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COMPETITIVE STRATEGIES OF RELIGIOUS ORGANIZATIONS

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In recent years, sociologists and economists have given increased attention to studying religious organizations. Their writings raise unresolved issues related to topics within strategic management. This study brings theoretical perspectives from strategic management together with those of sociology and economics to understand the organizational and competitive aspects of religion. The initial portion of this article examines the nature of religious production, competition, and organization. Subsequent sections elaborate specific strategic management issues arising in religious organizations. Resource-based and institutional perspectives provide a foundation for analyzing the sources of sustainable competitive advantage among religious organizations. The latter portion of this article shifts to the industry level of analysis and examines the roles of political strategies and strategic alliances in shaping religious competition. This theoretical discussion generates testable propositions regarding the competitive strategies of religious organizations and opens opportunities for future research. Copyright © 2002 John Wiley & Sons, Ltd.

Each branch of the social sciences has, at some point in its development, recognized the significance of religion and has advanced unique theoretical perspectives to explain aspects of this widespread phenomenon (e.g., Freud, 1927; Durkheim, 1897; Weber, 1930). Psychologists have focused on the individual level of analysis, while sociologists have examined religions as social movements.

During the last decade, some sociologists (e.g., Finke and Stark, 1992; Stark and Finke, 2000; Warner, 1993) have invoked the analogy of market competition to explain the rise and decline of religious organizations. This 'religious economies' view has moved the study of religion into examining its organizational and competitive aspects—topics within the domain of strategic management. Economists have actively contributed to this research by applying a neoclassical 'rational choice' perspective to explain individual religious choices and club theory to inform organizational aspects of religion.[1]

Viewing religious organizations as market competitors has provided insights into their strategic behaviors. However, sociologists and economists have overlooked developments in strategic management theory in their discussions of religious organization and competition. Although sociologists make comparisons with interfirm rivalry, they do not draw on strategic management concepts and analytical frameworks. Their writings focus on religious organizations' responses to diverse consumer preferences. Their discussions lack precise specification of the role of management, the nature of interorganizational rivalry, and the conditions

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[1] See Iannaccone's (1998) review of the economics literature.

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for sustaining religious organizations' competitive advantages. For their part, strategic management researchers have developed insightful theoretical perspectives on firms' competitive strategies but have broadly ignored religious organizations.

This study brings a strategic management perspective to the study of religious organizations. Strategic management highlights the roles of unique resources (Barney, 1991) and strategic choices by dominant coalitions within organizations (Child, 1972) in shaping competitive strategies. Of central concern to the field is how organizations achieve competitive advantages (e.g., Barney, 1997). Bringing a strategic management perspective to the study of religious organizations calls attention to questions such as: (1) What determines the formation and viability of new religious organizations? (2) How do religious organizations gain and sustain advantages relative to other religious or secular organizations? (3) How do religious organizations respond to new rivals? (4) How do religious organizations determine their product offerings and market segments? (5) How do government regulations affect rivalry among religious organizations, and vice versa? and (6) What alliance strategies do religious organizations pursue, and why? By taking up these questions, this study sheds new light on established research in sociology and economics and offers novel insights into the organizational and competitive aspects of religion. Research on religious organizations can advance our understanding of key topics within strategic management such as the management of reputation and intangible assets, change within traditional organizations, and interorganizational networks. Because of the social, economic, and political significance of religious organizations, strategic management researchers should not neglect them.

This article begins by describing the distinguishing characteristics of religious organizations and motivating a view of religious organizations as competitors. This is followed by two major sections elaborating the strategies of religious organizations. The first of these sections considers the sustainability of competitive advantages among religious organizations. We highlight social legitimacy, inimitability, and market segmentation as bases for sustainable advantages. The resource-based view of the firm in conjunction with institutional theory provides a novel foundation for analyzing the sources of sustainable competitive advantage among religious organizations. The subsequent section shifts to the interorganizational level of analysis and examines the roles of political strategies and alliances in shaping religious competition. Throughout the article, theoretical discussion generates testable propositions. The concluding section discusses the implications of our theoretical arguments and identifies opportunities for further research on religious organizations.

RELIGIOUS ORGANIZATIONS AND COMPETITION

In order to apply strategic management theory to religious organizations, we begin by (1) describing the distinguishing aspects of religious organizations and (2) establishing that the analogy to competitive firms has some validity. This section presents foundational concepts from sociology relevant to the organizational and strategic aspects of religion. For convenience, Table 1 defines the key sociology terms used throughout this article. This section characterizes religious organizations as producers, resolvers of collective action problems, and competitors.

The nature of religious organizations

Precise definition of the products of religious organizations can be elusive. Sociologists Rodney Stark and William Bainbridge offer a helpful set of definitions clarifying the product domain of religious organizations. They state, '*Religious organizations* are social enterprises whose primary purpose is to create, maintain, and exchange supernaturally-based general compensators' (Stark and Bainbridge, 1987: 42). This definition parallels their definition of religion: '*Religion* refers to systems of general compensators based on supernatural assumptions' (1987: 39). These definitions have little meaning without clarifying the distinction between rewards and compensators. '*Rewards* are anything humans will incur costs to obtain' (1987: 27). '*Compensators* are postulations of reward according to explanations that are not readily susceptible to unambiguous evaluation' (1987: 36). Table 2 replicates Stark and Bainbridge's specific examples of rewards and compensators. The core business of religious organizations is the provision of supernatural compensators. This core product line is generally bundled with temporal

Table 1. Definitions of key terms from sociology of religion

Church: a religious organization with conventional beliefs and low strictness	
Compensators: postulations of nontemporal rewards	
Congregation: a local group of people who meet regularly for religious purposes	
Cult: a strict religious organization with novel beliefs and practices	
Denomination: a religious organization consisting of multiple congregations with a common governance structure	
Ecumenism: beliefs and practices promoting mutual appreciation and collaborations among distinct religious organizations	
Religion: a system of explanations of existence and general compensators based on supernatural assumptions	
Religious economy: a market consisting of current and potential followers (demand) and the organizations (suppliers) seeking to serve it	
Religious organizations: social enterprises whose distinctive purpose is to create, maintain, and exchange supernaturally based general compensators	
Renewal: a return to expressing traditional beliefs within a religion	
Rewards: anything humans desire and will incur costs to obtain	
Schism: division of a religious organization into two or more independent organizations	
Sect: a strict religious organization with traditional beliefs and practices	
Sect-to-church process: the process of reducing the strictness of a religious organization over time (sometimes referred to as *secularization*)	
Strictness: the degree to which a group increases the cost of nongroup activities	
Syncretism: combining beliefs and practices from different religious traditions	
Tension: disagreement with the dominant surrounding culture and social institutions	

Table 2. Examples of rewards and compensators

Rewards

1. *Church membership*: which confers status and legitimate standing in the community, and which makes it possible to secure other religious rewards
2. *Attendance at worship services*: which in addition to any specific religious meanings are also social occasions, and provide whatever rewards obtain from such
3. *Participation*: in religious organizations and activities, including such disparate things as the choir, the square dancing club, or the singles club
4. *Child socialization*: conveying a cultural and moral heritage to children as well as supplying rewards such as membership in scouting and sports groups

Compensators

1. *Religious doctrines*: which promise to make the burdens of this life bearable, to make guidance and help available, and to offer reparations for earthly suffering in the life after death
2. *Religious experiences*: a release for pent-up emotions and a source of confidence in the authenticity of compensators, such as when a person has a vision or speaks in unknown tongues
3. *Prayer and private devotionalism*: mechanisms for seeking divine aid and guidance, for confessing guilt, for gaining comfort
4. *Particularism or moral superiority*: reassurance that no matter how little one seems to matter in the world of affairs, one is among those chosen by God and possesses an elite religious identity.

Source: Stark and Bainbridge (1987: 46). Reproduced by permission of Peter Lang Publishing.

rewards. The boundaries between religion and other industries can be blurry. Blurring occurs through secularization of religious organizations, and through 'spiritualization' of 'secular' organizations (see Demerath *et al*., 1998). Clubs and other social organizations may confer rewards that compete with those of religious organizations. By contrast, supernatural compensators are distinct products of religious organizations for which there are no direct secular substitutes.

