

Internal and External Determinants of Formal Plans in the Nonprofit Sector

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Abstract

The study of formal planning in nonprofits and the public sector is thriving, with management gurus providing abundant advice on its value and proper execution. We address a related, but broader issue: why has the management tool of formal planning become prevalent in organizations with a public goal in the first place? To answer this question we draw on insights from institutional theories of organization, bringing a fresh perspective to the increasingly common practice of formal planning in the administration of public entities. Using a unique dataset constructed from interviews with a random, representative sample of the leaders of 200 nonprofits in the San Francisco Bay Area, we analyze the factors associated with the presence of a formal plan. We combine the interview data with details on organizational characteristics from tax reports and consider the features of nonprofits that plan using logistic regression. The findings reveal that size and capacity are important, but links to an external, rationalized environment dampen the effects of both. Thus, functional factors, while important, are insufficient to explain why nonprofits engage in planning. For those interested in promoting formal planning as a management tool, our findings provide insight into other organizational features that promote the use of planning. And for those concerned with the potentially deleterious effects of this tool in the nonprofit sector, we show that certain types of organizations seem adept at maintaining a less formal structure.

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1. Introduction

Throughout U.S. history, the voluntary sector has been a venue for creative social experimentation (Hall 2006). In recent decades, charitable work has evolved into a highly professionalized arena (Frumkin 2002). An era of rapid growth in the 1950's witnessed the initial incorporation of business models of decentralization and cost accounting into the sector's largest nonprofits (McKenna 2006). This was followed, in the late 1980's and early 1990's, by greater reliance on government and foundations for funding; as a consequence, charities become more bureaucratic and formalized (Grønbjerg 1993; Smith and Lipsky 1993). Recent decades have witnessed embrace of practices such as formal outcomes measurement and have seen increased emphases on monitoring and accountability (e.g., Barman and MacIndoe 2012; Keevers, Treleaven, Sykes and Darcy 2012). Business leaders and professional intermediaries have championed these management tools and urged their diffusion as a way to promote nonprofit growth, effectiveness, efficiency, and survival (Letts, Ryan and Grossman 1997). Competitive pressures and political demands also have prompted nonprofits to engage in more systematic and diligent efforts to plan and to measure performance, and dampened reliance on an older model of informal volunteer-based charity. In this context, some of the sector's most important constituents have advocated formal planning as part of a field-wide movement to improve accountability and efficiency, and nonprofits have begun to embrace formal plans in response.¹

¹ See, for example, Independent Sector's *Report to Congress and the Nonprofit Sector, 2005*. See also the William and Flora Hewlett Foundation president's "Update on the Hewlett Foundation's Approach to Philanthropy: The Importance of Strategy" <http://www.hewlett.org/Programs/Philanthropy/presidentstatement2003.htm>. Retrieved on August 2, 2006.

We define formal plans as documents that articulate organizational goals and a road map for achieving them within a specific time period. Across nonprofits, this definition encompasses varied processes and differing degrees of sophistication, depth, and comprehensiveness, reflecting the diversity and creativity in the translation and appropriation of this tool in the voluntary sector (see Bromley, Hwang and Powell 2012 for a more detailed analysis of plan variation). Formal plans can cover specific operational purposes, or more general strategic goals. Typically, they purport to promote effective and efficient management by matching goals to available resources. Instrumentally, such activities may make sense, but nonprofits must also attend to the expressive and participatory benefits the nonprofit sector brings to society, which can be at odds with formalization (Frumkin 2002). Our study sheds light on the ways in which the larger external environment of the nonprofit sector shapes the infusion of this formal managerial tool into individual charities and more generally considers the growing reach of managerialism into the voluntary sector.

Formal plans are relatively new to nonprofits, and there is still much to be learned. While management gurus advocate the use of planning and provide advice on its execution (e.g., Bryson 2011), we lack empirical knowledge of which types of organizations are more likely to develop formal plans and how management practices reach charities. Writing about strategic plans, a common type of formal planning, Bryson, Crosby, and Bryson (2009, 203) point out:

...we know strategic planning is now a very widespread practice among governments and nonprofit organizations in the United States, but why that should be so is unclear. Organizations may engage in strategic planning because everyone else does it; they are forced to do it; or because they think doing strategic planning helps mark their organization as professional and legitimate. But perhaps a more plausible argument is that organizations may engage in strategic planning because they find it useful as a way of knowing what they should do, how they should do it, with whom, where, and why.

Some, such as Bryson and colleagues, argue organizations (should) plan because it is effective. Others criticize planning as overly rigid and ineffective (Minzberg 1994; Minzberg, Ahlstrang and Lampel 1998; O'Donovan and Flower 2013). It is often difficult to determine whether a plan will be or has been effective; and the efficacy of planning may be highly context dependent. As Stone (1989) reports, studies reveal a mixed relationship between planning and performance. Kelman and Myers (2011), in their study of government executives' management practices that lead to success in achieving ambitious goals, found evidence that particular aspects of strategic planning are associated with success. Executives of successful agencies used strategic planning for strategy formulation, and relied on environmental assessment and goal selection, but planning processes did not include implementation activities for accomplishing goals. Thus, the relationship between planning and performance is nuanced and yet to be nailed down conclusively. However, our goal is not to take a stand in this debate. We acknowledge that in some nonprofits formal planning may be valuable and some aspects of planning may be more useful than others. At the same time, formal planning may have spread beyond its known effectiveness and take place even when its utility is unknown or limited.

