

Strategy and Structure in High-Performing Nonprofits: Insights from Iberoamerican Cases

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Abstract Some nonprofits evolve from small into large international organizations. For years, “structure follows strategy” (Chandler) has been the dictum to explain organizational strategic changes like the ones in nonprofits. But scholars also recognized organization structure to be a precondition to carry out certain strategies. Nevertheless, research on structure and strategy in nonprofits is limited. This paper explores the mutual influence of organization structure and strategy in high-performing nonprofits in Iberoamerica based on a secondary analysis of 20 unpublished research cases of the Social Enterprise Knowledge Network. It follows the research question: Which organizations’ strategies and structures characterize high-performing nonprofits over time? Four types of organizing patterns emerged: starting-up, professionalizing, decentralizing, and conglomerating.

Résumé De petites organisations internationales, certains organismes à but non lucratif deviennent de grandes organisations. Pendant des années, «la structure suit la stratégie» (Chandler) a été la formule pour expliquer les changements stratégiques comme ceux dans les organismes à but non lucratif. Mais les universitaires ont également reconnu la structure de l’organisation comme une condition préalable

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pour réaliser certaines stratégies. Néanmoins, les recherches sur la structure et la stratégie dans les organismes à but non lucratif sont limitées. Le présent article examine l'influence mutuelle des structures et des stratégies organisationnelles dans les organismes à but non lucratif très performants en Ibéro-Amérique en prenant en compte une analyse secondaire de 20 cas de recherche inédits du *Social Enterprise Knowledge Network*. Il fait suite à la question de recherche suivante : quelles stratégies et structures des organisations caractérisent-elles les organisations à but non lucratif dans le temps ? Quatre modèles d'organisation sont apparus : le lancement, la professionnalisation, la décentralisation et le conglomérat.

Zusammenfassung Einige gemeinnützige Organisationen entwickeln sich von kleinen zu großen internationalen Organisationen. Seit Jahren gilt das Diktum „Struktur folgt Strategie“ (Chandler) zur Erklärung strategischer Änderungen, wie die der gemeinnützigen Organisationen. Doch verstanden die Wissenschaftler die Organisationsstruktur auch als eine Vorbedingung für die Verfolgung bestimmter Strategien. Trotzdem ist die Forschung zur Struktur und Strategie von gemeinnützigen Organisationen begrenzt. Beruhend auf einer sekundären Analyse von 20 unveröffentlichten Forschungsarbeiten des Social Enterprise Knowledge Network untersucht dieser Beitrag den gegenseitigen Einfluss der Organisationsstruktur und -strategie in leistungsstarken gemeinnützigen Organisationen in Iberoamerika. Man geht folgender Forschungsfrage nach: Welche organisatorischen Strategien und Strukturen kennzeichnen leistungsstarke gemeinnützige Organisationen im Laufe der Zeit? Es ergaben sich vier Arten von Organisationsmustern: Anlaufphase, Professionalisierung, Dezentralisierung und Zusammenschluss.

Resumen Algunas organizaciones sin ánimo de lucro evolucionan desde pequeñas organizaciones internacionales a grandes organizaciones internacionales. Durante años, la “estructura sigue a la estrategia” (Chandler) ha sido la máxima para explicar cambios organizacionales estratégicos como los de las organizaciones sin ánimo de lucro. Pero los eruditos han reconocido también que la estructura de la organización es una condición previa para llevar a cabo determinadas estrategias. No obstante, la investigación sobre estructura y estrategia en organizaciones sin ánimo de lucro es limitada. El presente documento explora la mutua influencia de la estructura organizativa y la estrategia en las organizaciones sin ánimo de lucro con alto rendimiento en Iberoamérica basándose en un análisis secundario de 20 casos de investigación no publicados de la Social Enterprise Knowledge Network. Continúa con la cuestión de investigación: ¿Qué estrategias y estructuras de las organizaciones caracterizan a las organizaciones sin ánimo de lucro con alto rendimiento a lo largo del tiempo? Surgieron cuatro tipos de patrones organizativos: puesta en marcha, profesionalización, descentralización y conglomeración.

Keywords Strategy and structure · Strategic change · Organizing · Resource dependency · Comparative case study · Iberoamerica

Introduction

Nonprofit organizations often face strong challenges of changing their strategies and organizational structures. Many need to respond to a tension between their social mission and their strategies in order to acquire the financial resources to remain sustainable over time. They tend to either position themselves in donor markets or to undertake profit-oriented projects (Hammack and Young 1993). Whereas nonprofits have traditionally operated by focusing exclusively on their mission and fundraising, many are now facing the imperative of adopting business-like organizational models (e.g. Hammack and Young 1993). These pressures require non-profit managers to execute new strategies and adapt their organizational structure. The paper at hand explores the mutual influence of organization structure and strategy in high-performing nonprofits (HPN) in Iberoamerica, in a secondary analysis of 20 unpublished research cases of the Social Enterprise Knowledge Network (SEKN) (Austin et al. 2006).

Despite the challenges posed by a more competitive and market-oriented environment, many nonprofits continue to focus on achieving their social mission in the traditional way, relying mainly on grants and donations to sustain their operations. However, in times of resource scarcity, they need to adapt their strategy and organizational structure to be able to access the resources they need. Most are subject to pressures of organizational isomorphism what might contradict their organizational values (Rothschild and Milofsky 2006). It might also lead to a mission drift and to an unclear strategic focus due to conflicts between mission- and business-driven orientations (James 2003). To manage these conflicts nonprofits face pressures to implement adequate strategies, and they do so in the presence of rigid and democratic structures that might limit the speed at which change can take place (Anheier 2005; Baker 2007).

