

Organizational Discontinuity in Nonprofit Organizations:
A Study of Closures, Mergers, and Other Terminal Outcomes

by

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ABSTRACT

Nonprofits provide social goods: They deliver needed community services, mobilize groups for social causes, allow individuals to express values and faith, and provide a space for people to generate social innovations. Some nonprofits may continue indefinitely; others intentionally finish operations when its mission is accomplished; yet others may experience diminished capacity to operate that lead them to stop operations temporarily or permanently (e.g., closures). This research aims to uncover the elements and conditions that lead nonprofits to discontinue operations. By challenging the dichotomous paradigm of the life course in nonprofits that assigns organizations to alive vs. dead categories, this research uses the concept of organizational discontinuity to integrate the understanding of the diverse ways in which nonprofits suspend operations. To explain organizational discontinuities, a conceptual framework rooted in organizational theories is presented. Nonprofits under study come from a national subsample of 501(c)(3) charities that reported operations in 2003 and no longer showed evidence of continued activity in 2019. To characterize the types of discontinuities, this research uses organizational autopsies, which is a research method that uses administrative and online secondary data to diagnose the operational status of nonprofits. To further understand organizational discontinuities, this research presents a closer look at two representative phenomena, closures and dissolutions of non-surviving organizations in mergers. Case studies of 36 organizations help to identify the elements associated with organizational discontinuities in nonprofits. Results include a detailed categorization of types of organizational discontinuities and an identification of the internal and external elements associated with closures and mergers in older nonprofits.

Conceptually, this research aims to contribute to the discussion of organizational change in nonprofits as an irregular and multicausal process. Data and method advancements include the use of online secondary data as an alternative to breaking with the existing reliance on administrative data in studies of the nonprofit sector. Finally, the results of this research aim to inform practitioners about the capacity-building areas that organizations should strengthen to prevent discontinuity of operations.

DEDICATION

To my husband, the member number one of my cheering committee: Thank you for being there for me. Especially, thank you for all the delicious meals you have cooked that have filled my heart with joy and gave me the energy to survive the pandemic and get through the Ph.D.

To my nephew Jorge M. Flores: When I started my Ph.D. in 2017, you were 3 years old. For not being in Mexico, I deeply regret not having seen you more often. My visits to Mexico every six months were not enough for me. Now, you are 8 years old, and you are an amazing and adorable boy. I hope one day, you will understand your crazy tía, and I make you proud.

To my sister and my parents: I hope I make you proud.

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CHAPTER 1

INTRODUCTION

This study aims to be a breaking point in the understanding of the discontinuity of operations in nonprofits. It proposes to change the existing paradigm in which the organizational behavior of nonprofits is restricted to two categories: alive or dead. The newly proposed paradigm observes the diversity of operational status of nonprofits in the concept of *organizational discontinuity*. To understand the instances of organizational discontinuity, this study consolidates a theoretical framework that is validated through an examination of the operational status of nonprofits, which permits a closer look at two representative events in the life course of nonprofits: closures and mergers. The following sections present the conceptual and empirical motivations of this study and its potential contributions.

A. Conceptual and Theoretical Motivation

Previous conceptualizations of the ceasing of operations in nonprofits have perpetuated a dichotomous *life* vs. *death* categorization. Scholars have used the category of *dissolution* to characterize all organizations that no longer show evidence of operations (Lu et al., 2020). This is highly problematic. As Searing (2020) has documented, organizations may transition between *life* and *death*. To refer to these transitions, she has proposed concepts such as *resurrection*, *reincarnation*, and *zombie*. However, it is unclear where these concepts fit within the larger discussion on organizational change and behavior in nonprofits.

Prior conceptual developments have attached a negative connotation to the *dead* category. For instance, *demise* and *failure* have often been associated with the dissolution of nonprofits. This approach has limited the understanding of those situations in which nonprofits may close due to a successful accomplishment of their mission as documented by Hager (1999).

Thus, the conceptual motivation of this study is to propose a conceptualization that helps both to amalgamate our understanding of the discontinuity of operations in nonprofits and to disengage from the negative connotations associated with the *demise* and *failure* literature. To fulfill this objective, the concept of *organizational discontinuity* seems appealing to showcase the variety of transitions in nonprofits.

Apart from proposing a concept that helps to integrate the transitions between *life* and *death* in nonprofits, the motivation of this study is to provide theoretical support on the elements that predict the discontinuity of operations in nonprofits. For this purpose, this study presents a set of organizational theories that guide the understanding of the internal and external elements associated with a discontinuous operational trajectory in nonprofits.

The exploration of organizational theories starts with previous theoretical developments used to study closure in nonprofits (Hager, 1999; Fernandez, 2008; Searing, 2015). The aim is to revise the utility of previous theoretical positions to include other dimensions that could accurately describe the different operational trajectories of nonprofits.

B. Empirical Motivation

Nonprofit scholars have heavily relied on Form 990 as a source of information to study the operations and fates of nonprofits. The limitations of this data source have been widely documented (Smith, 1997; Grønbjerg, Liu, & Pollak, 2010). For instance, the use of administrative data has been compared to presenting flat earth maps of the nonprofit sector, where important pieces of the sector are left obscured (Smith, 1997).

Administrative data not only overrepresents the experience of big organizations with the managerial capacity to report activities, but it also does not accurately reflect organizational transitions and changes in reporting nonprofits.

Criticisms of reliance on administrative data have persisted. However, other than primary data collection, there have been scant innovations in the use of alternative data sources for analyzing the operational status and fate of nonprofits. Moreover, in a phenomenon such as closure, primary data collection is optimal. Nevertheless, collecting primary data of a study subject that has ceased activities will skew the sample as contact information (phones and emails) would probably no longer be operational. As a way to overcome the limitations of primary data and administrative data, this study proposes to explore online data as a way to triangulate sources that can validate the operational status of nonprofits.

By identifying the elements associated with closures and mergers as representative phenomena of discontinuous operation, this study aims to identify the organizational dimensions that nonprofits must reinforce to ensure a continuous operation. As documented by Hager (1999), some organizations may close because they

achieve their mission. In other cases, closures and mergers are a result of unforeseen organizational constraints or practices. Thus, the understanding of the elements that lead nonprofits to close and merge may help to identify those critical areas of capacity building that can benefit from reinforcement.

As the systematization of financial information has evolved, there is a tendency to interpret closures and mergers mostly in financial terms (see Lu et al., 2020 for studies of dissolution). However, financial elements may only tell one side of the story of a multi-causal phenomenon such as closure. As Hager (1999), Fernandez (2008), and Searing (2015) have documented for the study of dissolution, there is a multiplicity of non-financial elements associated with such phenomenon. So, the research design in this study allows and advocates for a comprehensive understanding of terminal outcomes in nonprofits.

C. Contributions

This study proposes three main contributions: conceptual development, characterization of the organizational discontinuity phenomenon, and the identification of elements associated with closures and mergers in nonprofits.

The results of this research aim to contribute to the conceptual understanding of the life course of nonprofits. The proposed application of the *organizational discontinuity* concept aims to shed light on the transitions between “*life* and *death*” in nonprofits (this discussion is presented in Chapter 2). By using a set of organizational theories, this research discusses the fit and utility of multiple approaches to understanding internal and

external instances of organizational discontinuity (this theoretical framework is presented also in Chapter 2).

Triangulating online data with administrative information helps to form a detailed characterization of how nonprofits transition between “*life* and *death*.” The exploration of online sources and assessments of their utility are presented in Chapter 4. Before that, Chapter 3 presents the guidelines used to systematically collect and analyze secondary information in an emergent method called organizational autopsies.

This study provides a closer look at the closures and mergers in nonprofits as the most representative terminal outcomes for nonprofits. Chapter 5 focuses on understanding closures in nonprofits, while Chapter 6 focuses on the experience of non-surviving organizations from mergers. Both chapters aim at providing a detailed characterization of the elements that may limit the operational continuity of nonprofits. The expected contribution is to document the capacity-building areas that organizations must strengthen internally and the external factors they need to anticipate. The methodological approximation to examine the proposed analytical framework entails a case study approach that is detailed in Chapter 3.

Lastly, based on previous studies of nonprofit closure (Duckles et al., 2005), this study examines the connection between downsizing processes and closure. Early in the data collection process, this connection was not clearly supported. The focus was on small organizations that seem to have been dying due to their scant visibility in online sources. Four of these small organizations were interviewed and all of them showed evidence of current operations; they just kept a small operation through the years (in

some cases more than 10 years). The experience of these cases helps to frame an emergent situation to describe the behavior of older and smaller nonprofits: The Peter Pan Syndrome. The emergent characteristics of this syndrome are described in Chapter 7.

D. Dissertation Map

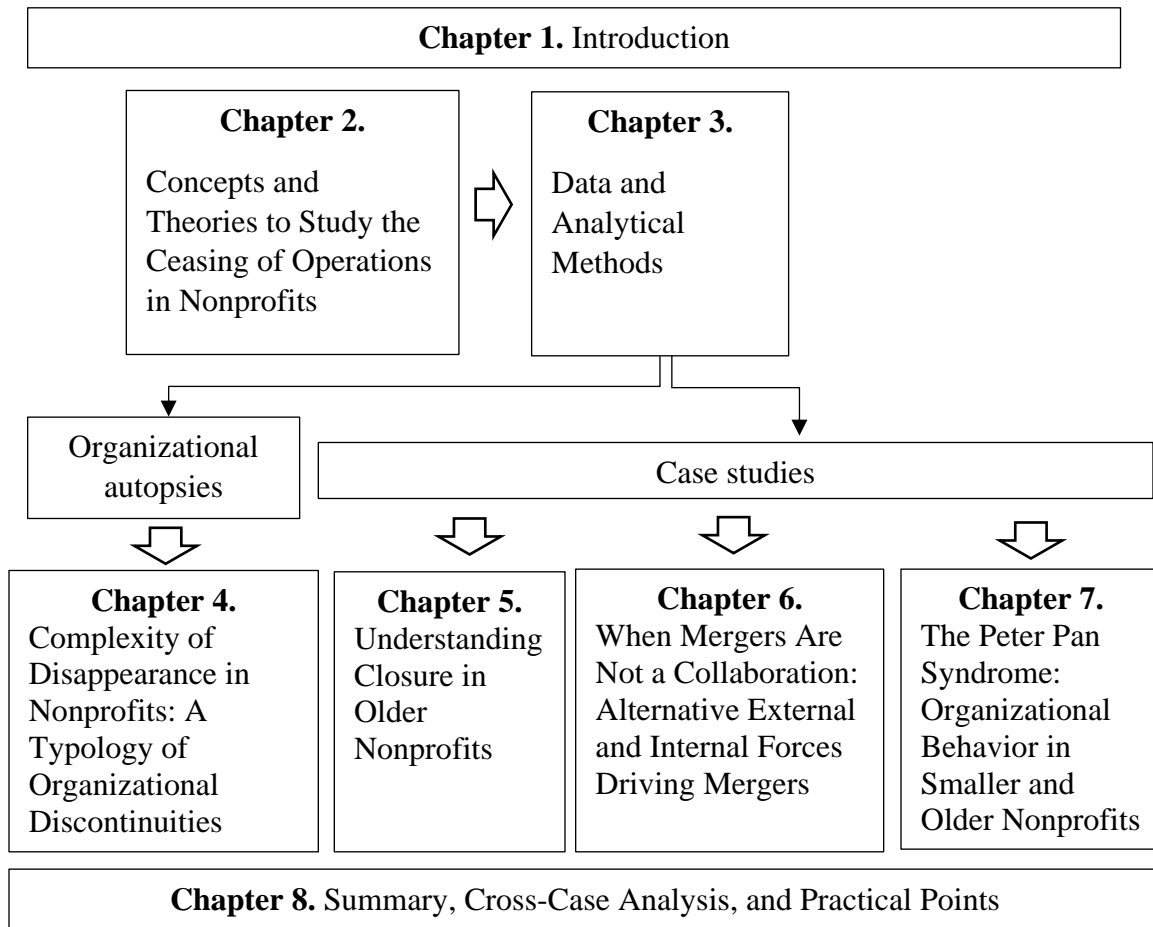
Figure 1.1 presents the connections between chapters. Chapter 2 presents the conceptual and theoretical framework for understanding the discontinuity of operations in nonprofits. Chapter 3 describes the data and the two primary analytical methods used: secondary data analysis (organizational autopsies) and the case study method.

The results of the organizational autopsies are presented in Chapter 4. Chapter 5 focuses on closures, while Chapter 6 focuses on mergers of non-surviving organizations. Chapter 7 recuperates the experiences of smaller and older organizations.

While this study follows a traditional dissertation structure of concepts to data and methods to results, Chapters 4 to 7 are presented as *proto* papers. This is the reason why the data and methods sections are similar since they are based on the same primary and secondary data and qualitative methods.

Figure 1.1

Dissertation Map



CHAPTER 2
CONCEPTS AND THEORIES TO STUDY THE CEASING OF OPERATIONS IN
NONPROFITS: ORGANIZATIONAL DISCONTINUITY AS AN ORIENTING
CONCEPT

This chapter presents a discussion of the limitations of prevailing concepts to understand the discontinuity of operations in nonprofits. The limitations of concepts such as demise and failure are discussed (Hager, 1999; Searing, 2015). As an answer to these constraints, this research proposes *organizational discontinuity* as a concept to capture the variety of ways that nonprofits may cease operations. This concept is a part of the larger discussion of organizational change (this is discussed in the first section).

In order to understand the instances of terminal outcomes in nonprofits, this chapter recuperates and discusses the utility of previous theoretical frameworks to study closure in nonprofits (these are discussed in the second section). By recuperating organizational theories of previous frameworks, this chapter presents an updated framework to understand the discontinuity of operations in nonprofits. The framework is intended to assist the exploration of the conditions that drive terminal outcomes in nonprofits, specifically closures and mergers of non-surviving organizations.

Per each organizational theory, a proposition is presented. The set of propositions guides the analysis of data for the understanding of the specific conditions of closures and mergers in nonprofits. Finally, the chapter concludes with a justification of the need for

revising traditional organizational theories to explain the discontinuity of operations in nonprofits framed within the concept of organizational discontinuity.

A. Concepts to Understand the Discontinuity of Operations in Nonprofits

Diversity of Concepts

A multiplicity of concepts characterizes terminal outcomes in nonprofits. Concepts include *demise* (Hager, 1999; Searing, 2015), *dissolution* (Fernandez, 2008; Lu et al. 2020), *decline* (Galaskiewicz & Bielefeld, 1998), *organizational death* (Hager et al., 1996), *organizational failure* (Hager et al., 1996), and *organizational mortality* (Park et al., 2021).

While these characterizations have been useful to understanding organizational change in the nonprofit sector, they have perpetuated a dichotomic view of the ceasing of operations in nonprofits (*alive vs. dead*), attached negative connotations to the end of the nonprofit lifecycle, and limited the understanding of transitions between life and death.

Some studies focusing on organizational mortality in nonprofits have assigned organizations to the *dissolution* category only because they lost their tax-exempt status (Lu et al. 2020; Park et al., 2021). Such operational distinct definitions have restricted the understanding of what is within the *dissolution* category. As Grønbjerg et al. (2010) have documented, conceptualizations that rely on administrative data may not accurately represent those organizations that have continued operations even without the federal tax-exempt status.

Demise has also advanced the understanding of terminal outcomes in nonprofits. Hager (1999) and Searing (2015) have used *demise* to describe the conditions associated with closure in nonprofits. However, this concept not only has a negative connotation but also does not help to capture the experiences of intended or desired closures. As Hager (1999) documented, organizations may close because they successfully accomplished their mission. Moreover, there are cases of organizations dissolving because they merged with other organizations based on planned collaborations (Proulx et al., 2014).

Moreover, as Searing (2020) observed, the concept of *demise* deficiently characterizes transitions between life and death in nonprofits. She proposed concepts such as reincarnation, resurrection, and zombie that more accurately capture a diversity of terminal outcomes in nonprofits. She describes *reincarnation* as “an organization [that] disbands one entity and re-forms as another organization with a similar purpose,” *resurrection* “refers to the loss and regaining of exemption status for the exact same organization,” and *zombie* as an organization that has not formally disbanded, but that no longer attempts to pursue its mission (Searing 2020, p. 361). These conceptual contributions pushed the boundaries on the understanding of the ceasing of operations in nonprofits. However, these conceptual innovations are still within the negative *demise* umbrella category.

In the search for a neutral concept that acknowledges the diversity of transitions to and terminal stages in nonprofits, several terms were evaluated. The terms explored were *depopulation*, *dis-organization*, *de-evolution*, and *discontinuity*. However, not all of them were helpful to capture the dynamics of the terminal stages in nonprofits.

The concept of *depopulation* is closely connected with the organizational ecology literature to refer to changes in a given population of organizations (Geroski & Mazzucato, 2001). Its use might provide an inadequate representation that the whole nonprofit sector is declining and there is no evidence suggesting that.

The concept of *dis-organization* was evaluated to refer to a process of slow dissolution or disintegration of organizations. The connection between downsizing processes and closures has been explored in the past (Duckles et al., 2005). However, this concept may also create the erroneous impression that the focus was on organizations with internal chaos or with weak managerial practices.

The concept of *de-evolution* was also evaluated to reflect the idea of regression or backward evolution in nonprofits. This concept has been used to refer to debilitated organizational processes in environmental organizations (Ratliff, 1997). While some organizations may downsize, it is unclear if this process is always a backward path. There may be some instances of desired downsizing processes. So, this concept was abandoned due to its insufficient utility to neutrally observe the dynamics of terminal stages in nonprofits.

After the evaluation of these concepts, *discontinuity* was identified as a useful concept to capture transitions to and terminal stages in nonprofits. Organizational discontinuity has been used in organizational studies to understand transformations in organizations (Nadler et al. 1995; Deeg, 2009). Early conceptual elaborations have referred to this term to capture irregular organizational change and its effects on transforming organizations by using managerial tools. Nadler et al. (1995) proposed the

concept of *discontinuous change*, as a set of managerial answers for leaders of organizations. Such managerial decisions help to transform organizations based on the demands of their environment but also as a way to safeguard the survival of organizations.

Organizational Discontinuity within the Organizational Change Discussion

The concept of *organizational discontinuity* is rooted within the theoretical discussion of organizational change in nonprofits. While there are abundant theories that focus on organizational change, Van de Ven and Poole (1995) grouped the perspectives into four categories based on the event sequence and originator mechanism.

In the first category of theories of organizational change, there are life cycle theories. In these, the sequence of change is given by the born-grow up-die path paradigm. The mechanism that initiates organizational change is a program or regulation within the organization (Van de Ven & Poole, 1995; Weick & Quinn, 1999).

In the second category, there are teleological theories of organizational change. Within these, organizational change follows the sequence of goal setting and evaluation: set goals, implement programs, evaluate, search, and set goals again. The generative mechanism is a purposeful implementation based on social constructs of desired practices (Van de Ven & Poole, 1995; Weick & Quinn, 1999).

The third category of theories of organizational change is dialectical theories. According to these, change follows a “thesis/antithesis, conflict, synthesis, and thesis/antithesis” sequence (Weick & Quinn, 1999, p. 364). Within this group, the spark

of change is ongoing conflict and disagreement within the organization and with other organizations.

In the last category, there are evolutionary theories of change. Based on these theories, change follows a structure composed of variation-selection-retention. Within these theories, the originators of change are resource scarcity and competitive selection (Van de Ven & Poole, 1995; Weick & Quinn, 1999).

The concept of *organizational discontinuity* is associated with this last group of theories (evolutionary theories of change). However, Deeg (2009) has been critical of these theories and has used the *discontinuity* term as a response to these criticisms. Deeg (2009) characterized the idea of linear evolution in organizations as a limitation. For him, organizational change may follow erratic processes. Elaborating on Schumpeter's theoretical economic approach, Deeg (2009) frames this idea within a "constructive destruction" framework by combining evolutionary, revolutionary, and re-evolutionary processes to understand change.

Based on such a framework, the change in organizations does not follow a linear sequence of variation-selection-retention. Rather they follow a dynamic path based on internal and external conditions of organizations. However, Deeg (2009) presents insufficient elaboration on the mechanisms that originate organizational discontinuity. Nadler et al. (1995) proposed that discontinuous change originates at the managerial level based on the diagnoses made by leaders of organizations. This thesis received insufficient theoretical or empirical support.

The theoretical aim of this dissertation study is to identify the mechanisms that originate change in nonprofits, specifically transitions to and terminal events. The next section presents a discussion of the prevailing frameworks that explain terminal outcomes in organizations, specifically closures and mergers (of non-surviving organizations) in nonprofits.

B. Existing Frameworks to Understand Discontinuity of Operations in Nonprofits

The generative mechanisms of terminal stages in nonprofits have been explored in the past. Previous theoretical frameworks have framed these as causes of demise in nonprofits. These frameworks have areas of agreement, areas of disagreement, and omissions.

Previous frameworks agree on two elements: organizational change as a multicausal phenomenon and the possibility to organize causes among a basic distinction of internal and external elements. Terminal outcomes in nonprofits are explained by multiple causes. While Hager (1999) documented cases of nonprofits that closed due to a single cause, most studies have understood terminal stages as events that are explained by multiple causes (Hager, 1999; Fernandez, 2008; Searing, 2015; Lena, 2018).

To organize the multiplicity of causes, studies have divided causes among internal and external elements. Hager (1999) first introduced this division for the study of demise in nonprofits. He recuperated this idea from Levine's framework (1978) that frames the causes of decline in public organizations (see Table 2.1).

Table 2.1

Levine (1978)'s Framework to Study Causes of Public Organization Decline

	Political	Economic- Technical
Internal	Political vulnerability	Organizational atrophy
External	Problem depletion	Environmental entropy

Fernandez (2008) and Searing (2015) maintained the division among internal and external elements but elaborated on the categories to divide the causes of demise and dissolution in nonprofits. Such categorization of causes has been an area of debate among previous theoretical frameworks. While Hager (1999) recuperated Levine’s framework, he expanded on the nature of the causes of closure in nonprofits and proposed four categories: (i) ecological/structural, (ii) legitimacy, (iii) relational, and (iv) strategic management (see Table 2.2).

Table 2.2

Hager (1999)'s Framework of Organizational Theories of Death

	Ecological/ Structural	Legitimacy	Relational	Strategic Management
Internal	Newness and Small Size Theories	Commitment Theory	Conflict Theory	Human Resource Scarcity / Human Capital Theory
External	Niche Theory	Institutionalization Theory	Network Theory	Mission Completion Theory

Later studies of nonprofit closure and dissolution are based on Hager’s framework, but they have revised its categories. For instance, based on the results of reported causes of dissolution in nonprofit associations, Fernandez (2008) proposed four categories: technical, resource mobilization, power relations, and goal attainment. Likewise, in her study of demise in young and new nonprofits, Searing (2015) proposes three categories: legitimacy, relational, and resource extraction (see Table 2.3).

Table 2.3

Searing (2015)’s Framework of Demise in Young and New Nonprofits

	Legitimacy	Relational	Resource Extraction
Internal	Commitment Theory	Conflict Theory	Human Resource Theory
External	Mission Theory	Network Theory	Niche Theory

While these frameworks have been rich in categorization of the causes of terminal stages in nonprofits, the biggest omission has been their scant elaboration on the financial elements that drive these terminal stages. Resource dependency as a cause of dissolution was briefly introduced by Fernandez (2008) and later studies using financial information have elaborated on the financial ratios as indicators to predict dissolution (Lu et al., 2020; Park et al., 2021). However, financial and non-financial elements had been deficiently integrated into a comprehensive understanding of the discontinuity of operations in nonprofits. An update of theoretical frameworks aims to recuperate the two areas of agreement (multicausal nature of organizational change and internal-external distinction),

to contribute to the discussion of categories of causes of discontinuity, and to allow for the inclusion of financial elements.

C. Theoretical Framework of Organizational Discontinuity in Nonprofits

Organizational discontinuity is used as a tool to organize our understanding of late-stage conditions in nonprofits. In order to understand the drivers of these changes, this framework recuperates previous theoretical developments on closure and mergers in nonprofits (Hager, 1999; Fernandez, 2008; Searing, 2015). Closures and mergers are seen as representative phenomena of organizational discontinuity in nonprofits.

The framework represents organizational change in nonprofits as a multicausal phenomenon. Such causes are divided among internal and external elements. To further categorize causes of organizational discontinuity, this framework uses four categories: strategic management, legitimacy, ecological/structural, and resources. The first three are recuperated from Hager's framework (1999). The *resources* category has been discussed in the past to refer to the resources that organizations need to survive (Fernandez, 2008; Searing, 2015). This thesis had not been integrated into a theoretical framework. Thus, this is one of the additions to previous theoretical developments.

To understand the nature of the drivers of organizational discontinuity, a set of organizational theories is used. Most of them have been used in the past to understand closures in nonprofits. This framework adds two more theories (behavioral theory of leadership and resource dependence). The discussion of this integration is described in the following section. Per each organizational theory, propositions are derived to guide the analysis of data. Propositions focus on the analysis of closures and some of them are

specifically intended to frame the understanding of mergers in nonprofits. The updated theoretical framework is presented in Table 2.4 and described in the following subsections.

Table 2.4

Framework of Organizational Discontinuity in Nonprofits

	Strategic Management	Resources	Legitimacy	Ecological/Structural
Internal	Behavioral Theory of Leadership	Resource Dependence Theory	Commitment Theory	Newness, Smallness, and Structural Inertia Liabilities
External	Mission Completion Theory	Network Theory	New Institutionalism Theory	Niche Theory

Internal Focus Theories

1. Behavioral Theory of Leadership. The behavioral theory of leadership helps to explain the managerial and leadership challenges that limit organizations abilities to continue operations. This theory was a response to the great man theory, which stated that some people are born possessing leadership characteristics and are presented with opportunities to lead (Woods, 1913). The counterargument to the great man theory states that leaders are not born successful but can discover the skills to be leaders.

According to the behavioral theory of leadership, leadership is a subset of human behavior. Thus, it is something that can be learned and taught (Yukl, 1971). This approach changed the way to see leadership. This view allows comparisons and

evaluations of leadership skills of individuals and the creation of programs to teach and learn those abilities.

Based on the assumption that leadership skills can be learned, leadership programs multiplied (Brungardt et al., 2006), and the emphasis has been on the professionalization of leadership by emphasizing managerial skills. While organizations certainly depend on human capital for operations, the governing structures of organizations include a multiplicity of actors with distinct perspectives and backgrounds. Thus, leaders in organizations need to cooperate by collectively leading if they want achieve change in their organizations (Denis et al., 2001).

The inclusion of the behavioral theory of leadership aims to emphasize both the ability of leaders to learn to lead, and the managerial capacity of the organizations. This thesis has been framed before as ‘nonprofits as schools of democracy’ in which members collectively learn to reach consensus for generating changes in their organizations (Jo, 2020).

For the study of nonprofits, Hager (1999) and Searing (2015) identified managerial and leadership challenges associated with the demise of nonprofits. Hager (1999) found support for this relationship while Searing did not. Both framed management and leadership as human resource scarcity problems in terms of whether or not people had the right skills for the job. This study differs from that perspective by proposing that the leadership of nonprofits (including board and staff members) within nonprofits can learn and collectively manage their organizations. Based on this theory, I developed the following proposition:

P1: Organizations with deficient managerial practices are more likely to close than organizations with adequate management practices.

The next challenge is to define *deficient* or *adequate* management practices in the context of closures in nonprofits. In terms of strategic management, most studies have identified the lack of managerial skills as deficient training, practical experience, and financial knowledge (Thornhill & Amit, 2003; Carman & Nesbit, 2013; Hwang & Powell, 2009). In this last area, there are abundant studies on the financial information that leaders may need to be aware of to detect poor financial management that may predict dissolution in nonprofits (Lu et al., 2020; Park et al. 2021). Rather than listing areas of deficient managerial skills, the goal of including this theory is to let informants reflect on the leadership and managerial capacity of their organizations.

2. Resource Dependence Theory. Organizations need resources to survive; this is one basic premise of resource dependence theory. Pfeffer and Salancik (2003) argued that “the key to organizational survival is the ability to acquire and maintain resources” (p. 2). This means that organizations are not self-sufficient entities and require relationships with other organizations to secure resources. The diversity of these relationships is fundamental for this theory. Pfeffer and Salancik (2003) stated that organizations need several avenues for resources to prevent reliance on one entity.

Resource dependence theory has been widely used in organizational studies to explain mergers in organizations (Pfeffer & Salancik, 2003). The main goal of adding this theory to the current framework is to open the discussion on the financial elements associated with organizational discontinuities in nonprofits. The financial elements

associated with closures in nonprofits have been almost absent in previous theoretical developments. This is surprising given the rich development of financial indicators to predict dissolution in nonprofits (Lu et al., 2020; Park et al. 2021). The inclusion of the resource dependence theory in this framework is the first step to integrate the understanding of financial and non-financial causes of organizational discontinuity. The proposition derived from this theory centers on identifying reliance on revenue:

P2: Organizations in which resources depend on one entity, or one source, are more likely to close than those that rely on multiple sources.

Studies that have focused on nonprofit closure have found support for this claim. Lu et al. (2020) found that “revenue diversification has a favorable effect on nonprofits’ survival prospects” (p. 29). Fernandez (2008) also found that the average life span of organizations with only one funding source was shorter than the average life span of organizations with several funding sources. Scholars have also found that government support is critical for nonprofits. For instance, Fernandez (2008) observed that failure to secure access or renew government funding plays a detrimental role on the survival chances of nonprofits.

Organizations have other options to manage resource dependencies, such as merging with other organizations. Pfeffer and Salancik (2003) describe that “merger is a mechanism used by organizations to restructure their environmental interdependence to stabilize critical exchanges” (p. 115). Organizations can also merge to cope with competitive interdependence in a context of high uncertainty due to growing competition

in the organizational field (Pfeffer and Salancik, 2003). The proposition derived from this theory is as follows:

P3: Organizations restructuring their resource relationships are more likely to enter into a merger process than those maintaining their resource relationships.

Studies of nonprofits have concentrated on resource dependence theory to understand collaborations and post-merger processes, particularly regarding the financial management practices (Hodge & Piccolo, 2005; Malatesta & Smith, 2014). However, previous studies have paid little attention to the utility of this theory to explain mergers in nonprofits. This study proposes to use this theory to study the revenue structure of nonprofits and how this may influence mergers.

While the emphasis on financial resources is central to resource dependence theory, this study also proposes a holistic approach to the resources that nonprofits depend on. Organizations certainly need financial resources to survive, but they also create dependency relationships on their human resources, specifically their leaders. This is, for instance, the case of organizations afflicted with founder syndrome, where leaders maintain undue influence and control of the organization (Block & Rosenberg, 2002).

3. Commitment Theory. Commitment theory has been used in previous studies of nonprofit closure and demise to explain internal problems that nonprofits experience in reproducing commitment among their members (Hager, 1999; Searing, 2015). The rationalization behind the use of this theory goes back to Levine's idea of organizational atrophy as an internal problem associated with a weak organizational structure and unclear roles within the organization.

Within organizational studies, organizational commitment theory has focused on the goals and values of members of organizations and how these are reproduced and reinforced internally and externally (Reichers, 1985). According to this theory, individuals experience multiple commitments to the organizations they are associated with. However, one individual's experience may differ significantly from another individual's experience, yet both may report the same degree of commitment (Reichers, 1985).

Hager (1999) framed commitment theory in terms of qualities of leaders to reproduce commitment to organizational goals. Searing (2015) proposes an alternative view and sees commitment as something that can change depending on the stage in the life cycle of the organization. Particularly, she recuperates the liability of adolescence argument (proposed by Bruderl & Schussler, 1990) and suggests the enthusiasm for the mission and methods of the nonprofits to be high initially, then wearing off over time. This study recuperates Hager's original proposition, but the analysis centers on the changes in such internal commitment as proposed by Searing (2015):

P4: "Organizations with uncommitted staff, volunteers, or members are more likely to close than those that are able to reproduce commitment." (Hager, 1999, p.15)

While commitment theory received insufficient empirical support in Hager's (1999) and Searing's (2015) studies, this research proposes to recuperate this proposition to study a different sample of organizations and guide the understanding of other terminal

stages and transitions to these stages in nonprofits. The proposition that follows aims to adapt commitment theory for the study of mergers.

P5: Organizations with committed staff, volunteers, and members are more likely to merge than those that are not able to reproduce commitment.

Studies on mergers have used commitment as a measure of post-merger integrations (Benton & Austin, 2010). The proposal in this dissertation study is to understand commitment as a resource that can be exchanged between organizations. Thereby, organizations reproducing commitment among their staff, volunteers, and members would be in a better position to exchange resources with organizations as opposed to organizations that struggle to reproduce internal commitment.

4. Newness, Smallness, and Structural Inertia Liabilities. According to the *liability of newness* argument, new organizations are more likely to fail than older ones. This theory was originally proposed by Stinchcombe (1965) by anticipating that “a higher proportion of new organizations fail than old” (p. 148). He explained that the failure of new organizations is not in their age but in the lack of resources and established roles. Among some of the elements that new organizations need to learn or establish are roles, relationships among members, trusting relationships between members and outsiders, and ties with suppliers and clientele. For the study of nonprofit demise, this theory has been recuperated in previous studies, and this study follows the original proposition in Hager (1999):

P6: “Young organizations are more likely to close than older ones.” (Hager, 1999, p. 12)

Studies of nonprofits have found support for this proposition. Hager (1999) stated, “clearly, youth and small size are liabilities for organizations” (p. 235). Likewise, Fernandez (2008) mentioned that “there are indications that dissolved associations were younger than active associations” (p.128). For the framework to be comprehensive, this study recuperates this theory on the current theoretical understanding of organizational closure. However, given the empirical focus of this study in older organizations described in Chapter 3, this study does not recuperate this proposition for the data analysis.

While being young seems to be a liability for organizations, so does being small. Freeman et al. (1983) distinguished the liability of newness from the *liability of smallness*. By separating the effects of “newness” and “smallness,” Freeman et al. (1983) did not find strong effects to support their claim. However, the liability of smallness was explored in later organizational studies with empirical support (Lefebvre, 2020). For the study of nonprofits, this study recapitulates Hager’s proposition:

P7: “Small organizations are more likely to close than larger ones.” (Hager, 1999, p.14)

In the literature of nonprofit change, there is mixed support for the liability of smallness argument. In her study of financially distressed organizations, Searing (2018) found no support that larger organizations are more likely to recover financially than smaller ones. Nonetheless, there is consensus on the liability of smallness argument regarding decreased chances of survival (Fernandez, 2008; Hager et al., 1996). Fernandez (2008) also provided a broader conceptualization of size to include both the lack of financial resources and insufficiency of human resources.

While being new and small are common liabilities for organizations, there is an insufficient theoretical understanding of the challenges that organizations experience in their mature stages. Probably the most appealing proposal is the *structural inertia* argument that suggests that organizations tend to maintain organizational structures they establish in early years. This structural resistance to change limits its ability to adapt and fit the requirements of the external environment, especially when it changes (Hannan & Freeman, 1977, 1984). As Hager proposes, the structural elements that help organizations to resist the liability of newness and the liability of adolescence might become challenges for organizations to respond to the demands of changing external environments. This study assumes that most nonprofits might experience changes in their environment at some point. Consequently, the proposition is as follows:

P8: Organizations with structural rigidity are more likely to close than flexible ones.

The structural inertia argument also implies that this is a challenge experienced by older organizations rather than newer ones (Hannan & Freeman, 1977, 1984). The relationship between age and structural inertia has been explored in nonprofit studies without definitive empirical results (Chen, 2014). This study proposes to investigate the structural elements that limit the continuity of organizations particularly in older organizations.

External Focus Theories

5. Mission Completion. A rational definition of organizations sees them as “collectives oriented to the pursuit of relatively specific goals and exhibiting a relatively

highly formalized social structures” (Scott, 1992, p.23). This means that organizations are *purposeful*; in other words, they are oriented to achieve goals (Scott, 1992). Meyer and Zucker (1989) criticized the rational perspective by suggesting that organizations may endure even if they are no longer pursuing their mission. Organizations may be permanently failing when the performance of the organization declines, but people within and outside the organization have an interest for the organization to endure (Meyer & Zucker, 1989). This perspective assumes that the mission of the organization may be obsolete.

The obsolescence of the mission had been framed in the past as a depletion of the problem organizations have addressed. For the study of public organizations, Levine (1978) proposed that organizations may originate to solve a social problem. However, when this problem disappears or is no longer recognized as an important one by the public, the organization has no reason to continue (Levine, 1978).

For the study of nonprofits, Hager (1999) has reframed the *problem depletion* argument (from Levine’s perspective) as a situation of *mission completion*. He proposed that *mission completion* is unique to public and nonprofit organizations. So, the existence of organizations may finish when they accomplish the mission they were created for. In his study of demise in nonprofits, Hager (1999) documented cases of dissolved organizations due to mission accomplishment.

For the study of nonprofit demise, Hager (1999) and Searing (2015) have also extensively discussed the difficulties in measuring mission completion. Rather than exploring the diversity of measures to assess mission completion, this study dissertation

proposes to concentrate on studying the perception of mission completion by their members by guiding the research with the below proposition:

P9: Organizations that perceive having accomplished their mission are more likely to close than organizations that do not perceive having accomplished their mission.