While we remain agnostic on the question of effectiveness, we accept the merits of both lines of studies and take these opposing views as our starting point. Despite the confusion and uncertainty about its efficacy and the diversity of its forms and contents, some have observed that formal planning has become "nearly ubiquitous" in government and nonprofits (e.g. Berman and West 1998; Bryson, Crosby and Bryson 2009, 173; Poister and Streib 2005). Although planning may have become commonplace, some nonprofits have resisted or have been impervious to the popularity of formal planning. Therefore, instead of examining post-adoption variation in formal planning, we ask a more fundamental question about this puzzle: why, given

the uncertainty about its effectiveness and the diversity of its manifestations in the nonprofit sector, has formal planning become so prevalent in organizations with a public goal? In part, our ignorance on this topic exists because formal planning is relatively novel and constantly evolving; but mainly the challenge is that it is costly, time-consuming, and difficult to obtain large-scale data about the internal practices of many organizations.

Using a unique dataset constructed from interviews with a random, representative sample of the leaders of 200 nonprofit organizations in the San Francisco Bay Area, we analyze the factors associated with the presence of formal plans. Further, we combine the interview data with details on organizational characteristics from tax reports for a more complete picture. Our survey data are roughly ten years old, but we leverage the passage of time to consider whether planning and the implementation of plans are linked to subsequent closure. The findings reveal that both internal characteristics of organizations and their linkages to certain external audiences increase the likelihood of having a formal plan. In addition, organizations that produced formal plans were more likely to survive between 2000 and 2008 than non-planning organizations.

2. Theoretical Arguments

Early research in what has come to be known as “neo-institutional analysis” in organizational sociology emphasizes the importance of external environmental influences in shaping the formal structures of organizations. As an alternative to the view that formal organizations become dominant in modern society because they solve the problems associated with coordination and control in collective action, Meyer and Rowan (1977) suggested that organizations incorporate purportedly rational tools and elements from the wider environment to enhance their legitimacy, somewhat independent of their actual efficacy. DiMaggio and Powell (1983) provided more causal force for these arguments by outlining the mimetic, coercive and

normative mechanisms of diffusion. Environmental conditions, thus, determine both which practices are considered legitimate and the timing of their adoption. Later studies inspired by this insight provided ample evidence supporting their claim and argued for the view that organizational adoptions of new practices and policies are initially motivated by technical and functional reasons, but legitimacy concerns would eventually prevail (Tobert & Zucker, 1983; Westphal, Gulati, & Shortell, 1997; Jang 2000; Henisz, Zelner, and Guillén 2005).

In an earlier study of planning adoption among forty-four nonprofits in the performing arts and special needs sectors in the Hartford and New Haven regions of Connecticut, Stone (1989) found that functional and institutional factors accounted for the presence of formal planning. Larger and older organizations tend to be more complex and are more likely to require organizational mechanisms to deal with “coordination and control” issues. Furthermore, nonprofit managers’ exposure to and awareness of planning in other organizations were highly associated with the presence of planning. Indeed, in an external environment in which important funders and professional affinity groups advocate use of formal plans and press nonprofits to use formal management practices, linkages to these constituents facilitate the adoption of measurement and evaluation (Meyer 1994). Because organizations will incorporate “certain elements of structure that reflect prevailing norms, practices, and beliefs of the wider social systems about the organizations’ work,” nonprofits’ exposure to planning through interactions among managers was associated with the presence of planning (299). Moreover, organizations actively seek out and copy practices that are thought to be successful. Continuing this line of work, Simmons, Dobbin, and Garrett (2007) identified emulation as a reason organizations adopt formal structures. Emulation refers to the process and act of imitation. This learning view argues that

organizations make decisions based on knowledge gained from their own experiences as well from observing peers. In a study of radio broadcasters, Greve (1998) showed mimesis was common in the diffusion of new music formats because organizations easily observed local adoptions and copied them, avoiding competition in more saturated market segments. Such bottom-up, mimetic processes are also central to formal planning and frequently stem from a desire to align “external expectations” with an organization’s “internal state” (Selznick, 1957).

Much subsequent research has shown that organizational characteristics, especially those that direct attention outwards to the environment, shape adoption decisions. Edelman (1992) found that organizations with government contracts and personnel departments are more responsive to legal mandates, and therefore more likely to create equal employment opportunity and affirmative action offices. Hwang and Powell (2009) demonstrated that nonprofits that are more internally aligned with a rationalized environment through the presence of paid personnel and full-time professional managers are more likely to do formal planning, quantitative program evaluation, independent financial audits, and hire consultants. In the case of environmental protection, Hironaka, and Schofer (2000) found that the presence of “receptor sites” within a country makes it particularly susceptible to embracing globally legitimate policies. Institutional change is a recursive process, in which organizations with strong external linkages accept new practices more readily, thereby deepening field-level change. These feedback dynamics have been observed with respect to quality standards (Guler et al. 2002), market-oriented reforms (Henisz et al. 2005), and public-sector downsizing (Lee and Strang 2006).