Nonprofit scholars have explored strategic change processes in nonprofits from different perspectives: For instance, a resource dependency perspective assumes that donors' expectations determine the organization's strategy (Banaszak-Holl et al. 1996). From a strategic perspective, scholars observe that nonprofit strategies emerge or are created and implemented through a deliberate process (Morrison and Salipante 2007) or that formal strategies are used metaphorically rather than literally (Harris et al. 2009); and most scholars describe the organizational structures as rigid, as they often hinder strategic change (Salipante and Golden-Biddle 1995). Despite the relevance of strategic change in the evolution of nonprofits, scholars focus on resource dependency, organizational structures, or strategies. To understand the complexity of strategic change within nonprofits, we propose an integrated view of these three aspects, what is in line with the call for more research in this area (Courtney 2002; e.g. Anheier 2005; Jäger and Beyes 2010). Recently, Valeau (2014) introduced a process study that takes an integrated perspective on strategic change. In his results he proposes that nonprofits evolve in four stages: (1) a community establishes a value-based mission; (2) a professional structure with formal and centralized coordination aim at effectiveness; (3) mission- and effectiveness-driven orientations often lead to a crisis characterized by contradictions; (4) finally, managers deliberately balance both orientations. Like Valeau, we use a retrospective comparative case analysis to

determine how successful HPNs integrate their structures and strategies during their evolution. We differ from Valeau in that we do not execute a process study but focus on analyzing how the nonprofits combined their strategies and organizational structures to become HPNs.

High-performing nonprofits are organizations able to create sustained and effective impact (Letts et al. 1999); the public perceives them to be successful because they have a high reputation among stakeholders (Moore 2000); they effectively manage the tension between mission orientation and resource scarcity and are effective in their funding strategies (Evers 2012). This type of nonprofit has gone through various changes within their organizational development, and stakeholders perceive them to be successful in what they do. Studying changes in HPNs' strategies and organizational structures, which are perceived as "best in class", helps to increase our understanding of strategic change.

Latin America is an interesting environment in which to study HPNs, as it is a resource-rich region with potential for greater resource efficiency and self-sufficiency, high economic growth rates, rising economic inequalities, and high poverty rates. Despite these facts, relatively few empirical studies executed in Iberoamerica have entered the international research discussion (Nicholls-Nixon et al. 2011).

To analyze strategies in HPNs of Iberoamerica, we adopt a resource-based view and define "strategies" as the allocation and use of the resources such as capital, people, institutional knowledge, and facilities (Barney et al. 2011); and we define "organizational structures" as the way in which an organization arranges people and jobs so that its work can be performed and its goals can be met (Anheier 2005).

Our study relates to that of Valeau (2014) and addresses the question: *Which organizations' strategies and structures characterize high-performing nonprofits over time?* We not only analyze different nonprofits' strategies and structures, but also seek to identify the resources that nonprofits need for implementing such strategies and structures.

We explore this research question through a comparative, secondary case study analysis (Hoon 2013). The study uses a sample of 20 cases of nonprofit organizations operating in Latin America and Spain. Scholars from the SEKN selected these organizations based on their performance in their respective countries (Austin et al. 2006). The article is organized as follows. The first section reviews the literature on nonprofit organizations' strategy and structure. The paper continues with a method section before presenting the results. An analysis follows, and we conclude with a discussion of the results and contributions.

Literature on the Development of Strategies and Structures

In the context of highly professionalized nonprofit structures, some nonprofits use organizational structures to implement their strategies amid the tension between social mission and economic rational (Jäger and Beyes 2010). This is similar to Valeau's (2014) observation in his stage 4, in which nonprofits are able to balance both rationales after a crisis. The use of organizational structures to implement

strategies dates back to studies by Chandler (1962, 1990), who observed American firms and found a mutual influence between strategies and organizational structures.¹ He considered three basic strategies: specialization, integration, and diversification. An organization follows a specialization strategy when all its activities are focused on a single service for a single community. The integration strategy means that the organization invests its resources (people, capital, facilities, knowledge) in related services within a core social mission. The integration can be horizontal (no large differences) or vertical (“backward” when producing inputs, “forward” when adding a new service in the value chain toward the communities served). In a diversification strategy, the organization engages in very different services for different communities (Chandler 1962, pp. 29–51).

With regard to organizational structures, Chandler (1962) observed a transformation from a centralized functional structure to a decentralized multidivisional form. Later, Kaplan and Norton argued that “the 1960s saw the birth of the conglomerate, a new organization form” (Kaplan and Norton 2006, p. 6). A functional structure is centrally organized around activities or functions, aiming at a more professional management. A divisional structure is decentralized, organized around services or communities/regions. A conglomerate structure is a hybrid, in the sense that it includes headquarters and interlocking units of services, regions, and functions (Jackson and Morgan 1978; Chandler 1990; Nohria 1995). In organization theory, both strategy and structure are abstract concepts, but they are applied in concrete ways in businesses, governments, and civil-society organizations (Etzioni 1964).

Different streams of the literature provide explanations of strategic change in nonprofits with regard to strategies and structures.

Literature on Organizational Structure

Scholars have emphasized the structural challenges of strategic nonprofit management, including a lack of control over external resources (Salipante and Golden-Biddle 1995); community-based strategic planning (Berman 1998; Graddy and Morgan 2006); and the role of traditional, long-term framing, and democratic decision-making in nonprofits (Salipante and Golden-Biddle 1995, p. 18). For instance, Middleton-Stone and Crittenden (1993) point out several characteristics of these organizations: the strong impact of the mission on strategy formation; the conflict regarding organizational goals in strategy processes; and the role of stakeholders as strategy initiators. As a rule, the literature describes nonprofits’ structures that hinder change and offers profound insights into the structural difficulties; it also provides insights into organizational structures used by nonprofits, such as “little, informal, centralization and decentralization” (Anheier 2005, p. 151). But the literature provides less discussion of the organizational structures that nonprofits use to arrange their people and work in order to implement their strategies.

¹ In addition to Chandler’s work, other studies in this tradition are those of British Channon (1973), French Dyas (1972), Italian Pavan (1972), and German Thanheiser (1972) enterprises.

Literature on Emergent and Formal Strategies

Nonprofit organizational strategies can be classified as emergent and formal (Courtney 2002). Executives at these organizations—particularly in small and nascent nonprofits—often implement emergent (not formally planned) strategies and use the formal ones to demonstrate professional management to donors (Morrison and Salipante 2007) or legitimate their strategies to stakeholders in a metaphorical way rather than executing the strategy literally (Harris et al. 2009). Therefore, formal strategizing is useful for small nonprofits to gain external legitimacy and funding support, while emergent strategizing is necessary to develop strategic change. However, larger nonprofits are effective when realizing formal strategies (Odom and Boxx 1988). The literature acknowledges a difference between larger and smaller nonprofits without explicitly discussing organizational structure.