The mission completion argument proposed by Hager (1999) is also useful to understanding mergers in nonprofits. Following the rational approach that sees organizations as collectives to pursue specific purposes (Scott, 1992), nonprofits may merge with others to achieve their goals (Proulx et al., 2014). The mission achievement as a driver of mergers has been studied in other forms of organizations, such as higher education institutions (Frølich & Stensaker, 2021). In studies of nonprofits, mission-driven mergers have received scarce exploration (Benton & Austin, 2010). Golensky and DeRuiter (2002) have found that these mergers are more effective compared to practical and fear-oriented mergers. Derived from previous studies to examine mergers in nonprofits this study proposes:

P10: Organizations are more likely to merge when perceiving they need to collaborate to achieve their mission, compared to those that perceive they can achieve their mission independently.

This proposition is also rooted within network theory, which is discussed in the following subsection.

6. Network Theory. Organizations are embedded in a variety of networks that both constrain their behavior and allow them to achieve their goals; this is a basic premise of network theory (Granovetter, 1985). The networks in which organizations are embedded create opportunities for collaboration with other organizations (Larson, 1992). These networks also allow organizations to create interdependence relationships for exchanging resources (Pfeffer & Salancik, 2003).

Network theory has been explored in previous studies of nonprofit demise with mixed empirical support. Hager (1999) concentrated on the lack of connectiveness of organizations as a predictor of closure, but he did not find support for this claim. Searing (2015) did find that developed networks increase the chances for organizations to survive. She also focused on personal connections within the organization and identified that “an Executive Director and board well-connected to clients and other nonprofits appear important” (Searing, 2015, p. 207).

Rather than emphasizing the lack of networks as a predictor of closure, this study proposes to concentrate on the experience that organizations had collaborating with others. This means that the emphasis is not on the networks themselves but on how nonprofits use those networks to collaborate with others (Larson, 1992; Pfeffer & Salancik, 2003). From this idea the proposition that follows:

P11: Organizations without experience collaborating with others are more likely to close than the ones with experience collaborating with others.

A focus on collaborations was specifically informed by the study of mergers in nonprofits. Mergers have been seen as the most extreme form of collaboration between

two nonprofits (Proulx et al., 2014). The assumption is that organizations merge to better collaborate. Thus, organizations with experience collaborating with others may be in a better position to merge with others, and specifically with the organizations they have collaborated with in the past. From this idea, the proposition that follows is:

P12: Organizations that had collaboration experience are more likely to merge than the ones that did not collaborate with others.

Nonprofit studies have elaborated on the organizational conditions that allow organizations to collaborate. Guo and Acar (2005) found that organizations are more likely to formalize their collaborative activities when they are older, have a larger budget size, receive government grants, and have more board linkages with other nonprofits. Organizations may also collaborate to secure critical resources or to reduce the uncertainty of securing funding (Proulx et al., 2014; Guo & Acar; 2005), thus collaborations are also understood under the lens of the above-described resource dependence theory.

7. New Institutionalism. Organizations are required to follow several rules that are formally or informally mandated by relevant organizations and institutions. According to Meyer and Rowan (1977), the survival of organizations depends upon the “ability of given organizations to conform to, and become legitimated by, environmental institutions” (p. 352). If organizations fail to conform to these expectations, they are at risk of being perceived as illegitimate.

The legitimacy premise is part of the new institutionalism perspective that understands organizations as the result of internal and external forces that constrain the

behavior of individuals and groups by formal and informal rules (Meyer & Rowan, 1977; Zucker, 1977). This perspective broke with both the institutionalist perspective and the rational choice theory by proposing that organizations are not necessary tools to efficiently and effectively achieve goals, but that they are spaces to reproduce values, myths, and ceremonies ingrained in social constructs that legitimate them.

The legitimacy premise has been used in nonprofit studies to understand the connection between lack of legitimacy and nonprofit closure. Hager (1999) and Fernandez (2008) found support for this connection, as described by Fernandez (2008) “although only for a few cases did the absence of legitimacy have an influence on the survivability of the organization, those considered more legitimate lasted longer.” (p. 130). To follow, this dissertation study recapitulates the statement proposed by Hager regarding the organizational legitimacy associated with nonprofit closure:

P13: “Organizations that are not perceived as legitimate are more likely to close than those that have a reputation for legitimacy.” (Hager, 1999, p.25)

Studies of nonprofit dissolution have specifically identified that a critical source of legitimacy may come from government entities. For instance, Fernandez (2008) proposed that an indicator of legitimacy may come from the listings of nonprofits in governmental records. Thus, if an organization is listed in those records, it is somehow recognized by the government as a public utility (Fernandez, 2008). Accordingly, this dissertation study recognizes that the legitimacy may come from multiple sources that may include donors, government agencies, and the public. For this reason, the research design allows for the free elaboration of informants on the sources of legitimacy.

In terms of mergers, this study understands legitimacy as another resource that organizations have. This means that legitimacy is a resource that they potentially can exchange with others. Based on this idea the proposition that follows:

P14: Organizations that are perceived as legitimate are more likely to merge than those that are not perceived as legitimate.

The connection between legitimacy and mergers has been explored in studies of nonprofits. Campbell (2009) proposed that the absence of legitimacy with stakeholders may be the force that directs leaders to decide to collaborate with other organizations. Moreover, Ferris and Graddy (2007) proposed that a key motivation for mergers is to enhance the organizational legitimacy of the organizations involved. Based on both studies, this dissertation study aims to further explore legitimacy as a driver of mergers.

8. Niche Theory. Niche theory focuses on the crowdedness of the organizational fields and the availability of organizations to compete in such a niche (Hannan & Freeman, 1977, 1989). According to this theory, the mortality of organizations is dependent on the density of the market (organizations within the same niche) (Hannan & Freeman, 1989). This is explained by two mechanisms: legitimation and competition. The first helps to increase the number of organizations within a niche. As more organizations are founded, competition increases. The exit rates of organizations would be low as the niche legitimizes, but high as competition increases (Hannan & Freeman, 1989).

Niche theory is part of the organizational ecology perspective that leverages knowledge from biology, economics, and sociology to propose an analogy of organizations as living organisms (Hannan & Freeman, 1977, 1989). This perspective is

associated with the life cycle theories that see organizational change as a sequence of emerge-grow-die (Van de Ven & Poole, 1995; Weick & Quinn, 1999). While this dissertation study does not support this sequence of change, the specifics of niche theory are useful to understand the dynamics of the nonprofit sector.

Nonprofit scholars have used niche theory to understand closure in nonprofits. However, its utility to predict closure has received mixed support. Hager (1999) reported that organizations are more likely to close when the funding availability decreases or when they are not able to compete in their niche. On the contrary, Searing did not find empirical evidence to support that the conditions of the niche were associated with the demise of nonprofits. This study recapitulates the statement proposed by Hager (1999):

P15: “as a niche becomes more dense, the survival chances of an organization increase up to a point; then the survival chances begin to decrease with increasing density.” (p. 22).

This proposition is recuperated to present a comprehensive framework to understand terminal stages and transitions to these stages in nonprofits. However, the focus of this study is on individual organizations and not on organizational populations and their relationships with their environments. For this reason, this study does not include niche theory in the empirical stages of this research.

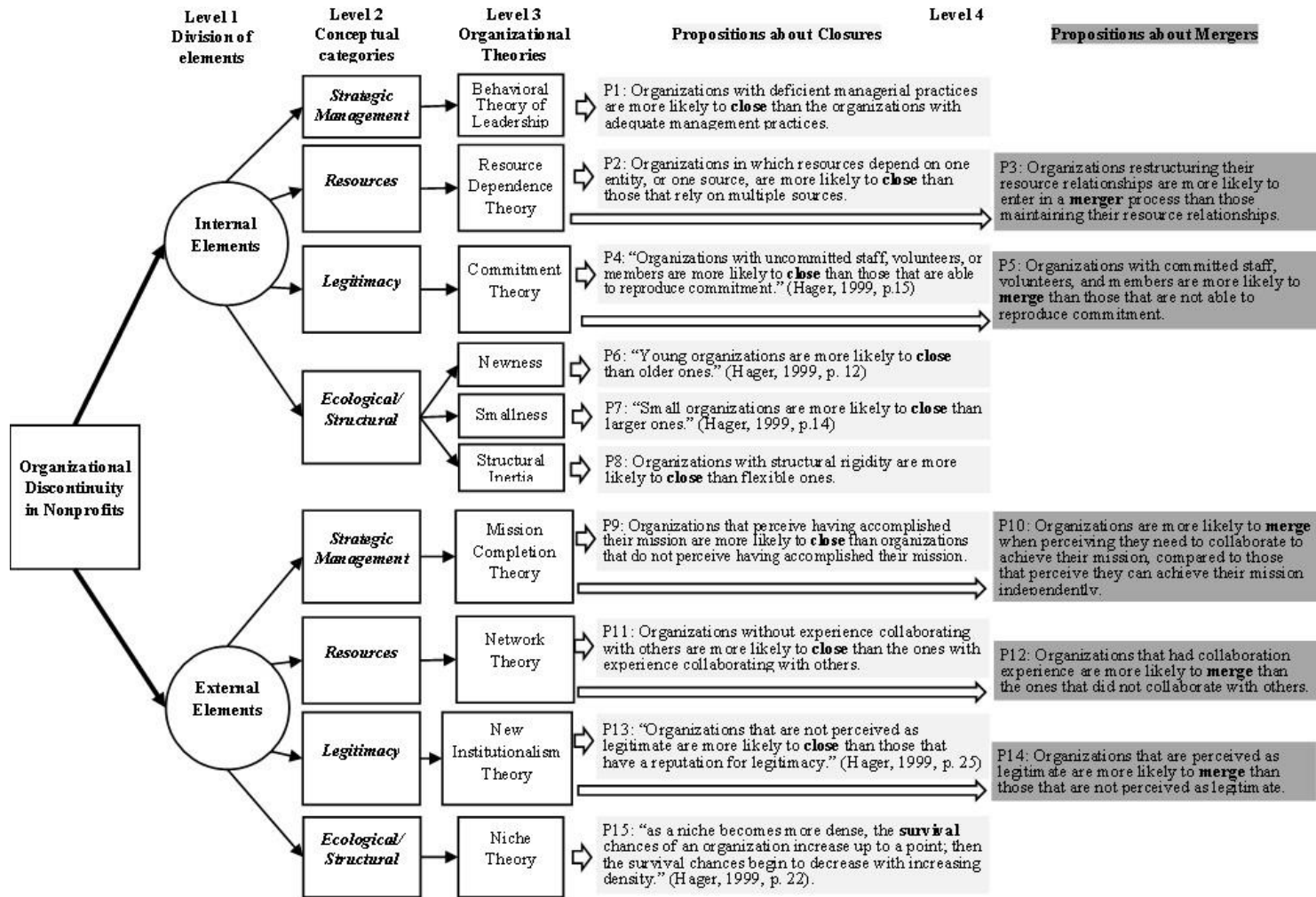
Figure 2.1 presents the theoretical framework for the study of organizational discontinuities in nonprofits. It has four levels of analysis that go from left to right. First, the framework follows a basic distinction of internal and external elements of organizational change. Second, based on the nature of the elements, the framework

groups them among four categories: strategic management, resources, legitimacy, and ecological/structural. In the third level, organizational theories of change are used to explain the mechanisms and nature of such elements. From organizational theories, propositions are presented to guide the analysis of data (these are presented in the four level).

Figure 2.1

Theoretical Framework to Explain Causes of Organizational Discontinuities in Nonprofits

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D. Conclusions

This chapter presents the conceptual background and theoretical framework to understand the discontinuity of operations in nonprofits. This chapter recuperates and discusses the utility of previous conceptual developments such as demise, organizational death, organizational mortality, and others. Based on the analysis of previous conceptual developments, this study proposes the concept of *organizational discontinuity* to frame the understanding of terminal stages and transitions to these stages in nonprofits. This framing aims to challenge the dichotomous view of *alive* vs. *dead* categories by allowing to capture the diversity of operational status such as deaths, resurrections, and reincarnations (Searing, 2020).

The concept of *organizational discontinuity* has been used in the past to understand instances of non-linear processes of organizational change (Nadler et al., 1995; Deeg, 2009). While this concept is part of the evolutionary theories of organizational change, it challenges the idea of linear evolution by proposing to understand organizational change as an erratic process. Other than managerial drivers (Nadler et al., 1995), the originator mechanisms of discontinuous change have received scant exploration.

By looking at the causes of terminal outcomes in nonprofits (closures and mergers), the proposed theoretical framework aims to provide a conceptual background on the elements that drive discontinuous change in nonprofits. The framework recuperates organizational theories to understand change in nonprofits, and per each theory,

propositions are presented to empirically understand the elements associated with closures and mergers in nonprofits.

Chapter 4 elaborates on the characteristics of the framing of *organizational discontinuity* and its potential types and subtypes. Chapter 5 specifically focuses on the understanding of the causes of closure in nonprofits and Chapter 6 does so for mergers. In the concluding chapter (chapter 8), this study presents the elements that seem to be associated with organizational discontinuities in nonprofits. The next chapter provides the details of the data and analytical methods used to study organizational discontinuities in nonprofits.

CHAPTER 3

DATA AND ANALYTICAL METHODS

This chapter presents the data and analytical methods used to explore the discontinuity of operations in nonprofits. First, this chapter presents the description of the database of nonprofits under analysis. This database was the starting point for the exploration of the operational status of nonprofits. The fundamental characteristic of this database is that it includes nonprofits that no longer show evidence of operations (within the 2003-2019 period).

To further understand the fate of nonprofits that no longer reported operations, the initial database is complemented with online secondary data and regulatory information. The second section presents the characteristics of the secondary data used and how different sources are triangulated to create diagnoses on the status of nonprofits using secondary data analysis. The results of this method are presented in detail in chapter 4.

In order to study the causes that produce organizational discontinuities in nonprofits, this study proposed a closer look at closures and mergers. To understand these phenomena, primary and secondary data are used to develop case studies. The characteristics of the data and the case study method are presented in the third section. Chapters 5 to 7 focus on reporting the results of case studies.

A. Dataset Description

To study terminal outcomes in nonprofits, this study re-visited a subsample of charities that were operating in 2003 and no longer show indication of operation in 2019.

This dataset comes from the research project on volunteer management capacity conducted by Hager and Brudney (Hager & Brudney, 2004, 2021). They drew a sample of 2,993 of the 214,995 organizations that filed Form 990 with the Internal Revenue Service (IRS) in 2000.

Organizations in the sample were tax-exempt entities under Internal Revenue Code (IRC) section 501(c)(3) when Hager and Brudney first studied them in 2003. Charities with less than \$25,000 in annual gross receipts were excluded from this sample since, at that time, they were not required to fill out Form 990 with the IRS. In 2003, Hager and Brudney secured responses from 1,753 charities. However, they only focused on surveying those charities that engaged volunteers (1,361 organizations).

In 2018, the 1,361 organizations that participated in the 2003' study were contacted as part of the longitudinal survey on volunteer management capacity. The research team assisting Hager and Brudney initially documented 399 cases of nonprofits in some state of organizational discontinuity. Research assistants marked as dead, merged out, or in some state of failure those organizations that no longer showed evidence of operations in 2018 and 2019.

Determinations on the fate of organizations resulted from explorations of the cases on the Exempt Organizations Business Master File (EOBMF) of the IRS (charities that were no longer listed in the EOBMF in 2017 were marked as dubious cases), information in Form 990, lack of active contact details, and/or quick reports about the operational status of organizations made by members when research assistants contacted them by phone or email.

Based on the initial screening, 399 organizations—approximately 30% of organizations within the subsample were reported as transformed or dead. This initial screening of cases functioned as the basis for this dissertation’s study of organizational discontinuities in nonprofits. Each case was further explored using secondary data to create a diagnosis on the operational status of organizations. The characteristics of the secondary data and the method used are described in the following section.

B. Secondary Data Analysis

This section describes the data and method used to further document the fate of the 399 organizations from the initial screening (see above). Data sources include online data and regulatory information. Within these sources, different data points were identified and used to triangulate information using secondary data analysis.

Data: Online Data and Regulatory Information

The first step focused on identifying the sources of information available to create diagnoses on the operational status of nonprofits. The utility of multiple secondary sources was explored, and three types of sources were identified: incorporation information, regulatory secondary information, and secondary online information. Table 3.1 presents relevant data points per each source.

Table 3.1

Sources of Information to Assess the Operational Status of Nonprofits

Types	Sources	Data points
Incorporation information	Incorporation status (state level)	*Articles of Dissolution *Articles of Merger (Merger Agreements)
Regulatory secondary information	Regulatory status (federal level)	*Automatic Revocation of Exemption List *Changes in filling out forms (e.g., Form 990 and then changed to Form 990-EZ)
	Form 990 (and its variants) (federal level)	*First page (final return/terminated box checked) *Financial summary *Description of transferred assets (Schedule N) *Dissolution or merger announcements as attached documents
	Regulatory status (state level)	*Status assigned by state authorities based on annual reports submitted
Secondary online information	Websites	*Status of activity on websites (active/not found)
	News	*News/blog stories documenting changes in nonprofits under analysis
	Social media and other online sources	*Statements of status, such as “We are now ...” “We are out of business” “We merged...” “Users indicate this business is closed”

The first category, *incorporation information* refers to the Articles of Dissolution and Articles of Merger that organizations filled out to report dissolution or merger. In a few cases, when reporting termination, nonprofits attached these reports to the last Form 990 or 990-EZ submitted to the federal government. However, most of the articles of dissolution or merger are available for free or for a fee at state agencies (such as the Secretary of State). The search for these articles also involves a careful triangulation of

names and addresses that match the federal records and the state records of registered organizations.

The second category, *regulatory information* consists of the reports made by nonprofits to state and federal agencies as well as the status assigned based on these reports. For instance, at the federal level, the Automatic Revocation of Exemption List includes organizations whose tax-exempt status was revoked for failure to report activities for three consecutive years. At the state level, there are no homogenous listings on the status of nonprofits. Most states marked organizations as ‘administrative dissolved’ when they failed to report activities for more than three years.

Although Form 990 has been criticized for the inaccuracy of information (Grønberg et al., 2010), several data points in this form help to create a picture of the operational status of nonprofits. For instance, they can indicate on the first page of the form if they have terminated operations. Financial information is also helpful to assess the operational status of nonprofits. For instance, the absence of revenue or a negative balance may be associated with a decreased organizational capacity.

Starting in 2008, nonprofits required to fill out Form 990 and Form 990-EZ are also required to describe the disposition of assets in Schedule N “Liquidation, Termination, Dissolution, or Significant Disposition of Assets.” This section allows organizations to report the transfer of assets to other organizations. If an organization transferred most of its assets, the assumption is that the organization has discontinued operations in some form. Lastly, as part of the IRS regulations, organizations that have dissolved or merged out need to attach a certified copy of the Articles of Dissolution or

Articles of Merger, or resolutions of its governing board approving dissolution or merger. These announcements, usually included in Schedule O “Supplemental Information,” also help to assess the operational status of nonprofits.

The third category, *secondary online information*, refers to the public online information available that helps to assess the operational status of nonprofits. The identification of these sources consisted of a systematic search using the Google search engine. First, websites were a powerful tool to identify if the organizations were operating. In the cases of inactive websites, the site “Web.archive.org” was used to identify the last year and even the date and month that the inactive website reported activities.

News articles at public websites were also a useful source of information not only to determine the operational status of organizations but also to identify some of the potential causes of organizational discontinuity. In some cases, the news documented mismanagement of resources and fraud. For the organizations that merged out, some of them made a formal announcement of this process with news releases.

Lastly, social media, but particularly Facebook pages of organizations of interest were useful to assess the operational status of organizations. For instance, these pages include information on last activities and even statements of dissolution or merger. Additional useful online sources include Yelp and Google maps, which might provide clues to changes in the activity of nonprofits of interest.

Once the sources and data points were explored, the next step was to create a mechanism to effectively combine different sources to create an assessment of the

operational status of nonprofits. For this process, the central element is an effective triangulation of data points. Data triangulation is a commonly used technique to increase the reliability and validity of research findings. The goal is to have several data points for more dependable and credible results (Denzin, 1978; Tracy, 2020).

Though Table 3.1 presents a comprehensive exploration of the potential information venues, not all organizations may be visible in all these sources. For some organizations, researchers may only rely on regulatory information. For these cases, the need for an evaluation system to effectively assess the triangulation of different sources becomes central to determining the operational status of nonprofits.

Triangulation of Secondary Data: Organizational Autopsies

In the search for a research method that helps to effectively triangulate and evaluate secondary sources, insufficient elaboration on rigorous secondary data analysis methods was found. Specifically, there are few resources with protocols for secondary data collection. A protocol with clear guidelines on the use of secondary online data is also central to the replicability of results. An exemption is the contribution of Michelucci (2017); her study on social impact investments proposes a protocol for secondary data collection that includes guidelines that go from database selection to data gathering.

To effectively triangulate and assess the quality of secondary information to approximate the operational status of nonprofits, this study uses *organizational autopsies* as a research method to study organizational discontinuities in nonprofits. Previous organizational studies have referred to this method to evaluate the failure of programs in organizations. However, they have provided scant elaboration on the processes to

perform these examinations (Biron et al. 2010; Fals-Stewart et al., 2004). Furthermore, the outcomes of organizational autopsies have focused on project evaluation rather than on the limitations that organizations face to stay alive.

This study defines *organizational autopsy* as a research method that triangulates secondary data to produce diagnoses on the operational status of nonprofits. Secondary data include both administrative and online data. The triangulation of secondary data is evaluated based on the multiplicity of data points found. The outcome of an organizational autopsy is a determination of the status of the nonprofit of interest (e.g., closed, merged out, active, reincarnated). In organizations that experienced closures or mergers, this method is also useful to gather information about the causes of these events.

This dissertation study develops guidelines on how to perform *organizational autopsies* following four steps: (i) select organizations of interest, (ii) gather data following a protocol for secondary data collection, (iii) diagnose the operational status of a nonprofit (and if possible, the causes of closure, merger, etc.) and (iv) evaluate the accuracy of the diagnosis. The elements of this method are further described in the next chapter (Chapter 4).

C. Case Study Method

Data

Case Selection Criteria. The selection of nonprofits for case studies followed five criteria: (i) theoretical selection of cases within categories of closure and mergers, (ii) time frame selection, (iii) subsector, (iv) location, and (v) size.

Nonprofits selected to develop case studies target organizations that experienced closure or mergers (as non-surviving organizations). The exploration of the operational status resulted from secondary data analysis. Nonprofits selected were part of the national subsample described in the first section of this chapter.

The second step in the selection of cases that experienced discontinuities recent enough to be recalled reliably by informants. Therefore, the study focuses on select cases of nonprofits to have experienced a closure or a merger in 2010 or after. This time frame selection responded to two logics. First, the aim was to minimize the effects of recall bias of informants. The recall bias has been documented in behavioral studies as a potential limitation to accurately estimate the frequency and time frame of actions and events (Kruijshaar et al. 2005; Graham et al. 2003). While there is no consensus on the ideal time frame to interview informants after an event, the assumption of this study was to assume the closer to the event the better. Secondly, while this study does not directly address the effects of the Great Recession (an economic decline from December 2007 to June 2009), the aim was to observe any potential long-lasting trends in the behavior of nonprofits after this major financial crisis.

In terms of the nonprofit subsectors, more than 50 percent of the organizations in the national subsample were in the human service nonprofit subsector and the remaining organizations were in other subsectors. To account for these subsector differences, the selection of cases follows a basic distinction between human services versus non-human services organizations. This latter category included organizations in arts, culture, and

humanities, education, environment and animals, health, and public and societal benefit subsectors.

Concerning the location of nonprofits, this study aims to have an empirical representation of organizations in the United States. For this purpose, the study balances the number of organizations across four main regions: West, Midwest, South, and Northeast.

Lastly, in terms of size, the selection of cases follows a basic distinction between small, medium, and large organizations. *Small* organizations for those with total expenses of less than \$100,000, *medium* organizations for those with expenses between \$100,000 to \$500,000, and *large* organizations for those with expenses of more than \$500,000.

Data Collection. Based on the above criteria, 114 organizations were identified within the subsample to be contacted. These are cases of organizations that experienced permanent and temporary organizational discontinuity in 2010 or after. Out of these cases, contact details of board members or executive directors for 87 organizations were found. The total number of potential participants contacted was 355 and this dissertation study secured responses of 50 interview participants.

All potential participants were contacted via e-mail or LinkedIn message and invited to participate in the study. A sample of interview email invitations is available in Appendix B. All potential participants with working email received an invitation and up to two follow-up emails. For potential participants for which only a LinkedIn profile was found, an invitation to be part of their network was sent. If they accepted the LinkedIn invitation, their email addresses were visible and therefore an invitation to their email

was sent as well as the follow-up emails. If they did not accept a LinkedIn invitation to connect, then a LinkedIn message was sent with the interview invitation. No follow-up messages were available to send via the platform due to LinkedIn policies.

Including five interviews from the first pilot study, the final number of participants was 55 from 36 organizations. The characteristics of participant organizations are presented in Table 3.2. To minimize recall bias and maximize the triangulation of information, multiple members were contacted. Responses from multiple informants were secured for 11 organizations that had at least 2 respondents.

Table 3.2.

Characteristics of Participant Organizations

		Northeast	Midwest	South	West
Human services subsector	Closure	1	2	4	1
	Merger	1	1	2	3
Non-human services subsectors	Closure	1	1	1	5
	Merger	2	4	1	1
	Other	2		3	

Each of the 36 organizations was subject to data collection from primary and secondary sources. Primary data was collected using semi-structured interviews. The preparation for primary data collection included two rounds of pilot interviews (one in 2019 and one in 2021). In the first round, members of four organizations within the subsample were contacted to provide information about the operational status of their organizations. This first round helped to refine the focus of the study and to gain experience in conducting semi-structured interviews.

For the second round of pilot interviews, the focus was on testing the questions, evaluating the length of the instrument, and systematizing the data collection processes. In this round, I completed six interviews. At this step, I received feedback from committee members and interview participants that helped to refine the questions of the instrument.

For the design of the interview protocol, I used as a basis the structure and questions of the instrument developed by Searing (2015) for the study of demise in small and young nonprofits. The protocol is presented in Appendix C. The instrument is designed to be answered by former board members and executive staff. The connections between theories, propositions, and interview sections are presented in Table 3.3. Note that each section of the interview protocol is based on organizational theories discussed in Chapter 2.

Interviews were audio recorded after informed consent approved by the Institutional Review Board of Arizona State University. All interviews were conducted either by phone or by Zoom. Except for five interviews from the 2019 pilot study, all interviews were conducted between March and October of 2021. Audio records were transcribed. For those interviews that were conducted by Zoom, the automatic Zoom transcriptions were reviewed and cleaned to ensure the accuracy of information. The COVID-19 pandemic somehow facilitated the collection of primary data since most of the participants were already familiar with the workings of Zoom by March 2021. For the remaining interviews, manual transcriptions were completed. Lastly, secondary sources were also used in the analysis. Specifically, the results of the organizational autopsies

informed and complemented the primary data collection. Interviews lasted between 20 and 70 minutes in length.

Table 3.3

Theoretical Background of the Interview Protocol

Theoretical approach	Proposition	Interview section	Representative questions
1. Behavioral theory of leadership	P1: Organizations with deficient managerial practices are more likely to close than the ones with adequate management practices	Q. 41-42, 46 Part VIII (Q92-94)	* Did the leadership style of the organization change over time? * Did organization’s management change over time?
2. Resource dependence theory	P2: Organizations in which resources depend on one entity, or one source, are more likely to close than those that rely on multiple sources.	Part IV	* What were the primary sources of revenue of the organization? * Was there a source of revenue that the organization particularly depended on?
	P3: Organizations restructuring their resource relationships are more likely to enter into a merger than those maintaining their resource relationships.	Part IV-B	
3. Commitment theory	P4: “Organizations with uncommitted staff, volunteers, or members are more likely to close than those that are able to reproduce commitment.” (Hager, 1999, p.15)	Part VII	* Would you say that the commitment to the organization decreased or increased over time? Why you say so? * Did members and people who were working for the organization leave or abandon the organization? For instance, managers, employees, or volunteers. If yes: Why do you think they left?
	P5: Organizations with committed staff, volunteers, or members are more likely to merge than those that are not able to reproduce commitment.	Part VII-B	

Theoretical approach	Proposition	Interview section	Representative questions
4. Liability of smallness and structural inertia	P7: "Small organizations are more likely to close than larger ones." (Hager, 1999, p.14)	Part VI Part VIII	* How would you describe the size of the organization? Was it a small, medium, or big organization? What makes you say this? * Would you say that the size of the organization facilitated or impeded the operations? * Would you say that the organization adapted easily or with difficulty to the demands of external stakeholders? Why?
	P8: Organizations with structural rigidity are more likely to close than flexible ones.		
5. Mission completion theory	P9: Organizations that perceive having accomplished their mission are more likely to close than organizations that do not perceive having accomplished their mission.	Part III	* Did the organization accomplish its original mission? * What were the major obstacles that the organization faced in completing its mission?
	P10: Organizations are more likely to merge when perceiving they need to collaborate to achieve their mission, compared to those that perceive they can achieve their mission independently.	Part III-B	
6. Network theory	P11: Organizations without experience collaborating with others are more likely to close than the ones with experience collaborating with others.	Part IX	* Did the organization coordinate with other organizations in its work? * Did the organization run a program with other organizations? Were these nonprofits, for-profit organizations, or government agencies?
	P12: Organizations that had collaboration experience are more likely to merge than the ones that did not collaborate with others.	Part IX-B	* Did the organization experience any problems collaborating with other organizations? If yes, would you briefly describe one such problem?

Theoretical approach	Proposition	Interview section	Representative questions
7. New institutionalism theory	P13: “Organizations that are not perceived as legitimate are more likely to close than those that have a reputation for legitimacy.” (Hager, 1999, p.25)	Part V	* Was the organization perceived as needed among the community? What makes you say this? * Was there interest or need in the community for the services or products of the organization? * Would you say that the community support got stronger or weaker over time?
	P14: Organizations that are perceived as legitimate are more likely to merge than those that are not perceived as legitimate.	Part V-B	

The Case Study Method

This study follows the case study method to understand the elements associated with closures and mergers in nonprofits. The case study method is complemented with both narrative and content analysis. All analytical methods aim at accurately defining and operationalizing concepts and variables of interest. Methods are geared to analyze the characteristics of organizational discontinuities.

The case study method has been used before to explore closures and mergers in nonprofits. For the study of nonprofit demise, Lena (2018) and Searing (2020) used single case studies and comparative case studies. Likewise, for the study of mergers, acquisitions, and consolidations in nonprofits, the case study method has been the preferred technique, including single case studies (Toepler, Seitchek, & Cameron, 2004; Schmid, 1995; Wernet & Jones, 1992) and analysis of multiple cases (Golensky & DeRuiter, 2002; Cowin & Moore, 1996; Singer & Yankey, 1991).

The following subsections present the identified advantages, limitations, and guidelines of the method.

Advantages of the Case Study Method. The case study method has several advantages for elaborating the elements and mechanisms associated with closures and mergers in nonprofits. First, the case study method is useful for exploring complex phenomena where little is known about their characteristics (Yin, 1981, 2018; Eisenhardt, 1989; Siggelkow, 2007). While there are studies about the causes of closure and mergers in nonprofits, there is little consensus on the major attributes of these permanent

organizational discontinuities. Case studies are helpful to define the characteristics of organizational discontinuities.

Second, case studies are helpful to define the characteristics of concepts and theories (Eisenhardt, 1989). Since the goal of chapters 5 and 6 is to revise the utility of organizational theories to understand closures and mergers, the case study method refines and proposes new conceptual and theoretical branches. This step is based on in-depth fieldwork to uncover the mechanisms and causalities of complex phenomena (Corbin & Strauss, 2014).

Third, the goal of chapters 5 and 6 is to understand *why* nonprofits close or merge. Case studies allow us to answer those questions. As Yin (2018) proposes, exploratory case studies are particularly suitable for answering *why* questions since they help to uncover the mechanisms and processes of phenomena under analysis. Case studies are also useful in providing a deep understanding of the functioning of organizations (Yin, 2018) and also help to provide insights for the operationalization of theoretical constructs.

The fourth advantage of the case study method is that selecting cases based on theoretical categories allow researchers to propose analytical generalizations of the findings to the population that experienced the phenomena under study (Graebner & Eisenhardt, 2004). According to Yin (2018), analytical generalizations in qualitative studies are the counterpart of statistical generalizations in quantitative studies. Analytical generalizations focus on expanding and clarifying the characteristics and conditions of a phenomenon, while statistical generalizations focus on inferring results from a sample to

the population. As presented in Chapters 5 and 6, results from case studies provide analytical generalizations about closures and mergers in nonprofits.

Limitations of the Case Study Method. There are also limitations of the case study method. When cases are selected without conceptual and theoretical parameters, the generalization of results is limited to the specific conditions of the cases under analysis. Limitations to the generalizability of results are more evident when studies only select a case or two (Hudon & Meyer, 2016; Jäger & Beyes, 2010). To prevent this potential limitation, this study followed a careful conceptual and empirical selection of cases described above.

Since the case study method is designed to uncover the characteristics, processes, and mechanisms associated with the phenomena under study, the operationalization of variables is not always evident. This is the reason why this study complemented case studies with content analysis. Content analysis helps to abstract codes and themes from narratives.

Lastly, another potential limitation of case studies is that they may only illustrate scenarios rather than generate or refine concepts and theories (Kreutzer & Jacobs, 2011). This is certainly a methodological decision of researchers on the way they interpret or present the cases. In this study, case studies intend to refine concepts and theories to understand organizational closures and mergers in nonprofits. For this purpose, the collection and analysis of data closely followed the guidelines of the case study method proposed by Yin (2018).

Epistemological Approach and Guidelines of the Case Study Method. The case study method has been widely used to explore the organizational behavior of nonprofits. Understanding epistemology as the branch of philosophy concerned with how knowledge is created and validated, the case study method is compatible with a range of different epistemologies including positivist, critical theory, and interpretivism (Rashid et al., 2019). This research follows a positivist approach for the development of multiple explanatory inductive case studies by following the guidelines proposed by Yin (2018).

The positivist approach sees the case study as a mechanism to test, refine, and produce theories. Eisenhardt (1989) and Yin (2018), seen as proponents of the positivist tradition, have argued that the case study method is useful to test or generate theory and provide in-depth descriptions of the conditions of the cases that later can be generalized to other cases or contexts. The positivist approach assumes that the researcher focuses on facts that reveal the characteristics of phenomena that help to propose or refine theories and concepts.

On the contrary, both critical theory and the interpretivist approach assume an active role of the researcher to provide meaning and interpretation of reality (Rashid et al., 2019). In this research, case studies follow a positivist approach to refine the theoretical propositions presented in chapter 2. However, the researcher also recognizes that complete objectivity of facts is hard to accomplish, and in some instances, the report of findings is more aligned with the interpretivist approach.

In terms of the type of case study to use, Yin (2018) distinguishes among three: exploratory, descriptive, and explanatory. I choose the explanatory type because it is

particularly suitable to answer *why* questions. The case studies in this dissertation are both inquisitive and inductive. They aim at using observations that are being processed to facilitate generalizations that help to refine theory.

This research follows Yin's guidelines (2018) for the development of case studies presented in chapters 5 and 6. His iterative process is composed of six major steps: (i) plan, (ii) design, (iii) prepare, (iv) collect, (v) analyze, and (vi) share (Yin, 2018). The plan or aim of chapters 5 and 6 is to understand the causes of closures and mergers in nonprofits. For such a purpose, the research design concentrated on selecting cases within such phenomena. The research design follows a careful selection of cases based on conceptual and empirical distinctions presented in Table 3.2.

The preparation for conducting case studies included protocols for primary and secondary data collection (Appendix A and C), approval for conducting the interviews by ASU's Institutional Review Board (IRB) (See Appendix F), and two rounds of pilot interviews. Data collection concentrated on triangulating multiple sources of evidence from primary and secondary sources. To facilitate the analysis of information, MAXQDA software for qualitative analysis was used.

D. Complementary Analytical Methods

This study complements case studies with narrative and content analysis. Narratives have been used before to study closures and mergers in nonprofits. Hager (1999) and Fernandez (2008) used narratives to study demise and dissolution in nonprofits. Cowin and Moore (1996) complemented and advocated for the collection of

in-depth semi-structured interviews with multiple stakeholders to triangulate the information about the events associated with the mergers of subject nonprofits.

Content analysis was primarily used to analyze secondary data. As outlined by Bernard, Wutich, and Ryan (2017, p. 245), this method consists of seven major steps: (i) define the research questions, (ii) select a group of text to analyze, (iii) create the codes (variables or themes), (iv) pretest the variables and evaluate consistency, (v) apply the codes to the rest of the text, (vi) create case-by-variable matrices, and (vii) analyze the matrices.

