

Strategic Management and Change in High Dependency Environments: The Case of a Philanthropic Organization

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On the basis of a detailed, in-depth study of the operations and strategic decision-making of Centraide, a charitable organization in Greater Montreal, this paper suggests that dependency on the environment can be a stimulus to organizational adaptation. Two major changes over a 10-year period are studied to show that strategic management in high dependency situations requires a continual attention to the organization's relationships and interactions with the forces in its environment, and a continuous management of the process by which change takes place. The basic position advanced is that: strategy in philanthropic organizations is more effective in ensuring survival and growth when the search for autonomy is seen as irrelevant and when dependence is seen as an unavoidable fact that should shape behavior. A set of propositions helps conceptualize the findings and is offered as a guide for further research.

KEY WORDS: nonprofit organizations; strategic management; environment–organization relations; institutional theory of organizations; high dependency; strategic change; Centraide; Canada.

INTRODUCTION

In his groundbreaking work, Thompson (1967, p. 13) proposed that “technologies and environments are major sources of uncertainty for organizations, and that differences in those dimensions will result in differences in organizations.” Ever since that seminal work, contingency theory propositions linking technological and environmental uncertainty to organizational change have been

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tested and generally verified in a variety of settings (Venkatraman and Prescott, 1990). It is accepted today that organizations in order to survive have to design their operations and structures to reduce the effects of environmental uncertainty. This can be done by sealing or buffering the organizational core from outside influences. The art of organizational design and structuring, as the art of managing organizations, is seen as the art of reducing the organization's dependency on its environment (Pfeffer and Salancik, 1978). Organizations that are too dependent on their environment are either appendix organizations without much room for strategic choice, or temporary ones (Hrebiniak and Joyce, 1985; Rhenman, 1973), without much manoeuvring ability.

With rare exceptions (Pascale and Athos, 1981), the call for increasing the organization's power over its environment, or reducing the power of its environment over it, is generalized (Crozier and Friedberg, 1977). Yet, there are situations where organizations are apparently almost totally dependent on their environment without any significant survival difficulties.

In particular, the case of charities or philanthropies is very informative in examining high-dependency environments. Charitable organizations are generally the result of private initiative. They design and provide an apparently easily substitutable service for which there is ample competition. They collect funds from charitable donors to finance community-based projects. The continuity of the relationship to the resource providers, and to the community groups, both of whom could be seen as "customers," is temporary, and hard to stabilize. It requires trust, yet the rarity of the encounter itself and the lack of closeness destroy trust. Surviving in such an environment is a constant challenge. In the late 1990s, such an entrenched philanthropy as United Way of America has seen its image affected by an apparent misappropriation of resources by a top manager, leading to a sharp, if temporary, drop of contributions (and a consequent loss of trust and goodwill) for all the regional United Way chapters throughout the country. Yet these organizations, like churches and universities, are long lasting. How they manage to adapt to change and survive, despite total dependence, is the topic of this paper.

On the basis of a detailed, in-depth study of the operations and strategic decision-making of Centraide, a charitable organization in Greater Montreal, Canada, this paper suggests that dependency on the environment is not a crippling curse, but rather can be a stimulus to adaptation. The example of two major changes over a 10-year period shows that strategic management in high dependency situations requires a continual attention to the organization's relationships and interactions with the forces in its environment, thus making change a permanent feature of management and forcing a continuous management of the process by which change takes place. Where managers neglect the process, and put the emphasis on the content of change, challenges arise that may be fatal to the tenure of the managers involved, and detrimental to the organization's ability to adapt and compete. This is indeed our basic proposition: *Strategy in philanthropic organizations is more effective in ensuring survival and growth when the search for*

autonomy is seen as irrelevant and when dependence is seen as an unavoidable fact that should shape behavior. The paper is divided into four sections. The first deals with theoretical and methodological issues. It proposes a discussion of the relevant strategic management literature and methodological background that guide the research and the argument presented. The second section describes the strategic decision-making process in Centraide, and its character, by examining closely two major change attempts. The first change was undertaken in 1990 and led to a major crisis, while the second was formally started in 1997, with some surprising success. This leads to the third section, a discussion of the processes of strategic management and change in highly dependent organizations. This section structures the findings into propositions offered as a guide for further research. Finally, a few concluding comments are made on strategic management in high dependency situations.

