

# Causes of Dissolution Among Spanish Nonprofit Associations

Juan J. Fernandez

*University of California, Berkeley*

*Voluntary associations play increasingly important roles in many industrialized societies. However, little is still known about why they die. This article attempts to fill this gap. It reconstructs the history of 41 closed Spanish voluntary associations of Madrid's metropolitan area through archival research and semistructured interviews to define the causes of their dissolutions. The conclusions indicate that the majority of the organizations dissolved due to mission completion (particularly goal fulfillment) and resource insufficiency. This article also uses central predictions of new institutionalism, population ecology, and resource dependence theories and shows that these three models provide valuable insights to account for these dissolutions. As each theory respectively predicts, those organizations with lower sociopolitical legitimacy, that were younger and smaller, or that were funded by only one source dissolved younger.*

**Keywords:** *nonprofit organizations; voluntary associations; organizational theory; failure; dissolution*

Why do some voluntary associations dissolve? Because questions of decline and failure have been historically central to organizational theory (Fligstein, 2003), students of organizations have provided multiple explanations for the processes of organizational dissolution and failure. Yet, these explanations have been engendered mostly from analyses of private companies or public agencies. Voluntary associations, in contrast, have rarely been selected as heuristic devices in theoretically driven research (for an exception, see Hager, 1999). Consequently, we have a very limited understanding of the dynamics leading to the demise of this type of organization. In an attempt to

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provide tentative answers to these debates, I conducted an exploratory study of the causes of dissolution of 41 contemporary Spanish associations.

The theoretical relevance of decline research is moreover sustained by its empirical omnipresence. Organizational decline, failure, and closure are ubiquitous and structural in today's capitalist democracies, among both private and nonprofit organizations. With regards to the latter, the only representative survey of Spanish nonprofit organizations conducted at the national level indicated that 46% of every registered social action association created since 1978 had disappeared by 2000 (Pérez-Díaz & López-Novó, 2003).

This study analyzes the evolution of associations, the prevalent organizational form in the Spanish nonprofit sector. Associations have particular characteristics that distinguish them from cooperatives and foundations. The term *association* is here understood as any formal organization with clear boundaries, has at least three members, has explicit goals and internal rules, does not distribute profits among its members, is at least formally democratically governed, and is registered in the national (public) registry of associations (Law 191/1964, December 24, de asociaciones [of associations]; Law 1/2002, March 22, reguladora del Derecho de Asociación [regulating the right of association]).

Since the democratic transition, voluntary associations have gained an increasing presence in Spanish socioeconomic and political fields. In the past three decades, their number, performance, and public visibility has expanded substantively. However, this rising relevance is not matched with an increasing level of understanding regarding these organizations' performance. Similar to other stable democracies, such as the United States, in Spain the activities and defining elements of grassroots organizations—the most numerous group of nonprofits—linger as ignored “dark matter” (Smith, 1997, 2000). Given the limited understanding about the history of grassroots associations and the reasons for their demise, the objective of this study is to contribute to the causal analysis of closure among this form of organization. To my knowledge, this is the first study that attempts to reconstruct the history of a sizable group of dissolved voluntary organizations outside United States (Hager, 1999; Hager, Galaskiewicz, Bielefeld, & Pins, 1996) and the first to rely on qualitative techniques to account for the evolution of a wide number of Spanish associations.

## PREVAILING THEORETICAL MODELS

In the past three decades, research attending the processes of organizational failure, decline, and closure has proliferated. However, in this time only three theoretical models have been able to crystallize and be considered as the best explanatory models of organizational decline and death. These

are the new institutionalism, population ecology, and resource dependence. In the spirit of delineating a parsimonious theoretical map, this section covers the critical propositions of only these three groups of theories. In the following sections, these theories will not be faced against each other, but they will be mobilized to organize and interpret the results.

#### NEW INSTITUTIONALISM

The new institutionalism in organizational research has theorized about the connection between the institutional environment of organizations and their strategies in a prolific middle ground that intertwines structural and agency forces. This paradigm underlies the significance of the cultural, legal, and normative environment of organizations. Its basic claim is that organizations are embedded in environments pervaded by broad regulative, normative, and cognitive norms in explicit or implicit forms, which are permanently reactivated by actors within the field (Scott, 1995). A main organizational consequence of this complex structure is that the performance of organizations depends on their acquiescence to these rules. The theory suggests that the level of compliance of an organization with the appropriate mix of rules determines its legitimacy, that is, the extended perception of the value and necessity of the organization and its projects and activities (Schuman, 1995). This line of research is therefore united by the notion that organizations only survive if they persuade relevant external actors that they are legitimate and thus deserving of symbolic and material support (Hager, Galaskiewicz, & Larson, 2004).

Organizational students generally establish the beginning of this research program in J. W. Meyer and Rowan's 1977 article. J. W. Meyer and Rowan claimed that any organization's survival requires "the ability . . . to conform to, and become legitimated by, environmental institutions" (p. 352). These institutions consist of "rationalized myths" formed by culturally constructed signs of high performance (independent from their level of efficiency) that are perceived as successful in that field. Given these conditions, the survivability of other organizations will require the imitation of these elements and their incorporation into their formal structure in a process called isomorphism.

Following this line of thought, DiMaggio and Powell (1983) claimed that isomorphic tendencies are not only an outcome of individual strategies ("mimetic isomorphism") but also the result of two incoming macro-sociological forces: demands of political bodies ("coercive isomorphism") and the pressure of professions ("normative isomorphism"). In spite of the potential costs of following isomorphic strategies (Oliver, 1991), the empirical literature has generally shown their benefits among multiple populations of business firms and nonprofits (e.g., Baum & Oliver, 1991; Deephouse, 1996; Singh, Tucker, & Meinhard, 1991). Therefore, the new institutionalism predicts that voluntary associations that incorporate cultural prescriptions and

maximize relations with influential agencies are externally perceived as legitimate and increase their chances of survival.

#### POPULATION ECOLOGY OF ORGANIZATIONS

Population ecology is a body of theory that has mainly examined what Baum (1999) called the demographic (age and size) and ecological (niche) processes of organizations. Since Hannan and Freeman's (1977) seminal article in which they stated that "the basic ecological question is which forms will prosper and which will disappear" (p. 949), multiple theories have been developed to respond to this question, and overall a broad range of empirical testing has been conducted. Population ecologists have paid close attention to ecological dynamics, leading to a group of theories that share the notion that organizational survival mainly depends on the dynamics produced in their respective niches rather than on individual organizational strategies or routines.