For both narrative and content analyses, initial codes are based on the codebook proposed by Duckles et al. (2005) for the study of nonprofit closure. I updated these codes and created new ones based on emergent topics in the narratives and secondary data collected and analyzed in Chapters 5 and 6. The final codebooks are based on the organizational theories and proposed concepts to study organizational discontinuities and emergent themes. The codebooks are presented in Appendices D and E.

E. Conclusions

This chapter presented the data and analytical methods used for the study of terminal stages and transitions to these stages in nonprofits. First, this chapter started with the description of the dataset of nonprofits that functioned as the starting point to identify those organizations that no longer showed evidence of operations. Based on an initial screening, 399 charities were identified that had stopped operations. These cases are part of a national subsample of 1,361 nonprofits verified as operating in 2003.

To further explore the operational status of the 399 charities, secondary data analysis was conducted. This method leverages online secondary data and regulatory information that is triangulated to create diagnoses on the status of nonprofits. This chapter presented details on the exploration of multiple online secondary data sources useful to create determinations on the operational status of nonprofits. These are analyzed using organizational autopsies, a type of secondary data analysis method further discussed in the next chapter.

To understand the elements that predict terminal stages in nonprofits, this study presents a closer look at the closure and merger phenomena. For this purpose, case studies are conducted. This chapter presented the details on the creation of the interview protocol (an instrument for primary data collection) and the characteristics of the case study method. Case studies were complemented with narrative and content analysis. The results of case studies are the focus of chapters 5 to 7.

CHAPTER 4

COMPLEXITY OF DISAPPEARANCE IN NONPROFITS: A TYPOLOGY OF ORGANIZATIONAL DISCONTINUITIES

A. Introduction

To understand the discontinuity of operations in nonprofits, the prevalent paradigm assigns organizations to *alive* and *dead* categories (Lu et al., 2020; Park et al., 2021). These categories have heavily relied on regulatory information, specifically Form 990 and the tax-exempt status provided by the IRS. This binary system has conceptual and empirical limitations.

Conceptually, the binary paradigm has limited the understanding of the dynamics of the nonprofit sector. As Searing (2020) has documented there is a multiplicity of transitions between *life* and *death*. Examples of these transitions include resurrection, reincarnations, and zombies.

Empirically, the binary paradigm has relied on regulatory information as the main source of information on the dynamics of the nonprofit sector. Regulatory information has been criticized for providing an inaccurate representation of the nonprofit sector (Smith, 1997; Grønbjerg et al., 2010). The main critique of the studies that exclusively rely on regulatory information is that organizations may continue operations even if they lost their tax-exempt status or are no longer listed in regulatory rosters (Grønbjerg et al., 2010).

To address the conceptual and empirical limitations of the binary (alive vs. dead) paradigm, this study proposes a paradigm shift that recognizes the diversity of the discontinuity of operations in nonprofit lifecycles. This new paradigm is framed within the concept of *organizational discontinuity*. To empirically observe organizational discontinuities in nonprofits, this study leverages online sources to produce diagnoses of the operational status of nonprofits using organizational autopsies. Organizational autopsies focus on a detailed characterization of the types of terminal outcomes in nonprofits within the organizational discontinuity framework.

The next section elaborates the conceptual and empirical background of *organizational discontinuity*. Section C focuses on the description of the data and the analytical method used to observe instances of discontinuities in nonprofits. The last sections focus on reporting the findings of the organizational autopsies, connecting findings with previous studies on the dynamics of the nonprofit sector, and identifying the limitations of this research.

B. Conceptual and Empirical Background

This study aims to contribute to the conceptual and empirical discussion of the discontinuities in nonprofit livelihoods. For this purpose, the *organizational discontinuity* concept is applied to apprehend the complexity of these stages and transitions. This conceptual framing emerged as an opportunity to address the conceptual and empirical limitations from the binary view (1 alive vs. 0 dead) of the terminal stages in nonprofits.

Conceptual Discussion

There is a multiplicity of concepts to understand terminal outcomes in nonprofits. Concepts used include *demise* (Hager, 1999; Searing, 2015), *dissolution* (Fernandez, 2008; Lu et al. 2020), *decline* (Galaskiewicz & Bielefeld, 1998), *organizational death* (Hager et al., 1996), *organizational failure* (Hager et al., 1996), and *organizational mortality* (Park et al., 2021).

While these concepts have been useful to explore organizational change in the nonprofit sector, they may also misrepresents its dynamics. They have perpetuated a binary view of the ceasing of operations in nonprofits (*alive vs. dead*), attached negative connotations to the end of the nonprofit lifecycle (e.g., *demise*), and limited the understanding of transitions between life and death.

Moreover, as Searing (2020) observed, the concept of *demise* deficiently characterizes transitions between life and death in nonprofits. She proposed concepts such as reincarnation, resurrection, and zombie that more accurately capture a diversity of terminal outcomes in nonprofits. She describes *reincarnation* as “an organization [that] disbands one entity and re-forms as another organization with a similar purpose,” *resurrection* “refers to the loss and regaining of exemption status for the exact same organization,” and *zombie* as an organization that has not formally disbanded, but that no longer attempts to pursue its mission (Searing 2020, p. 361). These conceptual contributions pushed the boundaries on the understanding of the ceasing of operations in nonprofits. However, these conceptual innovations are still within the negative *demise* umbrella category as described in Chapter 2.

In the search for a neutral concept that acknowledges the diversity of transitions to and terminal stages in nonprofits, several terms were evaluated. The terms explored were *depopulation*, *dis-organization*, *de-evolution*, and *discontinuity*. However, not all of these are helpful in capturing the dynamics of terminal outcomes in nonprofits.

After the evaluation of various concepts, *discontinuity* was identified as a concept to communicate the transitions to and terminal stages in nonprofits. Organizational discontinuity has been used in organizational studies to describe transformations in organizations (Nadler et al. 1995; Deeg, 2009). Early conceptual elaborations have employed this term to describe irregular organizational change and its effects in transforming organizations. Nadler et al. (1995) proposed the concept of *discontinuous change* as a set of managerial answers for leaders of organizations to not only transform their organizations based on the demands from their environment but also as a way to safeguard the survival of their organizations.

Empirical Discussion

To document changes in the dynamics of the nonprofit sector, scholars have often relied on administrative records. For instance, the Urban Institute publishes annual statistics in its “The Nonprofit Sector in Brief” on the size and scope of the nonprofit sector. These reports are based on core files and business master files (BMF) from the information reported for tax-exempt nonprofits to the IRS. Core files and BMF are common sources of information to study the dynamics of the nonprofit sector (Lu et al., 2020). However, these data sources exclusively present information about nonprofits that are required to report activities to federal regulatory agencies. This means that smaller

organizations and nonprofits that are not required to submit financial reports (such as religious organizations) are underrepresented in or totally absent from regulatory data.

The reliance on regulatory records (especially on federal records) has been criticized in the past for generating inaccurate images of the nonprofit sector. Smith (1997) argued that these regulatory reports do not capture the full scope and heterogeneity of the sector. As a result, nonprofit researchers relying exclusively on administrative records have “flat earth maps of the sector” and they are not observing the “dark matter” of the nonprofit sector (Smith, 1997, p. 114).

Since then, nonprofit researchers have strived to study nonprofits that live in these shadows. Using IRS records and a database of state-incorporated nonprofits in Indiana, Grønbjerg, Liu, and Pollak (2010) follow Smith’s analogy to create categories of nonprofits based on their empirical presence (bright, light grey, dark grey, and dark) in administrative records. Bright matter includes nonprofits that appear in both state and federal records. Grey matter includes nonprofits that appear in one, but not the other. Since most nonprofit researchers use federal records (IRS) as a standard source, Grønbjerg et al. (2010) label the “dark grey” category for nonprofits that only appear in state records. Dark matter refers to nonprofits neither incorporated with a state nor reporting activity with the IRS.

In addition, to warn researchers on the limitations of only relying on IRS administrative records when studying the dynamics of the nonprofit sector, Grønbjerg and colleagues (2010) showed that nonprofits that failed to maintain their incorporation and tax-exempt status may be experiencing a debilitation of their organizational capacity.

Therefore, if a nonprofit fails to maintain its tax-exempt status, this may be an indicator of an internal organizational problem but not necessarily a proxy of dissolution or demise.

While the definitions proposed by Searing are adept at describing the transitions to the last stages in nonprofits (resurrections, reincarnations, zombies). They are still linked to the status nonprofits have on administrative records. She complemented administrative information with interviews with leaders of nonprofits to create her categories. Interviewing leaders of nonprofits to determine the operational status of nonprofits has been a key data component in previous studies of the demise and closure of nonprofits (Hager, 1999; Fernandez, 2008). However, this is not always an option for researchers, not only because collecting primary data is a time-intensive process, but also because of the challenge in identifying contact details of leaders of nonprofits that may not be visible on administrative records. Moreover, once organizations already dissolved following upon the status may become impossible.

To overcome the challenges of relying on regulatory information, this study triangulates online secondary data with regulatory information. Nonprofit scholars have explored and used secondary online information such as websites and social media to document the behavior of nonprofits. For instance, Saxton et al. (2014) used website information to study charitable contributions to nonprofits. In the same line, Huang et al. (2016) analyzed messages and likes on Facebook to explain the engagement of audiences with nonprofits. As the range of secondary sources continues to expand, the emphasis is

on how these sources may be assessed and effectively combined to create determinations on the operational status of nonprofits.

The next section presents the data and method used to try to overcome the limitations of the binary (*alive* vs. *dead*) paradigm to understand discontinuities in nonprofits.

C. Data and Method

Data

To study discontinuity of operations in nonprofits, I re-visited a subsample of charities that were operating in 2003 and no longer show indication of operation in 2019. This dataset comes from the research project on volunteer management capacity conducted by Hager and Brudney (Hager & Brudney, 2004, 2021). They drew a sample of 2,993 of the 214,995 organizations that filed Form 990 with the Internal Revenue Service (IRS) in 2000.

Organizations in the sample were tax-exempt entities under Internal Revenue Code (IRC) section 501(c)(3) when Hager and Brudney first studied them in 2003. Charities with less than \$25,000 in annual gross receipts were excluded from this sample since, at that time, they were not required to fill out Form 990 with the IRS. In 2003, Hager and Brudney secured responses from 1,753 charities. But they only focused on surveying those charities that engaged volunteers (1,361 organizations).

In 2018, the 1,361 organizations that participated in the 2003' study were contacted as part of the longitudinal survey on volunteer management capacity. The

research team assisting Hager and Brudney initially documented 399 cases of nonprofits in some state of organizational discontinuity. Research assistants marked as dead, merged out, or in some state of failure those organizations that no longer showed evidence of operations in 2018 and 2019.

Determinations on the fate of organizations resulted from explorations of the cases on the Exempt Organizations Business Master File (EOBMF) of the IRS (charities that were no longer listed in the EOBMF in 2017 were marked as dubious cases), information in Form 990, lack of active contact details, and/or quick reports about the operational status of organizations made by members when research assistants contacted them by phone or email.

Based on the initial screening, 399 organizations—approximately 30% of organizations within the subsample were reported as transformed or dead. This initial screening of cases functioned as the basis for the study of organizational discontinuities in nonprofits. Each case was further explored using secondary data to create a diagnosis on the operational status of organizations. Sources of information to assess the operational status of nonprofits were described in Section B of the previous chapter (see also Table 3.1).

Analytical Method: Organizational Autopsies

Organizational autopsies are used as a research method to assess the operational status of nonprofits. The inspiration of the method's name is derived from autopsies in humans. Autopsies help to determine the manner, mode, and cause of death using various sources of information.

For the study of organizational discontinuities in nonprofits, the *body of the organization* may be not present to perform an examination. This is the case of organizations that have experienced a dissolution or a merger. For those cases, the only *organizational remains* subject to be collected and analyzed are regulatory and secondary information available online.

The absence of a body to perform an autopsy is a challenge that health authorities have experienced before determining the causes of death in humans. This is observed in contexts with limited public health and administrative resources. To overcome this challenge, the World Health Organization (WHO) developed a method called verbal autopsies (VA) that uses primary and secondary data to determine the causes of death of individuals (WHO, 2016). Primary data comes from caretakers of the deceased and secondary data comes from administrative information (e.g., civil and vital registration systems).

To performing a verbal autopsy, the WHO provides a standard verbal autopsy instrument. This instrument is composed of VA questionnaire, a list of causes of death or a mortality classification system, and sets of diagnostic criteria for assigning causes of death (WHO, 2016). The questionnaire has around 100 questions. Among these, there are specific questions by age categories: under four weeks, 4 weeks to 11 years, and 12 years and above. Results of the questionnaire are used to infer the causes of death (King, Lu & Shibuya, 2010).

The organizational autopsies method presented in this study is inspired by the verbal autopsies but with emphasis on the interpretation of the *organizational remains*

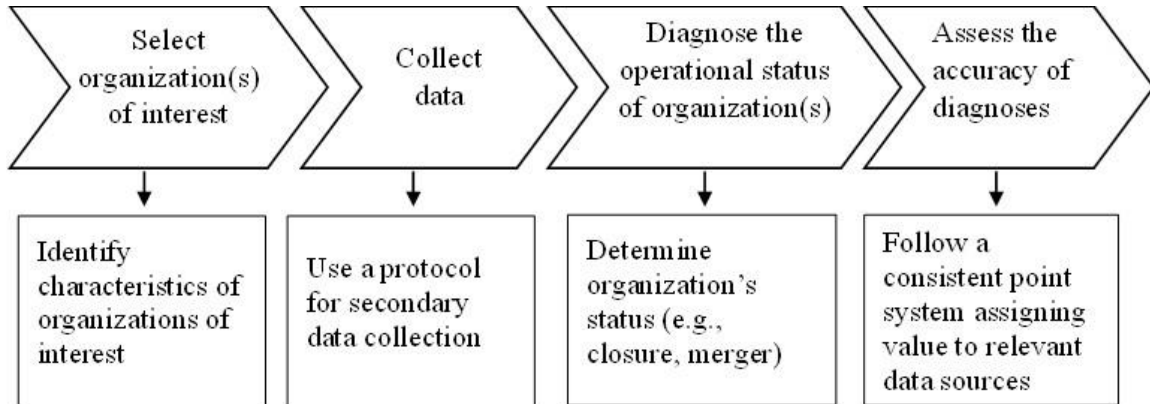
available online. The concept of organizational autopsies has been used before in organizational studies. These studies have a focus on the understanding of programs that fail. In these cases, the organizational autopsies have been useful to determine the causes of program failure (Biron et al. 2010; Fals-Stewart et al., 2004). However, previous studies have provided insufficient elaboration on the elements and processes to perform an *organizational autopsy*.

This dissertation study defines *organizational autopsy* as a research method that triangulates secondary data to produce diagnoses on the operational status of nonprofits. Secondary data include both administrative and online data. The triangulation of secondary data is evaluated based on the multiplicity of data points found. The outcome of an organizational autopsy is a determination on the status of the nonprofit of interest (e.g., closed, merged out, active, reincarnated). In organizations that experienced closures or mergers, this method is also useful to gather information about the causes of these events.

To perform organizational autopsies in nonprofits, this study follows four steps: (i) select organizations of interest, (ii) gather data following a protocol for secondary data collection, (iii) diagnose the operational status of a nonprofit (and if possible, the causes of closure, merger, etc) and (iv) evaluate the accuracy of the diagnosis. Figure 3.1 presents the four steps to conduct organizational autopsies and the characteristics of each step are described below.

Figure 3.1

Organizational Autopsy Four Step Process



Select Organization(s) of Interest. Since the emphasis of this study is on exploring the diversity of operational statuses and change in statuses in nonprofits, an ideal database would have numerous cases and observations in distinct time points to compare differences across time. The dataset used in this study permits to make that time contrast with the assumption that all surveyed organizations in 2003 reported an *active* operational status on the day of the interview. Returning to this subsample 17 years later allows this study to identify changes to that *active* status.

Gather Data Using a Protocol for Secondary Data Collection. Once the relevant data sources and data points to assess the operational status of nonprofits are identified, the next step is to collect secondary data following a protocol of data collection. The proposed protocol is composed of four sections: (i) a summary with the diagnosis of the operational status of each nonprofit, (ii) a report on regulatory information at the federal level based on both information reported by the IRS and information reported by nonprofits on Form 990, (iii) a report on regulatory information

at the state level that contains reports from both state authorities and nonprofits, and (iv) a report on online secondary data that recuperates the observable operational status of nonprofits in sources such as websites, Facebook, and news. Appendix A presents the protocol for secondary data collection.

Data triangulation is directly associated with data saturation. According to Fusch & Ness (2015), data triangulation ensures data saturation. In organizational autopsies, data triangulation permits researchers to incorporate multiple sides of the organization's story. Within this method, data saturation relies on the availability of multiple sources of information. A variety of information coming from multiple sources (e.g., websites, Form 990, state records) maximizes the reliability of results.

While data triangulation is central to organizational autopsies, data may provide contradictory and inconsistent determinations (Fusch & Ness, 2015). In such cases, researchers should provide meaning to results and select sources and data points that more accurately inform about the operational status of organizations. For instance, a Certificate of Merger may be more reliable (because it is a formal legal procedure established for incorporated nonprofits) than the unofficial Facebook page of a non-surviving organization.

Diagnose the Operational Status of a Nonprofit. This is the central step of the organizational autopsy. It consists of assigning organizations to different categories of operational status. The proposal is to initiate with a list of existing operational status and also let operational status emerge from the data.

While the organizational autopsy method concentrates on diagnosing the operational status of nonprofits, it is also a powerful tool to approximate both the year in which organizations report some form of organizational discontinuity and the causes of such discontinuity. Knowing when an organization closed would be important for failure time models used in studies of organizational survival. In terms of the causes of organizational discontinuity, some organizations report organizational changes in Schedule N or Schedule O in Form 990, but online secondary data are a particularly rich source to explore these causes.

Assess the Accuracy of the Diagnoses. The last step of the method focuses on evaluating the diagnoses made by the researchers based on a point system that assesses the availability of data points. This point system assigns a numeric marker per each data point that helps to inform the operational status of nonprofits. The only exemption is the Articles of Dissolution and Articles of Merger which account for two points. This valuation rest under the assumption that these articles are formal procedures that lead to a permanent organizational discontinuity.

Based on this point system, this method proposes a categorization of the diagnoses into three categories: high (5 points or more), medium (3-4 points), and low (1-2 points). A diagnosis with *high* accuracy relies on multiple sources of information, combining both regulatory and secondary online data. A diagnosis assessed with *medium* accuracy is the one that relies on regulatory information with limited availability of secondary online data. A diagnosis assessed with *low* accuracy relies only on regulatory information (at the federal level or the state level). This point system is also a measure of

data saturation, diagnoses with a higher score are the ones than rely on multiple data points that consistently create a narrative of the fate of organizations.

The year and the causes of the organizational discontinuity may also be evaluated using this point system. For this dissertation study, the assessment is exclusively concentrated on the determination of the operational status. The next subsection presents the results of the analysis of selected cases following the organizational autopsy method.

D. Results

Disposition of Cases

Table 4.1 presents the aggregated results on the disposition of cases based on major categories. Out of the 399 cases under analysis, an organization was repeated. As a result, the final number of working cases are 398. The first finding is the clear emergence of two operational categories: dead and merged out (as non-surviving organizations). Dead organizations are 167 cases, and 68 cases reported a merger. Both phenomena account for 235 of the cases.

Table 4.1

Major Operational Statuses Resulting From Organizational Autopsies

Operational statuses	Cases
Closure	167
Merged out (non-surviving)	68
Reincarnation & resurrection	10
Active	107
Other transformations	3
Unable to be determined	43
Total	398

Second, the incidence of temporary organizational discontinuities, specifically reincarnations and resurrections stayed low, accounting for 10 of the cases. Third, 107 of the cases were active organizations with no signs of organizational discontinuity. Most of these cases were initially marked as organizational discontinuities due to changes in the name of the nonprofits, members, address, or lack of contact details to corroborate the operational status of organizations. However, this group of *active* organizations did not show signs of interrupted activities. This is further discussed below. Fourth, other transformations such as migration and incorporation changes were present in three cases. Lastly, for 47 cases, diagnoses on the operational status were not decisive given the scant availability of regulatory and online information.

The relative distribution of cases should not be interpreted as an inference to the population of nonprofits. The results presented indicate some trends in the organizational behavior of nonprofits in 17 years (2003-2020); nevertheless, these results depend on the availability of secondary online information.

Description of Categories

From the analysis of data, this study defines organizational discontinuity as the moment in which organizations stop regular operations temporarily or permanently. With the focus on understanding the characteristics of organizational discontinuities, three broader categories emerged from analysis of cases: *permanent organizational discontinuity*, *temporary organizational discontinuity*, and *organizational continuity*.

Permanent organizational discontinuity in nonprofits often involves both the loss of the tax-exempt status and the dissolution of the corporate identity. Examples of

permanent organizational discontinuity are closures and dissolutions of absorbed organizations from mergers. Following this, the two subcategories of *permanent organizational discontinuity* category are: closures and mergers (of non-surviving organizations). A *closure* status is assigned for those organizations that have stopped activities permanently, and *mergers as non-surviving organizations* for those organizations that have merged with another organization and have dissolved as a result.

Temporary organizational discontinuity often involves either the loss and regaining of tax-exemption status, or the dissolution of corporate identity and the creation of a new corporation similar to the previous one. Following the conceptual development proposed by Searing (2020), the two sub-categories of temporary organizational discontinuity are reincarnation and resurrection. *Reincarnation* is assigned to “an organization [that] disbands one entity and re-forms as another organization with a similar purpose” (Searing, 2020, p. 361). *Resurrection* “refers to the loss and regaining of exemption status for the exact same organization” (Searing 2020, p. 361).

In terms of *organizational continuity*, an *active* category is proposed. This category refers to those organizations reporting activities. *Activity* is observed based on organizations’ reports to either or both tax-exempt authorities and state authorities.

To create an accurate representation of the operational status of nonprofits, rather than relying exclusively on a specific data point or a source of information, this study proposes to triangulate regulatory data with online secondary data. This approach assumes that regulatory data only tells one side of the story on the operational status of nonprofits that needs to be complemented with other sources. In this case, the proposal is

to use online secondary information. This is also presented as a data alternative for the situations in which researchers are unable to collect primary data. Table 4.2 presents the detailed distribution of cases across emergent categories that resulted from the analysis of regulatory and secondary information available online analyzed using organizational autopsies.

Within the sub-categories of permanent organizational discontinuity and organizational continuity, this dissertation study proposes formal and informal types. The formal vs. informal distinction is based on the legal and administrative requirements that nonprofits need to follow. These are discussed below.

Table 4.2

Distribution of Cases Across Emergent Categories from the Organizational Autopsies

Category	Sub-category	Type	Documented cases
Permanent organizational discontinuity	Closure	* Formal	96
		* Informal	71
	Mergers (non-surviving organizations)	* Formal	65
		* Informal	3
Temporary organizational discontinuity	Reincarnation		9
	Resurrection		1
Organizational continuity	Active	* Formal	93
		* Informal	14
		* Transformed	3
<i>Unable to be determined</i>			43

Permanent Organizational Discontinuity

The permanent organizational discontinuity category is assigned to those organizations that have stopped activities permanently. In this category, two subcategories emerged: *closure* and *merger as a non-surviving organization*. Per each of these subcategories, two subtypes are derived from the results of organizational autopsies.

Closures. This subcategory includes those nonprofits that have stopped activities permanently. Two types of closure (formal and informal) emerged from the analysis of data. **Organizations formally closing** are the ones that fill out Articles of Dissolution at the state level to disincorporate the organization. While the IRS requires tax-exempt organizations to attach their Articles of Dissolution to the last Form 990 or 990-EZ submitted, compliance is sporadic. For most cases, Articles of Dissolution were available for free or for a fee in the Division of Corporations at the state level. Most organizations that filled out Articles of Dissolution also checked the final return/termination box on the first page of Form 990, 990-EZ, 990-N (e-postcard). The information reported in this box of Form 990 seems to be a reliable source of information to approximate permanent organizational discontinuity in nonprofits. Table 4.3 presents an example of the collected data and diagnosis from an organization categorized to have experienced formal closure.

Table 4.3

Example of a Formal Closure, Case C07

Section of the protocol for regulatory and online secondary data	Collected data
Last type of Form 990 submitted and year of this form.	Form 990-EZ, 2017
Did they mark the final return box in the last Form 990 submitted?	Yes
Is there evidence of Articles of Dissolution or Articles of Merger available? If yes, which type?	Yes, Articles of Dissolution
Relevant findings from secondary online data	Based on local news: in 2016, the Executive Director resigned Website: active website, but no activity since 2019.
Diagnosis	Formal Closure
Notes	There is no evidence of current activities based on regulatory or online secondary data.

Organizations that closed informally are the ones that no longer operate; they never reported termination or dissolution with either federal (IRS) or state authorities (Department of State). At the federal level, these organizations lost their tax-exempt status and often are listed in the Automatic Revocation of Exemption List. At the state level, these organizations were administratively dissolved for failure to submit annual reports—usually for three or more years. These are also organizations with no indication of operations in online secondary sources. For instance, if the organization had a webpage, but this page is no longer active. Table 4.4 presents an example of an informal closure.

Table 4.4

Example of an Informal Closure, Case C05

Section of the protocol for regulatory and online secondary data	Collected data
Last type of Form 990 submitted and year of this form.	Form 990-EZ, 2013
Did they mark the final return box in the last Form 990 submitted?	No
Is this organization listed on the Automatic Revocation of Exemption List?	Yes
Is there evidence of Articles of Dissolution or Articles of Merger available? If yes, which type?	No
Which is the status of the organization on state records?	No records were available on the Secretary of State of California.
Relevant findings from secondary online data	Based on local news: the treasurer embezzled funds from the organization and spend 6 months in jail. Website: Active unofficial website, but it hasn't changed since 2013, the last newsletter was in 2013 and it reads "Retired website".
Diagnosis	Informal Closure
Notes	There is no evidence of current activities based on regulatory or online secondary data.

Mergers. The data collection concentrated on those non-surviving organizations that have merged with another organization and have dissolved their corporate identity. Two types of mergers also emerged from the data: formal and informal. **Formal mergers** are the ones in which organizations fill out Articles of Merger that identify both the surviving and the non-surviving organizations. In mergers, the IRS also requires organizations to attach the Articles of Merger to the last Form 990 submitted, yet it was

not found for some cases. For this reason, the best way to verify the operational status of organizations was by corroborating the status of the organization at the state level. Table 4.5 presents an example of this type of organizational discontinuity.

Table 4.5

Example of a Formal Merger of a Non-Surviving Organization, Case M01

Section of the protocol for regulatory and online secondary data	Collected data
Last type of Form 990 submitted and year of this form.	Form 990-EZ, 2014
Did they mark the final return box in the last Form 990 submitted?	Yes
Is there evidence of Articles of Dissolution, Articles of Merger available? If yes, which type?	Yes, evidence of Amendments to the Articles of Incorporation of the surviving organization.
Relevant findings from secondary online data	Website: active website, but it now has a commercial purpose unrelated to the organization of interest.
Diagnosis	Formal Merger
Notes	There is no evidence of current activities as an independent organization. Determination based on regulatory and online secondary data.

Informal mergers correspond to nonprofits that were acquired by a for-profit organization or were absorbed by the government. First, regarding acquisitions, the limitation for nonprofits to be sold rests under the premise that there is no ownership in nonprofits; thus, the board of directors must distribute or transfer the remaining assets to other nonprofits (IRC §501(c)(3)). Since nonprofits for *sale* (where stakeholders take resulting profits) is an illegal practice, these are hard to document. This study identified only one case in this category, a nonprofit that marked termination in the last Form 990

submitted with statements of “sold all assets” in Schedule N. Using online data (website of the nonprofit), the “sold” status was corroborated. However, the disposition of those assets is unknown.

Informal mergers also were documented in those cases in which the organization never formally closed or merged out but that the name and programs of the nonprofit continued as part of a government entity. The organizations in this category did not report termination or fill out Articles of Merger or Articles of Dissolution. The status of programs was approximated by using secondary online data. By a general Google search, the name of the organization was triangulated with references on the websites of the government agencies that continued the programs of the extinct nonprofit.

Data Discussion on Permanent Organizational Discontinuities. In terms of **data**, the main distinction to identify formal and informal permanent organizational discontinuities was on the reports made by nonprofits to federal (IRS) and state (Department of State) authorities. Specifically, most organizations that marked the final return/termination box in the last Form 990 also filled out either Articles of Dissolution or Articles of Merger. These were available as attachments in the final Form 990 or in state records. Out of the 235 organizations identified in this study as closed or merged out, 147 organizations marked the final return/termination box. From the organizational autopsies, most of these cases received high or medium scores, meaning that several data sources consistently informed the operational status of the organization.

The checked box of final return/termination seems to be a reliable source of information to determine closures and mergers of non-surviving organizations. However,

the distinction between closures and mergers needs to be complemented with the Articles of Dissolution, Articles of Merger, or with statements of nonprofits in Form 990 indicating closure or merger. In other cases, organizations did not follow formal procedures to merge out or dissolve and just stopped reporting activities to the IRS and state authorities. For these cases, the best way to corroborate the operational status was on triangulating regulatory information with secondary online information.

Based on organizational autopsies, a good proxy to identify the **year** in which organizations formally closed or merged seems to be the year they marked the final return/terminated box in Form 990. This year is usually consistent with the year they filled out Articles of Dissolution or Articles of Merger. For informal closures and mergers, the year in which organizations experienced any of these events varies and might be the last year they submitted Form 990 or the last year they reported some form of activity in online sources such as the Facebook page or nonprofit's website. In terms of the **causes**, there is broad heterogeneity in the elements that may be associated with permanent organizational discontinuities. These elements are discussed in detail in chapters 5 and 6.

Temporary Organizational Discontinuity

This study recuperates the existing definitions of reincarnation and resurrection proposed by Searing (2020). The subcategory of **reincarnation** is used to define the case of “an organization [that] disbands one entity and re-forms as another organization with a similar purpose” (Searing, 2020, p. 361). The key process in identifying these cases was the triangulation of regulatory information with online secondary data. These

organizations either marked the final return/termination box in their last Form 990 or just stopped reporting activities to the IRS and state authorities. Using the last reported name and address of organizations of interest, new entities were found. For these cases, name, address, name of members, and mission (if available) from both disbanded and new organizations were triangulated to determine the operational status of nonprofits. The incidence of this reincarnation operational status is low among the cases under analysis.

Organizations that experienced **resurrection** are the ones that lost and regained their tax-exempt status (Searing 2020). Searing's definition rests on the tax-exempt status at the federal level. This status may also be complemented with the status reported by nonprofits in state records. However, in only one documented case in this subsample, state records were not available. The determination of resurrection only relied on regulatory information at the federal level and the corroboration of current activities on its website.

Organizational Continuity

A nonprofit experiences organizational continuity when its incorporation status is maintained even with structural transformations. In this category, three types of activity were identified: formal, informal, and others.

Organizations report **formal organizational continuity** when they maintain a tax-exempt status at the federal level and its incorporation as nonprofits at the state level. Some organizations in this category were initially marked as *closures* because they underwent significant transformations such as name and mission changes. This was particularly the case of nonprofits that were the survivor organizations from mergers. In

other cases, organizations are somehow lost in the shadows of parent organizations that report activities for them. The distinction of these subtypes of formal organizational continuity is out of the scope of this study.

Organizations report **informal organizational continuity** when they lost both their tax-exempt status and their incorporation identity but have maintained operations informally. Online data was particularly useful to determine this status. For instance, the continuity of programs was corroborated in websites and Facebook pages of the organizations of interest. But the incidence of this informal organizational continuity is low among the cases under study.

Lastly, this study also documented **other transformations** of nonprofits within and outside the nonprofit sector. One transformation within the nonprofit sector corresponded to a charity that filled out Articles of Amendment to change its mission to become a church. In that case, the organization is no longer required to report activities to the IRS and is no longer listed on tax-exempt records. Another transformation within the nonprofit subsector corresponds to the case of a nonprofit that migrated to another country. Lastly, a transformation outside the nonprofit sector corresponded to a nonprofit school that became a public school. While the incidence of these cases was also very low, secondary online data was key in determining the operational status of these cases.

E. Discussion

The results presented above aim to contribute to four areas in our understanding of the organizational behavior of nonprofits: concepts, data, method, and definitions on the operational status. First, the results of this research challenge the dichotomous view

on the operational status of nonprofits that assigns organizations to either active or dissolved categories (Lu et al., 2020). The umbrella **concept** of *organizational discontinuity* proposed in this chapter and chapter 2 aims to expand our understanding of the terminal stages and the transitions from and to these stages experienced by nonprofits.

Second, given the previous criticisms on reliance and incompleteness on the regulatory information to understand the dynamics of the nonprofit sector. This study proposes to use **online secondary data** and regulatory information to create an assessment of the operational status of organizations of interest. Online secondary data has been explored in previous studies as a powerful tool to understand the organizational behavior of organizations (Saxton et al., 2014; Huang et al., 2016). Online secondary data is used in this study to understand the dynamics of the nonprofit sector.

Even though previous organizational studies have referred to *organizational autopsy* as a **research method** to understand programs that failed (Biron et al. 2010; Fals-Stewart et al., 2004), they have not systematized the guidelines to perform these examinations. By a detailed description of the data and the process followed to conduct organizational autopsies, this study aims to contribute to refining the research processes and guiding other researchers on performing forensic examinations in nonprofits.

The categories on the **operational status of nonprofits** aim to improve our understanding of the organizational behavior of nonprofits. Once again, these challenge the existing dead vs. alive view on organizations by proposing alternative dispositions. Existing definitions such as reincarnation and resurrection were recuperated (Searing, 2020) with an emergent categorization that divides organizations among three broader

categories: permanent organizational discontinuity, temporary organizational discontinuity, and organizational continuity.

In terms of **regulatory data**, the main finding was that the final return/termination box in Form 990 seems to be a reliable source of information to determine formal permanent organizational discontinuities (closures and mergers of non-surviving organizations). As the systematization of Form 990 data continues to progress, the information reported in this box seems to be a powerful tool in determining the operational status of nonprofits. However, other organizations just stopped reporting activities. In those cases, the triangulation of IRS data with state records and online secondary sources seems to be the key in determining the operational status of organizations.

F. Conclusions

This chapter explores the alternatives to overcome the existing conceptual and empirical challenges to comprehend the diversity of ways in which nonprofits ceased operations in the emergent concept of organizational discontinuities in nonprofits.

Using a national subsample of nonprofits as a base of this study, this chapter explored the data sources available to create diagnoses of the operational status of nonprofits. Other than regulatory information, this study explored online secondary sources such as websites and social media. Both regulatory and online secondary sources were analyzed and evaluated using the organizational autopsy method.

Based on the results of organizational autopsies, this study proposes a novel classification of the types of organizational discontinuities by distinguishing among three

categories: permanent organizational discontinuity, temporary organizational discontinuity, and organizational continuity. This study proposes subcategories with existing and emergent operational definitions.

Two main limitations should be noted. First, the results are not statically representative of the population of nonprofits. The database from the volunteer management capacity project is a national subsample that only captures changes in organizations that engaged volunteers and answered the volunteer management capacity survey in 2003 (Hager & Brudney, 2004, 2021). Given this limitation, results focus on conceptual development, and the statistical results are intended to inform researchers about the trends in the disposition of cases. Second, larger organizations with more online presence might be overrepresented in the data collection and analysis. While triangulation of information was key to creating accurate diagnoses on the operational status of nonprofits, this study recognizes that small organizations with a scant presence online might receive lower valuations on the accuracy of the diagnoses from the organizational autopsies.

In summary, the results of this chapter contribute to enriching the discussion of the understanding of the organizational behavior of nonprofits. The focus was on presenting the data points and a method to produce accurate dispositions of organizational discontinuity and definitions on the operational status of nonprofits. This contribution is expected to move the existing discussion on the dynamics of the nonprofit sector to a new paradigm in which researchers embrace the diversity of organizational

discontinuities to break with the existing alive vs. dead paradigm that relies on regulatory federal information (IRS data).

CHAPTER 5

UNDERSTANDING CLOSURE IN OLDER NONPROFITS

A. Introduction

Nonprofits provide social goods. Among the social functions of nonprofits are delivering needed services, mobilizing groups for politics and social causes, allowing individuals to express values and faith, and proving a vehicle for people to put in practice social innovations (Frumkin, 2002a). Nonprofits provide social goods indefinitely; some of them intentionally finish operations when their mission is accomplished (Hager et al., 1996; Hager, 1999). Others may experience a diminished capacity to operate that eventually lead them to closure (Stevens, 2001; Hager, 2018). Studying the causes of closure in nonprofits allows us to identify any diminished organizational capacities that limit the development of nonprofits. The importance of studying nonprofit closure rests on measuring the potential social consequences for closed organizations and the people and the communities involved (Lu et al., 2020).

As outlined in chapter 2, although scarce, previous studies have established solid conceptual developments that defined some of the causes of closure in nonprofits. Hager (1999), Fernandez (2008), Searing (2015), and Lena (2018) have rooted their qualitative studies in comprehensive frameworks based on organizational theories. However, the theoretical frameworks have mostly focused on the non-financial aspects associated with nonprofits closures. Yet, because these studies have been constrained to the state-local empirical level, their limitation rests on providing analytical generalizations for the nonprofit sector at large.

