

**GIVING UP THE SINGLE LIFE:  
Leadership Motivations  
for Interorganizational  
Restructuring of  
Nonprofit Organizations**

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## *Executive Summary*

In recent years, interorganizational restructuring has become a widely accepted management strategy in the nonprofit sector. The term refers to the coming together of two or more independent organizations in which partners alter governance, integrate service and administrative operating systems and at least one gives up significant independent decision-making authority. Some common examples are merger, acquisition, parent/subsidiary and back office consolidation. This paper considers why leaders of nonprofit organizations pursue interorganizational restructuring as a strategy.

To get at the motivations for restructuring, I draw on two theoretical perspectives in interorganizational relations: adaptation and environmental uncertainty. Adaptation theories, notably resource dependence, political, transaction cost and institutional, explain interorganizational relations as adaptive responses to changing environmental conditions. In contrast, environmental uncertainty researchers view interorganizational relationships as leaders' efforts to gain control over turbulent environments in which they cannot address essential challenges effectively on their own. While there is a growing body of research about interorganizational restructuring in the nonprofit sector, many researchers do not place their work within this theoretical tradition. This state of knowledge creates a dilemma because it offers competing, explanations for the same phenomenon and provides insufficient guidance to practitioners and others seeking to understand restructuring.

The research uses a case study design to analyze four examples of interorganizational restructuring involving eleven nonprofit human service organizations. In all cases, the research found the need for financial and service resources motivated organizations to pursue restructuring. The research suggests, however, that single factor motivations that define adaptation theories (such as the need for resources, power,

legitimacy or greater efficiency) may be incomplete; in these cases, multiple factors provided a more satisfactory explanation. This finding may explain why growth (a concept that incorporates several adaptation perspectives) was a motivator for at least one organization in each case. Leaders also pursued interorganizational solutions because environmental uncertainty created challenges that were too complex for organizations to solve on their own. Two cases involved partners who were affected by the same environmental uncertainties; their leaders noted that a shared interest in addressing those uncertainties drove them together.

This study suggests that Oliver's (1991) integrated theory of interorganizational relations, based in adaptation and environmental uncertainty theories, provides a preliminary basis for a theory of interorganizational restructuring among nonprofit organizations. It extends our understanding of how adaptation and environmental uncertainty theories apply in its suggestion that a multiplicity of reasons motivate leaders to pursue restructuring. Researchers can use this work to develop a more complete understanding of interorganizational restructuring as a phenomenon; practitioners can use it to inform strategy development.

## *Introduction*

In recent years, interorganizational restructuring, roughly defined as mergers and similar types of arrangements, has become a widely accepted management strategy in the nonprofit sector. In fact, Paul Light (2000, p. 53) identified it as one of four tides of nonprofit management reform, naming it “war on waste.” As practitioners have embraced restructuring as a positive organizational option, there has been a growing need to understand it as a phenomenon.

This paper considers one aspect of interorganizational restructuring: why leaders of nonprofit organizations pursue it as a strategy. There has been significant research on this topic; however, most writers have not discussed the implications of their work for theory. Those researchers who do place their work in a theoretical context tend to emphasize single factors despite other research suggesting that leaders pursue restructuring to address multiple organizational challenges. To get at the motivations for restructuring, I draw on several lines of research in interorganizational relations. I contend that adaptation and environmental uncertainty theories can account for the findings of earlier research on interorganizational restructuring. My purpose is to provide a preliminary test of their applicability to interorganizational restructuring using four case studies. Extending those theories to explain interorganizational restructuring would make them more robust, enhance their utility in nonprofit studies and contribute to greater understanding of restructuring among sector stakeholders, informing planning, funding and other significant decisions.

### *What is Interorganizational Restructuring?*

My focus is interorganizational restructuring, not mergers exclusively, which is a narrower but more familiar term; merger does not capture the variety of arrangements organizations use that have merger-like features. Researchers have used several different terms to characterize interorganizational restructuring, including strategic restructuring (Kohm, LaPiana & Gowdy, 2000; Kohm & LaPiana, 2003; LaPiana, 1997) “formal collaboration” (Guo & Acar, 2005, p. 343), and “coadunation” (Bailey & Koney, 2000, p. 7). I use the term interorganizational restructuring because organizational studies scholars consistently use the adjective “interorganizational” to describe relationships between independent organizations. “Restructuring” narrows the definition to include only those relationships that alter governance, integrate service and/or administrative operating systems and in which at least one partner gives up significant independent decision-making authority (Kohm & LaPiana, 2003; Kohm, LaPiana & Gowdy, 2000; LaPiana, 1997). The many forms of restructuring vary based on the amount of autonomy relinquished and the extent of integration between partners. Forms that most dramatically affect autonomy include merger, consolidation and acquisition. Other forms, such as management service

organizations, parent/subsidiary arrangements and back office consolidations involve significant integration between partners, but sacrifice less independence (Kohm & LaPiana, 2003).