The theory that has probably motivated the most ecological research is called density dependence. According to this model, deaths in a niche are highly influenced by a process of legitimation and competition. In the first phase of the history of the niche, the death rates will be high due to the low constitutive legitimacy of the population. But as the niche grows, the population will become more legitimate, and closure rates will fall until the growing density and subsequent competition for resources start to raise mortality rates again. Hence, the relationship between organizational closure and density should be nonmonotonic with a U shape (Hannan & Freeman, 1989). This curvilinear relation has been confirmed in diverse populations (Barron, West, & Hannan, 1994; Baum & Singh, 1994; Hannan & Freeman, 1989; Swaminathan & Wiedenmayer, 1991).

In addition to the ecological dynamics research, organizational ecologists have also surveyed individual-level demographics. In this area, they followed Stinchcombe's (1965) notion of the liability of newness, which claims that "as a general rule, a higher proportion of new organizations fail than old" (p. 148). Under his view, age is the salient variable of a structure of four factors associated with the organization's youth: the absence of defined roles, the cost of defining routines, the obligation to trust strangers, and the sparseness of social connections. The research program of organizational ecology, which started in the 1970s, has generally confirmed the liability of newness in varied populations (e.g., Carroll & Delacroix, 1982; Carroll & Hannan, 2000; Dobrev, 2000; Freeman, Carroll, & Hannon, 1983; Singh, Tucker, & House, 1986). Moreover, a subsequent but smaller line of research has attended the possibility of a liability of smallness. Various studies have found evidence of the detrimental effect of smallness on persistence, controlling for the organization's age (e.g., Baum & Mezias, 1992; Hager, 1999), and some tentative explanations have been offered. It has been claimed that small organizations face higher difficulties obtaining funding or offering competitive job benefits (Kalleberg & Leicht, 1991); do not enjoy economies

of scale; and in case of survival crises, cannot depend on the collaboration of institutionalized partners (Wholey, Christianson, & Sanchez, 1992). In sum, the research program of population ecology predicts that (a) organizations in young or highly dense niches suffer higher mortality rates and (b) younger and smaller organizations are more prone to be disbanded.

#### RESOURCE DEPENDENCE

Resource dependence theory focuses on the causes and consequences of direct material exchanges between organizations. This research program was founded by Pfeffer and Salancik (1978/2003), who stressed that organizations can never be self-sufficient entities. Similar to individuals, in complex societies every organization is inherently bound to its environment. This interdependence allows inputs originated in other organizations to transform into outputs. Yet interdependence also has the negative outcome that makes organizations liable to demands from supplying organizations. The corollary of this conception of organizations consists of the claim that "the key to organizational survival is the ability to acquire and maintain resources" (p. 2). Organizations can only persist if they can maintain an incoming flow of resources and secure the dependence of other organizations on them.

The pervasiveness of interdependence, however, does not imply that organizations commonly maintain persistently synergic relationships, because organizations with a concentrated external dependence may face more discontinuities in the inflow of resources and may attain worse bargaining positions. Resource dependence theory therefore predicts that voluntary associations that obtain their inputs from a limited range of organizations are more likely to be dissolved. Currently, organizations in the nonprofit sector of developed countries epitomize the condition of asymmetrical dependence. The "global associational revolution" is characterized by an overall reliance on the state, which generally stands as a main source of funding (Salamon, Anheier, List, Toepler, Sokolowski, et al., 2001). For instance, 85% of Spanish social-service associations receive public funding, and 52% obtain more than half of their revenue from government (Pérez-Díaz & López-Novo, 2003).

The literature on the consequences of public funding to nonprofits' performance and survival offers two contradictory arguments. On one hand, nonprofits value the reliability and predictability of public funding (Chambré & Fatt, 2002; Pérez-Díaz & López-Novo, 2003). Public funding may contribute to bureaucratizing the organization, improving management and controls (Frumkin & Kim, 2002) and providing management more political leverage (Grønbjerg 1993).

On the other hand, a less popular argument states that public dependence complicates nonprofit management and debilitates community-based legitimacy. Public funding application procedures are usually complex, and the

grants do not always compensate the costs (Grønbjerg, 1993). Furthermore, the financial stability provided by public funding is limited because the availability of this type of funding is tightly related to changing policy priorities (Hager et al., 2004). Although nonprofit entrepreneurs in diverse societies strive to secure or expand their public funding, there is evidence confirming this “unintended detriment” thesis (Hager et al., 2004). In conclusion, although there is no consensus about the effect of governmental funding on nonprofit survival, the resource dependence theory suggests that organizations that lose or cannot build ties with key funding agencies, or depend on a reduced number of external organizations are more prone to be disbanded.

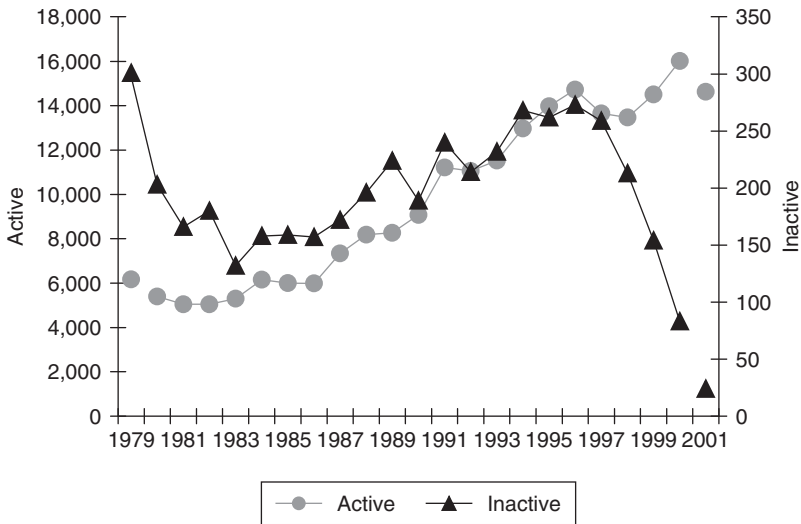
## DATA AND METHOD

The research on the causes of the dissolution of voluntary associations is particularly challenging to investigators for several reasons. In Spain, similar to other countries, there are technical difficulties, such as the absence of updated directories with fine-grained information, that complicate the definition of the target population and the samples. Furthermore, there are general challenges shared by all studies of decline and disbanding. Chief among them is the proven psychological reluctance of potential informants to remember painful events and their unwillingness to be personally associated with failure (Cameron, Sutton, & Whetten, 1988).