Literature on Resource Dependency

Nonprofits' strategies are influenced not only by their social mission, but also by resource scarcities. The literature on resource dependency introduces insights into how nonprofits manage their resources. According to these studies, nonprofits must satisfy the priorities of revenue sources to secure resources (Miller-Millesen 2003). Consequently, some nonprofits alter their goals and activities, which can hamper their mission (Young 2002). For example, nonprofits that depend on revenue from commercial activities have the incentive to produce goods and services that generate profit. Nonprofits that rely on resources from a single source or two—e.g., commercial activities and donations—have the incentive to comply with the priorities of these sources (Banaszak-Holl et al. 1996). This is why nonprofits can reduce the risk of depending on revenue streams by diversifying their portfolios. Besel et al. (2011) report that 65 % of U.S. nonprofits have at least four different revenue sources, and 58 % view government financing as the most reliable. Nevertheless, some revenue sources consciously or unconsciously influence an organization's strategy and mission. Although the resource dependency literature provides profound insights, it focuses on the priorities of resources and their influence on nonprofits' strategies. It does not discuss the influence of organizational structures on strategies.

Following the tradition of Chandler (1962, 1990), the literature on organizational structures, strategies, and resource dependency, and the related work of Valeau (2014), we analyze HPNs in Iberoamerica with respect to their strategies and the relation of those strategies to organizational structures.

Methodology

In the following, we present results of a secondary analysis of data collected by the SEKN (Ogliastri and Leguizamón 2004; Austin et al. 2006, 2009), a collective effort carried out by SEKN members. SEKN is a collaborative research effort of eleven universities and business schools, mainly in Latin America. Their research

analyses the effective management of social enterprises by drawing lessons from businesses and nonprofits in Iberoamerica.

SEKN Research Program

Social Enterprise Knowledge Network members gathered the data used for the research of this paper in three steps: First, a team of about six senior researchers from the SEKN group, co-led by one of the authors of the present paper, selected 20 HPNs. The team used a reputational method to rank nonprofits according to the civil society sector in order to find two high performers in each country. The group defined high performers as nonprofits that, first, could meet and surpass the expectations of their stakeholders in a better way than other nonprofits in the country, and second, could sustainably maintain their impact (Letts et al. 1999). Accordingly, the researchers interviewed, on average, ten highly reputed experts per country (110 interviews in total) to identify HPNs. This first round of inquiry called attention to nonprofits that were perceived in each country as clearly outstanding and, hence, that met the criteria of the high-performing nonprofits.

Second, the same team of researchers developed a general model for structured interviews regarding the current situation of each nonprofit and how it had emerged since its creation. They based this model on a review of the available literature on factors thought to contribute to high performance in social enterprises and nonprofits. The main structure of the interviews was as follows: organization (motivation, strategic focus, leadership, governance, accountability, and decision-making, human resources and organization, infrastructure, economic results, culture) and the process of social impact (theory of change, the critical path, impact measurements). For a sample of the questions, see Table 1.

Third, field research took place in each country under the direction of a local senior professor on the SEKN team, using the same guidelines as the structured interviews. The result was an analytical case for each organization, based on an average of 15 interviews for each nonprofit, plus an analysis of internal documents. In sum, the team conducted 300 structured interviews and developed 20 research cases using this methodology. A yearly conference of the SEKN team was devoted to the evaluation and joint analysis of each research case; the final drafts of the cases each contained an average of 50 A-4 pages. These unpublished research cases are the basis for this paper.

Specific Analysis of the SEKN Research Cases

The research results presented in this paper are closely linked to the SEKN research program. Two of the authors were part of the SEKN study and led an interpretation process of the research results with all the researchers involved in SEKN with respect to the question raised in this paper.

To strengthen the methodological grounding of this paper, we followed a method that Hoon (2013) described as a qualitative meta-analysis method. In a first step, we defined the conceptual framework of the study by defining HPNs and the perspective of strategies and organizational structures. Based on these definitions, we included 20

Table 1 Interview guideline (example on motivation)

Topic	Questions for the interview
Mission, vision, objectives	What is the mission, vision and what are the objectives?
Social goal alignment/social entrepreneurship	Is the social initiative part of the mission, vision, key objectives of the institution or is it a personal initiative of employees or an executive? If the latter, is it due to an interpretation of corporate social responsibility or principle/interest? Is the social entrepreneurship an integral part of the business model of the institution or an expression of civic responsibility, close to but not part of its core business itself?
Role of state/local crisis	Is the initiative a timely response to a local situation, emergency or crisis of the moment? If it was, have you laid the foundations for a sustainable effort medium or long term?
Institutional mission dimension	Does the initiative affect lasting change in social status, meeting stated objectives in its definition of institutional mission?
Institutional values	What are the core values of the organization? If the organization is part of a larger entity, are the values of this and the unit under study congruent? How to articulate those values in social initiatives under study?

nonprofits, who corresponded with these definitions, in the sample of the study presented in this paper. Those nonprofits are operating in El Salvador, Chile, Peru, Colombia, Brazil, Mexico, Argentina, Venezuela, Spain, and Costa Rica (see Table 2).

Step two dealt with the extraction and coding of the data (Hoon 2013). Two authors of this paper and an additional researcher developed a framework to code the cases selected. This framework focused on the strategies specialization, integration, and diversification and the organizational structures of centralized functional structures, decentralized multidivisional structures, and conglomerates (see Table 3).

To increase the inter-coder reliability, the three researchers involved discussed this structure and their understanding of it, and then executed an analysis of one case each and compared their understanding. They then analyzed all the cases. First, each case was structured according its phases of development with the phases defined by critical incidences (Flanagan 1954; Pettigrew 1990). The researchers then compared the different phases to each other. By comparing the results, they reduced the phases to four phases and started to analyze those phases according to the strategies and organizational structures that were dominant in each phase. These dominant strategies were specialization, integration, and diversification, and the dominant organizational structures were centralized functional structures, decentralized multidivisional structures, and conglomerates. The first draft of these results was presented to about 35 researchers of the SEKN group meeting in Peru. Based on their feedback, the team validated its interpretation and revised the results.

Step three of Hoon's (2013) method focuses on building and discussing theory. Figure 1 highlights the results of this process. The process was iterative between analyzing primary data and reflecting on the literature.