The cases in this study involve three forms of restructuring: merger, acquisition and parent/subsidiary. Merger involves the coming together of two or more organizations in which one organization survives as a legal entity and the others dissolve to become part of the surviving organization. Acquisition describes mergers between unequal organizations; it is the complete integration of one organization into the other in which the integrating agency loses its independent existence and becomes part of the acquiring agency. Parent-sub subsidiary refers to a legal arrangement in which one organization, a parent, governs another previously autonomous organization, its subsidiary. This arrangement allows for greater independence by the subsidiary than would be possible in an acquisition or a merger.

This paper distinguishes interorganizational restructuring from interorganizational relations. The distinction is important because the definition of interorganizational relations is the basis for the interorganizational relations theories I discuss below. The term interorganizational relations refers to arrangements between organizations, often referred to as collaborations, in which partners work together to achieve common goals without significant integration, lost autonomy or changes in governance. In this way, interorganizational relations are less consequential for organizations than interorganizational restructuring. Common examples of interorganizational relations include coalitions, program collaborations and co-sponsorship.

### *Theoretical Perspectives on Interorganizational Relations*

Three major types of theories are useful in explaining leaders' decisions to pursue interorganizational restructuring: adaptation, environmental uncertainty and an integrated interorganizational relations theory based on the first two (see Table 1). Under the heading of 'adaptation,' I include several well-developed and related theories, resource dependence, political, transaction cost and institutional theories. They all explain interorganizational relations as adaptive responses to specific organizational problems (Barnett & Carroll, 1995; Hannan and Freeman, 1989; Twombly, 2003).<sup>1</sup> Each adaptation theory emphasizes a particular problem (such as an organization's need for resources, power, legitimacy or efficiency), created by environmental conditions, that motivates leaders to pursue interorganizational relations.

In contrast, environmental uncertainty theories emphasize the dynamics of the external environment and argue that those dynamics shape leaders' decisions to pursue interorganizational relations. Researchers with this perspective assert that uncertainty in an organization's external environment, specifically uncertainty within a defined "problem domain" (Gray, 1985, p. 912), lead managers to pursue interorganizational relations because they

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<sup>1</sup> Bailey & Koney (2000, p. 18) adapt these theories for the nonprofit sector as "resource interdependence," "domain influence," "environmental validity," and "operational efficiency," respectively.

cannot reduce that uncertainty on their own (Gray, 1989; Wood & Gray, 1991; Trist, 1983). Environmental uncertainty theories are not as well developed as adaptation theories; however, researchers have investigated this approach over many years (Emery & Trist, 1965; Gray, 1985, 1989; Trist, 1983; Warren, 1967; Wood & Gray, 1991).

A third theory, characterized by its author as an integrated theory of interorganizational relations, builds on adaptation and environmental uncertainty; it suggests that organizations pursue interorganizational relations to address multiple challenges predicted by both theories (Oliver, 1991). This integrated approach emphasizes the complementarity of adaptation and environmental uncertainty theories. There has been considerable interorganizational relations research establishing the strength of these three theories; however, researchers have not assessed systematically whether they also explain leaders' decision to pursue interorganizational restructuring, more organizationally consequential actions.

### *Adaptation Theories*

Resource dependence argues that the principal purpose for which organizations come together is the need for resources (Bailey, 1992; Galaskiewicz, 1985; Gray & Wood, 1991; Guo & Acar, 2005; Pfeffer & Leong, 1978; Pfeffer & Salancik, 1978; Starbuck, 1976; Van de Ven & Ferry, 1980; van Gils, 1984). Organizations need resources to accomplish goals, if not simply to survive. Organizational leaders unable to secure the resources they need on their own seek them through relationships with other organizations. In a nonprofit organization, resources may refer to financial resources (the dollars needed to operate an organization), service resources (the services needed to be responsive to clients, funders and other stakeholders) and human resources (staff and board members needed for the organization to perform effectively). Pfeffer & Salancik (1978), the leading resource dependence theorists, use the theory to explain vertical integration and merger among for profit firms. Considerable past empirical research emphasizes resource dependence explanations for nonprofit interorganizational restructuring including case

