Competition for foundation patronage and the differential effects of prestige on the grant market success of social movement organisations

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ABSTRACT

Extant models of the financial patronage of Social Movement Organisations (SMOs) by private foundations exclusively use population density to account for competition. However, density fails to reveal how SMOs win grants whilst neglecting the strategic decision-making of foundation-investors. Here I recast patronage as a mutualistic network represented by a dynamic bipartite graph wherein SMOs and foundations cooperate across class whilst SMOs compete within class for financial support. A SMO's competitiveness rests with its position in a network-based prestige hierarchy and a foundation's propensity to invest is mediated by its structural position within the grant market. While previous research has predicted a positive monotonic relationship between status and patronage, using Stochastic Actor-Oriented Models I find a tendency for status-based disassortativity in the mutualistic system such that high-status foundations prefer to invest in low-status SMOs. I attribute this counterintuitive finding to foundations' preferences for grantees that can innovate around social problems. Relative to their peripheral counterparts, well-funded SMOs may suffer a rigidity of goals due to the risk of alienating an existing support-base through organisational change. Data consist of 3261 grants given from 2003 to 2007 by 136 private foundations to 66 professional SMOs with nonprofit status loosely mobilised against the notion of anthropogenic climate change.

1. Introduction

The considerable wealth of private foundations has fuelled examination of the ways in which endowed institutions may influence both beneficiaries and the broader socio-political environment. For those taking Social Movement Organisations (SMOs) as their focus, inquiry around foundation giving has been devoted to detailing the degree to which goal displacement occurs in the face of lucrative grant dollars. However, this work has adopted a fairly narrow view of foundation contributions, failing to complicate an implicit assumption of invariability in the allocation of capital amongst heterogeneous SMOs. This has coincided with a lack of acknowledgement and direct treatment of the agency of foundations as strategic decision-makers.

Owing to an almost universal handling of resource derivation as an independent variable, previous scholarship on patronage – the allocation of grants to SMOs with nonprofit status by private foundations – has effectively black boxed the competitive dynamics which underpin financial investment. Though research on the effects of patronage is valuable, it inevitably raises questions around how, precisely, does such financial support come about. The omission of a direct treatment of competition amongst SMOs is curious given that capital is one of the most visible of movement resources and that the notion of competition is a prominent aspect of resource mobilisation theory (McCarthy and Zald, 1977).

Traditionally, scholars of social movements and, more generally, scholars working within the organisational ecology tradition invoke density dependence (i.e., regulation of population growth rates through constraints associated with the number of organisations in existence) in their attempts to capture competitive pressures within populations of organisations (c.f. Soule and King, 2008 in the context of SMOs). Yet density dependence is intentionally vague about competitive dynamics in order to parsimoniously capture long-term demographic processes (e.g., on the order of decades) across various types of organisational populations

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(see Carroll and Hannan, 1989, p. 527). In order to avoid conflation of two related, but distinct, concepts, it is more appropriate to view the intensity of competition as a function of density relative to the amount of available resources (Hannan and Freeman, 1987, p. 918).[1] Therefore, I break with previous research to explore a scenario where density is largely fixed, alongside making an assumption of finite resources, in order to explicitly model the allocation of capital to SMOs by foundations. Without a more complete account of systems of patronage, understanding of resource-related outcomes and, more broadly, a SMO's potential for survival is incomplete. Thus my concern here lies not with the effects of patronage. Instead, I exclusively investigate its antecedents – leading me to ask what explains the allocation of capital to professional SMOs by private foundations?

In answering this question, I maintain the importance of the structure that foundations and SMOs co-create via the formation of ties of patronage. Specifically, I take a relational perspective to argue for a re-conceptualisation of the grant market as a mutualistic network that may be modelled as a dynamic bipartite graph.[2] Within this network a population of foundations and a population of SMOs cooperate across classes to mutual advantage and SMOs compete within-class for finite financial resources.[3] Mutualistically, SMOs benefit from financial investment as it allows them to meet their primary goal of survival and continue their pursuit of social change goals which may broadly align with those of their patrons (McCarthy and Zald, 1973, 1977). Concurrently, foundations benefit from financial investment in SMOs as contracted services give foundations a route to cost minimisation and flexibility in financial commitments relative to shifts in the public's prioritising of various social problems (Faulk, 2011).[4]

As the mutualistic system evolves, a foundation's perception of the quality of various SMOs is continuously shaped as its helps produce a network-based prestige hierarchy by dynamically adjusting its status-conferring gesture (i.e., grant giving) in accordance with the aggregated action of other grantors in the system.[5] Such

path-dependency results in self-reinforcing status rankings of SMOs which directly impact foundations' propensity to invest. Based on an assumption of information asymmetry in markets, these dynamics may be attributed to mimetic processes within a population of foundations which induces copying amongst grantors as a strategy to manage high levels of uncertainty about the quality of SMOs (DiMaggio and Powell, 1983; Galaskiewicz and Wasserman, 1989).