In this project, these challenges were met with a qualitative strategy of data construction and data analysis that combined archival exploration, semistructured interviews, and triangulation. A qualitative design is more adequate to reconstruct entities’ life cycles because the design can include descriptions of general structures and critical events as well as judgments of the individual attitudes and the organizational culture (Denzin & Lincoln, 1998; Hartley, 1994; Yin, 1984). In doing this, I follow Hager, who used compelling narratives that lend to relevant analytic conclusions concerning evolution of a group of nonprofits (Duckles, Hager, & Galaskiewicz, 2005).

The primary source of data were the files of dissolved Spanish associations that are kept by the National Register of Associations (Registro Nacional de Asociaciones, RNA). To be treated as a legal entity, all Spanish associations must directly or indirectly be registered in the RNA. Once registered, according to the legislation, all associations have to notify the RNA of certain changes, including final dissolution. Although this requirement is regularly unmet (Ministerio de Interior, 2003; Mota, 1999; Pérez-Díaz & López-Novo, 2003) those organizations that gave notice of their dissolution provide a pool of officially dead associations (see Figure 1).

By the end of 2001, the RNA, nevertheless, held 247 dissolution files. Of these, I selected 137 that corresponded to associations that gave notice of their dissolution after 1998 and that had their head offices in the Madrid



**Figure 1. Evolution of the Number of Legally Active and Inactive Associations in Spain, 1979-2001**

Source: Ministerio de Interior (2003)

metropolitan area. Although this cannot be definitely confirmed, the group of associations that notified RNA of their dissolutions is likely slightly biased toward more formalized entities, particularly those with some physical capital or bureaucratic characteristics.<sup>1</sup> A possible explanation of this is that stakeholders of larger organizations may be more prone to demand a transparent and complete dissolution to prevent future legal liabilities.

In the fieldwork, I tried to contact a member of each association for an interview. No former member of 63 associations could be located. Members of 32 associations refused to participate in the study. And 1 dissolution proved to be an administrative mistake. Therefore, the final sample consisted of 41 associations.<sup>2</sup> In accordance with those qualitative sociologists who consider semistructured interviews a valuable source to unravel complicated dynamics (Rubin & Rubin, 1995), I decided to use this technique as the main source of information to generate a life history of each association. A total number of 44 former members were interviewed, and the interviews were organized around a list of 25 topics or questions. These topics or questions were derived from the theoretical literature on organizations reviewed above, empirical research on the closure of nonprofits (Hager, 1999), and previous research on Spanish nonprofit associations. They were designed to gather data about diverse objective organizational and environmental features, as well as the subjective perceptions of the former members.

The fact that in most of the cases only one interview was conducted per association probably did not bias the reconstruction of the life cycle of each

association. Because the interviewee generally was the best informed leading figure of each association, or at least the person that was most active in its last phase, it is my belief that in almost all cases one interview was sufficient to provide a reliable reconstruction of the association's history. Moreover, in none of the interviews did I feel that the respondent had a superficial knowledge of the history of the organization or that the respondent was being willfully deceitful (Hager had the same impression in a study with a similar methodology; see Duckles et al., 2005).

Finally, although the semistructured interviews were the main source of information, they were not the only one. During the fieldwork, I also applied the common qualitative technique of triangulation (Denzin & Lincoln, 1998). In this way, the data provided by the semistructured interviews were combined with the notes taken from all the official files, which included memos of the constitution and dissolution meetings, internal reports of the organizations (17 cases), and multiple pieces of news in two leading national newspapers (7 cases). These alternative sources provided valuable clues regarding the objective conditions of the associations and the ultimate causes of their dissolutions.

The objective of this article is to provide explanations for the dissolutions of a group of Spanish voluntary associations. To do so, it follows two strategies. In the following Results section, the first part delimits the most common causes of dissolution according to former members. I follow grounded theory's principle of constant comparison and, more specifically, Glaser and Strauss's (1967) recommendation of comparing and coding. In doing so, I coded all the extracts in which actors interpreted the evolution of the organization, producing a long list of causes. Afterward, I synthesized all the codes that were redundant in order to produce a parsimonious but complete list of self-declared interpretations of the closure. In the next part, I mobilize predictions from new institutionalism, population ecology, and resource dependence to account for the evolution of these associations. The objective here is not to validate or adjudicate between these theories, but to use them to obtain complementary results regarding the demise of the associations.

## RESULTS

### HETEROGENEITY AND COMPLEXITY OF THE DECLINE PROCESSES

Previous qualitative research on organizational dissolution found that organizations close for many different reasons (Hager, 1999; Poroli, 1999). Consistent with these studies, a similar conclusion comes from the analysis of the 41 associations studied in this article. The reconstruction of each entity's history, based on public documentation and the semistructured interviews, indicates that the factors that motivated the dissolution of these associations were numerous and diverse.



To generate a systematic list of the causes of dissolution of these organizations and to reveal common themes across them, I conducted a qualitative analysis of the available evidence. First, I coded all the documents and extracted the sections in which the actors evaluated the causes of the dissolution. This process led to a list of all the specific causes acknowledged by the informants. Most of these causes, such as the legal conversion of the association into a foundation or the diffusion of new technologies that rendered the organization's goal outdated, were present in only one organization. More concretely, 18 causes were exclusive to just one organization.