Table 1: Interorganizational Relations Theories

Theory Category	Focus	Basic Principle	Relevant Theories	Motivation for Interorganizational Relations
Adaptation	Relationship between organizational problems and the external environment	Leaders pursue interorganizational relations to adapt to conditions in the external environment that create specific organizational problems.	Resource Dependence	Too few resources
			Political	Insufficient power; threats to autonomy
			Institutional	Absence of legitimacy with stakeholders
			Transaction Cost	High transaction costs; inefficiency
Environmental Uncertainty	Dynamics of the external environment	Leaders pursue interorganizational relations to gain greater control over uncertain environmental conditions, usually in a shared "problem domain" that threaten performance.	Environmental Uncertainty	Uncertain or destabilizing environmental conditions unsolvable by an organization on its own
				Common challenges across organizations
Integrated Interorganizational Relations Theory	Interaction of multiple factors	Multiple organizational and environmental challenges lead organizations to pursue interorganizational relations	Adaptation and Environmental Uncertainty	Multiple challenges within organizations

studies (Golensky & DeRuiter, 1999, 2002; LeFevre, 1986; O'Brien & Collier, 1991; Toepler, Seitchek, & Cameron, 2004; Wernet & Jones, 1992), surveys (Kohm and LaPiana, 2003; Kohm, LaPiana & Gowdy, 2000; Singer & Yankey, 1991), and practitioner texts (Arsenault, 1998; LaPiana, 1994, 1997, 2000; McCambridge & Weis, 1997; McLaughlin, 1996, 1998; Moyers, 1997, United Way of New York City, 1997). While resource explanations predominate, there has been a limited effort to place these findings in a theoretical context. Collectively, however, they suggest strong support for resource dependence as an explanation for interorganizational restructuring.

Political theory suggests that leaders of organizations pursue interorganizational relationships with weaker organizations to acquire power to assure ongoing autonomy (Bailey & Koney, 2000; Campbell, Jacobus & Yankey, 2006; Oliver, 1990). Golensky & DeRuiter (2002) provide the most direct empirical support for this position. They use three case studies to argue that organizations anticipating funding changes will pursue merger as a means of securing power. There is limited additional empirical support for adapting this theory to nonprofit organizations; it is implied but not explicit in other case

studies involving nonprofit organizations (Golensky & DeRuiter, 1999; Lefevre, 1986; O'Brien & Collier, 1991; Wernet and Jones, 1992).

Institutional theorists argue that the need for organizational legitimacy, as defined by key stakeholders, plays an important role in leaders' decisions to pursue interorganizational relations. The absence of legitimacy (conferred based on aspects of an organization such as board membership, past management tactics and funding sources) is a significant problem, which can lead to an inability to generate the resources needed to operate (Bailey & Koney, 2000; Campbell, Jacobus & Yankey, 2006; Galaskiewicz, 1985; Galasciewicz & Bielefeld, 1998; Guo & Acar, 2005; Oliver, 1991). "Pressures" from stakeholders, Oliver argues, "motivate organizations to increase their legitimacy in order to appear in agreement with the prevailing norms, rules, beliefs or expectations of external constituents" (1990, p. 246). Collaboration with another organization is a strategy to address that problem and enhance legitimacy. Singer and Yankey (1991) identify "enhanced community image" and "increased power and prestige" (p. 358) as reasons why nonprofit organizations come together. Merger case studies only imply enhanced legitimacy as a rationale for nonprofit interorganizational restructuring (Golensky & DeRuiter, 2002; O'Brien and Collier, 1991; Schmid, 1995; Toepler, Seitchek, & Cameron, 2004).

Researchers have also identified the need to create a more efficient operation as a motivation to pursue interorganizational relationships (Bailey & Koney, 2000; Campbell, Jacobus & Yankey, 2006; Guo & Acar, 2005; Oliver, 1990). If an organization's cost of doing business is too great, it may become uncompetitive and at risk for failure. Relationships with other organizations can reduce the cost of doing business by creating economies of scale. As organizations grow, they can become more efficient both by creating greater capacity and limiting increases in fixed costs. Empirical support for increased efficiency as a motivator for interorganizational restructuring includes survey research (Kohm & LaPiana, 2003; Kohm, LaPiana and Gowdy, 2000; Singer & Yankey, 1991) and merger case studies (Golensky & DeRuiter, 1999, 2002; Toepler, Seitchek, & Cameron, 2004; Schmid, 1995; Wernet & Jones, 1992).

### *Environmental Uncertainty Theories*

In contrast to adaptation theories, environmental uncertainty theories view interorganizational relationships as leaders' efforts to gain control over turbulent environments in which they cannot address essential challenges effectively on their own (Cook, 1977; Emery & Trist, 1965; Gray, 1985, 1989; Trist, 1983; Warren, 1967; Wood & Gray, 1991). Gray (1985, p. 12) emphasizes that the turbulence organizations experience occurs in a "problem domain" defined by "the set of actors (individuals, groups and or organizations) that become joined by a common interest or problem." For example, leaders of nonprofit organizations would experience a major funder's change in priorities as a common problem domain. The funder's decision would affect all current funding recipients and potentially other organizations that would face new competition for resources. In short, the change in environmental conditions would create uncertainty for a set of organizations. Researchers suggest that interorganizational relations are collective attempts to create stability and



reduce their shared uncertainty (Gray, 1985, 1989; Wood & Gray, 1991). Several case studies, taken from the public, for profit and nonprofit sectors provide empirical support for this argument (Logsdon, 1991; Nathan & Mitroff, 1991; Pasquero, 1991; Roberts & Bradley, 1991; Selsky, 1991; Westley & Vredenburg, 1991).