Nevertheless, a foundation's funding decision is not independent of its own structural position (i.e., its outdegree; portfolio breadth), here understood to be an indicator of status to the extent that it captures a grantor's role as a major provider of capital to some population of SMOs. In this respect, a mutualistic model of patronage hosts two status hierarchies which operate in tandem to endogenously drive network dynamics that structure the population of foundations and SMOs (see Podolny et al., 1996, p. 662). Thus the empirical objective of this work is to detail those dynamic, status-based tendencies on the part of foundation-investors that lead to the emergence of the mutualistic network. Ultimately, this requires approaching the mutualistic network as both the independent and dependent variable as its future state is understood to be determined solely by that of the present.

The empirical scenario is the financial patronage of 66 professional SMOs with formal charitable status that have been linked to the Climate Change Countermovement.[6] Primary data, a subset of that collected by Brulle (2013), consists of 3621 grants given by a population of 136 largely conservative private foundations to the 66 SMOs from 2003 to 2007. This was supplemented with the collection of various organisational information (e.g. total revenue, administrative expenses) using the IRS Form 990 in 2014.

Hypotheses are tested using Stochastic Actor-Oriented Models (SAOMs; Snijders, 1996, 2001), a type of agent-based model for the statistical inference of longitudinal network dynamics (Snijders and Steglich, 2013; Snijders et al., 2010). Results from a series of SAOMs indicate a dynamic tendency (see Section 3.3) for degree disassortativity – the inverse relationship between the cumulative activity of foundations and the cumulative advantage (Merton, 1968; Price, 1976) of SMOs. This suggests parallel but opposite funding logics based on structural position within the grant market. The first sees a SMO's cumulative advantage being driven by a global herd mentality on the part of peripheral foundation-investors, i.e., those with narrow portfolios. In this scenario, the stability and trustworthiness signalled by possessing a number of patrons serves to attract investors on the edge of the mutualistic system that may have limited finances and/or information about the population of SMOs and thus must efficiently assess the risk of a potential backing.

Concurrently, the tendency for cumulative activity in the presence of high-status avoidance indicates that major foundations *prefer to invest in peripheral, low-status SMOs*. Counter to the expectation of "status-based homophily" found in the organisational literature, this suggests that foundations may perceive the possession of many benefactors as "locking in" a SMO's immediate

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[1] Scholars of strategy have explicitly modelled competition with an eye to relational dynamics for some time. In particular, see Podolny et al.'s (1996) model of competition in the semiconductor industry which, similarly to the model presented here, integrates organisation-environment dynamics with organisational attributes. Also see Stuart and Podolny (1996).

[2] A bipartite network is composed of two classes of entities where there are relationships between classes and no relationships within classes. The prototypical example in the organisational literature is a network of interlocking directorates. Bipartite networks are also known as "two-mode" or "affiliation networks."

[3] From this perspective, competition connotes a struggle of conflicting interests (Ely, 1901) akin to a rivalry between actors who seek something not all may obtain (Stigler, 1987). Functionally, competition is a selective process that sees the survival of the fit (Ely, 1901) and is understood to be a property of the relationship between actors as opposed to a state of some market (Trapido, 2007; Vickers, 1995). Importantly, here there are no normative elements attached to competition, whether as a market state or a relational property, with regard to the degree to which it is good or bad for resource derivation in social movements.

[4] The rationale behind this conceptual model comes from Saavedra et al. (2008). Taking seriously the ecological metaphor found in much organisational research, these authors develop a simple bipartite model of cooperation and apply it to plant-animal pollinator networks and to producer-consumer inter-organisational networks. In an intriguing development, the authors find that a number of structural features (e.g., within-class degree distributions, modularity) of networks composed of manufactures and contractors in the New York garment industry (1985–2003) exhibit striking similarities to those observed in the pollinator networks. See also Saavedra et al. (2011).

While it is unreasonable to expect the determinants of cooperative behaviour in ecological scenarios to map directly to those governing the interaction between foundations and SMOs, empirical evidence suggests that there is overlap in general dynamics. Thus the term "mutualistic" is appropriate for those organisational scenarios where two distinct classes of actors closely cooperate to mutual advantage.

[5] While grant giving is fundamentally an event, i.e., money is given by party A to party B at time *t*, it is unreasonable to assume that the decision to invest is independent of past decisions. In this sense, financial patronage creates monetary

relationships between foundations and SMOs. This approach to patronage is in line with previous work in social movement studies on grant giving and social control which implicitly assumes sustained relations between foundations and SMOs as opposed to isolated events.

[6] While idyllic images of SMOs resonate with the organisational structure and tactics typically employed by grassroots organisations, the boundary between a SMO, an interest group and a nonprofit is best described as porous. While I primarily address the social movement dimension of the 66 organisations under study, their charitable status and professionalised nature lead me to adopt Andrews and Edwards' (2004) umbrella notion of "advocacy organisation" in order to have a wider conceptual toolkit for thinking about how these organisations seek external financial support. However, nonprofits may be viewed as distinct political entities in their own right (LeRoux and Goerdel, 2009).