Standard strategic management analysis distinguishes suppliers, buyers, and the internal production process of the firm (e.g., Porter, 1985). Such separation of value chain activities (and corresponding stakeholders) is often less appropriate for religious organizations than for firms in other industries. The blurring of distinctions among stakeholders occurs because the technology of religious organizations usually involves collective action. Consumers are simultaneously suppliers and producers. Zaleski and Zech indicate: 'religious congregations exhibit a rare combination in the nonprofit sector: mutual benefit activities supported by voluntary contributions' (Zaleski and Zech, 1995: 440). This recognition has led to the application of economic theory of clubs to religious organizations (Carr and Landa, 1983; Iannaccone, 1992a; Zaleski and Zech, 1995). A key assumption in this work is that the participation of others has positive externalities for members of religious organizations, and congestion costs are avoidable. To realize the positive externalities of religious participation, organizations must resolve the classic collective action problems of motivating participation and avoiding free-riding (Olson, 1965; Iannaccone, 1992a; Wallis, 1990).

Iannaccone (1988, 1992a, 1994, 1995b) has based his conceptual and empirical research on the contention that religious organizations overcome free-rider problems through sanctions on nonreligious forms of consumption. As used in economics and sociology of religion, 'strictness' refers to 'the degree to which a group limits and thereby increases the cost of nongroup activities' (Iannaccone, 1994: 1182). In effect, strict sects and cults place a tax on nonreligious involvement. As examples of such practices, Iannaccone notes, 'Krishnas shave their heads, wear robes, and chant in public; Jehovah's Witnesses refuse transfusions; Mormons abstain from caffeine and tobacco; Seventh-Day Adventists eat no meat; Moonies submit to arranged marriages; Orthodox Jews wear side curls and yarmulkes, conduct no business on the Sabbath, and observe numerous dietary restrictions; and monks take vows of celibacy, poverty, and silence' (Iannaccone, 1992a: 273). By increasing the costs of nongroup activities, strict sects and cults gain time and financial commitments from participants (Iannaccone, 1992a, 1994).

By definition, the degree of strictness of religious organizations differentiates sects from churches.[2] Whereas sects place high demands on members, churches are more accommodating to mainstream lifestyles (Iannaccone, 1988; Stark and Bainbridge, 1987). Historical patterns evidence cycles of strict sects eventually becoming less strict (i.e., evolving into churches). This is known as the 'sect-to-church process.' Reduced strictness lowers the per capita production of collective goods, often resulting in declining rates of participation and organizational resources (Demerath and Thiessen, 1966; Stark and Iannaccone, 1994).

Strictness is not synonymous with tension. Both churches and sects can establish points of high tension with mainstream societal values. Sects establish tension with the larger society around issues of personal conduct and morality such as abortion and family values, yet they often endorse free enterprise and budget increases for the military. Churches affirm personal lifestyles that accommodate cultural trends, yet they often champion economic policies favoring the disadvantaged and environmental protection, and challenge government expenditures on defense.[3] Just as societal values are multifaceted, so religious organizations' attempts to establish tension are multifaceted. The distinctive characteristic of sects is that their points of tension raise the cost of nongroup activities relative to religious activities (Iannaccone, 1994). Hence, sects emphasize tension regarding issues of personal conduct (i.e., strictness), and may take a variety of postures—ranging from high-tension to accommodating—regarding broader social issues.

The collective action discussions recognize the *desirability* of high per capita resource commitments but do not adequately address the *feasibility* of extracting such commitments from religious participants. Iannaccone (1988, 1992a) emphasizes increasing the cost of participation in nonreligious activities as a way to sort low- and high-commitment individuals and involve only the latter in religious organizations. This argument makes strong assumptions about the ability of religious organizations to influence the perceived costs of nonreligious products and to monitor their consumption. The collective action discussions have neglected how religious organizations create and sustain greater perceived value among existing and potential participants. Existing research treats strictness as an explanatory variable, leaving the conditions necessary for strictness unexplored. At this point of weakness in current theory, strategic management has much to offer.

Religious competition

Regardless of the origin and nature of their beliefs, the survival and growth of religious organizations depend on access to resources from the external environment (Wuthnow, 1994a: ch. 1, 1994b). This is the fundamental challenge shared by all organizations (Kotter, 1979; Pfeffer and Salancik, 1978). As Barnard wrote six decades ago: 'The material aspects of religious organizations have been often prominent and always inescapable' (Barnard, 1938: 158).[4] Resources of interest include not only

[2] Weber (1930) is often credited with introducing the distinction between church and sect to sociology. However, other influential writers (e.g., Niebuhr, 1929; Troeltsch, 1931) used these terms with varied meanings.

[3] Pyle (1993) found no empirical relation between theological conservatism and opposition to government assistance programs for the poor.

[4] Thanks to Roberto Vassolo for pointing out Barnard's (1938) insightful discussion of religious organizations.

physical and financial assets, but also the number of adherents, and their levels of time commitment and effort.

Rivalry may be overt—as among proselytizing organizations—or take the more subtle form of simply trying to retain and generate higher commitment among existing adherents. Rivalry among religious organizations can be intense, particularly in unregulated religious markets (Finke, 1990, 1997a; Finke, Guest, and Stark, 1996; Finke and Stark, 1992). Melton (1995) identified over 800 nonconventional religions in North America with increased rates of entry in recent decades.[5] This competition takes place within a dynamic social context characterized by modernization, globalization, pluralism, privatization, and changing gender roles (Cimino and Lattin, 1998; Dawson, 1998; Greer and Roof, 1992).[6]

Modern attention to the analysis of religious organizations as competitive firms is generally attributed to the sociologist Peter Berger (1963, 1967).[7] Describing the rivalry among religious organizations, Berger stated:

> ... the religious tradition, which previously could be authoritatively imposed, now has to be *marketed*. It must be 'sold' to a clientele that is no longer constrained to 'buy.' The pluralistic situation is, above all, *a market situation*. In it, the religious institutions become marketing agencies and the religious traditions become consumer commodities. And at any rate a good deal of religious activity in this situation comes to be dominated by the logic of market economics. (Berger, 1967: 138, emphasis in original).

The titles of R. Laurence Moore's (1994) book, *Selling God*, and Richard Cimino and Don Lattin's (1998) *Shopping for Faith* expose the extent to which marketing and consumerism shape religious supply and demand. In the popular culture of religious consumerism and market competition, choices proliferate.

Sociologists Roger Finke and Rodney Stark provided a fuller picture of the competitive dimensions of religious movements with their notion of the *religious economy*: 'Religious economies are like commercial economies. They consist of a market and a set of firms seeking to serve that market' (Finke and Stark, 1988: 42). Their discussion showed an appreciation for issues of rivalry and regulation, and the role of customer heterogeneity in the development of differentiated strategies among religious competitors. Their 1992 book elaborated these themes, portraying historical developments in U.S. religious movements in terms of industry competitive dynamics.[8]

Researchers working from the 'religious economies' perspective seek explanations for the dynamics of religious movements—particularly the sect-to-church process, schisms, renewal, and cult formation. If the sect-to-church process goes beyond the point preferred by some adherents, renewal movements or schisms may ensue (Finke and Stark, 1992). Emerging sects fill market niches abandoned by older religious organizations. Renewal movements call churches to return to expressing traditional beliefs, thereby moving them toward historical positions of higher strictness (Stark and Finke, 2000). Sect-to-church evolution, renewal, schisms, and new religious movements produce ongoing repositioning among religious organizations, with start-up and spin-off organizations stepping into unfilled market niches.