Table 2 Nonprofits analyzed and data

No.	Name	Country	Type of organization	Age in year of research (in years)	Year of research analysis	Pages of written case (A4, single space)
1	ACOSAMA	El Salvador	Association	10	2004	34
2	Asociación Chilena de Seguridad (ACHS)	Chile	Association	52	2000	25
3	Asociación Civil Labor	Peru	Association	24	2004	52
4	CODESSER	Chile	Private nonprofit organization	29	2000	22
5	Colsubsidio	Colombia	Corporation/ nonprofit	55	2004	102
6	Comité para la Democratización informática	Brazil origin (International)	Corporation 'Social Business'	10	2004	19
7	Corriente Viva	Brazil	Association	5	2004	33
8	Fe y Alegría	International	Association (movement)	50	2004	45
9	Fundación del Empresariado Chihuahuense, A.C.	Mexico	Foundation	11	2004	78
10	Funcación Abriq	Brazil	Foundation	15	2004	44
11	Fundación Comunitario Oaxaca	Mexico	Foundation	10	2004	67
12	Fundación Crear Vale la Pena	Argentina	Foundation	9	2004	46
13	Fundación Pro Vivienda Social	Argentina	Foundation	13	2004	42
14	Fundación Proyecto Paria	Venezuela	Foundation	16	2004	44
15	GOB Menorca	Spain	Association	28	2004	62
16	Hogar de Cristo	Chile origin (international)	Association	9	2004	63
17	INBIO	Costa Rica	Private nonprofit organization	16	2004	42
18	Instituto Brasileiro de Defensa del Consumidor (IDEC)	Brazil	Association	18	2004	27
19	Intermón Oxfam	International	Foundation	49	2004	80
20	Pro Familia	Colombia	Private nonprofit organization	40	2004	89
	Sum					1016

Table 3 All cases with respect to the four strategy–structure types (Types I–IV)

Nonprofit	Mission	Type I: specialization (strategy) & leader centered structure	Type II: horizontal integration (strategy) & functional structure	Type III: vertical integration (strategy) & divisional structure	Type IV: diversification (strategy) & conglomerate (structure)	% of all cases
Organizing patterns		Starting-up	Professionalizing	Decentralizing	Conglomerating	20
Fundación Comunitario Oaxaca	To promote the welfare and quality of life of the population centers and vulnerable marginalized Oaxacan community, through initiatives that generate fundamental and lasting changes	Improve the institutions and strengthen the capacity of individuals and their organizations	Micro-regional development/promote CSR/gender/serve children, youth and excluded groups	9 micro regions with the following topics: infrastructure of education, education in administration, planning, evaluation, environmental infrastructure, employment and income, nutrition	(a) Improve the institutional capacity of grassroots and support organizations in their planning, operation and evaluation of development projects (b) Build networks, alliances and cooperation activities aimed at developing sustainable relationships, productive initiatives and social welfare	25
Fundación Proyecto Paria	Increase the quality of life of the people of the Paria region	Creation of infrastructure, provide micro-credits	Emphasize integrated rural development/education/community health/promote savings and loans/improve cocoa production	Support the creation of community groups who they educate, provide with technologies, support in public services and health services	(a) Consolidate relationship with beneficiaries, community members, teachers, nurses, farmers to make the work more effective (b) Protect the whole work in respect to negative state interventions	
Colsubsidio	Colsubsidio works together with employers, workers and the state to enhance the living conditions of the population and the development of a more cohesive society	Offer subsidies to families using benefits packages	Supermarkets/education/culture/recreation and tourism/housing/health/credit and support	7 independent units: social markets, education, culture, tourism, social development, health, credits	Units have defined management models, consistent with the values and principles of the organization and also strongly institutionalized and, thus, disseminated throughout the organization	

Table 3 continued

Nonprofit	Mission	Type I: specialization (strategy) & leader centered structure Starting-up	Type II: horizontal integration (strategy) & functional structure Professionalizing	Type III: vertical integration (strategy) & divisional structure Decentralizing	Type IV: diversification (strategy) & conglomerate (structure) Conglomerating	% of all 20 cases
Organizing patterns						
Fe y Alegría	Offer high-quality Catholic education to the poorest	Create and run a school	Primary education/radio education/alternative & non-formal education/training teachers/social promotion and community development projects	Operates in 14 countries in Latin America and is present in Spain through a foundation that supports international cooperation projects between Europe and Latin America	Creation of an international federation that supports the local units with allocation of funds and volunteers from Europe and strengthens a common strategic orientation	
Intermón Oxfam	Contributing to generate changes that enable sustainable development of South countries and to achieve a just social structure in the relations between peoples, fostering a culture of solidarity	Fundraise and channel resources to technical international cooperation projects	International cooperation/ Campaigns and studies/fair trade/humanitarian aid	In 1995, a number of international NGO groups with capacity to act globally were formed, that marked the international cooperation agenda. They are differentiated by their funding sources, and especially the relationship they had with potential stakeholders	In 1997, Intermón decided to join Oxfam International, founded in 1995, and brings together 12 independent NGOs from different countries, sharing principles common objectives and ethics	

Table 3 continued

Nonprofit	Mission	Type I: specialization (strategy) & leader centered structure	Type II: horizontal integration (strategy) & functional structure	Type III: vertical integration (strategy) & divisional structure	Type IV: diversification (strategy) & conglomerate (structure)	% of all cases
Organizing patterns		Starting-up	Professionalizing	Decentralizing	Conglomerating	20
Asociación Chilena de Seguridad (ACHS)	Assure worker job security	Address the problem of workplace accidents	Job security/preventive health exams/ personnel selection programs on drug & alcohol use for school and companies	ACHS hosts a set of subsidiaries of the organization, such as: many hospitals throughout the country, a medical center, a Professional Institute that is recognized by the Ministry of Education, the Center for Labor Research and Evaluation (CIEL), a consulting firm that offers consulting services, training and recruitment, a Science and Technology Foundation, the Center for Human Work Ergonomics in Altitude (CETHA), the Coihues clinic, health center and ACHS Clinical Laboratory Network		10

