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The causes of the decline and extinction of public organizations: A case study of Fundap

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This article examines the decline and extinction of the Fundação do Desenvolvimento Administrativo (Fundap), a public organization created to support the modernization of public administration in the State of São Paulo, Brazil. Drawing on a qualitative case study based on document analysis and 33 interviews with key actors, the study identifies a cumulative mechanism of deinstitutionalization that preceded the formal decision to terminate the organization. The findings show that the loss of political-institutional legitimacy, constraints on financial resources, and the erosion of technical and administrative capacity interacted over time, progressively increasing the organization's vulnerability. By shifting the analytical focus from the termination decision to the organizational trajectory that precedes it, the article contributes to the public administration literature on termination and institutional reorganization. It demonstrates that organizational extinction in the public sector is the culmination of a relational and cumulative process of erosion, rather than merely the outcome of an isolated political decision.
Keywords: public organizations, organizational decline, extinction, resource dependence, institutional theory.

As causas do declínio e da extinção de organizações públicas: o estudo de caso da Fundap

Este artigo analisa o declínio e a extinção da Fundação do Desenvolvimento Administrativo (Fundap), organização pública criada para apoiar a modernização da administração pública do estado de São Paulo. A partir de um estudo de caso qualitativo, baseado em análise documental e 33 entrevistas com atores-chave, o artigo identifica um mecanismo cumulativo de desinstitucionalização que antecedeu a decisão formal de extinção. Os resultados indicam que a perda de legitimidade político-institucional, a restrição de recursos financeiros e a erosão da capacidade técnica e administrativa se articularam de forma interdependente ao longo do tempo, tornando a organização progressivamente vulnerável. Ao deslocar o foco analítico do momento decisório para a trajetória

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organizacional que o antecede, o artigo contribui para o debate em Administração Pública sobre terminação e reorganização institucional, demonstrando que a extinção organizacional no setor público é a culminação de um processo relacional de erosão, e não apenas o resultado de uma decisão política isolada.
Palavras-chave: organizações públicas, declínio organizacional, extinção, dependência de recursos, teoria institucional.

Las causas del declive y extinción de las organizaciones públicas: el estudio de caso de la Fundap

Este artículo analiza el declive y la extinción de la Fundação do Desenvolvimento Administrativo (Fundap), una organización pública creada para apoyar la modernización de la administración pública del estado de São Paulo, Brasil. A partir de un estudio de caso cualitativo, basado en análisis documental y 33 entrevistas con actores clave, se identifica un mecanismo acumulativo de desinstitucionalización que antecedió a la decisión formal de extinción. Los resultados muestran que la pérdida de legitimidad político-institucional, la restricción de recursos financieros y la erosión de la capacidad técnica y administrativa se articularon de manera interdependiente a lo largo del tiempo, lo que aumentó progresivamente la vulnerabilidad organizacional. Al desplazar el foco analítico del momento decisorio hacia la trayectoria organizacional que lo precede, el artículo contribuye al debate en Administración Pública sobre terminación y reorganización institucional, demostrando que la extinción organizacional en el sector público constituye la culminación de un proceso relacional y acumulativo de erosión, y no simplemente el resultado de una decisión política aislada.
Palabras clave: organizaciones públicas, declive organizacional, extinción, dependencia de recursos, teoría institucional.

1. INTRODUCTION

The extinction of public organizations is a recurring phenomenon in processes involving administrative reform and state reorganization, but its effects on state capacities and public policies are neither automatic nor unequivocal. The discontinuity of an organizational arrangement can result both in the effective loss of technical, institutional, and relational capacities, and in their recomposition by way of new institutional formats.

Public administration literature has shown that organizational extinction can assume multiple meanings—from incremental adjustment to a radical restructuring— depending on the political context, the functions performed, and the fate of the accumulated capacities. (Bertelli & Sinclair, 2018; Kuipers et al., 2018). Understanding the extinction of public organizations, therefore, requires going beyond normative diagnoses and analyzing the causal mechanisms that explain why certain organizations lose support and disappear while others adapt, merge, or are replaced.

In the public administration field, the extinction of organizations has been analyzed primarily from the perspective of termination and administrative reorganization policy. Recent studies have shown that decisions to extinguish (deLeon, 1978), merge or reconfigure public organizations are associated with electoral cycles, centralization strategies, power struggles, and the dynamics of democratic accountability (Bertelli & Sinclair, 2018; Kuipers et al., 2018; Pollitt & Bouckaert, 2017). This literature has helped demonstrate that organizational discontinuity is a political phenomenon, not merely a technical one.