This portrayal of the competitive forces within religion suggests the industry is not particularly attractive. Competitive positions are often contested. As time passes, performances tend to plateau and then decline. Yet, despite cycles of secularization and renewal, and challenges from emerging cults, sects, and secular substitutes, some religious organizations are among the most enduring organizations—with histories measured in centuries. These conflicting observations indicate that the sources for sustainable competitive advantage among religious organizations remain poorly

[5] Of the 836 nonconventional religions, 169 were founded prior to 1940. Rates of founding were 35 in the 1940s, 88 in the 1950s, 175 in the 1960s, 216 in the 1970s, and 103 in the 1980s. Nonconventional religions include 'those religious groups whose teachings and practices were markedly different from that of the dominant religion of the society in which they were located and whose membership (during its first generation) was primarily constituted by converts to the religion from the indigenous population' (Melton, 1995: 270).

[6] For more on the cultural embeddedness of market competition, see the discussions by DiMaggio (1994) and Swedberg (1994).

[7] Although Berger (1963, 1967) is often credited with bringing the market analogy to the analysis of religion, Adam Smith (1759, 1776) actually provided a very insightful economic analysis of religion in his eighteenth-century writings. For a discussion of Smith's contributions, see Anderson (1988).

[8] Others within sociology and economics have picked up on these themes. Warner (1993) and Hamberg and Petterson (1994) document the growing use of the language of market competition in the sociology of religion. Iannaccone (1998) provides a complementary review of research on religious organizations applying economic theory.

understood. To explain the varying longevities and performances of religious organizations, we turn to theoretical contributions from strategic management.

Summary

This section argued that viewing religions as competitors for scarce resources may provide insights into their organizational and strategic aspects. During the past decade, both sociologists and economists have contributed to the growing body of research taking this 'religious economies' perspective. This research draws attention to rivalry and regulation as explanations for the rise and decline of religious movements, and offers insights into sect-to-church, schism, and renewal processes.

Two shortcomings of the existing research on the sociology and economics of religion should be of interest to strategic management researchers. First, although this literature invokes the concepts of rivalry and regulation, it does not acknowledge the industry analytical frameworks and theories of competitive interaction from strategic management and industrial organization economics. Strategic management researchers can contribute by elaborating the determinants of industry structure and strategic choices. Second, the discussions of strictness as a way to overcome free-rider problems have not addressed a fundamental question: Why do religious organizations differ in their abilities to extract commitments from individuals? Here again, strategic management theory can address a gap in the religion literature. It is to this issue that we now turn.

SUSTAINABLE COMPETITIVE ADVANTAGE

Within sociology, characterizations of religious choice have tended to polarize around institutionalist and microeconomics-based 'rational choice' perspectives. While institutionalists emphasize the cultural embeddedness of religious practice, rational choice theorists adopt the standard microeconomic assumption of utility-maximizing consumer behavior based on fixed personal preferences and knowledge of alternative religious choices.[9] In contrast with the polarized debate within sociology of religion, recent developments in strategic management and organization theory indicate the complementarity of institutional and economics-based models of competitive advantage (e.g., Baum and Dobbin, 2000; Greenwood and Hinings, 1996; Lounsbury and Glynn, 2001). Oliver (1997) argued that just as aspects of economic rationality and institutionalized norms factor into individual decisions, so firm-level managerial decisions reflect both resource-based and institutional considerations. Recognizing the role of institutional considerations in establishing resource-based advantages provides an insightful perspective for analyzing religious organizations.

This section raises considerations associated with the formation, strategies, and performance of religious organizations. We focus on three conditions underlying the competitive advantages of religious organizations. First, credible commitment and social perceptions of legitimacy are highlighted as key determinants of the success of religious start-ups. Second, the sources of inimitability identified in the resource-based view of the firm provide insights into advantage sustainability. Third, a discussion of market segmentation and product positioning seeks to reconcile conflicting perspectives on the desirability of strictness. Each of these three aspects reflects the embeddedness of religious transactions in their social environment (DiMaggio and Powell, 1983; Granovetter, 1985; Oliver, 1997). A central theme of this section is that religious organizations face conflicting pressures regarding innovation. How an organization responds to these pressures over time defines the nature and viability of its strategy.

Credible commitment and legitimacy

The earlier discussion of the products of religious organizations emphasized the intangible nature of religious rewards and compensators. Davidson (1995), Hull and Bold (1989), and Iannaccone (1995a) identified such products as 'credence goods.' 'Credence qualities are those which, although worthwhile, cannot be evaluated in normal use' (Darby and Karni, 1973: 68–69).[10] Even after a transaction, the quality and risk of religious

[9] Bruce (1993, 1999) and DiMaggio (1998) represent the institutionalist perspective. Warner (1993) and Iannaccone (1995b, 1995c) affirm and restate the rational choice perspective.

[10] Credence qualities contrast with Nelson's (1970) categories of 'search qualities' and 'experience qualities' which can be ascertained prior to purchase and after purchase, respectively.

rewards and compensators may be inherently unknowable: 'No amount of personal experience suffices fully to evaluate a religious seller's claims. Indeed, the sellers themselves often do not know that their claims are true' (Iannaccone, 1992b: 125–126). Without quality assurance, the markets for credence goods should fail (Akerlof, 1970).

The key to marketing religion is creating the perception of credibility. Credible commitments by suppliers foster confidence, not because they prove the validity of religious claims but because they signal suppliers' convictions. Indicators of religious commitment include: 'a minimal professional staff whose financial compensation is low and independent of customer contributions/payments; heavy reliance on part-time and volunteer workers (and thus reliance on payments of time and service rather than money); and a congregational structure, which limits the need for full-time professionals and provides a source of credible product endorsements' (Iannaccone, 1992b: 126). Vows of celibacy and poverty may also enhance perceived credibility (Hull and Bold, 1989; Iannaccone, 1992b). To the extent that an organization is permeated by such commitments, evidence establishing credibility is readily available at the local level. Testimonials from trusted individuals throughout the organization enhance the credibility of religious claims. They foster the perception that religious experiences are broadly shared among a religion's adherents.

Credible commitment by founders would appear to be a necessary, but not sufficient, initial condition for organizational success. For example, martyrdom signals credible commitment but may foster little perceived legitimacy among those outside the founding group. The 1997 suicide among Heaven's Gate cult members serves as a recent example. Anticipating a rendezvous with a UFO accompanying the Hale-Bopp comet, 39 members of the Southern California cult poisoned themselves. In that instance, the negative publicity surrounding the members' corporate expression of commitment led to the demise of the UFO cult.

Social legitimacy is a key external determinant of success at founding.[11] The need for legitimacy constrains deviance (Deephouse, 1999). Stark (1987) asserts that retaining 'cultural continuity' with established religions increases perceived legitimacy and, hence, the likelihood of success for new religious movements. Stark and Bainbridge note: 'The manufacture of salable new compensators (or compensator packages) is most easily accomplished by assembling components of pre-existing compensator systems into new configurations or by further developing successful compensator-systems' (Stark and Bainbridge, 1985: 179). The perception of legitimacy does not have to be broadly shared by society, but must be shared by a segment of the population large enough to support a new religious movement. Religious start-ups exploit latent values shared by underserved subgroups.

This discussion motivates our first proposition.

> *Proposition 1: The credibility of founders' religious commitments and the movement's perceived legitimacy jointly determine the viability and growth of religious start-ups.*

According to Stark and Bainbridge's (1987: ch. 6) definition, novelty of beliefs and practices distinguishes cults from sects. From this definition, it follows as a simple corollary of Proposition 1 that the rate of failure of cults should exceed that of sects. Although cult leaders may exhibit exceptional personal commitment, their beliefs lack social legitimacy. The more deviant the espoused beliefs of a new religious movement, the fewer individuals will be willing to consider joining the group. Thus, it is not surprising that cults rarely grow beyond tight groups of initial adherents (Stark, Bainbridge, and Kent, 1981).

Inimitability

The conditions surrounding the founding of a religious organization are critical to initial success but may not sustain a competitive advantage in a dynamic religious economy. Advantage sustainability turns not only on the external condition of perceived legitimacy but also the presence of rare and inimitable organizational resources (Barney, 1991; Lippman and Rumelt, 1982). Barney (1997) summarized four sources of costly-to-imitate resources: (1) unique historical conditions, (2) causal ambiguity, (3) social complexity, and (4) patents. Each of these has implications for the sustainability of religious organizations.

