

Success and Failure of Nonprofit Organizations: Theoretical Foundations, Empirical Evidence, and Future Research

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Abstract Success and failure of nonprofit organizations (NPOs) have been prominent themes in the nonprofit community for more than 30 years. However, since there is no common understanding on success and failure of NPOs, the research field is still fragmented. Drawing from research on organizational success and failure in the for-profit context as a theoretical background, this paper systemizes the academic knowledge on NPO success and failure. By shedding light on theoretical approaches used, empirical evidence on the determinants of these constructs, and the sectors analyzed most frequently in this regard, the paper develops an instructive research agenda concerning studies on success and failure of NPOs.

Keywords Success · Failure · Nonprofit organizations · Organizational performance · Organizational death · Research agenda

Résumé Le succès et de l'échec d'associations à but non lucratif représentent depuis plus de 30 ans des sujets éminents dans la branche. Cependant, dû à l'absence de définitions communes des termes succès et échec, ce domaine de recherche reste fragmenté. Basé sur des connaissances théoriques concernant le succès et l'échec des organisations à but lucratifs, cet article systématise les connaissances académiques concernant les associations à but non lucratif. Illustrant les approches théoriques utilisées, les preuves empiriques des facteurs déterminants le succès et l'échec ainsi que les domaines d'activités analysés les plus fréquemment à cet égard, cet article établit un programme de recherche instructif concernant le succès et l'échec d'associations à but non lucratif.

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Zusammenfassung Seit über 30 Jahren sind Erfolg und Misserfolg von Nonprofit-Organisationen präsen- te Themen in der Nonprofit-Forschung. Nichtsdesto- trotz hat sich bis heute kein einheitliches Begriffsverständnis von Erfolg und/oder Misserfolg von Nonprofit-Organisationen etabliert. Mit diesem Papier wird versucht diesen Missstand zu beseitigen und die vorhandene Literatur zu Erfolg und Misserfolg von Nonprofit-Organisationen zu systematisieren. So illustriert dieser Bei- trag die in diesem Kontext verwendeten theoretischen Ansätze, identifiziert Einflussgrößen auf den Erfolg und Misserfolg von Nonprofit-Organisationen und zeigt auf, welche Nonprofit-Sektoren in diesem Zusammenhang am häufigsten untersucht werden. Dabei dient die Literatur zu Erfolg/Misserfolg von privat- erwerb- wirtschaftlichen Unternehmen als theoretischer Hintergrund. Auf Basis dieser Erkenntnisse wird schließlich eine Forschungsagenda für den Forschungs- bereich “Erfolg und Misserfolg von Nonprofit-Organisationen” entwickelt.

Resumen El éxito y el fracaso de las organizaciones sin ánimo de lucro (NPO, del inglés nonprofit organizations) han sido temas predominantes en la comunidad de organizaciones sin ánimo de lucro durante más de 30 años. Sin embargo, dado que no hay ninguna comprensión común sobre el éxito y el fracaso de las NPO, el campo de investigación sigue todavía fragmentado. Utilizando la investigación sobre el éxito y el fracaso organizativo en el contexto de organizaciones con ánimo de lucro como un antecedente teórico, el presente documento sistematiza el conocimiento académico sobre el éxito y el fracaso de las NPO. Arrojando luz sobre los enfoques teóricos utilizados, la evidencia empírica sobre los determinantes de estos constructos, y los sectores analizados con más frecuencia en este sentido, se desarrolla una agenda de investigación instructiva relativa a los estudios sobre el éxito y el fracaso de las NPO.

Introduction

The successes and failures of organizations have been prominent themes in business administration literature for decades. Almost all scientific research in the subfield of strategic management has examined these two closely interrelated topics. On the one hand, scholars want to comprehend why some companies perform better than others (Grunert and Ellegaard 1993; Grunert and Hildebrandt 2004), and on the other hand, they want to understand why companies fail (Duckles et al. 2005; Hager et al. 1996). To accomplish these objectives, researchers model organizational success and failure as dependent variables whose determinants can be identified by applying statistical techniques or the case study method (Cameron et al. 1988; Grunert and Hildebrandt 2004; Lampel and Shapira 1995; March and Sutton 1997; Mellahi and Wilkinson 2004).

The definition of organizational success and failure is a complex problem for nonprofit organizations (NPOs). NPOs are characterized by their orientation toward the accomplishment of social objectives and the nondistribution constraint (Hansmann 1980, 1986; Salamon and Anheier 1997), and their focus on social

goals is part of their mission statement (Brown and Slivinski 2006; Oster 1995). Serving some public purpose, they are often actively supported by the state through favorable tax treatments or public funds (Salamon and Anheier 1997). Therefore, they cannot distribute surplus revenues as profits or dividends but reinvest them into the organization to ensure mission accomplishment (Sandler and Hudson 1998). Thus, in contrast with for-profit enterprises, whose main goal is to maximize profits (Brown and Slivinski 2006; Mankiw 2011; Varian 1992), the ultimate indicator of NPO success is the realization of mission objectives (Sawhill and Williamson 2001).

However, mission accomplishment is difficult to measure (Herman and Renz 1997). For example, how can NPOs assess the fulfillment of the mission to protect biodiversity? What criteria should they use to evaluate the impact on the reduction of poverty? When should an organization admit that it has failed to accomplish its mission? This problem is further complicated by the ambiguous nature of mission completion. While some scholars might call it a sign of organizational success, others, applying an organizational theory perspective, might consider it a symptom of failure because the organization ceases to exist (Fernandez 2008).

This discussion implies a lack of common understanding on what constitutes NPO success or failure. Although some studies have addressed this topic, limited generalizable results exist. Studies vary in terms of construct definition, theoretical assumptions applied, and sectors investigated, which inhibits conclusive findings on how management practices can ensure success and prevent failure of NPOs. Thus, to date, the two basic questions of strategic management have remained unanswered in the nonprofit sector.

The goal of this article is to lay the groundwork on these two issues for further research. Systemizing the literature on NPO success and failure, we develop a research agenda for future studies. Using research on organizational success and failure as a theoretical background, we elaborate on the different understandings of NPO success and failure, present the theoretical approaches used to investigate this topic, and highlight the nonprofit sectors analyzed the most in this context. In addition, we structure knowledge on the determinants of NPO success and failure. Finally, we identify research streams to detect research gaps and to provide fruitful avenues for further research. Our approach follows Fernandez (2008) and Lecy et al. (2011), who call for the development of shared categories and methodologies, and for empirical studies to better understand the topics of success and failure of NPOs.

The contributions of this article are fourfold. First, to our knowledge, this work is the first to consider research on both NPO success and failure under a common framework. Because both research streams address the basic questions of strategic management applying these perspectives, our integrative approach serves as an appropriate strategy to provide a comprehensive understanding on these topics. Second, the research informs the nonprofit community by systematically summarizing the management-relevant factors that might influence NPO success and failure. In turn, NPO practitioners can use these findings to improve their management practices. Third, the research agenda developed using the literature on organizational success and failure provides a basis for future empirical studies on the determinants of NPO success and failure. This not only enables scholars to

analyze concrete cause–effect relationships but also offers a coherent framework on the determinants contributing to the integration of a fragmented research field. Fourth, the identification of different research streams structures this fragmented research area and enables scholars to link their work to a particular line of argument.

