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ORIGINAL PAPER

Serve or Conserve: Mission, Strategy, and Multi-Level Nonprofit Change During the Great Recession

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Abstract Change is frequently afoot in the nonprofit sector, both in the wider institutional environment in which nonprofits operate and within the organizations themselves. Environmental transformations—funding sources, supply and demand for collective goods, and administrative norms—create the circumstances in which organizations operate. Internally, change involves the alteration of goals, practices, and personnel. To explore how multiple aspects of change intersect across levels, we ask *how organizations' practices influence their experience of and reaction to changes in the environment.* Turning open systems theories inside out, we argue that internal planning, routines, and missions give rise to organizational mindsets that imbue evolving environmental circumstances with meaning. We illustrate our argument using a unique longitudinal dataset of 196 representative 501(c)(3) public charities in the San Francisco Bay Area from 2005 to 2015 to assess both accelerators and obstacles of change. Empirically, we investigate predictors of organizational insolvency and the ability to serve constituents in the wake of the Great Recession. We find that strategic planning decreases the likelihood of insolvency whereas an orientation toward the needy increases spending. We conclude with our contributions to understanding of multi-level organizational change and nonprofit strategy.

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Introduction

In studying organizational change, researchers are frequently drawn to dramatic changes and similarly dramatic explanations. According to March (1981, p. 564), this search is in vain: "most change in organizations results neither from extraordinary organizational processes or forces, nor from uncommon imagination, persistence, or skill." Rather, change is a product of "relatively stable, routine processes that relate organizations to their environments." Nevertheless, theories of organizational change tend toward one of two polar views. Some theories, particularly focused on micro-level processes, view organizations as authors of their own destinies (Teece et al. 1997; Raisch et al. 2009; Capron and Mitchell 2012). Others, attending to organizations' embeddedness in macro-level processes, view organizational destinies as dictated by the vagaries of their environments (DiMaggio and Powell 1983; Hannan and Freeman 1989). Both envision change as a relatively uniform process.

Our goal is to illustrate how micro-level explanations provide depth and texture to accounts of macro-level events by understanding how macro-forces are recognized and interpreted at the local level. People often draw from broad cultural frameworks to justify their actions, just as on-the-ground actions often develop into broader institutional patterns. Our aim is to develop a multi-level explanation that accounts for these recursive influences. Following March (1981), we forge a link between micro- and macro-level transformations by attending to how

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seemingly small, routine practices tie organizations to their evolving environments (Weber and Glynn 2006; Powell and Rerup 2017). We ask three interrelated questions. First, how do internal characteristics influence the way organizations perceive and respond to external events? Second, how do these events vary in their influence on organizations? Third, synoptically, in what ways might organizations and environments co-evolve?

Organizations are products of the routines and practices they adopt. Routines offer shared frames of sensemaking and serve as robust tethers for collective action (Weick 1993, 1995; Feldman and Pentland 2003). Cyert and March (1992) suggest that routines are a means of warding off or managing intra-organizational conflicts. We also recall the Weberian concept of bureaucracy as one of rules that codify routines, both prescribing and proscribing roles (Weber 1978 [1922]). Pragmatically, routine is the exercise of specific habits in which the exercise of a particular lens or interpretive frame—how organizations make sense of the world—is conditioned by the set of practices an organization follows (Cohen 2007). Neither omniscient nor naive, organizations perceive the world through practiced ways of thinking and acting.

We illustrate this argument of multi-level change using a unique, longitudinal dataset of 196 representative 501(c)(3) organizations in the San Francisco Bay Area. Between 2005 and 2015, these organizations were shaped by both internal and external pressures. Internally, they were subject to the rise of managerial practices in the sector, encouraged by funders, consultancies, and nonprofit professionals. Externally, they were hit with abrupt fluctuations in funding and demand during the Great Recession. Through quantitative and qualitative analyses, we illustrate the array of organizational responses to these events, showing that a handful of different practices led organizations to react divergently to shared environmental challenges. By considering both managerialism and the Great Recession, we are able to examine how successive waves of environmental conditions influenced organizational responses to their changing environment. Responses to the crisis were conditioned by the way organizations had previously adopted "new" managerial practices (Hwang and Powell 2009; Maier and Meyer 2011; Maier et al. 2016). Those who absorbed business ideas into their organizational routines faced the crisis with an inclination to conserve resources and to preserve the organization for the future. Those organizations whose constituents and clients were made vulnerable by the crisis faced the period with an eye toward service in the present at the possible risk of self-preservation.

Our paper proceeds as follows. First, we consider the implications of managerialism and the financial crisis for organizational activities. We then advance a reciprocal account of multi-level change that considers how routines shape the way nonprofits perceive and respond to their changing environments. After describing our data, we substantiate our argument using dynamic regressions and interviews, showing that practices adopted early in the decade conditioned reactions to the financial crisis. We conclude by discussing the implications of a recursive perspective of change for both nonprofit and organizations scholars.

A Decade of Changes in the Nonprofit Sector, 2005–2015

Many observers of nonprofit organizations emphasize their constrained nature and the challenges they face adapting to rapid changes. Nonprofits are slow to respond to market demands due to limited funds (Hansmann 1987; Weisbrod 1988), as well as a reliance on organizations whose power is derived from the status quo (Meyer and Simsa 2013). Other scholars stress that nonprofits can be steadfast even in the face of political opposition (Taylor 1989). Both accounts suggest that nonprofits may be reluctant to alter their practices.

Nevertheless, change is frequently stirring—both in the environment in which nonprofits are embedded and within the organizations themselves. We focus on two major environmental transformations that changed the face of the sector since the early 2000s: the steadily rising tide of calls for nonprofits to be more "efficient," and the abrupt effects of the foreclosure and financial crisis starting in late 2007. Both issues have triggered debate among nonprofit scholars. Indeed, our longitudinal observations of 200 nonprofit organizations over the past decade revealed both events to be pivotal.

Rise of Nonprofit Managerialism

In the 1990s and early 2000s, nonprofits were increasingly urged to adopt managerial practices associated with businesses. They created strategic plans to articulate organizational goals and specify steps to achieve them, hired consultants to advise on improving operations and increase funding, underwent financial audits, and engaged in quantitative performance evaluations to measure the effects of organizational services. Despite dating back to Progressive Era origins (Lubove 1965; Mohr 1994), professionalization and the push for businesslike practices were experienced by many as a novel challenge to the heart and spirit of the sector.

Some advocates argued that without planning strategically mission-driven organizations would pursue activities tangentially related to their goals (Rangan 2004; Brest and

Harvey 2008). In contrast, others worried that more professional staffs and business practices would produce a shift from "doing with" to "doing for," undermining the associative, expressive features of the sector (Frumkin 2002; Skocpol 2003). Some questioned what contributions a commercialized nonprofit sector would make to society (Weisbrod 1998). Others warned that the adoption of market values would put "civil society at risk" (Eikenberry and Kluver 2004), and create "unhealthy community" (Backman and Rathgeb-Smith 2000). These dramatic projections may have overstated how new practices would be absorbed into the nonprofit landscape. Recent research suggests the commercial shift has yet to appear on nonprofit returns (Child 2010; Brandtner et al. 2017).

In response to these demands, nonprofits began to adopt practices encouraged by funders, boards, and incoming staff with managerial training. The ensuing changes were notable. Hwang and Powell (2009, p. 291) quote an M.D. at the helm of a prominent AIDS crisis center who said: "We've been developing a long-range plan for some time now, and it's starting to come to fruition….I'll be resigning….It is really clear we need someone who is much more 'professional' and is not a clinician first." They also describe an arts center that struggled to remain financially viable with revenues from its core activity. Facing pressure from the board, the director said: "we've been losing money on dance, so we'll do less dance….And the next thing you know, it's gone" (2009, p. 291).