However, many other causes, such as the absence of managerial rotation, were common to various associations. Consequently, in a second step, I grouped all specific causes that alluded to very similar circumstances into 20 general ones. Doing this, I followed the suggestion of grounded theory's methodology of coding previously coded material in order to obtain the most parsimonious model. The objective here was to reduce the list of reasons to those that were essentially different while preserving the diversity of the causes of dissolution. For instance, a lobbying association was dissolved partly because it achieved its main goal of securing public pensions for its members, whereas another association was disbanded when the management was finally able to fulfill its goal of obtaining a position for a group of physically challenged children in a state-run nursery home. Thus, in these two cases the broad cause was goal completion. The final result of this analysis indicates that the major actors of the organizations distinguished between 38 different causes for the closure of their associations. This list is presented in Table 1. Although it may be possible to mention other indirect and noncentral factors, the list presented in Table 1 is formed by all the recognized direct and major causes.

All these causes can be further distributed in a typology of organizational dimensions potentially affected by decline and closure. Here, I present a typology derived from the one developed by Levine (1978), who differentiated between two dimensions: first, whether the demise results from internal or external dynamics, a standard distinction in organizational theory; and second, whether decline is caused by political or technical-economic factors. In this adaptation of Levine's typology, the distinction is maintained between internal and external dimensions that point to the origin of the demise. Yet, to have a finer grained typology, it is useful to unfold the duality of technical-economic and political dimensions into four types of factors. The technical-economic dimension is divided into technical and resource mobilization factors, and the political dimension into power relations and goal-attainment dimensions.

Table 1 presents the adapted typology and integrates the 38 causes of dissolution of the associations. Two technical reasons were, for instance, the transformation of the organization into a foundation and technological progress that left goals outdated. Two causes related to resource mobilization were the insufficient involvement of some members and the merger of

**Table 1. Declared Causes of Dissolution of 41 Spanish Nonprofit Associations, 2002**

	<i>Technical</i>	<i>Resource Mobilization</i>	<i>Power Relations</i>	<i>Goal Attainment</i>
Internal	<ul style="list-style-type: none"> <li>• Transformation into foundation</li> </ul>	<ul style="list-style-type: none"> <li>• Uncompetitive prices</li> <li>• Members aging</li> <li>• Change in member's life cycle</li> <li>• Sparseness of physical resources</li> <li>• Permanent financial crisis</li> <li>• Insufficient member involvement</li> <li>• Exit of many members</li> <li>• Lack of entrepreneurship</li> </ul>	<ul style="list-style-type: none"> <li>• Absence of managerial rotation</li> <li>• Legal conflicts among members</li> <li>• Formation of two colliding groups</li> <li>• Absorption of the entity</li> </ul>	<ul style="list-style-type: none"> <li>• Goal fulfillment</li> <li>• Undetermined goals</li> <li>• Unable to renovate goals</li> <li>• Unrealizable project</li> <li>• Goal displacement</li> <li>• Project finalization</li> <li>• Organization unable to grow</li> <li>• Clash of objectives with similar organizations</li> <li>• Lack of selective incentives</li> </ul>
Number of associations	1	12	6	12
External	<ul style="list-style-type: none"> <li>• Technological evolution leaves goals outdated</li> </ul>	<ul style="list-style-type: none"> <li>• Intense competition and resources lock-in</li> <li>• Did not obtain the expected public or private support</li> <li>• Strong competition for public subsidies</li> <li>• Mergers of fund providers</li> <li>• Crisis in broad associational movement</li> <li>• General economic crisis</li> <li>• Market internationalization</li> </ul>	<ul style="list-style-type: none"> <li>• Expansion of public welfare, charities unneeded</li> <li>• Unsolvable conflicts with a federation</li> <li>• Regionalization of the associational movement</li> <li>• Mobilization of a public agency against the association</li> </ul>	<ul style="list-style-type: none"> <li>• Failure of lobbying and lawsuits</li> <li>• Change in the beneficiaries profile</li> <li>• New issues capture public interest</li> <li>• Supported artist leaves his artistic career</li> </ul>
Number of associations	1	14	4	5

*Note:* The total number of associations (55) is higher than the sample (41) because multiple associations (14) had their dissolution causes in various dimensions. A minority of organizations (5) also presented various causes within each dimension.

fund providers. Two causes concerning power relations were the absence of managerial rotation and the mobilization of a public agency against the association. Finally, two goal attainment causes were undetermined goals and the appearance of new issues that diverted public attention from the association's goals.

The diversity of the declared causes of dissolution does not imply an absence of similarities in the associations' histories, nor that some causes were more widespread than others. As shown in the next section, many organizations had similarities in their size, age, or external dependence. Furthermore, the dissolutions of several organizations were motivated by similar causes. In fact, most of the causes are not idiosyncratic enough to impede their regrouping. Consequently, the 38 causes presented in Table 1 can be compounded to indicate the four most common reasons of associational closure. These are mission completion, resource insufficiency, unresolved conflicts concerning power control, and environmental threats.<sup>3</sup>

*Mission completion.* Previous research has shown that mission completion can be a relevant cause of nonprofit closure (Hager 1999; Hager et al., 1996). In accordance with this research, mission completion was also found to be a prominent reason in the closure of the Spanish associations. The dissolution of 16 associations was decided fundamentally because their members considered that the organization had fulfilled its mission or as a result of the combination of this cause with other factors. Nevertheless, mission completion is an ambiguous term that encapsulates two different processes: goal fulfillment and project finalization. Only two associations were closed after concluding a major project, whereas the members of 14 organizations dissolved their entities when they considered that the associations' goals had been achieved.

An example of closure due to project finalization is an association of public administration pensioners who hoped to equalize their pensions with those of previously retired civil servants. The organization first exhausted political appeals ("We appealed to the minister, and he did not support our demands") and, afterward, judicial appeals ("The Constitutional Court rejected our appeal"). Because the organization "was exclusively created" to develop these projects, and they had been completed, though unsuccessfully, it was dissolved.

Two associations exemplify the condition of closure due to goal fulfillment. A charity created to offer summer holidays in Spain to Byelorussian children affected by the Chernobyl nuclear disaster (that took place in April 1986) was active for 4 years. However, the lifespan of the organization reached its limits (May 1998) by the time these children had become adults and obtained stable jobs in their home country. That is, "The kids that were coming could not come anymore." Thus, the organization was dissolved. Children and parents were very satisfied with the experience. Another case of goal fulfillment is a 24-year-old association of wounded Republican fighters of the Spanish civil war that,

40 years later, demanded their "equalization to the handicapped of the Francoist troops," especially in respect to disability and widowhood state pensions. After years of persistent lobbying, both left-wing and right-wing national political leaders, in the mid-1980s, achieved the equalization of disability pensions and a decade later the equalization of widow pensions. Parallel to this process, an increasing number of deaths among the members of the association progressively eroded its social base. However, as the board declared in the dissolution statement, its closure in 2001 was mainly due to the fact that "it had fulfilled the goal of its creation."

