

Institutional Isomorphism and Nonprofit Managerialism: For Better or Worse?

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Abstract

Nonprofit organizations (NPOs) have increasingly adopted business-like practices as a response to institutional pressures. Some researchers argue that this development leads to mission drift, whereas others find a positive effect on organizational performance. However, the institutional pressures responsible for shaping the nonprofit sector have remained hard to distinguish from each other. This study explores the consequences of mimetic, normative, and coercive pressures, and looks at how they affect managerialism, organizational performance, and mission drift. We link these concepts through a structural equation model based on survey data and find that one aspect of managerialism, strategic behavior, is a key construct in influencing the response to isomorphic pressures and can positively affect organizational performance, while holding off mission drift. Normative isomorphism even has a direct positive effect on organizational performance. Mission drift can take place when organizations are under coercive pressure without having strategies or internal processes in place. These findings imply that organizations should invest in their strategy and the professional development of their staff to increase organizational performance and avoid mission drift.

Keywords: Managerialism; isomorphism; nonprofit management; organizational performance; mission drift

Introduction

In recent decades, management practices have received growing attention in the nonprofit sector due to an increasingly complex resource and stakeholder environment (Moeller & Valentinov, 2012; Lester M. Salamon, Sokolowski, & Haddock, 2017; Yu & Chen, 2018). This has led to greater demand for sophisticated managerial skills (Stone, 1989) to address these challenges, and consequently to the adoption of business-like practices in nonprofit organizations (NPOs) (Maier, Meyer, & Steinbereithner, 2016). This process is also rooted in a desire for greater legitimacy; managers seek to bring their organization into line with social expectations to enhance legitimacy and thereby boost organizational success (Dart, 2004).

Institutional theory predicts that NPOs experience the same kind of pressures and, by responding to them, may become similar in their culture and structure through a process known as institutional isomorphism (DiMaggio & Powell, 1983). One example is the institutionalization of business-like practices in recent decades that has resulted in NPOs across all areas of activities increasingly looking alike (Dolnicar, Irvine, & Lazarevski, 2008). DiMaggio and Powell (1983) have identified three mechanisms that drive this institutionalization: coercive, mimetic, and normative isomorphism. These mechanisms can occur simultaneously, but tend to arise from different conditions (DiMaggio & Powell, 1983). Coercive isomorphism results from political and regulatory influences, mimetic isomorphism is a response to uncertainty, and normative isomorphism is brought about by pressures from professions.

The adoption of business-like practices in response to institutional pressures has led to a rise in managerialism among NPOs. 'Managerialism' describes an ideology that they should adopt business-like management practices (Maier et al., 2016). However, managerialism is a controversial issue that has elicited diverging opinions among researchers (Sanders, 2015). Some argue that a strong focus on strategy, management, and for-profit practices dilutes an organization's true purpose (Bush, 1992; Eikenberry & Kluver, 2004; Froelich, 1999; among others), a process known as mission drift (Dees & Anderson, 2003; Jones, 2007). Others find that applying for-profit practices, such as a more pronounced market orientation, has a positive effect on organizational performance (Guo, 2006; Modi & Mishra, 2010). Whereas managerialism is an opportunity to use resources more effectively and

efficiently on the one hand, it also risks losing sight of the organization's mission by applying business practices too resolutely on the other (von Schnurbein, 2014).

In this study we explore whether a particular type of institutional pressure on an NPO – to fulfill regulatory requirements and be accountable for its actions (*coercive isomorphism*), to monitor competitors' actions (*mimetic isomorphism*), or to invest in the development of its leadership (*normative isomorphism*) – is responsible for shaping the organization's response to managerialism. The discussion around the causes of NPOs becoming more business-like has included a variety of vague concepts and loose definitions (Maier et al., 2016), but studies often implicitly addressed a single isomorphic pressure as the underlying cause for it, e.g. political institutions who impose rules on NPOs for accountability reasons (coercive isomorphism) (Harmer et al., 2013) or the influx of people from a certain profession (normative isomorphism) (Hwang & Powell, 2009). This study aims at looking at all three isomorphic pressures as possible reasons for managerialism. Rather than focusing on similarity among organizations, we seek to explore the different ways in which organizations respond to these institutional pressures, while also investigating their effects on perceived (self-stated) organizational performance and mission drift. Research concerning institutional isomorphism has, starting in the 1990s, increasingly dealt with the question why organizations respond differently to these pressures (Boxenbaum & Jonsson, 2008), but very few researchers have looked at the three isomorphic pressures simultaneously (Greenwood & Meyer, 2008). Existing literature has also concentrated on either the reasons for isomorphism and its direct impact on an organization's behavior, or the influence of managerialism on performance. To our knowledge, no studies to date have combined the two lines of research. Moreover, most studies discussing the consequences of managerialism on an organization's behavior use qualitative methods (Suykens, De Rynck, & Verschuere, 2019). Researchers often view the concept and consequences of managerialism as either something positive and desirable, or negative and to be avoided, with very little gradation in between (Hvenmark, 2016). Our study aims to close this research gap and contribute to the literature by linking institutional isomorphism, managerialism, and its effects on mission drift and perceived organizational performance by recourse to a quantitative analysis, and offers a neutral perspective on the consequences of managerialism.

We aim to answer the following research questions:

RQ1: How do the different isomorphic pressures affect managerialism in NPOs?

RQ2: How does managerialism affect organizational performance and mission drift?

RQ3: How do the different isomorphic pressures affect organizational performance and mission drift?

