, the managerialization of substantive professionals may also ensue. Particularly in the current climate, in which everyone equates professionalism only with business practices, nonprofit leaders of all stripes may have to employ more managerial means. Our quantitative analyses suggest that this is already underway with semi-professional leaders, and our interviews also reveal some cases in which substantive professionals have given way to managerial professionals, as in the case of the doctor mentioned earlier. As Collins (1979) suggested three decades ago, there is a status-based competition over the symbols and substance of professionalism. Many contemporary nonprofits now strive to display the characteristics that signal that they are modern.

Regardless of the form of credentialed professionalism, nonprofit organizations attempt to acquire prowess and experience in multiple ways, notably through professional training, as well as from the advice of foundation officers. Training and development are now an ever-present reality in the contemporary nonprofit landscape. A private school principal, with an education degree, said, “I attended an

executive training program at Stanford Business School in leading and managing. It was mostly for for-profit managers. This was during the big dot-com boom in 1998, so I was sitting there with lots of really interesting people, executives from tech companies such as Dell and HP. It was very, very valuable." More concretely, managers with professional degrees often learn how to develop and implement rationalized practices through training. When asked about her organization's initial impetus for strategic planning, the executive director of a nonprofit providing respite to families in need replied, "Partly because I went to a workshop about it and partly because the United Way told us we needed one." These comments exemplify the wide-ranging reach of training and its role in enhancing planning and formalization.

Contributions and Future Research

Our findings speak directly to the paradox of the declining authority of traditional, sovereign professions and the expansion of a diffuse professionalism in the larger society. The wider reach and claims of managerial professionalism alter the context in which traditional professionals work. Not only are substantive professionals in the nonprofit sector more likely to be managed by executives from an administrative background, they have to consider their work in the context of new criteria and practices—writing plans, developing evaluative tools, responding to benchmarks created by others, and hiring consultants for advice. This narrowing of the older, somewhat paternal model of professional sovereignty and its interpenetration by managerialism recasts both the value and nature of paid and voluntary work and professional knowledge. No longer is a profession a private domain in which one obtains entry after extensive study and specialization; instead, knowledge and credentials are now more accessible, obtained with fewer years of schooling, and thanks to the ubiquity of training programs, the skills are highly portable. The new managerial professionalism shows up, we suggest, in elder care facilities, day care centers, special education, art museums, PTAs, and soccer clubs, as well as hospitals and universities.

The wider reach of managerial professionals brings with it the use of new organizational practices, and this recursive process has implications for institutional analysis. The growing use of more calculable, rational tools and procedures opens nonprofit organizations up to the broader society. But this new transparency is not necessarily more democratic or accountable in a political sense. The criteria and standards by which nonprofits are assessed are not determined by clients or customers or through participatory debate. In many nonprofit domains, those who receive the service—be it elder care or day care, psychiatric treatment, shelters for the homeless or battered women, or drug treatment—are not able to evaluate the quality of the care directly and hence rely on nonprofit status as a signal of greater reliability and trust (Hansmann, 1980; Weisbrod, 1988). But when the evaluative standards become procedural, trust can be lost, and the new criteria may bring scrutiny and the possibility of lawsuits, as well as contestation around whether clients' interests are being properly served. Much institutional research has

Professionalism

focused on the spread of organizational structures and forms across organizations. We add a more nuanced portrait of how professional and managerial practices remake the nonprofit workplace. As these formerly expressive settings become more calculable and instrumental, broader expectations about what practices are appropriate and modern are reshaped. The attention to how institutional processes flow across levels from the broader society to inside organizations and, in turn, back into the wider environment underscores the feedback dynamics between organizations and environments.

The prime carriers of rationalization in our study are managerial professionals and foundations. Prior research on the transformation of art museums from a public institution to a curatorial domain (DiMaggio, 1991) and on the emergence of dispute resolution as an interstitial space between the courthouse and community mediation (Morrill, 2009) has highlighted the role of foundations in institutional change processes. Here we found that foundations are influential not so much because of the funds they provide but because those funds bring particular mind-sets and practices with them. Grants contain requirements for strategic plans and evaluations, have a budget for hiring consultants, and stipulate that executive directors and board members attend management training sessions. Foundations are playing a critical role as carriers of modernity in the nonprofit field, rendering a heterogeneous mix of organizations more similar.

Future research could expand on the findings presented in this paper in several ways. Because managerial professionals, rationalization, and foundation initiatives travel together, and expanded claims often create demand for greater managerial intensity, more fine-grained studies of the impact of specific rational procedures and evaluative tools on decision making would be useful. Case studies of nonprofits that have adopted plans and new metrics could reveal the extent of transformation and whether such shifts make it easier for nonprofits to collaborate with businesses and government agencies. In addition, case studies could examine if nonprofits' involvement in advocacy, political mobilization, or community engagement is dampened by widespread adoption of evaluative metrics. At a more macro level, research on the role of intermediaries and federations as carriers that convey practices across the sector could assess whether nonprofits led by sovereign professionals, semi-professionals, or amateurs are differently disposed to new managerial practices.