The relevance of mission completion, and more specifically goal fulfillment, among these closed associations comes to undermine the extended identification of organizational closure with failure. In fact, many of the interviewed members were not frustrated or irritated because of the dissolution of their organizations. They were simply conscious that the association has fulfilled its *raison d'être* and that it had finished its life cycle because its members did not want to seek alternative goals that could maintain active the existent bureaucratic structure.

This finding is clearly consistent with the conclusions of a previous study of the demise of voluntary organizations. One fifth of the former members of dissolved voluntary organizations studied by Hager et al. (1996) declared that the first or second cause of dissolution was the completion of the organization's mission. As Hager et al. sustain, the empirical relevance of dissolution due to mission completion contradicts two fundamental assumptions of organizational theory. One is the widespread identification of persistence with success and closure with failure that is dominant in contemporary organizational theory. The result presented here and Hager's research are furthermore consistent with recent scholarship that has challenged the identification of organizational survival with success (M. W. Meyer & Zucker, 1989; Seibel, 1999). Similarly, this finding also contradicts the pervasive assumption in organizational theory that entities that complete their missions necessarily create new ones.

But the fact that voluntary organizations are dissolved because of the completion of their missions may have another more substantial theoretical implication. Given the ample number of the studied associations that died for this reason, it may entail more than a caveat to the general identification of closure with failure and the assumption of an automatic renovation of goals. It leads to the hypothesis that the extensiveness of dissolution after mission completion may constitute a distinctive feature of underbureaucratized associations that differentiates them from other organizational forms prevalent in the private nonprofit or for-profit sectors.

Because private corporations have as a general goal the generation of profits for the residual claimants (Fama & Jensen, 1983), and this goal can never be fully satisfied, private companies are theoretically continuously able to renovate their strategies to maintain or increase their profits. *Ex post facto* rationalization of the organization's evolution could therefore be more likely

among for-profit managers. In contrast, the nondistributional constraint may lead nonprofit organizations to be the only broad type of private organizations that can be dissolved due to the completion of their missions. The studied associations disbanded due to mission completion had in common the circumstance that according to their statutes their goals were very concrete and attainable. In many cases, they even had a specifiable termination date. This is probably uncommon among both large and small for-profit companies.

However, not all nonprofits are equally likely to be disbanded for this reason. Large and bureaucratized nonprofits are probably more prone to substitute new goals for realized ones. In fact, famous long-lasting and large Spanish nonprofits have proven able to renovate their goals without a major negative impact on their sociopolitical legitimacy (Clemente, 1986; Sánchez Jiménez, 1998). The main reason for this is that these nonprofits are populated with professional bureaucrats who have intense vested interests in the survival of the organization (Weber, 1914/1978) and can draw on the organization's bureaucratic capacity to redefine the entity's role. In contrast to large nonprofits, small voluntary organizations are less bureaucratized and less influenced by the direct interests of officials on the survival of the organization. As a result of these conditions, the actors of small organizations that completed their missions should have a lesser capacity to generate convincing alternative frames of action. Since the nondistributional constraint is a general distinctive feature of nonprofits, dissolution due to mission completion may be a unique trait of small nonprofits, the *differentia specifica* of small voluntary associations that sets them apart from both large nonprofits and for-profit bureaucracies.

*Resource insufficiency and other causes.* Together with mission completion, another common cause of dissolution was the scarcity of human or physical resources. As will be shown in the following, the stabilization of the institutional project of 16 associations was directly hindered by their resource insufficiency. But together with the two major causes of closure (mission completion and resource insufficiency), there were two additional common factors. Three associations were disbanded after power struggles between groups or individuals could not be resolved. Three other organizations were dissolved because of drastic environmental changes. And finally, it is worth noticing that very few organizations were affected by legal transformations. Only one association was legally transformed into a foundation, whereas two associations were merged into new associations.

#### STRUCTURAL COMPLEXITY OF THE DISSOLUTION PROCESSES

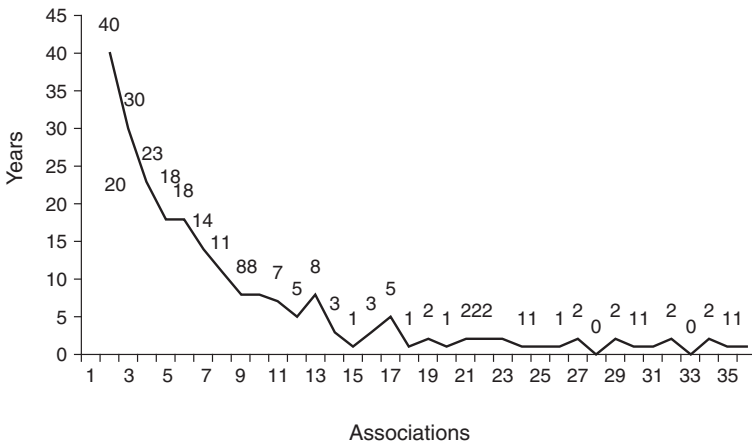
As well as the diversity of factors, it is also relevant to consider the complexity and structural relation of the causes of dissolution. In this sense, the heterogeneity of the causal factors should not be confused with the structural relation of the causes of each decline and closure. Complex organizations

could have diverse death processes, and at the same time they could also have similar life cycles. Similarly, uncomplex organizations can be expected to have similar histories, but they could also diverge in their decline processes. Moreover, organizations may be created and grow because of an intricate and diverse structure of factors, whereas their causes of dissolution can be similar and relatively simple. In fact, the results of this study show that although the studied associations pursued diverse goals and developed varied activities, most were closed due to only one reason, although this reason differed among the associations. According to the accounts and interpretations of the former members, 22 associations closed because of one main reason, whereas the remaining 19 were dissolved due to a combination of causes. Therefore, the dynamics of decline and dissolution of a majority of the associations were unidimensional.<sup>4</sup>

This observation may contradict previous research (Hager, 1999) that has defended the complexity of the decline dynamics among a population of American nonprofits. However, it is consistent with the specific nature of the voluntary associations analyzed in this article. As is shown below, most of these Spanish associations were short-lived, uninstitutionalized, and unbureaucratized coalitions with a narrow range of goals and activities. If most organizations were uncomplex entities, it should not be unreasonable to expect an uncomplex structure of the causes of dissolution.