As the systematization of administrative information has evolved, recent studies have explored the use of financial and non-financial information in Form 990 to predict the dissolution and mortality in nonprofits (Lu et al. 2020; Park et al. 2021). Still, these studies have mostly focused on the financial aspects associated with closure, which in turn only provide one side of the picture of the multiple causalities of this phenomenon.

While the assumption is that nonprofits that operate uninterruptedly have successfully established roles among their members, established processes to deliver services, and have solidified their revenue streams, these old nonprofits may still battle with structural inertia. This is understood as the inability of older organizations to adapt quickly enough to the changing demands of their environment (Hannan & Freeman, 1977, 1984). Understanding the limitations of the organizational capacities of older nonprofits may bring some light to the capacities that organizations need to strengthen in order to respond to the demands of an everchanging environment.

This chapter contributes to remedy three gaps of previous studies of closure in nonprofits. First, the updated theoretical framework integrates financial and non-financial causes of closure. Second, the series of case studies presents a national picture of the conditions faced by nonprofits in the last decade (2010 to 2019) (details on the case study method were presented in Chapter 3). Third, the focus on older nonprofits provides an in-depth understanding of the organizational capacities that nonprofits must strengthen to prevent undesired closures. In brief, the purpose of analyzing these case studies is to understand the causes of closure in older nonprofits between 2010 to 2019.

Nonprofit closure is defined as the moment in which a nonprofit stopped operations and does not plan to continue activities in the future. As defined in previous chapters, nonprofit closure is a type of permanent organizational discontinuity that often involves both the loss of the tax-exempt status and the dissolution of the corporate identity. Older nonprofits are defined as those that operated continuously for at least 10 years by this time they certainly overcome the liability of newness by establishing roles and routines.

To understand the causes of closure in older nonprofits, this chapter follows the theoretical framework presented in Chapter 2 and that is summarized in the next section. The data and analytical methods follow the information presented in Chapter 3. This chapter concentrates on case studies results and the discussion of these in relation to the theoretical framework. Lastly, this chapter concludes with a discussion of the possible limitations of generalizing these results and proposing an agenda for future studies on capacity building in nonprofits.

B. Theoretical Background

As detailed in Chapter 2, previous theoretical frameworks to understand closure in nonprofits have areas of agreement, areas of disagreement, and omissions. The theoretical framework presented in Chapter 2, summarized in this section, aims at recuperating such areas of agreement, tries to resolve areas of disagreement, and fills the gaps resulting from previous omissions.

Previous studies have agreed on two main areas: multiple causality of the phenomenon and distinction between internal and external causes of closure. Even

though Hager (1999) documented nonprofits that closed due to a single cause he, Fernandez (2008), and Searing (2015) have agreed on the multiple causality of nonprofit closure, which means that most of the time organizations close because of a combination of elements. Thus, to organize the multiple causes of closure, scholars have followed a basic distinction between internal and external elements. This distinction was first introduced by Levine (1978) for his study on the decline of public organizations, used by Hager (1999) for the study of demise in nonprofits, and used in subsequent studies of nonprofit closure (Fernandez, 2008; Searing, 2015; Lena 2018).

While there is an agreement on the distinction between internal and external elements associated with closure in nonprofits, the main area of disagreement is precisely on the categorization of closure causes. Levine (1978) proposed two main categories: *political* and *economic-technical*. Hager (1999) elaborated on this distinction and proposed four categories: *ecological/structural*, *legitimacy*, *relational* and *strategic management*. From Hager's framework, Fernandez (2008) and Searing (2015) have included some categories and changed others. For instance, Searing (2015) maintained both *legitimacy* and *relational* categories but proposed a new *resource extraction* category. This new category opened a conversation about the financial elements that are associated with nonprofit closure but that have not been integrated the theoretical understanding of this phenomenon.

With the improvements on the systematization of administrative information (e.g., Form 990), there is an established discussion about the financial theories and indicators that may predict closure and mortality in nonprofits (Lu et al. 2020; Park et al. 2021).

That said, there are almost separate academic conversations, one that has focused on the financial theories and another that has focused on the non-financial theories associated with closure. Studies using financial information are almost disconnected from organizational theories (e.g., Lu et al. 2020), and studies that have proposed organizational theoretical models have practically overlooked the financial aspects of nonprofit closure (e.g., Hager, 1999).

This chapter follows the theoretical framework presented in Chapter 2. The theoretical framework is rooted on the one proposed by Hager (1999). It apprehends the multiple causality of nonprofit closure. Following previous areas of agreement, it maintains the internal-external distinction. It also maintains three out of the four categories proposed by Hager (1999) and adds the *resources* category proposed by Searing (2015). The inclusion of the *resource* category aims at the integration of knowledge about financial and non-financial causes of closure within the organizational theory discussion.

The theoretical framework also integrates two new theories: behavioral theory of leadership and resource dependence theory. The first aims at explaining weaknesses in the managerial organizational capacity as predictor of closure while the resource dependence theory aims at focusing on dependency on a main source of revenue as an indicator of closure.

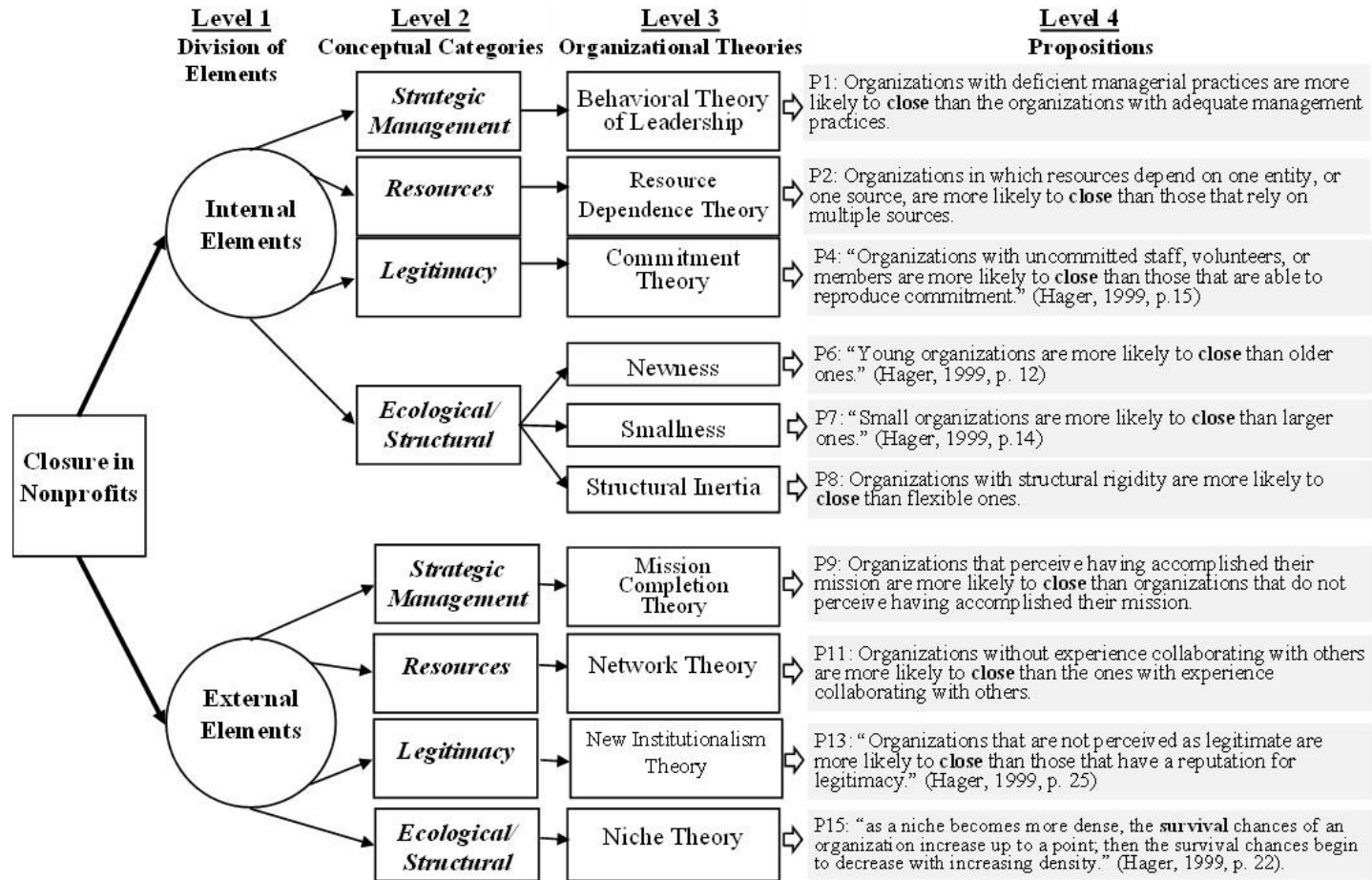
Based on the above elements, the resulting theoretical framework is presented in Figure 5.1 and has four levels of analysis that go from left to right. First, the framework follows a basic distinction of internal and external elements associated with closure in

nonprofits. Second, based on the nature of the elements, the framework groups them among four categories: strategic management, resources, legitimacy, and ecological/structural. In the third level, organizational theories of change are used to explain the mechanisms and nature of such elements. From organizational theories, propositions are presented to guide the analysis of data (these are presented in the four level).

The focus on older nonprofits provides a perspective on the changes within the nonprofit sector between 2010 and 2019. Following the structural inertia argument outlined above, the roles and processes that nonprofits established over the years, which helped them to continue active, may be the ones that limit their capacity to adjust and to innovate for responding to the emergent pressures and demands of the environment (Hannan & Freeman, 1977, 1984). Thus, restricting the study to older organization is useful to identify the organization-level structural challenges faced by nonprofits and the unsurmountable pressures that the environment placed on nonprofits (between 2010 to 2019). The selection criteria to study nonprofit closure and the analytical methods to analyze this phenomenon are presented in the next section.

Figure 5.1

A Conceptual Framework of Organizational Theories of Closure in Older Nonprofits



C. Data and Analytical Methods

Data

Case Selection Criteria. Cases were selected out of a national subpanel of 501(c)(3) charities. The national subsample derived from Hager and Brudney (2004, 2021) studies on volunteer management capacity. In 2003, they drew a sample of 2,993 of the 214,995 organizations that filed Form 990 with the Internal Revenue Service (IRS) in 2000.

Organizations in the sample were tax-exempt entities under Internal Revenue Code (IRC) section 501(c)(3) when Hager and Brudney first studied them in 2003. Charities with less than \$25,000 in annual gross receipts were excluded from this sample. At that time, they were not required to fill out Form 990 with the IRS. In 2003, Hager and Brudney secured responses from 1,753 charities, but they only reported on those charities that engaged volunteers (1,361 organizations).

In 2018, for the 1,361 organizations that participated in the 2003 study, Hager and Brudney research team sleuthed contact information to invite organizations to participate in a longitudinal study of volunteer management capacity. The research team initially documented 399 cases of nonprofits in some state of organizational discontinuity. Research assistants marked as dead, merged out, or in some state of failure those organizations that no longer showed evidence of operations in 2018.

Determinations of cases resulted from reviewing the statuses of organizations on (i) Form 990s, (ii) lack of active contact details, (iii) reports about the operational status of organizations made by members when research assistants contacted them by phone or

email, and (iv) the IRS Exempt Organizations Business Master File (EOBMF). Charities that were no longer listed in the EOBMF in 2017 were marked as suspicious cases.

Initial determinations of cases were later corroborated or refuted by a careful analysis of secondary data following the organizational autopsy method described in Chapter 4. The list of cases was not only reduced, but also a variety of operational status were identified including closures, mergers, and other operational status.

To select cases, six characteristics were chosen to serve as the basis for the sample in this study: operational status, last year of activity, location, subsector, age, and size. These characteristics are based on the specialized literature on organizational changes in nonprofits (Searing, 2020).

Operational status. To accurately study the changes faced by closed nonprofits, out of the cases that experience some form of discontinuity, the selection of cases was restricted to organizations that clearly experienced closure. Following the organizational autopsy method described in Chapter 4, the *closure* status was determined by triangulating secondary data including Form 990, state administrative records, and secondary online information.

Last year of activity. To identify organizations that experienced closure between 2010 and 2019, the year of such event was initially determined by the last year they submitted a Form 990 with the IRS. For few cases, also following the organizational autopsy method, the year of closure was approximated based on the last year organizations reported some evidence of activities in secondary online sources, such as websites and social media.

Location. To broaden the overview of the changes in the nonprofit sector at a national level, the selection of cases accounted for representation of at least two cases per each region (Northeast, Midwest, South, West).

Subsector. Considering that human service organizations represent around half of subject organizations in the subsample, the goal was to have at least one of the two organizations in each region in the human services subsector.

Age. Only those organizations that reported at least 10 years of continued activity were included. The initial year of activity was determined by the ruling year. This is the year that the IRS first granted their tax-exempt status. Continued activity is defined as organizations that maintained tax-exempt status with the IRS for the last ten years before closure.

Size. In terms of size, the selection of cases distinguishes between small, medium, and large organizations. *Small* organizations are those with total expenses of less than \$100,000, *medium* are those organizations with total expenses between \$100,000 to \$500,000 and *large* organizations are those with total expenses of more than \$500,000. Size of the organization was determined using the last Form 990 submitted by the organization. This determination was corroborated by comparing the forms from two previous years.

Location and subsector were used as the empirical criteria for the minimum number of cases under analysis. Considering two cases per each of the four regions and at least one of them from the human services subsector, the minimum number of organizations for analysis was eight cases.

Data Collection. Following the six characteristics outlined above, approximately 78 organizations were identified within the subsample. Out of these, members of 45 organizations were invited for an interview, and representatives of 16 organizations were interested in participating and completed an interview.

Primary and secondary data were collected for these 16 cases. Multiple members were invited to participate in semi-structured interviews. Participants included board members and executive staff. The goal in inviting multiple members was to triangulate the causes of closure and to identify potential conflicting narratives. The interview protocol is included in appendix C.

Interviews were audio recorded after informed consent approved by the Institutional Review Board of Arizona State University. All interviews were conducted either by phone or by Zoom. Except for two interviews from the 2019 pilot study, all interviews were conducted between March and October of 2021. Audio records were transcribed. For those interviews that were conducted by Zoom, the automatic Zoom transcriptions were reviewed and cleaned to ensure the accuracy of information. The COVID-19 pandemic somehow facilitated the collection of primary data since most of the participants were already familiar with the workings of Zoom by March 2021. For the remaining interviews, manual transcriptions were completed. Lastly, secondary sources were also used in the analysis. Specifically, the results of the organizational autopsies informed and complemented the primary data collection. Interviews lasted between 20 and 70 minutes in length.

Analytical Methods

To study the causes of closure in nonprofits, this chapter uses case studies as the primary research method and complements these cases with narrative and content analyses. Detailed descriptions on the guidelines followed per each method were described in Chapter 3.

In summary, the main steps to conduct case studies are: (i) plan, (ii) design, (iii) prepare, (iv) collect, (v) analyze, and (vi) share (Yin, 2018). The plan consists of identifying cases of organizations that experienced closure so as to understand the causes associated with this phenomenon. The design consisted of selecting organizations based on six characteristics: operational status, last year of activity, location, subsector, age, and size. Preparation for data collection involved the design of protocols for primary and secondary data collection (see appendices A and C). Data was coded using the codebook in Appendix D.

Codebook. The codebook for data analysis is based on the one designed by Duckles et al. (2005) for the study of the process of nonprofit closure. More codes were added based on both the incorporation of new theories to explain the causes of nonprofit closure and the emergence of topics based on the information collected. Table 5.1 presents the codes associated with the theoretical propositions. For a detailed description on the emergent codes refer to Appendix D.

Table 5.1

Relationships Between Theoretical Propositions and Selected Codes

Proposition	Codes and code descriptions
P1: Organizations with deficient managerial practices are more likely to close than the organizations with adequate management practices.	<p><u>Management changes</u>: managerial changes that may include new personnel, new policies, or new programs.</p> <p><u>Manager left</u>: executive staff left the organization.</p> <p><u>Program problems</u>: organizations have management problems associated with the quality or delivery of programs.</p> <p><u>Problems with retention/recruitment of volunteers</u>: volunteers were harder to find or to retain.</p> <p><u>Management problems</u>: decreased ability to address management challenges by board members or executive staff.</p>
P2: Organizations in which resources depend on one entity, or one source, are more likely to close than those that rely on multiple sources.	<p><u>Reliance on financial resources</u>: reported reliance on a major source of funding.</p>
P4: “Organizations with uncommitted staff, volunteers, or members are more likely to close than those that are able to reproduce commitment.” (Hager, 1999, p.15)	<p><u>Abandoned by insiders</u>: Members and people who were working for the organization, for instance managers, employees, volunteers (but excluding clients) left the organization voluntarily” (Duckles et al. 2005, p.184)</p> <p><u>Decreased commitment to the organization/mission</u>: People in the organization were not as committed to the organization or its mission as before. They exhibited frustration, depression or burnout” (Duckles et al. 2005, p.184)</p>
P7: “Small organizations are more likely to close than larger ones.” (Hager, 1999, p.14)	<p><u>Being small</u>: the small size of the organization limits its organizational capacity.</p>
P8: Organizations with structural rigidity are more likely to close than flexible ones.	<p><u>Being rigid</u>: organizations reported structural resistance to adapt to the emergent demands of the environment.</p>

Proposition	Codes and code descriptions
P9: Organizations that perceive having accomplished their mission are more likely to close than organizations that do not perceive having accomplished their mission.	<u>“Mission completion:</u> The organization accomplished its goals.” (Duckles et al. 2005, p.184)
P11: Organizations without experience collaborating with others are more likely to close than the ones with experience collaborating with others.	<u>Failure to collaborate:</u> organization reports failure to maintain or establish collaborations.
P13: “Organizations that are not perceived as legitimate are more likely to close than those that have a reputation for legitimacy.” (Hager, 1999, p.25)	<u>“Image/reputation declines:</u> “The image or reputation of the organization is soiled or damaged” (Duckles et al. 2005, p.185)
P15: “as a niche becomes more dense, the survival chances of an organization increase up to a point; then the survival chances begin to decrease with increasing density.” (Hager, 1999, p. 22).	<u>Increased competition:</u> competition for the same funding and clients increased.

D. Results

Characteristics of Organizations and Interview Participants

Case studies are based on the analysis of 16 nonprofits that reported closure between 2010 and 2019. The number of cases across regions and subsector is presented in Table 5.2. Out of the 16 cases, seven corresponded to *small* organizations (with less than \$100,000 in total expenses), five to *medium* organizations (with total expenses between \$100,000 and \$500,000), and three *big* organizations (with total expenses of more than \$500,000). The youngest organization under study reported 13 years of activity, and the oldest one has been active for 49 years.

Table 5.2.

Cases Under Analysis by Location and Subsector

	Northeast	Midwest	South	West
Human services subsector	1	2	4	1
Non-human services subsectors	1	1	1	5

Out of the 16 cases, 10 organizations reported a *formal closure*. This means that they marked final return in the last Form 990 submitted to the IRS and filled out Articles of Dissolution. The remaining six cases *informally closed*, meaning that they did not report termination to the IRS and that their tax-exempt status was revoked. The detailed characteristics of cases are presented in Table 5.3.

While multiple members were contacted per each organization under analysis. Only four cases featured multiple interviews more than one person. While the assumption was that participants would have conflicting narratives on the causes of closure, this did not appear to be the case. The input of multiple participants did help to triangulate the reported causes of closure and to improve the reliability of data collected. For the remaining 12 cases, only a single informant was secured. The total number of participants was 21, out of them 20 were board members and one executive staff member.

Data was coded using the codebook in Appendix D. Refer to this codebook for the description of items (codes), as well as the codes associated with theoretical propositions and the codes resulting from emergent topics. The most relevant questions to identify the major causes of closure were: “What would you say are the central reasons

that the organization closed its doors?” and the reactions to “That’s all the questions I have. Is there anything that you want to share that I didn’t ask about?” (See interview protocol in Appendix C).

Table 5.3

Characteristics of Cases, Organizations That Experienced Closure

Org. Identifier	Nonprofit subsector	State	Size	Ruling year	Last reporting year (Form 990)	Closure year based on interview	Marked final return	Interview IDs	Type participant
C01	Arts, Culture, and Humanities	VA	Small (2019)	1993	2019	2020	Yes	P06	Board member
C02	Human services	NC	Medium (2007)	1993	2007	2010	No (appeared on auto-revocation list in 2012)	P09 P12	Board members
C03	Human services	VA	Small (2014)	1986	2014	2014	Yes	P11	Board member
C04	Human services	AR	Small (2010)	1986	2010	2010	Yes	P15 P16	Board members
C05	Health	CA	Small (2013)	1964	2013	2015-2016	No (appeared on auto-revocation list in 2018)	P21 P23 P27	Board members
C06	Education	CA	Large (2015)	1977	2015	2015	No (appeared on auto-revocation list in 2020)	P30	Board member
C07	Arts, Culture, and Humanities	OR	Small (2017)	1978	2017	2017	Yes	P31	Board member
C08	Human services	CO	Medium (2011)	1983	2011	2011	Yes	P32	Board member

Org. Identifier	Nonprofit subsector	State	Size	Ruling year	Last reporting year (Form 990)	Closure year based on interview	Marked final return	Interview IDs	Type participant
C09	Arts, Culture, and Humanities	OR	Small (2014)	1985	2014	2014	No (appeared on auto-revocation list in 2019)	P33	Executive staff
C10	Public, Societal Benefit	CA	Medium (2012)	1999	2012	2012	Yes	P34 P35	Board members
C11	Human services	OH	Medium (2013)	1958	2013	2013	Yes	P36	Board member
C12	Human services	MI	Small (2011)	1988	2011	2013	Yes	P39	Board member
C13	Health	NE	Large (2011)	1974	2011	2013	No (appeared on auto-revocation list in 2015)	P41	Board member
C14	Human services	LA	Large (2011)	1988	2011	2013	No (appeared on auto-revocation list in 2016)	P50	Board member
C15	Public, Societal Benefit	NY	Large (2017)	1980	2017	2018	Yes	T01	Board member
C16	Human services	NJ	Medium (2018)	1964	2018	2018	Yes	T03	Board member

Internal Causes of Closure

Results are reported following the four main categories of analysis: strategic management, resources, legitimacy, and structural/ecological. Per each category, the results of original and emergent codes are described.

Strategic Management (Internal). Deficient managerial skills and changes in the executive positions seem to be strongly associated with closure in nonprofits. These managerial challenges were the most common causes of closure among cases under analysis. Initial items (codes) to be observed in the data were *management changes*, *reports that executive staff left the organization*, *problems associated with management of programs*, *problems with retention and recruitment of volunteers*, and any *other managerial problems*. In addition to these codes, three other topics emerge from the data analysis: *founder syndrome*, *mismanagement of resources*, and *the end of the main program*. These codes were thematically grouped in four main areas that seem to predict closure in nonprofits: executive director changed, main program ends or was restructured, mismanagement of resources, and other managerial problems.

Executive director changed. Changes in the executive direction seem to be a turning point in the continuity of nonprofits. When long-time executive directors left or retired, organizations were not able to stabilize their organizational structures with the new or remaining people in the organization. This was the case of organizations #C01, #C02, #C04, and #C11. In case #C02, as a classic case of the founder syndrome, the former executive director exhibited an undue influence as a board member and main volunteer in the operation of programs. This seems to have limited the capacity of the

organization to operate because the former executive director kept power and influence that restrained the control of the new executive director in the workings of the organization. For case #C09, the frequent changes in the executive director position appeared to have put the organization in a death cycle as reported by participant P33: “So, over the course of 2012 to 2014, I think they went through four or five different executive directors, kind of that, that kind of death cycle of a nonprofit organization” (P33, Pos. 27).

Main program ends or was restructured. Other than changes in the top management team, difficulties with main programs seem to be associated with the closure of nonprofits. For instance, organization #C15 reported a tension in the goals of their main two programs that diverted the focus of the organization. As their resources decreased, board members decided to retrench to one program, which also eventually ended. In case #C12, the organization ended operations when its sole program was terminated. In both cases #C15 and #C12, the programs stopped because the costs exceeded the resources the organizations had, not because the programs were no longer needed.

Mismanagement of resources. Financial mismanagement is associated with closure in nonprofits. The treasurer of organization #C05 embezzled resources from the organization, which left them without resources to continue operations. Informants of this case reported to have recognized impending issues, but they did not find the support of the parent organization to investigate the case: “they had ignored many red flags which could have caught the embezzlement much sooner” (P21, Pos. 44).

Mismanagement of resources from main clients may also affect the path of nonprofits. In case #C10, a fraud by its main grantee debilitated the financial position of the organization. Consequently, the board decided to close the organization.

Other managerial issues. Other managerial issues reported by informants were their inability to adapt to meet IRS requirements (organization #C03) and problems to recruit and retain volunteers (organization #C16). In this last case, as volunteers were harder to find, the managerial decision was to provide services with personnel from a partner organization. This partner organization took over the programs of the (to be closed) organization:

Well, as happens across the country, volunteers became harder and harder to find. So, we begin to supplement our staff with part time paid personnel. And we also began to utilize, the township had a career fire department of a paid fire department. So, [...] when we were not available, they would respond to the 911 calls. It just grew into the fire department taking over. (T03, Pos. 13)

Resources (Internal). The theoretical proposition to explore was the association between dependency to a main revenue source and closure. This relationship received empirical support. In addition, an emergent topic was the perception of deficient or decreased financial resources influencing the decision to close.

Reliance on a major source of funding. Organizations reported reliance on a main funding source as predictor of closure (cases #C3, #C13, #C14, #C15, and #C16). This became a problem when an organization main source decreased or was eliminated. This reliance may come from private donations (#C3, #C15) or government funding

(#C13, #C14, #C16). Those organizations that report dependency on government funding particularly noted that they were not able to diversify their funding base, as reported by a participant:

Did not have a diversified enough funding base. Relied too heavily on federal and state government funding, which was constantly being cut. Perhaps the board and staff could have done a better job of cultivating a stronger donor base from the private sector, including the faith community. (P50, Pos. 23)

Deficient or decreased financial resources. A topic that emerged from the data analysis was the perception of lacked or decreased financial resources associated with closure (cases #C1, #C4, #C5, #C7 to #C12, and #C14 to #C16). While in some cases, the perception of deficient resources seems to be linked to the decreased or loss of the main funding source (cases #C14 to #C16), this resource scarcity perception seems to be defined by two logics: limited organizational capacity to attract donations (financial viability), or incremental loss of resources.

Deficient or decreased interest to the organization was described among the influences that limited the capacity of the organization to attract donations, as reported by the informant of organization #C11: “Yeah, like I said, it just fizzled out because we couldn't get the funds, we couldn't get the interest, we couldn't get the Oks” (P36, Pos. 36).

In other cases, the incremental process of loss of resources seems to debilitate the capacity of organizations to operate. This led organizations to scale down activities and eventually close. As reported by participant of organization #C15:

[A]s the resources became tied up, we made less and less grants. And part of it was just recognition that we had less money to give out, so we scale back activities and scale back staffing. (T01, Pos. 13)

Legitimacy (Internal). Issues associated with low or decreased commitment of members of nonprofits seem to be associated with closure. In addition to commitment issues, the presence of internal conflict became an emergent topic to explain closure.

Internal conflict. Ongoing conflict within members of organizations seems to be a predictor of closure. Conflict was present in cases #C02, #C05, #C06. The areas of conflict involved the firing of the executive director (#C02), conflict with parent organization (#C05), and conflicts with clients (#C06). In organizations #C02 and #C06, the conflict escalated, and the target organizations was sued by the former executive director for a wrongful termination (#C02) and the organization clients demanded services to be paid back for services not delivered (#C06).

Lacked or reduced commitment. Low or reduced commitment was understood as abandonment by insiders of subject nonprofits. Organization #C02 lost board members, and organization #C06 lost clients. In both cases, participants abandoned the organization because they did not want to be in the middle of the ongoing conflict. As reported by a board member of organization #C02:

I actually resigned because of all of this confusion and conflict that was going on. [...] But this person continued to come after me. I finally stepped off the board, along with some other board members. (P12, Pos. 26)

Ecological and Structural (Internal). The analysis of data was informed by the liability of smallness and structural inertia. The small size and a rigid structure limited the continuity of nonprofits. Only case #C10 reported that the *small size* of the organization limited its capacity to respond to the fraud of one of their clients, which put the continuity of the organization in peril. As reported by the participant:

It just was to, we were a little bit too small and have that kind of impact of that one loan rocking the boat, and it may [...] have been like a combination of like three smaller loans to that organization. But you know what I mean. It was that one organization, and it really became a problem to sustain the fund. So, the board saw to pay off all of the investors, [and] just decided to close. (P34, Pos. 86)

Informants did not report as a problem the rigidity or inability of their organizational structures to adapt to the emergent demands of their environment. This finding may be influenced by the way the theoretical proposition was operationalized in the code of *being rigid*.

External Causes of Closure

Results of external causes of closure are divided into four categories of analysis: strategic management, resources, legitimacy, and structural/ecological. Per each category, results of the codes associated with the theoretical propositions and the emergent codes are described.

Strategic Management (External). Participants of the cases under study did not report that the completion of the nonprofit's mission was linked to the closure of the

organization. That said, *organization no longer needed* emerged from data analysis as a driver of closure. Informants of organization #C04 reported that the demand for the organization was no longer present, such as:

I think it just became sort of archaic, its time had passed, the model didn't make nearly as much sense." [...] "It was an organization that there was a need for, and then the need pretty much passed. (P15, Pos. 32, 213)

At some point, then it was like well, is this organization still necessary now? and that's really what the board said, that you know, it had had served its initial purpose [...] and as I said it, it just it wasn't. It wasn't needed any more. (P16, Pos. 217)

Resources (External). In terms of external resources, the emphasis was on the ability of organizations to collaborate with others to exchange resources. Lack of collaboration was reported as an element associated with closure. In addition, a factor that emerge from the data was the external financial crisis of 2007-2009, influencing the closure of the organizations.

Tried but failed to establishing connections. Failure to collaborate limited organization #C11 to access its target population. They had planned to provide an after-school program to African American kids. However, the organization failed to communicate effectively with the school district they operated in. Thus, they did not have access to the potential beneficiaries and the planned program was not implemented.

External financial crisis. Informants of organizations C07, C08, and C15 reported that the financial crisis of 2007-2009 influenced the closure of the organizations they participated in. As reported by participant of case #C15, this financial external shock made visible the vulnerabilities in the financial model of the organization:

Part of the demise of the [organization's name] was really center around the 2008 financial, you know the Great Recession. And part of it, it really highlighted, the vulnerabilities, and you know of the business model of the [organization's name]. So, at one level, one of the main revenue sources was income from the stock market with donor advise funds [...]. So, 2008 was the financial collapse, just really dried up that revenue stream. (T01, Pos. 8)

Legitimacy (External). Legitimacy was observed in terms of reported damages to the image or reputation of the organization. This element seems to be associated with closure. In addition, external conflict emerged as a driver of closure in nonprofits specifically in terms of political animosity between the nonprofit and government agencies.

Image or Reputation Declines. Reputation challenges were reported by informants in cases #C06, #C10, and #C13. These reputation challenges come from failure to meet state requirements for nonprofits (#C06) and changes in the political context (#C10 and #C13). For instance, the reputation of organization #C06 was harmed when clients of the organization noticed that the board members were not observing state legal requirements regarding number of family members serving in the board. In such case, all the board members were family related.

Political Animosity with Government. Informants of cases #C10, #C13 and #C16 reported political animosity with government influencing the closure of their organizations. In case #C13, the organization provided reproductive and educational services, while the conservative local government had a pro-life influence within the state. This context not only debilitated the reputation of the organization within the state but also its pro-choice political stand also seems to have limited its access to government funding.

Ecological and Structural (External). While increased density of the niche was not an element included in the data collection design, *increased competition* emerged from data analysis. Both cases #C07 and #C10 reported to be the first of its kind, but as time passed, more organizations in the same niche appeared. A crowded niche increased the competition and limited their access to resources and clients. As reported by informant of organization #C07:

Well, there was less money to go around and more organizations seeking the money. Here we have the same, the same group of people that were supporting the organization, you know, donating to it and that only goes so far. So, we had a full-time grant writer, we were always applying for grants. But there are so many organizations applying for the same grants. (P31, Pos. 49-51)

Aggregated Causes of Closure in Older Nonprofits

Closure is a multicausal phenomenon. Most of the cases (15 organizations) closed due to a combination of at least two causes. At least in older nonprofits, internal elements seem

to be better at explaining the closure in nonprofits. Table 5.3 shows the correlation between cases, theoretical propositions, and emergent topics from data analysis.

Table 5.4

Cases by Empirical Elements Associated with Closure

Internal	Theoretical propositions	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Managerial problems (P1)	+	+	+	+	+				+	+	+				+	+
	Resource dependence (P2)			+										+	+	+	+
	Lacked or reduced commitment (P4)		+				+										
	Small size (P7)										+						
	Structural rigidity (P8)																
Internal	Emergent themes/codes	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Founder syndrome		+														
	Financial mismanagement					+											
	Main program ends												+				
	Perception of insufficient/decreased financial resources	+			+	+		+	+	+	+	+	+		+	+	+
	Internal conflict		+			+	+										
External	Theoretical propositions	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Mission accomplished (P9)																
	Inexperience collaborating (P11)											+					
	Not perceived as legitimate (P13)						+				+			+			
	Denser niche (P15)							+			+						
External	Emergent themes/codes	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Problem depletion				+												
	External financial crises							+	+							+	
	External conflict										+			+			+

Note: + means that element is present in case (column number)

To produce an integrated model of the causes of closure in nonprofits, Figure 5.2 presents an analytical representation of the phenomenon. It combines both conceptual categories and empirical analysis. The model has five levels of analysis that go from right to the left.

First, this model follows the theoretical distinction between internal and external elements of closure by proposing two main factors: internal elements and external elements. Second, each factor contains four conceptual categories (strategic management, resources, legitimacy, and ecological/structural) that help to conceptually organize the elements associated with closure.

In level three, each conceptual category has emergent themes associated with closure. For instance, within the internal elements factor, the conceptual category of *legitimacy* has two emergent themes: lacked/decreased commitment and internal conflict. In level four, dotted boxes provide examples of reported elements and conditions associated with closure in nonprofits. Note that at this level, there is an arrow connecting the items of internal conflict with the item abandoned by insiders. This derived from the order of events reported by participants of organizations #C06 and #C02 that stated that the internal conflicts led to participants withdrawing.

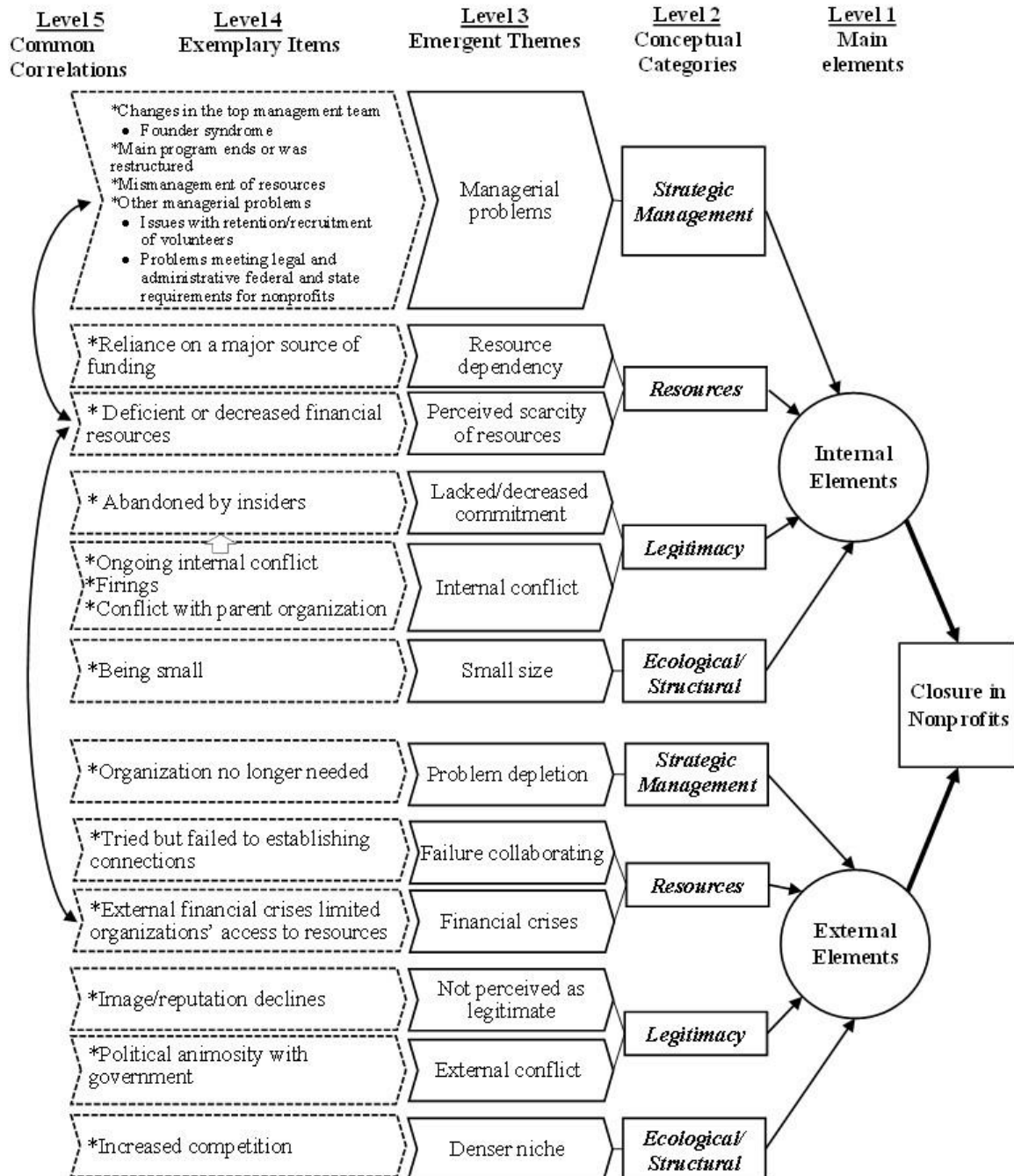
The fifth level has the two arrows that connect the most common relations between items. Informants in half of the cases reported both *management problems* and *lacked or decreased financial resources* as elements associated with the closure of their organizations. The other common relation was between *external financial crises* and

lacked or decreased financial resources. This connection was present in organizations #C07, #C08, and #C15 (see Table 5.4).