By emphasizing the decision-making moment and its political determinants, however, these studies tend to treat extinction as an event or instrument of reform, and offer less analytical development on the organizational paths that precede this outcome. We know relatively little about how gradual processes of institutional misalignment, a reduction in resources, and the weakening of capabilities unfold

over time, making extinction not only a possibility but politically plausible. This gap is particularly relevant in subnational contexts, where institutional transformations often occur incrementally and cumulatively, with no abrupt ruptures or explicit crises.

Although there is a growing body of research on the creation, performance, and reform of public organizations, analyses explaining organizational extinction as a cumulative and relational process are still relatively scarce, especially in subnational contexts and outside core countries. The literature on administrative reform in Brazil tends to focus on the introduction of new institutional arrangements or formal structural changes, and pays less attention to the gradual erosion processes that precede the discontinuity of consolidated institutions. This gap limits our understanding of how changes in government priorities, fiscal constraints, and institutional transformations interact over time to erode the legitimacy, resources, and capabilities of public organizations, which lead to a decline that culminates in their extinction.

Based on a qualitative case study using document analysis and 33 interviews with key stakeholders, this article identifies a cumulative causal mechanism that explains this process that involves the loss of political and institutional legitimacy, the restriction of financial resources, and the erosion of technical and administrative capacity. We argue that these factors did not occur independently, but rather reinforced each other over time to produce a trajectory of decline that culminated in the extinction of the organization. By explaining this relational chain, the article adds to existing literature by demonstrating how the simultaneous rupture in legitimacy, resources, and capabilities can act as a mechanism for explaining the extinction of public organizations, especially in subnational contexts marked by political volatility and fiscal constraints.

Our article contributes to this debate by analyzing the decline and extinction process of the Fundação do Desenvolvimento Administrativo (Administrative Development Foundation –Fundap), a public organization linked to the government of the State of São Paulo that, for four decades, played a central role in modernizing the state's public administration. Fundap was recognized nationally for its technical excellence and its involvement with government and academic networks, but progressively lost its political and organizational relevance until it was formally dissolved in 2014. The case is particularly interesting for analysis because it involves a mature organization that was endowed with consolidated capabilities, and whose discontinuity cannot be explained by isolated technical failures or by a one-off exogenous shock, but by a gradual process of institutional erosion.

Our results show that Fundap's trajectory was marked by a process of cumulative deterioration in three interdependent dimensions. Its political-institutional legitimacy was lost when the organization distanced itself from government priorities and ceased to be seen as strategic by the state's decision-makers, which weakened its political and symbolic capital. Its autonomy, planning capacity, and competitiveness were reduced when its financial resources were restricted, which led to the loss of important projects and contracts. Finally, the erosion of its technical and administrative capacity, caused by the aging of the workforce, political interference, and technological obsolescence, made it impossible for it to renew the skills it needed and underlined the perception of its obsolescence. These factors reinforced each other in a cycle of decline that culminated in the extinction of the institution.

The article is organized into five sections, in addition to this introduction. The second section presents the theoretical framework that discusses the three approaches that underpin the analysis. The third section describes the methodological procedures of the case study, while the fourth presents the results, organized into the three analytical dimensions we identified. The fifth section discusses the

findings in light of the theoretical framework, and highlights their conceptual implications. Finally, we present our conclusions, the practical implications of the study, and an agenda for future research on the topic in the sixth section.

2. THEORETICAL FRAMEWORK

Understanding the decline and extinction processes of public organizations requires a framework that allows for an analysis of how institutional, political, financial, and organizational factors combine over time. Our study adopts an integrative perspective that links three theoretical traditions: Institutional Theory (DiMaggio & Powell, 1983; Meyer & Rowan, 1977), Resource Dependence Theory (Pfeffer & Salancik, 1978) and Organizational Life Cycle Theory (Adizes, 1998). Each offers specific and complementary lenses for explaining the mechanisms that led to the extinction of the Fundação do Desenvolvimento Administrativo (Fundap).

2.1. Extinction and reorganization in public administration

The extinction of organizations in the public administration field has been predominantly analyzed from the perspective of their termination and administrative reorganization. Studies such as those by Bertelli and Sinclair (2018) and Kuipers et al. (2018) emphasize the political incentives, the dynamics of accountability, and the institutional effects associated with processes of organizational discontinuity. Extinction in this literature is frequently treated as an instrument of reform, or as a result of the political disputes and structural rearrangements promoted by governments.

What is still less developed is understanding the internal processes that make certain organizations progressively vulnerable to extinction. In particular, there is little analytical modeling on how the relationship between the organization, the political environment, and the resource base gradually erodes over time. By proposing a cumulative mechanism that links legitimacy, resources, and capabilities, this study seeks to contribute to the debate by shifting the focus from the decision-making moment to the organizational trajectory that precedes it.