[11] Parsons (1956), DiMaggio and Powell (1983), and Pfeffer and Salancik (1978) highlighted legitimacy as a need shared by organizations in general.

The relevance of *unique historical conditions* has already been noted. The founding conditions of a religion may be impossible for others to imitate (Stark and Bainbridge, 1985: ch. 8). Being able to trace a religious organization's history to founding events and leaders provides a distinct advantage relative to imitators. Unique historical conditions may have allowed market gains that are no longer feasible (Dierickx and Cool, 1989). Incumbent firms benefit from their unique histories and the assets and organizational routines accumulated over time. These factors constitute the 'liability of newness' of start-up cults relative to established churches. Within religion, first-mover advantages are exploited not by accelerating innovation but by preserving an organization's history and its path-dependent routines and doctrines.

Hence, the management of *traditionality* is essential to sustaining competitive advantage. Salipante and Golden-Biddle (1995) argued that maintaining traditions contributes to the success of nonprofit organizations. This contention has not received adequate attention in strategic management. Rather, most strategic management research has a normative bias favoring innovation. Whereas strategic management emphasizes interventions to overcome organizational inertia, preserving organizational routines can be critical to the legitimacy of religious organizations. Within religious organizations, certain routines are institutionalized in the sense described by Selznick: 'infuse[d] with value beyond the technical requirements of the task at hand' (Selznick, 1957: 17). Because innovations lack legitimacy, they may meet resistance from internal organizational stakeholders (Dougherty and Heller, 1994). Many of the most contentious issues within religious organizations (e.g., choices regarding leadership, organizational structure, and alternative forms of worship) can be framed in terms of conflicting pressures for traditionality and innovation.

Causal ambiguity refers to difficulty in ascertaining the relations between organizational resources and competitive advantages (Dierickx and Cool, 1989). Although certain routines may be codified in the form of doctrinal statements and rituals, other noncodifiable practices make imitation difficult. Religious leaders often contextualize and personalize services. Organizational performance differences may be due to subtle differences in leaders' personalities, organizational cultures, and adaptations of religious practices. The intangible nature of religious services heightens causal ambiguity. Attributing competitive advantage to supernatural causes indicates to would-be imitators that the basis for success is inherently ambiguous.

Because the technology of religious organizations is collective and interpersonal, it is infused with *social complexity*. Social ties are a key determinant of religious conversions (Lofland and Stark, 1965; Stark and Bainbridge, 1985: ch. 14). After conversion, religion often serves as the most fundamental basis for interpersonal relationships, authority, and values in the lives of adherents. Religious practice is both intensely personal and interpersonal. Religious groups confer status on those with knowledge of the codifiable aspects of religious practice. However, subjective evaluations of conformity of values and behaviors to group norms can be even more important determinants of status. Intensive social interaction, training, mentoring, and apprenticeships serve to identify and develop candidates for leadership.

Personal involvement is essential to internalizing the nuances of religious practice. Religious affiliation involves organization-specific human capital investments (Azzi and Ehrenberg, 1975; Iannaccone, 1990). The sunk nature of religious human capital investments makes the threat of losing the privilege of operating in a leadership role or practicing one's religion (e.g., excommunication) particularly strong forms of organizational control. Sanctions against religious spin-offs deter the formation of competing organizations that would seek to exploit a religion's unique resources.

It is easy to dismiss *patents* as irrelevant to the competitiveness of religious organizations. Despite the growing protection of intellectual property, patent protection is not conferred on supernatural technologies! Nevertheless, legal enforcement of property rights does apply to brand names and copyrighted materials. Exclusive rights to an identifiable brand name may be an important way to signal product quality. Brand names reduce customer search costs and facilitate loyalty. Copyrighted materials, such as music or literature, can provide the basis for auxiliary business units within religious organizations.[12]

[12] Chaves (1993a, 1993b) discussed the internal struggles for control over resources that have arisen in Protestant denominations as a result of augmenting traditional organizational structures with additional services and profit centers.

This discussion has illustrated how all four of Barney's (1997) sources of inimitability apply to religious organizations. Two of these factors—causal ambiguity and patents—are more relevant to preserving advantages in the provision of rewards than compensators. Because causal ambiguity always characterizes the provision of compensators, it does not explain the relative performances of religious organizations. Patents or copyrights apply to tangible property rather than compensators. Hence, our proposition focuses on the other two sources of inimitability.

> *Proposition 2: Religious organizations sustain competitive advantages by (a) invoking and reenacting their unique histories and (b) increasing social complexity.*

Consistent with this proposition, Stark and Bainbridge's (1985: ch. 6) review of over 400 American-born sects operating in the late 1970s found only 31 percent were growing, with just 6 percent experiencing rapid growth.[13] 'The four most common career patterns for sects are (1) a slow decline since formation; (2) slow growth, followed by slow decline; (3) little or no change since formation; (4) slow growth since formation' (Stark and Bainbridge, 1985: 134).

The one exception to this conclusion is the religious spin-off that is able to reassert consistency with the historical position of the religion. This is possible when the strategy of an incumbent organization has drifted through syncretism or accommodating trends in the broader culture. Under such circumstances, the spin-off sect is able to capture the rents associated with the unique history of the parent organization. The sixteenth-century Protestant Reformation is a well-known example of such a reassertion on the part of a spin-off, but it is by no means unique. At that time, Martin Luther appealed to the historical writings of the Bible to challenge Catholic practices such as selling indulgences. Luther intentionally created controversy with the Catholic leadership in Rome by drawing attention to discrepancies between some of the Church's practices and doctrines and the historical teachings of Jesus and the early Christian sect.

This discussion leads to the following proposition:

> *Proposition 3: The performance of sects that reassert historical positions exceeds those of their parent churches.*

Performance differences may be evident in per capita financing and time committed, rates of growth, or other measures of vitality.

We would also expect that local congregations that reassert distinctive historical features will outperform less distinctive congregations within the same denomination, even if they do not become independent of the parent church. However, the scope for renewal will be less if the congregation maintains its denominational affiliation than if it severs denominational ties. As such, the performance enhancements associated with renewal will be muted relative to what they would be for an independent sectarian organization.

What determines whether moves to historical positions occur through religious spin-offs or through internal renewal? Stark and Bainbridge highlight the role of switching costs: 'Consumers will participate in a schism only if in so doing they can maintain exchange relationships with their most valued distributors, or can at very little cost switch to a new but similar distributor' (Stark and Bainbridge, 1987: 133). Iannaccone (1990) provides compelling arguments and empirical evidence that personal sunk investments deter religious switching. Similarly, Montgomery (1996) claims sunk investments in 'religious capital' influence whether dissatisfied participants exit or seek to change a religious organization from within. Social complexity raises sunk investments.

Dyck and Starke (1999) studied religious organizations in which schisms occurred and a contrasting sample in which schisms were averted. Their insightful study showed how conflict escalation proceeds and identified critical trigger events in this process. The contrasting cases in which schism events were avoided revealed trigger harmonizing events rather than polarizing events. Their study addressed the process determinants of schisms and renewal, but did not consider the reasons why certain individuals join breakaway groups while others do not. The emphasis of Stark and Bainbridge (1987), Iannaccone (1990), and

[13] Their data were actually biased toward overstating success because sects that had failed completely and ceased to exist were not included in the sample. Sampling only survivors overstates the performance of high-risk start-ups relative to mainline churches because failed high-risk sects were deleted from the sample.

Montgomery (1996) on religious capital provides a clue that complements Dyck and Starke's (1999) insights into the schism process.

Our proposition emphasizes both individual and collective religious capital at the organizational level. Aggregate switching costs are a function not only of the sunk investments of individual consumers but also—and possibly more importantly—those of organizational leaders. Leaders play important roles in mobilizing or inhibiting innovation. Religious organizations deter sectarian movements by imposing sanctions on defectors—particularly leaders—and by retaining legal control over tangible assets.