ENVIRONMENT AND ORGANIZATION DEPENDENCY: A THEORETICAL AND METHODOLOGICAL BACKGROUND

Dependence and Organizations

Thompson's (1967) and Lawrence and Lorsch's (1967) powerful conceptualizations of the relationship between organization and environment have generated a considerable volume of research on the topic, and competing claims. Several conceptualizations (Lenz and Engledow, 1986) compete with each other. Whether industrial organization (Caves, 1980), stakeholder (Freeman, 1984), population ecology (Aldrich, 1979; Hannan and Freeman, 1984), or resource dependency (Pfeffer and Salancik, 1978), most of these perspectives have a deterministic position that conceives the organization's behavior as being mostly correlated with the nature of its environment. Despite that, some argue that there is a strategic choice and competitive selection (Hrebiniak and Joyce, 1985).

Although ubiquitous, dependency is frequently seen as an organizational problem and weakness (Mintzberg, 1979; Pfeffer and Salancik, 1978; Thompson, 1967). The normative stance is that: If an organization is too dependent on its environment, it may be close to death or severely weakened. Dependency, for example, is in Thompson's words hated by organizations subject to norms of rationality, and is to be avoided. The delicate relationship with the broader environment is often overlooked to emphasize the more definite statements of fit between key organizational characteristics (strategy and structure) and the task environment (Miller, 1981).

In contrast, institutional theorists (Scott, 2001) recognize the inevitable dependency of most organizations on their environment and suggest that this is not a curse. Instead of competing for resources on an open market, organizations rather seek to increase legitimacy and support among the main actors upon whom

they are dependent. In doing so, isomorphism takes place (DiMaggio and Powell, 1983), and can be seen as a strategy to deal with such a dependency. Isomorphism, as a response to dependence on powerful outside influences, is so widespread that DiMaggio and Powell (1983) stated forcefully that organizations are more alike than different. Isomorphism is driven by three strong processes: a coercive process that requires submission to rules, regulations, and laws dictated by powerful actors in the environment; a normative process driven by professional and social norms and values; and a mimetic process fuelled by high uncertainty (DiMaggio and Powell, 1983). So, the argument goes, not only do organizations recognize dependency, but express submission to powerful outside actors through isomorphism. Submission does not exclude strategic choice. It may even be the best route to increase strategic choice. In a study of Islamic banks, Siagh (2001) has shown how these apparently crippled banks have secured an incredible control over their institutional environment, and wide strategic choice.⁴ In general, structural embeddedness theory (Granovetter, 1985; Gulati *et al.*, 2000) suggests that firms are increasingly embedded in vast and deliberately built networks of social and economic ties which may serve as unique conduit for resources, information, referrals, and influence (Burt, 1980).

In the case of a philanthropic organization though, there is increasing evidence that to secure needed resources, isomorphic behavior may run deep and wide, and sometimes sacrifice strategic direction for survival (Benouniche, 2001). Therefore, the study of a philanthropic organization may reveal interesting patterns in strategic behavior under high dependency and in their underlying structural embeddedness characteristics.

By studying two major change situations in Centraide, we intend to describe and specify these patterns. In particular, we intend to show that strategic management in situations of high dependency succeeds and ensures survival when not only the attraction to autonomy is resisted and dependency is accepted, leading to broad structural and strategic isomorphism, but when its implications shape every aspect of the organization's decision-making process (Simon, 1997) and relationships with key stakeholders (Granovetter, 1985). In particular, we expect the effects of such choices to be reflected in values, norms, governance modes, strategic orientation, structure, leadership styles, and such aspects as the relationships with donors, beneficiaries, and opinion leaders.