We address these research questions by creating a structural equation model (SEM) using data from a survey among Swiss NPOs. We begin by presenting the literature on institutional isomorphism, managerialism, organizational performance, mission drift, and how these concepts relate to each other in order to derive hypotheses. We then introduce the data and measures used for the SEM before presenting the results. The final section consists of the discussion, implications, and limitations.

Literature Review

How institutional isomorphism shapes organizations

The concept of institutional isomorphism is rooted in new institutional theory. The term was coined by DiMaggio and Powell (1983), who use it to describe the process whereby organizations come to resemble others in the same field. They argue that organizations become homogenous in their structures and processes by responding to (external) isomorphic pressures, which can be coercive, mimetic, or normative in nature. Pressure exerted by policies, regulations, or rules mandated by external stakeholders leads to *coercive isomorphism*. *Mimetic isomorphism* occurs when organizations mimic the behavior or strategies of other organizations that they perceive to be superior in response to uncertainty. Finally, when norms and beliefs from outside the organization are transferred into the organization by individuals or groups (e.g. due to the employment of persons with a specific education or degree), the organization responds with *normative isomorphism*. The distinctions between these three types of pressure are not always clear, since organizations are often subjected to more than one type (Sowa, 2008). Although these pressures may appear simultaneously and are, in practice,

sometimes hard to distinguish, institutional theory assumes that these pressures stem from different causes (DiMaggio & Powell, 1983; Heugens & Lander, 2007; Zorn, Flanagin, & Shoham, 2011).

Organizations submit to these isomorphic pressures over time and adapt their own structures to gain legitimacy, becoming more homogenous (Meyer & Rowan, 1977). Accordingly, institutional isomorphism seeks to explain why organizations are similar, not why they are different. Although the theory of institutional isomorphism can largely be attributed to DiMaggio and Powell (1983), it was further developed by a number of researchers, especially since researchers have started to look for answers why organizations respond differently to the same pressures during the 1990s (Hasse & Krücken, 2008). Greenwood and Meyer (2008) or Boxenbaum and Jonsson (2008) give a comprehensive overview of the history of the theory and how it was – sometimes wrongfully – applied in various research contexts. They emphasize that there is little research that looks at how the isomorphic pressures interact with each other, although some meta-analyses have tried to do so: Mizruchi and Feinstein (1999) have compared 26 studies and noted that mimetic isomorphism has received disproportionate attention. Heugens and Lander (2007) found that “the strength of the relationship between mimetism and isomorphism was greater than that of either coercive or normative pressures” (p.23). Other studies have come to different conclusions, for example Milstein, Hart, and York (2002), who found that coercive pressure exerts the strongest influence.

When looking specifically at the nonprofit research literature, evidence of these isomorphic pressures abounds; in fact, as neo-institutionalism has become more popular in organizational analysis, extensive research has been done on the increasing homogeneity observed among NPOs (see Ramanath, 2009). Leiter (2005) finds that the degree of similarity among NPOs in Australia is dependent on the interactions among them, and that isomorphism can be observed in some areas, though not the entire sector. Martinez (2008) conducted a case study among Spanish development NPOs, and concluded that structural isomorphism is present in the sector. Smith and Lipsky (1993) find isomorphism occurring among NPOs as a result of their increasing reliance on government support, which is often conditional on specific requirements. Other research suggests that funders such as the government, major individual donors, or philanthropic foundations can exert coercive pressure on NPOs to, for example, adopt certain management practices or planning processes (Claeyé &

Jackson, 2012; DiMaggio & Powell, 1983; Ostrander, 2007; L. M. Parsons, Pryor, & Roberts, 2017). However, such management practices are also adopted by NPOs to emulate what they perceive to be “best practice” – an example of mimetic isomorphism (Beck, Lengnick-Hall, & Lengnick-Hall, 2008; Tucker, Thorne, & Gurd, 2013). Evidence for normative isomorphism can be found in the application of accounting standards by nonprofit hospitals (Krishnan & Yetman, 2011), among nonprofit human service providers (Frumkin & Andre-Clark, 2000), or in the adoption of evaluation processes among NPOs (Carman, 2011).

Despite the fact that on a fundamental level isomorphism can include the dissemination of good practices (Leiter, 2013) or drive collaboration (Sowa, 2008), the term is often associated with the concern that NPOs will lose significant characteristics as they become increasingly similar to public sector organizations (Smith & Lipsky, 1993) or businesses (Dolnicar et al., 2008; Hwang & Powell, 2009). The institutionalization of corporate practices in particular has led researchers to criticize this development (Eikenberry & Kluver, 2004) for fear of mission drift or loss of idealism (Maier et al., 2016).

The influence of managerialism on organizational performance and mission drift

The way in which organizations respond to institutional pressures can vary widely, depending on the characteristics of the isomorphic pressures and the organization itself, and their organizational environment (Arvidson, 2018). Dolnicar et al. (2008) add that clarity of and commitment to organizational mission is crucial in determining how an organization reacts to institutional pressure. NPOs are often seen to adapt and comply with new institutional logics (Arvidson, 2018), which has led them to increasingly adopt values and practices from the private sector – an approach known as managerialism, which is characterized by the adoption of business management knowledge and practices (Mitchell, 2018). This trend of adopting managerial practices from the business sector has been observed since the 1990s, when new public management methods were introduced to create organizational strategies, assess organizations’ quantitative performance, and train managers to improve operations and increase funding (Horvath, Brandtner, & Powell, 2018). As suggested by Hvenmark, in this study managerialism is defined as “*an ideology prescribing that organizations ought to be coordinated, controlled, and developed through corporate management knowledge and*

practices” (2016, p. 2849). Managerialization, then, describes the process through which managerialism occurs.