Financial Crisis

As the embrace of managerialism tightened, the sector was hit by a surge of financial problems. The economic crisis that stretched from late 2007 into 2010 was sparked by the collapsing market for subprime mortgages, leading to dramatic increases in foreclosures, followed by high rates of unemployment and poverty—reinforcing the observation that housing instability is more a driver than a consequence of endemic poverty (Desmond 2016). It was the worst recession in generations. Despite financial volatility, the San Francisco Bay Area nonprofit sector proved remarkably resilient. Across the country, 5% of nonprofits operating in 2008 were no longer operating as of 2012, a .8% increase in the baseline closure rate (Brown et al. 2013). Across the Bay Area, annual closures remained roughly consistent throughout the period, with the crisis years deviating only slightly from the annual rate of 2.2%. The highest rate was experienced in 2012 when 2.7 out of every 100 extant nonprofits closed.

Population-level resilience, however, does not suggest that the financial crisis had little effect. As foreclosures increased, organizations were more likely to experience insolvency, especially if they provided services to the poor. For nonprofits, experiencing insolvency significantly increased the subsequent likelihood of closure by 2%. The distal effects of the crisis on closure appear to have occurred through its more proximate effects on organizations' finances.[1]

These two major changes in the nonprofit sector, although often treated independently, were intertwined in two ways. Temporally, some nonprofits experienced the crisis on the heels of their funders encouragement to adopt managerial practices. Behaviorally, how organizations responded to one conditioned how they experienced the latter. Put differently, becoming more managerially focused led organizations to think harder about their operations and staff, possibly at the expense of clients and external constituents. We turn to consider the role of these internal elements in shaping the way organizations experienced these shifts.

A Reciprocal Account of Multi-Level Change

Scholars studying organizational responses to environmental conditions tend to put the organization at center stage.[2] In the strategy literature, emphasis is placed on organizations' abilities to learn, make trade-offs between exploration and exploitation, and improvise in response to market conditions (March 1991; Christensen 1997; Raisch et al. 2009). Such accounts underscore how organizations manage their external environments and mobilize resources required to pursue an organization's goals (Pfeffer and Salancik 1978; Casciaro and Piskorski 2005; Wry et al. 2013). In the nonprofit sector, this entails managing constituents, funders, clients, and other stakeholders.

Open systems perspectives conceive of organizational structures and practices as largely a product of their environments (Scott and Davis 2007). Contingency theory emphasizes that organizations should be structured in a way that enables them to manage environmental uncertainties (Thompson 1967). Organizations respond to an array of external demands posed by markets, politics, and social trends (Davis and Cobb 2010; Weber and Waeger 2017). In classic formulations, organizations match their external structures to prevailing environmental demands

[1] The findings presented in this paragraph are from a separate analysis of the entire population of nonprofit organizations in the San Francisco Bay Area during the time of the financial crisis. Additional information on this analysis is available upon request.

[2] In a markedly different approach, the literature on organizational ecology places populations of organizations at center stage, examining change as a question of population-level selection processes rather than as organization-level adaptation processes (cf. Hannan and Freeman 1989).

(Burns and Stalker 1961; Woodward 1965; Stinchcombe 1990). When work is routine and predictable, a bureaucratic structure is optimal. When problems are idiosyncratic and not readily resolved, a professional craft model is more appropriate (Perrow 1967).

A third framework, institutional theory, also emphasizes organizational dependence on environmental conditions, but is less persuaded that organizations can easily match internal structures to external exigencies. Radical formulations of the idea propose that practices are adopted regardless of efficacy, through a simple process of mimicry or emulation of role models (Meyer and Rowan 1977; DiMaggio and Powell 1983). Such behavior is motivated by a concern for legitimacy, i.e., conformance with taken-for-granted rules about proper management. Institutionalists' hesitation to make strong predictions about effectiveness is in part due to the difficulties of measuring and defining performance in the nonprofit sector (Forbes 1998; Lecy et al. 2012; Willems et al. 2014). Indeed, many institutional accounts "remain agnostic about the question of effectiveness" (Hwang and Bromley 2015, p. 4). In this view, some organizations are more receptive to adopting popular managerial practices than others (Frank et al. 2000).

Each theory entails a different conception of relations between organizations and their environments. The former situates change as a bottom-up process, originating from within the organization and viewing entrepreneurs or deviants as change agents. Such heroic explanations often fail to engage with the uneven and shifting environmental contexts in which organizational action is embedded. The latter attributes change to top-down influences occurring outside the organization with exogenous shocks, upheavals, and external events serving as the causal impetus. Such exogenous explanations fail to recognize that events often unfold in a slow, ambiguous, and uncertain fashion. Indeed, few knew in 2007 how damaging the crisis would be or how long its effects would be felt. Our interest here is at the intersection of the two perspectives, understanding how external influences shape both organizational interests and desires, thereby framing the possibilities for the attribution of meaning, organizational action, and whether such behaviors result in persistence or change.

In developing our perspective, we are catholic in borrowing from both micro- and macro-level accounts of change to fashion a more relational and recursive perspective on organization–environment relations. The inner life of organizations constantly evolves along an array of dimensions. Some shifts are quotidian, such as when personnel leave or join, clients depart, or funders turn over. Others are more profound, such as leadership transitions or when management or funding structures are systematically transformed. These internal changes not only affect the day-to-day activities of organizations; they bear directly on how organizations perceive and respond to shifts in their wider environment.

We suggest turning open systems accounts inside out. Rather than viewing organizational structures as being determined by a task environment or prevailing views about appropriate models, the way in which external changes influence organizations is conditioned by their internal routines and structures. In research on life sciences, Powell et al. (2005) found that how organizations experienced dramatic changes in both science and finance was contingent on their position in a web of inter-organizational relations. They "consider social change not as an invariant process affecting all participants equally, but as reverberations felt in different ways depending on an organization's institutional status and location in the overall network as that structure evolves over time" (Powell et al. 2005, p. 1134). This insight is a fundamentally topological perspective of how organizations relate to other organizations in their environments. We take this view inside organizations and ask how practices shape the diverse ways environmental reverberations are experienced.[3]

We argue that organizations' understandings of and reactions to external events are conditioned by practices that produce different frames of reference. These practices—whether adopted for efficacy or in accordance with environmental pressures—become lenses through which organizations perceive and respond to environmental events. Thus, as opposed to organizational responses to the environment being either uniform or random, we argue that they are influenced by the constellations of practices, the enactment of which shapes understandings and outlooks of external transformations.

This argument borrows from institutionalist ideas by seeing different practices as more or less suitable in specific organizational fields, leading a diverse array of organizations to engage in similar activities. We depart from this perspective somewhat by asking about the efficacy of these practices in shaping organizations' activities and prospects. As new practices are woven into organizational routines, ceremonial commitments are made incarnate (Hallett 2010; Kelly and Dobbin 1998). Staff are hired and enrolled in new processes, new policies are created, and practices take on a life of their own, becoming part of the organization's repertoire. Rather than regard the daily affairs of organizations as humdrum routines, we stress that

[3] The Powell et al. (2005) project built on more than a decade of rich network data but lacked detailed organizational data. In contrast, our sample of organizations is not as densely interconnected, but we have considerable information on the organizations themselves over time, providing a rare opportunity to see how see how structures and routines evolve through time.

habit and routine often involve mindful reflection, effort, and maneuvering to accomplish ordinary work (Emirbayer and Mische 1998; Powell and Rerup 2017). Thus, even though various members of organizations may understand situations differently and push competing points of view, routines facilitate a modicum of consensus around which actions and orientations can be coordinated (Weick 1993).