Table 3 continued

Nonprofit	Mission	Type I: specialization (strategy) & leader centered structure Starting-up	Type II: horizontal integration (strategy) & functional structure Professionalizing	Type III: vertical integration (strategy) & divisional structure Decentralizing	Type IV: diversification (strategy) & conglomerate (structure) Conglomerating	% of all cases
Organizing patterns						
CODESSER	Improve the educational, cultural and technical capacities of persons associated with rural activity	Offer technical/agricultural education	Manage network of vocational agricultural schools	Agricultural education/industrial education/gastronomy education/agricultural land use		
Fundación del Empresariado Chihuahuense, A.C.	Contribute to human and social development of the most vulnerable in Chihuahua, making programs that help to solve their shortcomings and problems with the commitment of employers and society	Rebuild area devastated by natural disaster	Center for Civil Society Formation/Productive development program/Integral Development Program for Adults/Inter-institutional program for indigenous/Promote CSR			
INBIO	Promote a new awareness of the value of biodiversity, and thereby achieve its conservation and use to improve the quality of life	Inventory and bio-prospecting in Costa Rica	Inventory of biodiversity/bio-prospecting (look for commercial applications)/recreational park	Advisory services, courses, workshops/eco-tourism		

Table 3 continued

Nonprofit	Mission	Type I: specialization (strategy) & leader centered structure	Type II: horizontal integration (strategy) & functional structure	Type III: vertical integration (strategy) & divisional structure	Type IV: diversification (strategy) & conglomerate (structure)	% of all cases
Organizing patterns		Starting-up	Professionalizing	Decentralizing	Conglomerating	20
Fundación Pro Vivienda Social	Contribute to solving the problem of poverty by improving housing and living conditions of low-income sectors	Offer credit and technical assistance to people building their own homes	Improve housing/Urban infrastructure/Titles/EI Suero agronomy school			40
Pro Familia	Disseminate family planning programs and reproductive, affordable health care and promoting them among the Colombian population, especially in economically disadvantaged classes, providing optimum service quality and respecting the rights of the individual and the couple within the constitutional framework	Offer family planning services and carry out campaigns on topic	Sexual and reproductive health center/coordinate youth programs/coordinate displaced persons programs			
GOB Menorca	Monitoring and promoting compliance with environmental rights (primarily through research and environmental education), as a work of social awareness and building agreements oriented to human activity toward sustainability (advocacy)	Protect environment in Menorca	Protect environment (campaigns & formal complaints)/ environmental education/biodiversity/ environmental policies and zoning/wild animal recovery center			

Table 3 continued

Nonprofit	Mission	Type I: specialization (strategy) & leader centered structure	Type II: horizontal integration (strategy) & functional structure	Type III: vertical integration (strategy) & divisional structure	Type IV: diversification (strategy) & conglomerate (structure)	% of all 20 cases
Organizing patterns		Starting-up	Professionalizing	Decentralizing	Conglomerating	
Asociación Civil Labor	Promote and facilitate concerted processes for environmental management and sustainable local development, having successful experiences in local and national references for generating public policies for environmental protection and sustainable local development	Offer policy training to workers	Articulate environmental management processes/encourage training on urban environmental management/incorporate agro-ecological techniques			
Instituto Brasileiro de Defesa del Consumidor (IDEC)	Promote customers' rights and consumer awareness, working mainly preventatively, through information and education	Defend consumer rights	Defend consumer rights (collective complaints/Awareness campaigns (produce educational materials)/ Product and service quality tests			
Comité para la	Democratización informática	Mobilize people and transform communities through information technology and communication for greater citizenship and quality of life	Promote use of technology and computers in marginalized areas			

Table 3 continued

Nonprofit	Mission	Type I: specialization (strategy) & leader centered structure	Type II: horizontal integration (strategy) & functional structure	Type III: vertical integration (strategy) & divisional structure	Type IV: diversification (strategy) & conglomerate (structure)	% of all cases
Organizing patterns		Starting-up	Professionalizing	Decentralizing	Conglomerating	20 cases
Hogar de Cristo	Main proposals: go to the aid of the poorest, no matter their sex, race, or religion, and propose to provide better living conditions and create a caring culture in the country, be part of a process for humanizing the poor and abandoned	Offer housing, education and health services to poor children in Lima				
Fundación Crear Vale la Pena	Consolidate a model of social development that contributes to improving the quality of life of people living in poverty, so that each can project involved individually and collectively to recover the value of art and culture as drivers of social life	Promote art to achieve social inclusion				25
Corriente Viva	Create CSO networks to support and strengthen the organizations	Network built by thirty nonprofits that provide social assistance in several Greater São Paulo areas				

Table 3 continued

Nonprofit	Mission	Type I: specialization (strategy) & leader centered structure	Type II: horizontal integration (strategy) & functional structure	Type III: vertical integration (strategy) & divisional structure	Type IV: diversification (strategy) & conglomerate (structure)	% of all 20 cases
Organizing patterns		Starting-up	Professionalizing	Decentralizing	Conglomerating	
ACOSAMA	Manage, operate and maintain the systems of water supply, health and environment, and develop plans and programs related to the goals	Supply water to La Loma community				
Funcación Abriq (ACHS)	Defend rights of children and adolescents	Articulate and mobilize civil society and government to bring the rights of children and adolescents to public attention and to promote the visibility to the successful policies and actions	Prevent and eradicate child labor/Youth education/worker and complementary education/child and adolescent health/influence public policies selection services/preventative programs on drug & alcohol use for school and companies		The foundation has a Board of Directors made up of businessmen from different sectors, an advisory board composed of experts in the field of childhood and adolescence, which ensure the discussion of issues related to rights, and an Audit Committee, responsible for advising and financial oversight and accounting of the organization. Furthermore, the structure of the Foundation has: two managements that are linked to other areas of the Foundation, as well as the programs and projects undertaken by the foundation	

