

This article presents a review and analysis of empirically based research on strategic management in nonprofit organizations reported in major journals from 1977 to the present. Although much work has been done on strategy formulation, types of strategies pursued, and implementation in nonprofits, significant gaps exist in our knowledge. Few explicit connections have been made among research studies, contributing to fragmentation of the field. Crucial relationships among strategy components are missing, and links between these components and organizational performance have yet to be made. The article analyzes what is known about strategic management in nonprofits and identifies questions for future research.

**RESEARCH ON
STRATEGIC MANAGEMENT
IN NONPROFIT ORGANIZATIONS**
Synthesis, Analysis, and Future Directions

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Recognition has grown in recent years of the importance of the nonprofit sector to the nation's economy, to the vibrancy of our civil society, and to the implementation of public policies (Salamon, 1995, 1997; S. R. Smith & Lipsky, 1993; Weisbrod, 1998). In 1991, those organizations recognized as tax-exempt by the Internal Revenue Service numbered over 1 million and accounted for 6% of the Gross National Product and 10% of total employment (Bowen, Nygren, Turner, & Duffy, 1994). Scrutiny of

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the sector by the public and press has increased as well, generating what some call a "a crisis of accountability" (Salamon, 1997). Within this context, the need for competent strategic management and leadership is widely acknowledged (Bryson, 1995; Nutt & Backoff, 1992, 1993).

The purpose of this article is to present a synthesis and analysis of what is known and not known about strategic management activities in nonprofit organizations, based on a review of over 65 empirically based journal articles, published from 1977 to the present. The time is ripe for such a review, not only because of the trends noted above, but because scholars and educators in schools of public policy, public affairs, public administration, and management face growing demands to incorporate knowledge about the nonprofit sector into their research and basic curriculum.

Given the expanding visibility of the nonprofit sector, it is not surprising that there has been a rapid increase in the last 20 years in the amount of published research on strategic management in nonprofit organizations (Stone & Crittenden, 1993). This research has made three general contributions. The first is its breadth. Research has been conducted in a wide variety of nonprofit settings, has focused on different components of strategic management, and has identified an array of determinants and outcomes of strategic management processes and practices. As a result, considerable information is now available about the role of strategic management in nonprofits. Second, the nonprofit environment has provided a rich context for the study of a number of theoretical constructs, providing insight into, among others, interorganizational systems (Boje & Whetten, 1981; Galaskiewicz & Shatin, 1981), dependence (Provan, Beyer, & Kruytbosch, 1980), and the effect of values on structure (Bartunek, 1984). Third, this research lends additional empirical evidence concerning the importance of particular characteristics of nonprofit organizations, namely their dependence on but lack of control over external resources and their need to manage multiple and often conflicting constituencies. The extent to which nonprofit organizations use strategic management activities to respond to changing client needs, however, is uncertain.

Despite these contributions, few explicit connections are made among research studies, contributing to fragmentation of the field rather than consolidation. For example, the research has established many relationships among determinant factors (such as organization size, board characteristics, or turbulence in the resource environment) and the components of the strategy process, and between those components and various outcomes (such as changes in structure, mission, and client mix or level of

organizational cooperation). Less well established are the relationships among the components and between components and performance.

To examine both the contributions and gaps in this literature, the article is organized as follows. In the first section, we use the major components of the strategic management process—strategy formulation, strategy content, and implementation—to organize and analyze the research and identify core findings. In the second section, we identify general insights from these findings and gaps that remain, and we address problems associated with measuring performance. The final section poses questions for future research.

AN ANALYSIS OF PUBLISHED RESEARCH

To organize the analysis, we partitioned the literature into three components of strategic management: strategy formulation, content, and implementation (Schendel & Hofer, 1979; Shortell, Morrison, & Robbins, 1985; Shrivastava, 1987; Topping & Hernandez, 1991). Strategy formulation is “the process that is used to assess or reassess the organization’s mission, philosophy, and goals, and to develop plans to achieve the organization’s goals and objectives consistent with its mission and philosophy” (Shortell et al., 1985, p. 223). Strategy content encompasses the actions and tactics that compose an organization’s strategy and includes corporate, business, and functional level strategies. Strategic management research in this area has typically focused on two relationships: the effect of environmental and organizational factors on strategy content and the link between strategy content and desired outcomes or objectives. Representative of this research are typologies that either define successful strategies (W. K. Hall, 1985; Porter, 1980), or reflect different degrees of environmental complexity (Miles & Snow, 1978). Research on strategy implementation typically “concentrates on how decisions are put into action and evaluated [and] includes the characteristics of the strategy, environmental characteristics, and organizational factors” (Topping & Hernandez, 1991, p. 71).

Two criteria were used in selecting the material included in this study. First, based on previous research regarding journal quality and impact on strategic management studies (Franke, Edlund, & Oster, 1990; MacMillan, 1991), the search focused on the most prominent management journals as well as those targeted to nonprofit organizations, starting in 1977. Because the Yale Program on Non-Profit Organizations conducted a

TABLE 1
Journals Surveyed, 1977 Through Spring 1997

Academy of Management Executive
Academy of Management Journal
Academy of Management Review
Administrative Science Quarterly
California Management Review
Decision Sciences
Harvard Business Review
Journal of Management
Journal of Management Studies
Long Range Planning
Management Science
Organization Studies
Sloan Management Review
Strategic Management Journal
Administration in Social Work
Nonprofit Management and Leadership
Nonprofit and Voluntary Sector Quarterly (and its predecessor, Journal of Voluntary Action Research)
Public Administration Review
Yale Program on Non-Profit Organizations Working Paper Series

research program on strategy formulation, these working papers were included as well (see Table 1 for a list of sources). Second, only empirically based articles were considered. Articles covered a wide range of methodologies, from action research within a single organization to large-scale surveys. This review does not include articles based on anecdotal evidence.

The authors coded articles for coverage of the three components of strategic management, designating whether the category was a primary or secondary focus of the article. Articles were also coded by methodological orientation and key research findings. Using this coding scheme, summaries of 66 articles are found in Tables 2, 3, and 4.

From initial reviews of the research, authors developed a framework to organize the discussion of findings (see Figure 1). The framework includes three broad dimensions: determinants, outcomes, and performance.

Determinants of strategy include organizational and environmental factors, and outcomes reflect both internal changes and external relationships. We included performance as a third dimension to draw attention to the fact that it is a critical variable within the field of strategic management

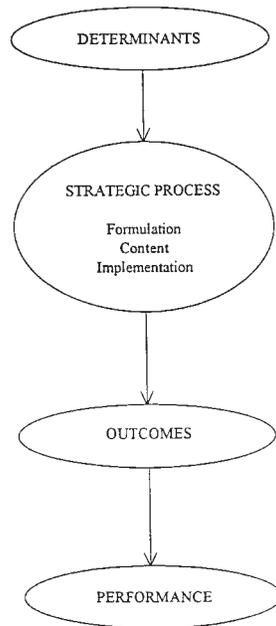


Figure 1: Organizing Framework

(Daft & Bueneger, 1990; Meyer, 1991; Venkatraman & Ramanujam, 1986) and because nonprofits are facing increasing pressures to specify performance indicators (Salamon, 1997; Stone & Cutcher-Gershenfeld, in press). Little agreement exists over how to define and measure performance in nonprofits because of their vague goals, multiple constituencies, and the uncertain relationship between service activities and outcomes (Fottler, 1981; Hatten, 1982; Kanter & Summers, 1987; Newman & Wal-lender, 1978; Nutt, 1984). For the purposes of distinguishing between out-comes and performance, we define performance simply as the demon-strated ability to acquire resources necessary for organizational survival (Kanter & Summers, 1987; Pfeffer & Salancik, 1978; Yuchtman & Sea-shore, 1967). This definition distinguishes it from outcomes such as inclu-sion in an interorganizational system or structural reorganization, which may or may not affect resource acquisition.