It is unclear whether these conditions would also account for leaders' willingness to pursue interorganizational restructuring, arrangements that could lead them to give up their autonomy; however, nonprofit studies identify four environmental conditions that have led to interorganizational restructuring: general changes in funding (Giffords & Dina, 2004; McLaughlin, 1998, Moyers, 1997; Schmid, 1995; Wernet & Jones, 1991); managed care, ultimately a specific type of change in the funding environment (Golensky & DeRuiter, 1999; Kohm LaPiana & Gowdy, 2000;); increasing competition for resources (Golensky & DeRuiter, 1999; Kohm & Lapiana, 2003; Kohm LaPiana & Gowdy, 2000; LaPiana, 1997; McCambridge & Weis, 1997; Norris Tirrell, 2001; O'Brien & Collier, 1991; Pietroburgo & Wernet, 2004); and funder pressure (Kohm & LaPiana, 2003; Norris-Tirrell, 2001). While it may be possible to analyze these conditions in terms of the adaptation theories described earlier, the conditions also suggest uncertain environments and problem domains.

### *Integrated Interorganizational Relations Theory*

Both adaptation and environmental uncertainty theories emphasize single factor explanations for interorganizational relations: the need for resources, power, legitimacy, efficiency, or control of an uncertain environment. In contrast, Oliver's (1991) integrated interorganizational relations theory suggests that organizations may face several conditions simultaneously which collectively contribute to leaders' decisions to pursue interorganizational relationships. She agrees that the motivations identified by adaptation and environmental uncertainty are motivators but asserts that leaders do not necessarily experience each in isolation. She suggests that different combinations of factors motivate leaders to pursue different forms of interorganizational relationships. Her analysis does not address whether a specific combination of factors motivates leaders to pursue interorganizational restructuring. Babiak (2007) tested and found support for Oliver's theory in a case involving a Canadian sports organizations. Survey research (Kohm and LaPiana, 2003; Kohm, LaPiana & Gowdy, 2000; Singer & Yankey, 1991) and case studies (Golensky & DeRuiter, 1999, 2002; LeFevre, 1986; O'Brien & Collier, 1991; Toepler, Seitchek, & Cameron, 2004; Schmid, 1995; Wernet & Jones, 1992) identify several motivators for interorganizational restructuring in nonprofit organizations, though they do not use Oliver's integrated theory language or the adaptation and environmental uncertainty theory framework.

In sum, there has been considerable theory developed to explain interorganizational relations as leaders' adaptive responses to environmental conditions. While there is a growing body of research about interorganizational restructuring in the nonprofit sector, many researchers do not place their work

within this theoretical tradition, and those who do tend to emphasize single factors to explain leaders' motivations. This state of knowledge creates a dilemma because it offers competing, explanations for the same phenomenon and provides insufficient guidance to practitioners and others seeking to understand restructuring.

### *Theoretical Propositions*

Adaptation, environmental uncertainty and the integrated theory of interorganizational relations suggest seven propositions about leaders' motivations for pursuing interorganizational restructuring:

#### *Adaptation Theories*

*Proposition One: Nonprofit organization leaders pursue interorganizational restructuring to secure resources.*

*Proposition Two: Nonprofit organization leaders pursue interorganizational restructuring to acquire power.*

*Proposition Three: Nonprofit organization leaders pursue interorganizational restructuring to appear legitimate to key stakeholders.*

*Proposition Four: Nonprofit organization leaders pursue interorganizational restructuring to increase organizational efficiency*

#### *Environmental Uncertainty Theory*

*Proposition Five: Nonprofit organization leaders pursue interorganizational restructuring in response to environmental uncertainties common to other organizations.*

*Proposition Six: Nonprofit organization leaders pursue interorganizational restructuring to address problems that cannot be solved effectively by that organization on its own.*

#### *Integrated Interorganizational Relations Theory*

*Proposition Seven: Nonprofit organization leaders pursue interorganizational restructuring to address multiple challenges addressed by adaptation and environmental uncertainty theories.*

The goal of this study is to test these propositions in four cases of interorganizational restructuring and explore the utility of adaptation and environmental uncertainty theories in explaining interorganizational restructuring.

