

# A COMPARATIVE STUDY OF ALLOCATION OF DECISION-MAKING ACROSS STAKEHOLDER GROUPS: THE CASE OF PERSONAL CARE INDUSTRIES

by

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**ABSTRACT\*\*:** *The article compares the allocation of decision-making across stakeholder groups in for-profit, non-profit and local government personal care facilities in one state in the United States. We analyze detailed survey data on nursing homes, childcare centers and group homes. We find that in comparison to nonprofit and government organizations, for-profit firms delegate more decision-making power to executives and owners, and less to their employees, consumers, families, boards of directors, and community representatives. The differences, although generally small, support the hypothesis that decision-making is allocated to different groups in accord with the broad objectives of the organization.*

## 1 Introduction

The primary task for organization designers is the determination of allocation of decision-making among various stakeholder

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\*\* *Résumé en fin d'article; Zusammenfassung am Ende des Artikels; resumen al final del artículo.*

groups. This allocation affects both efficiency in production, and distribution of an organization's fruits. The allocation of decision-making across different stakeholder groups varies with ownership structure, agency relations, and organizational mission and objectives (Fama and Jensen 1983, Ben-Ner, Montias and Neuberger 1993, Hansmann 1996). These differences are amplified when information is incomplete and asymmetrically distributed and when different stakeholders need to contribute information in order to lead to effective production and delivery of services, market mechanisms are insufficient and participation in decision-making by various stakeholder groups becomes necessary. These features are particularly prominent in personal service industries (Gui 2000, Laville and Nyssens 2000). Since decision-making is the vehicle that allows favoring the well-being of those who hold it, those who hold it by virtue of ownership or other reasons will delegate it only when no other options exist. For-profit firms are generally run on behalf of their owners, nonprofit organizations on behalf of their customers, and local government agencies on behalf of customers and perhaps additional segments of the community. In this paper, we develop a brief conceptual framework to examine the implications of different organizational objectives on the allocation of decision-making to different groups in the specific context of services afflicted by severe asymmetric information between providers and consumers, as well as by the need for consumers to co-produce the services they receive together with the organization that provides it.

The empirical analysis in this paper focuses on three personal service industries: nursing homes, child care centers and group homes in Minnesota, USA. Our data come from an organizational survey we administered to all facilities in these industries. The information is rich as it identifies the role of eight stakeholder groups in eight different organizational decision-making areas. The objective of the paper is to provide an exploratory analysis of differences in the allocation of decision-making across the three types of organizational ownership to inform theoretical developments regarding the role and place of different groups of stakeholders in the for-profit, nonprofit and government sectors.

The remainder of the paper is organized as follows. In the next section we develop a theoretical framework for analyzing differences in allocating decision-making to various stakeholder groups across types of organization, and provide specific hypotheses. In section 3 we discuss our dataset, and provide the results of the analysis of decision-making allocation in the three types of organization and the

three personal care industries. In section 4 we discuss the results and offer conclusions.

## **2 Organizational ownership, personal care services, and allocation of decision-making across stakeholder groups**

Different stakeholder groups have distinct ownership rights and interests in a corporation and its activities (Clarkson 1995). The stakeholders include shareholders, managers and workers, the so-called insider stakeholders, as well as consumers, suppliers, the government, unions, local communities and society at large, the so-called outsider stakeholders (Jones 1995). Who controls organizational decision-making power will have profound influence on the well-being of each of stakeholder groups (Ben-Ner and Ren 2010).

Allocation of decision-making is the key choice of organization structure, with other elements supporting a particular allocation (Prendergast 2002, Ben-Ner, Kong and Lluís 2008). The goals and interests of different stakeholders both overlap and diverge. Organizational mission generally favors some groups over others, although obviously stakeholders who are not satisfied with their well-being in one organization may leave it for another, if there is sufficient competition. For-profit firms maximize profit for the benefit of shareholders, nonprofit organizations promote the well-being of some consumers, and local government organizations pursue the well-being of consumers as well as additional groups in their jurisdiction. The favoring of some stakeholders can influence the distribution of decision-making power towards those groups (Rose-Ackerman 1996, Grimalda and Sacconi 2005).

Nonprofit and local government organizations are more likely than for-profit firms to delegate decisions to their workers for three reasons. First, delegation, especially to key workers, can be a consequence of the decision-making vacuum in these organizations created by less involved principals due to agency problems (Pauly and Redisch 1973, Glaeser 2003). Second, if there is self selection by workers attracted by altruistic and broader social objectives in nonprofit and public sectors,<sup>1</sup> they will be trusted more than their

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1 Lipsky (1980), Rainey and Steinbauer (1999), Francois (2000) and Prendergast (2007) are among those who argue that employees of nonprofit and government organizations have a stronger public service orientation and respond more strongly to intrinsic motivation than employees in

for-profit counterparts and therefore will be permitted a greater degree of decision-making autonomy. Third, in industries such as personal services important aspects of the service are co-produced by consumers and front-line employees who care for them. Nonprofit and local government organizations with a mission of caring for consumers' well-being are likely to grant their employees greater autonomy of decision-making than their counterparts in for-profit firms in order to enable them to better pursue this mission (Mosca, Musella and Pastore 2007).