2.2. Institutional Theory

Institutional Theory argues that organizational survival depends on legitimacy within its environment. Organizations tend to shape their structures, practices, and discourse to fit the dominant norms and expectations in the field in which they operate. (DiMaggio & Powell, 1983; Scott, 1995). Legitimacy can be normative (conformity to socially accepted values and standards), cognitive (a perception of adequacy and inevitability), and regulatory (adherence to formal laws and rules) (Suchman, 1995). When there is a misalignment with these expectations, the organization loses political and social support, and becomes vulnerable to external pressures.

Studies show that public organizations risk losing their legitimacy, especially in contexts when government priorities are changing (Andrews et al., 2017; Kiwi et al., 2025; Meyer & Rowan, 1977). In the case of Fundap, this perspective helps us understand how distancing itself from government agendas, with the departure of universities from its board, and reducing its presence in inter-institutional networks eroded its prestige, thereby limiting its ability to attract support and win

contracts. Institutional Theory, therefore, helps explain how the erosion of legitimacy initiated the process of organizational decline.

DiMaggio and Powell (1983) describe three mechanisms of isomorphism—coercive, mimetic, and normative— that explain the search for organizational legitimacy. In the case of Fundap, coercive isomorphism was particularly important, given the dominant role of the state government in defining norms and expectations. Fundap's difficulty in meeting these external pressures contributed to its loss of legitimacy over time.

2.3. Resource Dependence Theory

Resource Dependence Theory argues that organizations depend on critical resources controlled by other actors, and that their autonomy and survival depend on their ability to ensure stable flows of these resources (Pfeffer & Salancik, 1978; Pfeffer & Salancik, 2003). Organizations with concentrated access to a single funding source become vulnerable to political or economic changes, while those that diversify their sources increase their bargaining power (Hillman et al., 2009).

This approach has been widely applied to explain how public organizations depend on budgetary support and state contracts (Froelich, 1999; Oliver, 1991). In the case of Fundap, it helps us understand how the reduction in transfers from the state treasury and the loss of its own revenues— such as management of the Medical Residency program— reduced its financial autonomy and its planning capacity, forcing it to compete for specific contracts in an uncertain environment. The theory shows that the financial vulnerability resulting from concentrated dependence limited investments and accelerated the decline process initiated by the loss of legitimacy.

Pfeffer and Salancik (1978; 2003) argue that organizational survival depends on the ability to diversify and ensure stable resource flows. Fundap illustrates the risk of concentrated dependence: with the loss of revenue from the Medical Residency programs and the drastic reduction in state budget allocations, it became vulnerable to political changes, and lost its financial autonomy and its capacity to plan strategically.

2.4. Organizational Life Cycle Theory

Organizational Life Cycle Theory proposes that organizations go through relatively predictable stages—birth, growth, maturity, decline, and extinction—and that each phase involves specific challenges of leadership, coordination, and innovation (Adizes, 1998). Decline occurs when an organization becomes rigid, loses its capacity for learning, and fails to renew its skills and structures to respond to new demands from the environment.

Classic (Hannan & Freeman, 1977; Quinn & Cameron, 1983) and recent (Jawahar & McLaughlin, 2001; Lester et al., 2003) research indicates that the transition from maturity to decline is often marked by a loss of flexibility and the capacity to innovate. This perspective is useful for understanding why, even though Fundap was recognized for decades as a center of excellence, it failed to reinvent itself in the face of technological and political changes, which led to an aging workforce and loss of competitiveness.

Fundap's evolution followed the theory of Adizes (1998) in an exemplary way, according to whom organizations go through stages of birth, growth, maturity, decline, an extinction. It consolidated its

role as a technical reference in the initial phases, but when it reached maturity, it became rigid and found it difficult to adapt, which accelerated the transition to decline and, finally, to extinction.

2.5. Integration of the three approaches

Although Institutional Theory, Resource Dependence Theory, and Organizational Life Cycle Theory offer relevant explanations for the decline in public organizations, this study does not use them for use as equivalent or parallel lenses. Instead, we adopt a hierarchical and relational perspective, in which Institutional Theory occupies a central position, while the other approaches are complementary explanatory mechanisms. This option allows us to overcome linear or additive interpretations and understand organizational extinction as the result of a cumulative process, marked by causal chains and negative feedback loops over time.

Using Institutional Theory as a basis, we argue that the loss of political-institutional legitimacy is the initial trigger of the decline process. Changes in government priorities, in the political environment, and in expectations in the organizational field affect perceptions of the relevance, usefulness, and adequacy of public organizations, thereby weakening their symbolic and political capital. This erosion of legitimacy is not only exogenous, but can be exacerbated by internal decisions that break ties with supporting coalitions and institutional networks, which reduces the organization's ability to remain aligned with the dominant agendas.