While acknowledging the existence of different forms of managerialism (Dobrai & Farkas, 2016), researchers have concluded that there are both positive and negative consequences of adopting business strategies and tools in NPOs (Maier et al., 2016; Shirinashihama, 2018). Generally, research has shown that the effects of managerialism depend on how an organization reacts to competing institutional norms, namely their nonprofit character and certain for-profit tools or practices (Kravchenko & Moskvina, 2018). After all, when faced with managerialization of their processes and cultures, organizations are challenged to accommodate both their mission-driven “normative” identity, and a new, commercial “utilitarian” identity (Lee & Bourne, 2017, p. 796).

One of the main arguments in favor of the positive effects of managerialism is the opportunity it offers for more effective and efficient use of resources (von Schnurbein, 2014) by helping NPOs to improve their programs and services. By achieving more objectives with fewer resources, they enhance their financial performance (Shirinashihama, 2018) with greater cost-efficiency (Ni, Chen, Ding, & Wu, 2017). Organizations that exhibit signs of managerialism, for instance by offering additional commercial services to subsidize their programs (Meyer & Simsa, 2014) or by investing in their organizational capacities (Faulk & Stewart, 2017), can benefit from social *and* financial returns on investment.

While most studies on managerialism examine its effect on objective measures such as financial performance, few authors have sought to assess its consequences on subjective measures such as mission achievement (Helmig, Ingerfurth, & Pinz, 2014). These subjective measures are often self-stated (e.g. survey data), which is why researchers refer to this as perceived organizational performance (Brown, 2005). Examples of research on the positive effect on subjective performance are studies on the adoption of a market-orientation mindset, a management concept from the business sector that has been shown to have a positive effect on organizational performance, measured by various scales of mission achievement (Choi, 2014; Duque-Zuluaga & Schneider, 2008; Modi & Mishra, 2010). Another study showed that more professionalized NPOs, such as human service

organizations, might be better able to attract and retain qualified volunteers (Guo, 2006). Generally, Maier et al. (2016) find that the positive effects seem to prevail in NPOs that already have a stronger business orientation.

Negative aspects of managerialism include a loss of legitimacy caused by the perception that organizations are acting in their own interest rather than for the public good (Eikenberry, 2009); higher costs, e.g. caused by employee monitoring (Parsons & Broadbridge, 2004); and, most importantly, the fear of mission drift. Mission drift describes a diversion of time, energy and money away from a nonprofit's original mission (Weisbrod, 2004), often caused by funders exerting influence over an organization's programs or services (Bennett & Savani, 2011). By focusing on commercial rather than mission-related activities, organizations tend to neglect their mission-related services and programs (Dart, 2004). Researchers have raised concerns that NPOs are shifting towards a dominance of instrumental orientation, rather than following their mission (Chetkovich & Frumkin, 2002). Mission drift can be exacerbated by vague organizational goals (Koch, Galaskiewicz, & Pierson, 2015), reliance on donor transactions (Froelich, 1999), market orientation (Liao, Foreman, & Sargeant, 2001), increased hybridity of organizations (Eikenberry & Kluver, 2004), and dependence on government grants (Dolnicar et al., 2008).

Adopting managerial practices from the business sector is often associated with an increased strategic perspective of organizations (Dolnicar et al., 2008; Horvath et al., 2018), either because the business tools and practices require the implementation of such a strategy (Chad, Kyriazis, & Motion, 2013; Dobrai & Farkas, 2016) or because it helps organizations to stay focused on their mission by having a clear vision of who they are and where they are headed (Beck et al., 2008). A strategic orientation can lead to a behavior that results in superior performance (Narver & Slater, 1990). Faced with different institutional logics from the nonprofit and private sector, professionalized NPOs also need strong internal guidance to overcome identity issues and, consequently, mission drift (Lee & Bourne, 2017). Internal management tools such as evaluations of program outcomes or independent financial audits are of crucial importance for NPOs faced with managerialism (Hwang & Powell, 2009).

The literature review in the previous sections should highlight a couple of issues that the paper at hand addresses. First, when talking about managerialism, researchers often either take a positive (increased organizational performance) or a negative view (fear of mission drift), with little middle ground (Sanders, 2015). Second, the studies on managerialism often emphasize one possible cause for it (Maier et al., 2016), which is in fact often an isomorphic pressure (e.g. influence from a profession or regulations). Third, and building up on this, most studies which apply or analyze institutional isomorphism focus on one type of isomorphic pressure, and very few look at how they interact with each other (Greenwood & Meyer, 2008; Mizruchi & Fein, 1999). The paper at hand aims to a) offer a neutral view on the consequences of managerialism, b) look at all three isomorphic pressures simultaneously as reasons for managerialism, and c) link the research on institutional isomorphism, managerialism, and organizational performance and mission drift.

Hypotheses

As described in the previous section, isomorphic pressures are responsible for a homogenization of the nonprofit sector (Dolnicar et al., 2008; Frumkin & Galaskiewicz, 2004; Meyer & Rowan, 1977; Ramanath, 2009), with organizations increasingly adopting business tools and practices in a process described as managerialism (Maier et al., 2016). This managerialization of organizations can boost organizational performance (Duque-Zuluaga & Schneider, 2008; Shirinashihama, 2018), but brings with it a risk of mission drift (Eikenberry & Kluver, 2004; Jones, 2007), depending on how an organization reacts to different or even competing institutional logics (Kravchenko & Moskvina, 2018). We therefore hypothesize that mimetic, normative, and coercive isomorphic pressures affect organizations distinctively in terms of performance and mission drift via managerialism.