The broader social mission also suggests that nonprofit and local government organizations may allow higher levels of decision-making participation for consumers, community representatives and boards of directors who formally represent or are under the scrutiny of different constituencies with an interest in the beneficiaries of the organization – consumers, the community and employees (Ben-Ner and Gui 2003). In contrast, decision-making power in for-profit firms may be concentrated in the hands of owners and executives, who are the intended beneficiaries in for-profit firms, with the former governing decision control as major risk bearers and the latter decision management (Fama and Jensen 1983).

We divide stakeholders into eight common groups: owners, executives, supervisors, employees, boards of directors, community, consumers and families of consumers (who represent consumers when these are unable to represent themselves). As the foregoing discussion suggested, the choice of ultimate decision-makers in an organization whether to empower any of these stakeholder groups depends on factors related to the product it provides, and to its broad objectives and mission. In the case of personal services, two aspects of the product are important for the question of allocation of decision-making power: asymmetric information and co-production. With respect to differences in allocation of decision-making associated with the type of organization, two factors are central: agency problems and organizational objectives. We examine briefly the impact of these four factors on allocation of decision-making.

- (1) *Asymmetric information.* Personal care services, especially when the care recipients are vulnerable individuals, entail considerable asymmetric information between the providing organization and consumers or their representatives. The normal market

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for-profit firms. On the basis of evidence on the comparative level and distribution of wages in the industries studied in this paper, Ben-Ner, Paulson and Ren (2010) find some support for these arguments.

solutions cannot be delivered as effectively as in the case of goods and services where there is no asymmetric information, because consumers may be exploited by providers. One way to ameliorate this problem is for the providing organization to share information and decision-making with consumers or their representatives.

- (2) *Co-production.* Effective provision of personal care services requires the consumers to participate in production by providing feedback about what works for them individually, as well as supplying information about needs and preferences. Furthermore, employees possess specific information about the needs of their customers, hence they need some decision-making power to act on this information (Prendergast 2002).
- (3) *Agency problems.* The absence of financially-motivated owners in nonprofit and local government organizations and the limited involvement by their representatives and boards of directors results in leaking of decision-making power to executives, supervisors and employees. This suggests that nonprofit and local government organizations will delegate more decision-making power to inside stakeholders than do for-profit firms.
- (4) *Organizational objectives relative to the well-being of different stakeholder groups.* Nonprofit and local government organizations care about the well-being of consumers directly, whereas for-profit firms do so only as dictated by market or regulatory-compliance considerations, as their objective is to maximize profits. This implies that nonprofit and local government organizations will provide greater opportunities for involvement in decision-making to consumers and/or their families (to represent the interests of consumers). Local government is interested not only in the well-being of consumers, but also other stakeholder groups represented by local government, including broader community and employees. The role of families as advocates for care recipients, the direct consumers, is most important in organizations that are most consumer oriented, the nonprofits, more so than in local government facilities, and more so than in for-profit firms. For the same reasons, nonprofit and local government organizations are likely to seek to recruit employees who are motivated to provide service that benefits consumers even in the presence of asymmetric information.

All organizations must delegate decision-making for instrumental reasons: whereas owners and executives may make strategic decisions, they must delegate some responsibility for implementation

to lower-level employees, that is, allocate to them some authority over non-strategic decisions. The differences among the three types of organization should be more pronounced in the allocation of strategic decision-making than in non-strategic decision-making.

In sum, we expect that employees, supervisors, consumers, family members and community representatives will have a greater decision-making role in local government and especially nonprofit organizations and in for-profit firms engaged in the provision of personal care services.

### **3 Empirical evidence**

#### **3.1 Data**

We describe the pattern of allocation of decision-making across stakeholder groups in three personal service industries: nursing homes, childcare centers and group homes operating in the state of Minnesota in the USA. We obtained the data through surveys addressed to facility administrators. In 2005 and 2006, we mailed surveys to 409 nursing homes, 1967 childcare centers and 1374 group homes,<sup>2</sup> which represent the population of facilities we could identify in the three industries at the time of mailing. We received responses from 122 nursing homes, 504 childcare centers and 59 group homes. The response rates are 29.83%, 25.62% and 4.29% for the three industries, respectively. The response rates for nursing homes and child care centers reflect three mailings of the surveys, and for nursing homes, mailing of an additional reminder postcard. The very low rate for group homes reflects responses to a single mailing of the survey. We have three types of ownership among nursing homes and childcare centers, but no government group homes among the respondents. Ben-Ner and Ren (2009) compare survey respondents and nonrespondents among nursing homes using multiple datasets and conclude that there is no evidence for a selection bias (no parallel analysis could be performed for the other two industries).

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2 Group homes provide residential care services for persons diagnosed with mental retardation and other disabilities. These facilities may provide some health care, but the focus of services is room, board, protective supervision, and counseling.

### 3.2 Variables

We identified eight key stakeholder groups: executive directors (or similar), owners or representatives of a parent organization, core employees (nursing staff in nursing home, teachers in childcare centers and direct care staff in group homes), supervisors of the core employees, direct consumers (residents in nursing homes, children in day care and group home residents), direct consumers' families, boards of directors, and community representatives. The survey did not ask about participation in decision-making by children in day care and by residents of group homes because of the virtual nonexistence of such participation, unlike residents of nursing homes, who have certain capacity to participate in decision-making.