STRATEGY FORMULATION

The focus of research on strategy formulation in nonprofit organizations has been narrow, concerned with the adoption and use of formal strategic planning rather than broader questions of strategic decision-making processes. Principal findings from these 21 studies (described in Table 2) are

- Many nonprofits have not adopted formal strategic planning.
- For those that do adopt formal strategic planning, primary determinants are organization size, characteristics of board and of management, prior agreement on organizational goals, and funder requirements to plan.
- Principal outcomes of formal planning are changes in organizational mission, structure, and board and management roles.
- The relationship between formal planning and performance is not clear but seems to be associated with growth and with who participates in the process.

Determinants. Many nonprofit organizations do not use strategic planning (Brown & Covey, 1987; Crittenden, Crittenden, & Hunt, 1988; Jansson & Taylor, 1978; Jenster & Overstreet, 1990; Odom & Boxx, 1988; Stone, 1989; Tober, 1991; Unterman & Davis, 1982; Wolch, 1990). They are more likely to rely on a variety of planning methods (Nutt, 1984), such as operational planning (that is, annual goal setting), the use of some elements of long-range planning, and informal planning (Odom & Boxx, 1988; Stone, 1989; Tober, 1991; Wolch, 1990). For those that do adopt strategic planning, major organizational determinants are organizational size, board and management characteristics, and prior agreement on organizational goals.

Larger, but not necessarily older nonprofits are more likely to plan than smaller ones (Odom & Boxx, 1988; Stone, 1989; Tober, 1991; Unterman & Davis, 1982; Webster & Wylie, 1988; Wolch, 1990; Young & Sleeper, 1988). This finding was true across a range of nonprofit fields, including social and human services, affiliates of national health and social welfare associations, performing arts groups, and churches. Possible explanations for the positive relationship between size and formal planning included: increased coordination needs (Odom & Boxx, 1988), availability of more resources and staff time to devote to planning (Young & Sleeper, 1988), more managerially sophisticated executive directors (Wolch, 1990;

(text continues on p. 389)

TABLE 2
Empirical Studies of Strategy
Formulation in Nonprofit Organizations

<i>Author</i>	<i>Research Question</i>	<i>Sample and Methodology</i>	<i>Findings</i>
Bradshaw, Murray, & Wolpin, 1992	How do board structure and process dynamics contribute to organization and board effectiveness?	Survey of over 400 executive directors of nonprofit organizations	Top management perceives a relationship between effectiveness and a board being involved in strategic planning, developing a common vision for the organization, and using good meeting practices.
Bradshaw, Murray, & Wolpin, 1996	What is the impact of board members' and Chief Executive Officer (CEO) gender on effectiveness, structure, and process?	Mailed surveys to 276 Canadian nonprofit CEOs	Presence of women as board members or as CEOs had no relationship to effectiveness. Female CEOs were less likely to lead nonprofits if boards were actively involved in strategic planning, but formalization of board activities is more likely with female CEOs.
Brown & Covey, 1987	What organizational dynamics of private development agencies are not easily solved by traditional management practices?	Case studies of four private development agencies (action research)	Lack of internal agreement about goals and/or means makes strategic planning unlikely. Decision making by charismatic leader or bargaining more likely.
Coghlan, 1987	To test the transfer of commercial and non-commercial models of strategy to religious orders	Surveys and interviews with five religious orders	All orders studied used strategy concepts, most implicitly. Importance of the CEO, mission, wide participation was highlighted.

TABLE 2 Continued

<i>Author</i>	<i>Research Question</i>	<i>Sample and Methodology</i>	<i>Findings</i>
Crittenden, Crittenden, & Hunt, 1988	What are the relationships between formal planning elements and stakeholder satisfaction?	Survey of 28 religious organizations	Organization structure changed as a result. Significant differences between formal and informal planners existed for amount of funding growth, but no differences existed on other measures of stakeholder satisfaction.
Feinstein, 1985	Extent to which planning can initiate large-scale organizational change	Single case study	Case study of an organizational development process that laid the groundwork for planning
Fletcher, 1992	How do executive directors define a good board?	Survey of two samples of executive directors ($N = 318$) of health and human service nonprofits	Ten of twelve definitions of a good board were identified by both samples and included a board that takes its governance responsibilities seriously, chooses members carefully, and participates in strategic planning. High attendance at board meetings and an experienced executive related to good board behavior.
Jansson & Taylor, 1978	Extent and kind of planning used by social service agencies	Interviews with executive directors of 167 human service agencies	Not much planning but executives were satisfied with the process. Process was dominated by executives with little board or staff involvement.

(continued)

TABLE 2 Continued

<i>Author</i>	<i>Research Question</i>	<i>Sample and Methodology</i>	<i>Findings</i>
Jenster & Overstreet, 1990	Extent to which credit unions plan and whether planning was related to performance	Survey of 283 credit unions in Virginia	About 65% did not plan. Those that did were larger and had more sophisticated management and board practices. Planning was related to some measures of performance but not others.
Odom & Boxx, 1988	What is the relationship between formal planning and church size, growth, and perceptions of the environment?	Survey of 179 churches	Planning satisfaction was significantly related to environmental complexity but not with increased dynamism. Planning sophistication was significantly and positively related to size and growth.
Siciliano, 1997	What is the relationship between formal planning and performance?	Survey of 240 YMCAs	Nonprofits that used a formal approach to planning had higher levels of financial and social performance. Better performers also assigned planning responsibility to a strategic planning subcommittee of the board.
Siciliano & Floyd, 1993	To what extent do board activities (e.g., involvement in strategic planning) mediate the relationship between board composition and organizational performance?	Survey of 240 YMCAs	Larger boards are more likely to be involved in strategic planning, and board involvement in planning improves social performance. Board involvement in planning mediates the relationship between board size and social performance.

TABLE 2 Continued

<i>Author</i>	<i>Research Question</i>	<i>Sample and Methodology</i>	<i>Findings</i>
Stone, 1989	What determines adoption of formal planning by nonprofit organizations? Whose interests are served by the use of formal planning?	Interviews with managers of 44 nonprofits in the performing arts and in social services	Type of planning used was significantly related to type of nonprofit and type of funding environment. Larger nonprofits were more likely to plan. Normative and mimetic processes in the environment were also strong stimuli to begin formal planning. Planning was a response to major internal and external changes.
Stone, 1991	What is the relationship between board characteristics and formal planning?	Interviews with managers of 44 nonprofits in the performing arts and in social services One in-depth case study	Much planning is episodic. Ongoing and beginning planners were more likely to have well-understood missions and boards with clear structures and policy-making functions than those nonprofits with no planning experiences or those that had abandoned planning.
Tober, 1991	To describe the interorganizational planning network in a rural region	Interviews and archival research on 19 human services organizations in one rural region	Planning by individual organizations influenced and was influenced by planning by local, regional, and state authorities. Board demands and funder requirements to plan were significant stimuli to begin

(continued)

TABLE 2 Continued

<i>Author</i>	<i>Research Question</i>	<i>Sample and Methodology</i>	<i>Findings</i>
Unterman & Davis, 1982	Why do so few nonprofits use formal strategic planning?	Work with over 100 nonprofit organizations	planning. Planning changed organizational structures, mission, and relations between staff and board. Formal planning was most likely in large nonprofits, and lack of planning was found due to boards that were too large, lacked managerial sophistication, and were dominated by their executive directors.
Vogel & Patterson, 1986	What are the inter-relationships between strategic planning and changes in organizational structure?	Single case study of a youth service agency	Strategic planning redirected organizational strategy, which in turn necessitated a change in structure, causing some conflict among staff, board, and top management.
Webster & Wylie, 1988	Why do nonprofits adopt formal planning?	Survey of 154 United Way affiliates	Nonprofits plan when they are required to do so by external sources. Larger nonprofits are more likely to plan. CEOs are most satisfied when plan produced major changes, but only half did.
Wolch, 1990	What is the influence of the environment on the adoption of planning?	Survey and interviews with 14 voluntary associations in London	Very few nonprofits used formal planning before a major drop in funding. Later, many began to plan

TABLE 2 Continued

<i>Author</i>	<i>Research Question</i>	<i>Sample and Methodology</i>	<i>Findings</i>
Wolch & Rocha, 1993	How is planning used as an organizational response to funding changes?	Unspecified number of London-based voluntary organizations	in response to new funder requirements. Larger nonprofits were more apt to use formal planning. There is an increasing split between nonprofits that are significantly funded by government and expected to conduct formal planning and independent groups profits that are facing severe barriers to survival. The latter are becoming increasingly marginalized.
Young & Sleeper, 1988	What is the relationship between national association's structure and its use of strategic planning and management systems?	Survey of 79 national health and social welfare associations	Larger associations were more apt to use strategic planning and management systems (SPM); slightly more than 50% used SPM. Planning was a response to major internal or external changes. Corporate-style national associations were most likely to use SPM.