Success and Failure Constructs in the Context of NPOs

The construct of organizational success is at the core of the academic discipline of strategic management (Baruch and Ramalho 2006; Grunert and Hildebrandt 2004). With roots in the 1950s (e.g., Georgopoulos and Tannenbaum 1957), issues on organizational effectiveness have gained in importance (Lecy et al. 2011). However, different terms used to capture the concept of organizational success, including performance, sustainability, viability, and even efficiency and profit (Baruch and Ramalho 2006; Campbell 1977), have resulted in a fragmented literature (Cameron 1986, 2005).

Nevertheless, from an economic perspective, the meaning of organizational success is straightforward in the case of for-profit enterprises: competitive organizations typically focus on profit maximization (Mankiw 2011; Varian 1992). Even though topics such as corporate social responsibility (Vlachos et al. 2009) sustainability (Haugh and Talwar 2010), and corporate citizenship (Scherer and Palazzo 2008) have gained in importance in the for-profit context, success in for-profit firms is still mainly evaluated in terms of profitability and shareholder value (Calabrese et al. 2013; Chad et al. 2013; Seibel 1996). However, these aspects cannot be used as ultimate indicators of NPO success (Herman and Renz 2008), which are mission rather than profit driven. That is, NPOs are typically oriented toward the achievement of social goals (Brown and Slivinski 2006) and therefore are judged on the degree of mission accomplishment (Oster 1995).

The achievement of mission objectives is difficult to measure (Kanter and Summers 1994) because NPO goals are often abstract and vague (Weisbrod 1998). NPOs typically use short-term output measures such as the number of clients reached to capture target achievement. Although such proxy measures can be easily collected, they do not necessarily reflect mission accomplishment (Sawhill and Williamson 2001). To avoid generating wrong proxies, NPOs may also conduct studies on the long-term effect of their activities. However, as Lecy et al. (2011) have shown, rigorous impact assessment is rare in NPOs due to a lack of good impact indicators.

In addition to mission completion, good financial performance has become more relevant to NPOs during the past decades because governments have reduced public subsidies (Hager et al. 1996; Helmig et al. 2011). Furthermore, commercialization of the nonprofit sector has increased (Amendola et al. 2011; Tuckman 1998). Thus, NPOs must generate surplus revenues if they want to survive in an increasingly competitive market (Bryson et al. 2011; Weerawardena et al. 2010). From this perspective, organizational survival becomes the prerequisite for mission accomplishment, and researchers have even suggested that survival is the ultimate criterion on which NPO success should be evaluated (Duckles et al. 2005; Kanter and Summers 1994).

In contrast, Meyer and Zucker (1989) and Seibel (1996) consider NPOs “successful failures.” That is, although NPOs are often highly inefficient and fail to accomplish their mission, they continue to survive for political reasons. Undertaking services of public interests governments cannot or do not want to provide, many NPOs are financially supported by the state as long as demand exists for their services. As such, NPO survival is artificially constructed. This prevents it from being an objective criterion for NPO success (Kanter and Summers 1994).

To overcome the challenge of defining NPO success, scholars have begun analyzing it from a different perspective, that is, investigating organizational failure (Lecy et al. 2011). Since Whetten’s (1980) call for more investigations on this topic, research has steadily increased (Mellahi and Wilkinson 2004; Van Witteloostuijn 1998). However, similar to research on organizational success, research on organizational failure has used a variety of synonyms to capture this construct, including organizational mortality, exit, decline, and bankruptcy, without elaborating on possible differences (Mellahi and Wilkinson 2004).

Despite of this wording problem, scholars addressing the topic of organizational failure have a common comprehension on its meaning. Cameron et al. (1988, p. 9) define organizational failure as the “deterioration in an organization’s adaptation to its microniche and the associated reduction of resources within the organization.” From this view, failure occurs when an organization’s “ability to compete deteriorates [in a way] that threatens its viability” (Mellahi and Wilkinson 2010, p. 533). Market exit in terms of firm dissolution is the ultimate consequence of such a process.

Transferring the notion of organizational failure to NPOs is not straightforward. On the one hand, the idea of resource reduction and endangered viability as indicators of failure reflects the understanding of organizational survival as a prerequisite for mission accomplishment. NPOs that do not acquire resources critical for their functioning cannot fulfill their social objectives because of the need to close down for financial reasons. However, as outlined previously, many NPOs obtain government support because they provide valuable services to the public. Thus, because poor financial performance and resource scarcity do not necessarily reflect NPO failure, instead the degree of mission accomplishment should be used as indicator of organizational failure. However, what determines a failed mission? There are no objective criteria to answer this question. Furthermore, failure to complete the organizational mission can even mean NPO survival because this ensures the continual demand for the respective NPO services (Seibel 1996). This raises the question whether failure even corresponds to organizational success in the NPO context.

However, equating organizational failure with firm dissolution and organizational death poses some problems. NPOs often cease operation when their mission has been accomplished. In such a case, closure reflects goal achievement and may be considered an indicator of organizational success (Hager et al. 1996, 2004).

The different definitions of both NPO failure and success have aggravated cumulative knowledge generation in this area. More than 30 years after the inauguration of research on organizational failure and success, it is still not clear what it means in the context of NPOs. This not only inhibits conclusive findings on

NPO success and failure but also complicates the identification of generalizable variables NPO managers can influence to improve success and prevent failure of NPOs. To overcome this difficulty, we aim to systemize the knowledge on NPO success and failure. For this purpose, we use the research on for-profit enterprise success and failure to explain how these constructs are understood in academic literature.

Theoretical Background

Research on Organizational Success

In the early 1960s, the goal attainment approach was the dominant logic to capture success of private businesses. Organizations are “deliberately constructed... to seek specific goals” (Etzioni 1964, p. 3) and thus are successful to the extent to which they accomplish their organizational objectives (Price 1972). Hard indicators of financial performance (e.g., profit and loss statements) are typically used to assess success in the case of private firms (Miles 1980). By contrast, in the case of NPOs, mission accomplishment measured in terms of short-term outputs and long-term impact should be the ultimate indicator of organizational success (Sawhill and Williamson 2001).

The goal attainment approach has been criticized for various reasons. To evaluate the accomplishment of organizational goals, they must be clearly stated and measurable (Miles 1980; Robbins 1987). However, publicly communicated goals may differ from actual firm goals (Katz and Kahn 1966). Furthermore, goals are often abstract, aggravating their operationalization (Hannan and Freeman 1977a). In addition, companies may pursue multiple, even conflicting goals, which may complicate which goal should be used as an indicator of success (Molnar and Rogers 1976; Quinn and Cameron 1983). Finally, the goal attainment approach considers only the ends, not the means, as relevant for organizational success (Miles 1980; Robbins 1987).

The systems approach builds on the weaknesses of the goal attainment approach (Miles 1980). In this view, the accomplishment of organizational objectives is only a partial measure of organizational success. Goals are important, but organizations should also be judged on their ability to acquire inputs, conduct efficient transformation processes for the production of valuable outputs, and maintain stable relationships with their environment (Etzioni 1964; Goodman and Pennings 1980; Robbins 1987). This line of argument highlights the importance of means objectives for the survival of organizations (Miles 1980). Only when enough inputs are acquired can the transformation of inputs into outputs be efficiently achieved; similarly, only when relationships with key stakeholders are good can NPOs accomplish their ultimate objectives (Robbins 1987).