More recent research affirms the importance of the external environment, but recognizes that many organizations are embedded in a complex web of multiple institutional logics rather than a single coherent external environment (Greenwood et al. 2010). In a comprehensive,

longitudinal study of health care in the San Francisco Bay Area, Scott et al. (2000) chronicled three eras—professional dominance, federal involvement, and managerial control—from 1945 to 2000. But new logics of control did not displace the older ones; rather, in the contemporary period all three logics are “present, active, and contending with one another” (Scott et al. 2000, 316). Such contestation is quite common in the nonprofit sector, where organizations derive revenues from donors, government contracts, and fees for services. Hence, they feel the conflicting demands from clients and volunteers to meet expressive needs *and* funders to be fiscally responsible and managerially astute (Stone 1996; Frumkin 2002; Binder 2007). When the pulls of conflicting stakeholder groups are strong, the leaders of organizations may view formal plans as a way to build coalitions or harness consensus (Harris, Dopson and Fitzpatrick 2009), with the resulting plan representing a final settlement among stakeholders.

Based on the discussion above, we formally state:

Hypothesis 1 (Functional Influences): Nonprofit organizations with greater capacity or technical need are more likely to have a formal plan.

Hypothesis 2 (Institutional Influences): Internal alignment with, and linkages to, an external rationalized environment will increase the likelihood that an organization adopts planning, net of functional influences.

3. The Setting and Data Sources

Our sample is drawn from the nonprofit sector in the ten-county San Francisco Bay Area. Organizations exempt from tax by the Internal Revenue Service (IRS) under section 501(c)3 of the tax code are charitable nonprofits, eligible to receive tax-deductible contributions. Using data from the IRS, digitized by the National Center for Charitable Statistics (NCCS), we identified the

population of IRS form 990 filers in the year 2000. There were 7,106 operating charities in the San Francisco Bay ten-county region, from which we drew a random sample of 264 organizations. The details of the sample are covered below.

The San Francisco Bay Area has long been a fertile region for nonprofits, with higher per capita rates and median budgets than in other metropolitan centers in California (Gammal et al. 2005). The Bay Area has a storied history of activism and radical politics, which led to the creation of civil rights and environmental organizations early in the twentieth century and to the gay identities movement in the latter part of the century (Armstrong 2002). The history of local philanthropy and social service dates back to the Gold Rush in the mid-nineteenth century.

In recent years, much experimentation has occurred in the region's nonprofit community, as ideas about venture or high-engagement philanthropy have taken hold. To be sure, the Bay Area is by no means the only active venue for these new models of charity. Social Venture Partners, the most replicated venture philanthropy organization, began in Seattle before expanding to the Bay Area, Portland, Boston, Austin, New York, and Atlanta. More broadly, the focus by foundation and government funders on metrics and benchmarks is not unique to the Bay Area. It is increasingly a global phenomenon that has traveled rapidly across sectors and societies (Power 1997; Espeland and Sauder 2007).

We collected interview data from the leaders of randomly sampled nonprofit organizations in the San Francisco Bay Area. We contacted 264 organizations to develop a final sample of 200.² We approached the organizations initially by mail, following up by telephone and email. Our research team conducted extensive, face-to-face interviews with either the executive directors (EDs) of staffed organizations or the board presidents of volunteer-based

² Thirty-five organizations refused to participate, and 29 were dropped after four unsuccessful attempts to reach them. Most of these had ceased operations. Our overall response rate was 76%.

organizations to learn about their founding, funding, management, governance, personnel, and external relations. All interviews were conducted with a standard interview protocol. The protocol was tested and refined during pilot interviews and included questions designed to gather specific facts about each organization and its staff, as well as open-ended queries. The interviews lasted approximately 90-120 minutes and were typically conducted at the offices of the nonprofits, where interviewers could see the leaders in their work setting.³

The sample organizations vary in size, activity, age, and location within the region, but closely reflect the distribution of the full Bay Area population. The organizations are typically rather small. Approximately half have annual budgets below \$200,000, although some have budgets in the tens of millions. They ranged in age from less than ten years old to a handful that had been in operation for more than fifty years.

In addition to gathering general organizational data, we asked specific questions about formal planning. In response to the interview question, “Do you produce a strategy or planning document?” more than 45% of organizations (93 of 200) answered that they had a plan in place or were creating their first one. While there is a general perception that planning has become “nearly ubiquitous,” our representative sample of a regional nonprofit sector shows that a significant number of the sample organizations did not have a plan in place and there exists variation with regard to the presence of planning in the nonprofit sector. If organizations were engaged in planning and had adopted a formal plan, we pressed to learn more: How frequently do you plan? Who participates in the process? What instigated the development of such a plan?

³ All recorded interviews were transcribed by a professional transcription service, and each interview was coded by the researcher who conducted the interview using the transcription. In some cases, information from the organization’s Web site or IRS form 990 was used to corroborate or clarify. Every effort was made to increase both interview quality and inter-coder reliability throughout the process: full-protocol tests and spot checks were conducted, interview notes were circulated among the research group, weekly meetings were held to discuss interview and coding issues, and the protocols were annotated to guide interviewing and coding.