Different routines and practices foster different frames of reference (Orlikowski and Scott 2008). Organizations tend to fit novel information into existing understandings of the organization's needs, resources, and roles. But these understandings are not uniformly distributed across organizational populations. They are products of routines and practices that inform how organizations respond to novelty in their environment (Orlikowski 2000). Thus, routines and practices endow organizations and their members with particular modes of perception. Environmental conditions are filtered through these lenses, given meaning, and met with suitable responses (Rerup and Feldman 2011).

This lens view of routines holds important implications for how organizations perceive events and react to them. As new practices become incorporated into organizational repertoires, they become potential solutions to yet unexperienced problems. But they take their place in a quiver of other solutions. Whether environmental change is perceived as an opportunity or as uncertainty is contingent on how these solutions align.

Strategic Planning and Unplanned Events

These insights translate readily to the nonprofit sector. We focus on two features of organizations' repertoires: managerial practices and organizational missions. Specifically, we examine (a) the use of strategic plans, and (b) missions that focus on providing services to the poor. We anticipate these two features to produce distinctive orientations toward both the future and the present, and that these orientations will pull in opposite directions during the financial crisis: the former to conserve and the latter to serve.

Strategic plans offer templates for thought and practice that are enacted through the everyday activities of members of the organization (Mintzberg 1978). They become frames through which staff interprets uncertainties and unexpected events (Weick 1995). Organizations put considerable effort into revising plans over time, occasionally hiring consultants, going on staff retreats, and soliciting others' input (Bromley et al. 2012). Organizations that do this are invested in aligning the thoughts and actions of staff, departments, and volunteers. Such frames shape how organizations respond to crises. In Weick's (1993) telling of the Mann Gulch disaster in Montana, the absence of shared sensemaking frames led men to go their separate ways and perish. What may be less important than the content of plans is that organizations produce them. Comparing strategic plans of arts organizations and soup kitchens reveals radically different contents. Their common presence, however, suggests that each organization looks toward the future and prioritizes the alignment of staff and departments through clear delineation of roles. Accordingly, we might expect various types of organizations engaged in different activities to respond comparably when confronted with common external pressures. In short, planning fosters a future-oriented perspective.

The financial threat presented by the crisis was one such pressure. As funding became unreliable, and future funding unpredictable, many organizations were required to maintain services and activities on quickly dwindling reserves. Faced with such a challenge, organizations could respond in several ways. Turbulent financial conditions can provoke dramatic responses, leading organizations to transform in ways that are unrecognizable from the perspective of earlier goals (Messinger 1955) or altering the scope and expression of missions (Zald and Denton 1963). Furthermore, financial problems can lead organizations to search for financial solutions (Cyert and March 1992). Thus, the issue of declining revenue may be met with efforts to secure alternative revenue sources, rely on reserves, or reduce spending. There is no necessary reason one strategy would be selected over another, although the mission of the organization may play an important role as a charter or constraint in pushing the organization to act (Minkoff and Powell 2006). Planning—to the extent that plans are adhered to—may be a means of reducing such risk.

Other scholars are more critical of planning. For instance, Weick and Sutcliffe (2007) suggest that managing unexpected jolts is a matter of internal structures and cultures—broadly termed "mindfulness"—that can be shaped and adopted rationally. For the same reasons that organizations without shared interpretive frames may be at greater risk for failure, overly rigid roles can rob organizations of their ability to adapt to circumstances as they unfold. For example, formal plans might hamper organizations' abilities to respond to events that cannot be foreseen (Meyer and Simsa 2013).

From both perspectives, strategic planning provides a future orientation toward organizational activities. It is conservative in helping organizations to stay the course in choppy times, but also possibly calcifying organizational routines and rendering organizations non-responsive to changing circumstances. For these reasons, we might expect organizations with strategic plans to conserve in response to trying financial circumstances (Mintzberg 1994; Mintzberg et al. 1998).

In addition to facing shortages in revenue, many nonprofits faced increased demand during the crisis.

Foreclosures caused higher levels of unemployment, and poverty soared. Although nonprofits represent diverse activities, many—especially those providing direct services to the poor—were called into action when the economy veered. The challenge to these nonprofits was not merely one of self-preservation, it was essential to and serve constituents in dire need.

Mission, like strategy, is a lens through which nonprofits see and interpret their environs. It can motivate organizations to act in accordance with values and dissuade from actions that violate them. Moral commitments among staff and supporters may promote adherence to organizational goals, just as deviations from these goals may be penalized (Singh, Tucker, and Meinhard 1991). For instance, constituents may cease to patronize an organization that no longer fulfills its mission. According to some, faithful adherence to mission and its ability to inspire staff and community is what sets nonprofits apart from for-profit firms (Frumkin 2002; Oster 1995).

Organizational mission is not static, however. Reviewing several seminal cases of changes in nonprofit missions, Minkoff and Powell (2006, pp. 605–606) note that it can be "provoked" by environmental events. For poverty services organizations, mission is a lens of immediacy. Though many organizations have future concerns, their structures and practices are designed for the present. For these reasons, we expect nonprofits with missions focused on serving the poor to increase their services during times of increased need.

Obviously, organizations are not single-minded. Some that engage in strategic planning also serve the poor. Through both lenses, organizations will experience the dual pulls of being oriented toward the present and providing for constituents in need, and having a future-oriented frame of reference and thus drawn toward conservation. We take the perspective that these dual lenses may complement each other rather than conflict. We expect organizations with strategic plans that work with impoverished populations to be oriented toward providing for the needy in the future.

Data and Methods

Our data come from a longitudinal study of 200 randomly sampled nonprofit organizations in the San Francisco Bay Area. The region, which encompasses the counties of Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Santa Cruz, Solano, and Sonoma, is notable for its high concentration of nonprofits and foundations, but is nevertheless representative of the US nonprofit sector in terms of organizational age, size, and activities. Using Internal Revenue Service (IRS) tax data from year 2000 (provided by the National Center for Charitable Statistics), we drew a random sample of 200 charitable 501(c)(3) organizations from a universe of 10,149. These organizations represent the diversity of the sector, offering services, advocacy, and support across an array of issue areas including arts, education, environment, health, human services, and religion.

Empirically, our interest is to capture how organizational practices lead to divergent responses under changing economic conditions. To do this, we draw on data collected from several sources over a period of 10 years (2005–2015). Using in-depth interview data from 2005, we can ascertain the organizational practices in use at the onset of the crisis in 2007. Using tax data provided by the IRS, we determine responses to the crisis through analysis of year-to-year fluctuations in finances. To explore how organizations made sense of the crisis and understand its lasting impacts, we use data collected in 2015 through online surveys (65% response rate) and interviews (26 representatives from 20 organizations). We complement funding environment information with foundation grant data provided through the *Foundation Directory Online* and capture changing local economic conditions with real estate data from Zillow Research. Combining these sources, we have complete data on 196 organizations from 2005 to 2010.[4]

We take two approaches to understand how internal practices influenced organizations' responses to the recession. First, we employ negative binomial and OLS dynamic regression models using organizational practices in 2005 to predict subsequent organizational responses in the 2008–2010 period of the crisis. Such models eliminate concerns about simultaneity and reverse causation (Keele and Kelly 2006). Second, we use interviews with nonprofit directors to understand how the crisis was experienced and how they weathered changes in their environments.

Measures and Variables

Dependent Variables

The outcomes of interest are organizational experiences of, and responses to, the financial crisis. As an indicator of financial stress, we count the number of years in which organizations were insolvent between 2008 and 2010.

[4] All four organizations with missing data closed prior to the onset of the crisis in late 2007. By the end of 2010, a total of eight organizations had closed. Two closed in 2006, one in 2007 and another in early 2008; four closed in 2010. Between 2005 and their closure, two had been insolvent during five or more years, two were insolvent once, and four had not been insolvent. Though insolvency does not guarantee closure, it raises the risk significantly. In a separate fixed-effects analysis of organizational closure (available on request), we find that insolvency in the previous year increases the likelihood of closure 6.8 times ($p < .01$).