### *Research Design*

The research utilized a multiple case, explanatory case study design, following the strategy for case studies outlined by Yin (1993, 1998, 2003). Case study designs are useful in studying phenomena, such as interorganizational restructuring, that are difficult to separate (for purposes of investigation) from the context in which they take place (Feagan, Orum & Sjoberg, 1991; Yin, 1993, 2003). They support investigations in which “the relevant behaviors cannot be manipulated” (Yin, 2003, p. 7) and they can both replicate theory and generate hypotheses (Feagin, Orum and Sjoberg, 1991; Stake, 1985; Stone, 1978; Yin, 1993, 1998, 2003).

The study’s focus was organizational leaders’ motivations for pursuing interorganizational restructuring. I collected data from four cases of interorganizational restructuring among members of the Alliance for Children and Families (ACF), a national membership organization of human service agencies. The cases involved a total of eleven organizations—ACF’s leadership identified ten examples of restructuring that had taken place among its members in the several years preceding the study. I chose four to study to maximize differences between and within cases, to learn whether motivations varied across organizational settings. The cases varied in their geographic location, community size, number of partners, their budget size, overall financial health and the comparability of services. One case involved an organization with a religious affiliation and a partner that did not. While I analyzed each case separately, I structured the research to allow across case comparisons. Table 2 provides summary information about the four cases. I have used generic names for each organization to maintain confidentiality.

### *Data Collection*

I employed two primary data collection methods: interviews with key stakeholders and review of archival material. I gathered data in face-to-face interviews with key participants in the restructuring process, including the executive director from each organization and board members who played leadership roles. In most cases, board member interviewees included the chairperson of the board of each partner organization at the time of the restructuring; in several organizations, I substituted board members active in the restructuring process for board chairs who were either inactive in the process or not available. The number of board members interviewed varied from one to three per participating organization; there were at least two and as many as four individuals interviewed from each partner organization. In total,

there were thirty two interviews, nine in Case A, eight in Case B, four in Case C and eleven in Case D. The interviews took place between three months and three years after the

*Table 2: Characteristics of Case Study Organizations*

<i>Case<sup>2</sup></i>	<i>Partners</i>	<i>Form of Restructuring</i>	<i>Financial Status</i>	<i>Setting</i>
<i>Case A "Cradle to Grave Services"</i>	<i>Children's Services Family Services West</i>	<i>Acquisition: Children's Services acquired Family Services West</i>	<i>Stable Stable to Unstable</i>	<i>Large Western City</i>
<i>Case B "Plains Human Services"</i>	<i>Children's Home Plains Family Services</i>	<i>Merger to Acquisition: Plains Human Services acquired Children's Home</i>	<i>Unstable Strong</i>	<i>Small Midwestern City</i>
<i>Case C: "Family Counseling Partners"</i>	<i>Kids Counseling Family Help Healthy Teens Sunshine Family Services</i>	<i>Parent/Subsidiary Family Help became a subsidiary of Kids Counseling Merger: Healthy Teens, Sunshine Family Services, Reach Out to Youth and Teen Counseling Hotline merged to form Comprehensive Youth Services</i>	<i>Strong Stable Stable Stable</i>	<i>Midsize Midwestern City</i>
<i>Case D: "Comprehensive Youth Services"</i>	<i>School Counseling, Inc Reach Out to Youth Teen Counseling Hotline</i>	<i>Out to Youth and Teen Counseling Hotline merged to form Comprehensive Youth Services</i>	<i>Stable Stable Stable</i>	<i>Large Southern City</i>

events interviewees were asked to recall. The gap in timing may have made some parts of the process difficult to recall; however, the availability of support documentation mitigated timing concerns. I reviewed archival data relevant to each organization's decision to pursue interorganizational restructuring as well as documents specific to the restructuring assessment process. There was significant support documentation for each case.

As noted, I developed theoretical propositions based on what the literature predicted about interorganizational restructuring. The propositions governed data collection and informed analysis. I used a protocol to outline areas in which data were needed and the likely sources for those data (interview subjects, archival documents, etc.). I used the protocol in interviews and archival data collection. It evolved following data collection at each site.

### *Data Analysis*

I transcribed all interviews and imported them into the qualitative data analysis software Atlas ti. Two modes of analysis were useful in analyzing the coded case data: pattern matching and explanation building. Pattern matching "compar[es] an empirically based pattern with a predicted one," (Yin, 2003, p. 106). In some cases, multiple explanations for case patterns emerged, complicating data analysis. Because some of the theoretical propositions were not

<sup>2</sup> Case and organizational names are fictional but reflect the work of each organization. I have created the names to facilitate differentiation across cases and organizations. Cases are referred to by letter names in the text to facilitate reading and minimize confusion.

mutually exclusive, there were multiple explanations for phenomena. In those cases, triangulation was emphasized as a strategy to generate as much clarity as possible regarding what happened and why. Explanation building seeks to develop a set of “causal links” (Yin, 2003, p. 120) between aspects of a phenomenon under investigation. It compares theoretical propositions with case data to modify research propositions. I used the process first to compare propositions with an individual case and subsequently with the other cases.