What is included in it and in what ways is it helpful? Collectively, the responses provide a comprehensive account of the field-level diffusion of formal planning into nonprofits.

While slightly less than half of nonprofits in the sample had a plan at the time of interview, executive directors rarely asked for clarification for what we meant by a strategy or planning document. Because we followed up with further questions when the interviewees answered positively to the first question about the presence of a strategy or planning document, we were able to ascertain whether interviewees were discussing the kind of organizational practice that was the focus of this paper. The follow-up questions naturally led to the descriptions of the organizational practice in question and the processes by which nonprofits produced plans and strategies. Moreover, we were often able to obtain a copy of a plan, further boosting our confidence in the reliability of the data.

Because we asked first whether there is a plan or strategy and then sought to understand the processes that produced it, we have no way of knowing whether there had been any planning process that did not produce a concrete artifact. Some nonprofits could have engaged in informal planning that did not result in a document. However, we note that the main focus of this study is to examine what factors are associated with nonprofits producing a formal organizational artifact. Planning without a concrete organizational artifact cannot be recognized by external entities and, therefore, has no currency outside the organization. While informal planning may serve a pure “coordination and control” function for nonprofits, formal planning may have both instrumental and ceremonial functions. Therefore, focusing on formal planning may bias our results in favor of exaggerating the importance of external influences. As formal plans have become an important factor or even a condition for external funding or support in the current climate of the nonprofit sector, having a document or not is a significant distinction.

Finally, the follow-up questions revealed a diversity of forms, contents, and motivations for plans, some of which are presented below as vignettes and illustrations. Some nonprofits have annual plans, while others have long-term plans. Some processes are more inclusive, while others are more exclusive, involving only the top management or the executive director. This rich diversity among formal plans and planning processes we observed was more variations on a theme rather than incommensurate differences among “apples-and-oranges”; invariably, formal plans are forward-looking tools that help organizations utilize resources according to priorities. The main focus of this study is between the ones that produce such organizational artifacts and the ones that do not.

4. Methods and Measures

Our dependent variable is the presence of a planning or strategy document. Almost half of the organizations in the sample (93 organizations) possessed formal plans.⁴ Given the binary nature of the response, logistic regression we used to determine the association between the dependent variable and control and explanatory variables.

Functional Influences

Our first hypothesis argued that functional measures of capacity or technical need will increase the likelihood a nonprofit adopts a formal plan. Organizational size indicates the capacity to implement costly management practices and can serve as a proxy for greater levels of formalization, tied to rationalizing pressures in the environment. Logged total annual expenses serve as our measure of organizational size. The operational budget is a more appropriate

⁴We included only those organizations where complete information on every variable was available, so the full sample analysis includes 184 organizations rather than the entire 200 we interviewed.

measure of size than the number of employees, given the ubiquitous presence of volunteers and activities contracted out by nonprofits to vendors and suppliers.

In addition to size, measures of organizational professionalism, have been shown to be correlates of organizational rationalization (Hwang and Powell 2009). Plausibly, organizations with more paid staff may have greater need to develop a formal plan to coordinate activity and greater capacity to develop plans. We developed an index of organizational professionalism that is a sum of five variables. All five are coded as binary variables and summed for each organization to measure the level of organizational professionalism. They include: staffed by paid personnel =1; use only paid personnel for service delivery =1; managed by executive director =1; executive director is a paid position =1; and executive director works full-time =1. The index is constructed so that an organization is staffed and run only by paid personnel and managed by a full-time, paid executive director receives 5. A volunteer-based organization without a formal executive director position receives 0. This index captures variation based on the fundamental volunteer-based vs. staffed distinction, the use of volunteers in service delivery, and the extent of executive leadership.

Lastly, we control for the diversity of funding sources, because organizations with multiple sources of support may face more complex demands and therefore need planning to integrate the diverse goals that come from varied funding sources. Acquiring resources from multiple constituents affords organizations the benefits of feedback from diverse sources (Powell 1988; Ganz 2009), but also may create greater complexity and thus motivate responses like planning that provide structure and coherence in the face of multiple demands. Nonprofits draw revenues from three broad categories: donations, government grants and contracts, and earned income; but they vary markedly in terms of their particular mix. Donations come from

individuals as well as corporations and foundations, and from federated giving agencies such as the United Way. Government grants and contracts are also important sources. Program service revenues, such as fees, tickets, or tuition, and other earned income generated through rents and commercial activities, are a third source of funds. A diversity index was constructed to assess the skewness of an organization's revenue base using the following formula:

$$1 - \left[\sum_{i=2}^n (1/n - S_i)^2 \right] * n / (n - 1)$$

where n denotes the total number of funding sources and S_i the proportion of revenue drawn from i th funding source in the total amount. In this case, an organization that obtains its income evenly from all three sources would score 1. In contrast, an organization that relies exclusively on one source scores 0. The receipt of foundation grants is an important control, as foundations are vocal advocates of formal planning in the sector, often demanding formal plans as part of grant applications.