Resource Dependence Theory helps explain how the loss of legitimacy translates into real material constraints. As public organizations cease to be perceived as strategic or a priority, their access to budget resources, contracts, and stable sources of funding tend to deteriorate. The reduction in and instability of resource flows compromise organizational autonomy, limit medium- and long-term planning, and increase the organization's vulnerability to political and fiscal cycles. Resource scarcity is no longer treated as an independent factor, but as a mechanism that is mediated by the prior erosion of institutional legitimacy.

Organizational Life Cycle Theory, in turn, enables us to understand how the combination of a loss of legitimacy and resource constraints affect the adaptive capacity of public organizations. A reduction in investments, difficulties faced when renewing technical staff, and administrative rigidity tend to accelerate the transition from maturity to decline, and erode the technical and administrative capacity that has been accumulated over time. This process is often exacerbated in public organizations by institutional restrictions on people management, political interference, and limitations on organizational innovation, all of which make it difficult to revitalize strategies.

Integration of these approaches supports the central proposition of this study: the extinction of public organizations results from the simultaneous and mutually reinforcing rupture between legitimacy, resources, and capabilities. Loss of legitimacy precedes and conditions the reduction in resources; resource scarcity accelerates the erosion of technical and administrative capacity; and the weakening of capabilities, in turn, feeds back into the perception of irrelevance and organizational obsolescence, thus deepening the crisis of legitimacy. This chain of events constitutes a cumulative causal mechanism, in which institutional, financial, and organizational factors do not act in isolation, but are linked in trajectories of decline that can culminate in the extinction of the organization.

This dynamic is compatible with the gradual institutional change approach proposed by Mahoney and Thelen (2010), which emphasizes the endogenous, cumulative, and politically mediated processes

of institutional transformation. Instead of abrupt ruptures, the authors highlight mechanisms such as displacement, deviation, and institutional hollowing-out, in which formal rules remain in effect while their functions, interpretations, and effects are progressively altered. In the case we analyzed, organizational extinction does not result from a single decision, but from an incremental process of institutional erosion, in which changes in political priorities and patterns of state support have reshaped the conditions required for the organization to function and survive over time.

By adopting this relational perspective, our study goes beyond explanations based on single factors or the inevitable stages of decline, and offers an analytical framework that can capture the political and institutional dynamics of the extinction of public organizations. This framework provides the conceptual basis for the empirical analysis of the Fundap case, as presented in the following sections, and for discussion of its theoretical implications in the field of public administration.

3. METHODOLOGY

3.1. An ontological and epistemological approach

This study adopts a constructivist and interpretivist-oriented approach, according to which social reality is constructed by interactions between actors and institutional contexts. (Berger & Luckmann, 1966; Guba & Lincoln, 1994). It assumes that public organizations are not objective and static units, but dynamic social systems whose existence and legitimacy depend on the continuous production of shared meanings. Epistemologically, we assumed that knowledge of this phenomenon is situated in and mediated by the interpretations of the actors who experienced the process studied. Consequently, our objective is not to produce statistical generalizations, but to construct a contextualized and detailed understanding (Geertz, 1973) of the mechanisms that led to the decline and extinction of Fundap.

3.2. Outlining the study and data collection strategies

We conducted a unique case study of a historical-organizational nature as suitable for understanding complex, underexplored phenomena that are highly context-dependent (Yin, 2018). Data collection combined multiple sources, which enabled us to triangulate the evidence:

- **Institutional and legal documents:** Articles of incorporation, management reports, audit reports, minutes of meetings of the Board of Trustees, organizational charts, work plans and project reports of Fundap between 1974 and 2014.
- **Legislation and normative acts:** State decrees relating to the creation, operation and dissolution of Fundap, annual budget laws and opinions from the state's Treasury Department and Attorney General's Office.
- **Journalistic and external publication sources:** Articles from publications such as *Valor Econômico*, technical notes, and academic papers about Fundap and the system relating to foundations adopted by the State of São Paulo.
- **Semi-structured interviews:** We conducted interviews with 33 key stakeholders, including former directors, former technical coordinators, career civil servants, partner academics, and

public managers who interacted with Fundap over time. The interviews, which we recorded and transcribed with the participants' consent, lasted between 45 and 90 minutes, and were conducted between March and November 2023.

With this combination of sources we aimed to comprehensively reconstruct Fundap's institutional trajectory, and link its internal and external perspectives over the four decades of its existence.

3.3. Data analysis procedures

We analyzed the data in three stages using thematic content analysis (Bardin, 1977). First, we carried out a floating reading of the selected documents and conducted interviews to identify any relevant events, decisions, and institutional changes. We then constructed an initial coding matrix with descriptive categories. Finally, we grouped and refined these categories into three interpretive analytical dimensions – the loss of political-institutional legitimacy, the restriction in financial resources, and the erosion of Fundap's technical and administrative capacity — which formed the structure of the way the results are presented.