The systems approach is represented in several organizational theories illustrated in Fig. 1. First, on the input side, the resource dependence model (Pfeffer and Salancik 1978; Yuchtman and Seashore 1967) posits that organizations are

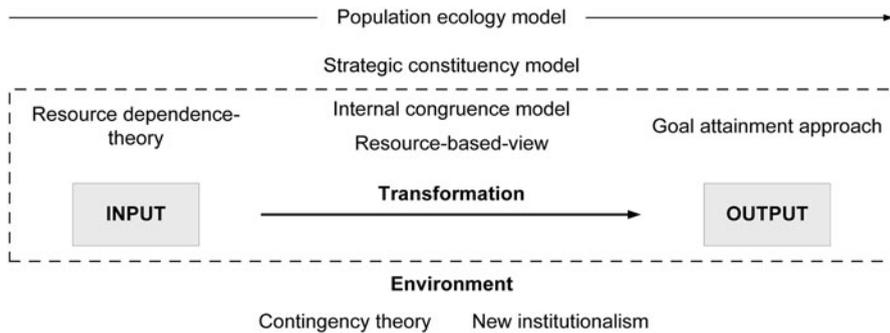


Fig. 1 Theoretical approaches in the context of the systems approach

successful if they can acquire and maintain resources critical for their survival. In this view, organizations are never self-sufficient but are interdependent with other organizations in their environment. To obtain resources necessary for the production of outputs, firms must transact with other organizations possessing inputs. Only if successful transactions occur can organizations stay in the market in the long run (Pfeffer 2005; Pfeffer and Salancik 1978).

Second, the internal congruence model by Nadler and Tushman (1980) particularly considers the transformation processes occurring within organizations. Nadler and Tushman (1980) assume that organizations comprise different components and parts whose interactions must be consistently organized without strain. Tasks, organizational structure, and individual behaviors must converge for the organization to produce outputs without wasting resources. In this model, organizational success is equated with organizational efficiency.

Third, both the strategic constituency model and contingency theory address organizations' ability to maintain stable relationships with their environment. The first theory defines success in terms of the degree to which organizations can meet stakeholder demands (Cameron 1980), and the second theory suggests that organizations that adapt to their technological environment are successful (Lewin and Minton 1986; Mohr 1971; Pennings 1975).

Regarding the different conceptualizations of success, scholars who believe that management-relevant factors are critical for business performance model organizational success as a dependent variable. Applying statistical techniques or the case study method, they try to determine which key variables, either internal or environmental factors, might increase the success of the organization (Grunert and Hildebrandt 2004; Lampel and Shapira 1995). Identification of internal determinants is often based on the notion of the resource-based view (Grunert and Hildebrandt 2004). Here, valuable and unique resources of the firm are considered drivers of good business performance. Imperfect imitability and substitutability and imperfect mobility make resources more valuable and give firms a competitive advantage in the market (Barney 1986, 1991). In contrast, research has used theories such as the strategic constituency model and the contingency approach to highlight environmental factors critical for organizational success.

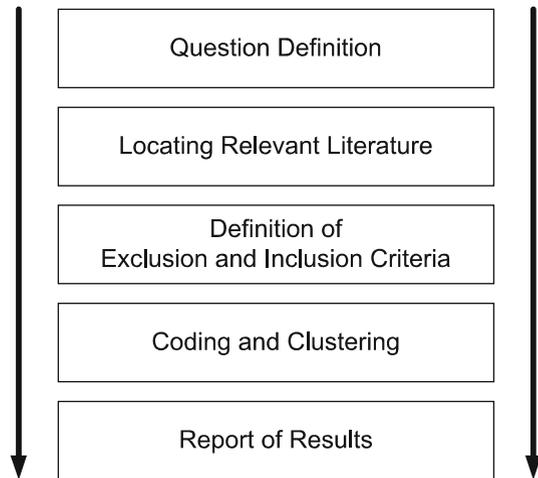
Research on Organizational Failure

Research on organizational failure particularly elaborates on factors that cause organizations to fail (Mellahi and Wilkinson 2010). According to Fernandez (2008), population ecology, new institutionalism, and resource dependence theory are the best explanatory models in this regard. Population ecology theorists argue that firm failure can be equated with firm dissolution (Freeman et al. 1983) and have analyzed both organizational demographics (age and size) and ecological processes (niche) (Fernandez 2008). For example, young organizations suffer from a liability of newness, which increases the probability of failure (Freeman et al. 1983; Stinchcombe 1965). New firms must build relationships with customers and suppliers and bear additional costs to learn new tasks and processes at a time when critical resources are scarce (Agarwal et al. 2002; Singh et al. 1986). Research also argues that small firms are more likely to fail than large firms (Freeman et al. 1983; Hannan and Freeman 1984) because they have more difficulties in attracting capital and recruiting high-skilled labor and face higher administrative costs. Finally, scholars applying a population density approach argue that organizational failure depends on the number of firms within an industrial niche. When only a small number of organizations exist in the market, they lack legitimacy and have difficulties in acquiring resources critical for survival. Therefore, the rate of organizational failure is high. As the number of organizations increases, their legitimacy increases and their failure rate decreases, because legitimacy facilitates access to resources. However, growth in population density due to a larger number of firms also intensifies competition for resources. Because the amount of resources is limited, competition causes the failure rate to increase again. Thus, there is a U-shaped relationship between population density and failure (Baum and Singh 1994; Hannan and Freeman 1988, 1993; Swaminathan and Wiedenmayer 1991).

The population ecology model belongs to the so-called deterministic school of organizational failure. According to this view, industrial structures have a greater influence on organizational failure than individual firm strategies (Mellahi and Wilkinson 2004). However, scholars belonging to the voluntarist school argue that organizational decline is not only determined by the organizational context. Rather, business managers can help ensure organizational survival by designing appropriate strategies that buffer their organizations from environmental disturbances (Hannan and Freeman 1977b; Mellahi and Wilkinson 2004). The theories of new institutionalism and resource dependence capture this adaptation perspective. Both address the relationship between organizations and their environment. As outlined above, resource dependence theory suggests that organizations must acquire and maintain resources critical for survival. If they do not acquire sufficient resources, they will have to cease operations and exit the market (Davis and Cobb 2010; Pfeffer and Salancik 1978).

With new institutionalism, organizations are embedded in an institutional context that has a significant influence on their behavior (Scott 2005). This environment not only is technical in nature but also consists of regulative, normative, and cognitive norms that form a social structure to which organizations must adhere to be considered legitimate actors (DiMaggio and Powell 1983; Meyer and Rowan 1977; Scott 1995). By developing strong ties to important societal actors, organizations signal conformity to

Fig. 2 Literature analysis: process steps



the norms prevalent in their environment (Meyer 1983), which facilitates resource acquisition and, thus, organizational survival (Baum and Oliver 1991; Oliver 1991). Hence, similar to resource dependence theory, organizations are not merely subject to industrial pressures but may prevent failure with good management.