Institutional Influences

Our second hypothesis argued that institutional influences will increase the likelihood of planning. Importantly, both functional and institutional forces can be at work simultaneously; these are not mutually exclusive social processes. Our approach tests for institutional influences over and above the more common functional predictors. A dummy variable for management training measures whether nonprofit managers, staff, and volunteers attend workshops or conferences to hone their management skills. Because executives with MBA's are costly to hire, many nonprofits try to acquire skills by sending their leaders, staff, and volunteers to management and professional training courses. During these training courses, some nonprofit managers will have learned about formal planning. The presence of paid fundraisers and the use

of consultants are additional indicators of linkages to external cultural influences. The former may advocate for the adoption of formal planning in order to feature it in their fundraising campaigns, and the latter are part of a larger rationalization process by which various managerial practices spread. Paid fundraisers are internal champions of external ideas, whereas consultants embed nonprofits in the dominant discourse of rationalization. Prior neo-institutional studies have shown that such links to the external environment through “receptor sites” may influence the adoption of organizational practices (Frank et al. 2000). Each variable is tested independently and then the three variables (paid fundraiser, consultants, and managerial training) are combined as a factor.

Control Variables

In addition to measures of functional and institutional influences, we include three control variables. Age is a standard control variable in organizational research. Older organizations may have been imprinted with values aligned with an era where formal planning was not an integral activity (Stinchcombe 1965). We employ age, based on the year in which an organization was granted nonprofit status by the IRS is controlled for and logged to correct for skewness.

Additionally, we add three control variables based on common responses from our interviews. Foundations were routinely cited as a reason nonprofits started to plan; foundations sometimes required a plan as part of funding and sometimes they provided support specifically for planning. We include a dichotomous variable for whether nonprofits received foundation funding to capture this dynamic. Nonprofit leaders also indicated that the decision to plan was often part of a response to significant change, particularly financial crisis or new leadership. Two dichotomous variables help us account for these contingencies: One for whether an organization

was affected by the 2001-02 economic downturn and another for whether the ED has been with the organization for two years or less. Table 1 provides a descriptive overview of the variables used in the analysis.

[Table 1 here]

5. Results

Table 2 reports the factors associated with the presence of formal planning in the full sample. In Model 1, we report the effects of controls for age, foundation grants, the economic downturn and leadership change are not. Despite interview responses stating that planning can be triggered by the arrival of a new leader or unexpected economic declines, we find these conditions do not promote planning in our sample after controlling for other relevant factors. Age has a similarly weak association with planning.

[Table 2 here]

Receiving foundation grants is positively associated with the presence of formal planning, although this relationship diminishes as we add explanatory variables. Capacity-building by foundations was a recurrent theme in many interviews, as they fund projects to build organizational infrastructure and champion planning. The executive director of a nonprofit that supports women entrepreneurs described such help: “We’ve been able to get a \$25,000 grant from the Women’s Foundation. That’s been wonderful because it’s been for things like board development and strategic planning that we really needed to do, so a portion of it was for that, and then the rest was for general operating expenses.” The executive director of a small arts center spoke glowingly of one foundation’s support for capacity-building: “I find the Hewlett Foundation to be an enlightened organization. They’re willing to fund operating expenses and genuinely concerned and helpful with the long-term success of the organization. They offer their

services in more ways than just giving money, including their support for strategic planning processes.” The effect of foundation support is consistent with prior research on social movement organizations.

We turn to consider functional influences in Model 2. It is unsurprising that larger, professionalized organizations are better equipped to engage in planning. For example, some can afford to employ professionals who are familiar with managerial practices. The director of a large art museum described his management leadership team thusly: “I have a deputy who has a very strong business background. He used to be a banker. And then the younger people I have been hiring come from the new wave of MBAs that are getting into the nonprofit sector.” Our findings are consistent with Stone’s (1989) analyses of planning adopting in Connecticut nonprofits in the 1980s. Moreover, the organizational complexity that arises from increasing numbers of paid staff may require managers to turn to practices that help deal with coordination issues.

In contrast, smaller, volunteer-based nonprofits are either unable to afford or unwilling to hire professional managers, and may not be able to develop the cultural or technical competencies to adopt formal tools. For example, the volunteer executive director of a support group for people with infertility problems distinguished the “professionals, who work in the business environment” from “amateurs—the infertile people who have found a niche here.” She described a planning process initiated by a volunteer with a professional background: “She has that skill, and it is really incredible. She jump-started a process that would have been very time-consuming and [without her] we may never have been able to do it; it would have been like pulling teeth.” Eventually, this organization of “amateurs,” unable to keep up with the technical and resource demands of planning, gave up once the volunteer executive director moved on.

Although foundations have been particularly avid advocates, formal planning also resonates with a number of other constituents in the funding environment. As shown in Model 2, when the funding source diversity index is added, nonprofits with more diversified funding streams are more likely to plan. Even if we control for the effect of foundation grants, organizations that draw revenues more evenly across private, public, and market sources tend to engage in planning. The effect of funding diversity holds in all subsequent models. Generally, functional influences that indicate capacity or need increase the likelihood of planning, consistent with hypothesis 1.