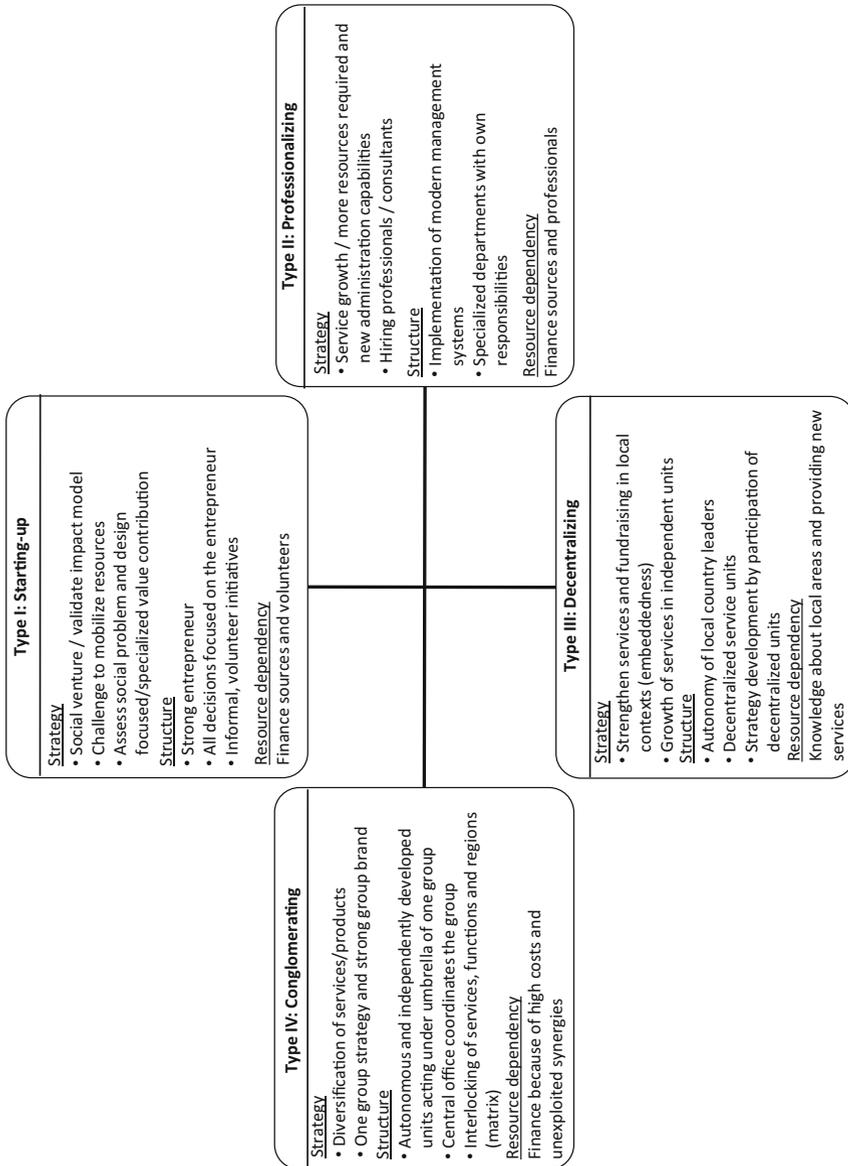


Fig. 1 Four strategy—structure types

Results: Four Strategy–Structure Types

The cases studied led to the identification of four types of combinations of strategies and structures that the nonprofits displayed at the time of the data gathering and during their evolution. Type I encompasses a specialization strategy and a leader-centered structure. Type II includes a horizontal integration strategy and a functional structure. Type III comprises a vertical integration strategy and a divisional structure. Finally, type IV combines a diversification strategy with a matrix or conglomerate structure. In the following, we explain each of these types and illustrate them by introducing selected cases, whereas Table 3 provides the overview of the whole data analyzed.

Type I: Specialization (Strategy) and Leader-Centered Structure

In their start-up, the nonprofits we studied focused on a single service or product and often organized their operations under one management unit. The organizations dedicated their limited financial resources to achieving their core mission. Thus, the organization's strategy had a strong fundraising component. A social entrepreneur (usually the founder of the enterprise) exercised strong leadership and centralized both the decision-making process and resource-mobilization activities. This individual was what Weber (1978) called a “charismatic” leader.

Fundación Pro Vivienda Social (FPVS) (Roitter et al. 2004)—a non-profit organization created in 1992 by a group of businessmen concerned with community solidarity and social responsibility—illustrates a fundraising challenge as the strategic focus of organizations in the start-up phase. The founders' first fundraising efforts with a group of Argentine businessmen failed. They sought to create a fund to offer microcredit for housing construction by homeowners. The group's response was that it was not possible to create this type of fund with only private resources; it also required government support. However, the FPVS was unable to get government support. After several months, as a result of new meetings with the group of businessmen, FPVS was able to transform its idea into a project, even though it still did not have the financial resources. It was not until 1994, after a technical team worked hard on designing and planning a housing microcredit program, that FPVS was finally able to get the resources to create a capital fund. FPVS's strategy focused on a single product: microcredit for housing construction. Its management team dedicated vast efforts toward mobilizing resources to support this goal.

Asociación Chilena de Seguridad (ACHS), a Chilean association that addresses the problem of workplace accidents (Koljatic and Silva 2004a, b), exhibited an organizational structure centered around its founder during its start-up phase. The founder, Eugenio Heiremans, kept the organization's strategic focus on achieving the mission, exercised control over resources and decisions, and motivated the organization's personnel. By making centralized decisions, Heiremans was able to know what was going on and to act in a timely and personal manner with each member of the organization. Likewise, this leader-centered structure promoted frequent and effective communication that allowed Heiremans to take account of

perceptions and opinions from the staff in charge of the different operations. The role of this charismatic leader was determinant in the implementation of the organization's strategy at this phase.

Even though most of these cases show the difficulty of raising funds, they also illustrate the importance of having assessed the social problem well and having a strategic social impact model to demonstrate how the problems will be addressed. These elements could accelerate the fundraising process since they facilitated formal communication about the cause's legitimacy and, as a result, the organizations received donor support.

Type II: Horizontal Integration Strategy and Functional Structure

Type II organizations exhibited a broader offer of products and services, which demanded more resources and the management of multiple operational areas. These lines of products or services were somehow related or aligned toward achieving similar social goals. To effectively implement their strategies, these nonprofits had acquired a set of professional human resources, processes, and systems. In terms of structure, these nonprofits organized their operations in functional areas (e.g. accounting, marketing, human resource management) to better support their different lines of action. Gob Menorca's and Profamilia's strategy and structure combinations provide two useful illustrations of Type II.

Gob Menorca (Benbeniste et al. 2004) began as an environmental research organization, but later expanded to organize formal protests to protect the environment. In the 1990s, it began to work in the areas of environmental awareness and education, and beginning in 2000, it started developing relationships with different sectors to promote alternatives that were socially and economically feasible to protect Menorca Island. While all of these activities continued to focus on environmental protection for the island, the objectives of Gob Menorca's expanded mission were specific. As a result of the expansion into other similar activities, human and economic resources and administrative efficiency became more relevant for the organization. The effects of this more complex management became apparent when both the organization's employees and its director identified weaknesses: a lack of planning instruments and a need for better human resource management. Establishing this functional organizational structure became one of the priorities of the organization (Benbeniste et al. 2004).