Our analysis sought to identify patterns of convergence and divergence between sources by building explanatory chains that link the factors we identified that led to extinction as the outcome. The process was iterative and involved a constant back-and-forth between empirical data and theoretical concepts, in a process of analytical abduction (Timmermans & Tavory, 2012).

3.4. Ethical considerations

The research followed the ethical principles of Resolution No. 510/2016 of the Brazilian Health Council for studies in human and social sciences. All interviewees received clear information about the objectives and procedures of the study and signed a free and informed consent form. Confidentiality was guaranteed by using alphanumeric coding, the omission of personal data, and anonymization of sections that could identify the participants or third parties mentioned. The data were stored in a protected environment restricted to the responsible researcher.

3.5. Validity and reliability

The quotes throughout the article have been anonymized to protect the participants' identities. In order to maintain analytical relevance without compromising confidentiality, each interviewee was identified by an alphanumeric code (E1, E2, ...), along with their function or institutional position at the time of the events (see Appendix A).

We adopted several strategies for reinforcing the validity and reliability of the study (Lincoln & Guba, 1985; Yin, 2018). Internal validity was strengthened by triangulating multiple sources of evidence and actively searching for negative cases and alternative interpretations. External validity was addressed by way of a detailed description of the context and a discussion of the limits of generalization of the findings. Reliability was ensured by maintaining a research protocol and an organized database of the data and documents, allowing for traceability of the analytical decisions we made. We also shared partial syntheses with some participants in order to verify accuracy (member checking), and two

external researchers reviewed the coding of a subset of the interviews, thus increasing the consistency of our analyses.

To increase the validity and reliability of the findings, we used data triangulation, which combined different sources of evidence— interviews, institutional documents, legislation, and external publications. Triangulation is considered an essential strategy in qualitative research, as it allows for the cross-referencing of distinct perspectives and a reduction in individual bias (Denzin, 2009; Flick, 2022). In the context of case studies, it is especially relevant for building robust chains of evidence and ensuring greater interpretative consistency (Yin, 2018).

4. RESULTS

4.1. LOSS OF POLITICAL-INSTITUTIONAL LEGITIMACY

Fundap's loss of political and institutional legitimacy was a gradual process of distancing the organization from the decision-making core of the state government. The interviews and documents indicate that, over time, Fundap ceased to be perceived as a strategic actor in the formulation and coordination of public policies, and occupied an increasingly peripheral position in the central arenas of administrative decision-making. As a former director of the organization reported: "Fundap stopped being called to [participate in] central discussions; decisions began to be made without our participation" (E7)

The testimonies suggest that the erosion of legitimacy was associated with the redefinition of government agendas and the reduction in Fundap's political recognition as a relevant instrument for implementing these priorities. Although the organization maintained its technical skills and recognized track record, its ability to influence strategic decisions and participate in central state coordination processes became gradually weaker. This process implied the loss of privileged access to spaces of political dialogue and a decrease in support from institutional coalitions that had previously supported its position in the area of state organization.

It is important to emphasize that this loss of legitimacy was not expressed as formal partisan opposition or ideological resistance to the state government's guidelines. Instead, it was a progressive institutional misalignment, in which Fundap came to be seen as less supportive of the new administrative priorities and models of action favored by the government. One interviewee summarized this by stating that "it was not a [party-political] matter, but one of priority: Fundap no longer fit the model that the government wanted to adopt" (E12). We found no empirical evidence of systematic partisan bias or programmatic opposition by Fundap to the state government.

The erosion of Fundap's political and institutional legitimacy, therefore, should be understood as an initial mechanism in the organizational decline process we analyzed in this study. By compromising the organization's position with the decision-making core and limiting its capacity to mobilize political support, the process created the conditions for the subsequent reduction in financial resources and the erosion of the technical and administrative capabilities we discuss in the following subsections.

4.2. Restriction of financial resources

The progressive restriction of financial resources constituted the second mechanism in the organizational decline process of Fundap and can be understood as a direct consequence of the erosion of its political and institutional legitimacy. As the organization became less central in the government's priorities, its funding flows became more unstable, fragmented, and dependent on discretionary decisions, thus compromising the budgetary predictability necessary to sustain its activities.

Historically, Fundap operated with a funding model that combined budgetary transfers from the state government and its own revenues from contracts and service provision. The interviews, however, indicate that this equilibrium was progressively broken throughout the 2000s, with a significant reduction in the share of public transfers and an increase in dependence on one-off contracts and unstable sources of revenue. As a former manager of the organization reported: "Fundap went from a situation where most of the budget came from the State to a growing dependence on uncertain contracts, which varied each year" (E3).