Insolvency is defined as the monetary value of liabilities exceeding that of assets. Using tax data, we calculate a ratio of year-end total liabilities to total assets. Spells of insolvency are summed for the 3 years in question.

Next, to capture fluctuations in activities and outputs, we create a measure for spending changes for each year of 2008–2010. We consider year-to-year percentage changes in total expenditures using the formula

$$\text{spending change} = \frac{\text{spending}_{T2} - \text{spending}_{T1}}{\text{spending}_{T1}}$$

where values of spending change below zero indicate decreases in spending, zero indicates no change, and values greater than zero indicate increases. A value of 1, for example, indicates that expenditures have doubled.

Independent Variables

Our core independent variables concern nonprofit practices. First, we include a dummy variable based on whether the organization had a strategic plan in 2005. Second, we manually coded each organization to determine if it provided services to the poor.

Control Variables

Other factors may influence whether organizations experience insolvency or adjust their spending. To proxy local economic conditions during the crisis, we consider foreclosure rates as the percentage of homes closed in an organization's zip code.

Because funding changes can have myriad effects on nonprofits, we incorporate a mix of controls. First, we control for revenue fluctuations during 2008–2010 measured analogously to year-to-year spending. Second, previous research finds that revenue diversity reduces the likelihood of insolvency (Carroll and Stater 2009); therefore, we use an inverse Herfindahl–Hirschman index of funding sources:

$$\text{diversity} = 1 - \sum_{i=1}^{n} S_i^2$$

Here n denotes the total number of sources, and S denotes the percentage of revenue earned from an ith source. Revenue is collapsed into four categories: (1) fees for services, (2) contributions and fundraising, (3) investments, securities sales, asset sales, rental income, and other income, and (4) income from the sale of goods.

To capture reliance on particular funding sources, we include a measure of foundation funding reliance (the total amount of foundation grants divided by total revenue), and a dummy of whether the organization received government support in 2005. Because government contracts often stipulate the use of funding, this measure helps to control for spending that might occur despite dwindling financial resources. Diminished demand for programs and services might also impair financial health. Thus, we control for the percentage of annual revenue from programs and services.

Lastly, we control for age, size (natural log of annual expenditures), NTEE sector, and whether the organization relies on paid staff.

Results

We demonstrate how organizational properties moderate the impact of societal transformations by interweaving quantitative and qualitative data. First, we report how different nonprofit organizations experienced the economic downturn. Next, we show how the meaning of the shock differed with strategic planning and poverty-related missions. Lastly, we discuss how each factor affected both the financial health of the organizations and their approach to serving constituents in tumultuous times.

The Financial Crisis as Existential Threat

The unanticipated jolt of the financial crisis pushed several organizations to the brink of closure. For example, the director of a creek restoration organization that closed in 2015 told us: "The [financial crisis] was bad, bad, bad… '08 was just really rough for us. A lot of funders dropped programs… We didn't get paid for one contract for nine months." In this case, the board ousted the executive director and hired another. Facing rapidly declining income, the organization reduced both its services and its employees' time. The associate director resorted to waiting tables to make ends meet. The organization struggled to find its purpose in the ensuing years, and eventually closed in 2015.

Though not all experiences of the crisis were the same as this one, the anxieties of the period were ubiquitous. In our 2015 survey, 85% of 108 respondents described the financial crisis and revenue concerns as the predominant challenges of past decade. From the perspective of nonprofits, the depth and length of the crisis presented prospective uncertainty. According to one director, "When the banks collapsed nobody understood it was going to be a five-year recession. People thought it might be a year and a half, two-year recession." Even though her organization engaged in planning, the uncertainty presented a difficulty: "There's no playbook when the state you're working in runs out of cash." Another director told us that charting her organization's course through the uncertainty was tantamount to "throwing darts from 100 yards away." The hardship, in part, was due to diminished revenue streams. For one arts organization, fundraising became incredibly hard and they struggled to secure year-end donations. The director opined that people were concerned with everything except the arts, which were perceived as a luxury. Another organization that helps connect women to construction careers was hammered by dwindling job opportunities. For many organizations, the crisis not only posed an existential threat, it revealed and aggravated existing vulnerabilities.

Organizational Determinants of Society-Level Change

Figure 1 and Table 1 detail these financial challenges. Across the sample, the ratio of liabilities to assets spiked in 2008 (a ratio greater than 1 indicates insolvency). Figure 1 also suggests that the most deleterious effects of the crisis were contingent. For organizations with strategic plans, the effects of the crisis on this ratio barely register. For organizations without plans, however, the ratio rises sharply in 2008. Those that serve the poor follow a similar trajectory during the crisis.

To assess how organizational practices affect financial performance during times of crisis, we turn to Table 2. In model 1, we consider common predictors of financial stress. First, we note the geographic effect of the recession, observing that increased foreclosure rates in the organization's zip code predict reductions in insolvency (IRR = .817, $p < .05$). Harder hit areas may receive more charitable contributions, consistent with reports from multiple executive directors.

As anticipated, revenue diversity has a significantly negative effect on the experience of insolvency (Froelich 1999; Carroll and Stater 2009). Each standard deviation increase in diversity reduces the odds of an additional year of insolvency approximately two-thirds (IRR = .338, $p < .001$). As explained by one respondent, "If you have only one source of revenue—contributions—any downturn in the economy is even more dangerous. Back in 2008, when the economy stumbled… it was very much a challenge for us. We had to make immediate changes to our operations."[5]

Somewhat unexpectedly, larger organizations are more likely to face insolvency. A one-unit increase in the log of expenditures increases the odds of insolvency .67 (IRR = 1.665, $p < .001$). Higher spending indicates higher levels of services and programs that may be hard to reduce or cut during times of financial stress. This effect holds even with a term for paid staff in the model. Reducing programs and staff may come after unexpected drops in revenue, thus still increasing the risk of insolvency.

Having paid staff substantially increases the likelihood of insolvency (IRR = 5.789, $p < .05$). The director of one choral organization said, "almost all of the staff left. The people who were still there were promoted without any training and had things dumped on them and at the same time, were getting benefits and 401k plans and everything else cut." Organizational age has a small insulating effect. An additional year of age reduces the odds of insolvency .04 (IRR = .960, $p < .01$).

Cumulatively, the ramifications of the financial crisis on insolvency varied by a range of organizational properties. We now focus on two factors of multi-level change that we hypothesized to be critical in the context of the financial crisis: forward-looking organizational practices and having a mission to alleviate poverty.

Strategy and Resilience

By 2005, nearly half of all organizations in the sample engaged in strategic planning (Table 1). Model 2 shows how planning affected organizations' likelihood of insolvency. Consistent with our propositions, the practice has a large negative effect on insolvency. Having a strategic plan makes the odds of an additional year of insolvency approximately one-third that of organizations without plans (IRR = .320, $p < .05$).