The Colombian nonprofit Pro Familia (Sanabria et al. 2004) started by disseminating family planning programs and affordable reproductive health care by organizing communication campaigns on the topic. Due to an increasing demand for family planning services in Colombia, Pro Familia later expanded its services to operate sexual and reproductive healthcare centers and programs targeted toward the young and displaced population. Pro Familia's staff grew to one thousand employees. While the strategy of the organization included multiple activities, most of them related and aligned toward the same goal (i.e., horizontal integration).

Pro Familia also provides a good example of a functional structure. The organization's fast growth uncovered administrative deficiencies that became critical. Therefore, its founder, Fernando Tamayo, decided to initiate a rigorous

organizational process that included hiring outside consultants. Some examples of the corrective measures taken were: the creation of administration and control systems; the organization of a management team into five functional areas; the establishment of policies and procedures; and the implementation of information and strategic-planning systems. In general, Tamayo created awareness about the need for administrative efficiency, which caused a change in attitude among directors and employees (Sanabria et al. 2004).

As these examples show, to implement their strategy, the second type of the nonprofits under study were driven by a need to address operational efficiency and to aggregate responsibilities to functional units. During the process and growth of this stage, the specialization in different programs gave way to horizontal integration and the creation of functional departments—with clear definitions of tasks and responsibilities. This restructuring of the nonprofits' activities and mission were the structural pillars for many of the organizations under study (see Table 3).

Type III: Vertical Integration and Divisional Structure

Some nonprofits exhibited a Type III strategy structure combination. The strategy of organizations of this type focused on strengthening the different inter-related products and services provided. In some cases, they faced coordination problems as a result of greater complexity in administering the different initiatives, which were increasingly different from one another.

The case of Colsubsidio (Trujillo and Gómez 2004), an organization that expanded its social services in different areas, illustrates the usefulness of having a management team that participates in decentralized divisional structures. Its divisions include housing, education and recreation, commerce, social marketing (supermarkets), and health. This nonprofit's managers participated actively, a practice that was first introduced by one of its most famous leaders, Carlos Arango. For example, the organization defined its strategic plan using a participatory process, consulting different divisions down through the lowest levels of employees. Likewise, it became apparent that divisional managers had been empowered by having autonomy and control over their units.

Codesser is a Chilean organization working on improving the capacities of people in rural areas (Koljatic and Silva 2004a, b). This institution began managing schools specialized in providing technical agricultural education. Later, it expanded its operations to manage industrial, forestry, and gastronomy schools. The key to this expansion was the autonomy created as part of the institutional governance system. Each school made decisions and operated independently as a separate cost and income center; however, there was a mechanism to provide periodic accounting and reporting to central management. Ultimately, two entities managed the institution: the central management, with an executive administrator as the General Manager; and the local management, called the Advisory Council. This local council was in charge of supervising and overseeing each school's director, a process that provided the organization with great independence and sped up the system. By adopting a decentralized system, Codesser efficiently operated a large

number of schools focused on four quite different technical education areas: agricultural, industrial, forestry, and gastronomy.

The type III organizations adopted a divisional structure, with decentralized units in charge of developing and executing the different programs at the local level, with highly autonomous units.

Type IV: Diversification Strategy and Conglomerate Matrix Structure

Following a group strategy, type IV organizations implemented a portfolio of services and products. Such a strategy often included a strong group brand and a central office that coordinated, next to marketing, other group activities. A number of autonomous and independently developed units acted under the umbrella of a single group. Strong headquarters and a careful interlocking of the organization's units, functions, and services were crucial to handling the diversification strategy. The diverse nature of the new areas and products offered created more complexity in organizational management and control. Many of the nonprofits studied consisted of several specialized units in different social areas; they were autonomous but operated under the distant guidance and coordination of the parent organization.

Intermón Oxfam (Saz and Vernis 2004), as a result of its growth and expansion into different work areas, transformed into a social conglomerate after half a century of operations. It began operations in 1956 to find resources and channeled them to technical international cooperation projects. It became a nonprofit with more than 1200 employees and operations, cooperation and development projects in different social areas in more than 40 countries. Intermón's organizational structure was decentralized by product or service into four main divisions: international cooperation, fair trade, humanitarian aid, and campaigns and studies. These divisions had the support of the centralized communications and marketing, human resources, and internal management departments. Even though operating as a social conglomerate meant that Intermón Oxfam—as well as the other nonprofits that reached this level—had to overcome a series of challenges, it also offered the organization the opportunity to take advantage of a series of benefits. For example, when its case was documented, Intermón Oxfam had one of the strongest brand names in Spain and, in the previous 4 years, doubled its budget due to its ability to fundraise.

Fe y Alegría (González et al. 2004), a comprehensive education and social-promotion movement that operated in Spain and in 14 Latin American countries, offered an example of how a social conglomerate developed its ability to take advantage of synergies and economies of scale through coordination. This movement was organized into national offices that, despite having functional autonomy, shared the institution's values. The headquarters, called International Federation of Fe y Alegría, coordinated the movement, stimulating collective actions, promoting cooperative projects among member countries, encouraging communication among the national offices and establishing the basis for a dialogue with international organizations, among other activities. This structure allowed the Federation to take advantage of synergies and economies of scale by transferring knowledge in education, fundraising and other sectors, and by centralizing some of

these functions. Likewise, the process of defining the strategic plan was participatory, without affecting the country divisions' independence.

There was a common mission for the organization, one for the Federation and one for each national office. Effective and organized communication allowed the various parts to interact successfully. Fe y Alegría had a system—including Intranet, international congresses and vertical meetings—that facilitated communication and assured that the decisions made at the highest levels were communicated downwards, and vice versa. Fe y Alegría had crossed authority and reporting lines. For example, identity-project coordination, educational-training project coordination, and the Fe y Alegría/Inter-American Development Bank's project coordination were all under the guidance of the General Coordinator; at the same time, they had reporting lines with the 14 national offices. The national offices also had horizontal reporting structures using national coordinators in the different areas.

Therefore, while being more efficient by centralizing some administrative functions—such as communications, purchasing, the legal department, or information systems—Type IV organizations delegated their primary functions to regional divisions or service units that operated with some independence.

This type of conglomerate structure promoted coordination and control and added value to the conglomerate's units. Each social service had a functional structure, but it was interlocked with central coordinated service units. It was a complex multidivisional matrix structure combining functions, regions, and products/services with a regional as well as product/service decentralization.