Proposition 4: The higher the individual and collective sunk investments within churches, the more likely are renewal movements than sectarian spin-offs.

This proposition assumes that renewal movements are preemptive responses to the prospect of sect formation. If proactive efforts to avoid a schism fail, we would expect the parent organization's strategy to move in the direction of the newly established sect. Hence, if the sect represents a return to historical positions of the parent organization, we would expect the church to respond by initiating selective shifts toward historical beliefs and practices. In other words, churches respond to sect formation with renewal movements. This narrows the extent of differentiation between the parent and sect. Imitating some aspects of the sect strategy maximizes the parent's market share in the post-schism competitive environment.

Proposition 5: When a sect forms as a spin-off organization from a church, the church will respond with selective initiatives imitating the strategy of the sect.

The Catholic Counter-Reformation of the sixteenth century is a prominent example of this phenomenon. One of the key aspects of the Catholic Church response to the Protestant challenge in Europe was innovation within Catholic orders and the founding of new orders. These orders—such as the Jesuits, started in the 1530s—fostered piety, social action and education, and foreign missions. Consistent with Proposition 5, these innovations occurred in response to sectarian movements. Furthermore, the innovations were selective in that they were confined to particular subunits such as the Jesuit order. Finke and Wittberg (2000) argued that the Catholic Church's success over its 1700 years of history has been due to its ability to retain sectarian movements within its boundaries. Decentralized structuring has facilitated internal innovation and renewal movements.

Market segmentation

Industries offering products with credence qualities face the threat that product variety may undermine the industry as a whole. Such an argument has been made for religion. The traditional paradigm in sociology viewed religious monopoly as best able to meet the needs of the market. Durkheim (1897) and Berger (1967) saw monopoly sustaining an unchallenged, taken-for-granted 'sacred canopy.' In this view, the monopolistic position of a religion reinforces convictions about the validity of religious claims, whereas conflicting religious claims undermine industry credibility. This suggests monopoly is the industry structure that rationalizes production and maximizes both producer and consumer surplus. From this view, differentiated religious strategies focusing on unique customer segments subvert industry performance.

More recent thinking in sociology of religion credits pluralism and vigorous competition for producing religious vitality (e.g., Finke, 1997a, 1997b; Finke and Iannaccone, 1993). Religious pluralism accommodates heterogeneous customer preferences. As such, religious rivalry among differentiated competitors increases consumer surplus. Not only does competition enhance static efficiency, but it also contributes to dynamic efficiency by motivating innovation. The shift among sociologists from seeing competitive rivalry as detrimental to acknowledging the positive dynamic effects of rivalry on competitiveness parallels the shift within strategic management theory toward emphasizing dynamic capabilities (cf. Porter, 1980, 1991; see also Teece, Pisano, and Shuen, 1997). Rather than seeing the monopolistic 'sacred canopy' as the optimal structure for religion, Smith (1998) argues that many 'sacred umbrellas' (i.e., distinct religious subcultures) can prosper together. However, empirical evidence linking pluralism to religious vitality remains in dispute. Chaves and Gorski reviewed previous studies and concluded that 'The empirical evidence does not support the claim that religious pluralism is positively associated with religious participation in any general sense' (Chaves and Gorski, 2001: 262).

What are the dimensions for segmenting the pluralist market for religion? Commenting on the historical U.S. experience, Warner notes, 'These three demographic factors—region, social class, and urbanism—at first served to differentiate from each other a dozen or so denominations of mostly white, Anglo-Saxon Protestants, but by the middle of the 19th century, religion in the United States became much more multicultural, with race, ethnicity, and national origin added to the demographic differentiators of religious denominations' (Warner, 1993: 1058). Appeals to ethnicity bring political and cultural defense objectives together with religious services (Bruce, 1996: ch. 5). Ethnic minorities who leave their historical religions lose access to valuable networks of social and business relationships. Gender is an increasingly important basis for differentiating religious groups: 'Feminism, gay rights, men's movements, changes in family structure, and the loss of traditional gender roles all figure into the growth of gender spirituality' (Cimino and Lattin, 1998: 32–33). Differentiation can increase per capita organizational resources by exploiting switching costs across subcultures. Hence, a strategy of focused differentiation may result in more loyal participation, with loyalty expressed in terms of longevity of involvement as well as resource commitments.

This strategy prescription appears to contradict the contention that strictness results in strong religious organizations (Iannaccone, 1994). Strictness requires placing demands upon religious adherents, rather than accommodating their preferences. However, accommodating distinct preferences can foster high commitment. Should religious organizations accommodate customer preferences or not? Discussions of religion in economics and sociology have not adequately acknowledged this conundrum.

From a static perspective, strictness is consistent with maximizing the resource commitments from the current set of adherents to a religion. Current religious practitioners may exhibit low price-elasticity given their sunk human capital investments in their religion. Although strictness may be the optimal pricing strategy from a static perspective, it may conflict with the dynamic goal of increasing total organizational resources through growth in the number of participants. The latent group of potential customers is likely to have a much higher price-elasticity because their switching costs are much less than those faced by already committed individuals. The positive externalities associated with growth provide an incentive to reduce strictness. Taken together, these observations motivate a strategy of differentiated product lines (with different levels of strictness) targeted at current and potential customer segments.

Reducing the demands placed upon potential customers eases them into a religious organization. For example, in the past, the activities of Jewish Community Centers have revolved around secular pursuits such as adult education and recreation. That has changed as they have added religious programs. They now 'provide "nonthreatening entry points" for disaffiliated Jews to move into Jewish life' (Cimino and Lattin, 1998: 61). Building interpersonal bonds between members and outsiders is an approach to recruiting common to many religions (Stark and Bainbridge, 1985: ch. 14). As friendships develop, newcomers begin to accept and identify with a religious subculture.

The distinction between rewards and compensators offers other opportunities for price discrimination. The availability of secular substitutes for religious *rewards* makes premium-pricing untenable. Accommodating churches must compete with other clubs and entertainment providers in the market for rewards. On the other hand, *compensators* have few direct substitutes. Claims of exclusive truth, as well as the lack of secular substitutes, make compensators a potential 'high-strictness' product line. As such, we should observe very demanding theological positions existing together with very accommodating provision of rewards in high-performing religious organizations.

Proposition 6: In a dynamic comparison of religious organizations, strategies combining accommodating provision of rewards with strict provision of compensators should outperform strategies focused exclusively on accommodating rewards or strict compensators.

'Contextualization' is an appropriate label for this strategy.[14] Strictness in the provision of rewards would not appear to be optimal, nor would accommodation in the provision of compensators. The contextualization process involves

[14] For theological and historical background on 'contextualization' within Christianity, see Bosch (1991: 420–432).

reaffirming traditional beliefs while continuously adapting their expression to environmental conditions.

If an organization lacks a competitive advantage in the provision of compensators, it will eventually shed this product line and focus on rewards, or exit entirely. Organizations that fail to establish sustainable advantages in the provision of compensators will divest these lines. If an organization has a profitable set of rewards, it may continue to operate as a secular business. The historical experiences of religious-affiliated colleges and universities, such as Harvard and Yale, provide examples of such secularization (Marsden, 1994).

Proposition 6 affirms the simultaneous pursuit of engaging the broader culture and maintaining religious distinctives. Smith terms this posture 'distinction-with-engagement' (Smith, 1998: 149). He contrasts this with the less successful fundamentalist strategy of 'distinction-without-engagement' and mainline denominations' 'engagement-without-distinction.' Sociologist Donald Miller's (1997) study of Christian groups such as Calvary Chapel, Vineyard Christian Fellowship, and Hope Chapel provides a characterization consistent with the 'distinction-with-engagement' approach. He labels these groups 'postmodern primitivists' because 'they acknowledge and utilize many aspects of postmodern culture, yet they find in the biblical tradition—in particular, the 'primitive Christianity' of the first century—an underpinning for a radical spirituality that undermines the cynicism and fragmentation of many postmodern theorists' (Miller, 1997: 24).