Similar to research on organizational success, managers can directly influence to prevent their organizations from failing. At the same time, they must closely monitor contextual variables when designing optimal business strategies. The discussion on organizational success and failure in the for-profit context illustrates that studies addressing these topics can be structured according to the systems approach (see Fig. 1). In addition, elaboration on the determinants of organizational success and failure follows these theoretical considerations. We use this theoretical background to structure knowledge on NPO success and failure and their determinants. For this purpose, we conduct a systematic literature analysis (Denyer and Tranfield 2009) consisting of five steps (see Fig. 2).

Systematic Literature Analysis

Step 1: Question Definition

First, we defined two basic questions we wanted to answer with our analysis. On the one hand, we wanted to elaborate how NPO success and failure are understood in the literature. Second, we aimed to illustrate which management-relevant variables are considered crucial to improve success and prevent failure of NPOs. These questions served as criteria for primary study inclusion.

Step 2: Locating Relevant Literature

In a second step, we searched for articles on these topics using the EBSCO database because it includes the most business administration and nonprofit management

journals. We deduced the keywords applied for this search from the general literature on organizational success and failure and adapted them to the nonprofit context. From a list of synonyms for (organizational) “success” (see Baruch and Ramalho 2006), we used the terms (organizational) “effectiveness,” (organizational) “performance,” (organizational) “efficiency,” and “financial health”. We also applied the keywords “mission accomplishment” and “mission completion” to account for NPO peculiarities. From discussions with experts in the field, we also used financial concepts (i.e., “financial sustainability,” “financial viability,” and “financial vulnerability”) because they indicate both survival and failure. For (organizational) “failure,” we used the terms (organizational) “closure,” (organizational) “death,” (organizational) “mortality,” (organizational) “bankruptcy,” (organizational) “decline,” and “market exit” (Mellahi and Wilkinson 2004). In both searches we also applied the term “nonprofit.” This search revealed 152 articles as potentially relevant to our analysis. These addressed organizational forms such as hospitals, social enterprises, arts organizations, etc., in different ownership types.

Step 3: Definition of Exclusion and Inclusion Criteria

Third, we considered only articles dealing with NPO success and failure for analysis. To meet our two review questions, the articles had to address NPO success and failure at the organizational level. Articles also needed to be empirical in nature, modeling at least one of the constructs as a dependent variable. We excluded articles that merely developed measurement models for NPO success and failure. Similarly, articles analyzing exclusively public and for-profit organizations were not considered. This approach guaranteed that we could analyze the different understandings of NPO success and failure and their determinants at the same time. To ensure reliability, we conducted this process step independently. Controversial cases were solved through discussion. This process led to a sample of 71 articles. We then conducted a snowball sampling procedure. We found an additional 114 potentially relevant articles by searching for one of the keywords in articles listed in the reference sections. After applying our inclusion and exclusion criteria, we added 57 articles to our sample. Finally, we conducted an unstructured search using Google Scholar. In the end, we chose 147 articles relevant for literature analysis.¹

Step 4: Coding and Clustering

In a fourth step, we analyzed the selected literature. We screened the articles to identify the nonprofit sectors investigated and also assessed the theoretical approaches adopted. We used the International Classification of Nonprofit Organizations (ICNPO) (Salamon and Anheier 1992) as well as the theories presented previously as a framework for analysis. To structure the different comprehensions of NPO success and failure and their determinants, we deployed the

¹ The sample of articles is available from the authors on request.

qualitative research technique of coding. We used the selected articles as our basis and searched for similar content-related structures and ideas to dissect the information prevalent in our sample. Following Charmaz (1983), we proceeded in two steps, applying the methods of initial and focused coding. In the initial phase, we examined the different understandings of success and failure. Similarly, we identified management-relevant variables considered critical for NPO success and failure. Similar understandings and variables were iteratively categorized. This enabled us to create some order in the data.

In the second phase, we applied focused coding to structure the knowledge on (the determinants) of NPO success and failure. This approach served as the conceptual phase of the coding process (Charmaz 1983). Drawing from research on organizational success and failure, as well as from the general management literature as a theoretical background, we developed theoretical categories of the different understandings on success and failure and their determinants. Subsuming the distinct groups into these categories enabled us to systemize the different comprehensions of NPO success and failure. Furthermore, we could determine which relationships between concrete management-relevant variables and different conceptualizations of success and failure were not analyzed. As the articles of our sample partly included more than one determinant or measurement of success and failure, we marked our sample with all relevant findings.

Finally, we applied cluster analysis to identify research streams. The detection of research streams helps structure a fragmented research field and provides scholars the opportunity to link their work to a particular line of argument, thereby increasing the comparability of studies in these areas. We used the results developed in the process step of focused coding to construct a binominal data set for hierarchical cluster analysis. We coded articles subsumed under a certain category as 1; otherwise, the value in the data set was 0. We used complete linkage to quantify how far apart (or similar) the two cases were. We also applied simple matching and Tanimoto distance to form the groups. Both calculations yielded the same results.

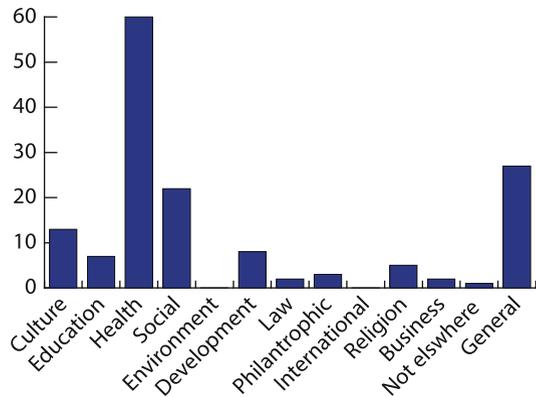
Step 5: Report of Results

The fifth step of a structured literature review comprises the results. In the following subsections, we highlight the major findings of our analysis. We also discuss the results in line with our review questions and shed light on the research gaps. The articles in our sample are heterogeneous; however, the analysis revealed seven major findings regarding knowledge on NPO success and failure and their respective determinants.

Finding 1: Research Focus on the Economically Most Important Nonprofit Sectors

Our literature analysis revealed that scholars analyzed the nonprofit sectors of Culture and Recreation (ICNPO-Group 1), Education and Research (ICNPO-Group 2), Health (ICNPO-Group 3), and Social Services (ICNPO-Group 4) the most with respect to NPO success and failure. Of 147 articles, 102 (69.4 %) examine NPOs in these four groups. Furthermore, of these 102 articles, 60 (58.8 %) analyze NPOs in

Fig. 3 Distribution of articles (in absolute numbers) according to ICNPO sectors



the health sector. Only environmental and international activity NPOs are not investigated in our sample (see Fig. 3).²

This trend may be explained by the fact that competition and commercialization have increased for NPOs in ICNPO-Groups 1–4 (Lai and Poon 2009; Schmid 2004; Teixeira et al. 2012; Weerawardena et al. 2010). As such, the topic of success and failure has gained in importance over time. NPOs in these areas must understand the management-relevant variables to survive in an increasingly competitive market. In support of this argument, we found that most articles addressed success and failure in these sectors in terms of “survival,” “closure” (or one of its synonyms; e.g., “death,” “mortality”), and “performance,” whereas the latter term typically referred to financial performance ratios.