This process increased the organization's financial vulnerability and reduced its capacity for medium- and long-term planning. Resource instability made structural investments, the maintenance of technical teams, and the continuity of strategic projects more difficult, thus increasingly exposing Fundap to competition with private consultancies and other foundations that had greater administrative flexibility. According to one interviewee, "without a guaranteed budget, Fundap began to compete at a disadvantage with organizations that were able to adapt more quickly to contractual requirements" (E9). The data do not indicate the existence of a structured internal discussion process or a deliberate organizational adaptation strategy in the face of this new competitive context.

The transfer of the Medical Residency Program emblematically illustrates this process of financial and institutional contraction. The loss of the program represented not only the suppression of a relevant source of resources, but also the removal of a strategic asset associated with the visibility and insertion of Fundap in the field of professional health training. One interviewee highlighted the fact that "when the residency program left, it became clear that Fundap was no longer a priority; in addition to the financial impact, this left an important symbolic void" (E11).

The restriction in financial resources, therefore, should not be interpreted as an exogenous or isolated factor, but as a mechanism that was mediated by the prior loss of institutional legitimacy. By reducing Fundap's financial autonomy and increasing its dependence on unstable funding flows, this process deepened the organization's operational difficulties and created the conditions necessary for the subsequent erosion of its technical and administrative capabilities, which are analyzed in the following subsection. Although a comparative institutional inventory could broaden the scope of the analysis, our study prioritizes the procedural reconstruction of Fundap's decline based on the causal mechanisms we empirically identified.

4.3. Erosion of the technical and administrative capacity

The erosion of the technical and administrative capacity of Fundap was the outcome of a process of accumulated weakening. For decades, Fundap had built up a highly qualified technical staff, composed of recognized specialists in public management, economists, social scientists, and administrators, with strong ties with academic networks and practical experience in government projects. This

human capital was widely considered its main competitive advantage. But starting in the 1990s, this foundation began to break down, initially silently and then irreversibly.

A critical milestone was the promulgation of the 1988 Federal Constitution, which established a single legal regime in public service and required that the employment relationships of Fundap employees be regularized. Until then, the institution had operated with flexible contracts and salaries that were compatible with the market, which allowed it to attract and retain highly qualified professionals. The transition imposed by the new regime, however, generated legal uncertainty and administrative disorganization. A former human resources manager reported: "After the Constitution, we could no longer hire as before, and talented people began to leave" (E8, former HR manager)

Fundap also stopped replacing those who retired and resigned, thereby gradually reducing staff numbers. Between 1990 and 2010, employee numbers fell from about 600 to fewer than 150, while the average age exceeded 50. This reduction compromised its ability to carry out larger-scale projects or renew its skill-base. A former technical coordinator pointed out: "We had excellent people, but the team shrank and got older. We ran out of steam to innovate" (E9, former technical coordinator).

The weakening of the technical staff was accompanied by increasing political interference in the selection of directors and coordinators, who were often appointed on the basis on party alignment criteria, and not on their technical merit. This practice eroded the professional culture and reduced the strategic coherence of the organization. A former director assessed it thus: "The loss of governance over people management is fundamental for understanding the crisis at Fundap. The directors started coming from outside without knowing the institution" (E6 – former director). This is echoed by the thoughts of another former director: "From being a center of excellence, Fundap came to be seen as a place of low productivity, political interference, and corporatism" (E10).

Another factor was the inability to keep up with digital transformation and changes in public management methods. While private consultancies and university foundations incorporated information technologies, analytical tools, and results-oriented management, Fundap maintained its manual processes and rigid departmental structures. A former analyst commented: "We continued doing everything on paper while competitors delivered online dashboards" (E11, former analyst).

This situation resulted in a decline in the quality and timeliness of deliverables, leading state government agencies to hire other service providers. A former institutional client reported: "We stopped hiring Fundap because the work no longer had the same speed and quality as before" (E12, former institutional client).

The erosion of Fundap's technical and administrative capacity was therefore not an autonomous phenomenon or merely a result of internal organizational rigidity. It resulted from the cumulative combination of the loss of political and institutional legitimacy and the prolonged restriction of financial resources, which limited the renewal of staff, investment in technologies, and adaptation to the new demands of the environment. As the organization lost its ability to deliver, innovate, and coordinate, the external perception of obsolescence and strategic irrelevance was reinforced, thus deepening the already existing crisis of legitimacy. This negative feedback loop sealed the organizational unviability of Fundap, exhausted the conditions it needed for survival, and made its extinction a politically viable and institutionally defensible decision.

5. DISCUSSION

Given these results we can reinterpret the decline and extinction of Fundap as a cumulative political-institutional process, which shifts the focus away from the formal termination decision to the relational dynamics that preceded it. The mechanism we identified, therefore, aligns with the logic of the strategic triangle proposed by Moore (2000), according to which public organizations depend on the interplay between authorization and political legitimacy, operational support, and the organizational ability to support its viability. But while Moore emphasizes the strategic alignment necessary for creating public value, the case we analyzed shows the inverse process: the progressive uncoupling of these three pillars as the mechanism leading to organizational collapse. The rupture between legitimacy, resources, and capabilities not only compromises the generation of public value, but redefines the political conditions that make organizational extinction an institutionally acceptable alternative.