Young & Sleeper, 1988), and the requirements of specific funders (Stone, 1989).

Certain characteristics of boards and of managers were also associated with the use of formal planning. Boards that focused on policy decisions and not daily administrative matters were more likely to use formal planning (Jenster & Overstreet, 1990; Stone, 1991). Contrary to popular opinion, boards that included business people were not associated with the use

of formal planning (Siciliano & Floyd, 1993; Stone, 1991). Siciliano and Floyd (1993) suggest that this may be because many business people on boards are lower level managers without planning experience. More managerially sophisticated nonprofit managers were also associated with greater use of formal planning processes (Jenster & Overstreet, 1990; Unterman & Davis, 1982; Wolch, 1990).

Several studies also found that prior internal agreement on goals and mission was necessary for formal planning (Brown & Covey, 1987; Stone, 1991) and suggested that an organizational diagnosis take place before planning to uncover major internal conflicts (Feinstein, 1985). This finding raises questions about the common notion that formal planning is a process used to reach goal agreement. Nonprofits, often characterized by multiple and conflicting goals, may need to establish a base level of goal consensus before planning can take place.

The most critical external factor affecting use of formal planning was a funding source requirement to submit a plan of action (Feinstein, 1985; Stone, 1989; Tober, 1991; Webster & Wylie, 1988; Wolch, 1990), leading several authors to conclude that nonprofits plan when they have to plan. Although most managers recognized that the environment was competitive and rapidly changing, this recognition was not related to formal planning (Odom & Boxx, 1988; Webster & Wylie, 1988). Specific and direct demands from funders to plan, therefore, are more significant stimuli than general characteristics of environments.

Outcomes. Outcomes of planning activities were substantial. Some suggested an underlying political dimension: Planning affected internal dynamics such as structural reorganization and changes in staff and board composition that shifted the balance of power from boards to managers (Coghlan, 1987; Jenster & Overstreet, 1990; Stone, 1989, 1991; Tober, 1991). In many cases, managers or board members facilitated these changes.

Other outcomes pointed to how planning affected the nonprofit's relationships with its environment. For example, managers perceive that formal planning has a legitimating property—managers believe that they must plan (or at least present a written document) if they were to be taken seriously by most funders (Crittenden et al., 1988; Odom & Boxx, 1988; Stone, 1989; Tober, 1991; Wolch, 1990). Formal planning may, however, decrease organizational autonomy when it is driven by funder requirements—that is, nonprofits were tempted to shift away from their

original mission and goals to the extent that plans had to reflect actual or perceived funder priorities (Stone, 1989; Tober, 1991; Wolch, 1990).

Performance. Few studies attempted to examine the relationship between the use of formal planning and performance in nonprofit organizations. Among those that did, the use of formal planning was associated with organizational growth in terms of funding (Crittenden et al., 1988) and members (Jenster & Overstreet, 1990; Odom & Boxx, 1988). Whether planning leads to growth or growth stimulates the need for formal planning is unclear because the studies do not examine causality. Another study (Siciliano, 1997) found that regardless of size, nonprofits that used a formal planning process outperformed those with less formal practices. In addition, several studies found significant and positive relationships between those who participate in planning and measures of effectiveness (including measures of social, organizational, or board effectiveness). For example, board involvement in strategic planning was related to meeting a nonprofit's social mission (Bradshaw, Murray, & Wolpin, 1992; Siciliano & Floyd, 1993). Although these measures do not fit the definition used to distinguish between outcomes and performance, they are included because, like performance, effectiveness measures address overall assessments of how well an organization is doing (Scott, 1987), which should translate into improved performance.

STRATEGY CONTENT

The literature on strategy content in nonprofit organizations focused on determinants and outcomes of strategy but was silent on the link between particular strategies and measures of performance (see Table 3). Major findings from 24 studies regarding the content of strategies used by nonprofit organizations include:

- The determinants of strategy are largely driven by characteristics of resource environments and existing funder relationships.
- Little attention has been paid to determinants expressing changing demands for services or shifts in client needs.
- Nonprofits pursue both competitive and cooperative strategies, and the outcomes associated with each differ substantially.

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TABLE 3
Empirical Research on the
Content of Strategies in Nonprofit Organizations

<i>Author</i>	<i>Research Questions</i>	<i>Sample and Methodology</i>	<i>Findings</i>
Berg & Wright, 1980	Do agencies that receive funding through service-based procedures experience more goal displacement than those with block grant funding?	Four social work programs that shifted from block grants to service-based funding; authors "observed and analyzed the experience"	Agencies that operate under strict and ongoing accountability forced to adjust internal structures and processes to conform
Bernick, 1984	Why have antipoverty agencies that started new ventures been successful?	Five antipoverty agencies that started programs to provide jobs and training; methodology not described	Antipoverty agencies need to experiment, be risk takers and entrepreneurs
Bielefeld, 1992	To what degree are different strategies successful in reducing uncertainty?	174 health and welfare, cultural and education nonprofits; longitudinal study, interviews	Revenue strategies were successful in obtaining more funders and information on funders; legitimation strategies were successful in obtaining more funds and more stable commitments; retrenchment strategies streamlined the nonprofit's operations
Bielefeld, 1994	What strategies are important to nonprofit survival?	Eight-year longitudinal study of 228 nonreligious nonprofits in Minneapolis/St. Paul area	Surviving nonprofits used multiple strategies with a particular emphasis on new revenue and legitimation strategies. Nonprofits that ceased operation had far fewer strategies aimed at

TABLE 3 Continued

<i>Author</i>	<i>Research Question</i>	<i>Sample and Methodology</i>	<i>Findings</i>
Boje & Whetten, 1981	What strategies and constraints affect network centrality and attributions of influence?	316 manpower agencies in 17 communities; interviews and document review	funders, more strategies focused on retrenchment, and less funding diversification. Referral network centrality, communications exchanges, and joint program activities were positively associated with attributions of influence; low administrative autonomy was negatively associated with centrality; joint programs and communications exchanges were positively associated with referral network centrality.
Colignon, 1987	Do greater degrees of environmental contingency and organizational permeability lead to more dynamic organizational design?	29 social service nonprofits; interview and questionnaire	Permeable organizations were more dynamic; environmental contingencies led to tighter organizational boundaries.
Galaskiewicz & Shatin, 1981	Under conditions of turbulence, do leaders target networking efforts on who they know personally or believe share their values and loyalties?	181 schools, churches, general welfare, youth service nonprofits; interview	Across environments, nonprofits were more likely to cooperate if leaders shared overlapping organizational networks. In more turbulent environments, cooperation was more likely with

(continued)