Summary

This section portrayed the strategies of religious organizations as dynamic responses to conflicting pressures for traditionality and innovation. These pressures result from cultural changes within and outside the organization, and rivalry among existing and new religious organizations. Figure 1 summarizes four processes associated with these pressures—sect-to-church, schism, renewal, and contextualization—and draws together the propositions from this section. Religions often start out as strict sects or cults. Two of our propositions (Propositions 1 and 2) noted keys for establishing and maintaining a sectarian position. Often sects move toward more accommodating church strategies. This is the *sect-to-church* process described by sociologists. As they do, opportunities for enhancing performance by reasserting unique historical positions can give rise to either *renewal* or *sect spin-offs*. As stated in Proposition 4, the levels of individual and collective sunk investments affect whether renewal or a schism occurs. Often they occur together, as sectarian movements give rise to spin-off organizations and motivate internal renewal (Proposition 5). As an alternative to these cyclical patterns, we have also indicated a possible

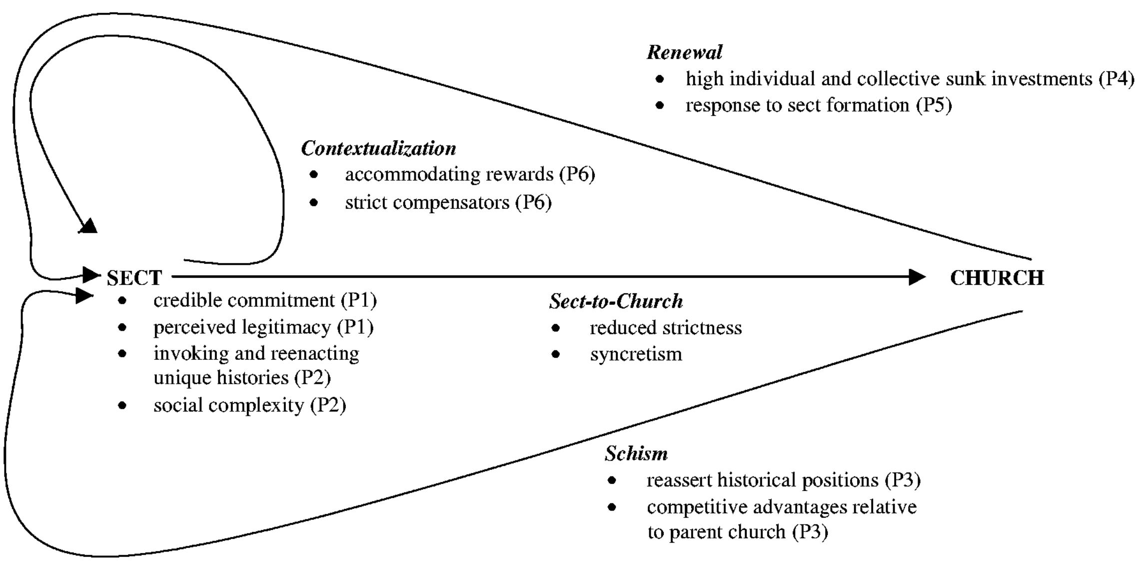

Figure 1. Dynamics of religious organizations' strategies

ongoing *contextualization* process combining innovative rewards with strict compensators (Proposition 6). Contextualization requires continual innovation but maintains traditional beliefs, thereby avoiding the sect-to-church process.

SHAPING INDUSTRY STRUCTURE

The previous section focused on organization-level strategies. The emphasis was on how religious organizations *individually* gain and sustain competitive advantages. The complement to the previous analysis is to consider the potential of religious organizations to influence the environments in which they compete.

The literature on religious economies has given little attention to the role of religious organizations in shaping industry structure. By contrast, a key insight from strategic management discussions of industry dynamics is that an organization by itself or in coordination with other industry players can make strategic moves to reshape the nature of competition (e.g., D'Aveni, 1994; Hamel and Prahalad, 1994; Porter, 1980). Kotter (1979) indicated that organizations often seek to manage resource dependencies through establishing external linkages and controlling who operates in their domain and how they operate.

Although a variety of different strategic moves may influence competition within an industry, this section focuses on two aspects of particular importance to religious organizations: political strategies and alliances. Building on the previous section—which highlighted the role of organizational distinctives in gaining and sustaining competitive advantages—this section specifies how different organizational characteristics lead to different alliance patterns.

Political strategies

Government policy toward religious organizations is a critical determinant of relative competitive positions and the resources available to the sector as a whole. Stark and Iannaccone indicate: 'The capacity of a single religious firm to monopolize a religious economy depends upon the degree to which the state uses coercive force to regulate the religious economy' (Stark and Iannaccone, 1994: 232). Government policy toward religion ranges from subsidization to suppression (Finke, 1997a, 1997b). The regulatory regime affects the feasibility of entry, nature of competition, and cost structures of competitors. In the extreme, controls on entry include legal prohibitions against forming new religious groups. Less absolute ways to deter entry include state endorsements of particular religious organizations, licensing requirements, prohibitions on overt proselytizing and access to media, and discriminatory tax treatment of unofficial sects and cults.

Iannaccone (1991) argued that government subsidies reduce the range of religious opportunities. Furthermore, '[e]ven after a state church is disestablished and the religious market is legally opened, it may take generations for the situation to approach that of a perfectly competitive market' (Iannaccone, 1991: 163). The consequences include loss of consumer surplus because of the failure to accommodate diverse religious preferences and an economy-wide reduction in the level of religious participation. Studies supporting a positive relation between deregulation and religious vitality have provided intertemporal (Olds, 1994) and international (Chaves and Cann, 1992; Iannaccone, 1991; Stark and Iannaccone, 1994) corroborating evidence.

To what extent do religious organizations further their interests by influencing government policy? It is not hard to find evidence that incumbent religious organizations influence government regulations in ways that favor their own interests. State-supported churches exist in many countries, as do persecuted sects and cults. Stigler's (1971) conclusion that business firms seek regulation as a way to promote their own economic interests may also apply to religious organizations. The regulated may, indeed, co-opt the regulators. In general, we would expect that religious organizations seek to influence government regulations in ways that benefit incumbents relative to new start-ups.

Stark and Iannaccone (1994) attributed European secularization to state support for religion. Stark (1997) provides examples of some European government policy measures that disadvantaged potential competitors. These range from government declarations of religions as cults and warnings against involvement, to denial of tax-exempt status, licenses, and building permits, to barring members of religious groups from civil service employment. Religious deregulation increased religious pluralism in Europe (Stark, 1993), the former

Soviet Union (Greeley, 1994), and Latin America (Gill, 1994).

Certain religious organizations may view their prospects for shaping the legal environment more favorably than others. In particular, religions representing large segments of a country's population are more likely than minority religions to sway government policy decisions. Furthermore, some religions may have disproportionate representation in influential political and economic institutions. For example, in the United States, mainline religions such as Episcopalians and Presbyterians tend to draw greater participation from those in positions of political and economic influence than groups such as Southern Baptists, Nazarenes, and Pentecostals.[15] These observations motivate the following proposition:

Proposition 7: Churches are more likely than sects and cults to successfully advance their interests through political influence.

Although there may be some exceptions, we would expect that sects and cults will invest little in political influence strategies. Because they represent small and uninfluential constituencies, leaders of sects and cults are likely to perceive spending on lobbying efforts as ineffective investments. The participation of sects and cults in the political process is likely to be more reactive and adversarial, and less effective, than for churches. For example, in 1999, Falun Dafa practitioners surrounded a Communist Party leadership building in Beijing to petition for official recognition and an end to negative portrayals of the group by state media. Rather than furthering their interests, the public demonstration triggered a government campaign to arrest its leaders and outlaw the movement.