Finding 2: Lack of Theory-Based Work on NPO Success and Failure

Our analysis also shows that the studies under investigation lack solid theoretical grounds. Only 32 % of the articles (47 of 147) build their examinations on management theories originating from research on organizational success and failure. Most of the studies derive their research questions and hypotheses from assumptions and/or previous academic findings. The success and failure of NPOs seem to be problem-driven constructs whose relevance was perhaps increasing as the nonprofit sector as a whole became more commercialized. The surge in studies published on these topics since 2000 (60 % of our sample) confirms this view. Academia seems to be caught in the rigor versus relevance trap (Kieser 2005; Kieser and Leiner 2009). On the one hand, scholars want to support nonprofit executives in their search for factors they can influence when designing optimal business strategies. On the other hand, this effort may come at the cost of scientific rigor, leading to a lack of cumulative knowledge on these topics.

² Sample articles may appear under more than one category. Therefore, the percentage may exceed 100 in our analyses.

Finding 3: Implicit Acknowledgment of Theoretical Approaches When Conceptualizing NPO Success and Failure

The initial coding process illustrated that scholars adopt a variety of concepts to describe NPO success and failure. From their operationalization, we found 31 distinct terms used to capture these constructs, which confirms the fragmentation of the literature. However, the focused coding approach revealed that these 31 conceptualizations reflected nine different categories (see Fig. 4), which we group according to the theoretical approaches prevalent in research on organizational success and failure.

Studies on service quality (Amirkhanyan et al. 2009), social responsibility (Becker and Potter 2002), fulfillment of mission objectives (Green and Griesinger 1996), and social performance (De Waal et al. 2011) belong to the category of

<p>Mission Accomplishment</p> <p>Service Quality Access Social Responsibility Mission Fullfillment Social Performance Mission Viability</p>	<p>Financial Performance</p> <p>Growth Financial Performance Financial Viability Economic Viability</p>	<p>Bankruptcy</p> <p>Bankruptcy Demise</p>
<p>Resource Acquisition</p> <p>Resource Attraction Resource Acquisition</p>	<p>Survival</p> <p>Survival</p>	<p>Efficiency</p> <p>Efficiency Productivity Internal Processes Operational Performance</p>
<p>Death</p> <p>Exit Closure Death Mortality Dissolution Disbanding Termination</p>	<p>Stakeholder</p> <p>Stakeholder Performance Stakeholder Satisfaction Customer Satisfaction Peer Reputation</p>	<p>Change</p> <p>Change Transformation Turnaround</p>

Fig. 4 Categories of different understandings of NPO success and failure

mission accomplishment studies ($n = 24$). With the goal attainment approach, they refer to the output side of the systems model and evaluate the degree to which mission objectives have been met. Articles analyzing financial ratios, such as financial viability (Besel and Andreescu 2003), vulnerability (Hodge and Piccolo 2005), profitability (Jordan 2001), and growth (Mobley and Frech 1994), belong to the group of financial performance studies ($n = 64$). Other subsets of our sample investigate NPO survival ($n = 15$) (Wollebaek 2009), bankruptcy ($n = 4$) (Burns and Cacciamani 2000), and resource acquisition ($n = 6$) (Sharir and Lerner 2006) as dependent variables, all of which can be subsumed under resource dependence theory. The organizational death studies ($n = 47$) examine market exit, organizational closure, organizational death, organizational mortality, NPO dissolution, NPO disbanding, and NPO termination (Fernandez 2008; Hager et al. 2004). This category together with NPO change ($n = 4$, change studies) mirrors a population ecologist perspective on NPO failure, which equates organizational failure with firm dissolution. The efficiency studies ($n = 21$) follow an internal congruence perspective (Helmig and Lapsley 2001). Finally, stakeholder studies ($n = 15$), which are in line with the strategic constituency model, define success in terms of the degree to which stakeholder demands are satisfied (Crittenden et al. 1988; Gainer and Padanyi 2002).

Our analysis highlights that scholars addressing NPO success and failure apply a variety of concepts to capture these constructs. However, the categorization of these distinct conceptualizations shows that though academics rarely apply theory-based research in this context (see Finding 2), they follow some theoretical considerations stemming from the general management literature on that topic. The mere implicit acknowledgment of these theories inhibits a common understanding of these constructs, leading to an increasing fragmentation of the research field.

Finding 4: Dominance of Research on Financial Performance and Organizational Death; Neglect of Investigations on Mission Accomplishment

Our analysis finds that financial performance in particular served as the dependent variable in the articles under investigation ($n = 64$; 43.5 %), followed by research on organizational death ($n = 47$; 32.0 %). Studies using proxies for mission accomplishment were relatively rare. Only 24 of 147 articles (16.3 %) used this construct as a dependent variable (see Fig. 5).

This trend mirrors the increasing importance of financial performance and survival as competition increases in the nonprofit sector. The dominance of the studies that implicitly base their reasoning on ideas routed in resource dependence theory ($n = 89$; 60.5 %) supports this view (see Finding 3). However, financial performance and organizational death are easier to measure than social target achievement. Notably, we found little disagreement on the understanding of NPO failure; that is, all the studies equated failure with NPO dissolution. Only two studies concluded that NPO termination follows mission completion (Duckles et al. 2005; Fernandez 2008).

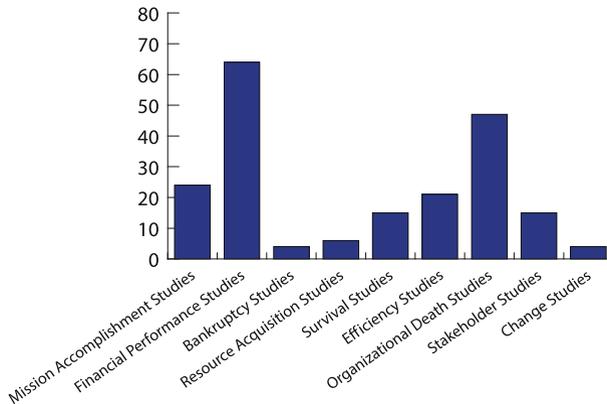


Fig. 5 Number of articles according to the different understandings of NPO success and failure

Finding 5: Multi-Dimensionality of the Construct NPO Success

Understanding of NPO success is not as straightforward as comprehension of organizational failure. As outlined previously, success is captured in terms of financial performance, goal achievement, and quality of service provision. Similarly, efficiency, social performance, resource acquisition, stakeholder satisfaction, and survival are used to assess this construct. Studies on effectiveness and performance also apply these same terms. In particular, the latter investigations tend to adopt a combination of them (Herman and Renz 2000; Kushner and Poole 1996; Nobbie and Brudney 2003). This corresponds to the notion of a multi-dimensional success construct (Herman and Renz 1997; Lecy et al. 2011; Sowa et al. 2004). In line with the systems approach, both end objectives (e.g., fulfillment of the social mission) and means objectives (e.g., resource availability mirrored in good financial ratios, stakeholder satisfaction) must be acknowledged when evaluating NPO success. However, different articles adopt distinct dimensions to capture this construct, which limits comparability of study results. Not only does this impede cumulative knowledge generation, but it also makes it harder for NPO practitioners to draw on scientific findings to improve the functioning of their organizations.