TABLE 3 Continued

<i>Author</i>	<i>Research Question</i>	<i>Sample and Methodology</i>	<i>Findings</i>
Gronbjerg, 1991	What are the administrative work and contingencies that nonprofits encounter in dealing with different revenue sources?	Six social service nonprofits; in-depth case studies	someone of the same racial or educational background. Approach to and management of different funding sources varies.
Hardina, 1990	Do funding sources determine if strategies are client-exclusive or consumer inclusive?	53 social welfare agencies; survey, longitudinal	Little commitment to consumer-inclusive strategies; no significant differences based on funding sources
LaBarbera, 1991	What are the enterprise activities of religious organizations?	35 religious organizations; interviews	Enterprises can be profitable but evaluate impact on mission and manage staff issues
Liebschutz, 1992	How does one make sense of federal budget decisions?	Six health and human service nonprofits; methodology not described	Program offerings were more diverse by end of Reagan era; more diverse funding sources were being pursued; the role of the board and budget processes changed.
Martin, DiNitto, Byington, & Maxwell 1992	How did a rape crisis center transform and incorporate mainstream organizations?	One rape crisis center; case study	Mainstream organizations can be co-opted through frequent and extensive contact.
McMurtry, Netting, & Kettner, 1991	Whether and how do nonprofit human service agencies maintain their concern for those who cannot pay?	198 human service agencies; questionnaire	Demands from clients have increased, revenues have not. A wide range of strategies are used to attract clients.
Nielsen, 1986	What is a piggybacking and shared cost strategy?	15 nonprofits, case studies	All successfully used piggybacking of new ventures with old service.

TABLE 3 Continued

<i>Author</i>	<i>Research Question</i>	<i>Sample and Methodology</i>	<i>Findings</i>
O'Brien & Collier, 1991	How can mergers and acquisitions be better implemented in nonprofits?	One merged nonprofit; case study	Need to approach mergers carefully
Palmer, 1997	What strategies are used to cope with financial cutbacks? Do cross-sectoral differences exist in the strategies employed?	Mailed questionnaire to 237 Australian CEOs in the visual and performing arts	Multiple cutback strategies, such as cost reduction, downsizing, and commercialization, were often used simultaneously. Public and nonprofits did not differ significantly in their strategies but important differences existed with for-profits.
Provan, Beyer, & Kruytbosch, 1980	Will an agency decrease its dependence and increase its power relative to United Way by maintaining links with important community elements?	46 human services nonprofit members of the United Way; archival data and interviews	Different patterns depending on different power measures: links with community elements were strong positive predictors of potential power; agencies with low potential power were seen as more successful in budget requests if they experienced client growth and low costs per client.
Schmid, 1992	What is the environmental impact on strategic and structural change?	126 human services organizations in Israel; methods varied across organizations	The type of environment affects the nature of strategy.
Schmid, 1995	Can merger reduce financial uncertainty, resource dependence,	Longitudinal study of nonprofits in Jerusalem	Merging distinct organizational ideologies is

(continued)

TABLE 3 Continued

<i>Author</i>	<i>Research Question</i>	<i>Sample and Methodology</i>	<i>Findings</i>
	inefficiency, and political struggles?		problematic. This hinders cost effectiveness and efficiency.
Singer & Yankey, 1991	To learn more about nonprofit mergers and acquisitions	18 mergers of social service organizations; structured interviews	Financial reasons were major stimuli for exploring mergers; financial stability was a major positive outcome of the mergers.
Singh, Tucker, & House, 1986	Does an ecological, adaptation, or random action perspective best describe the impact of organizational change among voluntary social service organizations?	All voluntary social service associations founded from 1970-1980 in Toronto (389); archival data and interviews	Consistent with adaptation perspective, CEO change and location change had significant negative effects on death rates in first 5 years; consistent with ecological perspective, service changes and sponsor changes had significant positive effects in first 5 years and after 5 years, respectively; consistent with random action perspective, goal structural change had no impact
Tucker, Singh, & Meinhard, 1990	Do ecological dynamics and institutional changes differentially affect founding patterns of single and multiple domain organizations?	451 social service nonprofits; archival data and structured interviews	Ecological dynamics and institutional change had greater impact on specialists. Founding patterns differed across nonprofits.
Wilson & Butler, 1986	To provide a framework for the analysis of strategy in voluntary organizations.	Four voluntary organizations in Great Britain;	Strategic behavior explained by reference to

TABLE 3 Continued

<i>Author</i>	<i>Research Question</i>	<i>Sample and Methodology</i>	<i>Findings</i>
York & Zychlinski, 1996	How and why do competing nonprofits also pursue cooperative strategies?	Interviews and documentation Questionnaires to 37 Israeli nonprofits	organizational dependencies; task and ambiguity were secondary influences. Competition and cooperation are not mutually exclusive. Competitive organizations cooperate for specific functions and to learn from each other. No connection was found between level of organization independence and use of cooperative strategies.

Determinants. The focus of research on determinants of nonprofit strategy has been on external resource factors, including general turbulence in resource environments and specific funding environments. For example, general turbulence included major shifts in federal funding mechanisms (Berg & Wright, 1980), in social welfare policy (Bielefeld, 1992), and in budget decisions (Liebschutz, 1992), as well as overall decline in revenue flows (Bielefeld, 1994; McMurtry, Netting, & Kettner, 1991; Nielsen, 1986).

Characteristics of specific funding environments were important, pointing to the close relationship that exists between these environments and nonprofit strategy. According to Gronbjerg (1991), "the composition of funding structures provides the critical context within which nonprofit decision making takes place" (p. 160). For example, her research found that marketing-oriented strategies used for generating individual donor revenues differed significantly from strategies used to manage the complexities of government funding. Uncertainty over funding flows also affected nonprofit strategy. Bielefeld (1992) followed 174 nonprofits for a 10-year period and described a range of strategies used by nonprofits and analyzed their success at reducing uncertainty. Contrary to much of the

prescriptive literature, those with self-generated income fared worse in reducing uncertainty than those with either private or public support. Furthermore, both Palmer (1997) and Bielefeld (1994) found that nonprofits using multiple strategies (such as new revenue and legitimation strategies) fared far better than those with single strategies.

Few studies examined the effects of changing client or consumer demands on nonprofit strategy. It has been claimed that nonprofits lack accurate and timely market information (Nutt & Backoff, 1992). The research reviewed here suggests that resource environments in general and the structure of funding environments more particularly determine which clients will be served.

General turbulence in resource environments and the structure of funding environments led to both competitive and cooperative strategies, which, as York and Zychlinski (1996) found, are not mutually exclusive. Competitive strategies are those used by nonprofits to pursue new revenue streams, through, for example, the use of commercial income or fees. Cooperative strategies are those that link the focal organization to others to pursue common funding flows or client referrals. This type of strategy includes mergers. Some studies focused on the extent to which general turbulence increased interorganizational cooperation and networking (Galaskiewicz & Shatin, 1981), whereas others found such turbulence associated with new revenue generation strategies, such as increased use of fees and commercial income (Bielefeld, 1992; Liebschutz, 1992; McMurtry et al., 1991; Nielsen, 1986). The structure of specific funding environments was also associated with both cooperative strategies and competitive strategies (Gronbjerg, 1991; Martin et al, 1992).

Outcomes. Drawing conclusions about outcomes associated with different nonprofit strategies was difficult for two reasons. First, a wide range of variables were considered. For example, outcome variables included networking relationships (Galaskiewicz & Shatin, 1981), program offerings (Liebschutz, 1992), and dependence on funding sources (Bielefeld, 1992; Provan et al., 1980). Second, methodological problems were substantial. Several articles described the benefits of using traditional business strategies, such as merger or for-profit venturing. However, some sampled only organizations that had successfully implemented strategies advocated by their authors (Bernick, 1984; Nielsen, 1986), and methodologies and data analysis were not well defined in any. Finally, although financial outcomes were mentioned in four articles, no data were offered to substantiate claims.