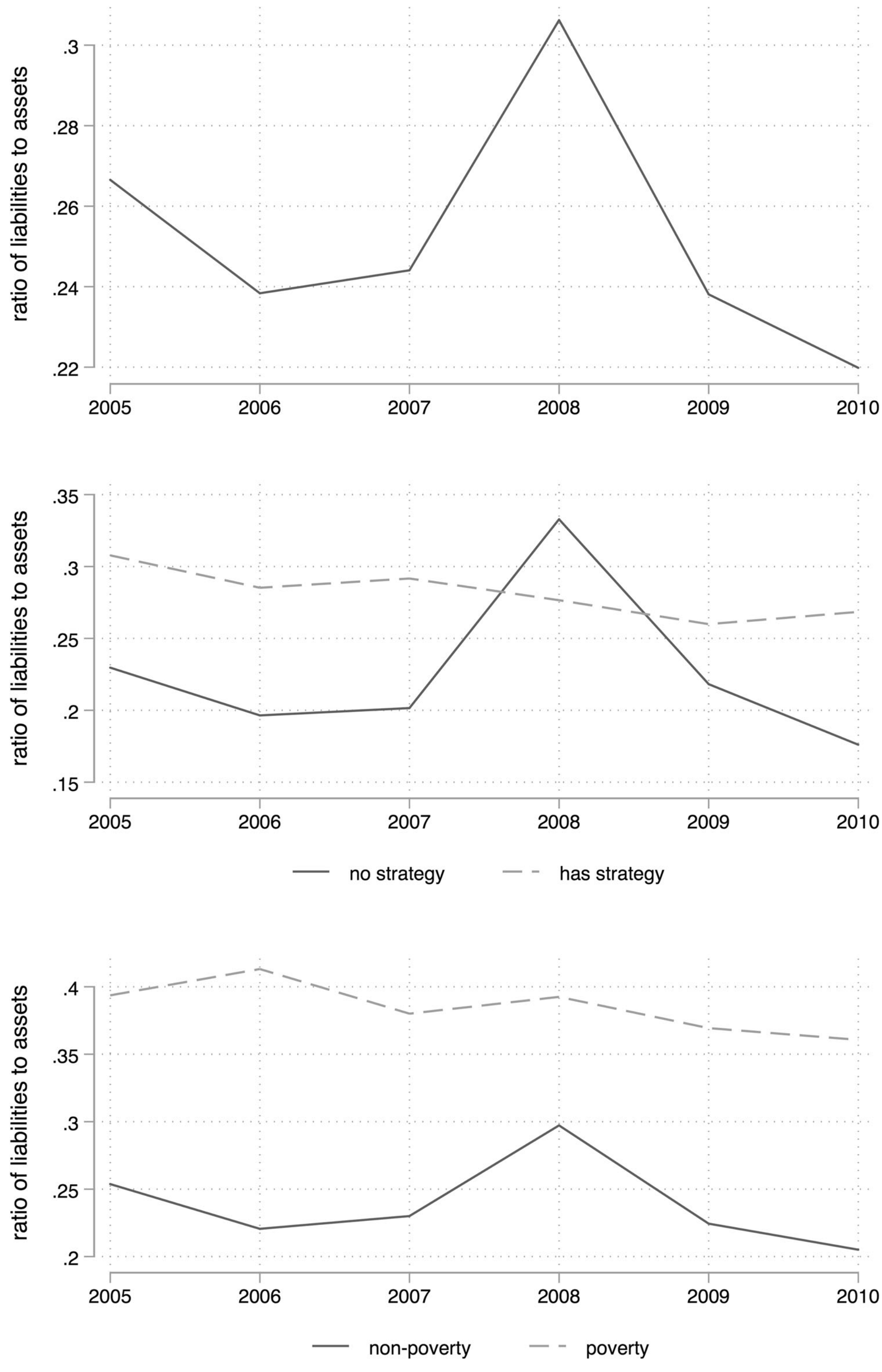
The qualitative data reveal multiple channels through which strategic practices shape crisis resilience. First, our finding is consistent with the expectation, described by our respondents, that organizations looking toward the future are more likely to conserve in anticipation of a changing environment. For these organizations, preservation means conserving in the present moment. A comment from the current director of a youth choir is apt: "[During the crisis] the board hired an interim charged with trying to find out whether the organization was even still viable. She slashed a great deal, which was probably necessary in the short-term… She sold all the instruments."

Many directors emphasized that the value of strategic planning as a process exceeded the value of the strategic plan as a document.[6] According to these respondents, plans are rarely followed to the letter. The director of a boys'

[5] Although a healthy financial mix insulated organizations from financial turmoil, executive directors lamented difficulties regardless of the primary funding source. Informants reported problems with funding from community foundations as they struggled to report success metrics associated with activities aimed at mitigating the crisis for their constituents. Finally, if organizations provide services of any sort to clients, they are far less likely to experience insolvency (IRR = .086, $p < .001$), but if they rely on fees for service, they are slightly more likely (IRR = 1.021, $p < .05$). One performing arts group in our sample shifted their funding model from government income to fees for services as government funding was cut during the crisis, but this was associated with a significant drift in the organization's mission.

[6] The frequency with which plans are revised is suggestive of this sentiment: 12% revised annually, 80% revised biannually, and the remainder either do not revise plans or do so less frequently.

Fig. 1 Average financial health of 196 nonprofits before and during the Great Recession. *Note* Financial health measured as ratio of liabilities to assets



choir told us that a "five-year plan might be good for three," and the director of a concert venue indicated that, although "99% of the time, they're not followed," formulating a strategic plan facilitates "communication within the organization and [creates a] roadmap that actually might let you take a breather and slow down." More than that, plans help staff establish consensus. Most strategic plans are developed internally. Boards and executive directors were almost ubiquitously engaged in shaping the strategic direction of the organization (98 and 92%, respectively,), and three-quarters of all strategic plans bore the imprint of staff as well. As the director of an

Table 1 Descriptive Statistics of 196 nonprofit organizations in the S.F. Bay Area

Variable	Mean	S.D.	Min.	Max.
Dependent variables				
Times insolvent (count; 08, 09, 10)	.14	.57	.00	3
Spending change (%; 08)	.12	.45	− .64	3.52
Spending change (%; 09)	− .02	.30	− 1.00	2.34
Spending change (%; 10)	.03	.36	− .82	3.72
Independent variables				
Strategic plan (dummy; 05)	.47	.50	.00	1
Org. addresses poverty (dummy)	.13	.50	.00	1
Local economy				
Local foreclosure rate (at zip code; 08)	1.91	2.41	.00	11.00
Financial controls				
Revenue change (%; 08, 09, 10)	.15	1.75	− .45	24.34
Revenue diversity (08, 09, 10)	25.78	18.52	.00	63.68
Foundation funding reliance (%; 05)	2.91	8.82	.00	61.61
Government grant (dummy; 05)	.39	.49	.00	1
Program revenue reliance (%; 08, 09, 10)	38.61	35.05	.00	100
Organizational characteristics				
Paid staff (dummy; 05)	.74	.44	.00	1
Direct service provision (dummy)	.67	.47	.00	1
Size (logged expenditures; 05)	13.07	1.95	8.28	19.42
Age (years; 05)	30.66	23.65	3.00	154
NTEE classification				
Education (dummy)	.13	.34	.00	1
Environment (dummy)	.06	.23	.00	1
Health (dummy)	.11	.32	.00	1
Human services (dummy)	.37	.48	.00	1
International (dummy)	.04	.20	.00	1
Public benefit (dummy)	.08	.27	.00	1
Religion (dummy)	.04	.19	.00	1

ecumenical housing organization described: "I think everybody needs to understand what their roles are, not only in their own job description, but within their departments and the organization as a whole."

With boards, directors, and staff on the same page, plans were described as forward looking. Relating the importance of planning, the director of a short-term family housing facility said, "You've got to know where you're going in order to get there." She continued, "there's a lot of things [we] come across, opportunities or decisions that would be really nice," but the plan helps to distinguish "if it's nice to do versus if we need to do it." Similarly, the director of another housing organization said, "if you don't have your strategies in place and shoot for those, then what are you going to do? You're just kind of floating around."

Mission and Resilience

The second property we proposed as vital in altering the meaning of the economic crisis was whether the organization works with impoverished clients. From 196 organizations in the final sample, 25 (13%) provided services—food, housing, temporary shelter, healthcare, and employment services—to the poor. Strategic planning was common among these organizations too. Sixty percent engaged in strategic planning, and their creation involved boards, directors, staff, and outsiders at similar rates to non-poverty organizations.