Managerialism can present itself in the form of increased strategic behavior (Horvath et al., 2018) and/or improved internal management (Hwang & Powell, 2009), as “isomorphic change processes can be observed not merely through examination of structural features of organizations, but also manifest themselves in internal decision-making processes and behavioral features.” (Ramanath, 2009, p. 54).

We therefore also expect a direct effect on organizations’ strategic behavior and internal management.

H1: a) Mimetic, b) normative, c) coercive pressure has an effect on organizational performance via strategic behavior.

H2: a) Mimetic, b) normative, c) coercive pressure has an effect on organizational performance via internal management.

H3: a) Mimetic, b) normative, c) coercive pressure has an effect on mission drift via strategic behavior.

H4: a) Mimetic, b) normative, c) coercive pressure has an effect on mission drift via internal management.

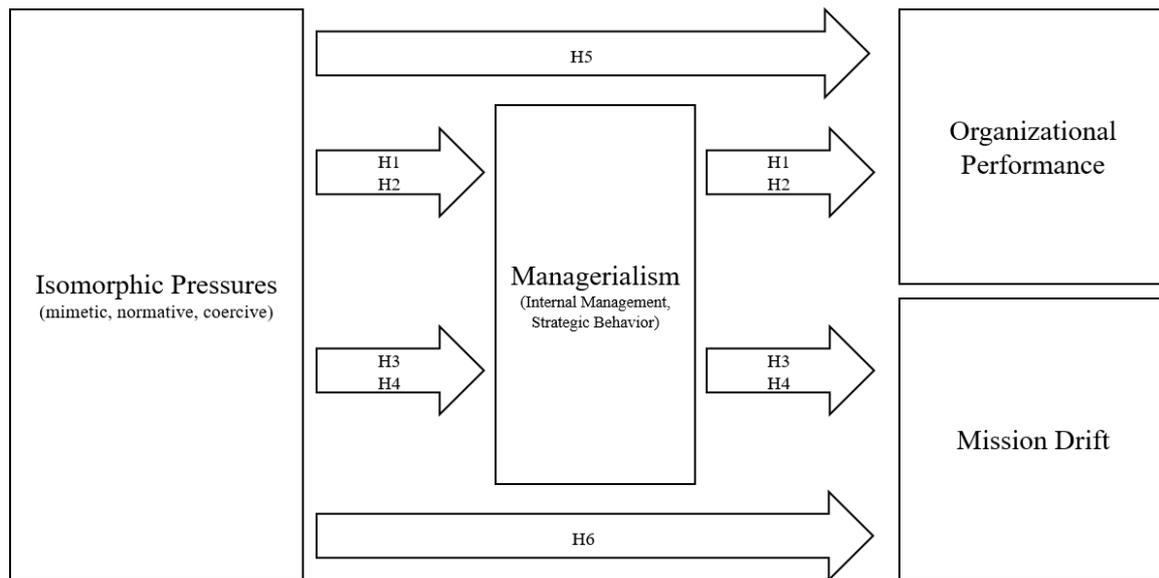
The existing literature focuses on either the relationship between isomorphic pressures and managerialism, or the relationship between managerialism, organizational performance, and mission drift. However, the possibility of a direct effect of isomorphic pressures on organizational performance and mission drift has yet to be examined. We therefore add two exploratory hypotheses linking isomorphic pressures to both organizational performance and mission drift.

H5: a) Mimetic, b) normative, c) coercive pressure has a direct effect on organizational performance.

H6: a) Mimetic, b) normative, c) coercive pressure has a direct effect on mission drift.

A graphical depiction of the hypotheses is displayed in Figure 1.

Figure 1: Hypotheses



Methodology

The hypotheses were tested with a structural equation model (SEM) using a maximum likelihood estimation with robust standard errors and a Satorra-Bentler scaled test statistic. The model consists of constructs of isomorphic pressures, managerialism, perceived organizational performance, and mission drift. We allowed all isomorphic constructs to load on all the managerialism, organizational performance, and mission drift constructs. The two constructs on managerialism were allowed to load on both organizational performance and mission drift and the correlation between the isomorphic pressures as well as between perceived organizational performance and mission drift were added as free parameters. The constructs are based on measurement models that we first analyzed with a confirmatory factor analyses (CFA). We computed all analyses with the software R version 3.6.2 (R Core Team, 2019).

Data

The data was collected in 2018 from Swiss NPOs. Switzerland has a strong nonprofit sector, but the entire population is unknown, since registration is only mandatory for foundations, and not associations. The number of associations is estimated at around 80,000 (Helmig et al., 2017). The

number of charitable foundations has more than doubled in the last 30 years, to over 13,000 (von Schnurbein & Perez, 2018). Both legal forms can be grant-making and/or operational, with the majority of associations belonging to the latter category.