One case may illustrate how an association can die for just one reason. A local bullfighting club was constituted in 1997 to “cheer and support the bullfighter that provides the name of this club.” Driven by the successes of the bullfighter and the leadership of three volunteers who took charge of organizing the periodic meetings and trips to *corridas* (bullfights) in towns of the region, this association had a 4-year-long stage of moderate success that peaked at a total membership of 116 people. However, this trend reached an abrupt end in 2001 when the young bullfighter decided to retire and pursue an ordinary professional career. As the exclusive goal of the association was to support and cheer the bullfighter, the unexpected event of his retirement forced the members to dissolve the organization. “Until then it was going very well, with statutes and everything in order. But because of that we decided to undo the club.” When the interviewee was asked about the possibility of having modified the goals of the association, he responded that there were no other alternative goals that could bring together all the members of the club.

After defining the prevalent causes of dissolution and the structural complexity of these causes, the following sections use the three research programs reviewed above to indicate the structural conditions of the organizations and potential additional accounts of their closure. In the following Discussion section, I attend to the age, size, and niche characteristics of the organizations; to the external legitimacy of organizations; and finally to their resource dependencies.



**Figure 2. Official Duration of Nationwide Spanish Associations Dissolved Between 1992 and 2002**

Source: Data provided by the Spanish National Register of Associations.

## DISCUSSION

### YOUTH, SMALLNESS, AND DENSITY OF THE NICHE

With respect to the organizations’ ages, the RNA data on the date of entrance and exit of the 247 associations dissolved after 1992 allows building a proxy of the organizations’ durations. Figure 2 depicts how after the first year the number of dead associations declines nonmonotonically with age in three stages. Between the 1st and 5th year, the decline is abrupt; between the 5th and 14th year, it is gradual; and for the remaining years, almost none were closed. In fact, 53% organizations did not reach the 5-year threshold, whereas the mean age remained at 7.2 years. If the assumption that the associations that notified the RNA of their dissolutions were more formalized (and, therefore, bigger and older) is true, then the average life span of the total population of dissolved associations must be even shorter. With such short life spans, the majority of studied associations probably could not build a bureaucratic structure, stabilize funding, or assure sociopolitical legitimacy in their communities.

Most of these dissolved associations were scarcely formalized, but in order to suggest whether they were younger or older than the active associations, we can compare the age of the 247 dead associations with the active social-service Spanish nonprofit associations. Twenty-six percent of the active associations and 53% of the dissolved associations were less than 5 years old, and 26% of the active associations and 24% of the dissolved associations were between 5 and 10 years old (Pérez-Díaz & López-Novo, 2003).

Therefore, there are indications that dissolved associations were younger than active associations.

In relation to the size of the organizations, most associations were decidedly small. Thirty of the 41 associations never had paid workers and relied exclusively on limited numbers of volunteers, whereas 26 associations never had two consecutive annual budgets of more than €6,000. For instance, an alumni association of an experimental public school remained active 25 years with the work of only one volunteer until he became too old to continue. "I have carried forward the association since its constitution." Applying a Weberian definition of bureaucracy (Weber, 1914/1978) as a stable hierarchical organization governed by rules and managed through professional officials that produce memos, a large majority of the associations (35) were formal organizations that never achieved the status of bureaucracies.

Similar to the comparison performed on the age variable, it is possible to offer a gross indication of the relative size of the 41 dissolved associations through a contrast with the results of a survey of active social action associations (Pérez-Díaz & López Novo, 2003). These authors labeled "minimal organizations" those entities without paid workers and with an annual income under €6,000. Fifty-eight percent of the active social action associations and 73% of the dissolved associations never had paid employees, and 45% of the active associations and 63% of the dead associations had annual incomes lower than €6,000 (p. 175). Therefore, although we must retain some reservations about the comparison because of the divergent goals of these two groups of organizations, the evidence indicates that the dissolved associations were clearly smaller than the active associations. Whereas about half of the active social-service associations can be considered minimal, two-thirds of the dissolved associations remained in this condition.

In sum, most of the surveyed associations shared an insufficiency of human and financial resources, which restrained their public visibility, social capital, and performance, and thus increased their probability of dissolution. A fundraising association helping Asian orphans exemplifies the condition of human resource insufficiency. Public concern for the lives of these orphans, reinforced by a documentary featured on a leading national television network, led to the creation of this association, which was endorsed by major newspapers in its early stage. However, this organization failed to capitalize on this favorable environment because it lacked a group of entrepreneurs to develop innovative projects. In a member's view, the abortion of the project was closely related to the fact that they never "found somebody with the required level of professionalism, attitude, and time."

An example of economic resource insufficiency is an association of foreign-language high school teachers who published a magazine on foreign-language instruction. The association established a bureaucratic structure around the magazine that after 6 years reached almost a thousand subscriptions and was internationally respected. The magazine was exclusively



funded with the advertisements of publishing companies until a wave of mergers in the publishing sector reduced the number of advertisements and revenues, ultimately rendering it financially unsustainable. "The problem was not the failure of the magazine, but that there was no money." After the halt of the publication, the association dissolved.

The density dependence theory cannot be directly engaged with the evidence gathered for this study. However the available data do not suggest the possibility of rising mortality rates due to mounting organizational competition. On one hand, assuming that the trend of registered dissolved associations is representative of the total population's trend of closed associations, the dissolution rate has not grown during the 1980s and 1990s. In fact, between 1980 and 1997, the proportion of registered dissolutions over active associations decreased from 4.0% to 2.2% (Ministerio de Interior, 2003).

