Optimal membership size and the governance of grassroots associations

Stijn Van Puyvelde [a,*], Gert Huybrechts [a], Jurgen Willems [b], Marc Jegers [a], Jemima Bidee [c], Tim Vantilborgh [c], Roland Pepermans [c]

[a] Department of Applied Economics, Vrije Universiteit Brussel, Pleinlaan 2, 1050 Brussels, Belgium
[b] University of Hamburg, Von-Melle-Park 5, 20146 Hamburg, Germany
[c] Work and Organizational Psychology, Vrije Universiteit Brussel, Pleinlaan 2, 1050 Brussels, Belgium

ARTICLE INFO

ABSTRACT

This paper explores the link between membership size and the governance of grassroots associations. The issue of mission preference heterogeneity is highlighted and its effect on membership size is analyzed by developing a model and conducting a numerical simulation. An important finding is that the degree of heterogeneity of mission preferences in the potential member population has a negative effect on the optimal number of members of the grassroots association. The paper ends with a discussion of the use of governance mechanisms to limit mission drift.

© 2014 Western Social Science Association. Published by Elsevier Inc. All rights reserved.

1. Introduction

Nonprofit membership associations are broadly defined as formally organized and designated groups whose members are usually not financially compensated for their participation (Knoke, 1986). The world of nonprofit associations, however, is extremely rich and heterogeneous (see Tschirhart, 2006 for an overview of the diverse functions and typologies of associations). Typical examples include labor unions, business associations, professional societies, political parties, recreational clubs, neighborhood organizations, and social movement organizations. In this paper, we focus on grassroots associations, which can be defined as locally based, significantly autonomous, volunteer-run, formal nonprofit groups that have official memberships of volunteers who perform most, and often all, of the work and activities of these nonprofits (Smith, 2000: 7). Community associations, such as social clubs, recreational clubs, local sports clubs, and neighborhood associations, are common examples of grassroots associations.

Although some general theory about grassroots associations is available (Smith, 2000, 2010), less is known about membership heterogeneity and its influence on the membership size of grassroots associations. Tschirhart (2006) points out that membership size objectives may vary among associations. Some associations, such as social movement organizations, see a large membership as having a positive influence on their effectiveness. Grassroots associations, in contrast, whose activities are local with modest membership numbers and budgets, may wish to limit their size in order to carry out activities in the community that are not possible with larger groups. Consider, for example, a neighborhood association. Because its main purpose is to support the interests of the neighborhood residents, it may not only set rules prohibiting members from engaging in behaviors that change the look of the neighborhood, but also exclude members who do not conform to the group values and norms (Tschirhart, 2006).

* Corresponding author. Tel.: +32 26292122.
E-mail address: svpuyvel@vub.ac.be (S. Van Puyvelde).

Smith (2010) argues that many grassroots associations consciously resist increasing their membership size, preferring less complexity and hierarchy and more informal relationships. Finally, Valentinov and Larsen (2011) use a constitutional economics perspective to explore mission breadth in nonprofit associations. They show that a larger population heterogeneity is associated with a narrower optimal mission and consequently also with a smaller optimal membership size, which is particularly relevant in the case of grassroots associations.

In line with the aforementioned studies, this paper argues that there is an optimal membership size for many grassroots associations. As potential and actual members usually have their own preferences about the association's mission, and may undertake actions that divert this mission to their own interests, associations may have problems incorporating several mission preferences into one single mission (Valentinov & Larsen, 2011). Therefore, we examine the relationship between mission preference heterogeneity, membership size, and association governance. More specifically, this paper focuses on (1) the determination of the association's mission, (2) the choice of incumbent members to accept an additional member, and (3) the use of governance mechanisms that limit mission drift.

The remainder of this paper is organized as follows. First, the theory of clubs (Buchanan, 1965) and the link between mission breadth, membership size, and member heterogeneity in nonprofit associations (Valentinov & Larsen, 2011) are discussed in more detail. Second, a formal model of optimal membership size in grassroots associations is developed. Third, a numerical simulation is conducted in order to test the implications of the model. Fourth, after discussing the influence of membership size on association governance, some implications for practice are formulated. Finally, we summarize the most important contributions of the paper and give some suggestions for future research.

2. Theoretical background

The theory of clubs (Buchanan, 1965; Sandler & Tschirhart, 1997) provides a basic analytical starting point for optimal membership size. Clubs or consumption sharing arrangements (Buchanan, 1965) can be seen as private non-governmental alternatives to the provision of goods and services characterized by (1) excludability of non-paying individuals from consumption, and (2) some degree of rivalry as sharing among multiple incumbent or potential members can cause congestion and exhaust potential use by other incumbent or potential members. Typical examples of clubs are related to recreation facilities such as theaters, cinemas and sports clubs. Although congestion depends on some measure of utilization, such as the number of members, the addition of new members also reduces the cost of membership. Consequently, the optimal consumption sharing arrangement or club size is a central question in the theory of clubs.

Since Buchanan's (1965) seminal paper, the theory of clubs has been further developed and extended, for example by taking into account transaction costs and heterogeneity in members' preferences (see Sandler &

Tschirhart, 1997 for an overview of advances in club theory). Valentinov and Larsen (2011) go a step further by extending club theory to nonprofit membership associations. Although club theory can be seen as an important precursor of nonprofit economics (Badelt & Weiss, 1990), and clubs and nonprofit associations both have variable membership numbers (Valentinov & Larsen, 2011), one important difference between them is their mission flexibility. While clubs have a fixed mission, such as the provision of swimming pool services, the mission of nonprofit associations is variable in nature (Valentinov & Larsen, 2011). For example, the nonprofit mission may change due to changing external circumstances, the need for external legitimacy and survival, increased professionalization, and conflicting demands from internal and external stakeholders (Minkoff & Powell, 2006).

Mission breadth is a critical issue in the development and formulation of nonprofit mission statements (Minkoff & Powell, 2006). Valentinov and Larsen (2011) explore mission breadth determination in nonprofit associations by using a cost–benefit approach, thereby taking into account that an individual's net gain in utility associated with membership must exceed or equal the cost of membership. In their model, the utility that an individual obtains from membership in a nonprofit association is a decreasing function of the association's mission breadth, which in turn is assumed to increase proportionally to the number of members. Two types of membership costs are distinguished: the transaction costs of creating and maintaining the association, and collective decision-making costs within the association. As the number of members increases, each member's share of the total transaction costs decreases but the average decision-making cost increases. As a consequence, the optimal mission breadth that maximizes the net benefit of each member is determined by minimizing the sum of these costs. In addition, in an interesting extension of their model, they explicitly consider the presence of member heterogeneity. More specifically, they assume that mission breadth is a linearly increasing function of the number of members and the level of heterogeneity among members. Thus, maximizing the net benefit of an individual member in case of a higher level of member heterogeneity requires a narrower mission breadth.

This paper explores the link between optimal membership size and the governance of grassroots associations. In line with Valentinov and Larsen (2011), the existence of member heterogeneity is also taken into account. However, this paper goes a step further by defining member heterogeneity as the extent to which both actual and potential members differ in their personal mission preferences. It is therefore possible to analyze in more detail the effect of member heterogeneity on optimal membership size and association governance. While a low level of heterogeneity indicates that all members are relatively close to each other in terms of mission preferences, a high heterogeneity level implies the existence of a diversity of mission preferences among members. Consequently, when multiple mission preferences are present, challenges regarding association governance could be harder to resolve. Mission drift may be an important reason for the use of governance mechanisms that limit potential members' entry into the