As the population of Swiss NPOs is unknown, the sample is based on a non-probability sample. We applied typical case sampling to include larger NPOs from important sectors, such as health, social services, or environmental affairs (Helmig et al., 2011; Helmig, Lichtsteiner, & Gmür, 2010). We also included organizations possessing the Swiss quality seal for social charities, as these are usually larger in size in terms of budget or number of employees. The resulting sample comprised 3,053 Swiss NPOs. The survey serves various research projects and contains questions on the topics of market orientation, financial management, and managerialism in NPOs. The paper-and-pencil questionnaire was addressed to the organizations' CEOs. Pretesting in German and French was carried out based on the recommendations of Hak, van der Veer, and Jansen (2008). We received 622 responses (response rate 20.4%) and 521 organizations remained in the sample after listwise deletion of missing data among the relevant variables. The average age of the 521 organizations was 50.4 years, and they had on average 93 employees and operating expenses of 10.8 million CHF in 2017 (see Appendix Table A.1.). About half of them were foundations (221) and the other half associations (294). The responding organizations could select all areas of activities (ICNPO categories) that applied to them. The most selected categories were health (43.8%, 228 organizations), social services (38.4%, 200), education and research (22.3%, 116), and culture and recreation (22.1%, 115). These are the categories with the highest share of employees and largest budgets in the nonprofit sector in Switzerland (Helmig et al., 2010), which reflects the focus on larger organizations in the sampling process.

Measures

The SEM is based on seven latent constructs. All items were collected by a survey, i.e. represent a subjective perception of the respondent. We tried to avoid any bias by collecting the data anonymously and not revealing any of the underlying constructs, which could influence the answers and lead to over-justification effects.

The three isomorphic pressures are measured as follows: Mimetic pressure is measured through questionnaire items concerning competitor scanning. Coercive pressure is measured through questions on the degree of accountability an organization feels vis-à-vis funders and authorities. Both scales are based on items used by Zorn, Flanagin and Shoham (2011). Normative pressure is measured using three items concerning the expertise and continuing education of managers, and is partly based on the items proposed by Zorn et al. (2011).

Managerialism is operationalized on two levels – strategic and operational. As stated before, our understanding of managerialism is non-judgmental and entails the application of corporate management practices in terms of control, coordination, and development. The ‘strategic behavior’ construct includes survey items on organizations’ written strategy and long-term planning. It draws on a scale by Shumate et al. (2017). The operational construct ‘internal management’ captures standardized procedures within an organization. It is based on items from various studies on the market orientation of organizations, i.e. the application of a business concept to NPOs, which includes, besides customer and competitor orientation, a component of inter-functional coordination (Duque-Zuluaga & Schneider, 2008; Modi & Mishra, 2010; Narver & Slater, 1990).

Organizational performance can be measured using both financial measures and measures relating to mission achievement. However, given that the ultimate goal of an NPO is achieving its mission, we decided on a measure focusing on effectiveness. This is in line with various studies (Bennett, 2005; Padanyi & Gainer, 2004; Sargeant, Foreman, & Liao, 2002; Vázquez, Álvarez, & Santos, 2002), who have assessed performance by asking respondents to evaluate the extent to which they believe they have succeeded as an organization, i.e. have fulfilled their mission. The three items on performance measurement are drawn from a scale of perceived organizational performance developed by Brown (2005) which comprises items on improvements for beneficiaries, extent of and improvements to services. Although it is an established scale, two of the original five items did not correlate well with the other three items, which is why they were dropped from the organizational performance construct.

Mission drift comprises two items measuring the openness to suggestions from funders. We were unable to find an established scale for mission drift. One item (MiDr1) is self-developed and the other item (MiDr2) measuring mission drift in this study is based on Balabanis, Stables, and Philips (1997).

The two dependent variables, perceived organizational performance and mission drift, are not mutually exclusive and can theoretically occur at the same time, as mission drift is more concerned with the financing of the organization, whereas organizational performance focuses on effective mission achievement.

All survey items were measured on a five-point Likert scale ranging between 1 = I strongly disagree, and 5 = I strongly agree. Because we measured all items on a five-point scale, we assume that the variables are continuous (Hair, Black, Babin, & Anderson, 2014)¹. The list of items is displayed in Table 1 along with the descriptive statistics.

Table 1: Descriptive Statistic for Survey Items (n=521)

Variable	Item	Factor Loading	Item Text	Mean	SD	Median
Perceived Organizational Performance ($\alpha=.61$, CR=.64, AVE=.40)	OrPe1	.423	The majority of our beneficiaries experienced significant improvements because of the services we provided.	4.32	0.81	4
	OrPe2	.655	The number of projects and services we offer has increased in recent years.	3.75	1.24	4
	OrPe3	.734	The quality of our services has improved.	4.04	0.82	4
Mission Drift ($\alpha=.66$, CR=.68, AVE=.53)	MiDr1	.614	We are open to suggestions from funders regarding the development of new projects and services.	3.67	1.17	4
	MiDr2	.810	When we find that funders would like us to modify the service offering, we make an effort to do so.	2.93	1.28	3
Strategic Behavior ($\alpha=.77$, CR=.78, AVE=.54)	Strat1	.771	We consciously take our time to make strategic considerations.	4.07	0.90	4
	Strat2	.876	We define our goals regularly.	4.09	0.93	4
	Strat3	.631	We have a current written strategy.	3.83	1.27	4

¹ We are aware of the contestations of using Likert scale data in parametric tests. However, the literature is not univocal on this issue and the methodological debate goes beyond this paper. Hair et al. (2014) state that “CFA models typically contain reflective indicators measured with an ordinal or better measurement scale. Indicators with ordinal responses of at least four response categories can be treated as interval, or at least as if the variables are continuous.” (p. 612) Also, Norman (2010) concludes that parametric tests can be used for Likert scale data. The five categories used in the questionnaire were (translated from German and French): 1= I strongly disagree, 2= I disagree, 3= neither agree nor disagree, 4= I agree, 5= I strongly agree. The response options were displayed in such a way that the distances were graphically equal.