Nevertheless, two significant patterns emerged regarding different outcomes from the use of competitive and cooperative strategies. Competitive strategies, such as use of commercial income or fees, were more likely to raise concerns regarding mission or goal displacement (Berg & Wright, 1980; Gronbjerg, 1991; LaBarbera, 1991). For example, these strategies were often associated with serving fewer poor clients (Berg & Wright, 1980; McMurtry et al., 1991) and a drop in employee morale (LaBarbera, 1991). On the other hand, cooperative strategies were more closely associated with increasing power or centrality in resource or client flow networks (Boje & Whetten, 1981; Provan et al., 1980), coalition formation (Galaskiewicz & Shatin, 1981; Martin, Di Nitto, Byington, & Maxwell, 1992), and financial stability (Bielefeld, 1992; Singer & Yankey, 1991). Mergers, however, were cited as problematic between nonprofits with different cultures (Schmid, 1995).

STRATEGY IMPLEMENTATION

Little research has focused directly on implementation of strategic activities in the nonprofit context. What exists concentrates on two levels of determinants and to a lesser extent on outcomes. As with strategy content, none has considered the impact on performance. The major findings from this group of 21 studies, presented in Table 4, include:

- Exogenous turbulence affects organizational structure and the relationship between strategy and structure.
- Important determinants of implementation activities are leader behavior, the structure of authority, values, and their interactions.
- Interorganizational systems or networks are critical to strategy implementation outcomes.

Determinants. Among this group of studies, there are two levels of determinants. The first are environmental antecedent conditions. These affect the second level, organizational characteristics, which in turn influence implementation activities.

Antecedent conditions concern important external conditions or changes that affect organizational determinants of implementation activities. They include major policy shifts in the environment (Bartunek, 1984; Vogel & Patterson, 1986; Wernet & Austin, 1991), societal cultures (Martin & Glisson, 1989; Miller, 1991), and environmental stability or

(text continues on p. 406)

TABLE 4
Empirical Studies of Strategy
Implementation in Nonprofit Organizations

<i>Author</i>	<i>Research Question</i>	<i>Sample and Methodology</i>	<i>Findings</i>
Alter, 1990	How do service and client characteristics and structural variables affect conflict and coordination within interorganizational systems?	15 human service delivery systems; interviews and questionnaires	Intense services and involuntary clients related to amount of coordination. System differentiation and complexity increases conflict. Conflict and coordination have a curvilinear relationship.
Bailey, 1992	What factors contribute to tensions between affiliate agencies and headquarters office?	Comparative case studies of two national associations	Complexity and centralization of administrative and governance structures diminished over time. Formalization has remained high. Associations were formed in response to need for resources.
Bartunek, 1984	To describe how interpretive schemes undergo major (second order) change and how they interact with changes in organizational structure and mission. Organizational leadership is a moderating factor.	Longitudinal analysis of a religious order	Order slowly changed in response to Vatican II as it became more active in the secular world. Order became more participatory and decentralized as its values and fundamental mission shifted.
Golensky, 1993	What factors help explain the pattern of interaction between boards and executives?	Comparative case study of four nonprofits	In noncrisis situations, internal factors and the perceived significance of issues under consideration

TABLE 4 Continued

<i>Author</i>	<i>Research Question</i>	<i>Sample and Methodology</i>	<i>Findings</i>
Harlan & Saidel, 1994	How and under what conditions do nonprofit boards influence the government-voluntary sector relationship?	Mailed questionnaires to 464 executives and board members	influence the pattern of interaction. Stability arises from leadership accomodation that contributes to organizational effectiveness. Boards of older nonprofits more likely to play facilitator and advocacy roles in mediating the nonprofit-government relationship. Boards do strive to preserve nonprofit autonomy.
Heimovics, Herman, & Jurkiewicz, 1993	How is management of nonprofits affected by the growing partnership between government and nonprofits?	Interviews with 52 executives; 26 identified as effective, remainder were randomly selected as a comparison group	Effective executives, especially when faced with external issues, are more likely to employ a political frame as part of a more complex multiframe perspective than a group of executives not identified as effective.
Heimovics, Herman, & Jurkiewicz, 1995	Does execution of a political dimension differentiate between effective and ineffective nonprofit executives?	Interviews with 52 nonprofit executives	Effective executives accept responsibility for executing a political dimension of leadership, such as coaliton building.
Herman & Heimovics, 1990	What skills distinguish more effective executive directors from less?	Two comparison groups of executives: one highly effective, the other not effective	Leadership of board distinguishes reputationally effective executives from those that are perceived as being less effective.

(continued)

TABLE 4 Continued

<i>Author</i>	<i>Research Question</i>	<i>Sample and Methodology</i>	<i>Findings</i>
Kushner & Poole, 1996	What organizational structures are linked to effectiveness?	Interviews and archival research on 19 performing arts organizations	Structures that distribute influence and enhance support from organization members are associated with good performance. Micromanagement can lead to organizational failure.
Martin & Glisson, 1989	To what extent are elements of structure determined by societal culture?	58 social welfare organizations in Guam, Oahu, and St. Louis. Questionnaire to line staff	Differences in culture predicted structural formalization but not centralization. Culture mediated the influence of organizational size and age on structure.
Miller, 1991	How do beliefs, experiences, and interests enable an organization to sustain its structure?	Interpretive study of the Basel Mission's work on the Gold Coast of Africa in the 19th century	Participants' historical experiences, values, and interests allowed powerful and troublesome forms of authority, structure, and strategies to endure, despite internal and external pressures for change.
Murray, Bradshaw, & Wolpin, 1992	What is the relationship between patterns of power distribution in boards with internal and external characteristics and with performance?	Survey of 417 health and social welfare nonprofits	Five patterns of power distribution found, but most identified their organization has having either a CEO-dominated board or a power-sharing board. CEO-dominated boards associated with CEO perception of

TABLE 4 Continued

<i>Author</i>	<i>Research Question</i>	<i>Sample and Methodology</i>	<i>Findings</i>
Nutt, 1986	To document tactics used by managers to implement planned change; to determine relative success of those tactics and the conditions under which tactics are used	91 case studies of service nonprofits	organizational effectiveness whereas power-sharing boards associated with the perception of board effectiveness. Four types of tactics: intervention, participation, persuasion, and edict. Nature and degree of change agent's involvement distinguished these. Intervention most successful; edict least successful
Nutt, 1987	What tactics are used by managers to implement strategy and which are most successful?	68 case studies of service organizations	Four distinct tactics found (see above). Important intervening variables included type of strategic response needed, its perceived importance, staff skill, time pressures, and resources available. Interventionist tactic had highest adoption rate, edict lowest, with participation and persuasion about equal.
Nutt, 1989	To test a contingency framework for implementation tactics	50 cases of service organizations	A major cause of implementation failure was the lack of direct involvement by the manager or key stakeholders in the

(continued)

TABLE 4 Continued

<i>Author</i>	<i>Research Question</i>	<i>Sample and Methodology</i>	<i>Findings</i>
Schmid, 1992	How do environmental factors affect strategy and structure?	Longitudinal study of three types of human service organizations in Israel. Actual methodology not clear	implementation process. However, low-involvement tactics were favored by most managers. Heterogeneous and uncertain environments lead to relatively informal decentralized structures whereas more stable and homogeneous environments lead to formal centralized structures.
Sheinfeld & Weirich, 1981	To describe ideological paradigms within one organization and their impact on other organizational factors	Case study of a large community mental health center and its branches	Responses made to headquarters' directive were unique for each branch and reflected branch's treatment ideology.
D. H. Smith & Shen, 1996	What is the relationship between different forms of governance and reputational effectiveness?	Questionnaire to 39 volunteer-managed nonprofits	Organizations with formal boards, a standard set of officers, and formal committees have higher levels of reputational effectiveness. Staff leadership and strategic linkages were not related to reputational effectiveness.
Van de Ven & Walker, 1984	The creation, growth, and decline of inter-organizational relationships	14 human service organizations and their relationships with 110 other organizations. LISREL using questionnaire data	Theorized relationship was not found. Model that fit the data showed that perceptions of resource dependence develop