Data and Methods for a Study of Responses to Dependency

This research builds on the idea that reality is socially constructed, and referring to Mir and Watson (2000), we see the researcher as a sculptor trying to shape

⁴Islamic banks have to deal with double governance: a traditional, but tightly regulated, shareholder-dominated governance, but also an ethical governance, dominated by religious authorities. Both systems intervene for both strategic and operational decisions.

meaning through the available data. In the case of philanthropies, we are taking a historical approach looking for the ingredients that lead to institutionalized behavior (Selznick, 1992), with taken-for-granted norms and values, which facilitates legitimacy and survival. For example, Leblebici *et al.* (1991), have shown how a historical institutional study could explain the evolution of the US radio-broadcasting industry; Dacin (1997) has studied the evolution of the population of Finnish newspapers in the 19th century to explain the effect of nationalism on the creation of Finnish-language newspapers; Holm (1995) described the slow transformation of the Norwegian fisheries from the 1920s to the 1990s, by looking at the special role played by the Mandated sales organizations (MSOs), a most powerful institution in the history of Norwegian fisheries; and Hoffman (1999) studied environment-related federal legal cases, faced by the US chemical industry, from 1962 to 1993, to show how competing values and norms may simultaneously exist and come to bear on corporate behavior.

We conducted a long-term historical study of strategic management in Centraide, a community philanthropic organization serving the Greater Montreal area. More specifically, we focused on the study of two major change attempts in the organization. The study was conducted during the period 1997–2001.

It is however impossible to understand the behavior of the philanthropic organization, Centraide, without examining it in a broader system context that includes both donors and beneficiaries, which brings to the table a large number of actors and organizations, a whole organizational field (Scott, 2001). The study included, therefore, interviews with key opinion leaders, the executive group of Centraide, its board and its employees, and with a cross-section of leaders of the community-based organizations that are part of the Centraide system. It also involved a broad review of internal documents and of the history of the organization. The interview guide (essentially an ethnographic interview; Agar, 1986) was used as a broad framework. Following Glaser and Strauss' procedure (1967), we stopped asking those questions that had exhausted their purpose, and moved to those that had not been addressed completely.⁵ With that, we believe that we had a clear portrait of the change efforts, as described below.

The informants included 48 opinion leaders, representing all aspects of Greater Montreal's civil society and government. In addition, 35 of the professionals of Centraide were interviewed, most of them in groups of 5–10, and 10 of them individually. Also, all the top and middle managers of the organization, including the president and her 6 direct reports, and the 10 third-level managers were interviewed individually. Finally, 13 community organizations were included in the study, in which at least two persons, generally the general managers and a key volunteer or staff person, were interviewed. It is important to note that the researchers also participated in numerous internal meetings, meetings involving Centraide's volunteer governance system, and meetings with outside partners.

⁵The interview guide is available upon request.

Table I. Research Informants

Type	Number of people interviewed and format	Details about interviewees
Board	11 individual interviews ^a	Three corporate executives, one major donor, one city official, one union official, three experienced volunteers, one church pastor, Centraide President
Opinion leaders	48 individual interviews ^a	4 political leaders, 5 union leaders, 17 community leaders, 12 corporate executives, 10 intellectuals and thinkers
Top management	5 individual interviews ^a	President and direct reports
Middle management	6 individual interviews	Second-level managers
Professionals	35 of which 15 were individual interviews and 4 group interviews	7 working on allocations, 19 working on campaign, 9 others
Community organizations	67 individual interviews	13 top managers, 34 volunteers, 7 board members, 13 staff

^aBoard members were all considered opinion leaders and are thus included in that category too. The President is also included in the top management.