Whereas previous research supports the contention that regulation reduces competition and religious participation, researchers have given little attention to the role of incumbent religious organizations in reducing rivalry. The activities of religious organizations may support judicial decisions inhibiting religious innovation and re-regulating previously deregulated religious economies (Finke, 1990; Finke and Iannaccone, 1993). The factors affecting the extent and efficacy of incumbent religious organizations' efforts to limit rivalry and new entrants deserve further investigation.

[15] Thanks to an anonymous reviewer for pointing this out.

Alliances

Collaborations among religions are expressions of 'ecumenism.' Ecumenism involves ongoing collaborations that fall short of merger under a common governance structure. Ecumenism brings many of the same opportunities and challenges as strategic alliances among business organizations.[16] Berger (1963) provided a classic statement of the economic rationale for ecumenism. He attributed the rise of ecumenism to factors such as the potential to realize marketing and operating economies of scale, and to reduce competitive rivalry. Eliminating redundant facilities, personnel, and procedures reduces operating costs. These same motivations were highlighted in early work on alliances among business organizations (e.g., Van de Ven, 1976).

Berger (1963) also observed that ecumenism brought with it a paradoxical reassertion of denominational distinctives. He attributed the concurrent rise of denominationalism and ecumenism to the need to maintain differentiation: 'An essential factor in marginal differentiation, however, is the plausible maintenance of a denominational 'image' and its projection through publicity' (Berger, 1963: 89). Hence, as with alliances among business firms, maintaining distinctive organizational resources is a key to successful involvement in religious alliances (cf. Hamel and Prahalad, 1989).

We can classify the sets of religious organizations entering into any given alliance as (1) undifferentiated, (2) related, or (3) unrelated. The primary basis for these classifications is the distinctiveness of (1) beliefs (including doctrines and core values) and (2) strategies, structures, and operations. *Undifferentiated* religions are those that lack distinctives on either of these two dimensions. *Unrelated* religions have little in common—doctrinally or organizationally. *Related* religions are the intermediate case. Related religions have distinct core beliefs, yet they share certain common organizational or strategic characteristics. The motivations for alliances within these three different categories may be quite distinct.

Cost economizing is a primary driver of alliances following the loss of organizational distinctives. Such alliances are reactive in that they simply acknowledge the similarities in the strategies

[16] For overviews of the extensive literature on strategic alliances, see Auster (1994), Gulati (1998), and the special issue of this journal on strategic networks (2000, Volume 21, no. 3).

among the participants and seek to rationalize and coordinate existing operations. Although these alliances involve some potential for pooling complementary resources, their driving motivation is the recognition that the partners no longer possess clear distinctives. In extreme cases of the loss of distinctive advantages, religious organizations may merge (Finke and Stark, 1992: ch. 6).

Proposition 8: Religious organizations lacking strategic distinctiveness form alliances to achieve economies of scale.

A recent example from Protestant churches in the United States illustrates alliance formation resulting from the loss of organizational distinctives. In 1997, the Evangelical Lutheran Church of America (ELCA) approved a plan for collaboration with three other denominations (United Church of Christ, Presbyterian Church (USA), and Reformed Church in America). The agreement involves sharing clergy, sacraments, social services, and missions. Episcopalians were excluded from the accord by a vote at the ELCA annual convention. Interestingly, exclusion of the Episcopalians from the accord was based on organizational differences, not doctrinal disputes. The ELCA vote reflected concern regarding Presbyterian hierarchical governance over local churches. However, by July, 2000, Episcopal and ELCA leaders had reached an alliance agreement to share clergy and recognize each other's sacraments.

Alliances among related religious organizations are more proactive. They are likely to focus on learning opportunities. Learning alliances transfer specific knowledge while leaving undisturbed the distinctives of participating organizations (Mowery, Oxley, and Silverman, 1996). As such, learning alliances are much more limited in their coordinated activities than alliances to achieve economies of scale. Among religious organizations with distinct beliefs, we would not expect attempts to establish common governance or coordinated operations. Rather, low sunk investments and high flexibility characterize these alliances.

Proposition 9: Alliances among related religious organizations focus on transferring specific technologies.

For example, the Willow Creek Association brings together distinct Protestant churches around a common strategy for growth.[17] The alliance revolves around organizational and leadership development to enhance growth. The doctrinal positions taken by Willow Creek leadership are consistent with the positions held across a wide range of Protestant denominations. As such, the Association complements traditional Protestant denominations as a source of strategy and organizational expertise. Members of the Association find themselves in matrix relationships receiving (1) managerial assistance from the Willow Creek Association and (2) support for denominational distinctives from sets of traditional relationships.

Ecumenism may also be an attempt to form an inclusive 'sacred canopy' that enhances the common interests of unrelated religious groups. Whereas the economies of scale and technology transfer rationale emphasize efficiency, the 'sacred canopy' approach views fragmentation as detrimental to the stature of religion in general. Alliances among unrelated religious organizations seek to increase their collective influence on broad social and political issues. In this respect, they are similar to trade associations (see Oliver, 1990).

Proposition 10: Alliances among unrelated religious organizations focus on influencing government policy.

The United Religions Initiative (URI) is a recent example. This international interfaith organization brings together leaders from an eclectic array of religions. Their stated purpose is 'to promote enduring, daily interfaith cooperation, to end religiously motivated violence and to create cultures of peace, justice and healing for the Earth and all living beings' (United Religions Initiative, 2000: 1). Their agenda includes broad social and political issues rather than influencing the doctrines or operations of member organizations. Based on Mancur Olson's (1965) analysis of the problem of collective action, we would anticipate that eliciting contributions from member organizations may prove difficult. Not surprisingly, the URI has had difficulty funding its activities and has relied on nonmember charitable foundations and philanthropists for financial support.

[17] Mellado (1991) presents an in-depth case study of the Willow Creek strategy.

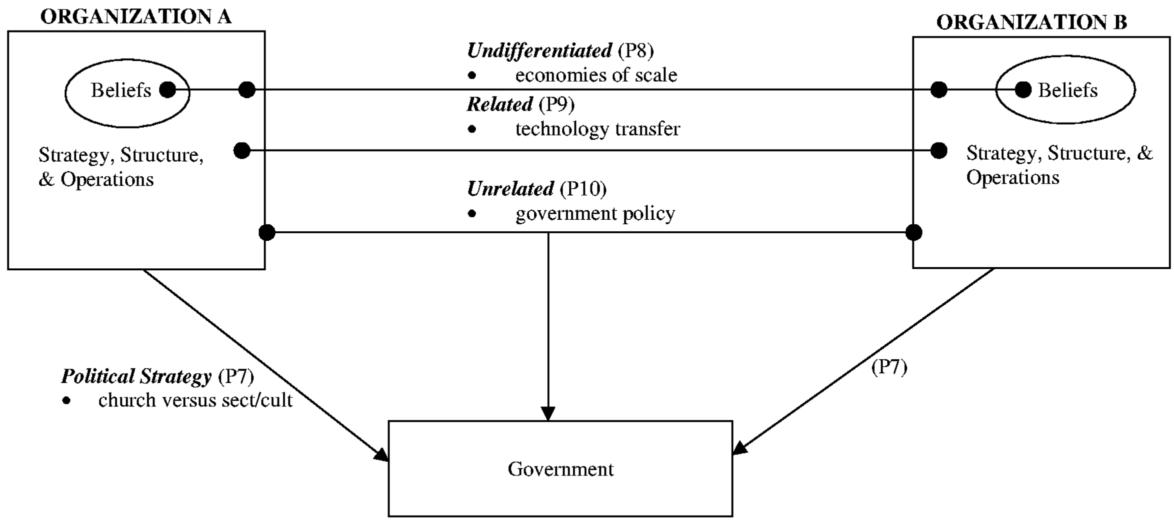

Figure 2. Interorganizational strategies

Summary

Figure 2 summarizes the propositions developed in this section. Proposition 7 contends that churches will have more extensive and effective involvement in government policy-making than sects or cults. Together, Propositions 8 through 10 indicate three different explanations for three different kinds of alliances among religious organizations. Undifferentiated religious organizations share beliefs as well as organizational characteristics, and are likely to form broad alliances (Proposition 8) or even merge. Learning alliances arise among organizations sharing common strategies, structures, or operational features, but lacking shared core beliefs (Proposition 9). Such alliances may affect the delivery of rewards, yet leave the provision of compensators unchanged. Unrelated organizations have neither common beliefs nor strategies. Their mutual interests are at the peripheries of their organizations and involve influencing the broader social and political environment (Proposition 10).