Model 2 shows that addressing poverty is negatively correlated with experiencing insolvency, but this effect is not statistically significant. To wit, a Meals on Wheels director remarked "Even when it was really bad a few years ago, it almost was like people gave more when they were hurting more. We still were able to bring in the money that we needed to serve." This benefit, however,

Table 2 Predicted number of times insolvent during the Great Recession, coefficients from a dynamic negative binomial regression

	(1)	(2)
Practices		
Strategic planning		.320*
		(.168)
Poverty-related mission		.579
		(.634)
Org. characteristics		
Direct service provider	.086***	.097**
	(.063)	(.071)
Paid staff	5.789*	6.429*
	(5.042)	(5.291)
Size	1.665***	1.609***
	(.217)	(.209)
Age	.960**	.965**
	(.014)	(.013)
Economic conditions		
Local foreclosure rate 2008	.817*	.802*
	(.079)	(.077)
Financials		
Change in total revenue	.819	.810
	(.114)	(.136)
Change in total spending	.948^{+}	.950^{+}
	(.030)	(.028)
Funding diversity	.338***	.423**
	(.105)	(.134)
Foundation grant reliance	1.009	1.008
	(.007)	(.005)
Received government grant	1.069	1.877
	(.586)	(.978)
Fee for service reliance	1.021*	1.017^{+}
	(.010)	(.009)
Sector controls included	Yes	Yes
Observations	196	196
χ^2 (df)	1319 (18)	1405 (20)

Exponentiated coefficients; robust standard errors in parentheses

$^{+}p < .1$, $*p < .05$, $**p < .01$, $***p < .001$

was not realized by all organizations. The director of one homeless services organization in San Mateo explained how foundation support withered during the crisis as funders shifted away from addressing "hunger and nakedness and need for shelter."

Poverty Mindset and Spending During the Crisis

Despite the negligible effect of mission on insolvency, the need and vulnerability of the poor increased during the crisis. Our interviews impressed on us that poverty organizations approached the crisis with a different mindset than did other organizations. We thus turn to a critical question beyond finance: How did organizations' abilities to serve their constituents change during the crisis?

Figure 2 reveals an increase in average expenditures. Over the period of 2008–2010, organizations increased their average spending by 4.3%. This effect is not uniform across the population, however. Organizations with strategies saw a slight decrease between 2007 and 2010. For organizations providing services to the poor, expenditures undergo a sharp increase between 2007 and 2008 and continue to rise through 2010. Such an increase is not found among organizations serving other constituents.

We assess the relationship between practices and spending changes in the models presented in Table 3. The models in this table are presented chronologically, such that models 3.1 and 3.2 reflect changes in spending from 2007 to 2008, models 4.1 and 4.2 reflect changes in spending from 2008 to 2009, and models 5.1 and 5.2 reflect changes in spending from 2009 to 2010. Presenting the models this way allows us to unpack the effects of organizational properties and practices over the duration of the crisis.[7]

First, we note that local economic conditions (measured via foreclosure rates) appear to have no significant effect on changes in organizational expenditures for any of the years. On the other hand, changes in organizational financial conditions do have significant effects. Across all years, a \$1 increase in revenue predicts an approximate \$.30 increase in expenditures ($p < .001$).[8] Though significant in 2007–2008, the effect of funding diversity is effectively zero across all time periods, as is the effect of foundation grant reliance, receipt of government grants, and reliance on fees for service.

In terms of organizational attributes, only size has a significant effect on the change in expenditures, and only for the years 2008–2009 ($\beta = .035$, $p < .001$). Larger organizations were significantly more likely to increase their spending in this period, perhaps because they had not yet felt the effects of the crisis to the same degree as their

[7] As a robustness check, we also modeled the average spending changes across the entire period, finding significant effects supportive of our argument and consistent with the findings presented here. Such models, however, offer low-overall explanatory power. Additionally, the effects of annual funding changes on annual expenditure changes, for example, are muddled when average change is used as an outcome. Because the inclusion of sector (NTEE) controls complicates straightforward interpretation of the interaction effects in models 3.2, 4.2, and 5.2, such controls are excluded here. Still, coefficients and standard errors are robust to the inclusion of sector controls.

[8] Annual changes in revenue explain a good deal of variance in each of the models. In 2007-2008, the addition of this variable increases the R^2 .10, in 2008-2009, the variable increases R^2 .25, and in 2009-2010, the variable increases the R^2 .09.

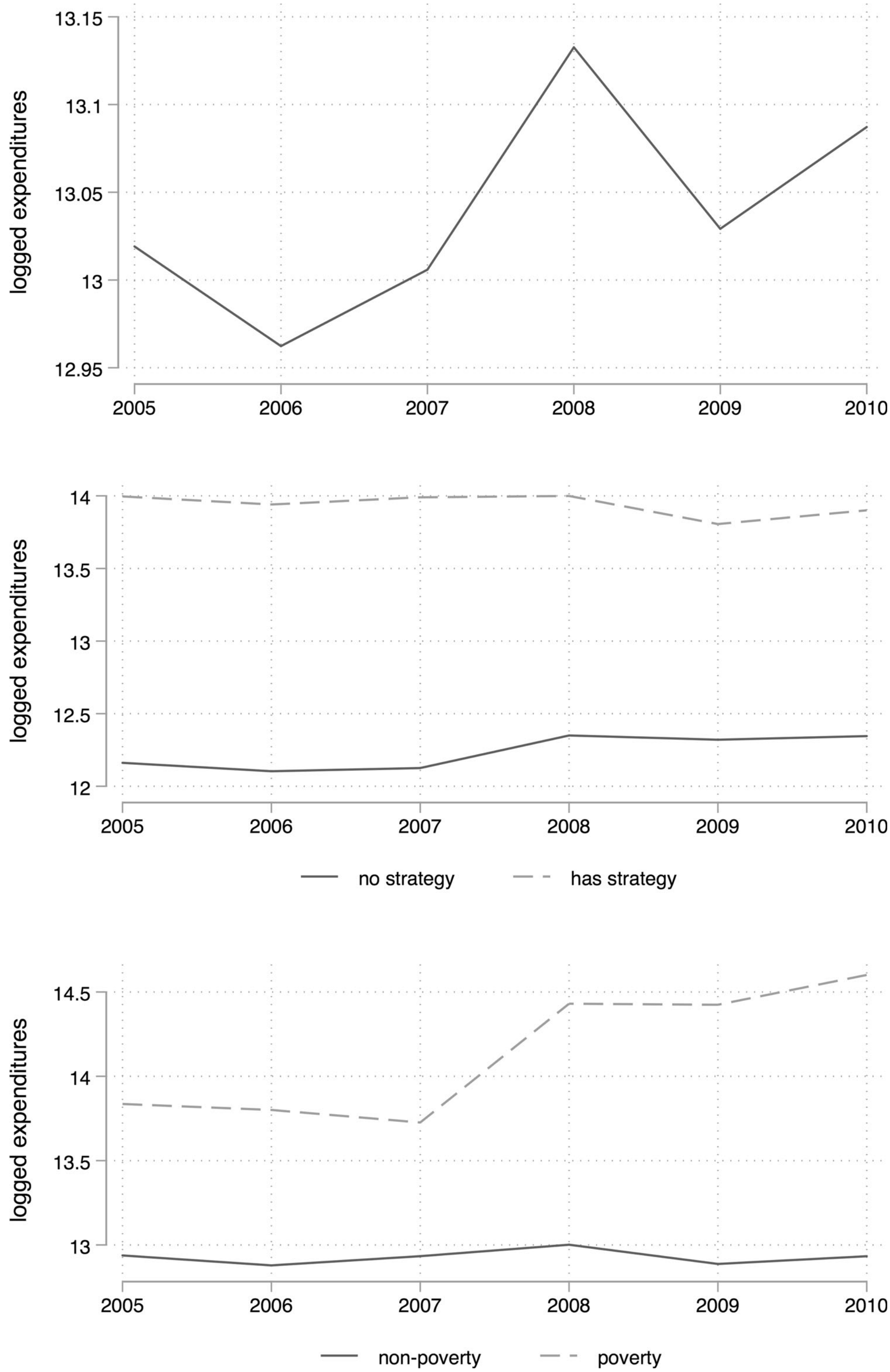


Fig. 2 Spending changes of 196 nonprofits before and during the Great Recession

smaller counterparts, or because they were committed to fulfilling services through this period and were unable to curtail spending. Age, direct service provision, and having paid staff had no significant effects on spending changes.