A central issue in the debate on the extinction of public organizations concerns the distinction between organizational discontinuity and state reorganization. The literature has argued that the formal disappearance of an organizational arrangement does not always imply the elimination of the functions it performs, and may result in their redistribution or recomposition in new institutional formats. (Bertelli & Sinclair, 2018). From this perspective, extinction can represent a strategy of administrative reconfiguration, rather than a substantial loss of state capabilities. This empirical distinction, however, depends on the actual fate of the technical capabilities, human resources, and institutional networks that have been accumulated over time.

When examining the case of Fundap in light of this debate, it becomes evident that organizational extinction cannot be reduced to a discretionary decision of administrative reorganization. Unlike approaches that emphasize termination policy as a strategic instrument of government, or as a mechanism of structural rationalization (Bertelli & Sinclair, 2018; Kuipers et al., 2018; Lewis, 2002), our findings indicate that the formal decision to extinguish the organization was preceded by a cumulative process of institutional weakening. Extinction, therefore, appears less as a starting point and more as the outcome of a prolonged trajectory of relational erosion.

This distinction is theoretically relevant. While part of the literature tends to explain the survival or death of agencies based on political incentives, electoral cycles, or executive control strategies, the case we analyzed shows that such decisions become politically viable only when the organization has already experienced a significant loss of legitimacy, a reduction in resources, and a deterioration in its capabilities. By shifting the focus from the decision-making moment to the procedural chain that precedes it, our study contributes to public administration literature by introducing a relational and cumulative explanation of organizational extinction in the public sector. Organizational extinction should be understood not only as the result of a political decision, but as the culmination of a process of progressive deinstitutionalization.

The Fundap case suggests that, although some of its functions were formally redistributed after its extinction, the process we analyzed was not limited to a mere functional reorganization. The simultaneous rupture of its political legitimacy, financial resources, and technical capacity compromised the preservation and transfer of accumulated organizational capabilities, thereby resulting in the loss of specialized knowledge, the uncoupling of networks, and the weakening of state coordination in strategic areas of São Paulo's public administration. In this sense, the extinction of Fundap shows that organizational discontinuity can imply not only administrative rearrangements

but also the effective erosion of state capabilities, especially when the extinction occurs at the end of a prolonged process of institutional decline.

From the perspective of Institutional Theory, the Fundap case confirms central assumptions about organizational legitimacy, but also reveals how its erosion can occur gradually and be politically mediated in the public sector. Fundap gradually lost its status as a normative and cognitive reference in São Paulo's public administration, and was no longer recognized as a strategic and innovative body. This corroborates the idea that misalignment between organizational structures and environmental expectations can compromise institutional survival. The case also challenges this theory, however, by showing that the loss of legitimacy did not result solely from exogenous changes, but also from deliberate internal choices that prioritized technical autonomy and the foundation's distancing from short-term political agendas. In other words, legitimacy is not merely an attribute imposed by the environment, but a relational resource that can be eroded by internal decisions that break ties with supporting coalitions. This suggests that political legitimacy in public organizations is not only a condition for institutional stability, but an antecedent factor that conditions access to resources and the very capacity for organizational adaptation.

In light of Resource Dependence Theory, our findings corroborate the importance of access to financial resources for organizational survival. They also indicate that this dependence in the public sector is strongly mediated by political authorization relationships. The reduction in transfers from the state Treasury Department and the loss of its own stable resources reduced its autonomy and planning capacity. The case broadens this perspective, however, by showing that the loss of legitimacy preceded and conditioned the loss of resources: the budget crisis was not just an environmental contingency, but a consequence of the erosion of the political support that had previously ensured contracts and funding. This suggests that access to resources in public organizations does not depend solely on rational bargaining strategies, as proposed by classical theory, but is mediated by relationships of trust and institutional prestige. The Fundap case indicates that a public organization's dependence on resources is not structured solely by bargaining or competition mechanisms, but by institutional dynamics that define who is perceived as being a legitimate actor to receive state support.

Based on the Organizational Life Cycle Theory, the Fundap case confirms the transition from maturity to decline, but highlights that this trajectory in the public sector can be abruptly accelerated by political and institutional shocks. Fundap exemplifies the stage of decline described by Adizes (1998), which is marked by structural rigidity, an aging workforce, and an inability to innovate. The loss of technical and managerial capacity reinforced the perception of obsolescence and made the implementation of revitalization strategies unfeasible.