Rather than focusing on the utility of organizational theories, the analytical representation in Figure 5.2 aims at moving the focus of the conversation to the elements and conditions that help to predict closure. Specifically, the dotted boxes provide examples of items that can be included in closed-ended questionnaires that may be helpful for future studies that plan a quantitative research design.

Figure 5.2

Final Model of Causes of Closure in Older Nonprofits



E. Discussion

Multicausality of the Closure Phenomenon

Ten-year-old and older nonprofits seem to close for a combination of causes rather than for a single cause. The multiple causality of the closure phenomenon is consistent with previous studies (Hager, 1999; Fernandez, 2008; Searing, 2015, Lena, 2020).

Internal causes appear to predominate in explaining closure. All cases under analysis reported at least an internal element influencing the closure, and in most cases, this was associated with managerial problems. External elements were reported only in nine out of the 16 cases under analysis. While a unique external element did not emerge from data, common issues reported were legitimacy issues, external financial crises, and external conflict.

Explanatory Power of Organizational Theories in Predicting Closure

This study informed data collection and analysis with organizational theories. Theoretical propositions guide the analysis of data. The research design also allowed for the emergence of new elements associated with closure. The innovations of the theoretical framework in this study helped in explaining reported causes of closure. Both behavioral theory of leadership and resource dependence theory were useful in framing the causes of closure.

The behavioral theory of leadership appears to be useful in explaining weaknesses in the capacity of organizations to manage programs and financial resources (for those

that experienced embezzlement and fraud), and to meet legal and administrative requirements associated with the nonprofit status. In the past, Hager (1999) and Searing (2015) have framed this problem as an issue of not having the right skills and expertise in human resources. Specifically, Hager (1999) proposed that “organizations with low levels of professionalization or managerial expertise are more likely to close than those that have high levels of professionalization or managerial expertise” (p.19).

Rather than idealizing the desired professional skills of human resources needed for successful nonprofits, the inclusion of the behavioral theory of leadership aims at emphasizing the collective learning capacity of nonprofit leaders to manage their organizations. So, not only paid employees, but also board members (who are volunteers), would need to learn to lead and manage their organizations collectively.

Resource dependence theory was also valuable in explaining the financial vulnerability of organizations when they heavily rely on a main revenue source. This theory has been used before to explain dissolution in nonprofits (Fernandez, 2008) and this dissertation study also found support for the claim that resource dependency may be a predictor of closure in nonprofits.

Table 5.5 presents the summary of previous organizational theories used to explain closure in nonprofits. The last column presents the results of the present study. In terms of internal focus theories, resource dependence theory, liability of smallness, and conflict theory seem most suitable for predicting causes of closure in nonprofits. As presented above, in comparison with previous frameworks, the behavioral theory of leadership has potential at explaining the managerial and leadership issues associated

with closure. However, structural inertia does not appear to be a compelling theory to explain the challenges faced by older nonprofits.

In terms of external focus theories, network theory, new institutionalization theory, and niche theory were useful at framing the reported external causes of closure in nonprofits. However, mission completion did not appear to be a useful rationale to explain closure in older nonprofits, or at least not in the sample under analysis.

Table 5.5

Results on the Utility of Organizational Theories to Explain Closure

Focus	Organizational theories	Hager (1999)	Fernandez (2008)	Searing (2015)	Present study
Internal	Behavioral theory of leadership	NA	NA	NA	<i>Supported</i>
Internal/ External	Resource dependence theory	NA	<i>Supported</i>	NA	<i>Supported</i>
Internal	Commitment theory	<i>Not supported</i>	NA	<i>Not supported</i>	<i>Supported</i>
Internal	Liability of smallness	<i>Supported</i>	<i>Supported</i>	NA	<i>Supported</i>
Internal	Liability of newness	<i>Supported</i>	<i>Supported</i>	NA	NA
Internal	Structural inertia	NA	NA	NA	<i>Not supported</i>
Internal	Conflict theory	<i>Not supported</i>	NA	<i>Supported</i>	<i>Supported</i>
Internal	Human resources theory	<i>Supported</i>	NA	<i>Not supported</i>	NA
External	Mission completion theory	<i>Supported</i>	NA	<i>Supported</i>	<i>Not supported</i>
External	Network theory	<i>Not supported</i>	NA	<i>Supported</i>	<i>Supported</i>
External	Institutionalization theory	<i>Supported</i>	<i>Supported</i>	NA	<i>Supported</i>
External	Niche theory	<i>Supported</i>	NA	<i>Not supported</i>	<i>Supported</i>

Moving the Conversation from Concepts to Predictors of Closure

The ultimate goal of this study is to present an overview of the predictors of closure in nonprofits. Please note that the conceptual model presented above in Figure 5.2 integrates both financial and non-financial elements associated with closure.

Internal financial elements associated with closure are reliance on a major revenue source and insufficient or decrease in financial resources. Consistent with previous studies that have used financial information of nonprofits (Lu et al., 2020), revenue diversification may improve the survival prospects of nonprofits. Financial crises seem to also be a clear external financial condition associated with closure in nonprofits. The effects of such crises in nonprofits have been widely studied in the nonprofit literature (Stewart & Smith, 2011).

Still, non-financial predictors of closure are uncovered best by collecting primary data. Administrative data (Form 990 specifically) does not provide information regarding internal conflicts, failure to collaborate with other organizations, or political animosity with government. These are just some examples on the elements that may only be understood by collecting primary data.

F. Conclusions

This chapter presented a conceptual model of the causes of closure in older nonprofits. This conceptual model has both a theoretical foundation of organizational theories that help to explain closure in nonprofits, and emergent causes reported by informants. This theoretical framework addresses three main gaps in the literature. First, it integrates financial and non-financial elements associated with closure in nonprofits

which, to this point, seem to have followed separate conversations. Second, in so far as empirical studies of nonprofit closure have concentrated on the state-local level, this study illustrates cases across the regions of the United States. Third, the focus on older nonprofits is useful for the identification of the reduced organizational capacities that all nonprofits must strengthen to prevent closure.

Primary and secondary data of older nonprofits that experienced closure is used for the analysis. The primary analytical method used is the case study method (Yin, 2018), which is complemented with narrative and content analyses (Bernard et al., 2017). Data was analyzed with a base codebook developed by Duckles et al. (2005). This study dissertation updates the codebook with new codes from organizational theories and emergent themes from the data analysis (See the codebook in Appendix D).

The analysis of 16 case studies supports the multicausality of the phenomenon of nonprofit closure. Internal elements seem to dominate in predicting closure. From data analysis, the most common internal elements associated with closure were *managerial problems*, *resource dependency to a main source of revenue*, and *perception of lack or decreased financial resources*. The behavioral theory of leadership, resource dependence theory, commitment theory, liability of smallness, and conflict theory were useful in understanding why organizations closed. However, the liability of structural inertia did not receive empirical support at least for the sample under analysis.

External elements seem to play a secondary role in explaining closure in nonprofits, in contrast with internal elements. The most prominent external conditions that limited the survival of organizations were *not being perceived as legitimate*,

increased competition, and *external financial crises*. Network theory, new institutionalization theory, and niche theory are helpful in explaining closure in nonprofits while mission completion theory does not receive empirical support.

The exemplary items in dotted boxes in Figure 5.2 aimed at pushing the conversation from theories and concepts to a concrete list of the potential predictors of closure. As presented in the conceptual framework, financial and non-financial elements play a role in the closure of nonprofits. Some financial elements may be studied using financial data in Form 990, but other non-financial explanations of closure such as *internal conflict of decreased legitimacy* may only be observed by collecting primary data.

Lastly, in terms of the limitations of this chapter, results are not meant to be interpreted as statistical generalization. Based on a purposeful selection of cases, the results condensed in Figure 5.2 aim at providing an analytical representation of the challenges that closed nonprofits faced between 2010 to 2019 that limited their capacity to continue activities. Future studies are encouraged to revise and expand the items presented in dotted boxes to broaden the list of predictors of closure.

CHAPTER 6

WHEN MERGERS ARE NOT A COLLABORATION: ALTERNATIVE EXTERNAL AND INTERNAL FORCES DRIVING MERGERS

A. Introduction

Nonprofits merge with the aim to collaborate with other organizations, but this may not be true for all cases. Nonprofit scholars have conceptualized mergers as the deepest form of collaboration between two or more organizations (Guo & Acar, 2005; Proulx, et al. 2014). While collaboration may be a strong driver of merger, additional internal and external forces may anticipate this event. Among these forces are the hope to improve the financial position of the organization, enhance community legitimacy, or improve services provided (Durst & Newell, 2001; Kohm & LaPiana, 2003; Benton & Austin, 2010).

Still, there is little understanding on the nature of the drivers of mergers among nonprofits. Nonprofits may merge when they identify a strategic opportunity to better achieve the mission; as a result, organizations join forces and enhance the quality and increase the reach of services (Norris-Tirrell, 2001; Yankey, Jacobus, & Koney, 2001). In other cases, a merger is an alternative to organizational demise; therefore, by merging it will improve the ability of the organization to serve its clients (Benton & Austin, 2010; Norris-Tirrell, 2001; Yankey et al., 2001). For others, a merger is the only way to survive; thus, the merger will alleviate the financial position of the organization (Benton & Austin, 2010).

While there are abundant studies on the strategic decisions that originated a merger (Singer & Yankey, 1991; Chen & Krauskopf, 2013; Golensky & DeRuiter, 1999, 2002), there is scant understanding about those mergers that were initiated from the desire of organizations to simply survive (Norris-Tirrell, 2001). This may be because the merger literature in nonprofits has concentrated on the post-merger integrations, reflecting on the experiences of organizations that survived.

While for partners, a merger represents an opportunity for something new. This chapter concentrates on the experience of absorbed organizations in a merger. For them, a merger represents the loss of its corporate identity and the transfer of assets and programs to their partners. In contrast, the surviving partners report more power and the continuity of their corporate structure.

This chapter proposes a fresh look on the merger phenomenon in nonprofits. By recuperating the experiences of non-surviving nonprofits, this study aims to enhance our understanding on the nature of the elements and conditions that lead organizations to merge. Therefore, the purpose of studying these case studies is to understand the causes of merger in older non-surviving nonprofits that experience such event between 2010 and 2019.

Merger is defined as the moment in which two or more organizations disband to form a new entity, or one organization transfers its resources (e.g., financial and human resources) and programs to a surviving organization. As defined in previous chapters, merger is a type of permanent organizational discontinuity that often involves both the loss of the tax-exempt status and the dissolution of the corporate identity for the non-

surviving organization. Older nonprofits are defined as those that operated continuously for at least 10 years.

To understand the causes of merger in non-surviving nonprofits, this chapter follows the theoretical framework presented in chapter 2 and abridged in the next section. Also, the data and the analytical methods are summarized from the information presented in chapter 3. This chapter concentrates on the analysis of results on the characterization and description of the reported causes of merger from the standpoint of non-surviving organizations and on how these results contribute to the larger discussion on mergers in nonprofits. The last section concludes with the limitations of this chapter and a proposed agenda for future studies on nonprofit mergers.

B. Theoretical Background

While there is a steady discussion on the causes of merger in nonprofits, there is scant theoretical elaboration on the nature of its drivers. To provide a theoretical background for this phenomenon, the framework recuperates theoretical developments on change in nonprofits. This framework explains mergers as a multicausal phenomenon. These multiple causes are divided into internal and external elements. Moreover, the framework proposes an integration of financial and non-financial causes of merger.

Studies have documented multiple causes of merger in nonprofits (Singer & Yankey, 1991; Norris-Tirrell, 2001). However, it is unclear if this is a phenomenon that is understood by a single cause or by multiple causes. For instance, in her analysis of three case studies of nonprofits that experienced merger, Norris-Tirrell (2001) documented multiple drivers of merger of organizations under analysis. That said, other studies have

emphasized the decision-making process before the merger as the main or only element driving mergers (Golensky & DeRuiter, 2002). This dissertation study aligns with the study of Norris-Tirrell (2001), this means that the framework assumes that nonprofits merge for multiple reasons.

The multiple causes of merger may be divided between internal and external elements. For the study of mergers, this distinction was first introduced by Norris-Tirrell (2001), who also proposed two internal and two external drivers of mergers. The organization's strategic culture and the health capacity are the two internal drivers. External forces include changes in the nonprofit's environment and the perceptions and demands of key funders and stakeholders (Norris-Tirrell, 2001). While these four drivers have face validity in explaining mergers, there is scant theoretical support.

In the search to provide theoretical support for the causes of merger, this dissertation study recapitulates the theories that have been useful in explaining closures. Studies of closure in nonprofits have divided causes between internal and external elements (Hager, 1999; Fernandez, 2008; Searing, 2015). Moreover, they have proposed categories to organize such causes thematically. To organize the multiplicity of causes of merger, this chapter recuperates three categories: strategic management, resources, and legitimacy.

In terms of conceptual development, two theories seem useful to explain internal drivers of mergers in nonprofits: resource dependence theory and commitment theory. Resource dependence theory has been widely used in organizational studies to explain mergers (Pfeffer & Salancik, 2003). In this chapter, it helps to frame the understanding

on the organization's resource structure and the relationships needed to secure resources (Pfeffer & Salancik, 2003). For instance, an organization may merge to break dependencies on a source of revenue or with the hope of expanding its revenue sources. Improved financial health as a driver of merger has been documented in previous studies (e.g., Norris-Tirrell, 2001).

Commitment theory can also contribute to the explanation of mergers. Norris-Tirrell (2001) has emphasized the pro-active culture of the organization to adapt to changes as a condition of successful mergers. This pro-active culture may be reflected on the ability for organizations to reproduce internal commitment among staff, volunteers, and members.

Also, three organizational theories can serve to shed light on the external elements associated with mergers: mission theory, network theory, and new institutionalism theory. Specifically, mission completion theory can be used to inquiry on those instances in which nonprofits may merge to better achieve their shared mission. Mission-driven mergers have been documented as effective than other forms of mergers based on post-merger evaluations (Golensky & DeRuiter, 2002).

Network theory also seems promising for explaining mergers to the extent that mergers are an extreme form of collaboration (Proulx et al., 2014). For instance, organizations may merge to share resources and costs or to improve their services. The search to enhance a nonprofit's image and prestige has been documented as another potential driver of merger; therefore, to be considered as legitimate participants, merging partners may require some degree of legitimacy (Golensky & DeRuiter, 2002; Ferris &

Graddy, 2007). New institutionalism is used to explain the search for reputation as a driver of merger.

Figure 6.1 presents a conceptual representation on the nature of the causes of merger and the theories that are useful to explain this phenomenon. The framework has four levels of analysis that go from left to right. First, the framework follows a basic distinction of internal and external elements associated with mergers in nonprofits. Second, based on the nature of the elements, the framework groups them among conceptual categories. In the third level, organizational theories of change are used to explain the mechanisms and nature of the elements associated with mergers. From organizational theories, propositions are presented to guide the exploration of data (these are presented in the four level). However, the research design also allows for the emergence of new elements shedding conceptual light on mergers in nonprofits.

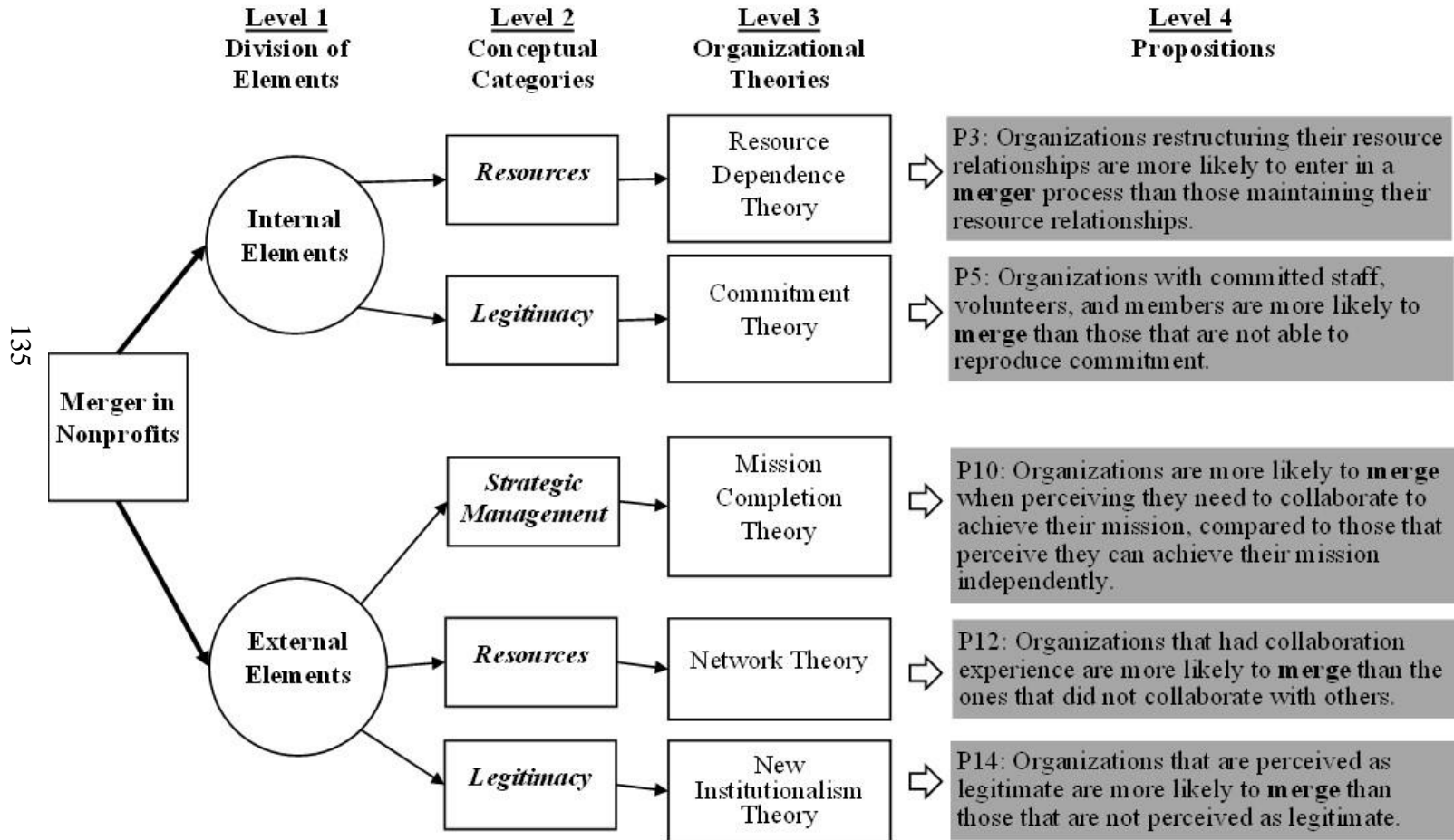
This conceptual framework incorporates both financial and non-financial elements as explanations of mergers. While financial elements may include the restructuring of resource relationships and the search for collaborations to share overhead costs, non-financial elements such as the reproduction of internal commitment and enhanced legitimacy may explain mergers.

Lastly, the focus on older nonprofits aims at identifying those structural conditions that may facilitate or limit merging processes. Per the structural inertia argument (Hanann & Freeman, 1977, 1984), older organizations may have established roles and routines that have helped them to endure, but they may also face challenges in adapting their organizational structures when their environment changes. Thus, the focus

on older organizations may provide a unique perspective on those organizational level challenges to which established organizations are unable to respond under changing environmental conditions.

Figure 6.1

A Conceptual Framework of Organizational Theories to Understand Mergers in Nonprofits



C. Data and Analytical Methods

Data

Case Selection Criteria. Cases were selected out of a national subpanel of 501(c)(3) charities. The national subsample derived from Hager and Brudney (2004, 2021) studies on volunteer management capacity. In 2003, they drew a sample of 2,993 of the 214,995 organizations that filed Form 990 with the Internal Revenue Service (IRS) in 2000.

Organizations in the sample were tax-exempt entities under Internal Revenue Code (IRC) section 501(c)(3) when Hager and Brudney first studied them in 2003. Charities with less than \$25,000 in annual gross receipts were excluded from this sample. At that time, they were not required to fill out Form 990 with the IRS. In 2003, Hager and Brudney secured responses from 1,753 charities, but they only reported on those charities that engaged volunteers (1,361 organizations).

In 2018, for the 1,361 organizations that participated in the 2003 study, Hager and Brudney research team sleuthed contact information to invite organizations to participate in a longitudinal study of volunteer management capacity. The research team initially documented 399 cases of nonprofits in some state of organizational discontinuity. Research assistants marked as dead, merged out, or in some state of failure those organizations that no longer showed evidence of operations in 2018.

Determinations of cases resulted from reviewing the statuses of organizations on (i) Form 990s, (ii) lack of active contact details, (iii) reports about the operational status of organizations made by members when research assistants contacted them by phone or

email, and (iv) the IRS Exempt Organizations Business Master File (EOBMF). Charities that were no longer listed in the EOBMF in 2017 were marked as suspicious cases.

Initial determinations of cases were later corroborated or refuted by a careful analysis of secondary data following the organizational autopsy method described in Chapter 4. The list of cases was not only reduced, but also a variety of operational status were identified including closures, mergers, and other operational status.

To select cases, six characteristics were chosen to serve as the basis for the sample in this study: operational status, last year of activity, location, subsector, age, and size. These characteristics are based on the specialized literature on organizational changes in nonprofits (Searing, 2020).

Operational status. The selection of cases was restricted to organizations that clearly experienced a merger as a non-surviving organization. Following the organizational autopsy method described in chapter 3 and 4, the *merger* status was determined by triangulating secondary data, including Form 990s, state administrative records, and secondary online information.

Last year of activity. To identify organizations that experienced merger between 2010 and 2019, the year of such event was initially determined by the last year they submitted a Form 990 with the IRS. For few cases, also following the organizational autopsy method, the year of merger was approximated based on the last year organizations reported some evidence of activities in secondary online sources, such as websites and social media.

Location. To broaden the overview of the changes in the nonprofit sector at a national level, the selection of cases accounted for representation of at least two cases per each region (Northeast, Midwest, South, West).

Subsector. Considering that human service organizations represent around half of subject organizations in the subsample, the goal was to have at least one of the two organizations in each region in the human services subsector.

Age. Only those organizations that reported at least 10 years of continued activity were included. The initial year of activity was determined by the ruling year. This is the year that the IRS first granted their tax-exempt status. Continued activity is defined as organizations that maintained tax-exempt status with the IRS for the last ten years before merger.

Size. In terms of size, the selection of cases distinguishes between small, medium, and large organizations. *Small* organizations are those with total expenses of less than \$100,000, *medium* are those organizations with total expenses between \$100,000 to \$500,000 and *large* organizations are those with total expenses of more than \$500,000. Size of the organization was determined using the last Form 990 submitted by the organization. This determination was corroborated by comparing the forms from two previous years.

Location and subsector were used as the empirical criteria for the minimum number of cases under analysis. Considering two cases per each of the four regions and at least one of them from the human services subsector, the minimum number of organizations for analysis was eight cases.

Data Collection. Following the six characteristics outlined above, approximately 78 organizations were identified within the subsample. Out of these, members of 21 organizations were invited for an interview, and representatives of 13 organizations were interested in participating and completed an interview.

Primary and secondary data were collected for these 13 cases. Multiple members were invited to participate in semi-structured interviews. Participants included board members and executive staff. The goal in inviting multiple members was to triangulate the causes of merger and to identify potential conflicting narratives. The interview protocol is included in Appendix C.

Interviews were audio recorded after informed consent approved by the Institutional Review Board of Arizona State University. All interviews were conducted either by phone or by Zoom. Except for three interviews from the 2019 pilot study, all interviews were conducted between March and October of 2021. Audio records were transcribed. For those interviews that were conducted by Zoom, the automatic Zoom transcriptions were reviewed and cleaned to ensure the accuracy of information. For the remaining interviews, manual transcriptions were completed. Lastly, secondary sources were also used in the analysis. Specifically, the results of the organizational autopsies informed and complemented the primary data collection. Interviews lasted between 20 and 70 minutes in length.

Analytical Methods

To study the causes of mergers in nonprofits, this chapter uses case studies as the primary research method and complements these with narrative and content analyses.

Detailed descriptions on the guidelines followed for each method are described in chapter 3.

In summary, the main steps to conduct case studies are: (i) plan, (ii) design, (iii) prepare, (iv) collect, (v) analyze, and (vi) share (Yin, 2018). The plan consisted in identifying cases of organizations that experienced a merger to understand the causes associated with this phenomenon. The design consisted in selecting organizations based on six characteristics: operational status, last year of activity, location, subsector, age, and size. Preparation for data collection involved the design of protocols for primary and secondary data collection (see appendices A and C).

Initially, this study of mergers planned to use the same codebook that was used to analyze closure cases (see Chapter 5). However, codes were often inapplicable in describing the conditions of mergers. Thus, only four codes were recuperated from the codebook used for Chapter 5 and a new codebook was created based on emergent findings of merger cases. The codebook is presented in Appendix E.

The final codebook consisted of 25 codes. Each code captures an element or condition associated with the merger of participant organizations. Codes were organized around 12 themes that fit within the four conceptual categories of organizational discontinuity: strategic management, resources, legitimacy, and structural/ecological. The results of case studies are presented in the next section.

D. Results

Characteristics of Organizations and Interview Participants

Cases under analysis correspond to 13 nonprofits that were non-surviving organizations from merger processes. As reported by participants, these organizations stopped activities as independent organizations between 2010 and 2019. The number of cases across regions and subsectors is presented in Table 6.1.

Table 6.1

Cases Under Analysis by Location and Subsector

Subsector	Northeast	Midwest	South	West
Human services subsector	1	1	2	2
Non-human services subsectors	1	4	1	1

In terms of size and total expenses, out of the 13 cases, a case was defined as *small* organization (with total expenses less than \$100,000), another as *medium* size organization (with total expenses between \$100,000 and \$500,000), and the remaining 11 cases classified as *big* organizations (with total expenses greater than \$500,000). While the original research design contemplated a balance of organizations in terms of size, small and medium size organizations were rare in the subsample under analysis¹. Based

¹ It seems that larger organizations are more likely to merge while smaller ones are more likely to close. This is an element that was not empirically tested in this study but that emerged as a hypothesis based on the characteristics of cases within the subsample under analysis. The test of the proposed hypothesis is out of the scope of this research.

on the characteristics of cases, research results mostly focus on the experience of *big* organizations.

In terms of age, the youngest case reported 15 years in operations, while 68 years reported the oldest. In regard to the type of merger, out of the 13 cases, 10 organizations reported a *formal merger*. This means that they marked “final return” in the last Form 990 submitted to the IRS and they filled out Articles of Merger or they followed state regulations associated with mergers. The remaining three cases *informally merged*, meaning that they did not check the “final return” box in their last Form 990 and the study uncover scant evidence of formal procedures of merger (regarding incorporation) between the organizations involved. The detailed characteristics of these cases are presented in Table 6.2.

Multiple members were contacted per each organization under analysis. I succeeded in securing seven cases with responses of two participants or more. For the remaining six, only one informant participated per case. The total number of participants was 27; informants included former board members and executive staff.

While the assumption was that participants would have conflicting narratives on the causes of merger, this did not appear to be the case. Narratives appear to be better conceive as pieces of a puzzle, rather than as separate sources of information. Only for one case (M08), the two participants disagree on the involvement of the national organization in the merger process. A participant reported (P29) that the merger was initiated by the national organization while another participant (P37) mentioned that the national organization had nothing to do with it. Given the disagreement on this

explanation of merger, this was not an element used in the analysis for this specific case (organization M08).

Also, in terms of analysis of information, in those cases with multiple participants, the list of causes was shortened based on the most common reported causes of merger. For instance, for case M11, the three participants reported eight causes of merger. However, only five were common across at least two of the informants. As a result, these five causes were used for the analysis. For organizations with a single informant, all the reported causes were used for the analysis.

Major causes of merger were identified in the answers to the questions: “What forces led to the decision to merge the organizations?” and “What would you say are the central reasons why the organizations merged?” and the spontaneous reactions to “That’s all the questions I have. Is there anything that you want to share that I didn’t ask about?” (See interview protocol in Appendix C).

Table 6.2

Characteristics of Case Studies, Absorbed Organizations in Mergers

Org. Identifier	Nonprofit subsector	State	Size	Ruling year	Last reporting year (Form 990)	Merger year based on interview	Marked final return	Interview IDs	Type participant	Region
M01	Human services	PA	Big (2012-2014)	1964	2014	2014	Yes	P01 P02	Board member and executive director	Northeast
M02	Health	IL	Big (2005-2007)	1987	2007	2017	No	P08	Board member	Midwest
M03	Human services	TN	Big (2011-2013)	1966	2013	2013	Yes	P13 P18 P19 P20	Board members & executive staff	South
M04	Health	NC	Big (2009-2011)	1947	2011	2011	Yes	P14	Board member	South
M05	Human services	CA	Big (2010-2012)	1984	2012	2012	Yes	P22	Board member	West
M06	Public, Societal Benefit	WA	Big (2013-2015)	1996	2015	2015	Yes	P24 P25 P26	Board members and executive director	West

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Org. Identifier	Nonprofit subsector	State	Size	Ruling year	Last reporting year (Form 990)	Merger year based on interview	Marked final return	Interview IDs	Type participant	Region
M07	Human services	CA	Big (2014-2016)	1961	2016	2016	Yes	P28	Board member	South
M08	Human services	OR	Medium (2017-2019)	1953	2019	2018	Yes	P29 P37	Board member and executive director	West
M09	Human services	IN	Big (2013-2015)	1965	2015	2015	Yes	P38 P42 P45 P46 P49	Board member & trustees	Midwest
M10	Health	OH	Big (2011-2013)	1946	2013	2013	Yes	P40	Board member	Midwest
M11	Health	MN	Big (2012-2014)	1946	2014	2013	No	P43 P44 P48	Board member and executive director	Midwest
M12	Health	KS	Big (2015-2017)	1983	2017	2017	Yes	P47	Board member	Midwest
M13	Environment and Animals	ME	Small (2014-2016)	2001	2016	2016	No	T02 T04	Board members	Northeast

Internal Causes of Merger

Two propositions informed the analysis of internal causes of merger. The first is associated with the management of resource relationships and the second with the reproduction of commitment within the organization. In addition to these two topics, six other themes emerge from the analysis of data. Results associated with the propositions and emergent themes are classified in the four theoretical categories from Chapter 2: strategic management, resources, legitimacy, and structural/ecological.

Strategic Management (Internal). Informants reported that managerial decisions and changes in the strategic direction help explain the merger path of organizations. Management problems were the most popular cause of merger among the cases under analysis. Six out of the 13 cases reported a management problem as cause of merger. In addition to management problems, two managerial logics (strategic assessments and the desire to improve and extend services) are helpful in explaining mergers in nonprofits.

Strategic assessments. Informants reported that the decision to merge resulted from either a *plan to grow* or the *results of an assessment to evaluate the viability of a merger* (organizations M11 and M13). For instance, in case M11, informants reported that the organization hired an external consultant to create a strategic plan for the organization. One of the options of this plan was to merge with another organization. As reported by the former executive director (P44):

Right, we had always used this same person, an external consultant to guide us with our strategic plan and I knew her well after working with her for a few years.

And so, I contacted her, and she and I presented to the board that we quite

possibly should go into an exploration of what were our options. And obviously number one was to do nothing, and just see what happened, or we could look at management contracts with a company that could come in and manage, or we could look at some kind of merger or acquisition. And we went and did our homework and came back, and the board really started leaning toward merger or acquisition. (P44, Pos. 35-36)

Improve or extend services. Informants reported that the organizations merged because of the prospect *to increase geographic reach* (case M02) or *to improve quality of services* (cases M02 and M04). For instance, as reported by participant P08, organization M02, a blood bank, was looking not only to extend their services regionally but also to increase its blood inventory: “And I mean also to improve the inventory, if you will, have available blood through a system of sharing, being able to share units of blood.” (P08, Pos. 51).

Managerial problems. Cases M03, M04, M05, M08, M12, and M13 reported some sort of managerial issue, such as *executive director changed*, *weak administrative capacity*, or *reliance on volunteer work*. As with the closure cases (see Chapter 5), this theme was among the most popular explanation of merger among organizations under analysis.

Changes in the executive leadership represented a momentum for organizations to merge (cases M03, M04, M05 and M08). Based on reports made by participants, executive directors changed because they retired or resigned. For instance, in case M08,

the long-time executive director was ready to retire, so she approached a partner organization to initiate the conversations for a potential merger:

And then in 2018, [...] the executive director [...] said I'm retiring in a year, and we've got to figure out what we're going to do. And we would like [name of the partner organization] to take over our books. And so, we started doing the bookkeeping for [name of the non-surviving organization]. And during that year, [...], about 2017-2018, we started doing their books and really talking about what would a merger look like, and merger is such a harsh word, we used "joining hands." (P37, Pos. 27)

Informants from organizations M05 and M12 reported a debilitated or *weak administrative structure* limited operations. For instance, for case M12, an organization that supported the pediatrics department of a hospital, the participant reported that the structure of the nonprofit was unsuitable to coordinate the work with other foundations and other departments:

Each department had a foundation to run the finances of the clinical finances primarily of the department. So, that made for a very unwieldy corporate structure, basically 20 independent companies trying to run their own businesses, without any central planning, any economies of scale, that went with it. (P47, Pos. 22)

The informants of case M13 also reported that the *reliance on volunteer work* was associated with the merger. This small organization relied on volunteer labor for their operations. Their volunteers were getting older ("board were over 65 [years]") (T02, Pos.

17) and they struggled to recruit new volunteers to join the board, as reported by a participant:

Well, towards the end and before the merger, most of the volunteers were getting older, and we were only eight of us, that were active members, and we had a hard time fundraising. So, you know, we look at to the future sustainability, and decided that maybe we needed to look to another organization. (T02, Pos. 13)

Resources (Internal). Based on the analysis of the data, this study found some support for proposition P3 associated with the management of resource relationships as precursor to nonprofit mergers. Specifically, informants reported expectations on saving money and improving the efficiency of their organizations as drivers of the mergers of their organizations. However, the perceived scarcity of financial resources was among the most common causes of merger. This is consistent with the reported causes of closure in Chapter 5.

Improve Efficiency and Save Money. Expectations to improve efficiency of resources were reported by participants of cases M04, M06, M07, and M10. They reported *savings in money* and the possibility to *share fixed costs* with their prospect partners as drivers for a merger. As reported by the participant of case M10, a hospital:

“So, this was an evolutionary step that was taken to become more efficient, and, how we were doing some work so, supply chain. We, by ordering through the system, as opposed to each hospital, ordering you know, stuff, we were able to get economies of scale. (P40, Pos. 52)

Perceived Scarcity of Financial Resources. Informants of cases M01, M03, M07, M08, M11, and M13 reported either *lacked or decreased financial resources* or *debts/deficits* as drivers of mergers. Examples of lacked or decreased financial resources were (lack of) fundraising activities, decreased donations, loss of donors, and overhead costs exceeding revenue. In this last area, as reported by participant of organization M08, the imbalance between overhead costs and donations also impeded the relationship with the national organization:

Because our overhead costs exceeded the donation amount, we could no longer operate as a [name of the national organization]. We were, let me rephrase that, we were getting to a point where we could no longer operate, we weren't there yet. (P29, Pos. 36)

Also, the fragile financial position of nonprofits with debts (M03) or deficits (M08) seem to be a driving force for organizations to venture in a merger. As reported by a participant from a human services organization (M03):

And [name of the non-surviving organization] had some considerable debt. I don't remember exactly what that was, but I believe it was in the neighborhood of maybe even \$2 million. [...] And so that was one of the problems that would lead us to consider a merger, to begin with was the debt load, and just you know, the operational expense of those properties as well. (P13, Pos. 13, 28)

Legitimacy (Internal). Based on the analysis of cases, there was scant support for proposition P5 regarding the reproduction of commitment within the organization. Informants did not report that the commitment of staff, volunteers, and members of the

nonprofit was an element or a condition that better positioned organizations into a merger.