We shift now to examine the influences of institutional linkages net of controls and functional variables. In Models 3 through 5, we test, one at a time, the effect of dummy variables for management training, paid fundraiser, and consultants, in addition to the variables in Model 2. Each variable is positive and significant, indicating their role as carriers of management tools to the nonprofit sector. Professional training workshops have become ubiquitous as an economical way to professionalize, and managers encounter new management ideas in such venues. When asked about the initial spur for formal planning in her organization, the executive director of a family support group replied: “Partly because I went to a workshop about it and partly because the United Way told us we needed one.”

Fundraisers, development directors, and consultants are carriers of management practices, serving as links to the wider environment (Meyer 1994; Sutton et al. 1994; Sahlin-Andersson and Engwall 2002). As both external constituents and audiences increasingly demand performance metrics, fundraisers and development staff become the internal champions of rationalization. The executive director of a religious housing-development organization commented: “Internally, from the perspective of the fundraisers, the funders want to know if our program makes any

difference. We've got to be able to prove it does. The evidence has to be more than anecdotal.”

The role of fundraisers in this context is similar to that of personnel professionals who advocated for the adoption of grievance procedures and translated their necessity in a language that would resonate with corporate leaders (Edelman, Uggen and Erlanger 1999). Similarly, consultants bring expertise to nonprofits and are often involved in formal planning as both proselytizers and carriers.

In Models 4 and 5, the dummy variables for paid fundraisers and external consultants are added, muting the effect of foundation grants. Once the presence of internal champions of managerial practices (fundraisers) and linkage to the wider culture of rationalization (consultants) are controlled for, the influence of foundations subsides and is no longer significant. In Model 6, all three variables are included. Although management training is no longer significant, the effects of paid fundraisers and consultants hold, and the organizational professionalism index becomes insignificant.

In Model 7, the receptor site factor is added, replacing the dummy variables for training, fundraisers, and consultants used in Model 6. It has a positive and significant effect. The organizations that score high on this factor are more receptive to external ideas and are more likely to plan. The results clearly show that the spread of formal planning is part of a larger rationalization project. The effect of the receptor site variable and its component indicators points to the varied routes through which managerial discourse penetrates nonprofits.

In sum, quantitative results support hypotheses 1 and 2. Formal planning is closely associated with functional pressures of capacity and need. Beyond these obvious pressures, planning is also associated with specific carriers of modern management practices. Consultants, professional fundraisers, and managerial training increased the likelihood of planning regardless

of specific organizational needs or capacities. Surprisingly, control variables, mainly drawn from responses to interview questions about why nonprofits plan, were not significant predictors of planning after controlling for other factors. The muted effect of foundation grants shows that they are just one part of a larger movement toward greater formalization. Moreover, once receptivity is controlled for, the coercive influence of foundations disappears, as nonprofits themselves search for appropriate metrics and tools. In addition, despite leader's rationales of feeling the effects of the economic downturn or executive turnover mentioned in interviews, after controlling for other factors, formal planning is not significantly associated with these circumstances. These are idiosyncratic instances, not generalizable to a wider group. The weakness of these controls indicate great caution is needed in interpreting interview responses; bounded rationality shapes individual perceptions of organizational problems and solutions (Simon 1982).

Our core goal was to examine the factors that lead to the presence of a formal plan, with the belief that the act of producing a formal planning document is in itself an important outcome worthy of systematic analysis. A natural next step is to consider the implications of planning and whether implementing a formal plan makes a difference. Existing research, including our own, has been limited by the lack of longitudinal data, and collecting such information will be a key direction for future studies. Nonetheless, we provide an exploratory assessment of whether the presence of a plan is tied to organizational closure. Thirteen out of 186 organizations closed between 2000 and 2008. In addition, we consider whether three aspects of the planning process are linked to closures. Specifically, we considered plans that were implemented and had an impact on the organization versus plans that were unimplemented and more symbolic (see Bromley, Hwang and Powell 2012 for a detailed discussion of this coding), whether planning

was a routine organizational practice done at regular intervals versus planning that was conducted on an “as needed” or ad hoc basis, and whether the planning process was exclusive to just the board and/or executive director or whether it was more inclusive, involving staff, clients, or other stakeholders. Table 3 reports the results.

[Table 3 here.]

Panel A shows significant differences between the nonprofits that had a formal plan and the ones that did not. Planning organizations experienced fewer closures than the ones without formal plans. Strikingly, of the 98 organizations that planned in 2000, just two organizations had closed by 2008, while eleven organizations of the 88 nonprofits that did not plan in 2000 had closed by 2008. Starting in Panel B, we consider differences just among the subsample of 98 planning organizations according to variation in the planning process. Nonprofits that plan regularly were more likely to have closed down (Panel C), but this is because none of the organizations that planned on an ad hoc basis died between 2000 and 2008. We attribute this finding to the challenge of drawing on a relatively small sample size for this exploratory discussion. There were no discernible differences between organizations with a participatory planning process and those that were more exclusive (Panel D), although prior research indicates that broad participation may matter indirectly as it promotes implementation (Bromley, Hwang and Powell 2012). Overall, we interpret this as suggestive evidence that some facets of how planning is associated with survival. Suggestively, the results indicate that the overall act of planning versus not is more strongly linked to survival than any of the nuances of how planning is enacted. The differences between planning and non-planning organizations are larger in magnitude and significance than any differences that exist between varied planning processes. The sharp divergence between planning and non-planning organizations buttresses the initial