We distinguish between strategic and nonstrategic decision-making. The areas that reflect *strategic decision-making* are the hiring of executive director, expansion of facilities, change in the services offered, and determination of standards for care. The areas of *nonstrategic decision-making* are hiring of core employees, determination of fees,<sup>3</sup> menu planning and choice of activities. Possible responses range from 1 (*not at all*) to 5 (*extreme*). We use the average of the four items in each type of decision-making to measure the level of decision-making control in that category by each stakeholder group. We also combine the two types of decision-making together and use the average of the eight items to measure the overall level of decision-making by each stakeholder group. We exclude the item of hiring of executive director from the calculation of the level of decision-making of executive directors.<sup>4</sup>

We generate a dummy variable indicating the existence of a group holding *dominant control*; the variable equals 1 if a stakeholder group has scores of 4 (large) or 5 (extreme) on at least three of the four strategic decision-making items (two for executive directors). Note that there can be more than one group having dominant control over strategic decision-making; in some organizations dominant

3 The main fees charged in nursing homes and group homes are essentially determined by State of Minnesota agencies (health and social services), and in child care the fees are influenced by state agencies and subject to considerable market competition. The fees and charges that are selected by providers are of minor importance and we included this area in the nonstrategic decision-making.

4 The survey items that relate to the allocation of decision-making are reproduced in Appendix 1(<https://netfiles.umn.edu/users/benne001/www/papers/DMAAllocationAppendices.pdf>).

control over strategic decision-making is shared by multiple stakeholder groups.

### 3.3 Results

Our empirical strategy is descriptive and exploratory. Detailed descriptive statistics are presented in Appendix 2 (<https://netfiles.umn.edu/users/benne001/www/papers/DMAAllocationAppendices.pdf>). In Table 1, we compare the extent of decision-making power reported in the survey for each stakeholder group across the three types of organization, separately for each industry. In Table 2, we compare the allocation of decision-making across the three industries, separately for each type of organization. In both tables we distinguish between strategic and nonstrategic decision-making. In Table 3, we sharpen our comparisons by focusing only on dominant control over strategic decision-making. The results of Table 1 and Table 2 are derived from a one-way analysis of variance (ANOVA), and those of Table 3 from a Mann-Whitney test. All the tables provide means and standard deviations. Table 1 and Table 2 also provide the significance of the test statistic comparing nonprofit and local government organizations with for-profit firms.

First, in terms of allocation of decision-making *across stakeholder groups*, we note in Table 1 that regardless of industry and ownership type, executive directors hold the strongest decision-making power, followed by the group of owners or parent organization representatives and more distantly, by supervisors and core employees. Other stakeholder groups, including residents and their families, boards of directors and communities, however, usually do not hold substantial influence on decision-making. The differences across groups noted here are almost everywhere statistically highly significant (the tests comparing involvement in decision-making by different stakeholder groups are not shown in the table).

Second, regarding ownership-type comparisons, executives and owners in for-profit firms generally hold greater decision-making power than their counterparts in nonprofit organizations. In contrast, executives in government organizations usually hold power comparable to their for-profit counterparts, but owners in government organizations are less powerful than their for-profit counterparts. In contrast, nonprofit and government organizations generally allocate more decision-making power to their employees, residents, families, board of directors, and community representatives than do for-profit



**Table 1 – Allocation of decision-making across stakeholder groups in for-profit (FP), nonprofit (NP) and local government (LG) organizations, by industry (nursing homes (NH), childcare centers (CC) and group homes (GH)) (1 not at all – 5 extreme)**