A topic that did emerge from data was *internal conflict* within the organization. This was present in one case (M03). Informants reported the *firing* of the executive director created the conditions that made the merger more attractive. They mentioned that it was soon after they hired this person they realized he was not the right fit for the organization. When they fired him, that moment represented an opportunity for the organization to consider a merger. As reported by a participant of this case:

And then, then the new guy came in and. We hired, we hired a search firm to do that search and they really didn't do a very good job of checking his background. [...] He didn't do anything illegal or immoral, he just was not very good at supervising people, and he tended to alienate people and donors and everything else. So again, I assume you're not going to attribute any of this to any of us, but he really had a hard time with and the staff. The staff was really in an uproar. And so, he just wasn't successful. So, when he left, then it was there, was an opportunity for us to do something different. (P20, Pos. 58-59)

Ecological and Structural (Internal). In terms of *size limitations*, the participant of case M05 reported that *the size of the organization limited its capacity to operate*, or specifically in this case it was not large enough to attract relevant suitors. The informant refers to an evolution of the organization from a start-up phase to a desired formalization phase, which to the eyes of the informant, the organization had not reached. This

organization reported total expenses greater than \$500,000, a *big* organization for this study's standards. In contrast, as reported by the participant:

“What I've seen happen frequently is that nonprofits, especially if they have like a founder, who is still the CEO. That the founder might have like a startup mentality and they're really good when the organization is small and they're scrappy and they're very entrepreneurial. But then, when the organization reaches a certain size, they, you need to change to become a manager [...], you need to hire an HR director, and you need to hire, you know, and not everybody is capable of evolving to do that.” (P22, Pos. 162-163)

External Causes of Merger

The report of results follows the four main categories of analysis: strategic management, resources, legitimacy, and structural/ecological. Per each category, results of the codes associated with the theoretical propositions and the emergent codes are described.

Strategic Management (External). There is mixed support for proposition P10 that states that organizations are more likely to merge when perceiving they need to collaborate to achieve their mission, compared to those that perceive they can achieve their mission independently. Based on findings, organizations merged because they wanted to collaborate. However, this collaboration was not necessarily associated with the mission of the organization but rather it was based on long-term collaborations and the sharing of donors. This is discussed in the following subsection.

An emergent theme that fits within the category of strategic management was the *merger as a result of an external decision from a national or controlling organization*. Informants of cases M07 and M09 reported an *active role of the national or controlling organization*. The informant in case M12 reported a *larger integration process* as a driver of merger. Organizations M07 and M09 were human service organizations part of national organizations, while organization M12 was part of a larger health care network. The three cases were independent corporations filing their own Form 990 until the merger event. The most emblematic case was organization M09, in which all four informants reported that the decision to merge was mandated or dictated by the national organization they were a part of. They mentioned that board members were mandated to sign the merger agreement. Some of them even stated that if they had not signed the national organization would have found someone else at the local level to sign the agreement.

Yeah, so if the council decided not to join. Uh, they would actually, and I actually have a letter someplace, an email or a letter I'd have to try to dig it out, but I have a letter someplace and I'm sure that the other surviving board members do, that stated that if I did not sign the merger agreement that they would, they would drop me from the [name of the organization] board, the national [organization] would drop me from the board, and they would find somebody else to sign the agreement. So, we were basically forced to sign the agreement. And it had to be unanimous, and if any one of us decided not to [...] they would just find somebody else to do it. (P46, Pos. 385)

Resources (External). Based on the analysis of cases, this study found support for proposition P12, which states that organizations that had collaboration experience are more likely to merge than the ones that did not collaborate with others. *Collaboration experience* helps to explain mergers among nonprofits. Cases M06 and M10 reported *long-term collaboration experiences* with the partner organizations they finally merged with, and participants of M06 also reported to have *shared donors with the merging partner* a long time before the merger. For case M06, the two merging organizations had shared programs and offices for at least 10 years before the merger. As reported by a participant of this case:

“Originally, when [name of non-surviving organization] first moved in with [name of surviving organization], the board of [name of non-surviving organization] said, hey, that sounds like a pretty good deal. We want to move in. And that happened in 2004, so, the two staff people moved into [name of surviving organization] office. And we lived like roommates for 10 years. And then, after 10 years, everyone agreed, it was working really well, and we decided we would merge [name of non-surviving organization] into [name of surviving organization]. The sort of the difference between living together and getting married. (P24, Pos. 35-36)

Legitimacy (External). I found no empirical evidence to support proposition P14, which states that organizations that are perceived as legitimate are more likely to merge than those that are not perceived as legitimate. Informants did not report the search for enhancement of organization reputation or image as explanations of merger.

A topic that emerged from the data that fits within the legitimacy category was the presence of *external conflict* as a driver for merger. Specifically, this was an element reported by participants of case M09; they reported that the *conflict with the national organization* influenced the decision-making process of the merger. They also reported that they wanted to continue as an independent organization and not merge. Thereby, they presented to the national organization a plan to continue as an independent chapter, but this was not accepted. They also reported several meetings between the national organization and the chapter, but they were not able to reach agreement to stay independent.

Ecological and Structural (External). Two themes emerged within the ecological and structural category: increased competition and niche changes.

Increased competition. Informants of cases M01, M03, and M11 reported increased competition was a cause of merger. They reported either *increased competition within the niche*, *competition with partner organization*, or other organizations *providing similar services* or *serving the same clients*. Case M03 was a human services organization that merged with a competitor organization in the same area. As reported by a informant, both organizations were competing for the same resources and providing similar services:

Over time, sometimes that changes and they start to duplicate services and then they're just competing for no reason. So, you do look for synergy because, quite frankly, you know, a community can only support so many non-for-profits. [...] A very high percentage of all funding comes from a certain percentage of your community population, [...] in donors. And so, there is a very specific [...] donor

pool, that everyone goes to, and that's a finite amount of dollars right, and then you can tack on [...] state grants, or funding, or initiatives, or local initiatives, or whatever. But there starts to be a point where, [...] if the services start to be so similar that they line up then you start to question, are both of these necessary? And which one is stronger? and which one could either go away? or is there the better option to merge? and that was the conclusion. (P13, Pos. 51-53)

Niche changes. Informants of cases M02 and M11 reported changes in the niche as drivers of merger. For instance, in case M11, a hospital, the subject reported *changes in the regulatory environment* associated with the merger. Specifically, the participant said that hospitals were required to adopt electronic medical records among others processes to follow health care regulations. These changes in the regulations increased the costs of services provided. Another example is found in case M02, where the participant reported *increased costs of services* as cause of merger. For this blood bank, the participant mentioned that “the amount of testing that is done on the blood rose significantly. So, many of the blood banks were looking for affiliations to help lower that cost” (P08, Pos. 50).

Aggregated Causes of Merger in Older Nonprofits

Merger is a multicausal phenomenon. All cases under analysis reported at least two main causes of merger. Most cases merged for a combination of internal and external factors. A third of cases merged due to internal reasons only (organizations M04, M05, M08, and M13), and one organization merged due to external reasons only (organization M09). Table 6.3 shows the correlation between cases and themes of causes of merger.

Table 6.3

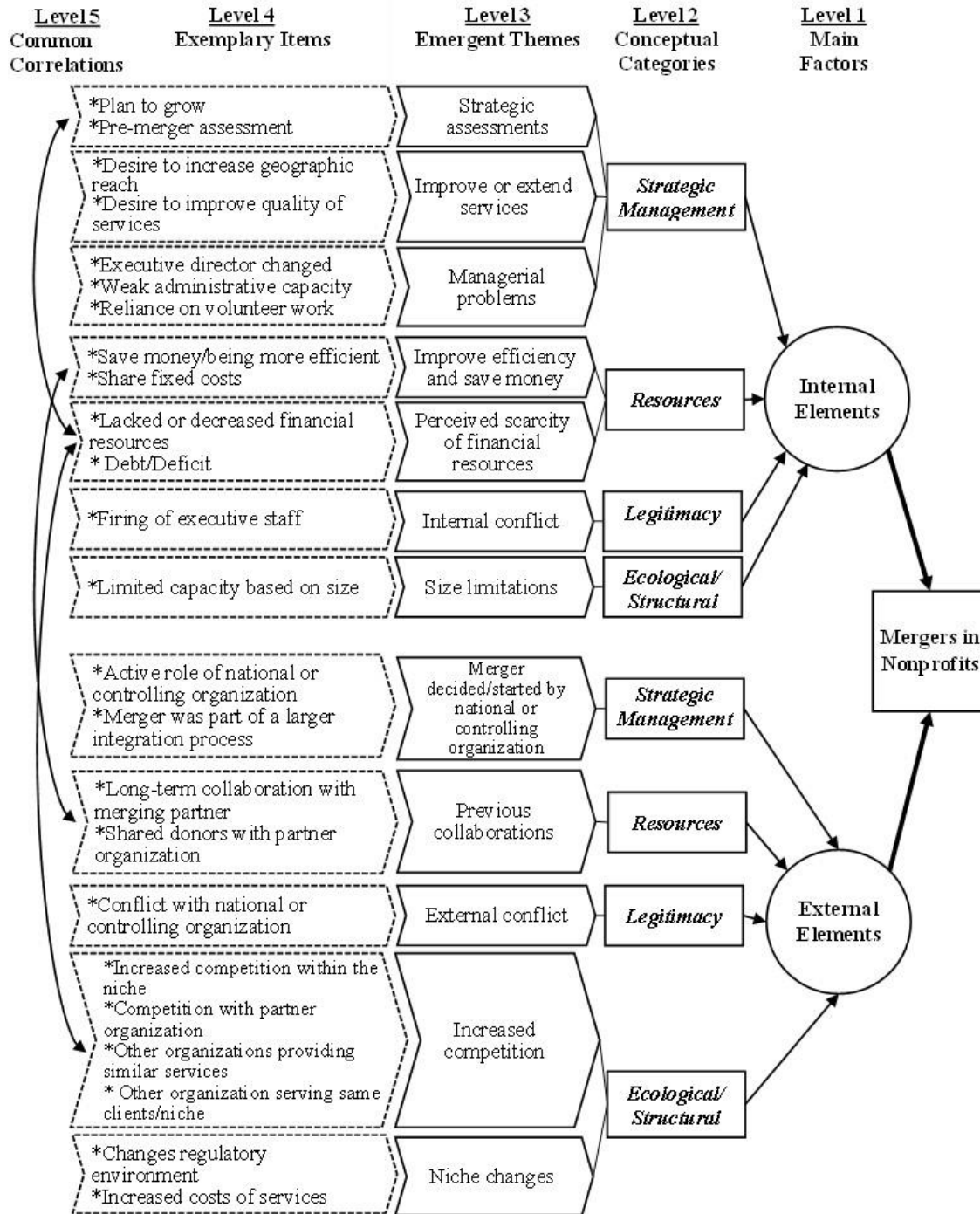
Cases by Empirical Elements Associated with Mergers

Internal Causes														
<i>Category</i>	<i>Theme</i>	1	2	3	4	5	6	7	8	9	10	11	12	13
Strategic management	* Strategic assessments											+		+
	* Improve/Extend services		+		+									
	* Management problems				+	+	+			+			+	+
Resources	* Improve efficiency and save money				+		+	+			+			
	* Perceived scarcity of financial resources	+		+					+	+		+		+
Legitimacy	* Internal conflict			+										
Ecological/ structural	* Size					+								
External Causes														
<i>Category</i>	<i>Theme</i>	1	2	3	4	5	6	7	8	9	10	11	12	13
Strategic management	* Merger decided/started by national or controlling organization							+		+			+	
	* Based on collaboration experience						+				+			
Legitimacy	* External conflict									+				
Ecological/ structural	* Increased competition	+		+								+		
	* Niche changes		+									+		

With the goal of producing a synthesis of the causes of merger in nonprofits, Figure 6.2 presents an analytical representation of the discontinuity of operations in non-surviving nonprofits. The model has five levels of analysis that go from right to the left.

Figure 6.2

Final Model of Causes of Merger in Older Nonprofits



Following the theoretical distinction of the causes of merger, the first level divides the causes of merger between two factors: internal elements and external elements. Per each factor, there are four conceptual categories that help to group the elements associated with mergers. The four conceptual categories are: strategic management, resources, legitimacy, and ecological/structural. These conceptual categories are presented in the level 2.

The third level of analysis presents the emergent themes of elements and conditions associated with mergers in nonprofits. According to the analysis, seven themes are associated with mergers in non-surviving organizations: strategic assessments, improvements or extension of services, managerial problems, desires to save money and improve efficiency, perceived scarcity of financial resources, internal conflict, and size limitations. In terms of external elements, five main themes emerged from the analysis: merger decided or started by a parent/national/controlling organization, previous experience with collaboration, external conflict, increased competition, and niche changes.

The fourth level of analysis contains exemplary items of each emergent theme. Exemplary items are based on the results of cases under analysis. Lastly, the fifth level of analysis presents three common correlations among groups of items marked with arrows. The first common correlation was among *pre-merger assessments* or *a plan to grow* AND *lacked or decreased financial resources* or *debts/deficits*. This combination was found in cases M11 and M13. The second correlation was between *money savings* AND *previous collaboration experience*, which was found in cases M06 and M10. The third

one was between *lacked or decreased financial resources or debts/deficits* AND some form of *increased competition*. Both elements were reported in cases M01, M03, and M11.

The model presented in Figure 6.2 aims at focusing on the elements and conditions that may predict mergers. For this purpose, dotted boxes present a detailed elaboration of reported causes of merger. These examples may function as the basis for future studies that use close-ended questionnaires as principal data collection techniques.

E. Discussion

Multiple Causality of the Merger Phenomenon

The multiple causality of the merger phenomenon is consistent with previous studies of mergers. As Norris-Tirrell (2001) documented, nonprofits merge due to a combination of causes. Among the cases under analysis, all participants reported at least two drivers of merger.

Most nonprofits merged for internal reasons; management problems and perceived scarcity of financial resources are the common reported drivers. Four out of the sixteen cases merged due to internal reasons only, while one case merged due to external reasons only. Common external causes of merger were increased competition and external decisions from the national or controlling organizations.

Theoretical Contribution

The aim of this chapter was to provide theoretical lenses to understand mergers in nonprofits. For this reason, five organizational theories were recuperated; per each of

them, a proposition was offered to guide observations. Some of these theories had been used previously to study closures in nonprofits (Hager, 1999; Fernandez 2008; Searing, 2015) and were recuperated and adapted for this study of mergers.

Resource dependence theory seems to be of value for explaining the responses of organizations seeking to secure funding (Pfeffer & Salancik, 2003). For instance, some of them mentioned the lack or decreased in donations as drivers of the merger. In other cases, organizations look to merger as an opportunity to improve efficiency of their organizations and save money. Moreover, the utility of the resource dependence theory was evident in those organizations that were externally controlled by national or regional networks.

Commitment theory did not seem useful for guiding understanding of mergers in nonprofits. Participants did not report any instances in which the previous commitment of staff, volunteers, or members had facilitated the merging process. Commitment was used as a proxy of strategic culture, which was proposed by Norris-Tirrell (2001) as an internal driver of merger. Strategic assessments and the desires to improve or extend services did emerge as drivers of mergers.

Mission theory did not appear as a useful theory to guide understanding of mergers. Among the cases under analysis, participants did not specifically report that the shared mission of organizations and partners was a driver of merger. They did report that mergers were originated as a way to improve or extend services.

Network theory was useful to understand collaboration motives as drivers of mergers. These collaboration motives had been widely documented in the nonprofit

literature (Proulx et al., 2014; Guo & Acar, 2005). Organizations reported mergers because of either long-term collaboration experiences or the identification of shared donors. However, new institutionalism perspective did not seem to be useful in explaining mergers in nonprofits. Informants did not report instances in which the search to improve organization's image and reputation were driving elements of mergers.

Based on the results presented, other organizational theories that are useful to guiding understanding of mergers in nonprofits are behavioral theory of leadership, liability of smallness, and niche theory. The first theory is useful to explain the role of leaders of organizations to evaluate the path options for the organization and decide among those (Hunt & Larson, 1977; Yukl, 1989). While the small size was reported as impediment in only one case, the liability of smallness argument may be useful to explain the limitations that organizations face based on its size (Freeman et al., 1983). Increased competition and changes within the nonprofit niche also emerge from the analysis; these elements may be framed within the niche theory. This theory focuses on the crowdedness of the organizational fields and the availability of organizations to compete in such niche (Hannan & Freeman, 1977).

The focus on older organizations provided a unique perspective to understand structural limitations of nonprofits and the external changes as drivers of mergers. Specifically, a clear internal structural limitation was the perceived dependence of organizations on their leaders; when they retire or resign, organizations struggled to continue afloat. Participant organizations also reported that increased competition and changes within the niche lead organizations to merge. Thus, these findings are consistent

with the structural inertia argument that proposes that organizations tend to maintain their organizational structures, but this situation limits its ability to adapt and fit the requirements of the external environment, especially when it changes (Hannan & Freeman, 1977, 1984).

Elements and Conditions Associated with Mergers

Other than provide an exploration on the theoretical explanations of the merger phenomenon, this chapter presents a detailed description of specific reported elements associated with mergers (see Figure 6.2). Per each emergent theme, exemplary items are presented (see dotted boxes). This list of items aims to advance the academic conversation on survey designs that would help to identify the causes of mergers in larger populations of nonprofits.

As presented in Figure 6.2, nonprofits may merge for a combination of internal and external elements that may be financial and non-financial in nature. Financial elements such as debts or decreased financial resources may be observed using financial ratios based on information presented in Form 990s. Still, as described by informants, most of the causes of merger are non-financial in nature. In such cases, primary data collection may be the only way to elucidate merger causes.

F. Conclusions

This chapter presents an overview of alternative internal and external forces driving mergers. Up to this point, mergers have mostly been studied as a maximum form of collaboration. Results of this study support *collaboration motives* as a driver of

merger. However, collaboration is just one among other many internal and external forces that explain this phenomenon.

This study documented 12 main elements associated with mergers in nonprofits. Among the internal elements are *strategic assessments, aims to improve or extend services, managerial problems, desires to save money and improve efficiency, perceived scarcity of financial resources, internal conflict, and size limitations*. In terms of external elements, other than *previous experience of collaboration*, four main causes emerged from the analysis of information: *merger decided or started by a parent/national/controlling organization, external conflict, increased competition, and changes within the niche*.

Studies of mergers in nonprofits have often overrepresented the voice of the winners. For instance, given the focus on post-merger evaluations, the experience of non-surviving partners in mergers has been deficiently represented. This study aimed at ameliorating that omission by concentrating on documenting the experience of non-surviving organizations.

This chapter also presents a theoretical framework that is based on organizational theories that help to explain causes of mergers. While this study found scant support for commitment theory, promising organizational theories to understand internal drivers of mergers are behavioral theory of leadership, resource dependence theory, and liability of smallness. In terms of theories to understand external drivers of mergers, network theory and niche theory seem promising. While this study also evaluated the usefulness of mission theory and new institutionalism, these were not useful in explaining mergers.

Results of these study are based on the experience of 13 older nonprofits that were non-surviving organizations in merger processes. The focus on older organizations aimed at identifying the structural challenges that established organizations face when trying to adapt to the changing demands of their environment. While the research design contemplated the inclusion of different sizes of organizations, 11 out of the 13 nonprofits under study were big organizations with total expenses greater than \$500,000. This means that this chapter is mostly a study of larger organizations.

This chapter not only provides theoretical support and an extended list of explanations of mergers in nonprofits, but also advances the academic conversation toward the creation of closed ended questionnaires and survey designs that may assist on identifying the causes of mergers in a larger population of nonprofits. The items presented in the dotted boxes in Figure 6.2 are expected to be the seeds for such structured research designs.

While this study documented financial and non-financial causes of merger, separately, none of these tell a complete story. Thus, scholars studying mergers are invited to study the merger phenomenon comprehensively, allowing their research designs to gather financial and non-financial information.

CHAPTER 7

THE PETER PAN SYNDROME: ORGANIZATIONAL BEHAVIOR IN SMALLER AND OLDER NONPROFITS

A. Introduction

The expectation in nonprofits is that after they are created, they grow up (Stevens, 2002). Some of them do grow up, but others do not. Searing and Lecy (2021) have framed this problem as a transition from a *start-up* phase to a *formalization* phase. They have documented that investments in professional fundraising and access to government funds predict the transition of nonprofits out of the *start-up* phase. This chapter concentrates on the identification of the elements that keep organizations in a *start-up* phase indefinitely.

The thesis of this chapter is that organizations may intentionally or unintentionally decide to continue small due to internal and external conditions. This phenomenon is termed as the Peter Pan Syndrome, which is used as an analogy for small organizations that never grow or have not grown for a long time.

The next section presents the theoretical background of this conceptualization. The third section presents the data and methods used to provide empirical support for the characterization of the syndrome. The fourth section presents a detail description of the elements associated with the continued *start-up* phase. Finally, this chapter concludes with a discussion of the findings and the limitations of this research.

Note that this chapter resulted from an initial exploration of the connection between downsizing and closure in nonprofits. To observe this, small organizations with scant online presence were contacted with the assumption that they were dying because they did not demonstrate evidence of activity. Early in the data collection process, the connection between closure and downsizing was not supported. The four organizations interviewed reported current activities; they just did not have much online presence. The completed interviews provided the seeds for a renovated understanding of organizational behavior in older and smaller organizations.

B. Theories to Explain the Behavior of Smaller and Older Nonprofits

Three Liabilities

This chapter proposes to study the continuity of the *start-up* phase in nonprofits as the intersection of three liabilities: smallness, reliance on volunteers (specifically working boards), and structural inertia. These liabilities have received mixed attention in the specialized literature on the organizational behavior of nonprofits. Furthermore, there is a scant exploration of the intersection of multiple liabilities in the nonprofit literature. This section presents the main elements of each liability and how their intersection affects the behavior of organizations.

The *liability of smallness* argument states that smaller organizations face resource constraints (financial and material), which make it hard to compete in their niche, and ultimately to survive (Freeman et al., 1983; Aldrich & Auster, 1986). There is mixed support for the liability of smallness argument in nonprofit research. In her study of financially distressed organizations, Searing (2018) found no support that larger

organizations are more likely to recover financially than smaller ones. Nonetheless, it seems to be a consensus on the liability of the smallness argument in terms of decreased changes in survival (Fernandez, 2008; Hager et al., 1996).

Size itself is not the issue in small nonprofits, but rather how small size limits their organizational capacity to access critical resources, including financial and human resources (Frumkin, 2002b). Smaller nonprofits are also more likely to report disconnection from the community (Hager et al., 1996). This study proposes that the lack of resources in small organizations makes them rely on volunteers, specifically board members.

For the *liability of working boards* in nonprofits, this study refers to the reliance on volunteer board members to provide fiduciary duties, resources, and programs in the organization. As Singh et al. (1986) have proposed, small organizations are often run by volunteers who provide resources and time. However, there is a limit on the resources that they can contribute to their organizations. While having boards committed to the cause and actively engaging in the organization is a unique characteristic of nonprofits, a potential problem arises when the structure of working boards does not adapt to organizational change.

While it is not clear if having working boards is an intentional decision or a circumstantial element associated with the inability of organizations to access resources, what seems clear is that an organizational structure that relies on working boards prevents organizations from transitioning from a *start-up phase* to a *formalization* phase. Searing and Lecy (2021) have defined this formalization phase as the transition from creating

programs to sustaining programs. The transition from a *start-up* phase to a *formalization* or professionalization phase is characterized as the moment in which the administrative responsibilities shift from volunteers to paid experts (Salamon, 1999).

This study dissertation proposes that in organizations that have settled an organizational structure with working boards have difficulty with transitioning administrative duties from volunteers to paid staff. This means that boards, who are often the founders, maintain almost complete control over the rules and workings of organizations. When the board rotates, there is scarce accumulated knowledge on the organization's functions. Working boards oversee all: fiduciary duties, resources, and programs. They dictate the workings of organizations maintaining a degree of informality in organizational processes.

Even when the processes within organizations with working boards maintain a degree of informality, organizations may battle the inertia of their own structure. *The structural inertia argument* states that organizations reproduce structures to fit within the demands of their environment, but when the environment changes, the inertia or rigidity of their own structures limits their ability to adapt to the new demands of the environment (Hannan & Freeman, 1984; Hager, 2018). When comparing organizations by size, Hannan and Freeman proposed that even though small organizations are more likely than larger ones to change, they are also more likely to die in the process.

This study proposes to understand the *Peter Pan Syndrome* as the intersection of these three liabilities: smallness, working boards, and structural inertia. It is a phenomenon characterized by an organization refusal to grow or the inability to grow. It

is a condition affecting smaller organizations rather than bigger ones. This phenomenon also assumes that the growth comes with age: older organizations are more likely to present this condition rather than younger ones. This syndrome is evident when the structure of working boards has continued indefinitely since the *start-up* phase and organizations never transitioned or transitioned inconsistently to a *formalization* phase (characterized as the moment when organizations hired staff). Organizations exhibiting this syndrome may be more vulnerable than bigger and established ones adapting to new demands of their environment given the reliance on working boards to secure resources.

Background of the Peter Pan Syndrome in Organizations

In humans, the Peter Pan Syndrome has been described the characteristics of people who are unable or unwilling to grow up. This syndrome has been applied to people who avoid the personal and professional responsibilities of adulthood (Page, 2019). Using the analogy of this syndrome helps to understanding the characteristics of organizations that are unable or unwilling to grow.

This phenomenon has received some initial exploration in the behavior of small enterprises that are unable to grow or lessen their growth in order to remain small (Dilling-Hansen, 2017; Choi & Lee, 2020). The Peter Pan Syndrome in organizations seems to be associated with an *intentional* refusal to grow based on internal and external incentives. An external element associated with the intentional refusal to grow is the possibility to maintain government benefits (Sudhir & Talukdar 2015). Among the internal elements, remaining small allows organizations to maintain some degree of *informality* by avoiding transparency or paying less taxes (Sudhir & Talukdar 2015).

At the organizational level, problems associated with this syndrome include less profitability (owners' focus is not solely on profit maximization), low productivity, lack of efficiency, absence of technological innovation, and wage inequality (Choi & Lee, 2020; Small Business in Mexico: The Peter Pan Syndrome, 2014). Additionally, studies have shown that the Peter Pan Syndrome is more evident in small organizations that are also less likely to survive (Choi & Lee, 2020).

As per the public policy implications of this syndrome in organizations, scholars have proposed that governments should define policies targeting long-term growth in small firms rather than maintaining the status quo by continuously giving resources to targeted small organizations (Ok & Ahn, 2019). Counter arguments to this proposal have advocated for the unique characteristics of small organizations that foster entrepreneurial activities and alternative organizational arrangements (Dilling-Hansen, 2017).

Even though the Peter Pan Syndrome has been used to describe the behavior of small organizations, conceptual and theoretical support is virtually absent in organizational studies describing the syndrome. The current study aims to provide theoretical support by characterizing the syndrome as the intersection of three liabilities: smallness, reliance on volunteers (specifically working boards), and structural inertia, and. The next section presents the data and methods used to study the characteristics of the Peter Pan Syndrome in smaller and older nonprofits.

C. Data and Method

Case Selection Criteria

Size. Searing & Lecy (2021) suggest that organizations above the \$100,000 threshold in revenue have transitioned from a startup phase to a professionalization phase. For this study, the focus is on the organizations below this threshold that seem to have been unable to escape the liability of smallness. For this chapter, cases were restricted to organizations that have made less or equal to \$100,000 in revenue during the last three years of activity.

Age. The study focuses on older organizations defined as those with more than 20 years of activity. This study calculates age according to the IRS ruling year, which is the year that the tax-exempt status was granted.

Operational status. The focus of this study is on organizations that have maintained a minimum degree of formality over a long period of time. In this study, this is observed by the fulfillment of federal requirements. As a result, the analysis is restricted to organizations that maintain a 501(c)(3) tax exemption status with the IRS.

Location. While characteristics of the nonprofit niche seem to not be relevant to explaining the syndrome, to minimize the variability among the conditions of the nonprofit sector, cases selected from organizations in the East Coast of the United States.

Data Collection

Based on the characteristics described above, organizations were identified within a subsample of nonprofits that participated in a national study on volunteer management

capacity in 2003 (Hager & Brudney, 2004). Board members of 11 organizations were contacted and interviews with leaders of five organizations were secured.

Data collection followed a three-step process. First, an initial exploration of the cases based on secondary data available online including Form 990s, websites of organizations, and state records was conducted. Second, semi-structured interviews with board members were conducted. After informed consent, interviews were audio recorded. Out of the five cases, this study secured responses from a single informant in four cases, and four informants in one case. All interviews were transcribed. Third, based on the information collected during the interview, secondary sources were analyzed again. Both transcriptions of interviews (narratives) and secondary sources were used for the analysis.

This study is based on the analysis of four cases. Out of the five organizations, one organization entered in what Searing (2020) characterizes as resurrection. This organization lost and regained its federal tax-exempt status at least one time. In addition, the organization reported no current activities at the time of the interview which disqualified it from the selection criteria.

The characteristics of cases are presented in Table 7.1. All are *small* organizations with total revenue of less than US\$100,000. Two of them are required by the IRS to file Form 990-N and the other two are Form 990-EZ filers. Form 990-N is designed for organizations with annual gross receipts of normally \$50,000 and Form 990-EZ is filed by organizations with gross receipts of less than \$200,000 and total assets of less than \$500,000.

Among the cases, the earliest year the IRS granted their tax-exempt status was 1974, and 1999 was the most recent. Each organizations exhibited an active tax-exempt status based on IRS regulations at the time of the interview (2019 or 2021). In terms of the disposition of cases among nonprofit subsectors, two organizations are in the arts, culture, and humanities subsector, an organization in the education subsector, and an organization in the public, societal benefit subsector.

Table 7.1

Description of Cases, Smaller and Older Organizations

Organization ID	Characteristics	Participant ID
S01	Arts organization in New York providing exhibitions and art programs in a historic building.	P05
S02	This organization functions as an advocacy group of multiple organizations focusing on providing better educational opportunities for children living in rural areas. They are in Washington, D.C.	P04
S03	Organization with leadership programs focusing on women of color. They operate in Virginia.	P03
S04	Dance collective providing after school and summer programs. The collective used to provide dance performances, but now they only focus on educational programs. They are registered in Massachusetts.	T05

Methods

This study follows both casing and organizational narrative analysis. The *casing* method is a creative analytic process in which researchers construct a case that connects theory and data to report emerging findings that contribute to larger theoretical concerns (Ragin, 1992; Tracy 2020). This method follows a top-down approach that runs from

theory to data to produce theoretically structured descriptions of the empirical world.

Cases are used to link ideas with evidence to produce theoretically structured descriptions of social phenomena (Ragin, 1992).

Ragin (1992) proposes the “casing” method as a research operation in which cases are put into several operations or layers that go from the broadest theory up to the specific conceptual contribution. In this study, the broadest layer was the analysis of the organizational behavior of nonprofits. Next, the analysis restricts attention to smaller and older organizations. Once this layer was completed, the emerging conceptual finding was the characterization of the Peter Pan Syndrome. The characterization of this syndrome connects organizational theory with empirical evidence.

Organizational narrative analysis is used to examine the interviews with board members and secondary data available online of organizations under study (Vaara et al., 2006). While narrative analysis has been widely used to study organizational demise and transformations in nonprofits (Hager, 1999; Duckles et al., 2005; Searing, 2020), the advantage of using organizational narrative analysis is that the attention is directed into the description of organizational change rather than on informants’ experiences—in this case, the board members.

Organizational narrative analysis proposes a holistic approach to the understanding of narratives. Narratives are seen as stories of organizational change that are captured by interviewing members of organizations but also by analyzing the presence of organizations in media such as websites, news, and reports (Millard et al. 2011; Hawkins & Saleem, 2012).

Interviews and online secondary data are analyzed using the MaxQDA software for qualitative analysis. In the next section, the analysis of data frames the empirical characteristics of the Peter Pan Syndrome in smaller and older nonprofits.

D. Findings: Observable Elements of The Peter Pan Syndrome in Nonprofits

Remaining Small

Informants characterized the size of their organizations around three main elements: the reach of the organization, the resources, and the limitations and possibilities around both the current and prospective resources.

The term “mom-and-pop nonprofit” was used by informants to describe the size of nonprofits. This description encapsulated both the reach of the services and the contrast between the organization’s size and their growth expectations. Organizations realize they started as mom-and-pop nonprofits and they either grew or tried but failed. Growth seems to be associated with securing external funding, in this case, local and federal grants:

“We started off as mom-and-pop, quote unquote, [then]² we received a federal grant and even before the Federal grant, the local grant.” (P03, Pos. 117)

In another case, the informant reported that they tried to grow by recruiting new board members and applying for external funding, but later realized that the reach of the organization was somehow constrained to a “mom-and-pop” reach:

² Content in brackets was added to improve the readability of the quotations.

“At one point, we tried to get bigger, and we had a financial manager, and we had administrators, and we were actively looking for board members who work for major corporations. I think we realize; we are just a small, we serve as mom-and-pop nonprofit.” (T05, 44)

Funding for small organizations means stability in terms of programming. While the inability to access funding was not reported by informants, they did emphasize that funding allows organizations to have a perspective on the continuity of current and future programs because money bring with it the prospect in hiring staff:

“Money has never been an issue for us, it never has been, it always seems to come [from] the progress that we’re doing for the programs that we are. But for the future, maybe that’s not such a good idea, maybe, we need the endowment or larger budget[.] The more money you have, the more you will have to hire people.” (P03, 176)

Informants in Peter Pan nonprofits reported half-time staff or no staff. A half-time staff profile was defined as a quasi-volunteer position. As reported by a informant, the half-time staff both believes in the mission and are paid “in a very modest way” (P04, 41). These quasi-volunteer expectations are particularly evident in the qualification’s requirements for the first hirings. They are somehow compared with the commitment observed in the organization’s founders. This means that initial hirings are expected to volunteer or “work for free” (T05, Pos. 52) to show commitment to the organization.

The expectations on the first hirings is a problem that prevents organizations from transitioning from a start-up phase to a formalization phase. In the meantime,

organizations depend on the volunteer work of board members. The dependence on the working boards is described in the next subsection.

Being Dependent on Working Boards

Informants provided information about both their boards and the operations of the organization. The intersection of these two topics allows us to elucidate the characterization of working boards. The three main characteristics of working boards seem to be: (i) they are composed of founders or highly committed individuals, (ii) the complete operations of the organization rely on them, and (iii) they maintain a degree of informality that seems to facilitate communications but that prevents the development a formal organizational structure and transition of power.

When composed of founders, working boards are based on social bonds such as friendship, as described by a informant “it is a board of family and friends” (T05, Pos. 44). When composed of non-founder members, boards are based on friendship and instrumental needs. As reported by a board member, referring to a board member that is not his friend, but he is close to the organization’s operations: “Our third board member is based in [city name], so he's our local guy” (P05, Pos. 40).

Operations of Peter Pan nonprofits seemed to be heavily dependent on working boards. Subject organizations differ in how they divide expectations for work among board members. For some cases, the responsibilities seem to be equally shared:

It was such a great model, it was, to find four people who were willing to share without getting paid at all, all the work that you have to do as a dance company,

as a nonprofit. They share the fundraising, they share the budgeting, they share the producing, they mentored each other, the choreography, the rehearsal things, all that, they are really close, they still got together, as friends, an amazing bond. (T05, 52)

In other cases, operations of the organization seem to rely on one or two board members. As the quote below illustrates, the growth expectations in terms of operations seem to be associated with the inclusion of new board members with specific skills:

The board would need to be restocked, you know, with people that have sort of project management experience that have cultural experience and, if that is the case, you know we've our goal, [it] is to make this a more of a regional center so that it's not just local watercolors and pottery that's being shown there. (P05, 57)

Working board members maintain a degree of informality. This is particularly evident when informants refer to board member meetings, and even compare these meetings in reference to more *formal* organizations:

So, all our board calls happen, you know, they're on the phone, and they happen to it depends on what we're doing so. Now we're trying to sort of ramp back up and do some programming and we have a scholarship that we're about to announce. So, our board calls have been a little bit more frequent sometimes. It's just a couple of us. But it's relatively informal like I've been I've sat in on board meetings, where you know, everything, there's a strict agenda and things are like that, but since we're such a small organization, we tend to be a little bit more informal and try to just keep things going. (P05, 41)

In another case, the informal board member structure is justified based on the unique characteristics of the organization. The below quote is from an organization that reports serving member organizations rather than individuals.