motivation of this study to examine the factors associated with the presence of a formal plan, reinforcing our earlier argument that it is important to understand why organizations plan at all. We urge a cautious interpretation of these findings for two important reasons, however. First, our goal in this paper is to examine the factors associated with the presence of formal planning and was not to undertake a full analysis of survival. There are likely to be confounding factors that are hidden in the relationships presented here. For instance, it is possible that some other omitted factor (e.g. leadership skill or foundation grants) independently drives both regular planning and survival. Second, closure is just one possible consequence, and it may not be the most important. In sector specific research it would be important to look at other sorts of performance measurements that relate directly to an organization's mission. Collecting longitudinal data that facilitates addressing these limitations rigorously is the next important frontier for research on planning in nonprofits.

6. Discussion and Conclusion

Pressures to conduct formal planning and related practices, such as outcomes measurement, audits, and codes of conduct, have likely grown even stronger in the decade since these data were collected. Today there are calls for greater accountability at a national level, and increasing professionalization of the sector in general. The theoretical motivation for this work was to provide a baseline account for factors linked to the adoption of formal planning. As our preliminary analyses of survival indicates, the act of planning may have substantial consequences for an organization and may contribute to garnering resources. These benefits could accrue both because of the effectiveness of planning itself, and because using a proper formal planning process enhances legitimacy among important stakeholders. Our central results

reveal that nonprofit size, the extent of professionalism of staff and management, embeddedness in the funding environment, and receptivity to rational models are strongly associated with the presence of formal planning. Organizational size and capacity are important (Stone, Bigelow and Crittenden 1999). However, links to a broader, rationalized environment dampen the effects of both. Coordination and control issues and capacity alone are insufficient to explain why nonprofits engage in planning.

Formal planning is, thus, conditioned by both the nonprofit sector's institutional and resource environments (Stone and Brush 1996). Foundations clearly exert considerable pressure on their grantees. Their direct influence becomes less salient, however, when we take into consideration the extent to which nonprofit revenues are diversified among earned income, government grants and contracts, and private donations. Even though foundations are at the forefront of the nonprofit evaluation movement, they are not the sole drivers. Rather, they are part of a large, professional project, and nonprofits with links to this institutional environment are most likely to use formal planning. Moreover, coercive pressures from foundations may backfire and lead to a passive, window-dressing form of adoption. When it is coerced, formal planning may not take hold because nonprofits fail to tailor it to fit their specific contexts. These clues point to the critical sources of divergent internal ramifications of institutional isomorphism: organizations may have different motivations and capacity for making use of widely embraced managerial tools.

Our aim was to account for how and why prevailing discourses are drawn on to shape the efforts of nonprofits and how these dominant beliefs are reproduced in concrete organizational settings. Even as planning diffuses across an organizational field, within individual organizations the managers proffer varied rationales for adoption, pursue different implementation strategies,

and experience divergent consequences. These processes produce idiosyncratic meanings inside organizations even as common managerial practices are adopted; and organizations enact dominant practices in a variety of ways (Bromley, Hwang and Powell 2012). Institutional heterogeneity in the context of common external pressures persists because of the varied organizational enactments or “translations” of a common practice (Czarniawska-Jeorges and Sevón 1996). The present study points to the importance of understanding the interaction of institutional and organizational influences. The prevalence of formal planning may lead to increased homogeneity and formalization in the field of nonprofit organizations, threatening the sector’s unique character. But our results also show that smaller nonprofits with fewer external ties are less likely to head down this path.

The results reveal a resilient sector. Only a handful of organizations closed since we first interviewed them. Many nonprofits have been undergoing rationalization, often pressed by powerful stakeholders such as the state, the corporate sector, and foundations. The inflow of managerial personnel and expertise, and their accompanying models and practices, has the potential to transform this expressive sector into a more instrumental one. As Stone and Brush (1996, 633) suggested more than a decade ago, nonprofits are split between “meeting the needs of their commitment and demands for legitimacy.” But nonprofits are certainly not passive adopters of external models. As Stone (1989: 312) argued: “planning may be associated with formal organizational structures, but not necessarily with those that replicate the corporate forms.” They creatively experiment with formal planning, often using it as a way to re-examine and re-visit their core identity and goals. Participative planning exercises may breathe life into this task and multiply the meanings associated with it. We encountered several transparent and

democratic planning processes among nonprofits. Thus, when nonprofits adopt external models, they may do so in ways consistent with the sector's cultural sensibilities.