For organizations engaged in strategic planning, we find a consistently negative, though not statistically significant, relationship with spending changes across the period. Organizations providing services to the poor demonstrate a consistently positive relationship with changes in spending over this period, though effect sizes and statistical significance vary across periods. In model 3.1, we find that a poverty-related mission predicts an 18% increase in

Table 3 Predicted spending changes during the Great Recession, OLS regression coefficients

	2007–2008		2008–2009		2009–2010	
	(3.1)	(3.2)	(4.1)	(4.2)	(5.1)	(5.2)
Practices						
Strategic planning	− .100	− .050	− .069	− .029	− .047	− .007
	(.073)	(.076)	(.042)	(.044)	(.056)	(.059)
Poverty-related mission	.185^{+}	.422**	.051	.217*	.260**	.431***
	(.100)	(.155)	(.059)	(.090)	(.078)	(.118)
Strategy *x* poverty		− .379*		− .273*		− .287^{+}
		(.191)		(.112)		(.149)
Org. characteristics						
Direct service provider	− .001	− .019	− .006	− .015	.016	.003
	(.075)	(.075)	(.044)	(.043)	(.058)	(.058)
Paid staff	− .056	− .060	− .013	− .015	− .110	− .113
	(.091)	(.090)	(.054)	(.053)	(.071)	(.071)
Size	.007	.011	.035***	.034***	.014	.016
	(.020)	(.020)	(.010)	(.010)	(.015)	(.015)
Age	− .002	− .001	− .001	− .000	− .000	− .000
	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)
Economic conditions						
Local foreclosure rate	.000	− .001	− .003	− .004	.003	.002
	(.013)	(.013)	(.008)	(.008)	(.010)	(.010)
Financials						
Change in total revenue	.338***	.338***	.334***	.336***	.276***	.273***
	(.068)	(.068)	(.040)	(.040)	(.058)	(.058)
Funding diversity	.003^{+}	.003*	− .001	− .001	− .002	− .002
	(.002)	(.002)	(.001)	(.001)	(.001)	(.001)
Foundation grant reliance	− .002	− .002	.000	.000	.000	− .000
	(.002)	(.002)	(.000)	(.000)	(.001)	(.001)
Received government grant	− .039	− .063	.029	.013	− .030	− .047
	(.073)	(.073)	(.043)	(.043)	(.056)	(.056)
Fee for service reliance	− .000	− .000	− .000	− .000	.001^{+}	.001^{+}
	(.001)	(.001)	(.001)	(.001)	(.001)	(.001)
Constant	.090	.035	− .402***	− .410***	− .093	− .123
	(.233)	(.233)	(.119)	(.118)	(.175)	(.174)
Sector controls included	No	No	No	No	No	No
Observations	195	195	195	195	194	194
R^2	.19	.21	.32	.35	.22	.23

Standard errors in parentheses

$^{+}p < .1$, $^{*}p < .05$, $^{**}p < .01$, $^{***}p < .001$

spending ($p < .10$), in model 4.1, we find a predicted increase of 5% (though this is not statistically significant), and in model 5.1, we find a predicted increase of 26% ($p < .01$). This pattern suggests that poverty-focused organizations met the onset of the crisis with an increase in expenditures that were further increased toward the end of the crisis (perhaps as poverty increased following tides of foreclosure and unemployment).

The commitment to mission revealed by interviewees further underscores these patterns. A long-time homeless services director told us:

> Our board… decided that we could dip into reserves. We don't have huge reserves. In fact, we probably shouldn't have… But they just said, 'No, if the need comes across the door, we believe this money is not for us to hoard.' We believe this money is for us to use.

Another respondent from a Meals on Wheels program said:

> I would never put anybody on a waiting list here. I would literally get on the phone and I would call 10 people and ask them for $10 each or whatever they can give to feed Mrs. McMahon for the month, you know? I would never let that happen.

These quotes reveal a high level of commitment to serving the needy, even if providing those services might risk the organization's financial health and future. A future orientation, however, may be difficult to develop for those operating on a day-to-day basis. Making this point, the president of small low-income housing complex said,

> In my experience, working with people on the edge for nearly 30 years now—people ring alarm bells about financial downturns and other kinds of things. [Some of us] hear ringing every day. You're going to say there's a poverty emergency *now?* It's every day.

Planning to Serve the Poor

Comparatively, the two main effects point in opposite directions. Having a plan predicts that spending will be unresponsive to changing environmental conditions, whereas serving the poor predicts high levels of responsiveness, as indicated by increased spending. Nevertheless, many poverty-focused organizations also planned formally. What happens when an organization engages in both strategic planning and serving the poor? In models 3.2, 4.2, and 5.2, we test for an interaction between strategy and poverty, finding a significant negative effect in 2007–2008 ($p < .05$) and 2008–2009 ($p < .05$), with a similar effect size in 2009–2010 ($p < .10$). Thus, the positive effect of poverty services is contingent on strategic planning. Organizations engaged in both practices decrease their spending approximately 1% in 2007–2008, and approximately 9% in 2008–2009.

These findings may be interpreted in several ways. First, organizations otherwise expected to be responsive to community needs may end up being less-responsive in the short-run. From this perspective, non-responsiveness may be a failure to meet the commitments of their missions. Alternatively, by not running financial risks in the present, these organizations may raise the likelihood of surviving to serve their constituencies later. The point is made clear through an interview with the CEO of a large low-income housing developer. Asking how the organization weathered the crisis, she answered, "we spent a lot of time thinking about what it's going to take to stabilize and we started developing. In about 2012 we started working on what could we do, could we buy our buildings?" Eventually, the organization took advantage of depressed housing prices caused by the crisis and began to expand the range of housing and services they offered to low-income persons and families. Her perspective on the growth in homelessness during this period helps to illuminate this organization's response: "If somebody says, well, there are 500 more homeless people this year I say, 'okay, you add that to the thousands who are already homeless.'"

From this perspective, the needs of the homeless are an enduring challenge that exists presently but stretch into the future as well. While conserving and stabilizing during the crisis, the organization sought opportunities to expand the reach of its services in coming years. When asked in 2017 about the changing political climate and potential threats to federal funding sources, this director emphasized the importance of strategic planning:

> Federal government is pushing more to the states who are in turn pushing things down, which is why I look at our strategy [as] having a local model that really functions. It's the way we're going to insulate ourselves from the federal shock.

Discussion and Conclusion

How do our findings contribute to debates about nonprofit management and organizational theories of change? First, we highlight the variegated nature of what many described as a uniform shock, the late-2007 financial crash and subsequent recession. Then we discuss how organizational practices and goal orientations—themselves products of slowly shifting institutional environments—can alter organizational reactions to changes in the task environment of organizations that appear constant in retrospect. Finally, we relate our findings about strategic planning and the "poverty mindset" to the wider literature on planning and organizational resilience.

The financial crisis hit rapidly, unexpectedly, and viciously; both rich and poor were affected. Much contemporary literature in economics, political science, and sociology treats such shocks as exogenous events that provide researchers with opportunities for causal inference (Peek and Rosengren 2000; Gangl 2010). Our findings, however, lead us to question the positivist treatment of environmental changes as a shared reality. First, the meaning of the financial crisis depended on the approach and goals of each organization: what was an existential threat to some organizations motivated others to double down in providing services to constituents at a time of utmost vulnerability. Second, rather than triggering financial distress in isolation, the crisis uncovered and aggravated preexisting vulnerabilities in structure and management that were concealed a priori.