It doesn't have a traditional 501(c)(3) board, it is not like a board, in that traditional sense. It's organizations that want to support the work to advance educational opportunities for rural kids and that's really at the heart of it. (P04, 80-81)

The informality in the board structure seems to be a liability for organizations, especially when working boards want to retire or leave and need to delegate power to other members. In a case where working board members plan to retire, informants talked about the need to give a mission framing to the new leadership. This framing has the goal of guarding, protecting, and sustaining the legacy of the organization (P03, Pos. 204-205). Although smaller organizations maintain a degree of informality in both board structure and operations, as time passed. They also face the structural inertia effects in their weakly structured organizations.

Battling Structural Inertia

Structural inertia limits the ability of organizations to adapt to the conditions of their environment (Hannan & Freeman, 1984). From the analysis of data, this is evident in two elements: the structure of the working boards and the tension between formal and informal processes within organizations.

Given the reliance on working boards, the structural inertia in small organizations seems to be associated with replacement and generational problems on the board. An example is a board member with the desire to retire, but without the certainty that someone will continue the operations of the organization in the way this person expects. In this example, an informant refers to a new member whom she expects to continue the legacy of the organization: “She is the future and that's why, just sigh of relief, you know, in the sense of all the hard work in the legacy, and the love put into these projects will carry on” (P03, Pos. 203). The informant also mentioned that the board members recognize they must change the structure of the organization by making a generational change within the board:

Look at some of the younger ones, is what we can do, you know, to bring some of the younger ones into our focus and to help them kind of give them a foundation. It's older women to younger women. You know what I am saying? Older women to younger women to help them have a foundation to be successful and make sure that they have what they need. (P03, 92)

Along with the intergenerational tension, processes within small organizations seem to present a formality and informality tension. It is clear that they are aware of regulatory filing requirements, as reported by a informant: “I have to sit up at night put all this icing on the cake, to make sure that we are legal, a Ford Motor Company” (P03, Pos. 140). But they also maintain a degree of informality at the board level. For instance, as described in the previous subsection, informants reported irregularity and informality in board meetings. Considering that all the operations of organizations rely on board

members, the informality of board member meetings seems to negatively influence the capacity of organizations to develop a formal organizational structure and to establish the roles of members.

The Peter Pan Syndrome

The emergent finding from the analysis of the three above liabilities is the characterization of the Peter Pan Syndrome in nonprofits. The use of this term, Peter Pan Syndrome, aims at understanding the elements present in organizations that hinder growth. Organizations with this syndrome are characterized as having a body of an adult (being old) and the mind of a child (being small and having informal structures).

The body of an adult. Organizations in the study are at least 20 years old. Informants reported surprise when asked about how many years the organization has been operating, with statements, such as “I can’t believe that we’re 34, 35 years old, it seems like yesterday” (P03, Pos. 16).

The mind of a child. It is not clear whether small organizations maintain operations informally, or whether a lack of routines inhibits the growth. What is clear is that small size and informality are closely related. As described by a informant: “but since we’re such a small organization, we tend to be a little bit more informal and try to just keep things going.” (P05, 41)

Origin of the syndrome. At the organizational level, an informal working board member structure seems to be the pivotal element that prevents organizations from growing. Working board members are overprotective parents of organizations but have

limited resources to offer. When they try to expand the organization, by including more board members or hiring staff, these demands can discourage participation of new people. As an example, a informant reported the inability to include new working board members:

When we starting to interviewing people to see if we can get someone else in, you know people were not really interested in having a company that was called [nonprofit name], they wanted their own name on a company, they were not interested in doing all that work for free, at that point, we give it up on having a manager, we couldn't afford it, they were not interested in the model. (T05, Pos. 52)

While the ability to grow may be associated with external factors such as the composition of the niche and the competitiveness of organizations in comparison with other organizations, external factors seem less relevant to explaining the Peter Pan Syndrome. Informants do not report external conditions that limited ability to grow.

Effects of the syndrome. At the organizational level, organizations that experience the Peter Pan Syndrome have problems with the continuity of both the mission of the organization and the organization itself. Since the mission is somehow linked to the unique vision of the working board members, their departure heralds considerations on the closure in the organization. An informant reported that when the founders retired, the organization even changed its brand name to establish the difference between the organization that retired and the organization that continued (reported by participant T05, organization S04).

In the cases in which organizations were able to renew the leadership, the organizations start almost from scratch with a renovated mission and programs. The only advantage is that they do not need to incorporate the organization again. As an example, a informant from a new board refer to how they received the organization: “This all came to a head about 2015, 2016, another local gentleman stepped in, and him, and I, and a friend *took over* the organization from this sort of negligent born” (P05, Pos. 18).

Since the focus of this study is at the organizational level, the effects of the Peter Pan Syndrome on the economy and society are hard to apprehend. What seems to be evident is that the accumulated knowledge in terms of programming in small organizations is somehow lost every time that small organizations change their leadership.

E. Discussion

The Peter Pan Syndrome helps to elucidate the organizational behavior in smaller and older nonprofits as a condition that prevents them from transitioning from a *start-up* phase to a *formalization* phase. The Peter Pan Syndrome has been discussed in organizational studies, specifically in micro and small firms (Dilling-Hansen, 2017; Choi & Lee, 2020; Sudhir & Talukdar 2015). However, previous studies have provided scant theoretical support for the syndrome.

This chapter proposes the characterization of the Peter Pan Syndrome as an intersection of three liabilities: (i) liability of smallness, (ii) liability of working boards, and (iii) liability of structural inertia. Organizational studies have proposed that smaller organizations face resource access constrains (financial and material) that inhibit

competition in their niche, and subsequent survival (Freeman et al., 1983; Aldrich & Auster, 1986). Since small organizations face limitations in accessing resources, they rely on their volunteers, specifically their board members. As time passes, organizations that maintain this structure may also battle the inability to adapt to the changing conditions of their environment. As these liabilities intersect, organizations may experience the Peter Pan Syndrome.

Searing and Lecy (2021) have identified some of the conditions that help organizations transition from a *start-up phase* to a *formalization phase*. The conceptual development of the Peter Pan Syndrome helps to characterize the conditions experienced by nonprofits that never transition or transition inconsistently to a formalization phase.

Based on the analysis of interviews with four organizations, at the organizational level, the syndrome is explained by the control and reliance of small organizations on working boards. Boards maintain control of the organizations and limit the inclusion of new members given the demands on prospective board members and staff. Moreover, the informality of processes managed by working board members seems to be strongly associated with maintaining the small size of organizations. This turn becomes a recurring mechanism; they maintain it informally because they are small, and they stayed small because they lack formal structure and operations.

The formality and informality tension in organizational processes is a central characteristic that prevents organizations from moving out of the start-up phase. It can be argued that organizations are formal if they keep reporting to government agencies (in the cases under study all had maintained an active tax-exempt status). However, the

informality in these same organizations is evident. That is, their programs and activities tended to be inconsistent and spontaneous.

In terms of the effects, the mission and the organization itself are at risk in organizations experiencing the Peter Pan Syndrome. This means that in the best scenario, when smaller organizations change the leadership, the organization continues but with a new mission. In other cases, that are out of the scope of this chapter, leadership changes increased the risk for organizations to close. What is also clear is that since organizations maintained a degree of informality in their operations, all the accumulated knowledge is somehow lost when the leadership changes.

F. Conclusions

This chapter aimed to expand our understanding of organizational behavior in smaller and older nonprofits. Specifically, this study concentrates on identifying the limitations for nonprofits to transition from a *start-up* phase to a *formalization* phase. These limitations are studied in smaller and older nonprofits that never transitioned or inconsistently transitioned to a formalization phase.

The understanding on the limitations to transition out of the *start-up* phase are framed with the lenses of three liabilities: smallness, working boards, and structural inertia. This study proposed to comprehend these liabilities within the analogy of the Peter Pan Syndrome. Organizational studies have used this concept in the past to understand the intentional or unintentional decision of organizations to remain small. This study aimed to provide theoretical and empirical support of this characterization.

Four cases function as the empirical exercise to elucidate the characteristics of the Peter Pan Syndrome. The four cases were small organizations (reporting less than \$100,000 in total revenue) that have operated 20 years or more. Primary and secondary data were collected per each case. This chapter used both the casing method (Ragin, 1992) and the organizational narrative method (Vaara et al., 2006) to investigate the intersection of the three liabilities that compose the Peter Pan Syndrome.

Organizations with the Peter Pan Syndrome are characterized as having a body of an adult (being old) and the mind of a child (remaining small and having informal structures). At the organizational level, this syndrome is characterized by explained by the reliance of organizations on working boards. The potential effects of this syndrome at the organizational level include problems for the continuity of both the mission of the organization and the organization itself.

While this study proposes a conceptual contribution, the main limitation is its small empirical base. Future studies should expand on cases by allowing for an analytical or statistical representation of nonprofits. In addition, this study is restricted to the characterization of the phenomena at the organizational level. Future studies should address the environmental conditions that foster or limit the ability of smaller and older organizations to grow.

Lastly, for members of smaller and older nonprofit organizations that have been unable to grow, this study encourages working board members of smaller organizations: (i) to put in place plans to renew the leadership, (ii) avoid volunteer expectations when

hiring staff (such as high compromise and unpaid work), and (iii) sustain the mission of the organization in the long term by systematizing organizational processes.

CHAPTER 8

SUMMARY, CROSS-CASE ANALYSIS, AND CONTRIBUTIONS

This chapter presents a summary of the results presented in previous chapters, a cross-case analysis focused on the internal and external elements associated with organizational discontinuities in nonprofits, and a discussion of the contributions of this research. This chapter also presents the limitations of this research and the agenda for the study of organizational discontinuities.

Sections A, B, and C focus on the summary of results. Section A presents a summary of the concepts and theories visited and the value of such developments for the understanding of organizational change in nonprofits. An evaluation of the data and analytical methods used is presented in section B, while Section C concentrates on the discussion of the categories of organizational discontinuity that emerged from organizational autopsies.

Section D presents the cross-case analysis that concentrates on the elements that seem to explain the phenomenon of organizational discontinuity in nonprofits. Sections E and F present a discussion of the contributions of the dissertation. Lastly, section G discloses the limitations of this study, and section H presents the agenda for future studies that aim to understand organizational discontinuity in nonprofits.

A. Concepts and Theories

Organizational discontinuity is proposed as a concept to break with the existing paradigm in which nonprofits are assigned to either *alive* or *dead* categories. These

restrictive boxes have limited our understanding of the operational status of nonprofits. For instance, up to this point, the practice has been to label as “dead” a nonprofit that lost its tax-exempt status, without examining if such organization continues in some capacity. For instance, this was the case of early developments of the population ecology; Hannan and Freeman (1988) refer as “disbanded” to those labor unions that no longer appear on administrative records.

Organizational discontinuity aims to function as an umbrella concept to describe the diversity of operational status in nonprofits. Organizations may be certainly *dead* when they have ceased operations and have reported termination to state and federal authorities. However, in other cases, as documented by Searing (2015), organizations may experience resurrection or reincarnation—a renewal of operations. Thus, the *organizational discontinuity* concept is an orientation to consider other transitions apart from *life* and *death*. This umbrella concept also detaches from negative connotations such as demise and failure. Such concepts have been used in previous studies of closure in nonprofits, but they do not consider well thought organizational strategies, such as achieving their initial purpose or activating a strategic merger.

To understand the instances in which nonprofits experience organizational discontinuity, a conceptual and theoretical framework is presented. The framework focuses on the explanation of closures and mergers of non-surviving organizations. These phenomena are studied as characteristic organizational discontinuity types. The presented framework recuperates previous theoretical developments of nonprofit demise (Hager,

1999; Fernandez, 2008; Searing, 2015) and is rooted in organizational theories that aim to uncover internal and external elements associated with organizational discontinuities.

Internal Focus Theories

Based on the findings in Chapters 5, 6, and 7, organizational theories that are useful in explaining internal elements associated with organizational discontinuities in nonprofits are the behavioral theory of leadership, resource dependence theory, commitment theory, liability of smallness, and conflict theory.

The *behavioral theory of leadership* is useful in explaining the managerial challenges that not only executive staff but also board members face when deciding and evaluating the path of their organizations. Some leaders have the option to plan and evaluate their options (to close or to merge); for other organizations with fewer resources, the only option may be to cease operations.

Resource dependence theory also clarifies the limitations associated with the revenue structures of nonprofits. Specifically, dependency on a main source of revenue is associated with closure. This is consistent with previous studies that propose that revenue diversification increases the survival prospects of nonprofits (Lu et al., 2020). For the study of mergers, resource dependence theory helps to frame the motives of organizations to maximize their resources by merging to save money.

Commitment theory helps to promote understanding of closures in nonprofits. While this theory had been used before to explain dissolution in nonprofits, until now, previous studies have not found empirical support for lack of commitment and closure

(Hager, 1999; Searing, 2015). There is insufficient support for commitment theory to explain mergers. None of the cases under analysis report instances in which the lack of commitment among participants influenced the merging processes.

The *liability of smallness* was another useful theory to explain organizational discontinuities. In particular, the small size of organizations was reported as a cause of closure and as a perceived limitation to the organizational capacity in a merger case. These results are consistent with previous studies that have documented the connection between small size and closure (Hager, 1999; Fernandez, 2008). Nonetheless, as documented in Chapter 7, some small organizations may operate for several years with modest capacity relying on the resources provided by their boards. This dissertation study also documented the connection between small size and informal processes. Participants reported that since their organizations are/were small, they keep it informal; this in turn limited the availability of organizations to formalize their processes and grow.

While the theoretical and methodological design of this dissertation does not contemplate the inclusion of *conflict theory*, this theory makes sense of emergent findings. Closing and merging organizations reported ongoing conflict as a cause of organizational discontinuity. Instances of conflict were discord among members, firings, and conflict with parent/controlling organization. While conflict theory was incorporated into Hager's (1999) theoretical framework, he did not find support for this theory, but Searing (2015) did.

While this study focused on older organizations with the hope of identifying structural challenges of established organizations, the *structural inertia* argument was not

useful for explaining organizational discontinuities. However, the lack of empirical support for this theory may be due to a problem of operationalization of observable elements. For instance, on how to capture instances of deficient adaption to the changing conditions of the environment. From Peter Pan's cases (in Chapter 7), structural inertia may be associated with the governance structure of organizations (with working boards) that perpetuates the dependence of organizations on their leaders. Especially in smaller organizations, the adaptation of organizations to the changing demands of the environment may be more dependent on the ability of their leaders to respond to the new conditions and less on the flexibility/adaptability of organizational structures to respond to those.

External Focus Theories

Four theories were used to explain external conditions associated with organizational discontinuities in nonprofits. Chapters 5 and 6 show network theory, new institutionalism, and niche theory as useful. However, mission completion theory was not of utility to explain organizational discontinuities.

About *network theory*, participant organizations reported failure to collaborate as a cause of closure, and previous experience collaborating with a partner organization as a driver of mergers. This means that the isolation of nonprofits may be detrimental to their survival chances. The connection between the lack of networks and closure has also been documented in previous studies of demise in nonprofits (e.g., Searing, 2015).

New institutionalism theory also helps to explain closures in nonprofits. This theory helped explain the decline of the organization's image/reputation as an element

associated with closure. These findings are consistent with previous studies of closure in nonprofits (Hager, 1999; Fernandez, 2008). However, in merger cases, the search to enhance the image and reputation did not seem to be a relevant factor in explaining mergers.

Finally, *niche theory* was also useful in shedding light on organizational discontinuities in nonprofits. Both closed and merged organizations reported increased competition as a precursor of organizational discontinuity. Organizations that experienced mergers were specific about the instances of competition and the particular changes in the environment that affected their niche. These findings are consistent with previous studies of nonprofit closure (e.g., Hager, 1999).

While this study also included *mission completion theory* as a potential perspective to explain organizational discontinuities in nonprofits, this theory did not receive empirical support. Participants did not report that the closure was associated with the accomplishment of an organization's mission. The conclusion is drowned for merger cases, participants did not report that their organizations would have looked to merge with another organization to better achieve its mission. These findings present a different perspective on previous studies of nonprofit closure (e.g, Hager, 1999 and Searing, 2015) that document the connection between closure and mission completion. However, this connection was not supported in the cases under study in this research.

B. Utility of Data and Analytical Methods

This study draws on a national subsample of nonprofits. This subsample is based on a volunteer management capacity project (Hager & Brudney, 2004, 2021). Hager and

Brudney drew a sample of 501(c)(3) charities in 2000 and collected data from them in 2003. In 2018, they recuperated these cases to construct a longitudinal dataset and found that approximately 398 cases reported some form of discontinuity of operations either because they dissolved, merged, stopped filling Form 990, did not answer the phone, or contact details were not located.

Thus, those 398 organizations represented an opportunity to study the instances in which nonprofits discontinued. This study develops *organizational autopsies* to systematically triangulate online secondary data and administrative data to produce categories that help characterize organizational discontinuities in nonprofits. Secondary data under analysis includes former websites, news, reports, and administrative information. Using the organizational autopsies method, this study documents 245 organizations that experienced some form of organizational discontinuity (e.g., temporary or permanent). Results of this method also include emergent types of discontinuities in evolving taxonomy of organizational continuity/discontinuity.

To identify the drivers of organizational discontinuity, 36 case studies are developed to characterize the specific conditions of closures and mergers in nonprofits. Data for case studies come from interviews with former representatives of nonprofits and the results of the organizational autopsies. This study follows the guidelines for the case study method proposed by Yin (2018). The case study method is complemented with narrative and content analysis (Bernard et al., 2017). Initial codes for the analysis of closure cases came from Duckles et al. (2005), but the codebook is updated and

complemented based on emergent findings (see Appendix D). For the study of mergers, a new codebook is developed (see Appendix E).

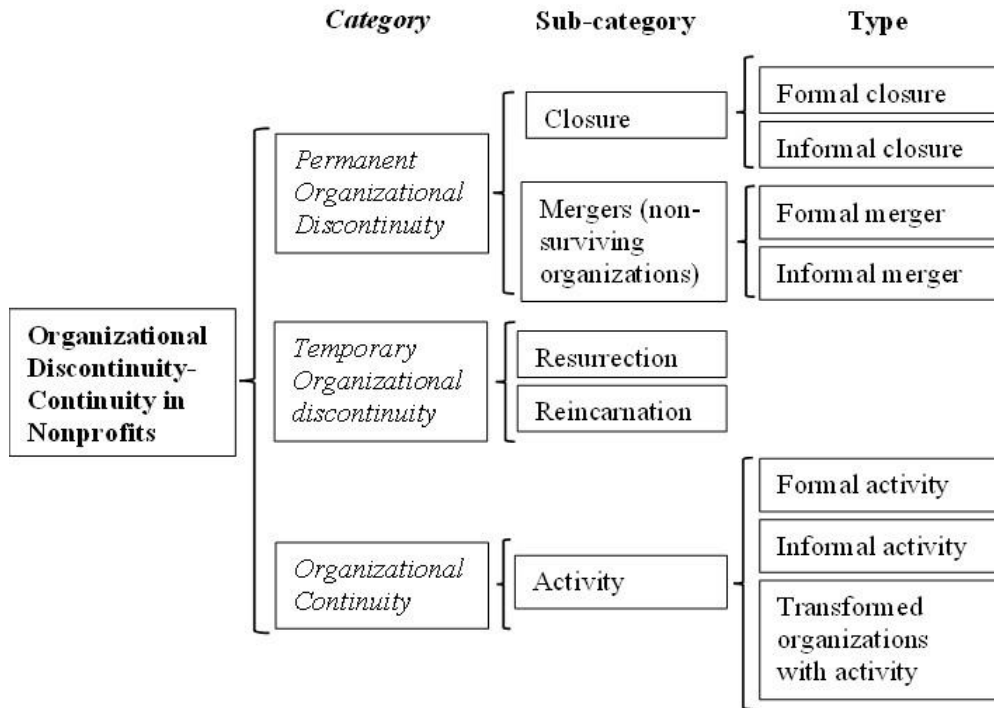
C. Categories and Types of Organizational Discontinuity in Nonprofits

The results of the organizational autopsies help to describe organizational discontinuities across categories, sub-categories, and types. Distinctions are based on both, existing conceptual developments and the triangulation of secondary online data and administrative data. Figure 8.1 presents the emergent taxonomy of organizational discontinuity-continuity in nonprofits.

Three emergent categories help to describe the operational status of nonprofits: permanent organizational discontinuity, temporary organizational discontinuity, and organizational continuity. *Permanent organizational discontinuity* refers to the status of nonprofits that cease operations permanently which often involves the loss of their tax-exempt status and dissolution of their corporate identity. *Temporary organizational discontinuity* helps to describe organizations that discontinue operations for some time. They lost and regained their tax-exemption status or dissolved their corporate identity and create a new corporation similar to the previous one. The last category, *organizational continuity* refers to organizations that show evidence of current operations and that often report such to either or both tax-exempt authorities and state authorities.

Figure 8.1

Taxonomy of Organizational Discontinuity-Continuity in Nonprofits



In the *permanent organizational discontinuity* category, two subtypes are defined: closures and mergers (of the absorbed organizations). These are characterized as permanent discontinuities because the structure of the organization disappears. Nonprofits experience closure when they stop activities permanently. In terms of mergers, non-surviving organizations are those that stop activities permanently as independent corporations, and they now operate under another nonprofit.

In the *temporary organizational discontinuity* category, two subtypes are identified: resurrections and reincarnations. As noted by Searing (2020), in these cases, nonprofits stopped activities for a while but restarted at a later point with the same

organizational structure (same electronic identification number: EIN) or a new one (meaning that a new corporation was created with a similar mission).

In the *organizational continuity* category, a single sub-type is defined, *activity*. This subtype helps to describe organizations that show evidence of current operations. Evidence of this activity is found in both administrative and online secondary data.

Based on the results of organizational autopsies, descriptions of operational types emerged. These help to further describe closures, mergers, and activity in nonprofits based on secondary data. For instance, closures and mergers are divided between *formal* and *informal*. Formal closures and mergers are the ones that follow formal procedures at the federal and state levels. This means that organizations in these types fill out Articles of Dissolution or Merger Agreements at the state level and report these changes at the federal level in Form 990. Organizations that do not follow these formal procedures are considered to have experienced informal closures or mergers. An example is an organization that effectively stopped activities but does not report termination /merger to state or federal authorities.

While this study specifically focuses on organizational discontinuity, the sub-category of *activity* helps to further describe the status of organizations. In this sub-category, three types are documented: formal, informal, and transformations. This study found instances in which organizations are up to date in their reporting responsibilities; they are categorized as *formal active organizations*. Other organizations either lose their tax-exempt status or are administratively dissolved at the state level but show evidence of activities in online sources. These cases are categorized as *informal active organizations*.

The last emergent type consists of organizations that experience some form of *transformation*. For instance, a nonprofit that was registered as a religious charity and then became a church (that does not have to report to the government) is an example of an active transformed organization.

D. Cross-Case Analysis: Elements Associated with Organizational Discontinuities in Nonprofits

This section presents a cross-case analysis based on the results of cases studied in Chapters 5 and 6. This cross-case analysis has the purpose to document the internal and external elements associated with permanent organizational discontinuities (closures and mergers of absorbed organizations). Three main elements are highlighted in this analysis: (i) multicausality of organizational discontinuity, (ii) organizations discontinued primarily for internal reasons, but external drivers are also documented, and (iii) both financial and non-financial elements are associated with organizational discontinuities.

First, the clear conceptual statement that emerges from research findings is that organizations discontinue operations for *multiple causes*. These causes may be internal and external, meaning that some of them may be under the control of organizations and others are dependent on external conditions of the environment. Organizational discontinuity is also associated with financial and non-financial aspects of nonprofits' operations.

Second, internal elements better help in explaining organizational discontinuities in nonprofits. Four main internal elements are identified: management problems, perceived scarcity of financial resources, internal conflict, and size limitations.

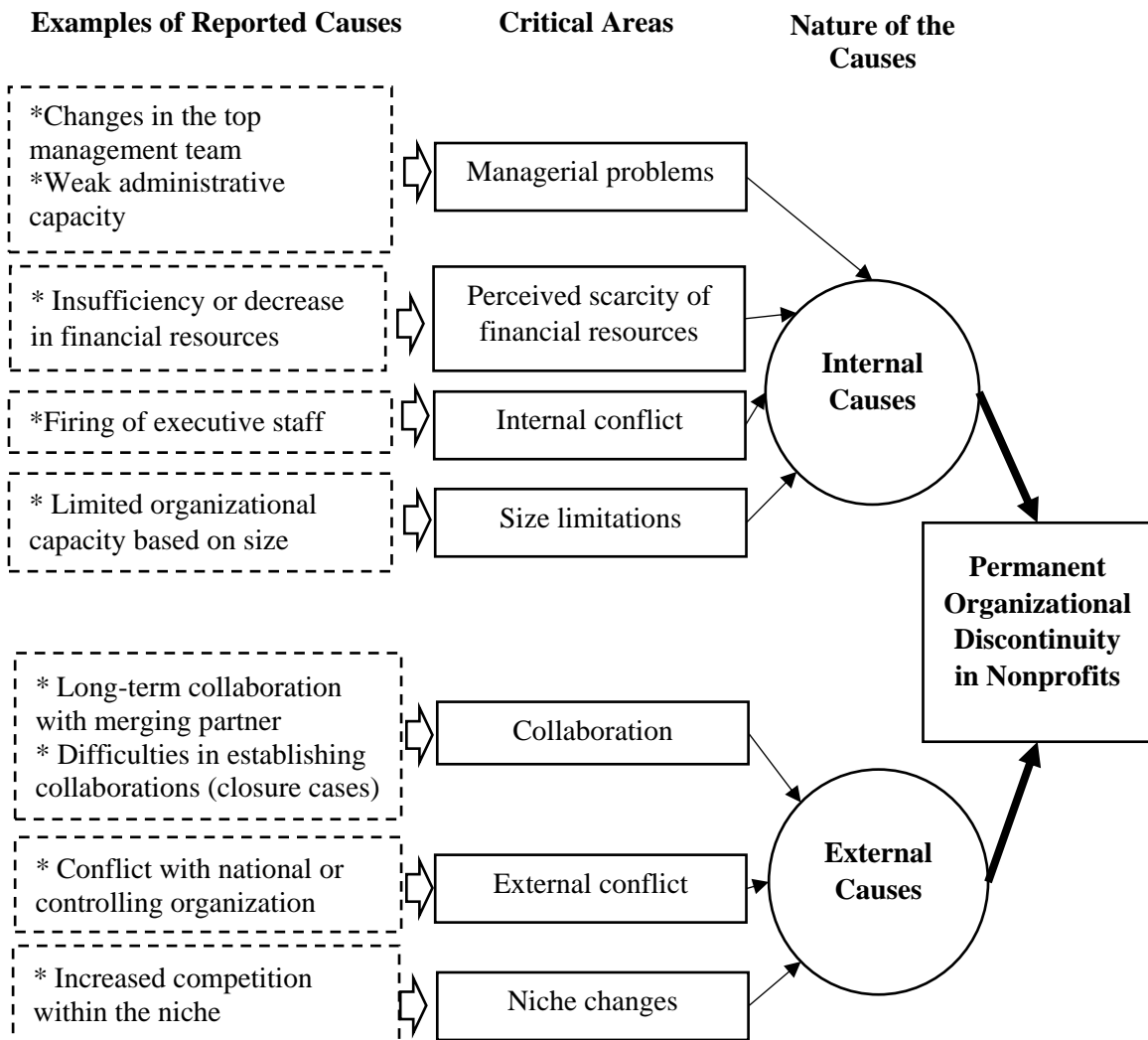
Managerial problems are the most common drivers across cases. Examples of managerial problems include changes in the top management team and weak administrative capacity to oversee resources and programs. Organizations also commonly report decreased or insufficient financial resources including donations, grants, and contracts. While less common, participants also reported internal conflicts, such as firings of executive staff. The small size of organizations as a driver of closures and mergers is also reported in some cases.

In terms of external drivers, collaborations, external conflict, and niche changes are associated with organizational discontinuities. Difficulties in establishing collaborations are reported among cases that experienced closure, while previous collaborations are reported as drivers of mergers. In those externally controlled organizations by a national or a parent organization, the conflict with controlling entities is a driver of mergers and closures. Increased competition within the niche is also a relevant factor in explaining discontinuities in nonprofits.

Third, note that organizational discontinuity is a phenomenon understood by financial and non-financial elements. Although the lack or decrease in funding is commonly reported as a driver of closures and mergers, other non-financial elements such as managerial problems and internal conflicts are critical to comprehensively understanding organizational discontinuities. Figure 8.2 presents the common elements associated with organizational discontinuities in nonprofits.

Figure 8.2

Final Model: Elements Associated with Permanent Organizational Discontinuities in Nonprofits



E. Theoretical and Methodological Contributions

In addition to the specific results on the elements associated with organizational discontinuities in nonprofits (presented in previous sections of this chapter), this

dissertation study has *theoretical* and *methodological* contributions to organizational studies.

In terms of *theories*, this dissertation contributes to expanding the understanding of discontinuous and erratic change in organizations. This proposed paradigm aims at challenging the linear and dichotomous categorization of the life course of organizations (alive vs. dead). The proposed paradigm acknowledges and embraces the variety of terminal outcomes in organizations. For this purpose, the concept of organizational discontinuity is recuperated to frame the instances of discontinued operations in organizations. To explain the causes of organizational discontinuity, a set of organizational theories is used for the analysis.

In comparison with previous conceptual frameworks of organizational demise (Hager, 1999; Searing, 2015), this study adds two theories to the discussion: Behavioral theory of leadership and resource dependence theory. Both are useful in explaining critical elements associated with terminal outcomes in organizations. For instance, this dissertation study documents the various challenges faced by organizations when they relied on their leaders to secure resources and continue operations.

Future studies should further explore and combine both theories (behavioral theory of leadership and resource dependence theory) to expand the understanding of the role of leaders to ensure the persistence of organizations over time. In addition, even though this study does not recuperate the contingency theory of leadership in the theoretical framework, such theory could help to explain the continuity/discontinuity of organizations as an indicator of the effectiveness of their leadership. This connection has

been broadly discussed (e.g., Miner, 2005). Moreover, this theory could also help to explain the connection between working boards and the effectiveness of these government/volunteer structures for organizations to formalize and grow.

In terms of *methods*, this study presents the use of organizational autopsies as an analytical method to diagnose the operational status of organizations. Organizational autopsies have been used as a secondary data analysis method to study the failure of programs (Biron et al. 2010; Fals-Stewart et al., 2004). However, there is a scant elaboration on the processes to perform such examinations as well as the expected results of them.

This dissertation study aims at filling that gap by providing a detailed exploration of a variety of data points useful to perform organizational autopsies, a four-step process to conduct such examinations, and an emergent categorization (taxonomy) of organizational discontinuities. Organizational autopsies are a promising research method that allows researchers to leverage existing information available online to reconstruct and diagnose the operational status of organizations. The method is especially useful when researchers have limited access to primary data collection.

While the organizational autopsy method is a powerful tool to make sense of secondary data, future studies should further expand on the specific guidelines and assumptions. For instance, this dissertation study presents a point system to assess the accuracy of the diagnoses. The assumption was that the more information available to triangulate the higher the accuracy of the diagnoses. However, data saturation should be further discussed as well as the minimum data points to perform examinations. As

documented in this study, some organizations (usually smaller ones) may be only visible in regulatory sources, while other organizations (usually larger ones) are visible in multiple outlets. Consequently, data saturation may only be possible for organizations that maintained a decent online presence.

F. Practical Contributions

This dissertation study also has practical applications. Three key areas are useful for professionals of nonprofits, foundations, and public agencies: (i) inform practitioners of the capacity building areas that their organizations should strengthen to prevent undesired closures or mergers, (ii) inform funders, grant-makers, and grantors, about the grantees or recipients that may be at risk of dissolution, and (iii) inform government agencies and nonprofits working on compiling information of the nonprofit sector about the opportunities to improve regulatory data.

Nonprofit practitioners use several assessment tools to diagnose the status of their organizations and the viability of projects (e.g., scorecards and risk assessments). Among these tools, there are project-specific *premortem* assessments. These are made before a project starts and serve as proactive risk assessments that help to prevent project failure (Martins, 2021).

Elaborating on the aim of *premortem* assessments for projects, the results of this research can contribute to the creation of a *premortem organizational assessment* that would help to anticipate the risk of dissolution in organizations. Based on research findings, such assessment should include financial and non-financial elements. The tool should also help to assess elements under the influence of the organization (internal

conditions) and map out the preparedness of organizations for external situations and events, such as loss of legitimacy and financial crises.

A premortem organizational assessment may be a self-assessment tool for nonprofits, but it can also help funders, grant-makers, and grantors to evaluate organizations they are planning to support. Funders can use a premortem organizational assessment to approximate the risk of organizations of closing. They may use this tool to prioritize the funding or the viability of long-term support.

For government agencies and nonprofits working on compiling information on the nonprofit sector, this research maps out the data points that would help to provide a more accurate representation of the operational status of nonprofits. For instance, this study documented organizations that did check the final return box in their last Form 990 submitted. However, this information was erratically systematized in aggregated datasets such as core files compiled by the IRS and made public by the National Center for Charitable Statistics (NCCS) of the Urban Institute. Therefore, the results of this research document the need for improving the systematization of data of reporting nonprofits.

G. Research Limitations

This study has three main limitations. First, given the focus on nonprofits with long continuous operational trajectories (older nonprofits) that experienced closures or mergers (specifically in Chapters 5 and 6) or that have remained smaller (in Chapter 7), results do not represent the experiences of younger organizations. The experiences of young organizations have been an area of study in previous studies of demise in nonprofits (e.g., Searing, 2015). Furthermore, organizational perspectives such as the

liability of newness (see Stinchcombe, 1965) have discussed the challenges faced by new organizations to survive.

Second, the categorization of cases across types of organizational discontinuities relies on the availability of secondary information, such as websites and social media of target organizations. This means that the experiences of less visible organizations (those that did not have websites or social media) may be underrepresented. To ameliorate this limitation, interviews are collected as primary data to better understand the experiences of organizations of interest.

Third, the research design does not lead to statistical inferences to the population of nonprofits. While this study relies on a national subsample of nonprofits, cases under analysis (in Chapters 5, 6, and 7) were purposefully selected based on conceptual characteristics. The results have analytical generalization that is the counterpart of statistical generalization in quantitative studies. Analytical generalizations focus on expanding and clarifying the characteristics and conditions of a phenomenon. In this study, the larger phenomena described and analyzed are the instances of organizational discontinuity in nonprofits.

H. Agenda for the Study of Organizational Discontinuities

The next steps of the research on organizational discontinuities are divided into three areas: data, capacity building areas, and organizational behavior in nonprofits. In terms of *data*, this study documented the limitations of regulatory information and the opportunities for the use of online secondary data to assess the operational status of organizations. Based on research findings, scholars are invited to question the

characteristics of organizations that left the samples, also known as attrition. Some of them closed, some of them merged, some of them are dormant or have been restructured. How these organizations discontinued operations may be relevant for large-N studies on the demographics of the nonprofit sector. This study aims to open the discussion on the opportunities to triangulate several data points (online, administrative, and primary data) to create accurate representations of the dynamics of the nonprofit sector.

This study also provides a comprehensive perspective on the areas that organizations should strengthen to prevent undesired closures or mergers. The results of this research aim to contribute to the academic discussion on *capacity building in nonprofits* (e.g., Minzner, et al, 2014). Through an in-depth look at what went wrong in nonprofits, this study provides a fresh perspective on the ways to identify critical areas that should benefit from reinforcement. From research results, reliance and changes in the top management team are clear critical areas for older nonprofits to prepare for. Future research should identify the mechanisms that perpetuate the dependence of organizations on their leaders and on how organizations can break such dependencies. Such a study may focus on a revisitation of the resource dependence theory that expands on the financial and non-financial resources (e.g., leaders and founders) that organizations depend on.

Finally, as part of the research process, two questions associated with *the organizational behavior of nonprofits* emerged. These were not possible to be analyzed in this study due to data and research design limitations. First, it seems that larger organizations are more likely to merge while smaller ones are more likely to close. This

hypothesis is based on the analysis of cases in Chapters 5 and 6. Second, an area that requires further attention in nonprofit studies is the behavior of smaller and older nonprofits. The common assumption is that organizations grow at some point in their life course (e.g., Stevens, 2002). However, in Chapter 7, this dissertation documented organizations that never grew up and that have remained small for several years. Future studies should further analyze the growth possibilities of organizations, the limitations they face to grow (internal and external factors), and the deliberate decisions of their leaders so that organizations remain small.