TABLE 4 Continued

<i>Author</i>	<i>Research Question</i>	<i>Sample and Methodology</i>	<i>Findings</i>
			early consensus, patterns of inter-organizational relationships depend on what resources are being coordinated (funding flows related to more formal patterns whereas client flows are related to inter-personal communications) and that consensus determines and is determined by different factors over time.
Wernet & Austin, 1991	To describe the decision-making style and leadership patterns of nonprofit human service agencies	Interviews with executives of 12 social service agencies	Decision-making most reactive in response to changing state funding patterns. Leadership pattern determined largely as partnership between board and executive although they operate often in separate policy domains.
Wood, 1992	Do boards have different decision-making styles, and do they go through predictable cycles of these styles?	Interviews with board members and executives from 21 youth serving agencies	There are predictable cycles of board behavior that including founding, sustaining, super-managing, corporate, and ratifying phases. Boards may cycle through these several times during an organization's life.

change (Schmid, 1992). These antecedent conditions produce changes in organizational structure, values, leader behavior, and the internal structure of authority. For example, studies in two different kinds of nonprofit organizations—religious orders (Bartunek, 1984; Miller, 1991) and social services (Sheinfeld & Weirich, 1981; Vogel & Patterson, 1986)—found that environmental changes affected the interaction between organizational values and structure. As illustrated in the cases of the religious orders, internal values created and sustained structures that perpetuated strategies until an exogenous shock caused the values, and subsequently, the structure to change. Leader behavior was an important moderator variable on these changes (Bartunek, 1984). A similar picture is portrayed by Vogel and Patterson's (1986) case study of a youth agency. Here, critical, external changes necessitated a shift in fundamental treatment philosophies and hierarchical arrangements. Changes in structure and authority roles interacted with new treatment values to affect implementation of the agency's new overall strategy.

Other studies focused solely on organizational determinants, such as leader behavior and the structure of authority. For example, boards play important facilitating and advocacy roles in implementing strategic relationships with government funders (Harlan & Saidel, 1994). The role of executive directors in implementation, however, was found to be especially critical. Several studies by Nutt (1986, 1987, 1989) of tactics actually used by practicing managers to implement major, planned organizational change found that direct involvement of managers in the implementation process was critical to their effectiveness (Nutt, 1986, 1987). Most managers, however, favored low-involvement approaches (Nutt, 1989). Herman and Heimovics (1990) and Heimovics, Herman, and Jurkiewicz (1993, 1995) also stress the critical role of executive directors. They found that executive directors assigned to themselves and were assigned by their board presidents responsibility for most critical organizational events and that effective executives exercise political strategies, such as forming coalitions with other organizations. The behavior of executive directors, therefore, is an important determinant of implementation activities.

Outcomes. Studies included in this category examined interorganizational relationships where those relationships were central to implementation of strategies of individual nonprofits. In general, personal communication, interaction, and negotiation, not high levels of formalization (for

example, through rules and procedures) were most necessary to maintaining interorganizational systems and to securing needed resources.

Van de Ven and Walker (1984) and Bailey (1992) argue that perceptions of resource dependence among members provide important stimuli to developing initial consensus and resource transactions within the system. Subsequent processes of conflict and coordination were a function of the kinds of resource flows among members, such as funds or clients, and attributes of the system's structure, such as degrees of centralization, complexity, and specialization (Alter, 1990; Bailey, 1992; Van de Ven & Walker, 1984). For example, Van de Ven and Walker (1984) found that relationships concentrating primarily on funding flows were more formalized than those involving client referrals and services. The Alter (1990) and Van de Ven and Walker (1984) studies also found that greater degrees of conflict among organizations are likely with highly differentiated, complex, and formal systems. Both conclude that critical coordination and consensus within interorganizational systems occurs through communication among line workers, rather than among top administrators, and that formal rules should not replace personal contact among system members. This work stresses the importance of line workers as boundary spanners in interorganizational systems; in this role, line workers may be especially important to certain kinds of strategy implementation activities.

PERFORMANCE

These studies did not include specific measures of performance, although some addressed more general measures of organizational effectiveness. For example, distrust of headquarters by operational units (Sheinfeld & Weirich, 1981), overly centralized administrative and governance structures (Bailey, 1992; Kushner & Poole, 1996), and patterns of board-management power relationships (Golensky, 1993; Murray, Bradshaw, & Wolpin, 1992) all affected the extent to which strategic change was implemented or the extent to which the organization and board were seen as effective.

DISCUSSION

The literature on strategy in nonprofit organizations is considerable. About 70 relationships have been investigated, and the list of questions is

lengthy. However, the research does not present a coherent whole, and the interactions among these various relationships and among components of the strategy process are not clear. Furthermore, despite the wealth of research, performance has received scant attention. Whereas research on formulation addresses performance more than research either on content or implementation, what happens between the formulation of strategy and organizational performance is essentially a black box.

In this section, we first examine what is and is not known about each component of the strategy process in nonprofits and then look more broadly across the entire set of studies to point to more general questions. Second, we address the issue of performance and why it has been neglected.

RESEARCH FINDINGS: INSIGHTS AND QUESTIONS

Although the purpose of this article is not to use these research studies to dispute or support other literature on the nature of nonprofit organizations, some general insights about nonprofit organizations emerge from the studies. First, it is generally acknowledged that many nonprofit organizations lack direct control over resource flows and are in an especially resource-dependent position relative to other types of organizations (Gronbjerg, 1991; Stone & Brush, 1996). The evidence reported here underscores the extent to which features of external resource environments, and funding environments in particular, affect all three components of strategic management in nonprofit organizations. For example, one of the strongest research findings on formal planning is that nonprofits use planning techniques to cope with critical resource dependencies—nonprofit organizations plan when they are required to do so by funding sources (Feinstein, 1985; Stone, 1989; Tober, 1991; Webster & Wylie, 1988; Wolch, 1990). Another common feature of nonprofit organizations concerns the influence of multiple conflicting constituencies (Bigelow & Stone, 1995; Bryson, 1995; Nutt & Backoff, 1992; Stone & Brush, 1996), where many different interests attempt to define dominant organization values, means, and ends (Covey & Brown, 1985; Fottler, 1981; Kanter & Summers, 1987; Newman & Wallender, 1978; Nutt & Backoff, 1992). The research reported here paid particular attention to the influence of two types of constituencies, funders and interorganizational systems, on the strategic behavior of nonprofits. A third characteristic of nonprofits, their responsiveness to client needs and demands (Smith & Lipsky, 1993), however, was not apparent in the research reviewed here. In fact, there was

little evidence that nonprofit organizations took changing client demands into account during the strategy formulation phase or the construction of particular types of strategies. As the specific findings and gaps are discussed below, each of these three general insights will be elaborated on.

Research on formulation has focused on the adoption of formal planning, the impact of organization-level determinants (such as size, board and management characteristics) on adoption, and the influence of formal planning on outcomes, such as structure, mission, and board-management relationships. The external determinant of formal planning that has received the most attention is funder expectations: Nonprofits adopt formal planning when required to do so, suggesting that funders exert a form of coercive pressure on nonprofits (DiMaggio & Powell, 1983). A positive relationship is shown between planning and growth in funds and members as performance measures. This makes some sense: If nonprofits adopt formal planning to meet funder requirements, then they appear to be rewarded for doing so through an increase in resources.

Questions remain, however, with regard to planning. Little is known about the impact of other environmental factors on planning, such as shifts in client needs or expectations. Understanding whether and how nonprofits respond to changes in client needs is particularly important because recent changes in public policy (such as devolution and social welfare reform) have expanded the roles local nonprofit organizations are likely to play with client populations previously served by government agencies. Many of these client populations will have new and emerging needs as social welfare reform and other public policies evolve. We must understand whether and how nonprofits will take such changes in client needs and expectations into account in their strategy formulation processes.