|                           | Overall Decision-Making     |                             |                             | Strategic Decision-Making |                             |                   | Nonstrategic Decision-Making |                   |                             |
|---------------------------|-----------------------------|-----------------------------|-----------------------------|---------------------------|-----------------------------|-------------------|------------------------------|-------------------|-----------------------------|
|                           | FP                          | NP                          | LG                          | FP                        | NP                          | LG                | FP                           | NP                | LG                          |
| <b>Nursing Homes</b>      |                             |                             |                             |                           |                             |                   |                              |                   |                             |
| <i>Executives</i>         | 3.33<br>(1.05)              | 3.00 <sup>~</sup><br>(0.82) | 3.23<br>(0.69)              | 4.13<br>(1.06)            | 3.93<br>(1.02)              | 4.28<br>(0.73)    | 2.73<br>(1.25)               | 2.31*<br>(0.90)   | 2.44<br>(0.94)              |
| <i>Owners</i>             | 3.21 <sup>*</sup><br>(0.99) | 2.30***<br>(0.89)           | 2.38***<br>(0.85)           | 4.21<br>(0.98)            | 3.27***<br>(1.49)           | 3.26***<br>(1.34) | 2.20<br>(1.31)               | 1.34***<br>(0.51) | 1.49**<br>(0.61)            |
| <i>Employees</i>          | 1.73 <sup>*</sup><br>(0.57) | 1.89 <sup>~</sup><br>(0.48) | 2.00*<br>(0.43)             | 1.86<br>(0.55)            | 2.12*<br>(0.60)             | 2.33***<br>(0.54) | 1.60<br>(0.69)               | 1.66<br>(0.47)    | 1.68<br>(0.45)              |
| <i>Supervisors</i>        | 2.28<br>(0.66)              | 2.40<br>(0.64)              | 2.59*<br>(0.52)             | 2.27<br>(0.72)            | 2.51 <sup>~</sup><br>(0.80) | 2.75**<br>(0.73)  | 2.29<br>(0.71)               | 2.29<br>(0.63)    | 2.43<br>(0.51)              |
| <i>Residents</i>          | 2.02<br>(0.48)              | 2.10<br>(0.56)              | 2.21 <sup>~</sup><br>(0.49) | 1.65<br>(0.49)            | 1.91*<br>(0.60)             | 2.01**<br>(0.67)  | 2.38<br>(0.62)               | 2.28<br>(0.64)    | 2.40<br>(0.41)              |
| <i>Families</i>           | 1.73<br>(0.46)              | 1.85<br>(0.57)              | 1.92<br>(0.52)              | 1.68<br>(0.56)            | 1.86<br>(0.63)              | 1.84<br>(0.64)    | 1.79<br>(0.56)               | 1.84<br>(0.64)    | 2.00 <sup>~</sup><br>(0.51) |
| <i>Board of Directors</i> | 1.60<br>(1.03)              | 2.10**<br>(0.80)            | 2.58***<br>(0.51)           | 1.94<br>(1.50)            | 2.96***<br>(1.35)           | 3.71***<br>(0.76) | 1.25<br>(0.75)               | 1.23<br>(0.43)    | 1.44<br>(0.42)              |
| <i>Community</i>          | 1.27<br>(0.49)              | 1.35<br>(0.41)              | 1.29<br>(0.35)              | 1.39<br>(0.68)            | 1.59<br>(0.70)              | 1.45<br>(0.54)    | 1.14<br>(0.37)               | 1.10<br>(0.22)    | 1.13<br>(0.24)              |
| <b>Childcare Centers</b>  |                             |                             |                             |                           |                             |                   |                              |                   |                             |
| <i>Executives</i>         | 2.78<br>(1.39)              | 2.73<br>(1.36)              | 3.07<br>(1.24)              | 2.98<br>(1.74)            | 2.91<br>(1.68)              | 3.67*<br>(1.77)   | 2.63<br>(1.30)               | 2.60<br>(1.28)    | 2.63<br>(1.13)              |
| <i>Owners</i>             | 2.24<br>(1.40)              | 1.71***<br>(1.00)           | 1.77 <sup>~</sup><br>(1.00) | 2.44<br>(1.60)            | 1.99***<br>(1.34)           | 2.01<br>(1.35)    | 2.04<br>(1.32)               | 1.43***<br>(0.78) | 1.52*<br>(0.73)             |

Continued

Table 1 – Continued

|                           | Overall Decision-Making |                   |                   |  | Strategic Decision-Making |                   |                   |  | Nonstrategic Decision-Making |                   |                   |  |
|---------------------------|-------------------------|-------------------|-------------------|--|---------------------------|-------------------|-------------------|--|------------------------------|-------------------|-------------------|--|
|                           | FP                      | NP                | LG                |  | FP                        | NP                | LG                |  | FP                           | NP                | LG                |  |
| <b>FP – 262</b>           |                         |                   |                   |  |                           |                   |                   |  |                              |                   |                   |  |
| <b>NP – 197</b>           |                         |                   |                   |  |                           |                   |                   |  |                              |                   |                   |  |
| <b>LG – 21</b>            |                         |                   |                   |  |                           |                   |                   |  |                              |                   |                   |  |
| <b>Employees</b>          | 1.98<br>(0.77)          | 2.17**<br>(0.81)  | 2.21^<br>(0.73)   |  | 1.73<br>(0.81)            | 1.99***<br>(0.92) | 1.99^<br>(0.83)   |  | 2.23<br>(0.86)               | 2.34^<br>(0.86)   | 2.43<br>(0.74)    |  |
| <b>Supervisors</b>        | 2.33<br>(1.18)          | 2.12*<br>(1.24)   | 3.36***<br>(1.08) |  | 2.31<br>(1.25)            | 2.15^<br>(1.28)   | 3.31***<br>(1.11) |  | 2.35<br>(1.23)               | 2.09**<br>(1.29)  | 3.40***<br>(1.23) |  |
| <b>Families</b>           | 1.45<br>(0.61)          | 1.55*<br>(0.69)   | 1.80**<br>(0.74)  |  | 1.51<br>(0.71)            | 1.63*<br>(0.80)   | 1.95***<br>(0.90) |  | 1.38<br>(0.59)               | 1.48*<br>(0.67)   | 1.65**<br>(0.62)  |  |
| <b>Board of Directors</b> | 1.59<br>(0.92)          | 2.11***<br>(1.06) | 1.63<br>(0.84)    |  | 1.87<br>(1.25)            | 2.59***<br>(1.38) | 1.99<br>(1.29)    |  | 1.31<br>(0.71)               | 1.63***<br>(0.86) | 1.27<br>(0.56)    |  |
| <b>Community</b>          | 1.11<br>(0.31)          | 1.15^<br>(0.41)   | 1.56***<br>(0.65) |  | 1.15<br>(0.45)            | 1.23^<br>(0.61)   | 1.81***<br>(1.00) |  | 1.07<br>(0.25)               | 1.07<br>(0.28)    | 1.31***<br>(0.53) |  |
| <b>Group Homes</b>        |                         |                   |                   |  |                           |                   |                   |  |                              |                   |                   |  |
| <b>Executives</b>         | 3.34<br>(1.05)          | 3.14<br>(1.04)    | -                 |  | 3.95<br>(1.43)            | 3.74<br>(1.19)    | -                 |  | 2.88<br>(1.03)               | 2.70<br>(1.03)    | -                 |  |
| <b>Owners</b>             | 2.94<br>(1.23)          | 1.49***<br>(0.93) | -                 |  | 3.64<br>(1.72)            | 1.71***<br>(1.38) | -                 |  | 2.23<br>(0.97)               | 1.27***<br>(0.53) | -                 |  |
| <b>Employees</b>          | 2.27<br>(0.42)          | 2.09*<br>(0.39)   | -                 |  | 1.64<br>(0.38)            | 1.93**<br>(0.50)  | -                 |  | 2.89<br>(0.56)               | 2.25***<br>(0.54) | -                 |  |
| <b>Supervisors</b>        | 2.62<br>(0.61)          | 2.95**<br>(0.46)  | -                 |  | 2.15<br>(0.58)            | 2.86***<br>(0.65) | -                 |  | 3.09<br>(0.79)               | 3.03<br>(0.46)    | -                 |  |
| <b>Families</b>           | 2.05<br>(0.76)          | 2.38^<br>(0.76)   | -                 |  | 2.10<br>(0.81)            | 2.74**<br>(1.03)  | -                 |  | 2.01<br>(0.84)               | 2.02<br>(0.62)    | -                 |  |
| <b>Board of Directors</b> | 1.57<br>(0.93)          | 2.52***<br>(0.49) | -                 |  | 1.85<br>(1.35)            | 3.80***<br>(0.90) | -                 |  | 1.29<br>(0.60)               | 1.23<br>(0.39)    | -                 |  |
| <b>Community</b>          | 1.57<br>(0.70)          | 1.75<br>(0.59)    | -                 |  | 1.70<br>(1.01)            | 2.08^<br>(0.88)   | -                 |  | 1.44<br>(0.51)               | 1.42<br>(0.43)    | -                 |  |