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APPENDIX A
PROTOCOL FOR REGULATORY AND ONLINE SECONDARY DATA
COLLECTION

Table A.1

Summary

Sections	Answers
Organization name	
EIN	
Ruling year	
Search date and time	
Operational status	
Notes on the operational status	
If different than active, approximate year	
Accuracy of the diagnose	

Table A.2

Regulatory Secondary Information (Federal Level)

Data sources	Data points	Potential answers
IRS data	Listed in the IRS Tax Exempt Organization Search	Yes/No
IRS data	If tax-exempt status revoked, date of revocation	MM/DD/YYYY
IRS data Candid/GuideStart	Last Form 990 submitted type	Form 990, Form 990-EZ, Form 990-N, others
IRS data Candid/Guidestart	Did the last Form 990 type is the same than the ones submitted during the last three years?	Yes/No
Form 990	Last Form 990 submitted year	2000-2020
Form 990	Did they mark final return?	Yes/No
Form 990	Website reported in Form 990	Website
Form 990	Is the website active?	Yes/No

Form 990	Financial summary	<i>Report relevant financial information such as \$0 revenue or \$0 or negative balance</i>
Form 990 (Schedule N)	Description of transferred assets	<i>Report information regarding recipient organizations</i>
Form 990 (Schedule N and O)	Do they attach dissolution or merger articles or announcements?	Yes/No
IRS data Candid/Guidestart / Form 990	Report relevant findings to determine the operational status or the causes of the operational status	Open answer

Table A.3

Incorporation and Regulatory Information (State Level)

Data sources	Data points	Potential answers
Secretary of State	Reported administrative status	<i>Dissolution, merger, administrative dissolution, other</i>
Secretary of State	Articles of dissolution	Yes/No
Secretary of State	Articles of merger	Yes/No
Secretary of State	Report relevant findings to determine the operational status or the causes of the operational status	Open answer

Table A.4

Online Secondary Information

Data sources	Data points	Potential answers
Website reported in Form 990	Last activity of reported website	Name
Website reported in Form 990	Report name of the website	Website
Website reported in Form 990	Report relevant findings to determine the operational status or the causes of the operational status	Open answer
Website from general search	Last activity of reported website	Name
Website from general search	Report name of the website	Website
Website from general search	Report relevant findings to determine the operational status or the causes of the operational status	Open answer
Facebook	Report name of the Facebook page	Name
Facebook	Last activity of Facebook page	MM/DD/YYYY
Facebook	Report relevant findings to determine the operational status or the causes of the operational status	Open answer
News	News URL	URL
News	Published date	MM/DD/YYYY
News	Report relevant findings to determine the operational status or the causes of the operational status	Open answer
Other	Identify source	Google Maps / Yelp / websites of partner organizations / other
Other	Site URL	URL

Other	Report relevant findings to determine the operational status or the causes of the operational status	Open answer
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APPENDIX B

INTERVIEW INVITATIONS EMAIL

Email Interview Invitation for closed or merged organizations

Subject: Invitation ASU Research Study

Dear [Potential participant],

This is Tania Hernandez, doctoral candidate at Arizona State University. I am conducting a research study about organizational changes in nonprofits. My study particularly focuses on closure, merger, and downsizing processes. From the research I have done, it seems that [Nonprofit Name] experienced one of these situations (around YEAR).

To better understand the changes that occurred to the organization, **I am inviting your participation in an interview**. The questions of the interview focus on the mission, resources, operations, and last changes in the organization.

The **interview** will take between 30 to 45 minutes. The time depends on the complexity and the unique circumstances of the case. It will take place online through Zoom (or by phone if internet is not available) and will be conducted at a date and time of your choosing. Your responses will be confidential.

This interview is essential for my dissertation research “Organizational Discontinuity in Nonprofit Organizations.” This research aims to inform nonprofit professionals and researchers about the situations and conditions that lead to terminal changes in nonprofit organizations.

If you have any questions concerning the research study, please contact me at therna23@asu.edu, phone (000) 000 0000, or my advisor Dr. Hager at Mark.Hager@asu.edu. Back in 2003, Prof. Hager, who used to work in the Urban Institute, led a research project on volunteer management practices and surveyed [Nonprofit Name]. Right now, I am contacting some of the nonprofits that took part in that study to know more about the current status of their programs and organizational changes.

Thank you for taking the time to read this message and please let me know what time works best for you!

Email Interview Invitation for downsized or transformed organizations

Subject: Invitation ASU Research Study

Dear [Potential participant],

This is Tania Hernandez, doctoral candidate at Arizona State University. I am conducting a research study about organizational changes in nonprofits. My study particularly focuses on closure, merger, organizational downsizing, and administrative transformations. From the research I have done, it seems that [Nonprofit name] experienced one of these situations (around YEAR).

To better understand the changes that occurred to the organization, I am inviting your participation in an interview. The questions of the interview focus on the mission, resources, operations, and last changes in the organization.

The **interview** will take between 30 to 45 minutes. The time depends on the complexity and the unique circumstances of the case. It will take place online through Zoom (or by phone if internet is not available) and will be conducted at a date and time of your choosing.

This interview is essential for my dissertation research “Organizational Discontinuity in Nonprofit Organizations.” This research aims to inform nonprofit professionals and researchers about the situations and conditions that lead to changes in nonprofit organizations.

If you have any questions concerning the research study, please contact me at thern23@asu.edu, phone (000) 000 0000, or my advisor Dr. Hager at Mark.Hager@asu.edu. Back in 2003, Prof. Hager, who used to work in the Urban Institute, led a research project on volunteer management practices and surveyed [Nonprofit Name]. Right now, I am contacting some of the nonprofits that took part in that study to know more about the current status of their programs and organizational changes.

Thank you for taking the time to read this message and please let me know what time works best for you!

APPENDIX C
INTERVIEW PROTOCOL

Project: Organizational Discontinuity in Nonprofit Organizations

Interview Protocol

CHECKLIST

- [] Enter participant information where appropriate
- [] Check backup recorder
- [] Check zoom settings to allow voice recording and transcription to cloud
- [] Double-check that you set the transcription to CLOUD
- [] Open zoom meeting 5 minutes before scheduled interview
- [] Check camera, background and lighting
- [] Set “live transcript” in hidden format
- [] Have pencil ready to take notes or mark questions
- [] Make sure to have water or anything you may need during the interview

[When participant enters zoom meeting and before the recording starts, greet participant and follow the script.]

Hi _____. My name is Tania Hernandez. I am a doctoral student at Arizona State University. Thank you for agreeing to participate in this interview.

As you probably remember from my previous communications, this interview is a part of my dissertation project which focuses on identifying the elements associated with closure, merger, and other terminal changes in nonprofit organizations. I am interviewing people from both currently operating and formerly operating nonprofits. Questions will cover general operations, goals, and situational factors.

I will use the interview data for my dissertation and academic publications. Knowing your story will help guide other nonprofits to identify the situations that lead nonprofits to change.

The interview will take about 30 minutes to 1 hour, and it will be recorded. Your participation is voluntary, and you can skip any questions you do not want to answer or to stop the interview at any time.

Do you have any questions about the study or today’s interview?

[Answer any questions the participant may have].

Before we begin, I need to verify your name and age. Don't worry, this information will not be recorded nor will it be included in the transcript from the interview.

Please state your name: (name of participant) (check if name is correct)

Are you 18 years old or older? _____

Thank you.

Great, let's start! I will now turn on the recording.

*****PRESS RECORD BUTTON*****

TURN ON BACKUP RECORDER

Today is _____ (date) and it is _____ (time).

This interview is with participant _____ (enter participant's Study ID #)

Can you please answer the following questions by stating Yes or No.

- Can you verify that you voluntarily agree to participate in this interview?
- Can you verify that you consent to having the interview recorded?

Thank you for answering these questions.

Part I. Organization's background

To begin with, I would like to confirm the name and founding date of the organization:

Name: _____ (write nonprofit's name),

Founding date: _____ (write year listed in Form 990)

1. Would you briefly tell me how the organization got started? Or what you know about how the organization got started?

2. Was the organization in existence in some form before formal incorporation? If yes, for how long?

3. What is/was the mission of the organization?

4. What are/were the core activities of the organization?

5. What is/was your role in the organization?

Part II. Organizational changes & decision makers

Now let's talk about changes in the organization and people that have led such changes.

6. How would you describe the current state of the organization? If clarification needed, I mean in terms of operations, does the organization have operations right now?

If closure/dissolution/termination in Q6:

7. When did the organization formally stop operating?

8. How long would you say that the organization was in a shut-down phase? In other words, how long does it take to close the organization?

9. In terms of speed, how would you describe the closure process? Was it a gradual process or an abrupt process? What makes you say that?

10. Did the organization have something you'd call a "closure process"? Who lead the closure process? Was there a person or a committee in charge of the closure process?

11. What would you say are the central reasons that the organization closed its doors?

12. Who decided to close?

13. What do you think could have been done to prevent the organization from closing?

14. Is there anything you wish you had known earlier?

15. If not closure, what could have been the alternatives for the organization?

16. Did you consider merging with another organization?

17. What actions had to be implemented for closing the organization?

18. Did the organization have any assets or money left at the end? What happened with the remaining assets and financial resources? Did you transfer them to another organization?

19. What happened with the staff and volunteers of the organization? Were there any actions implemented to provide for the staff or volunteers?

20. After the closure, did any of the programs or activities of the organization carry on in some way?

If merger/acquisition/consolidation in Q6:

22. With which organization did your organization merge?

23. Who decided to merge?

24. Which of the two organizations first posed the idea of merging?

25. Was there a formal merger process, or did the combination happen more informally? When did the merger process finish?

26. Who led the merger process? Was there a person or a committee in charge of the merger process? Were members of both/all organizations involved in the merger process?

27. How long did it take to merge?

28. In terms of speed, how would you describe the merger process? Was it a gradual process or an abrupt process? Why?

29. What forces led to the decision to merge the organizations? What would you say are the central reasons why the organizations merged?

30. Had the organization collaborated with the merging partner before the merger? In what ways? Were there any programs in common?

31. In terms of balances of power, how would you describe the merger process? Did one organization have more power than other(s)? How so?

32. What actions had to be implemented for merging the organization?

33. What happened with the remaining assets and financial resources? Did you transfer them to the merging partner or another organization?

34. What happened with the staff and volunteers of the organization? Were there any actions implemented to provide for the staff and volunteers?

35. After the merger, were the programs or activities of the two organizations cut back, maintained, or expanded?

36. Did you and others in the organization think that merger was a good idea?

37. If not merger, what could have been the alternatives for the organization?

38. Did your organization considered merging with another organization other than the one you mentioned?

If alive in some form/dormant in Q6:

39. Have there been any periods of complete inactivity for the organization? If yes, why and when did the organization pause activities?

40. Does the organization have an executive director? If yes: How many years have she/he been in this appointment?

41. Does the organization currently have a board? If yes: How many members does the board have? Have there been any changes in board composition? What about last year, how many board members did the organization have?

42. Does the organization have paid staff? If yes: How many staff members does the organization have? What about last year, how many staff members did the organization have?

43. Does the organization have volunteers? If yes: How many volunteers does the organization have? What about last year, how many volunteers did the organization have?

44. In the last year, did the organization expand programs or get a new grant or contract?

45. In the last year, did the organization fire a top executive? Are you willing to share the reasons why this person was dismissed, in a general way?

46. Have there been other important changes in the organization in the last year?

47. Is the organization considering closing or merging with another organization soon or in the short term?

[NOTE: If closure or merger continue with parts III to IX, if alive in some form continue part III-B to IX-B (p. 12-16)]

Part III. Mission and goals

Now let's talk about the mission and changes in the goals of the organization. Note: If a merger case, "For all the following questions, please think on the organization BEFORE the merger".

48. Do you know what were the short-term and long-term goals when the organization started?

49. Have the goals changed over time, either in terms of the mission or the means of achievement?

50. Did the organization accomplish its original mission?

51. How would you describe the scope of the mission? Was it too broad, in the middle or too narrow? Why you say so? **If clarification needed:** Was the mission specific or general?

52. What were the major obstacles that the organization faced in completing its mission?

53. Is there anything you wish the organization had done differently in terms of its mission?

The following questions are about the relationship of the organization with its clientele.

54. How did clients or participants find out about your services or activities?

55. What might clients or participants say the best thing about the organization was?

56. What might clients or participants say the organization needed improvement in?

57. Would you agree with their assessment?

58. How do you feel you could have improved your programs, if you think you could have?

59. Did clients or consumers of the organization's services stop attending or buying services?

60. Did the organization try to provide some activity or program to members or clients, and it failed to accomplish it?

Part IV. Resource dependency

The next set of questions deal with the financial and non-financial resources of the organization. Let's start with the financial resources and assets.

61. What were the primary sources of revenue of the organization?

62. Was there a source of revenue that the organization particularly depended on?

63. If dependency on a primary source: Without this source, could the organization have continued operations? If yes: For how long?

64. Did the organization receive funding from government either in the form of contracts or grants? How important was government funding to the operations of the organization?

65. Thinking in the last period of activity of the organization, would you say that the organization had **more** revenue or **less** revenue than in the past? Why?

66. In order to continue activities, did the organization change or try to change its revenue streams? Why?

67. Did the funding for the organization dry up? Were funders no longer interested in funding the organization and its mission? Funders can include donors, foundations, government agencies and companies.
68. Did the organization transfer most or all its resources to another organization? May I know which organization(s) received those resources?
69. Did the organization have enough money to pay their bills? Did the organization have bad debts?
70. Did the organization have assets or properties? I mean things that the organization owned such as buildings, materials, or even intellectual property. **If yes:**
- 70.1. What would you say was the main asset of the organization?
 - 70.2. Without this asset, could the organization have continued operations?
Why?
 - 70.3. Did the organization sell or donate most or all of their assets? May I know which organization(s) received those assets?

Now let's talk about the human resources of the organization, including volunteers and staff

71. Did the organization have paid staff? About how many paid employees did your organization typically have?
72. Other than the board members, did the organization have volunteers or unpaid interns? About how many unpaid individuals provided time to your organization in a typical year?
73. Was there a person in whom most of the operations of the organization depended on? Was this person a staff member or a volunteer? If one person, what do you think most of the operations of the organization depended on this person?
74. What would you have changed in terms of the skills and capacity of people in the organization? Do you think that the people in the organization had the skills and capacity to do the work of the organization? If clarification needed: Did most of them **lack** or **have** the skills and capacity to do the work of the organization?

**** Halfway point. Check time and adjust as needed.****

Part V. Legitimacy and institutional pressures

The next set of questions deal with the legitimacy the organization has or had and the pressures that the organization faced.

75. Apart from organization's participants, who were the top three people or institutions that recognized the value of the organization?

76. Was the organization perceived as needed among the community? What makes you say this?

77. Was there interest or need in the community for the services or products of the organization?

78. Would you say that the community support got stronger or weaker over time?

79. In order to be recognized, most of the time organizations need to meet the expectations of external stakeholders, such as community leaders, governmental agencies, and the general public. What would you say were the major challenges that the organization faced to meet stakeholder expectations?

80. Did the organization suffer any damage to its reputation? If clarification needed, was the organization involved or wrongly associated with scandals? This could include scandals because of mismanagement of resources, leadership problems, or even program failure.

Part VI. Size perception

The following questions are about the size of the organization.

81. How would you describe the size of the organization? Was it a small, medium or big organization? What makes you say this?

82. Would you say that the size of the organization facilitated or impeded the operations?

83. If the organization would have had **less resources**, including both financial and human resources, would it have been the same story?

84. If the organization would have had **more resources**, including both financial and human resources, would it have been the same story?

Part VII. Commitment

The next questions are about the relationships among the people in the organization.

85. Would you say that the commitment to the organization decreased or increased over time? Why you say so?

86. Did members and people who were working for the organization left or abandon the organization? For instance, managers, employees, or volunteers. **If yes:** Why do you think they left?

87. Did people in the organization exhibit frustration or burnout? **If yes:** What would you have changed to reduce the frustration or burnout?

88. How would you describe the relationships among the people in the organization? Would you say that these facilitated or impeded the operations of the organization? Why? If clarification needed: In other words, would you say that the relationships among people helped or hindered the operations of the organization?

Part VIII Structural inertia

The next questions are about the rules and structure of the organization. First, please think on the rules and processes of the organization.

89. Would you say that the organization had a flexible or rigid structure? Why do you say so?

90. Did the formal rules of the organization change over time? This could include changes in the bylaws or main processes of the organization.

91. Would you say that the organization adapted easily or with difficulty to the demands of external stakeholders? Why?

92. Did the leadership style of the organization change over time?

93. Did organization's management change over time?

94. Did organization's board members change over time?

Part IX. Collaborations and partnerships of the organization

We are almost at the end of the interview; I just have six more questions regarding collaborations and partnerships of the organization with others.

94. Did the organization coordinate with other organizations in its work?

96. Did the organization run a program with other organizations? Were these nonprofits, for-profit organizations, or government agencies?

97. Did the organization join with others to advocate for an issue? If yes, would you briefly describe how this collaboration with other organizations was?

98. Did the organization join with others to form a new organization?

99. Was the organization a part of a confederation or alliance? If yes, which confederation or alliance and for how long?

100. Did the organization experience any problems collaborating with other organizations? If yes, would you briefly describe one such problem?

101. In terms of collaboration with other organizations, is there anything you wish the organization had done differently?

102. Do you wish you had more or fewer organizational partners? Why?

103. How did the closure/merger of the organization affect the partners the organization collaborated with?

[Questions for closed and merged organizations continue in part X, p.17]

[Questions for alive organizations start]

Part III-B. Mission

Now let's talk about the mission and changes in the goals of the organization.

48. Do you know what were the short-term and long-term goals when the organization started?

49. Have the goals changed over time, either in terms of the mission or the means of achievement?

50. Has the organization accomplished its original mission?

51. How would you describe the scope of the mission? Is it too broad, in the middle, or too narrow? Why you say so? If clarification needed: Is the mission specific or general?

52. What are the major obstacles that the organization has faced to complete its mission?

53. Is there anything you wish the organization had done differently in terms of its mission?

The following questions are about the relationship of the organization with its clientele.

54. How would clients, members, or participants find out about your services or activities?

55. What might clients, members, or participants say the best thing about the organization is?

56. What might clients, members, or participants say the organization needed improvement in?

57. Would you agree with their assessment?

58. If you think the organization could improve its programs, how could it improve?

59. Have clients or consumers of the organization's services stopped attending or buying services? **If yes:** why do you think they stop attending?

60. Has the organization tried to provide some activity or program to members or clients, and it has failed to accomplish it?

Part IV-B. Resource dependency

The next set of questions deal with the financial and non-financial resources of the organization. Let's start with the financial resources and assets.

61. What are the primary sources of revenue of the organization?

62. Is there a source of revenue that the organization particularly depended on?

63. If dependency on a primary source: Without this source, could the organization continue operations? If yes: For how long?

64. Has the organization received funding from government either in the form of contracts or grants? How important is government funding to the operations of the organization?

65. Thinking in the last year of activity of the organization, would you say that the organization has **more** revenue or **less** revenue than in the past? Why?

66. Did the organization need to change or restructure its sources of revenue? In other words: In order to continue activities, has the organization changed its revenue streams? Why?

67. Has the funding for the organization dried up? In other words: Would you say that funders are no longer interested in funding the organization and its mission? Funders can include donors, foundations, government agencies and companies.

68. Did the organization transfer or is considering transferring most or all its resources to another organization? May I know which organization(s) received those resources?

69. Does the organization have enough money to pay their bills? Does the organization have bad debts?

70. Does the organization have assets or properties? I mean things that the organization owns such as buildings, materials, or even intellectual property. **If yes:**

70.1. What would you say is the main asset of the organization?

70.2. Without this asset, could the organization continue operations? Why?

70.3. Has the organization sold or donated most or all of their assets? Why? May I know which organization(s) received those assets?

Now let's talk again about the human resources of the organization, including volunteers and staff

71. Is there a person in whom most of the operations of the organization depended on? Is this person a staff member or a volunteer? If one person, why do you think most of the operations of the organization depended on this person?

72. What would you change in terms of the skills and capacity of people in the organization? Do you think that the people in the organization have the skills and capacity to do the work of the organization? If clarification needed: Do most of them **lack** or **have** the skills and capacity to do the work of the organization?

**** Halfway point. Check time and adjust as needed.****

Part V-B. Legitimacy and institutional pressures

The next set of questions deal with the legitimacy the organization has or had and the pressures that the organization faces.

73. Apart from organization's participants, who are the top three people or institutions that recognize the value of the organization?

74. Is the organization perceived as needed among the community? Why?

75. Is there interest or need in the community for the services or products of the organization?

76. Has the community support gotten stronger or weaker over time?

77. In order to be recognized, most of the time organizations need to meet the expectations of external stakeholders, such as community leaders, governmental agencies, and the general public. What would you say are the major challenges that the organization faces to meet stakeholder expectations?

78. Has the organization suffered any damage to its reputation? If clarification needed, was the organization involved or wrongly associated with scandals? This could include scandals because of mismanagement of resources, leadership problems, or even program failure.

Part VI-B. Size perception

The following questions are about the size of the organization.

79. How would you describe the size of the organization? Is it a small, medium or big organization? What makes you say this?

80. In terms of size of the organization, would you say that the organization is expanding or contracting? Why?

81. Would you say that the size of the organization facilitates or limits the operations of the organization?

82. Including both financial and human resources, let's imagine the organization has **less resources**, how would the organization change?

83. Also including both financial and human resources, let's imagine the organization has **more resources**, how would the organization change?

Part VII. Commitment

The next questions are about the relationships among the people in the organization.

84. Would you say that the commitment to the organization has decreased or increased over time? Why you say so?

85. Did members and people who were working for the organization left or abandon the organization? For instance, managers, employees, or volunteers. **If yes:** Why do you think they left?

86. Do people in the organization exhibit frustration or burnout? **If yes:** What would you change to reduce the frustration or burnout?

87. How would you describe the relationships among the people in the organization? Would you say that these facilitate or limit the operations? Why? If clarification needed:

In other words, would you say that the relationships among people help or hinder the operations of the organization?

Part VIII-B. Structural inertia

The next questions are about the rules and structure of the organization. First, please think on the rules and processes of the organization.

88. Would you say that the organization has a flexible or rigid structure? Why do you say so?

89. Have the formal rules of the organization changed over time? This could include changes in the bylaws or main processes of the organization.

90. Would you say that the organization adapts easily or with difficulty to the demands of external stakeholders? Why you say so?

91. Has the leadership style of the organization changed over time?

92. Has the organization management changed over time?

93. Have the organization's board members changed over time?

Part IX-B. Collaborations and partnerships of the organization

We are almost at the end of the interview; I just have six more questions regarding collaborations and partnerships of the organizations with other organizations.

94. Does the organization coordinate with other organizations in its work?

95. Does the organization run a program with other organizations? Are these nonprofits, for-profit organizations, or government agencies?

96. Has the organization joined with others to advocate for an issue? If yes, would you briefly describe how this collaboration with other organizations is?

97. Has the organization joined with others to form a new organization?

98. Is the organization a part of a confederation or alliance? If yes, which confederation or alliance and for how long?

99. Has the organization experienced any problems collaborating with other organizations? If yes, would you briefly describe one such problem?

100. In terms of collaboration with other organizations, is there anything you wish the organization has done differently?

101. Do you wish to have more or fewer organizational partners? Why?

102. If the organization closes or merges with other, how would this affect the partners the organization collaborates with?

Part X. Closing the interview

That's all the questions I have. Is there anything that you want to share that I didn't ask about?

[Wait for his/her response]

[STOP RECORDING**]**

Thank you again for your time and your willingness to share your experiences in the organization.

This interview will definitely be of great help for my dissertation and hopefully the research helps to guide other nonprofit leaders that need to deal with organizational changes like the ones your organization experienced.

Finally, I would appreciate if you can refer me with other board members or key staff. Based on your preference, I can send the invitation to you to be forwarded or I can send the invitation myself if you provide me emails or phone numbers of other members of the organization.

[Wait for his/her response]

Thank you again for your time. This interview will be really helpful for my dissertation research. Please feel free to contact me if you have any questions of the study; you have my email and phone number.

Have a great day!

[After participant logs out but before ending the zoom meeting]**

Checklist:

[] Open the LIVE Transcript (closed captioning)

[] Save the LIVE Transcript as "Participant Study ID.LIVE"

- [] Upload LIVE Transcript to Dropbox: /Live Transcript
- [] Access the recording and save as “Participant Study ID.REC”
- [] Upload RECORDING to Dropbox: /Audio
- [] Check that the zoom transcript is processing
- [] Write memo
- [] Save as “Participant Study ID.MEMO”
- [] Upload MEMO to Dropbox: /Memo
- [] When TRANSCRIPT is ready, Save as “Participant Study ID.TR”
- [] Clean up the TRANSCRIPT (read through) and Add ID number
- [] Upload transcript to Dropbox: /Transcript Final

APPENDIX D

CODEBOOK FOR THE ANALYSIS OF CLOSURE CASES

Table D.1

Relationships Between Theories, Propositions, and Codes

Focus/ Conceptual Category	Theories/ approaches	Proposition	Codes and code descriptions
Internal/ Strategic management	1. Behavioral theory of leadership	P1: Organizations with deficient managerial skills are more likely to close than the organizations with adequate management practices.	<u>Management changes</u> : managerial changes that may include new personnel, new policies, or new programs. <u>Manager left</u> : executive staff left the organization. <u>Program problems</u> : organizations have management problems associated with the quality or delivery of programs. <u>Problems with retention/recruitment of volunteers</u> : volunteers were harder to find or retain. <u>Management problems</u> : decreased ability to address management challenges by board members or executive staff.
Internal/ Resources	2. Resource dependence theory	P2: Organizations in which resources depend on one entity, or one source, are more likely to close than those that rely on multiple sources.	<u>Reliance on financial resources</u> : reported reliance on a major source of funding.
Internal/ Legitimacy	3. Commitment theory	P4: “Organizations with uncommitted staff, volunteers, or members are more likely to close than those that are able to	“ <u>Abandoned by insiders</u> : Members and people who were working for the organization, for instance managers, employees, volunteers (but excluding

Focus/ Conceptual Category	Theories/ approaches	Proposition	Codes and code descriptions
		reproduce commitment.” (Hager, 1999, p.15)	clients), left the organization voluntarily” (Duckles et al. 2005, p.184) <u>“Decreased commitment to the organization/mission:</u> People in the organization were not as committed to the organization or its mission as before. They exhibited frustration, depression or burnout” (Duckles et al. 2005, p.184)
Internal / Ecological & Structural	4. Liability of smallness and structural inertia	P7: “Small organizations are more likely to close than larger ones.” (Hager, 1999, p.14) P8: Organizations with structural rigidity are more likely to close than flexible ones.	<u>Being small:</u> the small size of the organization limits its organizational capacity. <u>Being rigid:</u> organizations reported structural resistance to adapt to the emergent demands of the environment.
External/ Strategic management	5. Mission completion theory	P9: Organizations that perceive having accomplished their mission are more likely to close than organizations that do not perceive having accomplished their mission.	<u>“Mission completion:</u> The organization accomplished its goals.” (Duckles et al. 2005, p.184)
External/ Resources	6. Network theory	P11: Organizations without experience collaborating with others are more likely to close than the ones with experience collaborating with others.	<u>Failure to collaborate:</u> organization reports failure to maintain or establish collaborations.

Focus/ Conceptual Category	Theories/ approaches	Proposition	Codes and code descriptions
External/Legitimacy	7. New institutionalism theory	P13: “Organizations that are not perceived as legitimate are more likely to close than those that have a reputation for legitimacy.” (Hager, 1999, p.25)	“ <u>Image/reputation declines</u> : “The image or reputation of the organization is soiled or damaged” (Duckles et al. 2005, p.185)
External/ Ecological & structural	8. Niche theory	P15: “as a niche becomes more dense, the survival chances of an organization increase up to a point; then the survival chances begin to decrease with increasing density.” (Hager, 1999, p. 22).	<u>Increased competition</u> : competition for the same funding and clients increased.

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Emergent Themes and Codes

Focus	Theme	Proposition if existent	Codes and code descriptions
Internal/ Strategic management	Founder syndrome	NA	<u>Founder syndrome</u> : reported founder or leader that maintains control and influence in the organization even when she/he/they retired or stepped down.
Internal/ Strategic management	Mismanagement of resources	NA	<u>Mismanagement of resources</u> : financial scandals, accusations of resource mismanagement and embezzlement.
Internal/ Strategic management	Main program ends	NA	<u>Main program ends</u> : the main or only program of the organization finishes.

Internal/ Resources	Perception of lack of resources	NA	<u>Lacked or decreased financial resources</u> : reported decline or loss of major financial resources, such as donations, grants, and contracts.
Internal/ Legitimacy	Conflict theory	“Organizations which experience ongoing conflict among staff members are more likely to close than those with intermittent or no conflict.” (Hager, 1999, p.17)	<p>“<u>Internal conflict</u>: Somebody in the organization was in conflict with someone else.” (Duckles et al. 2005, p.185)</p> <p><u>Firings</u>: “Organization fires a member of senior management. Board or senior management dismisses a key member of the management team.” (Duckles et al. 2005, p.186)</p> <p><u>Conflict with parent organization</u>: organization reported disagreements between parent/national organization and chapter/controlled organization.</p>
External/ Strategic management	Problem depletion	NA	<u>Organization no longer needed</u> : decreased on the need the organization used to address.
External/ Resources	External financial crises	NA	<u>External financial crisis</u> : references to financial crisis of 2007-2009, or other national or state level financial crisis.
External/ Legitimacy	External conflict	NA	<u>Political animosity with government</u> : the mission or programs of the nonprofit are in conflict with the political agenda of the government.

Table D.3

Other Codes for Used for Analysis

Focus	Codes and code descriptions
Closure process	<p><u>Previous discontinuities</u>: reported experienced of having stopped activities for some time.</p> <p><u>Search for closure alternatives</u>: reported experiences from board members or executive directors of having looked for alternatives other than closure.</p>

	<p><u>Decision to close</u>: references to the moment in which decision makers made the decision to close the organization.</p> <p><u>Reincarnation</u>: the loss and regaining of tax-exemption status and the dissolution of corporate identity, and the creation of a new corporation (Searing 2015, 2020).</p> <p>“<u>Downsizing</u>: People were fired or dismissed. Closed down facilities. Eliminated programs” (Duckles et al. 2005, p.185)</p> <p><u>Merger idea</u>: references of a merger as an alternative to closure.</p> <p><u>Zombie period</u>: organization had not closed but had not had operations for some years.</p>
Organizational characteristics	<p><u>Size perception</u>: reported characteristics associated with the size of the organization in terms of financial resources, staff, and volunteers.</p>
Administrative and legal	<p><u>IRS requirements</u>: organization faces problems to meet IRS requirements, such as financial requirements and reporting mandates.</p> <p><u>State requirements</u>: organization faces problems to meet state requirements, such as incorporation requirements or annual reports.</p> <p><u>Bankruptcy</u>: nonprofit files for bankruptcy.</p>

APPENDIX E

CODEBOOK FOR THE ANALYSIS OF MERGER CASES

Table E.1
Emergent Themes and Codes

Focus/ Conceptual category	Theme	Codes and code descriptions
Internal	Strategic assessments	<u>Plan to grow</u> : decision-makers in the organization planned to make the organization bigger. <u>Pre-merger assessment</u> : organization assessed the viability for a merger.
Internal	Improve/Extend services	<u>Desire to increase geographic reach</u> : organization looked to increase the scope of their services to other locations. <u>Desire to improve the quality of services</u> : organization looked to improve the quality of the services provided.
Internal	Management problems	<u>Executive director changed</u> : executive director or executive staff of the organization changed either by retirement, resignation, or dismissal. <u>Weak administrative capacity</u> : organization reported a decreased ability to address management challenges by board members or executive staff. <u>Reliance on volunteer work</u> : organization relied on volunteer work for operations.
Internal	Improve efficiency and save money	<u>Save money/being more efficient</u> : organization wanted to save money and/or being more efficient. <u>Share fixed costs</u> : organization identified the opportunity to share fix costs with a partner organization.
Internal	Perceived scarcity of financial resources	<u>*Lacked/decreased financial resources</u> : organization reported decline or loss of major financial resources, such as donations, grants, and contracts. <u>Debt/Deficit</u> : organization reported to have debt or deficit. <u>Overhead cost exceeded revenue</u> : organization reported to have overhead costs than exceeded the revenue that it was able to secure.
Internal	Internal conflict	<u>*Firings</u> : “Organization fires a member of senior management. Board or senior management dismisses a key member of the management team.” (Duckles et al. 2005, p.186)
Internal	Size limitations	<u>Limited capacity based on size</u> : the size of the organization limits its organizational capacity.

Focus/ Conceptual category	Theme	Codes and code descriptions
External	Merger decided/started by national or controlling organization	<p><u>Active role of national or controlling organization:</u> national organization has an active role facilitating or mandating the merger among chapters or controlled organizations.</p> <p><u>Merger was part of a larger integration process:</u> organization merged out with other(s) as part of a larger integration process.</p>
External	Based on previous collaboration	<p><u>Long-term collaboration:</u> organization reported to have had a long-term collaboration with the partner organization.</p> <p><u>Shared donors with partner organization:</u> organization reported to have shared donors with the partner organization.</p>
External	External conflict	<p><u>*Conflict with national or controlling organization:</u> organization reported disagreements between parent/national/controlling organization and chapter/controlled organization.</p>
External	Increased competition	<p><u>*Increased competition within the niche:</u> organization reported that the competition for funding and clients increased.</p> <p><u>Competition with partner organization:</u> organization was competing with the organization they finally merged with.</p> <p><u>Other organizations providing similar services:</u> organization identified synergies and complementary services with another organization.</p> <p><u>Other organizations serving same clients/niche:</u> organization reported overlapped clients/niche with another organization.</p>
External	Niche changes	<p><u>Changes regulatory environment:</u> organization reported changes in the regulations associated with the services provided.</p> <p><u>Increased costs of services provided:</u> organization reported that cost to provide services increased.</p>

Note: codes that start with a “*” were also used for the analysis of cases of chapter 5. They are repeated from the codebook presented in Appendix D.

APPENDIX F

ASU's INSTITUTIONAL REVIEW BOARD (IRB) REVIEW

EXEMPTION GRANTED

[Mark Hager](#)
[WATTS: Community Resources and Development, School of](#)
 602/496-1058
 Mark.Hager@asu.edu

Dear [Mark Hager](#):

On 6/30/2020 the ASU IRB reviewed the following protocol:

Type of Review:	Initial Study
Title:	Organizational Discontinuity in Nonprofit Organizations: A Study of Closure, Merger, and Downsizing among Nonprofit Organizations in the United States
Investigator:	Mark Hager
IRB ID:	STUDY00012107
Funding:	None
Grant Title:	None
Grant ID:	None
Documents Reviewed:	<ul style="list-style-type: none"> • Consent Form_phone_29062020.pdf, Category: Consent Form; • Consent Form_video_30062020.pdf, Category: Consent Form; • IRB Protocol VMC dead 2020 rev June 30.docx, Category: IRB Protocol; • Recruitment script_emailsocialmedia_23062020.pdf, Category: Recruitment Materials; • Recruitment script_phone_23062020.pdf, Category: Recruitment Materials; • Semi-structured protocol_23062020.pdf, Category: Measures (Survey questions/Interview questions /interview guides/focus group questions);

The IRB determined that the protocol is considered exempt pursuant to Federal Regulations 45CFR46 on 6/30/2020.

In conducting this protocol you are required to follow the requirements listed in the INVESTIGATOR MANUAL (HRP-103).

If any changes are made to the study, the IRB must be notified at research.integrity@asu.edu to determine if additional reviews/approvals are required. Changes may include but not limited to revisions to data collection, survey and/or interview questions, and vulnerable populations, etc.

Sincerely,

IRB Administrator

cc:

Tania Lizzeth Hernandez Ortiz
Mark Hager

APPROVAL: MODIFICATION

[Mark Hager](#)
[WATTS: Community Resources and Development, School of](#)
 602/496-1058
Mark.Hager@asu.edu

Dear [Mark Hager](#):

On 3/9/2021 the ASU IRB reviewed the following protocol:

Type of Review:	Modification / Update
Title:	Organizational Discontinuity in Nonprofit Organizations: A Study of Closure, Merger, and Downsizing among Nonprofit Organizations in the United States
Investigator:	Mark Hager
IRB ID:	STUDY00012107
Funding:	None
Grant Title:	None
Grant ID:	None
Documents Reviewed:	<ul style="list-style-type: none"> • Consent Form and Information Sheet, Category: Consent Form; • Follow up recruitment script, Category: Recruitment Materials; • Interview Protocol , Category: Measures (Survey questions/Interview questions /interview guides/focus group questions); • IRB Protocol, Category: IRB Protocol; • Recruitment script for email and social media, Category: Recruitment Materials; • Recruitment script for phone, Category: Recruitment Materials;

The IRB approved the modification.

When consent is appropriate, you must use final, watermarked versions available under the “Documents” tab in ERA-IRB.

In conducting this protocol you are required to follow the requirements listed in the INVESTIGATOR MANUAL (HRP-103).

Sincerely,

IRB Administrator

cc:

Tania Lizzeth Hernandez Ortiz
Mark Hager

BIOGRAPHICAL SKETCH

Tania L. Hernandez Ortiz received her bachelor's degree in Political Sciences and Public Administration and her master's degree in Political Studies both from the National Autonomous University of Mexico. To pursue her doctoral studies in the program of Community Resources and Development, she received a four-year scholarship co-sponsored by the National Council for Science and Technology in Mexico and Arizona State University (ASU). During her doctoral studies, Tania was a leader and volunteer of numerous graduate student associations at ASU, including the Latinx Graduate Student Alliance, the Mexican Graduate Association for International Students, the Graduate Women's Association, and the Graduate Club of the School of Community Resources and Development.