Finding 6: Internal and Environmental Determinants of NPO Success and Failure

To assess internal and environmental determinants, we again used initial and focused coding. By identifying the determinants of NPO success and failure through initial coding, we found a variety of concepts, including management team diversity (Perkins and Fields 2010), organizational age and size (Freeman et al. 1983; Harrison and Laincz 2008), governance issues (Brown 2005; Callen et al. 2010), marketing activities (Arnold and Tapp 2001), competition (Castle 2005), regulation (Jordan 2001), and demand for NPO services (Hager et al. 1996). To structure these variables, we applied the classical management process (Fayol 1962) as the theoretical framework. We grouped the environmental factors inductively on the

basis of the data. Of the 147 articles, 63 (42.9 %) identified strategy as an important determinant of organizational success and failure. This category comprised topics such as stakeholder management (Balser and McClusky 2005; Hsieh 2010), strategic planning (Veliyath and Shortell 1993), designing appropriate marketing strategies (Rentschler et al. 2002), and organizational change (Coddington et al. 1985). Other articles focused on financial performance measures ($n = 22$). The relationship between strategic management and organizational death ($n = 8$) and bankruptcy ($n = 1$) played only a minor role, which is surprising because strategic mistakes are often considered reasons for organizational failure (Mellahi and Wilkinson 2004). Notably, the articles detecting strategic management as relevant for organizational success and failure derived mainly from our use of the keyword “organizational success.” This confirms the positive connotation of the strategy concept in NPO success, though its role in organizational failure seems to be neglected in the nonprofit context.

Most of the articles in our sample focus on organizational characteristics (62.6 %). Many of the investigations belong to the organizational death studies group ($n = 26$; 34.7 %) and identify organizational age and size as determinants of organizational failure, thereby confirming the liability of newness and smallness arguments stemming from population ecologist perspective (Barron et al. 1994; Bielefeld 1994). Other studies focus more on the relationship between internal processes and organizational success (Barrett et al. 2005; Glisson and Martin 1980). Organizational culture (Solansky et al. 2008) and collaboration are also considered determinants of NPO success. Several studies illustrate that collaboration and network integration foster NPO survival (Baum and Oliver 1991; Nauenberg and Brewer 1999) by ensuring resource acquisition (Walker and McCarthy 2010). Only 12 of the 92 articles on organizational characteristics (13.0 %) analyze their relationships with efficiency, in line with the internal congruence model perspective. However, no study analyzes the effect of collaboration on stakeholder satisfaction. Conversely, other than organizational death, financial performance as a dependent variable is used the most (27.2 %).

Of the 147 articles in our sample, 41 (27.9 %) consider human resource management crucial for NPO success and failure. Variables such as the number of volunteers (McHargue 2003), staff motivation (Packard 2010), and management team diversity (Perkins and Fields 2010) contribute to NPO success. In addition, 22.0 % of the human resources articles belong to the organizational death studies group, while another 22.0 % belong to the financial performance studies group. Only 9.8 % examine the impact of human resource management on the degree of stakeholder satisfaction. Similarly, only 7.3 % investigate its relationship to resource acquisition, even though human relations are important for achieving success with respect to these dimensions.

Our research also reveals that studies on leadership as a determinant of NPO success and failure are scarce. Only 6.8 % of the articles deal with this topic, and financial performance is the dependent variable applied the most (50.0 %). Of note, the articles do not analyze leadership with respect to organizational death, bankruptcy, and survival, even though, according to the voluntarist school,

organizational leaders significantly contribute to organizational failure or survival (Mellahi and Wilkinson 2004).

Studies on governance and ownership capture the management function control. Of the 147 articles, 51 (43.7 %) address this topic, identifying ownership type (Helmig and Lapsley 2001; Tiemann and Schreyögg 2009) and governance characteristics, such as board composition and board effectiveness (Callen et al. 2003; Coombes et al. 2011; Green and Griesinger 1996; Nobbie and Brudney 2003) as determinants of NPO success. Most of these studies analyze financial performance ratios in this context (31.4 %). However, studies on the influence of governance ($n = 1$) and ownership ($n = 7$) on organizational death are scarce.

Apart from the concepts under the different management functions, mission-related determinants of NPO success and failure are also examined in our sample. For instance, Fernandez (2008) illustrates that mission completion has been a major factor causing the dissolution of Spanish NPOs. Similarly, Duckles et al. (2005) show that mission accomplishment and program failure may lead to organizational closure. In addition, Chang and Tuckman (1991) argue that mission displacement can be a management-relevant factor ensuring NPO survival. Facing cutbacks in public subsidization, NPOs may begin undertaking more commercial, not necessarily mission-related, activities to generate surplus revenues necessary to stay in the market. However, mission drift can also have negative effects (Sutton et al. 2010). Despite their importance in the nonprofit context, only 13 of the 147 articles (8.8 %) address these mission-related factors.

Financial issues are also investigated as determinants of NPO success and failure ($n = 59$; 40.1 %). In particular, financial problems are identified as causes of organizational death in 21 of these articles (35.6 %). The large number of studies ($n = 16$) including financial issues as determinants of financial performance can be attributed to the literature that detects financial indicators predicting financial vulnerability of NPOs (Greenlee and Trussel 2000; Hager 2001; Tuckman and Chang 1991; Trussel 2002). Financial issues are rarely acknowledged in mission accomplishment studies ($n = 6$; 10.2 %), which is surprising because good financial ratios are considered prerequisites for the fulfillment of social objectives (Duckles et al. 2005).

Finally, several environmental variables determine NPO success and failure. In particular, following the deterministic school on organizational failure, 23 of the articles addressing these external factors (53.5 %) highlight the impact of market structure on organizational death. For example, using the population density approach, Baum and Singh (1994) analyze the relationship between organizational niches and organizational failure. Castle (2005) notes that competition among nursing homes significantly increased the probability of closure. Similarly, Jordan (2001) illustrates that deregulation in the New Jersey hospital sector negatively affected hospital profitability. Hager et al. (1996) find that declining demand for NPO services contributed to organizational mortality. All in all, environmental factors were assessed in less than one-third of the studies ($n = 43$; 29.3 %). Although research on organizational success and failure highlights the importance of both types of variables, it has rarely examined the determinants of these constructs in the nonprofit context. Environmental factors are particularly missing

when success is evaluated in terms of the degree to which stakeholder demands are met. The same holds true when efficiency is analyzed as a dependent variable. This is surprising because contingency theory shows that organizations must adapt to their context to achieve targets efficiently. Furthermore, as neo-institutionalism posits, legitimacy is crucial for resource acquisition. Therefore, the social environment of organizations must be considered a variable potentially influencing NPO success and failure, particularly for stakeholder satisfaction.

Finding 7: Three Dominant Research Streams

To further structure our descriptive findings, we applied cluster analysis, specifically the three-cluster solution, which fit our sample best. We identified three dominant research streams. The first research stream contains financial performance studies elaborating on strategy as a determinant of NPO success. The second research stream consists of financial performance studies detecting financial indicators that predict financial sustainability, viability and vulnerability of NPOs. The third research stream mainly includes organizational death studies, in which organizational characteristics and market structure are major determinants of NPO failure. In addition, the cluster analysis reveals that the literature on NPO success and failure is split according to three dimensions.

First, NPO success is typically attributed to correct strategic decisions by NPO management, while organizational failure is associated with organizational characteristics, such as NPO age and size, which, when combined with environmental conditions, have a significant impact on the probability of NPO failure. Academics seem to follow a voluntarist view when analyzing organizational success (i.e., they acknowledge the important role of management in this context). However, for NPO failure, scholars apply a more deterministic perspective and ascribe more explanatory power to market conditions.