However, on the other hand, there are indications that the "associational revolution" has occurred without a proportional resource expansion, reducing the availability of assets to new associations. The discourse of many former board members is grounded in the belief that the potential expansion of their associations was curtailed because of a resource capacity lock-in produced in the 1970s and 1980s. For instance, the members of a neighborhood association offering leisure activities knew that potential public funds would be largely insufficient to boost the organizational capacity ("a subsidy of €300 could not help us at all"). Thus, they refused to request any public funding. Two other associations that offered boarding healthcare also illustrate this situation. In both cases, the board members realized that they were not competitive with older associations in their niche that had been intensely subsidized, and they were thus forced to close. Speaking of a local competitor, a member declared that "we suffered from the competition of this association that started 25 years ago and has received lots of help. It is a big problem when you have to offer a vacancy without a subsidy because the prices have to be complete while another center enjoys a subvention."

#### EXTERNAL LEGITIMACY

This section reviews the effect of sociopolitical legitimacy provided by the state and other social actors on these dissolutions, and the next section is devoted to the influence of economic dependence. In organizational research, the influence of external legitimacy on the survivability of organizations has been measured by the quantity and quality of interorganizational relations (Hager et al., 1996) and the political recognition by prominent actors, such as the state (Singh et al., 1991). Because the state is the main source of economic resources for the Spanish nonprofit sector, it may be believed that the state is also the principal provider of political legitimacy.

Many board members were conscious of the relevance of external legitimacy for their associations, and they implemented specific strategies to increase it. An association acquired a high reputation spreading path-breaking knowledge from the United States. This fluid connection with American academia and the dissemination of recent findings was a "normative isomorphism" (DiMaggio & Powel, 1983) strategy that proved successful, and for more than a decade the association grew in its membership and social recognition. "We were an example to the Ministry of Social Affairs that considered us one of the most serious associations." Similarly, an altruistic association of amateur radio enthusiasts survived 8 years without a formal structure and resources partly because of its good reputation in the radio world and the pertinent public administration. "It was an association that people knew, and we were respected. There were many associations, but we were one of the four that met with the General Direction."

Despite the fact that acquiring an elevated reputation was a priority in the projects of most associations, only eight dissolutions were directly or indirectly affected by a lack of sociopolitical legitimacy. Among them, two patterns arise: five associations never achieved external social recognition as being valuable and thus deserving of public support, whereas three associations lost that qualification. An example of those never recognized as valuable is an association of users of informational technology who attempted to fight against monopolies in the software market. The strategy for resource mobilization that involved participating in several conventions and publishing articles in technological magazines was persistently ineffective, so the members became demoralized and the institutional project was terminated. "We were never successful. Our organization never received public attention."

In this section, two indicators of sociopolitical legitimacy are considered: the degree of connectedness to other nonprofits in the same field and the recognition that the association is of public utility. The results of these indicators point out that although this was not the most widespread cause of dissolution, the lack of public recognition contributed to the demise of the organization. In a gross distinction between associations immersed in large collaborative networks of dense and weak ties and those without direct connections to the rest of the nonprofit world, the organizations with more social capital lived longer than those with less social capital. The 14 associations that had intense ties to other organizations in their niche had an average life of 15.0 years, whereas the average life of the other 27 isolated associations was only 7.0 years. An example of the first case is an unprofessionalized Catholic charity offering financial help to physically handicapped people. This small association remained active with a good reputation for 30 years because of its ideological anchorage to a major national Catholic foundation. A recreational sports association illustrates the second case. This association engaged in a slow expansion while it was publicly critical of the policy of the regulating

public administration. As a result of these criticisms, public officials mobilized to undermine the reputation of the association in the sports world and achieved the isolation of the organization from key actors in the field.

A second indicator of sociopolitical legitimacy is provided by the recognition of public utility. National nonprofit legislation offers title of public utility to every nonprofit organization (foundation or association) that promotes the general well-being. Although it does not assure access to public funding, this title has proven to be a very restrictive recognition (Ministerio de Interior, 2003) and is one of the most widely acknowledged sources of sociopolitical legitimacy for Spanish associations. The results of this study indicate that, as expected, among the sample of dissolved associations there was a positive relationship between this acknowledgement and the duration of the organization. The average life of the five public utility associations was 18.2 years, whereas the average duration for the rest of the sample was only 8.5 years. In sum, although only for a few cases did the absence of legitimacy have an influence on the survivability of the organization, those considered more legitimate lasted longer.

#### RESOURCE DEPENDENCE

Resource dependence theory predicts that organizations with more diversified revenue sources have higher survival probabilities. Hence, associations financially dependent on several actors can be expected to be better integrated into their environment and can be assumed to live longer. Partly against this expectation, the analyzed 41 dissolved Spanish associations presented an only moderate association between their overall duration and funding diversification. The average life span of the organizations with only one funding source versus those with several was, respectively, 8.1 and 12.0 years. One possible explanation for this moderate relationship is that funding diversification also has relevant drawbacks. Although it ameliorates a particular external influence, it also complicates the administration of the funding and the external relations because the management has to relate to more external providers (Grønbjerg 1993).

Together with their level of diversification, another indicator commonly used in the resource dependence literature is the presence of public funding. It was previously argued that, from one perspective, public agencies constitute one of the most reliable and constant sources of income and political legitimation, whereas from the other perspective, public funding could have unintended negative consequences. Of these two contradictory theses, the first one, that state funding helps nonprofit associations survive, provides a more useful explanation of the history of the 41 Spanish dissolved associations. Those associations that received most of their revenues from the state for several years also had moderately longer life spans. The 12 organizations that received more than 50% of their total revenues from the state were

active on average 11.6 years, whereas the 29 associations funded mainly with private sources were open on average 8.6 years.

In the formation stage of associations, Spanish social entrepreneurs face the dilemma of whether to attempt to finance the institution mainly from public agencies. Many of the former members were at least partly aware of the uncertainty and functional consequences of state independence and thought that an adequate strategy to build a stable nonprofit bureaucracy in Spain requires some form of state support. Two explicit patterns emerged concerning the influence of public funding on organizational survivability: access failure and funding renewal rejection.