## *Findings*

### *Adaptation Theories*

Leaders’ motivations for interorganizational restructuring in the four cases were consistent with the four adaptation theory propositions. The thematic analysis revealed that managers experienced many challenges for which interorganizational restructuring was perceived as an effective, if not the only, solution. Table 3 summarizes the motivations for restructuring in each case (see page 24).

*Finding 1: The need for resources, specifically financial and service resources, led organizations to pursue interorganizational restructuring.*

All twelve of the participating organizations pursued interorganizational restructuring as a strategy to increase financial or service resources. The importance of resources varied by case. Financial resources were of particular interest to the two organizations whose long-term survival was at risk, The Children’s Home, in Case B and Family Services West, in Case A. Each faced going out of business without additional resources. The Catholic clerical order which established The Children’s Home discontinued the essential financial support to the Children’s Home two years prior to the restructuring because of diminishing resources and new priorities. The Home’s professional staff was unable to make management changes to offset the loss of the order’s support. As a result, the organization continued to lose money and its leaders questioned its long-term viability. Trustees noted that the organization simply “could not turn the financial corner” and that “[financially] it wasn’t working and something had to give.”

Family Services West faced growing financial pressures which became the primary reason its leaders pursued acquisition. Overly ambitious fund raising targets that the organization consistently did not meet coupled with an unsuccessful local United Way campaign reduced discretionary resources. Too few dollars from those sources exacerbated the challenges arising from government contracts that did not cover the full cost of service and created a considerable financial strain. Without any fund balance of consequence to draw upon to address these challenges, the organization’s financial condition grew dire. At both the Children’s Home and Family Services West, the board and staff focused on strategies for resolving serious financial resource challenges; they

perceived interorganizational restructuring as the approach most likely to result in the acquisition of survival resources.

The leaders of the nine other organizations identified an interest in acquiring financial and service resources. They viewed these resources as enabling them to provide more services (Case A, Children's Services; Case B, Plains Family Services; Case C, both organizations; Case D, all participants), positioning the agency for the future (Case B, Plains Family Services; Case C, both organizations) and creating capacity for additional fund raising (Case D, all participants). The leaders saw those resources as available through interorganizational restructuring; however, the need was not urgent and only one of several factors contributing to restructuring.

*Finding 2: Most organizations identified several motivations for interorganizational restructuring, all consistent with adaptation models of interorganizational relations.*

Only The Children's Home in Case B emphasized one overriding challenge (the need for financial resources) as its reason for pursuing restructuring. The other ten organizations pursued restructuring as a strategy to address several organizational problems simultaneously. In each case, at least one partner identified the following two issues: the need to acquire service resources, defined as either more diverse service offerings or greater capacity in existing offerings, and the need to address inefficiency, using restructuring to create economies of scale. In three cases, participants wanted to obtain more power and influence, often through board development, either by acquiring stronger board members from partner organizations or an enhanced capacity to recruit new board members with significant community connections. For example, the partners in Case D identified that their interest in restructuring derived from the need to address several organizational insufficiencies: too few service and fund raising resources, too little community influence and inadequate organizational scale.

This finding supports the integrated interorganizational relations theory, specifically the four propositions based in adaptation theories. The interest in economies of scale is consistent with transaction cost theory. The interest in board development reflects institutional theory and the interest in acquiring greater influence is consistent with political theory. The need for service resources reflects resource dependency.

*Finding 3: In all cases, at least one partner pursued restructuring as a growth strategy.*

Traditionally, human service organizations have grown through increases in financial resources provided directly to them, such as the acquisition of new government contracts and increased private revenue generation. The larger, financially stronger organizations in Cases A, B and C indicated that they were interested in growth, and viewed interorganizational restructuring as a growth strategy. For example, the leader of Plains Family Services in Case B explained

his interest in the children's mental health services in terms of service capacity, economies of scale and competitive position:

We were looking for another niche for us to grow into [children's services], knowing the competition was going to get heavy and curious in some of those other fronts. Our fantasy was, at that point and time, of putting together a full delivery of services to use....and if we can put together an array of services that would support one another, we thought that would be a good position for us.