It is also not clear how formal planning is related to strategy content and to implementation nor is it clear why planning by itself would improve performance. Specific strategies and implementation activities intervene between the adoption of planning and changes in the organization. Does planning directly improve performance, or do strategy content and implementation have more direct effects? For example, if formal planning is a result of compliance with funder requirements, then one cannot assume that planning is integrated into other strategic management activities. Compliance may be largely symbolic, as some have suggested (Stone, 1989; Wolch, 1990), and the planning process may be decoupled from other strategic activities.

Furthermore, some assumptions underlying formal planning do not match characteristics of many nonprofits and their environments (Stone &

Brush, 1996). Mintzberg (1994) argues that formal planning assumes that “the world is supposed to hold still while a plan is being developed and then stay on the predicted course while that plan is being implemented” (p. 110). This assumption does not hold true for many nonprofit environments characterized by change and uncertainty. Perhaps, more managerially sophisticated nonprofits adopt formal planning in response to funder pressures because they are able to decouple it from other strategic activities. They demonstrate conformity to prevailing norms about sound corporate practices through the use of formal planning but do not necessarily integrate results of formal planning into other strategic activities.

Within the area of strategy content, research has demonstrated that the structure of different funding environments is likely to affect the kinds of strategies nonprofits pursue. Furthermore, the elements of strategy content that have received the most attention are interorganizational relationships (cooperative strategies) and pursuing more market-driven revenue streams (competitive strategies). Cooperative strategies are associated with financial stability and increases in interorganizational power, whereas competitive strategies have been associated with goal displacement, a shift in client mix toward the less poor, and a drop in staff morale. Cooperative strategies are relatively well-documented in the research—nonprofits are often involved with issues that cannot be solved by a single organization (Alter, 1990). More research attention needs to be placed on aspects of nonprofits’ competitive or market-driven strategies. Three are discussed below.

First, some argue that more and more nonprofits are developing commercial income streams to compensate for loss of other revenues, such as those from government (Salamon, 1995; Weisbrod, 1998; Young, 1998). If true, then more research is needed to investigate the association between this kind of revenue-generating strategy and critical (and, perhaps, unintended) outcomes, such as shifts in goals and types of clients served. Second, as discussed previously, virtually no research has examined demand-side or consumer determinants of specific strategies. Does this mean that, in reality, most nonprofits consider funders rather than clients to be their true customers? This is a question that deserves close scrutiny. Third, although several articles acknowledged or assumed that competition exists, specifics about the competitive environment and its influence on strategic management are missing. Some elements can be inferred. Nonprofit organizations compete for funds, personnel, users, board members, and legitimacy (Greenberg, 1982). This suggests that nonprofits operate in multiple and complex competitive systems. For example, many

nonprofits are likely to compete at local, state, and national levels for government, foundation, and corporate support. Within their communities, they are likely to compete for staff, board members, and consumers or clients. We know little about how these competitive environments are structured, managed, or even perceived by the nonprofits themselves.

Finally, there is a noticeable absence of attention to internal, organizational determinants of strategy content in nonprofits. Yet, the nature of nonprofits suggests that organizational factors will have an impact on strategy content. In particular, deeply held beliefs about organizational mission, values, and core practices are transmitted across generations of members (Salipante & Golden-Biddle, 1995). It is likely that specific strategies will reflect these beliefs and may become embedded over time in nonprofits. How resistant are these strategies (and members' identification with them) to change? Research is needed on the effects of these and other organization-level determinants on strategy content.

In general, strategy implementation in nonprofit organizations has not received the same attention as strategy formulation and strategy content. This literature is also especially fragmented, as Figure 2 graphically illustrates (bold lines indicate consistent findings across studies).

Clearly, a number of relationships have been studied but few have been singled out for further attention in the same way that size, for example, has been for formal planning. The majority of the research on implementation focused on the relationship between antecedent variables (such as general environmental characteristics) and direct determinants of implementation such as organization structure or values. The actual impact of those determinants on implementation or on outcomes is considerably more sketchy. Similarly, the research on interorganizational systems (IOS) treats implementation as essentially a black box, with lines drawn straight from structural characteristics of IOS to outcomes. A need exists for research that investigates the effects of interorganizational and organization-level determinants (such as structure, values, leadership) on specific implementation tactics, and in turn, the impact of different tactics on outcomes and performance.

Figure 3 summarizes the relationships that have shown the most consistent patterns across research studies and those that reflect variables studied in more than one component of the strategy process. The boxes along the top of Figure 3 show the commonly assumed (although simplified) relationships among strategy formulation, content, and implementation.

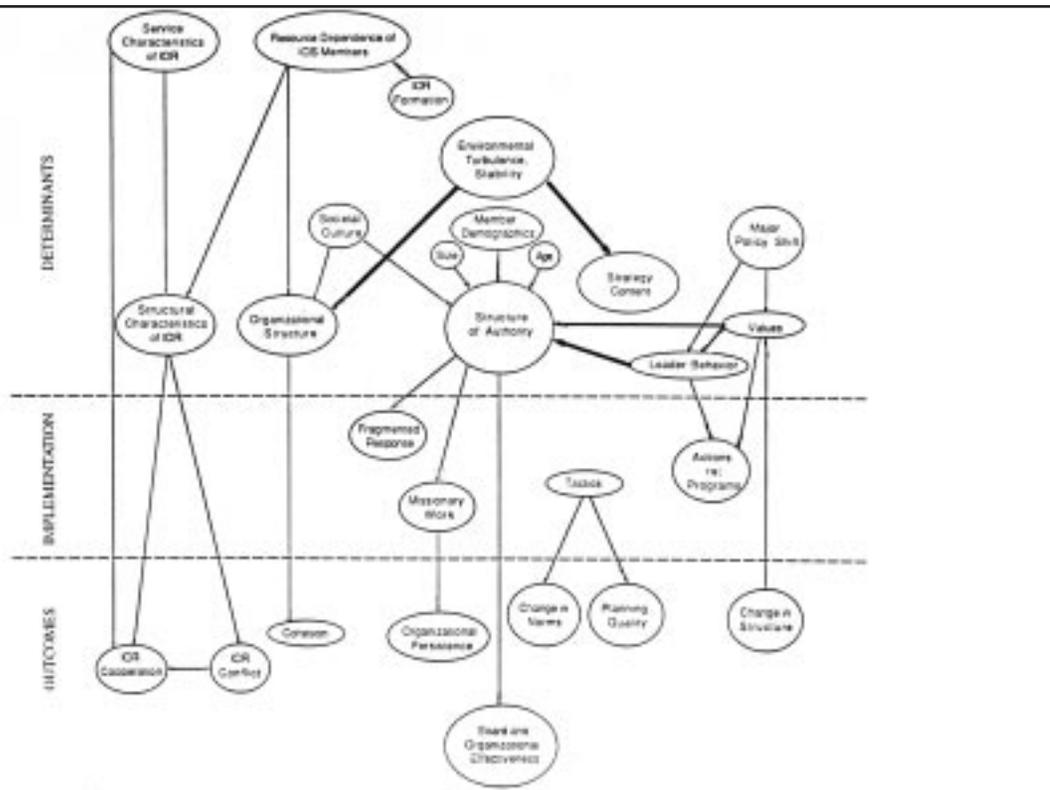


Figure 2: Strategy Implementation

NOTE: Bold lines indicate relationships investigated in more than one study that yielded consistent results.