Moreover, even though the financial life course of a nonprofit is influenced by macro-economic and political cycles, many face perennial struggles with funding. As indicated by comments from numerous executive directors, funding crises are a regular feature of nonprofit life. In several interviews, executive directors cited a deeper crisis in the San Francisco Bay Area: the steadily climbing cost of living and growing wage inequality. Against our intuition, some directors lamented that the recent uptick in economic growth hampered their ability to serve clients, either because of increased costs of service provision or because the need resulting from growing inequalities exceeds existing organizational capacities. Although our focus has been on the broadly felt financial crisis of 2008 through 2010, it is important to consider our findings in light of the regular undulations in nonprofit environments.

One such permutation was the rise of nonprofit managerialism in the 1990s and early 2000s. With the encouragement of funders, boards, and staff, many organizations quickly adopted managerial practices into their routines (Hwang and Powell 2009). This observation differs from strategic perspectives of organizational practices that would see planning as an effort to dictate organizational futures. Local interpretation matters for how widely shared practices are adopted and implemented (Sahlin and Wedlin 2008; Bromley et al. 2012). As plans spread across nonprofits, they were adopted with varying levels of commitment. Some revisited plans routinely, some sought the input of an array of stakeholders, and some put them on the shelf.

This insight is consistent with previous institutionalist work that bridges overly optimistic or pessimistic takes on planning (Weick and Sutcliffe 2007; Hwang and Bromley 2015). The functions and qualities of strategy varied widely across our sample. As a document, strategy provided an infrastructure of stability and accountability; as a process, it helped to unite the troops under a common goal. In addition to these two established views, we add a third. Strategic thinking—that is, a forward-looking approach to planning, budgeting, and providing services in the broadest sense—is a framework that afforded new opportunities to organizations. This perspective is clear in the language directors use to describe their plans: destinations, building toward goals, anticipation. Planning designates a future state distinct from the present and plots a route between the points. We might term this outward-oriented managerialism. This route, however, does not go unperturbed. Few could have predicted the occurrence or magnitude of the crisis and how it would affect their organizations. Nevertheless, as the crisis unfolded, organizations with plans were less likely to increase their activities or spending and were more financially stable than those without.

Much organizational research has proceeded as if scholars were traveling on a divided four-lane highway, with one group traveling southbound (macro-influences on organizational behavior) and another northbound (micro-influences on organizational behavior). Although there may be an occasional rest stop or turnabout, for the most part travelers proceed in one direction. We want to think of macro- and micro-influences more as circuits in which actions at one level condition how organizations experience those in another, and these influences rewire such that change occurs at multiple locations. Thus, change is felt differentially based on who you are and what you do. To continue our travel metaphor, what one drives and how the car is packed and peopled shapes the experiences of the road trip.

More tangibly, we believe this view grants more agency to the activities of organizations. Nonprofits in the SF Bay Area were certainly buffeted by the cruel winds of the Great Recession, but very few were broken or bent in a direction incompatible with their avowed purposes. Seen in this light, the manner in which external shocks are experienced is contingent on organizational features. We try to turn open systems theories inside out to highlight how external practices alter perceptions of environmental transformations. Organizational scholars in both the ecological and institutional traditions have long emphasized the powerful influence of external environments; in turn, we highlight the internal organizational processes of interpreting and responding to external transformations. We find support for the argument that the structures and social position of an organization determine how they experience societal change (Stinchcombe 1965; Powell et al. 2005). How shifting circumstances are viewed and handled can be seen as products of the orientations associated with organizational practices.

Organizational practices and routines are both internal ideas and institutional pressures made durable. These activities are what connect an organization from its past to the present, carrying it from one set of environmental experiences to another set of conditions. The influence of older environments is concretized internally in routines, and these routines shape how organizations subsequently respond to future changes. This is not a clear process of path-dependent change. No one knows what the future entails, or how environmental conditions might evolve. Moreover, practices set organizations on different trajectories for responding to external environments, altering both survival prospects and attributions of meaning. Consequently, the manner in which shifting external circumstances are viewed and handled is conditioned by the orientations associated with different organizational practices.

Over the long run, organizational practices are embodiments of histories, which through their effects on present understandings and actions shape organizational futures. Such a view suggests that institutional forces are instantiated in individuals and carried by them through their actions, tools, and technologies (Orlikowski and Scott 2008; Powell and Rerup 2017). Thus, features of the environment that are absorbed into organizational routines at one point in time have profound effects on how organizations respond when environmental conditions change. Across a field of organizations, such a process allows for variegated responses to common external stimuli. External shocks jar organizational routines, producing different reactions and alternative trajectories.

The second contribution of this paper is to question the normative basis of social inquiry into organizational resilience. The emerging idea of resilience—the ability to bounce back after an external shock—builds on the notion that survival is desired. Our paper seeks to go beyond the dichotomy of organizational birth and death by suggesting that, for nonprofit managers, the priority of survival is a matter of perspective.

Our findings give rise to thorny moral and practical questions about the meaning of organizational resilience. Across a group of organizations, the same information may support conflicting points of view. As political scientist Graham Allison famously quipped, "Where you stand is based on where you sit" (1969, p. 711). From the viewpoint of an organization that emphasizes long-term efficacy and financial health, ramping up spending during uncertain times is irrational. From the perspective and organization focused on serving the most needy in the moment, conservation and saving for the future might seem immoral. But the relationship between how an organization sees the world and how they respond to its turning is not deterministic. Indeed, some nonprofits made decisions that they later interpreted as out of step with their goals or dangerous to their survival. Others, despite best laid plans, were buffeted by unexpected blows. Nevertheless, what organizations do during times of stress can be predicted and interpreted through the outlooks created by their ongoing routines for managing work in normal times.

This paper shows that survival—a central indicator and goal of resilience—is not the primary function of organizations' varied responses to the financial crisis. For some, serving their constituents outweighed the necessity to maintain financial health. This observation reflects Selznick's famous remark that "[practices can become] infused with value beyond the technical requirements of the task at hand" (1957, pp. 16–17). Conversely, we find that the adoption of strategic planning as a part of the cultural "managerial turn" may in fact be imbued with functions beyond their initial symbolic value (Hwang and Powell 2009). In our inside-out theory of multi-level change, we find relevance in both of these perspectives on the institutionalization of organizational practices.

The normative dimension of this question is relevant to organizational theorists because of their fundamental assumption that organizations primarily strive to stay in business, even if that means a dramatic shift in the organization's mission (Zald and Denton 1963; Sills 1980). In the open systems accounts of organizational change that we draw on in this paper, organizations' pursuit of material resources is seen as ultimately serving the purpose of preserving organizations' survival prospects. For issue-based movements and charitable organizations, reaching their goals may not require survival, however. On the whole, the sector's collective resilience to the Great Recession is impressive, but it remains an open question as to whether such resilience contributes to the public good. Whereas survival may be in the interest of individual organizations, the constant expansion of the nonprofit sector may inhibit creative destruction and cap resources for new entrants.

We conclude by reiterating that organizations are neither cultural dopes nor clairvoyant strategists. Internal capabilities condition how organizations experience—both perceiving and reacting to—periods of crisis. As organizations adopt new practices from experts and high-status peers in their environment, they embrace new perspectives, which in turn shape how seemingly objective events are perceived and understood (DiMaggio and Powell 1983; Kelly and Dobbin 1998; Hallett 2010). Organizations' abilities to respond to changing environmental conditions are thus a combination of capacities and commitment to missions. Neither is static, but the product of a dynamic relationship between organizations and their environments.

Compliance with Ethical Standards

Conflicts of interest The authors declare they have no conflicts of interest.

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