Second, financial performance ratios are analyzed as variables management can influence to improve NPO success and prevent NPO failure, but, at the same time, these ratios are used to assess the financial health of NPOs, thereby capturing their probability of survival. The dominance of financial performance measures as dependent variables in the first and second research streams highlights the increasing importance of good financial ratios in times of commercialization and intensifying competition within the nonprofit sector. However, the application of these ratios in studies on NPO success and failure illustrates that nonprofit management scholars have not yet come to a common conclusion on how to deal with financial ratios in the nonprofit context. Should they be used as the ultimate measure for NPO success or failure, or are they simply determinants of NPO survival?

Third, the distinction between the second and third research stream highlights that, on the one hand, financial indicators are used to predict financial health, but, on the other hand, financial issues are not considered major determinants of organizational death. The distinct elaboration on these topics draws an artificial separation between two lines of arguments that seem closely interlinked. However, the differentiation illustrated by our cluster analysis shows that potential synergies

have been neglected to date, contributing to the fragmentation of the research field. Although research has extensively examined NPO success and failure, we highlighted some important research gaps. In the next section, we discuss these gaps and develop a research agenda for further research.

Toward a New Research Agenda

Our research agenda is structured around the findings and research gaps detected in the previous section. We propose four research avenues:

- Conduct replication studies,
- Use more theory-based approaches,
- Focus more on mission accomplishment as a dependent variable, and
- Analyze more concrete cause–effect relationships.

Research Avenue 1: Conduct Replication Studies

As we previously mentioned, 69.4 % of the articles in our sample address NPO success and failure in the nonprofit sectors of Culture and Recreation, Education and Research, Health and Social Services (Finding 1). However, although knowledge exists on how internal and environmental variables might influence NPO success and failure, the external validity of these conceptualizations and findings might be challenged. For example, what is important in the health sector may not be crucial for environmental NPOs. Helmig et al. (2011) highlight the importance of replication studies in nonprofit management research. Therefore, we propose that research replicates NPO success and failure studies in different sectors to strengthen the external validity and reliability of the results and bring this research field closer to a generalizable theory.

Research Avenue 2: Use More Theory-Based Approaches

Our analysis reveals that most of the studies on NPO success and failure are atheoretical in nature. Both concepts seem problem rather than theory driven (Finding 2). The resulting fragmentation of the literature aggravates the comparability of study results and inhibits cumulative knowledge generation (Finding 3). Although the reduction of scientific rigor might facilitate the identification of management-relevant factors, it also decreases the reliability of the findings. As such, generalizable results are limited on what constitutes NPO success or failure. Similarly, universally valid determinants of NPO success and failure cannot be extracted from these investigations.

To overcome this challenge, we call for more theory-based research. Scholars analyzing NPO success and failure should base their research on the goal attainment approach to equate mission completion with organizational success. In this view, NPO dissolution following the accomplishment of mission objectives would constitute a successful NPO. Furthermore, research should treat variables such as

financial performance, resource acquisition, efficiency, stakeholder satisfaction, and survival as means to accomplish mission goals.

The problem with respect to this multi-dimensionality is that different studies deploy distinct dimensions of organizational success (Finding 5). To achieve greater comparability of these constructs, research could develop the dimensions using a combination of the goal attainment and the systems approach. The first dimension should capture mission accomplishment (output dimension). The second dimension, in line with resource dependence theory, would capture the availability of resources critical for organizational survival (input dimension). Building on the internal congruence model, a third dimension of NPO success could include the transformation dimension. Indicators of organizational efficiency illustrate the extent to which NPOs provide services without wasting resources. Finally, from a strategic constituency perspective, stakeholder satisfaction mirroring good organization–environment relationships would capture the environment dimension. Figure 6 provides an overview of the four dimensions.

Theory-based development of a multi-dimensional success construct ensures that studies use the same dimensions when analyzing success of nonprofit organizations. Furthermore, permanently failing organizations in the sense of Meyer and Zucker (1989) and Seibel (1996) cannot be called successful any more. Even though they have enough resources to survive in the market, they fail to accomplish the means objective of efficiency and the end objective of target achievement. In addition, because financial performance and mission completion are distinct dimensions of the same construct, both objectives must be achieved and their interrelations do not have to be examined any more. Similarly, the differentiation between the first and second research streams can be overcome. Debate about the appropriate role of financial ratios also becomes obsolete, with financial performance becoming a single success dimension. Finally, a multi-dimensional success construct also helps to capture NPO failure. NPOs that do not meet means objectives are considered failing organizations. Hence, NPO dissolution not following mission accomplishment is considered an example of failure in this context.

Investigations on the determinants of NPO success and failure should also follow concrete theoretical considerations. For example, studies identifying organizational characteristics such as age and size as determinants for NPO failure should apply

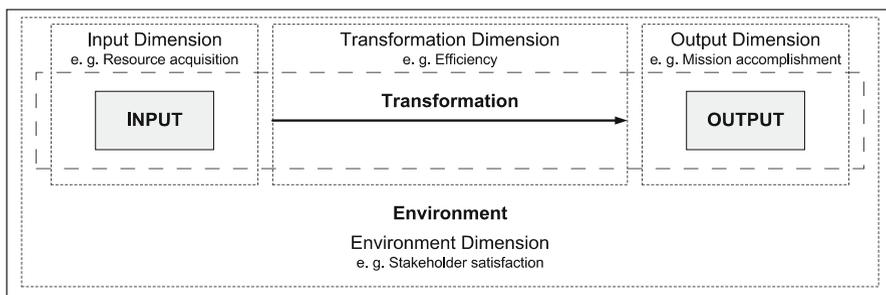


Fig. 6 Dimensions of NPO success

organizational ecology theory as the theoretical background. Conversely, if analyzing implicit knowledge as a source of competitive advantage, studies should consider the resource-based view the appropriate explanatory theory. The importance of external factors, such as legitimacy, can be deduced from neo-institutionalism. The application of these theories helps develop hypotheses on concrete cause–effect relationships between variables. Furthermore, it increases scientific rigor and ensures comparability of study results. Thus, a common theoretical framework facilitates cumulative knowledge generation and enables the extraction of valid and reliable findings on NPO success and failure.

Research Avenue 3: Focus More on Mission Accomplishment as Dependent Variable

As Finding 4 revealed, only 16.3 % of the studies explicitly analyzed mission completion as a dependent variable. This is surprising because the accomplishment of mission objectives is the ultimate indicator of NPO success (Sawhill and Williamson 2001). Rather, scholars focused on financial performance measures ($n = 64$) and organizational death ($n = 47$). One reason for this might be that data on financial ratios of NPOs are easily accessible. Similarly, NPO death is relatively simple to observe.

Conversely, mission accomplishment is difficult to measure. Therefore, we call for more research on proxies that capture target achievement for NPOs in different sectors. The mortality rate in the hospital sector (Tiemann and Schreyögg 2009), the species extinction rate for environmental NPOs struggling to protect biodiversity (Sawhill and Williamson 2001), and the change in well-being of people receiving microcredits (Ssendi and Anderson 2009), are only some of the output measures currently being adopted. Research should investigate whether these criteria really reflect target achievement and design good measures for NPOs operating in different sectors.