\*, \*\*, and \*\*\* indicate significance at the 0.10, 0.05, and 0.01 levels, respectively, of a two-tailed test (one-way ANOVA) for the comparison between NP and FP, and LG and FP organizations. ^ denotes significance at the 0.10 level in a one-tailed test.

Table 2 – Allocation of decision-making to each stakeholder group across different industries, by type of organization (1 not at all – 5 extreme)

|                                  | FP             |                |                | NP             |                |                | LG             |                |    |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----|
|                                  | NH             | CC             | GH             | NH             | CC             | GH             | NH             | CC             | GH |
| <b>Overall Decision-Making</b>   |                |                |                |                |                |                |                |                |    |
| <i>Executives</i>                | 3.33<br>(1.05) | 2.78<br>(1.39) | 3.34<br>(1.05) | 3.00<br>(0.82) | 2.73<br>(1.36) | 3.14<br>(1.04) | 3.23<br>(0.69) | 3.07<br>(1.24) | -  |
| <i>Owners</i>                    | 3.21<br>(0.99) | 2.24<br>(1.40) | 2.94<br>(1.23) | 2.30<br>(0.89) | 1.71<br>(1.00) | 1.49<br>(0.93) | 2.38<br>(0.85) | 1.77<br>(1.00) | -  |
| <i>Employees</i>                 | 1.73<br>(0.57) | 1.98<br>(0.77) | 2.27<br>(0.42) | 1.89<br>(0.48) | 2.17<br>(0.81) | 2.09<br>(0.39) | 2.00<br>(0.73) | 2.21<br>(0.73) | -  |
| <i>Supervisors</i>               | 2.28<br>(0.66) | 2.33<br>(1.18) | 2.62<br>(0.61) | 2.40<br>(0.64) | 2.12<br>(1.24) | 2.95<br>(0.46) | 2.59<br>(0.52) | 3.36<br>(1.08) | -  |
| <i>Residents</i>                 | 2.02<br>(0.48) | -              | -              | 2.10<br>(0.56) | -              | -              | 2.21<br>(0.49) | -              | -  |
| <i>Families</i>                  | 1.73<br>(0.46) | 1.45<br>(0.61) | 2.05<br>(0.76) | 1.85<br>(0.57) | 1.55<br>(0.69) | 2.38<br>(0.76) | 1.92<br>(0.52) | 1.80<br>(0.74) | -  |
| <i>Board of Directors</i>        | 1.60<br>(1.03) | 1.59<br>(0.92) | 1.57<br>(0.93) | 2.10<br>(0.80) | 2.11<br>(1.06) | 2.52<br>(0.49) | 2.58<br>(0.51) | 1.63<br>(0.84) | -  |
| <i>Community</i>                 | 1.27<br>(0.49) | 1.11<br>(0.31) | 1.57<br>(0.70) | 1.35<br>(0.41) | 1.15<br>(0.41) | 1.75<br>(0.59) | 1.29<br>(0.35) | 1.56<br>(0.65) | -  |
| <b>Strategic Decision-Making</b> |                |                |                |                |                |                |                |                |    |
| <i>Executives</i>                | 4.13<br>(1.06) | 2.98<br>(1.74) | 3.95<br>(1.43) | 3.93<br>(1.02) | 2.91<br>(1.68) | 3.74<br>(1.19) | 4.28<br>(0.73) | 3.67<br>(1.77) | -  |
| <i>Owners</i>                    | 4.21<br>(0.98) | 2.44<br>(1.60) | 3.64<br>(1.72) | 3.27<br>(1.49) | 1.99<br>(1.34) | 1.71<br>(1.38) | 3.26<br>(1.34) | 2.01<br>(1.35) | -  |
| <i>Employees</i>                 | 1.86<br>(0.55) | 1.73<br>(0.81) | 1.64<br>(0.38) | 2.12<br>(0.60) | 1.99<br>(0.92) | 1.93<br>(0.50) | 2.33<br>(0.54) | 1.99<br>(0.83) | -  |
| <i>Supervisors</i>               | 2.27<br>(0.72) | 2.31<br>(1.25) | 2.15<br>(0.58) | 2.51<br>(0.80) | 2.15<br>(1.28) | 2.86<br>(0.65) | 2.75<br>(0.73) | 3.31<br>(1.11) | -  |