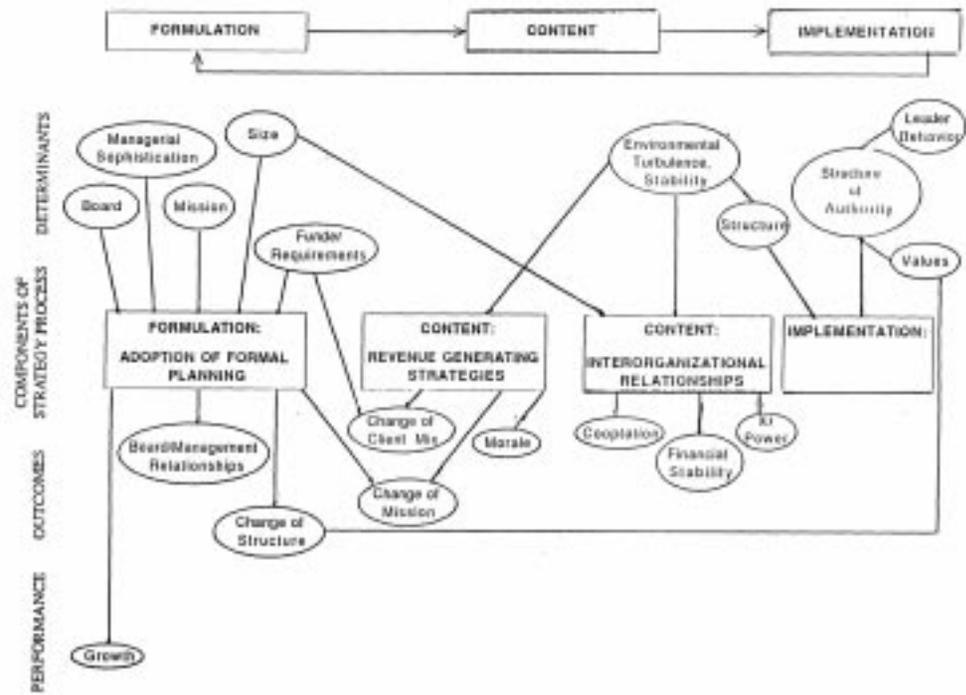


Figure 3: The Strategy Process

The strongest set of evidence concerns the determinants and outcomes of formal planning, one facet of strategy formulation. As the research moves to other components of the strategy process, less is known. Research on strategy content generates some consistent results about the outcomes of competitive and cooperative strategies. Considerably less is known about determinants. Research on implementation has studied a large number of variables but yields no general findings beyond the relationships among various determinants studied apart from actual tactics used to implement strategy.

The independence with which the different components of the strategy process have been treated is striking, and it raises some of the most interesting questions for future research. Two are considered here. First, changes in structure and mission are outcomes of both formulation and implementation variables. This suggests a dynamic relationship, with outcomes of formulation affecting implementation, and implementation in turn affecting formulation. The fusion of strategic decisions and actions implied by this relationship is congruent with much of Bryson's (1995) work on strategic management. The research question is, more specifically, how does the interaction between decisions (strategy formulation) and action (implementation) occur? Second, only research on implementation has considered the impact of organizational values. We know, however, that nonprofits are especially susceptible to the imposition of values from external groups because they tend to have boundaries that are more permeable (Brown & Covey, 1987). For example, professionals enter nonprofits with highly socialized value sets. Their allegiance is to a profession that exists outside of the focal organization's boundaries (Newman & Wallender, 1978). Line workers demonstrate this quality as well, when they operate as boundary spanners with commitments to client groups or workers in other organizations. Board members often reflect values of those they represent, such as particular ethnic and racial groups or individual donor interests (Middleton, 1987). These various values all compete for dominance in nonprofit organizations and are likely to influence both strategy formulation and strategy content. Little research attention, however, has been directed at the impact of values on these strategic management activities.

In addition to understanding better the relationship among the variables in Figure 3, there are also variables that are noticeable by their absence, most particularly, attention to measures of organizational performance.

PERFORMANCE

As Figure 3 demonstrates, few articles paid attention to performance measures. We have defined performance as the ability to acquire resources necessary for organizational survival. It is a proxy measure, indicating perceived organizational effectiveness and legitimacy by resource suppliers. Proxy measures such as these are common in institutional environments where relationships between means and ends are unclear (Scott, 1987), and outcomes are often intangible. However, the "loose coupling" that often exists between donors of resources and beneficiaries (Kanter & Brinkeroff, 1981) raises questions about what relationship necessarily exists between a nonprofit's ability to raise funds and to use those funds effectively.

It is this latter issue that is gaining importance for many nonprofit organizations. The Government Performance and Results Acts of 1993 (P.L. 103-62), taking full effect in the year 2000, place a renewed emphasis on accountability in federal agencies and nonprofit organizations receiving federal support. In addition, states such as Oregon, Minnesota, Texas, and Utah lead others in developing benchmarks and standard performance outcomes for contractors receiving state funds. And, the United Way of America has begun a sustained effort to develop outcome measures for nonprofit affiliates throughout the United Way system. It is clear, therefore, that nonprofit organizations will increasingly be held accountable for financial and operational performance, including accounting measures of financial health and operational measures of program quality and impact, new service or program introduction, marketing effectiveness, and so forth.

Nonetheless, troubling questions remain regarding measuring performance in nonprofit organizations: What exactly should be measured and how? Who does the measuring? The question of what to measure is complex. As previously stated, relationships between means and ends, or inputs and outcomes, are often not clearly understood in nonprofit organizations (Hatten, 1982). For example, what inputs are needed to produce a superior orchestral performance? Furthermore, what outcomes are desired by various constituencies are often controversial (Covey & Brown, 1985; Powell & Friedkin, 1986). How to measure performance is also difficult. Even if agreement exists over the organization's principal goal and desired outcomes, measurement problems abound because of the noneconomic and nonmarket quality of many goals and outcomes. For

example, how does one measure whether an orchestra has educated the city's population? Finally, the question of who measures performance in nonprofits is complicated. As Kanter and Summers (1987) argue, constituencies at different levels in the nonprofit organization assess performance using different criteria. Financial performance is likely to be important to board members whereas operational performance is more likely to be important to program staff and managers. Furthermore, as one recent review article found (Stone & Cutcher-Gershenfeld, in press), funder-initiated moves toward performance-based contracting changes the nature of the power relationship between funders and grantees.

In summary, research is still needed to assess the impact of different determinants, strategy elements, and outcomes on performance. However, a need also exists to develop better conceptual and empirical understandings of performance and its relationships to strategic management activities in nonprofit organizations. The complexity of the nonprofit environment and the combination of institutional and technical demands they face, suggests the development of multiple indicators of performance.

CONCLUSION

In 1976, Charles Hofer remarked on the lack of work being done on nonprofit organizations. In early 1977, conclusions from the milestone Strategic Management Conference in Pittsburgh also suggested that substantial research voids existed with respect to nonprofit organizations and strategic management (Schendel & Hofer, 1979). In the past 20 years interest in strategy in nonprofits has increased substantially, and this article has synthesized and analyzed much of that work. Below is a summary of the major research questions raised by the analysis. We emphasize, however, that this is not an exhaustive list.

STRATEGY FORMULATION

1. Aside from funder requirements to plan, what other external factors, such as changes in client population and client needs, influence formal planning in nonprofit organizations?
2. How is formal planning related to types of strategies pursued and to implementation activities and tactics?
3. Does planning affect performance directly or do other strategic activities intervene in significant ways?

STRATEGY CONTENT

4. Are there significantly different outcomes associated with cooperative versus competitive strategies?
5. Does client demand influence adoption of certain strategies or is the funding environment the primary determinant?
6. What are important characteristics of competitive environments facing nonprofits and what strategies do nonprofits pursue in these environments?
7. What organizational factors, such as values and beliefs, influence the adoption of specific strategy types?

STRATEGY IMPLEMENTATION

8. What interorganizational and organizational determinants directly affect implementation tactics?
9. How do nonprofits actually implement specific strategies and with what outcomes?

PERFORMANCE

10. How should performance be defined in nonprofit organizations?
11. How do all the components of strategic management—formulation, content, and implementation—directly and indirectly affect performance?

This article makes two final points. First, research is needed that looks across components of the strategy process. This can only be done by explicitly building on existing findings, by investigating the impact of different determinants on the components of the process, and by examining interactions among determinants. Second, the impact of strategy on performance must be addressed. It is clear that the next frontier for empirical analysis is that which links strategic management activities in nonprofit organizations to measures of financial, operational, and organizational performance. The research required to address these and other questions raised offers rich opportunities to explore many critical facets of organizational behavior.

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