Our data were drawn from IRS tax records, detailed interviews with executive directors and board members, and analyses of Web sites, annual reports, and organizational artifacts. We have not examined the reception of managerial reforms by rank-and-file staff, clients, and community members. Nor have we looked at resistance to these efforts, other than that mentioned by the executive directors. Consequently, the study does have an executive bias, and future research could beneficially explore how the new managerialism in the sector is accepted by staff and clients and the extent to which alternative strategies are devised to contest or complement the practices we have analyzed.

Finally, our research has implications for the practice of management, especially as nonprofits move from an “expressive” to an “instrumental” orientation (Frumkin, 2002). We strongly suspect we are seeing a reduction in variance, and an embrace of standardization rather than experimentation, in the sector. This leads to potentially higher reliability and possibly greater scale, and in an era in which nonprofits are either delivering or replacing many government services (Smith and Grønberg, 2006), such steps may be inevitable as the welfare state devolves. But we should at least pause to consider that for the last few centuries, nonprofit associations were key arenas for democratic experimentation in the U.S. (Hall, 2006). These tensions and cross-purposes between standardization and exploration are captured beautifully in two of our interviews. As the executive director of a mental health counseling service that runs programs for families in times of great stress reflected:

We are pressed by funders to become more outcome-driven, and so we need to report various aspects of that. We could, for example, say we have trained 50 parents and count the number and tell our funders that the 50 parents had their behavior changed, but we would really like to say something more like our kids left and the families could have a family meal without it erupting into a big argument. We would like to define outcomes that we measure that capture a real change in behavior and make a difference in people’s lives. More and more funders say we should be having assessments of the parents, and I should say that some of these assessments are really good, but lots of them are simply frustrating and a lot of baloney. You know they are not measuring anything besides the level of frustration that you can put a client through having them sit there for hour after hour doing this silly stuff. But I think it is a fairly new kind of field on assessment and measuring outcomes. I don’t know where we will be in ten years. I hope it is going to get better, and I think it is a worthwhile thing. I am not complaining about the time it takes; it is a tool that needs to be continuously refined and made better, but it needs to get closer to the actual activity.

The director of a small performing-arts organization nicely captured the cross-cutting challenges present in many nonprofits:

I think there’s an artistic component and a financial component to success. I think by and large the program has to be well curated. The relationship between art and business is kind of what non-profit performing arts is all about. It’s a difficult relationship. And trying to find a way to make those two things live together. They never agree. But they have to live together to meet the challenge.

Our analyses have focused on nonprofits as an empirical case to understand the organizational consequences of various dimensions of professionalism, highlighting distinctive features of a sector in which love and money as well as passion and procedure are invoked in the same organizations. Though such drama may not be as salient in for-profit or government organizations, the implications of our research may extend beyond the boundaries of the sector. As more and more activities come under the purview of formal organization, the recurring tension between substantive concerns and managerialism surfaces. Moreover, the managerialization of many substantive fields continues apace as ever more social domains become increasingly rationalized.

Professionalism

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APPENDIX: Interview Protocol Questions Used in Variable Construction Organizational Rationalization

We used responses to the following four questions to construct the dependent variable:

- Q38: What do you consider successful program delivery and how does your nonprofit measure it? Does your organization collect quantitative data?
- Q59: Have you brought in consultants, either paid or volunteer, to advise your organization on specific projects in the past three years?
- Q61: Do you commission independent financial audits?
- Q62: Do you produce a strategy or planning document?

Professionalism Variables

1. *Organizational professionalism index*

In addition to responses to the following three questions, we obtained the executive salary data from the IRS form 990, first to determine whether the executive position exists and is a paid position and then to construct the organizational professionalism index.

Q6: Is the organization completely staffed by volunteers?

Q6Y1: How many hours per week do you work as director of this organization?

Q57: How do volunteers contribute time to your organization each year?

2. *Credentialism*

Q2: What is your educational background?

Most interviewees shared information on their degree, discipline, and school attended. When interviewees did not, interviewers asked specifically about their degree and discipline.

3. *Professional training*

Q67: Do you or your management staff attend workshops, conferences, or training courses to help you manage the organization?

Q68: Does your organization belong to any affinity organizations or peer networks?

Interviewers prompted the executive directors to list training providers and their usefulness when the answer to question 67 was yes. Subsequently, we researched and coded training courses provided to determine the kinds of training provided—management, substantive, or both. Nonprofit associations provide development and training courses to individuals and organizations. We asked for the list of associations and organizations if the answer to question 68 was yes. We then researched and coded training and development provided.