Continued

Table 2 – Continued

|                           | FP             |                |                | NP             |                |                | LG             |                |    |
|---------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----|
|                           | NH             | CC             | GH             | NH             | CC             | GH             | NH             | CC             | GH |
| <i>Residents</i>          | 1.65<br>(0.49) | -              | -              | 1.91<br>(0.60) | -              | -              | 2.01<br>(0.67) | -              | -  |
| <i>Families</i>           | 1.68<br>(0.56) | 1.51<br>(0.71) | 2.10<br>(0.81) | 1.86<br>(0.63) | 1.63<br>(0.80) | 2.74<br>(1.03) | 1.84<br>(0.64) | 1.95<br>(0.90) | -  |
| <i>Board of Directors</i> | 1.94<br>(1.50) | 1.87<br>(1.25) | 1.85<br>(1.35) | 2.96<br>(1.35) | 2.59<br>(1.38) | 3.80<br>(0.90) | 3.71<br>(0.76) | 1.99<br>(1.29) | -  |
| <i>Community</i>          | 1.39<br>(0.68) | 1.15<br>(0.45) | 1.70<br>(1.01) | 1.59<br>(0.70) | 1.23<br>(0.61) | 2.08<br>(0.88) | 1.45<br>(0.54) | 1.81<br>(1.00) | -  |
| <i>Executives</i>         | 2.73<br>(1.25) | 2.63<br>(1.30) | 2.88<br>(1.03) | 2.31<br>(0.90) | 2.60<br>(1.28) | 2.70<br>(1.03) | 2.44<br>(0.94) | 2.63<br>(1.13) | -  |
| <i>Owners</i>             | 2.20<br>(1.31) | 2.04<br>(1.32) | 2.23<br>(0.97) | 1.34<br>(0.51) | 1.43<br>(0.78) | 1.27<br>(0.53) | 1.49<br>(0.61) | 1.52<br>(0.73) | -  |
| <i>Employees</i>          | 1.60<br>(0.69) | 2.23<br>(0.86) | 2.89<br>(0.56) | 1.66<br>(0.47) | 2.34<br>(0.86) | 2.25<br>(0.54) | 1.68<br>(0.45) | 2.43<br>(0.74) | -  |
| <i>Supervisors</i>        | 2.29<br>(0.71) | 2.35<br>(1.23) | 3.09<br>(0.79) | 2.29<br>(0.63) | 2.09<br>(1.29) | 3.03<br>(0.46) | 2.43<br>(0.51) | 3.40<br>(1.23) | -  |
| <i>Residents</i>          | 2.38<br>(0.62) | -              | -              | 2.28<br>(0.64) | -              | -              | 2.40<br>(0.41) | -              | -  |
| <i>Families</i>           | 1.79<br>(0.56) | 1.38<br>(0.59) | 2.01<br>(0.84) | 1.84<br>(0.64) | 1.48<br>(0.67) | 2.02<br>(0.62) | 2.00<br>(0.51) | 1.65<br>(0.62) | -  |
| <i>Board of Directors</i> | 1.25<br>(0.75) | 1.31<br>(0.71) | 1.29<br>(0.60) | 1.23<br>(0.43) | 1.63<br>(0.86) | 1.23<br>(0.39) | 1.44<br>(0.42) | 1.27<br>(0.56) | -  |
| <i>Community</i>          | 1.14<br>(0.37) | 1.07<br>(0.25) | 1.44<br>(0.51) | 1.10<br>(0.22) | 1.07<br>(0.28) | 1.42<br>(0.43) | 1.13<br>(0.24) | 1.31<br>(0.53) | -  |