To empirically support the observations of the four types, Table 3 introduces the four types with respect to all 20 cases studied.

Discussion: Organizing Patterns of the Four Types

The study at hand focused on HPNs in Iberoamerica, analyzing the strategies and structures that characterized these nonprofits over time. This focus is based on the tradition of Chandler's (1962, 1990) work and resulted in four types of strategy–structure combinations introduced in the previous section.

The types presented above are ideal types, in the sense that one organization can correspond sequentially or all at once with one or more of these types. For instance, all of the nonprofit cases under study could be characterized, at one point in time, as type I; 75 % of the HPNs could also be characterized as type II; 30 % could be characterized during their evolution as type III and also 30 % as type IV. Comparing the 20 cases within each type, we deduced organizing patterns that characterize each of the four types (see Table 3). Those patterns describe the essential processes within each type, as summarized in Fig. 1.

Type I nonprofits followed the strategy of a social venture, focused in one social problem (specialization), with the challenges of mobilizing resources and of assessing their impact. They were strongly organized around an entrepreneur who made all decisions (leader-centered structure). We call the essential process within this type “starting up,” as the entrepreneurs of the cases under study all had to withstand the challenges of new initiatives—such as going against resistance,

raising funds and motivating volunteers (resource dependency). This type is in line with Valeau's (2014) phase I, as it focuses on social ventures. But our results also differ from Valeau's, as he highlights the importance of collective movements, while we observed that social entrepreneurs and their impact are essential for the growth of a social venture.

Within Type II, the nonprofits followed a growth strategy (horizontal integration) that required new administration capabilities and, therefore, new professionals and consultants that were able to standardize the different processes. Those HPNs also implemented modern management systems and established specialized departments with their own responsibilities (functional structure). The essential process within this type is professionalization in capabilities and standardized structures, all of which depends on gaining financial sources and professionals (resource dependency). This type is similar to Valeau's (2014) observation of phase II, which focuses on increasing the nonprofit's efficiency.

Type III nonprofits strengthened inter-related services and fundraising within local contexts (vertical integration). To support this strategy, they strengthened the autonomy of local country offices and service leaders, the decentralization of units and overall strategies based on a bottom-up process involving each decentralized unit (divisional structure). The essential process within this type is decentralization with growing independent units of inter-related services, while the critical resource is knowledge about the local areas (resource dependency).

High-performing nonprofits that were characterized by type IV focused, on the one hand, on diverse decentralized services or products (diversification). On the other hand, they strengthened a group strategy and a common group brand. The autonomous independent units were dedicated to different services, but they acted under one umbrella, whereas a central office coordinated the whole group (conglomerate structure). As opposed to the previous types, the resources needed were in the hands of the HPN, as it gained the needed financial resources by reducing costs and exploiting synergies (resource dependency). Both types III and IV are different from Valeau's (2014) results.

These four organizing patterns contribute to the current literature in at least three ways:

- (a) The results of the study introduce an empirical grounding for combinations of strategies and organizational structures that Anheier presented in his often-cited book on nonprofit management based on analyzing the literature on organizational theories. He differentiated among "little organizations, informal organizations, centralization and decentralization" (Anheier 2005, p. 151). Based on our empirical results, we observed different types and combinations: specialization and leader-centered structure (Type I); horizontal integration and functional structure (Type II); vertical integration and divisional structure (Type III); and diversification and conglomerate (Type IV). The last three types of Anheier may correspond to type I, II, and III.
- (b) The four organizing patterns—starting-up, professionalizing, decentralizing, and conglomerating—take into consideration the structural challenges of nonprofits, such as the control over external resources (Salipante and Golden-

Biddle 1995); community-based strategic planning (Berman 1998; Graddy and Morgan 2006); and the role of traditional, long-term framing and democratic decision-making in nonprofits (Middleton-Stone and Crittenden 1993; Salipante and Golden-Biddle 1995) into consideration. All the cases were analyzed according to their individual structural complexity and, thus, support an understanding of the specific strategic challenges of HPNs within their structural complexity and show how nonprofits can balance the tension between social mission and economic rationale. This corresponds to Valeau's (2014) observation described in his stage 4, in which nonprofits are able to deliberately balance both rationales. The four organizing patterns can be interpreted as deliberate practices of balancing social mission and economic rationale. As the four organizing patterns contribute to the literature on nonprofit strategies in general, they particularly contribute to the discussion on strategy-as-practice that focuses on nonprofits (e.g. Harris et al. 2009; Jäger and Beyes 2010).

- (c) The resource dependency literature proposes that nonprofit strategies emerge because of resource scarcity. To gain the resources they need, nonprofits must satisfy the priorities of their revenue sources (Banaszak-Holl et al. 1996; Young 2002; Miller-Millesen 2003; Besel et al. 2011); in the results of this study, these resources include finance, volunteers, professionals, and knowledge. These results support the insights of research on the influence of external resources (Salipante and Golden-Biddle 1995), communities (Berman 1998; Graddy and Morgan 2006), and stakeholders (Middleton-Stone and Crittenden 1993) on strategy formation. They show, for example, that in starting up (Type I)—apart from finance decisions, volunteers can have a strong influence on the organization's strategic decisions (Kreutzer and Jäger 2010).

Although this study did not focus on organizational evolutions, with the necessary caution of such observations, we observed a pattern of a sequence within the introduced types from Type I, to II, III, and IV. Of all the cases, 70 % followed a sequence of types from I to IV (see Table 3). As in the common strategy literature, nonprofit scholars classify strategies as emergent and formal (Courtney 2002). The four types strengthen the thesis that nonprofits follow a logic of strategic development, just as for profit organizations do. Although few nonprofits implemented formal, deliberate strategy processes, according to this thesis, they can base their strategic thinking on a logical evaluation (Odom and Boxx 1988; Morrison and Salipante 2007).

The observation of such an evolution should be taken with a grain of salt, as it is a limited thesis that needs to be empirically tested. In general, the main results should be read keeping several limitations in mind: First, the experts from different countries who selected the nonprofits to be studied deemed these organizations 'high-performing.' This could mean that some important organizations were left out. Second, the study is a qualitative study, whereas the observations still need to be quantitatively tested. Third, the database focuses on HPN within Iberoamerica, and the transfer of the results to another cultural context needs to be critically considered.

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