Internal Management ($\alpha=.78$, CR=.78, AVE=.55)	IntCo1	.778	All our functions are actively involved in the planning of projects and services.	3.87	0.99	4
	IntCo2	.758	Information and resources are regularly shared between our functions.	4.02	0.95	4
	IntCo3	.697	We organize regular meetings between our various function heads to analyze information.	4.08	1.12	4
Mimetic Pressure ($\alpha=.84$, CR=.84, AVE=.64)	Mime1	.672	Information on organizations that provide similar services is considered important for decision making.	3.57	1.05	4
	Mime2	.854	We actively keep informed of new and innovative ways of working used by similar organizations.	3.71	1.06	4
	Mime3	.861	We monitor the moves of similar organizations very closely.	3.52	1.10	4
Normative Pressure ($\alpha=.75$, CR=.75, AVE=.50)	Norm1	.743	It is important to us that our managers are experts in their field.	4.22	0.89	4
	Norm2	.708	When recruiting managers, it is vital to us that the chosen persons have the professional training required.	4.16	1.04	4
	Norm3	.683	Our managers are constantly undergoing further training.	3.77	1.03	4
Coercive Pressure ($\alpha=.79$, CR=.80, AVE=0.57)	Coerc1	.706	Our organization is accountable to an external body (e.g. public authorities, donors) for its actions.	4.36	1.19	5
	Coerc2	.802	We systematically collect information about our activities in order to meet the requirements of government agencies or donors.	3.95	1.23	4
	Coerc3	.750	Legal or funding guidelines require us to compile statistics on our activities.	3.67	1.55	4

SD= Standard deviation, α =Cronbach's alpha, CR=Composite reliability, AVE = Average variance

extracted

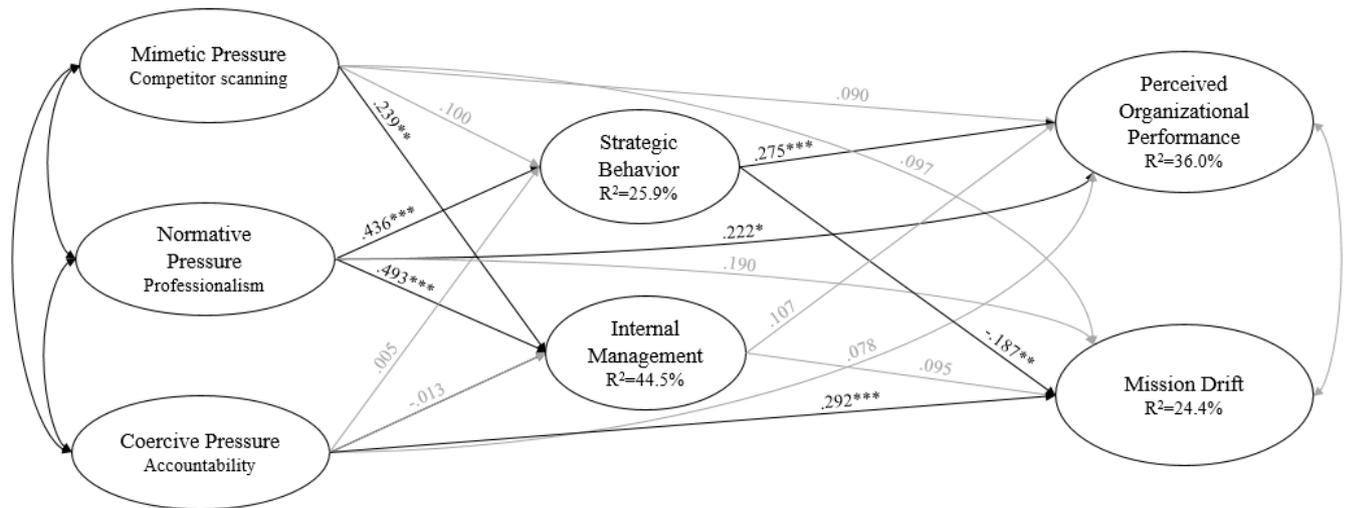
Results

We calculated a confirmatory factor analysis (CFA) for all the constructs using the R packages lavaan (Rosseel, 2012) and semTools (Jorgensen, Pornprasertmanit, Schoemann, & Rosseel, 2018). The resulting standardized factor loadings, Cronbach's alpha, Composite Reliability (CR), and average variance extracted (AVE) are displayed in Table 1. All factor loadings are significant to the 1% significance level and the majority of them is higher than .7. The CR values are between .64 and .84 which can be considered acceptable (Bagozzi & Yi, 1988). The AVE of all but one construct are higher than .5 which Hair et al. (2014) call "a good rule of thumb" to assume "adequate convergence" (p. 619). Only perceived organizational performance shows an AVE below .5. Because it is a crucial

construct in our model and the CR is acceptable, the factor was retained in the model. Furthermore, we tested the discriminant validity by relating the squared correlation of the constructs with the AVE (Fornell & Larcker, 1981). Because the AVE of all constructs are higher than their respective squared correlations, we assume discriminant validity. The correlation of the constructs are shown in Appendix Table A.2. All absolute correlation values are below .7, which excludes effects of multicollinearity (Dormann et al., 2013). The robust fit-indices of the CFA show an adequate fit (Robust $\chi^2 = 239.550$, Degrees of Freedom (df) = 149, $p < .001$, Scaling correction factor for the Satorra-Bentler correction 1.230, Robust Root Mean Square Error of Approximation (RMSEA) = .038, Standardized Root Mean Square Residual (SRMR) = .043, Robust Comparative Fit Index (CFI) = .970, Robust Tucker-Lewis Index (TLI) = .961).