Even so, the case expands the limits of this approach by demonstrating that the life cycle of public organizations is not a natural and inexorable process, but can be abruptly accelerated by external political and institutional factors. Instead of a gradual decline, Fundap suffered a sudden collapse that was precipitated by the conjunction of loss of legitimacy and reduction in resources, which shows that public organizations can jump directly from maturity to extinction. These findings suggest that organizational life cycle models applied to the public sector should explicitly incorporate the role of politics and institutional legitimacy as factors capable of interrupting or accelerating organizational trajectories.

Taken together, our findings indicate that the extinction of public organizations should be understood as the result of a process of progressive deinstitutionalization, and not merely as an

instrument of administrative reorganization or an isolated political decision. By demonstrating how the breakdown in the interplay between legitimacy, resources, and capabilities builds up over time, our study shifts the analytical focus from the termination event to the organizational trajectory that precedes it. This perspective broadens the debate in public administration by incorporating the procedural dimension of institutional decline, thus highlighting that formal extinction decisions become politically viable when the organization has already lost the relational support of the state. Over and above being a specific case, our analysis suggests that understanding organizational death in the public sector requires an examination of the cumulative mechanisms that erode its political, material, and technical base, thereby gradually redefining its conditions for survival.

6. CONCLUSION

The trajectory of the Administrative Development Foundation (Fundap) shows that the extinction of public organizations should not be understood merely as an instrument of administrative reorganization or the result of an isolated political decision. The case demonstrates that the formal decision to extinguish an organization tends to occur at the end of a cumulative process of deinstitutionalization, in which political legitimacy, the material support base, and organizational capacities weaken interdependently.

Our results are in accord with the assumptions of Institutional Theory, Resource Dependence Theory, and Organizational Life Cycle Theory, but they add to them by integrating them into a processual explanation that focuses on the public administration debate about termination and state capacity. We confirm that legitimacy is a necessary condition for survival, that excessive dependence on just a few funders increases vulnerability, and that the inability to adapt leads to decline. But our study also shows that in public organizations these three dimensions are interdependent and form a support system: the loss of legitimacy anticipates and causes the retraction of resources; resource scarcity accelerates the loss of capabilities; and a deterioration in technical capacity reinforces the erosion of legitimacy, which trigger cycles of collapse.

This integrated approach constitutes the main theoretical contribution of this study. The article adds to the literature by proposing a relational model that explains the extinction of public organizations as being the result of the simultaneous rupture of three interdependent dimensions — legitimacy, resources, and organizational capabilities. None of the three theories we used explains this process in isolation, but the interplay between them enables us to understand the mechanisms that connect the loss of institutional support, the retraction of resources, and the deterioration in capabilities. This proposition expands the frontier of knowledge by offering a more comprehensive explanation that is applicable to other cases of institutional decline in the public sector.

From a practical point of view, our findings indicate that governments should adopt proactive strategies for institutional sustainability by investing in diversifying their sources of resource, in upgrading their technology, in strategic people management, and in preserving their links with the academic and political networks that confer legitimacy. They also suggest that administrative reforms and organizational restructuring processes should consider not only economic efficiency but also the risk of the erosion of critical state capabilities.

Finally, the study points to a research agenda that can add to this field. Future investigations could compare cases of organizations that withstood institutional and fiscal shocks with those that

collapsed, and explore the factors that favor the resilience of the legitimacy-resources-capacities triad. It would also be important to examine whether the extinction of public organizations results in the permanent loss of state capacities or whether it can lead to a recomposition by way of new institutional arrangements. Moving forward with this agenda is fundamental for understanding not only why public organizations are formally extinguished, but also how trajectories of institutional erosion build up over time and redefine their conditions of survival.

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RESEARCH DATA AVAILABILITY

The interview data is available for consultation upon written request to the authors and upon signing a non-disclosure agreement agreeing to the names of the interviewees.

CONFLICT OF INTEREST

The authors declare they have no conflict of interests with regard to the published work.

ARTIFICIAL INTELLIGENCE USAGE

AI tools were not used.

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APPENDIX A

List of the interviewees who were quoted

All interviewees were anonymized and identified by alphanumeric codes (E1…E12). The table below shows only their roles and institutional affiliation with Fundap.

TABLE A FUNCTIONS AND INSTITUTIONAL AFFILIATION

Code	Position/Function at the time	Affiliation with Fundap
E1	Former finance director / former director	Executive management team
E2	Fundap technician	Technical career employee
E3	Former project coordinator	Program and Project management team
E4	Manager	Operational management team
E5	Former legal adviser	Institutional legal advice team
E6	Former director	Executive management team
E7	Former member of the Board of Trustees	Governance body
E8	Former HR manager	People management team
E9	Former technical coordinator	Technical areas' coordinating team
E10	Former director	Executive management team
E11	Former analyst	Technical/analytical area
E12	Former institutional client	Technical body requesting services

Source: Elaborated by the authors.