In Case D, the leaders of the five organizations noted that each was limited in its ability to grow by traditional means. The partners desired growth and defined it in several ways, as the acquisition of service capacity, financial resources and economies of scale. The partners also suggested that growth enhanced legitimacy, making them more competitive. As with finding two, these definitions of growth reflect that organization leaders viewed it as incorporating one or more of the key elements of adaptation theories (resources, efficiency, and legitimacy), suggesting that an interest in growth is a variant of the multiple challenges approach.

### *Environmental Uncertainty*

In general, leaders' experience of the external environment was consistent with the two environmental uncertainty propositions. In all cases, leaders' inability to address environmental challenges individually contributed to their decision to pursue interorganizational restructuring. In two cases, leaders identified that they were affected by the same changes in the external environment; those changes led them to identify common interests and come together.

*Finding 4: Interviewees perceived the environments within which they operated as uncertain; they pursued interorganizational restructuring because they were unable to address the problems emerging from that uncertainty on their own.*

*Finding 5: Case D participants, and to a lesser extent those in Case C, pursued interorganizational restructuring in response to a common experience of uncertainty resulting from changes in the external environment.*

Interviewees identified a variety of environmental uncertainties—all defined in terms of their relationships with funders—that contributed to their decision to pursue interorganizational restructuring. As noted, the challenges created by that uncertainty varied across cases and organizations. For example, the leaders of Plains Family Services and Kids Counseling worried that their services were insufficiently comprehensive to meet the long-term demands of

their public funders. In a similar fashion, representatives of each of the organizations in Case D expressed concern that public and private funders in their community indicated that there was too much competition for too few resources among nonprofit youth services providers. The leaders of the Case D organizations interpreted these comments from funders as potential threats that could lead to significant losses of financial support.

In all but two organizations (Family Services West, Case A; Children's Home, Case B) leaders perceived environmental conditions as manageable challenges; however, the nature of the challenges they faced affected strategy. Leaders described environmental uncertainties as changes in funder expectations that could result in a loss of resources for their organizations. In Cases A and B the environmental uncertainties the partners faced were distinct and did not result from the same environmental forces. Each organization faced its own uncertainties; there was little overlap in funders and services. For example, Children's Services in Case A reported that its public mental health funder wanted to reduce the total number of agencies it funded, whereas its partner family service organization did not receive support from that funder and faced different resource related challenges from its public funders.

In contrast, leaders in Cases C and D came together, at least in part, because they faced common environmental uncertainties. As noted, the leaders of the agencies in Case D indicated an increasing funder concern about competition and an interest in collaboration among youth service providers. The partners came together because they perceived that interorganizational restructuring was an effective strategy to remain competitive with those funders. One of the executive directors from that case reported "We were hearing from funding sources and from governmental agencies, locally especially, of really encouraging agencies to coordinate and to work together." A board member elaborated this perspective:

One of the reasons we came together is a lot of us were already doing collaborative efforts and were doing it reasonably well. So we all knew each other. So did this effort by funders force us into a decision? Arguably yes.

Both of the Case C leaders described changing requirements for third party insurance reimbursement under managed care threatened their ability to generate revenue from those sources. While this concern was not the most dominant, they viewed coming together as an effective strategy to acquire the range of services they required to continue to be competitive with third party payers.

### *Discussion*

This study supports both adaptation and environmental uncertainty theories as explanations for leaders' pursuit of interorganizational restructuring; however, each on its own is incomplete. In that way, the findings are particularly compatible with Oliver's (1991) integrated theory of interorganizational relations.



The interest in organizational growth, a motivator in all four cases, supports and elaborates Oliver's (1991) theory.

Leaders pursued interorganizational restructuring because their organizations needed resources to accomplish their goals. In two instances, the restructuring provided survival resources. Most often, organizations needed both financial resources and service resources, such as new programming or greater service capacity. Although there were multiple explanations for restructuring in each case, the need for resources was the most frequently mentioned reason for restructuring. These findings and previous research provide strong evidence that resource dependence is a key factor in interorganizational restructuring thus extending Pfeffer & Salancik's (1978) research on corporations to the nonprofit sector.

This study supports the proposition that leaders pursue interorganizational restructuring to address complex challenges for which organization specific solutions are insufficient. It suggests that environmental uncertainty may play a more significant role in motivating restructuring between multiple organizations than restructuring between two organizations. Only the leaders in Case D, the single example involving multiple partners, consistently defined the challenges they faced in terms of a common set of uncertainty inducing environmental changes. Multiple organization restructuring may address environmental uncertainty effectively because it brings together many of the entities affected by the uncertainty, by simplifying the environment within which they operate and addressing the conditions that create uncertainty. In contrast, restructuring between two organizations is less likely to be responsive to uncertainty because it involves too few actors to reduce uncertainty effectively. Admittedly, the availability of only one case involving more than two organizations limits our ability to generalize from it.