The results of the structural equation model show an adequate fit (Robust $\chi^2 = 254.824$, df = 150, $p < .001$, Scaling correction factor for the Satorra-Bentler correction 1.233, Robust RMSEA = .041, SRMR = .046, Robust CFI = .965, Robust TLI = .955). Figure 2 shows the model with standardized coefficients; the significant paths are displayed in black, all other paths in grey. Mimetic pressure has a significant effect on internal management (.239). Normative pressure has significant effects on strategic behavior (.436) and internal management (.493). Coercive pressure has a significant effect on mission drift (.292). Strategic behavior shows a positive significant effect on perceived organizational performance (.275) and a negative significant effect on mission drift (-.187). Internal performance showed no significant effects on the two dependent variables. The correlation between organizational performance and mission drift is positive but not significant (.070).

Figure 2: Result of structural equation modeling



Significance levels: * $p < 0.1$. ** $p < 0.05$. *** $p < 0.01$.

We checked the significance of the indirect and total effects by bootstrapping, as recommended by Mair (2018). Table 2 shows the standardized significant indirect and total effects resulting from the bootstrapping analysis. Normative pressure has a significant indirect effect via strategic behavior on organizational performance (.120) and on mission drift (-.082). It also shows a significant total effect on organizational performance (.395). Coercive pressure has a significant total effect on mission drift (.290).

Table 2: Standardized significant indirect and total effects resulting from the bootstrapping analysis

Significant Indirect Effects	
Normative Pressure → Strategic Behavior → Organizational Performance	.120***
Normative Pressure → Strategic Behavior → Mission Drift	-.082**
Significant Total Effects	
Normative Pressure → Organizational Performance	.395***
Coercive Pressure → Mission Drift	.290***

Significance levels: * $p < 0.1$. ** $p < 0.05$. *** $p < 0.01$.

The results of the above analysis are consistent with hypotheses 1b, 3b, 5b, and 6c. The partial support for Hypotheses 1 and 3 shows that normative pressures have a positive indirect effect on organizational performance (Hypothesis 1b) and a negative indirect effect on mission drift (Hypothesis 3b). We did not find support that isomorphism affects perceived organizational performance or mission drift via internal management (Hypotheses 2 and 4). However, we did find partial support for the exploratory Hypotheses 5 and 6. Normative pressure has a positive direct effect on perceived

organizational performance (Hypothesis 5b). Coercive pressure has a positive direct effect on mission drift (Hypothesis 6c). The last two direct effects are supported by the two significant total effects between normative pressure and perceived organizational performance as well as coercive pressure and mission drift.

Discussion

In this study, we combined two streams of literature. On the one hand, we looked at the influence of isomorphic pressures on organizational behavior, and on the other we examined the relationship between managerialism and both organizational performance and mission drift. We were especially interested in the analysis of both positive and negative influence or consequences of isomorphism on an organization's mission achievement.

First, we want to discuss some results concerning the different constructs. The indicators for the different isomorphic pressures proved to return solid results. All three were clearly distinguishable. Our model allowed measuring the influence of all three isomorphic pressures simultaneously. The different effects will be discussed afterwards. The constructs for strategic management and internal management were built on criteria taken from literature and showed satisfactory results. We focused on standardization and coordination in processes as indicators of increased management behavior instead of asking for specific management tools. The reason for this was twofold. First, there is a lack of consistent management tools for NPOs, which increases the danger of misinterpretation. Second, we align with other researchers that managerialism is rather a process than a set of instruments (Hvenmark 2016). Finally, the constructs for organizational performance and mission drift were not fully satisfactory. This shows that measuring nonprofit success or failure is difficult and the right measurement persists contested (Helmig et al. 2014).

Our major contribution to existing literature concerns the relationships between the different constructs. In terms of the scientific debate on the influence of isomorphic pressures on organizational behavior, we affirm the existing literature, which emphasizes the direct influence of isomorphic

pressures on organizational management. However, there is a need to differentiate between the various types of isomorphic pressures, and separate the positive and negative outcomes of managerialism. Normative pressure, e.g., professional conformity, has a considerable positive influence on both strategic behavior and internal management. This highlights the importance of developing professional standards, for instance in fundraising, which leads to more efficient management of an organization. The findings on mimetic pressure, e.g. copycat behavior, are double-edged. There is no significant influence on strategic behavior, which means that a strategy of simply copying other organizations' behavior without adapting it to one's own organization, rarely leads to a clear strategic position, and does not strengthen the organization's self-conception (Anheier, 2000). However, imitating others results in cost-saving on the operational level and can also lead to a dissemination of good practices (Leiter, 2013). This result emphasizes why imitation is both alluring and risky at the same time. Imitation is a quick answer to uncertainty and saves costs, albeit only where the alternative danger is reinventing the wheel. However, it also hinders organizational development when there are long-term decisions to be made. To our surprise, coercive pressure, e.g. compliance to regulation, has no significant influence on the strategic or operational level. There is no question that organizations must follow regulations and standards. However, our explanation for this result is decoupling behavior, i.e., managers find formal answers without practical consequences, and do not go beyond the basic standards (Bromley, Hwang, & Powell, 2012). As we shall see below, this does not mean that coercive pressure has no impact whatsoever. Our findings on the relationship between isomorphic pressures and managerialism are in line with existing literature in so far that managerialism is a response to isomorphic pressures. However, by including all three pressures in the structural equation model, it becomes evident that they each do not affect managerialism to the same extent.