A pronounced sector-wide rationalization is reshaping the field, but how this trend will change the nature of the sector remains to be seen. In the current environment in which the sector's powerful stakeholders deem formal planning as an appropriate element of a good or proper organization, nonprofits will continue to experiment with the many uses of formal planning. Given the sector's resiliency and creativity, however, nonprofits will incorporate managerial practices in ways that further their missions. In certain nonprofits, moreover, formal planning has generated tangible benefits such as securing more funding, elaborated missions and identities, and enhanced internal solidarity. Some of these benefits could potentially lead to long-term sustainability of nonprofits. To be sure, these benefits would buttress, in the eyes of the advocates of formal planning, the view of planning as an appropriate practice. Consequently, more resources will flow to organizations that conform to this view. As Zucker (1991) pointed out, it is often difficult to distinguish resource dependence and institutional mechanisms. Finally, the effectiveness of planning may or may not be reflected in the conventional metrics that measure successes and failures. Planning may help nonprofits accomplish their instrumental goals, but could also be useful in the expressive dimensions of nonprofit activities as well (Frumkin 2002). The sector's diversity renders the assessment of effectiveness difficult because the criteria for its effectiveness may be as varied as nonprofit activities and interact in a complex manner with particular sub-fields characteristics. It may very well be the case that nonprofits find the practice useful in the areas that escape the scholarly attention.

Table 1. Descriptive statistics of variables predicting the presence of formal planning (n=186)

	Mean	St. Dev.	Min.	Max
A. Dependent Variable				
Have Formal Plan	0.48	0.50	0	1
B. Independent Variables				
<i>Functional Influences</i>				
Organizational size	12.53	2.00	6.09	19.11
Org. professionalism index	3.01	1.61	0	5
Funding diversity index	0.41	0.30	0	0.99
<i>Institutional Influences</i>				
Management training	0.54	0.50	0	1
Paid fundraiser	0.24	0.43	0	1
Consultants	0.68	0.47	0	1
Receptor site/carriers	0.58	0.40	0	1.20
<i>Controls</i>				
Organizational age	2.67	0.88	0	4.09
Foundation grants	0.58	0.49	0	1
Affected by downturn	0.70	0.46	0	1
New leaders	0.33	0.47	0	1

Note: The receptor site factor accounts for 70% of the variation among the three component variables, their prevalence varies, however: paid fundraiser (24%), use of external consultants (68%), and management training for executive directors (54%).

Table 2. Factors associated with the presence of formal planning (Full sample=186)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Organizational size		0.418*** (0.133)	0.395*** (0.136)	0.323** (0.137)	0.363*** (0.134)	0.266* (0.140)	0.281** (0.140)
Org. professionalism index		0.364** (0.155)	0.281* (0.163)	0.351** (0.156)	0.288* (0.161)	0.222 (0.168)	0.203 (0.167)
Funding diversity index		1.421** (0.660)	1.550** (0.672)	1.532** (0.680)	1.353** (0.678)	1.571** (0.707)	1.578** (0.699)
Management training			0.737* (0.394)			0.625 (0.412)	
Paid fundraiser				1.310** (0.520)		1.212** (0.535)	
Consultants					1.064** (0.459)	0.888* (0.473)	
Receptor site/carriers							2.177*** (0.635)
Organizational age	0.309* (0.182)	-0.109 (0.223)	-0.073 (0.227)	-0.074 (0.228)	-0.092 (0.229)	-0.041 (0.235)	-0.040 (0.235)
Foundation grants	1.471*** (0.329)	0.714* (0.397)	0.664* (0.401)	0.454 (0.415)	0.573 (0.409)	0.274 (0.434)	0.324 (0.429)
Affected by downturn	-0.425 (0.347)	-0.094 (0.399)	-0.125 (0.401)	-0.194 (0.410)	-0.010 (0.407)	-0.147 (0.418)	-0.131 (0.412)
New leaders	-0.087 (0.337)	0.264 (0.399)	0.187 (0.404)	0.334 (0.409)	0.246 (0.406)	0.238 (0.418)	0.203 (0.415)
Constant	-1.483** (0.589)	-7.276*** (1.519)	-7.208*** (1.544)	-6.242*** (1.556)	-7.093*** (1.524)	-6.074*** (1.578)	-6.320*** (1.561)
Observations	186	186	186	186	186	186	186

Standard errors in parentheses

* p<.1, ** p<.05; ***p<.01; two-tailed tests

Table 3. Differences between Planning and Non-planning Nonprofits^{a,b,c}

	Proportion of Closures	
A. Formal plan versus no formal plan		
Formal plan (n=98)	0.02	
No formal plan (n=88)	0.11	
Difference	-0.09	***
B. Implementation		
Implemented (n=56)	0.02	
Not implemented (n=24)	0.04	
Difference	-0.02	
C. Frequency		
Planning is regular (n=39)	0.05	
Planning is ad hoc (n=38)	0.00	
Difference	0.05	*
D. Participation		
Planning is inclusive (n=65)	0.03	
Planning is exclusive (n=15)	0.00	
Difference	0.03	

* p<.1, ** p<.05; ***p<.01; One-tailed test

Notes: (a) Stars indicate whether a difference in means or proportion is significant. (b) Only 13 organizations closed since the time of interview. (c) Panels B-D only includes the subsample of 98 organizations with a formal plan. The exact cell sizes vary slightly based on responses to interview questions, not all interviews contained sufficient information to code on the dimensions reported here.

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