**Table 3 – Percentage of organizations in which each stakeholder group enjoys dominant control over strategic decision-making, by type of organization and by industry**

|                          |                           | FP     | NP        | LG       |
|--------------------------|---------------------------|--------|-----------|----------|
| <b>Nursing Homes</b>     | <i>Executives</i>         | 76%    | 79.17%    | 85%      |
|                          | <i>Owners</i>             | 88%    | 48.61%*** | 50%***   |
| <b>FP – 25</b>           | <i>Employees</i>          | 0      | 0         | 0        |
| <b>NP – 72</b>           | <i>Supervisors</i>        | 4%     | 5.56%     | 15%      |
| <b>LG – 20</b>           | <i>Residents</i>          | 0      | 0         | 0        |
|                          | <i>Families</i>           | 0      | 2.78%     | 0        |
|                          | <i>Board of Directors</i> | 24%    | 37.50%    | 55%**    |
|                          | <i>Community</i>          | 4%     | 1.39%     | 0        |
| <b>Childcare Centers</b> | <i>Executives</i>         | 53.44% | 51.27%    | 71.43%^  |
|                          | <i>Owners</i>             | 33.97% | 18.78%*** | 19.05%^  |
| <b>FP – 262</b>          | <i>Employees</i>          | 4.58%  | 7.11%     | 4.76%    |
| <b>NP – 197</b>          | <i>Supervisors</i>        | 22.14% | 18.27%    | 42.86%** |
| <b>LG – 21</b>           | <i>Families</i>           | 1.53%  | 3.05%     | 0        |
|                          | <i>Board of Directors</i> | 14.50% | 29.44%*** | 14.29%   |
|                          | <i>Community</i>          | 0.76%  | 2.54%^    | 4.76%*   |
| <b>Group Homes</b>       | <i>Executives</i>         | 76.92% | 84.38%    | -        |
|                          | <i>Owners</i>             | 69.23% | 18.75%*** | -        |
| <b>FP – 26</b>           | <i>Employees</i>          | 0      | 0         | -        |
| <b>NP – 32</b>           | <i>Supervisors</i>        | 3.85%  | 6.25%     | -        |
|                          | <i>Families</i>           | 3.85%  | 34.38%*** | -        |
|                          | <i>Board of Directors</i> | 19.23% | 62.50%*** | -        |
|                          | <i>Community</i>          | 15.38% | 9.38%     | -        |

\*, \*\* and \*\*\* indicate significance at the 0.10, 0.05, and 0.01 levels, respectively, of a two-tailed Mann-Whitney test for the comparison between NP and FP, and LG and FP organizations. ^ denotes significance at the 0.10 level in a one-tailed test.

firms. Most of these differences are statistically highly significant (statistical significance for the comparisons of nonprofit and for-profit and local government and for-profit is indicated in Table 1).

Third, in terms of differences across industries presented in Table 2, families in group homes have the strongest participation in decision-making among the three industries in both nonprofit and for-profit organizations and in both strategic and non-strategic matters. For the comparison among for-profit organizations,  $p < 0.05$  between group homes and nursing homes and  $p < 0.01$  between group homes and childcare centers over strategic matters, and statistically insignificant and  $p < 0.01$ , respectively, over non-strategic matters, by a two-tailed test (one-way ANOVA); for the comparison among nonprofit organizations, all the differences are statistically significant at the 0.01 level, except for the comparison between nursing homes and

group homes concerning non-strategic matters, which is significant at the 0.10 level (a one-tailed test). This is expected because of the vulnerability of group home residents, who, unlike nursing home residents and childcare center children, tend to spend many years in care and are generally more vulnerable. This leads to deeper involvement of family members with the homes in comparison to the situation in the other two industries.

Fourth, most stakeholder groups' involvement tends to be greater in strategic than in non-strategic decision-making.

Table 3 shows the percentage of firms in which each stakeholder groups holds dominant control over strategic decision-making. The construction of this variable allows for multiple stakeholder groups to hold dominant control in an organization at the same time, so the sum of dominant control over the various groups typically exceeds 100%. The holding of dominant control brings into clearer relief the differences across types of organization and industries. Clearly, in all the three industries, executives form the most powerful decision-making group, followed by owners and board of directors. Supervisors, who are part of the limited managerial hierarchy in these industries, enjoy a certain degree of exclusive decision-making power, especially in childcare centers. Core employees, residents in nursing homes, and families and communities rarely have dominant decision-making power.

Several patterns emerge when we compare the holding of dominant control among the three types of organization. (1) Executives in local government nursing homes and childcare centers enjoy more often dominant control than their counterparts in for-profit and nonprofit organizations (statistically significant only for childcare centers). (2) For-profit owners, by virtue of their ownership rights, tend to enjoy more frequently dominant control than those in nonprofit and local government organizations. (3) Families and boards of directors enjoy more dominant control in nonprofit organizations than for-profit firms.

#### **4 Discussion and conclusions**

For-profit, nonprofit and local government organizations have different ownership structures and different objectives and therefore they are likely to adopt different measures to advance particular stakeholder groups' well-being. These differences are amplified in environments where there is considerable asymmetric information

between the organization providing the service and the users of the service, and where employees co-produce care along with their customers. The degree of asymmetric information is particularly severe in the three industries that we study in this paper, nursing homes, childcare centers, and group homes for the disabled. The direct consumers – the service recipients – are individuals who are vulnerable due to their physical or mental health or their very young age, which makes them poor communicators and judges of their own circumstances as well as weak advocates for themselves. Thus, if their interests and points of view are to be advocated, others need to do that for them. The providing organization may play that role through its employees, but others, such as families with only the interests of their loved ones at heart, may play a critical role. But the problem is that personal services are replete with unobservable elements, especially to outside observers, and as just noted, the recipients of care cannot report reliably the information. These conditions make the role of stakeholders who advocate on behalf of care recipients ever more important, and therefore their participation in decision-making crucial for their advocacy to be effective. Organizations that care directly about the well-being of their customers will delegate more decision-making to families of care recipients and others who advocate for them than organizations that care only instrumentally about consumers' well-being.