We also call for more research to develop concrete criteria for evaluating failed mission accomplishment. The constant appraisal of progress toward the achievement of mission objectives might be one possibility. Stagnating or even regressing mission objectives would indicate NPO failure. Thus, in this view, not only NPO dissolution but also stagnation in terms of target achievement constitutes NPO failure.

Research Avenue 4: Analyze More Concrete Cause–Effect Relationships

The analysis of the determinants of NPO success and failure highlighted several research gaps that can lead to future investigations. First, research on the relationship between strategy and NPO dissolution is scarce. The cluster analysis showed that organizational characteristics are used to identify NPO failure. Scholars adhering to voluntarist school argue that wrong strategic choices are the main reasons for organizational death (Mellahi and Wilkinson 2004). Therefore, further research should analyze the relationship between strategy and NPO dissolution. The same holds true for the management function control, which is mainly analyzed

with respect to NPO success. However, if control mechanisms in terms of governance structures are lacking, they may contribute to NPO dissolution because strategic mistakes are not accounted for and thus cannot be corrected.

Research has also rarely examined the role of leadership in this context. In general, leadership theory assumes strong relationships between organizational success and failure (Avolio and Bass 1993), and thus research should analyze this in the context of NPO success and failure. For example, transformational leadership may increase staff motivation for mission accomplishment. However, a too-strong focus on social objectives may deteriorate financial performance ratios or efficiency concerns. Therefore, further research should investigate the effect of leadership on each of these dimensions.

In addition, the relationship between collaboration and NPO success and failure requires further examination. NPOs and governments typically collaborate to ensure resource availability (Smith and Grønberg 2006); collaborations between NPOs and private businesses help improve efficiency of service provision (Kolk et al. 2008). Whereas the former type of collaboration may reduce efficiency of NPO operations, the latter might negatively affect stakeholder satisfaction because of the danger of mission displacement. Therefore, future investigations should strive to determine whether these organizational arrangements contribute to NPO success or lead to failure.

Research should also examine the role of mission-related factors, such as off-mission activities and mission renewal, in NPO success and failure. NPO staff typically identify strongly with the mission of their organization (Leete 2006; Ridder and McCandless 2010), and thus these variables might strongly influence employee motivation, commitment and stakeholder satisfaction.

Finally, research on NPO success and failure should consider both internal and environmental variables when investigating their determinants. As contingency and neo-institutionalist theory outline, organizations are always embedded in an organizational context. Therefore, environmental variables will at least moderate the relationship between internal management-relevant factors and NPO success and failure. Thus, future investigations should apply appropriate statistical techniques to control for these contextual variables. Examining these moderation effects by including interaction terms in the analyses would help bridge the gap between the first and third research stream because of the simultaneous voluntarist and deterministic elements adopted for both NPO success and failure.

Summary and Conclusion

Our primary objective was to develop a research agenda for future studies on NPO success and failure. First, we examined the difficulties in defining success and failure in the context of NPOs. We showed that the notion of these constructs in the for-profit context could not be easily applied to NPOs whose primary aim is to fulfill their organizational mission. We illustrated that mission accomplishment was difficult to measure. Furthermore, we noted that financial performance ratios and survival have gained in importance as indicators of NPO success because of

increasing commercialization and competition in the nonprofit sector. Finally, we outlined that NPO closure can be evaluated ambiguously—namely, as an indicator of NPO success or failure.

Second, we presented literature on organizational success and failure in the for-profit context as a theoretical background. We showed that a variety of theoretical approaches are used to capture the success and failure construct in the general management literature. The goal attainment approach evaluates success in terms of the accomplishment of end objectives, while the systems approach acknowledges the fulfillment of means objectives, such as resource acquisition (resource dependence theory), efficiency (internal congruence model, resource based-view) and good organization–environment relationships (strategic constituency model, contingency theory). Research on organizational failure typically equates failure with a deterioration in resource availability. The ultimate consequence of this process is firm dissolution. We identified the three most prominent explanatory theories for organizational failure (population ecology theory, resource dependence theory and neo-institutionalism), showing that both internal and environmental variables are considered determinants in this regard.

Third, we conducted a systematic literature review. Following Denyer and Tranfield's (2009) approach, we identified 147 articles that explained (determinants of) NPO success and failure. Our analysis revealed that (1) research analyzes the economically most important nonprofit sectors most often, (2) theory-based work on NPO success and failure is missing, (3) the fragmentation of the research field is due to the mere implicit acknowledgment of theoretical approaches when conceptualizing NPO success and failure, (4) research ignores mission accomplishment as a dependent variable, (5) NPO success is a multi-dimensional construct, (6) knowledge exists on the determinants of NPO success and failure, and (7) the literature can be grouped according to three different research streams.

Fourth, we presented our research agenda. To extend reliability and validity of the results, we called for replication studies based on analyses of the economically most important nonprofit sectors. In addition, we called for an increase in theory-based investigations on NPO success and failure. We argued that studies should follow a combination of the goal attainment and systems approach to capture NPO success as a multi-dimensional construct consisting of four dimensions (i.e., the input, transformation, output, and environment dimension). Conversely, NPO failure should be equated with NPO dissolution not following mission completion or stagnation in terms of progress toward the fulfillment of mission objectives. This common understanding of NPO success and failure provides the basis for investigations on the determinants of these constructs. To identify concrete cause–effect relationships, studies must also be based on theoretical considerations. Furthermore, we urged scholars to explore the proxies for mission completion, which help capture dimensions of NPO success. Similarly, we outlined the relevance of studies identifying criteria for the evaluation of failed mission accomplishment. We also examined concrete cause–effect chains that should be analyzed in-depth: the relationship between strategy and control and NPO failure and the impact of leadership, collaboration and mission-related factors on NPO

success and failure. Finally, we highlighted the importance of acknowledging both internal and external variables in this context.

As with all literature reviews, our analysis has several limitations. First, we only assessed electronically available journals of the EBSCO database in our initial research, and therefore some bias in the selection might exist. However, due to the fact that we conducted a snowball sampling procedure using the database Google Scholar and cross-references based on the articles found in the initial phase of our database search, we are quite confident that this bias should be limited. Second, the research techniques of initial and focused coding are prone to subjective evaluations. By conducting these process steps independently and discussing the results, we tried to ensure inter-coder reliability in the analysis. Third, the dominance of the health sector in the investigated studies might also bias our findings. Since the health sector belongs to the economically most important and most commercialized nonprofit sectors, the dominance of financial performance studies in our sample might result from this fact. However, this bias should not be too strong because the nonprofit sector also has experienced a commercialization trend during the last decades.

Despite these limitations, our findings and the research agenda developed should contribute to the nonprofit management literature on NPO success and failure. Because of increasing competition and commercialization of the sector as a whole, these constructs have gained in importance. We hope that the empirical evidence on the determinants of NPO success and failure sheds light on how nonprofit practitioners can improve the functioning of their organizations. Furthermore, we hope that the common understanding of these constructs, as well as the call for more theory-based research, will stimulate future investigations in this area. Only when NPO success and failure are commonly understood and their determinants are identified can reliable and valid results be detected. Our research agenda aims to contribute to this objective.

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