DISCUSSION AND RESEARCH DIRECTIONS

This article is an initial effort to bring theoretical perspectives from strategic management together with those of sociology and economics for an understanding of religions as competitive organizations. Critics may view this as a crass, even irreverent, portrayal of religion. A more constructive view recognizes that all organizations—sacred or secular—require resources. We can gain insights into the organizational features and strategies of religious organizations by recognizing their resource requirements (see Pfeffer and Salancik, 1978).

The theoretical perspective developed in this article is not intended to be a *complete* theory of religion. There are psychological, sociological, and spiritual explanations for religion that go beyond the scope of this study. As Stark (2000) recently argued, religion is not reducible to materialistic explanations. Religion is not merely epiphenomenal. By focusing on the organizational and strategic aspects of religion, we have taken a simplified view that excludes essential aspects of the phenomenon, yet this is the domain where strategic management research can contribute to our understanding.

The first step in any research program is to define the phenomenon of interest and specify the distinctives that justify the topic as a unique and interesting research area. This study highlighted several aspects of religious organizations that set them apart from the business organizations that are typically the focus of strategic management research. Unique products and collective production processes distinguish religious organizations from other organizations. The products of religious organizations—rewards and compensators—draw attention to the need for credible commitment and legitimacy. As such, religious organizations provide a readily available context in which to study the management of intangibles and reputations.

Much of the writing on religion in sociology and economics has portrayed strictness as an explanation for the strength of religious movements (e.g., Finke, 1997c; Iannaccone, 1994). Our discussion highlighted the question: What are the determinants of strictness? We posed this question not from the perspective of evolving group demographics and preferences, as reflected in Montgomery's (1996) study, but out of interest in the factors determining why some organizations are able to place high demands on their members and others are not. Because strictness involves eliciting high levels of commitment and resources, it can be viewed as a form of premium pricing. Although the collective action literature addresses the *desirability* of premium pricing (strictness) in religious organizations, this study draws attention to the overlooked issue of the *feasibility* of such pricing. This perspective coincides with Smith's (1998: 152) critique that previous economics and sociology research may have mistakenly treated strictness as a cause rather than an outcome. Strategic management researchers are likely to be more interested in strictness as an outcome (along with other performance measures) than to share sociologists' and economists' view of strictness as an explanatory variable. Strategies and structures may simultaneously determine strictness and other performance outcomes. If so, strictness–performance correlations may be spurious (Marwell, 1996).

This study also draws attention to the role incumbents play in shaping religious competition. Whereas the 'religious economies' literature has treated government policy as an exogenous determinant of competition, we raised the possibility that religious organizations actively seek to influence government policy in ways that benefit their own organizations. Alliances may play a role in shaping government policy and industry forces in general. We distinguished three different alliance motivations: (1) economies of scale, for undifferentiated organizations, (2) learning, for related organizations, and (3) influencing government policy, for unrelated organizations. Further research could clarify the determinants of involvement in political activities and effective influence on government policy. Research on religious alliances may explain their network patterns and determinants of success. Recent work in network theory has taken a dynamic perspective by examining the formation and evolution of interfirm networks (e.g., Doz, Olk, and Ring, 2000; Gulati, 1999; Kogut, 2000). Religious organizations offer a context in which to develop and test network theory explanations for interorganizational relationships and their implications for performance.

The 10 propositions developed here indicate novel directions for strategic management research on religious organizations. These propositions encompass both organizational and interorganizational determinants of competitive advantages. They reflect underexplored research questions where management researchers can offer fresh insights complementing ongoing work in the social sciences. By mapping out a broad set of strategy issues, this study opens opportunities for future research with deeper, more focused, analyses of particular aspects of religious organizations' strategies. The discussions surrounding the propositions suggest indicators that may serve to convert these propositions into operational hypotheses for empirical testing. The examples provided here illustrate the propositions, but should not be taken as decisive evidence. Large sample research is still needed.

Of particular interest are the ways religious organizations manage the tensions between traditionality and innovation, and strictness and accommodation. Collins and Porras (1997: ch. 4) have characterized visionary organizations as those able to 'preserve the core' while stimulating innovation. This same distinction is critical to understanding the performance implications of innovation in religious organizations. The process of contextualization (see Figure 1) involves reenacting traditional beliefs while sustaining ongoing innovation. Our discussion associated the organizational core with traditional doctrines and values, which stipulate the bases for realizing supernatural compensators. By contrast, creative innovation in strategies, structures, and operating processes for delivering rewards promotes relevance. This same contrast between core beliefs and peripheral organizational features allowed us to characterize different types of alliances (Propositions 8 through 10).

The contrasting roles of traditionality and dynamic capabilities in sustaining competitive advantages deserve greater attention in strategic management research. Once we acknowledge traditionality as a relevant source of competitive advantage

(Salipante and Golden-Biddle, 1995), the complementarity of institutional and resource-based views becomes more apparent. Traditionality appears to play a much greater role in the competitive advantages of religious organizations than is typically granted in the strategic management literature. Intradenominational networks and 'learning alliances' that cut across denominational boundaries can reinforce traditional distinctives while encouraging organizational innovations. Strategic management researchers show a keen interest in the learning implications of interorganizational networks, but where are the studies of how such networks can reinforce traditionality in ways that renew organizations?

Much more could be done to understand the longitudinal process of strategic change within religious organizations. Some key questions for future research are: (1) What environmental and intraorganizational factors cause continuity and change? (2) How do certain actors come to have key roles in promoting or inhibiting strategic change? (3) What motivates the decisions and actions of key actors during organizational change processes? (4) When do organizational changes enhance performance, and when are they detrimental? Addressing these issues can contribute to the broader literature on strategy process, organizational change, and co-evolution.

The research questions raised in this article reveal the need to move beyond cross-sectional research, which has predominated in empirical research on religious organizations. Studying organizational and interorganizational dynamics requires longitudinal designs. Ludwig's (1993) study of responses to decline and Dyck and Starke's (1999) study of congregational splits demonstrate the insights that can be gained by studying change processes within religious organizations. Retrospective case studies can enhance theory and provide valuable teaching materials (see, for example, Eisenhardt, 1989; Yin, 1994). In-depth historical case studies of religious organizations could explore the sources of sustainable competitive advantage proposed here. Process research methods developed to study innovation and organizational change offer another promising approach (see Poole *et al*., 2000). Longitudinal research on the process of strategy formation in religious organizations may inform the nature of strategic leadership, decision making, and intended and emergent strategy components. Archival data maintained by religious organizations themselves may support pooled cross-sectional and time-series analyses relating strategy, structure, and organizational performance. Such data could also be generated by periodically soliciting responses to questionnaires.

This article did not cover the structures of religious organizations, which is another promising topic for strategic management research. To date, the primary contributors to research on structuring religious organizations have been economists and sociologists (e.g., Allen, 1995; Chaves, 1993a), rather than management theorists. Bartunek's (1984) study of shifting interpretive schema and structural change within a Catholic order is a noteworthy exception. Research encompassing both strategy and structure may identify relevant contingencies for determining strategy-supportive structures for religious organizations—particularly structures that facilitate adaptation (i.e., contextualization and renewal).

This study illustrates how theoretical perspectives from the field of strategic management can inform the study of religion. Just as importantly, studies of religious organizations have the potential to provide insights into core issues of business strategy (Demerath and Schmitt, 1998). The experiences of religious organizations can enhance our understanding of the management of intangible assets and reputations. The topics highlighted in the propositions—such as organizational renewal, responding to defectors forming rival organizations, deterring new entrants, and managing alliances—are of vital interest to both religious leaders and business managers.

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