The second theoretical debate concerns the link between managerialism and organizational performance. This ongoing debate comprises two lines of argument. One emphasizes that managerialism leads to mission drift and endangers an organization's social purpose. The other states that managerialism strengthens organizational performance. By using a structural equation model, we were able to include both arguments in one analysis. Our findings clearly support the more positive understanding of managerialism. Both strategic behavior and internal management have a positive

influence on organizational performance, but only the influence of strategic behavior is significant. Organizations with a long-term perspective and goal-oriented management processes will find a positive influence on their mission achievement (Christensen & Ebrahim, 2006). This finding is consolidated by the negative and significant influence of strategic behavior on mission drift. Thus, sincere strategic management may function as a backstop against mission drift.

So far, we have dealt with results that are grounded in and support existing literature on isomorphism and managerialism. However, our interest was not limited to the influence of isomorphic pressures on management practices, and we also included direct links between the isomorphic pressures and the outcome measures of organizational performance and mission drift. These direct links revise some previous findings, and advance the understanding of isomorphic pressures as they apply to nonprofits. In particular, coercive and normative isomorphism were found to be directly connected to the level of mission achievement. Coercive isomorphism has a direct effect on mission drift, confirmed by the total effects analysis. This emphasizes that regulatory frameworks and the regulations or sanctions they impose can have ambiguous effects on organizations (Prakash & Gugerty, 2010). Standardization processes increase effectiveness through clarification and alignment, provided the NPOs involved have sufficient internal capacities to meet the demands (Bies, 2001). However, mandatory regulation may lead to mission drift, for example if it increases costs without bringing improvements, or if it hinders adaptability to new social needs. Given the fact that we operationalized mission drift mainly as response to funders' expectations, this finding entails a reminder for funding institutions that pre-formulated requirements for support may lead the receiving NPOs astray. Normative isomorphism has a direct influence on organizational management, confirmed by the total effects analysis. Additionally, the improvement of leadership through norms and professional development have an indirect positive influence on organizational performance via strategic behavior, but not through internal management. This finding helps to better understand the divergent research results on professionalization or managerialism (Maier et al., 2016). Professionalism may foster mission achievement, especially if it is embedded in a strategic setting linked to the overall mission. Investing in management competencies for mere internal purposes may be less sufficient.

Finally, our model shows neither direct nor indirect significant paths between mimetic pressure and the measures of organizational performance or mission drift. This can be explained by the fact that mimicking behavior is usually a short-term reaction (e.g. in response to a position in a ranking), while the specific purpose of a nonprofit organization can rarely be effectively achieved using the strategy of another organization.

Conclusion

Our findings are in line with previous research highlighting the variable outcomes of the different types of isomorphism (AbouAssi & Bies, 2018). Before we conclude with implications for both research and practice, some limitations must be mentioned. Firstly, our results should be generalized with caution. Our sample of Swiss NPOs is not representative, as the total size of the Swiss nonprofit sector is not known. Due to resource limitations, a selection of specific fields of activity and number of organizations was necessary. Nevertheless, it is one of the largest samples of Swiss NPOs existing. Secondly, we are aware of the common method bias in our survey design. We dealt with this issue as thoroughly as possible by means of pretests and respondent anonymity. Finally, measuring the organizational performance of nonprofits is contested, and no dominant measure has emerged to date (Helmig et al., 2014). Although we applied an existing item box from the literature, there might be other justifiable ways to measure organizational performance. Additionally, we measured the influence of management on organizational performance, understood as mission achievement. However, the mission of a nonprofit is dependent on many different aspects, of which management might be of lower importance. Other aspects such as service provision, client satisfaction, as well as the field of activity (among others) have an influence on organizational performance, too.

Despite these limitations, we are convinced that the results of this study contribute to a better understanding of nonprofit management, and pave the way for future research in the field. One possible line of research is a more nuanced analysis of isomorphic pressures. Like previous studies, our findings show divergent consequences of isomorphic pressures on NPOs, and the interpretation of pressure sources remains vague (Beckert, 2010). Future research should aim for a better differentiation

of isomorphism in study design in order to develop a more granulated set of pressures. Additionally, we call for further investigation into the direct effects of institutional pressures. Is professionalism only noticeable at the level of efficiency, with no direct bearing on effectiveness? How should mandatory regulations be constructed in order to support mission achievement, rather than facilitating mission drift? Is mimicking behavior a good strategic choice at all? Our research emphasized differences between the types of isomorphic pressure. Building on recent theorizing on isomorphism, we suggest future research based on longitudinal or panel data. This would allow analyzing interactions between the different types how they gain or lose strength over time. Finally, we see an urgent need for a better understanding and measurement of mission drift, as mission drift explains a deviation and not necessarily the opposite of mission achievement.

In addition to these theoretical implications, this survey also offers helpful insights for nonprofit managers. Increasingly, managers are faced with the causes of isomorphism, such as uncertainty, regulations, or professionalism (Hersberger-Langloh, 2019). The items used in this survey can be applied by nonprofit leaders in order to test how their organizations is positioned against isomorphic pressures. The crucial question for managers is: when should a nonprofit adjust or align to external impulses? Our research suggests that professionalism should be valued over other pressures. Copycat behavior is a short-term solution and may endanger the organization's mission fulfillment. Following the rules may put the organization in a good light in front of their funders, but not necessarily strengthen mission fulfillment. Instead, improving the knowledge and capacities of your staff, investing in new technologies, or developing leadership skills will help your organization to find the right answers in times of uncertainty, or in response to mandatory regulation. Especially, developing and pursuing a clear strategy is of high value for mission fulfillment. From this perspective, mission drift can be seen as a consequence of insufficient rather than too much managerialism.

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