Oliver's (1991) integrated theory of interorganizational relations appears to provide a better basis for a theory of interorganizational restructuring than single factor adaptation and environmental uncertainty theories since single factor explanations were incomplete. Representatives from each of the participating organizations identified both the need for resources and at least one other motivation for their interest in restructuring; a theory of interorganizational restructuring must reflect that complexity. The finding that growth was a motivator for restructuring in all four cases also reflects Oliver's (1991) integrated interorganizational relations perspective. Interviewees defined growth as a combination of several factors identified by adaptation theories, including acquisition of financial and service resources, greater legitimacy and increased efficiency through economies of scale.

Differences between interorganizational relations and interorganizational restructuring may explain the limitations of single factor explanations and the finding that growth motivates restructuring. Adaptation and environmental uncertainty are theories of interorganizational relations, arrangements that describe collaboration between independent organizations to accomplish mutually beneficial goals without a significant loss of autonomy for either partner. In contrast, interorganizational restructuring is a more consequential action, a

coming together that, for at least one partner, results in the loss of organizational autonomy, changes in governance and administrative and programmatic integration. Leaders may pursue interorganizational restructuring to solve more complex problems for which collaboration is insufficient, such as those involving multiple challenges. This difference may explain why there is no discussion of growth as a motivator in the interorganizational relations literature. In some cases, leaders may pursue restructuring only if they can guarantee their organization's long-term independence. In three of the four cases (A, B, and C), leaders motivated by a desire for organizational growth described their motivations in similar ways. Growth addressed both multiple challenges and leaders' unwillingness to pursue strategies that would diminish their autonomy. Those leaders pursued restructuring with weaker partners to accomplish growth without compromising their organization's independence.

Future research should build on these findings. For example, it would be useful to explore in greater depth the differences between restructuring involving two partners and those involving larger numbers of organizations. It would be important to learn more about motivations in multiple partner restructuring, particularly whether additional cases support the findings from this study, that leaders pursue them as a strategy to respond to environmental uncertainty. It would also be valuable to learn more about what leaders mean when they identify growth as a motivator for restructuring. It is unclear whether leaders approach growth a distinct motivator, or as a composite of resource dependence, institutional and transaction cost motivators, as asserted here. Oliver (1991) argues that different combinations of factors motivate leaders to pursue different forms of interorganizational relations. It would be useful to learn whether different combinations of factors also affect the form of interorganizational restructuring (merger, acquisition, parent/subsidiary). Finally, survey research with organizations that have pursued restructuring would provide the opportunity to assess the generalizability of these findings across a wider population of nonprofit organizations.

### *Conclusion*

This study suggests that Oliver's (1991) integrated interorganizational relations theory, based in adaptation and environmental uncertainty, provides a preliminary basis for a theory of interorganizational restructuring. Her theory best reflects the important differences between interorganizational relations and interorganizational restructuring revealed by this study. In all cases I studied, an interest in gaining more resources (resource dependence) motivated restructuring; however, it was rarely the exclusive motivator. Instead, in all cases, leaders chose restructuring as a strategy because it addressed several concerns, including those predicted by institutional, transaction cost and political theories. Larger organizations identified growth as a motivator, which may reflect an aggregation of the motivations predicted by adaptation theories. Organization leaders acknowledged the importance of environmental uncertainty in their decisions to pursue restructuring, particularly when they perceived the problems uncertainty created as unsolvable by the organization on its own. Only

the leaders from the case involving multiple partners emphasized that the challenges that led them to pursue interorganizational restructuring resulted from the same environmental conditions. Future survey research should assess these findings across a larger population of nonprofit organizations.

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Table 3: Organization Motivations for Interorganizational Restructuring

Case	Organization	Financial Resources	Service Resources	Legitimacy	Power	Efficiency	Growth	Unsolvable Problem	Common Problem Source
Case A "Cradle to Grave Services"	Family Services West	X	X			x		X	
	Children's Services		X			X	X	x	
Case B "Plains Human Services"	Plains Family Services		X	X	X	x		x	
	Children's Home	X				X		X	
Case C "Family Counseling Partners"	Family Help Kids Counseling	X		x		x		X	x
			X			X	x	x	x
	Healthy Teens Sunshine Family Services School	x	x	x	X	x	x	x	x
Case D "Comprehensive Youth Services"	Counseling, Inc.	X	X	x	x	X	x	x	x
	Reach Out to Youth	X	X	x	x	x	x	x	x
	Teen Counseling Hotline	X	x	x	x	x	x	X	X

*"X" indicates that the thematic analysis revealed a particular restructuring motivation. Bold upper case x marks indicate consistent mention across all interviews and documents for a particular motivation. Lower case x marks indicate support, but less widespread.*

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