In comparison to nonprofit and government organizations, for-profit firms delegate less decision-making power to employees and consumer representatives, but more to executives and owners. In contrast, nonprofit and local government organizations generally allocate more decision-making power to their employees, residents, families, board of directors, and community representatives than do the for-profit firms, although the levels of involvement are low. These patterns reflect the fact that different types of organizations advocate the interests of different stakeholder groups; the allocation of decision-making, especially strategic decision-making, is tilted in favor of the preferred stakeholder groups. Although the general direction of differences among the three types of organization in the role of core employees is as we predicted, the differences are modest. Even in the case of decision-making on non-strategic issues, where employees can make most direct difference to their charges, the differences are limited. The role of boards of directors in non-profits surpasses that in for-profit firms. Since we do not know the composition of the boards, we speculate that because most of the facilities are privately held, owners of the for-profit firms may not

wish to dilute their power by delegating decision-making to boards of directors, and also may not need their input.

Many of the differences across organizations are not very large. It is possible that some for-profit firms that provide personal care services to vulnerable individuals do not maximize profits to the full extent, and some owners of for-profit daycare centers, nursing homes and group homes may engage in practices, including participation by their stakeholders in organizational decision-making, that help their consumers despite the fact that they may not contribute to profits. Similarly, some nonprofit and local government facilities may be run by their executives like for-profit firms, including in the allocation of decision-making, because of erosion of the ability of most consumers, sponsors and donors to exercise effective control over management (Ben-Ner 1994). Furthermore, various institutional factors put pressure on organizations and their employees to act similarly when they operate in the same service and labor markets (DiMaggio and Powell 1983). Further research is required to shed more light on the allocation of decision-making across groups, the reasons for particular allocations, as well as the quality of decision-making taken by different groups, across different types of organization.

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**Une étude comparative de la répartition de la prise de décisions entre groupes de parties prenantes : le champ des services d'aide et de soin aux personnes**

*L'article compare la répartition de la prise de décisions entre parties prenantes entre les organisations de services d'aide et de soins aux personnes à but lucratif, sans but lucratif et municipales dans un Etat des Etats-Unis. Les auteurs analysent des données détaillées d'enquêtes sur les maisons de repos et de soin, les centres d'accueil de la petite enfance et les résidences pour personnes handicapées mentales. Ils trouvent que comparées aux organisations publiques et sans but lucratif, les organisations à but lucratif allouent plus le pouvoir de décision à la direction et aux propriétaires qu'aux travailleurs, aux usagers et leurs familles, au conseil d'administration et aux représentants de la communauté locale. Les différences quoique généralement petites, confirment l'hypothèse que la prise de décision est répartie entre des groupes différents en fonction des objectifs généraux de l'organisation.*

**Eine vergleichende Studie über die Allokation der Entscheidungsmacht an Stakeholder-Gruppen: Der Fall der Personal Care Unternehmungen**

*In dem Beitrag wird die Allokation der Entscheidungsmacht an Stakeholder-Gruppen in gewinnorientierten, Nonprofit- und kommunalen Personal Care-Einrichtungen in einem Staat der USA miteinander verglichen. Wir analysieren detaillierte Umfragedaten über Altersheime, Kindertagesstätten und Group Homes. Wir stellen fest, dass im Vergleich zu Nonprofit- und staatlichen Organisationen gewinnorientierte Firmen in größerem Umfang Entscheidungen an Führungskräfte und Eigentümer delegieren und weniger an ihre Beschäftigten, Konsumenten, Familien, Verwaltungsräte und Kommunalvertreter. Die Unterschiede sind zwar im allgemeinen gering,*

*doch stützen sie die Hypothese, dass die Entscheidungsmacht in Übereinstimmung mit den Grundzielsetzungen der Organisationen verschiedenen Gruppen übertragen wird.*

**Un estudio comparativo del reparto de la toma de decisiones:  
el campo de los servicios de ayuda y asistencia a las personas**

*El artículo compara el reparto de la toma de decisiones entre las partes en organizaciones de servicios de ayuda y de asistencia a las personas, con fines lucrativos, sin fines lucrativos y municipales, en un Estado de USA. Los autores analizan datos pormenorizados de encuestas sobre las casas de retiro y de ayuda, los centros de acogida de infancia y residencias para minusválidos psíquicos. Los autores encuentran que, comparadas con las organizaciones públicas y sin fines lucrativos, las organizaciones con fines lucrativos asignan más el poder de decisión a la dirección y a los propietarios que a los trabajadores, a los usuarios y sus familias, al consejo de administración y a los representantes de la comunidad local. Las diferencias, aunque generalmente pequeñas, confirman la hipótesis de que la toma de decisiones se reparte entre los diferentes grupos en función de los objetivos generales de la organización.*