Eight voluntary associations active in mature niches could not overcome the competitive advantage of older associations, so they suffered access failure. Aware of the state's preference for old and bureaucratized organizations, various interviewees considered it impossible to obtain a constant and sufficient flow of public resources due to a carrying capacity lock-in around older and more resourceful associations. For instance, an association of unrecognized semiprofessional artists failed to gain funding in any of their applications to public agencies, and after years of instability and the voluntary work of just one member, they decided to close. "The City of Madrid did not help us either. We presented a new project, and we were answered that they could not help us because they could only fund big associations with stable offices. We obtained absolutely nothing." Some knowledgeable actors proved to be so conscious of the relevance of public funding to the sustainability of any voluntary association that the members decided not to build a formal structure until they could guarantee financial support. In the case of the federation of street artists described above, the former members claimed that "when we realized that it was impossible to obtain funding as a federation we closed it because we could keep related as individual associations."

A less common cause that affected two organizations is renewal rejection. This category includes two associations that assured their revenues with annually renewed subsidies but came into serious financial strain after a ministerial reshuffling. One instance is provided by an association that acquired a good reputation during the 1980s and was mainly funded through a substantial grant from the central government. But the strategy that combined normative isomorphism with public funding reached its limits when a new top official decided to deny the annual subsidy that sustained the organization. "They took away our grant, and they gave it to another association." According to the informant, this decision was motivated not by the noncompliance of the association but for strictly partisan reasons. The members knew that the organization could not survive without public support, and the efforts to gain help from other institutions were in vain. Eventually, the association closed.

Overall, the indicators of the organizational sociopolitical legitimacy (social capital and the public utility title) established bigger differences in the duration of the associations than the indicators of resource dependence

(funding diversity and state funding). This entails that new institutional theories better explain the evolution of these closed organizations than resource dependence theories do.

## CONCLUSION

This article has attempted to account for the dissolution of 41 Spanish non-profit voluntary associations. It reconstructs their histories through archival and semistructured interviews to conclude that the most common reasons of dissolution were mission completion (especially goal fulfillment) and resource insufficiency, which affected 16 associations. Moreover, the analysis of the dissolution notifications and the in-depth interviews indicated that a small majority of the associations were closed because of one dominating reason. Therefore, the dissolution processes were mainly unidimensional.

This article has also reviewed three of the most prominent models of macro-organizational behavior (new institutionalism, population ecology, and resource dependence), and the central propositions of these three theories provided indications regarding the causes of dissolution of these nonprofit associations. Although the objective of this article was not to test the validity of these theories, they helped organize the main results. In this regard, in accordance with population ecology, the evidence indicates that most associations suffered from the liabilities of newness and smallness. Indeed, a majority of the organizations were disbanded before the fifth anniversary after having had several difficulties in distributing their roles and stabilizing their routines. Most of them had also reached a minimal structure and capacity. Neoinstitutional theories proved less able to explain the dissolutions of these associations. The reason for this is that although more isolated organizations and those that did not attain the status of public utility died younger, only a minority of the dissolutions were directly associated with the lack of external sociopolitical legitimacy. Finally, the critical contention of resource dependence theory that funding diversification generally enhances organizational survivability because it buffers external control received only mild support. Associations with more diversified funding had only moderately longer life spans than those founded by only one or two sources. This, however, does not mean that the dissolution of many associations was unrelated to difficulties in stabilizing an ample flow of inputs. In this sense, obtaining public funding proved to have a relevant effect. Several associations suffered from resource insufficiency associated with subvention access failure and renewal rejection, whereas those associations that were mainly dependent on public funding or had diversified funding endured longer.

Despite the visible progress made in the past decades, organizational literature has offered a limited account on how and why nonprofits decline or are dissolved. Therefore, these dynamics constituted major challenges to future nonprofit research. Our understanding of how nonprofits evolve

would be improved if researchers follow two lines of research covered in this article. First, despite their potential, resource dependence theories have been underutilized in the analysis of organizational closure. As this study shows, an ineffective mobilization of resources was the main cause of dissolution for these 41 Spanish voluntary associations. However, few macro-organizational students have followed this line of inquiry. Hence, more empirical research drawing from resource dependence models may provide insightful new perspectives and complement other theories.

Second, the question of the transferability of organizational theories, which were commonly created to explain the behavior of private firms, to diverse organizational forms remains unresolved (Abzug, 1999; Knoke & Prenskey, 1984). Related to this, the possibility of different decline processes across organizational forms has passed unconsidered. Further empirical research could shed light on the possibility of different patterns of dissolution by clarifying if nonprofits are generally more likely to be disbanded due to mission completion. In conclusion, if we agree that nonprofits, such as voluntary associations, perform basic societal functions of providing undelivered goods and services, promoting entrepreneurship, and expressing civil collective values and identities (Frumkin, 2003), and if we support the enhancement of their social presence and stability, it is imperative to improve our understanding regarding the determinants of their survival.

## Notes

1. The overrepresentation of a group of more formal organizations among the notified dissolutions provides evidence supporting the existence of this bias. This group is represented by those organizations recognized as of public utility, a title granted by national and regional public agencies to those organizations (whether foundations or associations) that promote the general well-being. The research available has shown that the organizations recognized as of public utility are larger and more bureaucratized than the average nonprofits (Pérez-Díaz & López-Novo, 2003). Therefore, this legal recognition is a reliable indicator of formalization. By 2002, only 1.7% of all active and registered national associations with headquarters in Madrid had received this selective acknowledgement (Ministerio de Interior, 2003). However, this group represented 12.2% of the sample of associations with their main offices in Madrid that had notified their dissolution.

2. With the official classification, 13 were "cultural or ideological," 8 "economic or professional," 6 "of handicapped or patients," 5 "philanthropic or charitable," 2 "related to sports," 2 "educative," 1 "relative to families," 1 "related to women," 1 "of neighbors," and 2 "various."

3. Mission completion includes the causes goal fulfillment and project finalization. Resource insufficiency comprises the goals sparseness of physical resources, insufficient involvement of the members, exit of many members, and lack of entrepreneurship. Unresolved conflicts over control includes legal conflicts among members and formation of two colliding groups. Environmental threats encompass mergers of fund providers, market internationalization, and general economic crisis.

4. This idea was inspired by Poroli's (1999) argument about the multidimensionality of dissolutions in relation to the variety of causes and termination processes but not regarding the overlap of causes.

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Juan J. Fernandez is a graduate student in the Department of Sociology at the University of California, Berkeley. He is coauthor of *Hábitos de Compra Familiar (Family Shopping Habits, 2003)* and was a member of the research team for *El Tercer Sector Social en España (The Social Third Sector in Spain, 2003)*.