Table I summarizes the sample of informants questioned, and the format used. To this, we had to add our attendance at five board meetings, six meetings of the Allocation board (in charge of allocating resources to the community organizations), two staff meetings of Centraide (with every employee attending), two annual general assemblies of Centraide, the general assemblies of five community organizations, several meetings involving Centraide and partner organizations (community organizations, government agencies, charitable foundations, other United Ways, etc.), and several social events organized by Centraide or the community organizations.

The broad findings have been summarized in many different ways in other documents (Atangana-Abé, 2003; Benouniche, 2001; Youssofzai, 2003). In this paper, we focus on the relationship between the environment and strategic organizational/behavioral changes which occurred in Centraide in the 1986–2001 period, and in so doing—to restate our initial proposition—we intend to show that: *Strategy in philanthropic organizations is more effective in ensuring survival and growth when the search for autonomy is seen as irrelevant and when dependence is seen as an unavoidable fact that should shape behavior.*

TALES OF TWO CHANGE ATTEMPTS

To dynamically study the relationship between the environment and strategic behavior, we specifically focus on the two most important change attempts that

Table II. Broad Characteristics of the Change Attempts

	Autonomy-Driven change	Socially-Driven change
Competitive environment	Weak pressures	Highly active, strong pressures
Donors	Little involvement, charity as a philosophy	Interested and philanthropy is part of corporate strategy
Beneficiaries	Little practical involvement	Active and heavily involved
Opinion leaders	Dominant ideological orientation	Much interest and structured contribution
Strategic orientation	Focus on content of strategy, deciding mostly what to do	Focus on strategy making and decision-making processes, the "how" dominates
Values/Norms	Highly focused, exclusive	General, inclusive, leaving space for negotiation
Structure	Centralized, critical role of president	Centralized and decentralized, wide participation
Governance	Unclear, autocratic, dominated by president	Transparent, representation of key stakeholders and employees
Leadership	Strong, charismatic, intellectual, dominating	Present, unassuming, practical, transformational

have taken place in Centraide over the last 10–15 years. One of the attempts, is here labelled “Autonomy-Driven change” (AD), essentially dominated by top-management ideas, with little attention given to the capabilities of the broader system (individuals, groups, and organizations), or its willingness to adjust. This change attempt basically failed to carry the organization forward. The second attempt, labelled “Socially-Driven change” (SD), proceeded very cautiously, involving key people both inside and outside the organization, and, although it is too early to call in a definite way, the present consensus among managers and the research team involved in this work is that it has succeeded in transforming profoundly the whole system. Table II highlights the key issues that structure the AD and SD descriptions.

Centraide: The Early Days

In 1960s and earlier, religious-based charities were dominant in Montreal. Donors, especially large individual and corporate donors were under pressure to contribute to each of the charity funds. The number of solicitations was increasing fast, and donors, especially large ones, were complaining about the disorganized solicitation process and calling for a unification of the charity campaigns. In 1970, the five largest charities in Montreal,⁶ decided to merge their fund-raising

⁶The United Red Feather (1921), The Federation of Catholic Community Services (1932), the Federation of French-Canadian Charities (1933), the Combined Health Association, and The South Shore Welfare Federation Council (1965), which were later joined by the Allied Jewish Community Services (AJCS) of Montreal and the Canadian Red Cross Society.



activities into the Greater Montreal Federations Campaign (GMFC) organization. The campaign funds were to be shared on the basis of the relative individual campaign results, prior to the merger. In 1974, the allied federations (except the Red Cross and the ACJS) decided to transfer to the GMFC their planning, budgeting, and fund-distribution activities. In 1975, GMFC was replaced by Centraide, which was to be modeled on other United Way organizations in North America, and in particular, distribute funds on the basis of social priorities rather than religious affiliation. The early years were difficult, but Centraide became eventually the main private philanthropy in the Greater Montreal.

Centraide was a “special animal,” as a joint venture of organizations that spread across different religious (Christian catholic, protestant, and orthodox, and Jewish), and linguistic (especially French and English) groups. These groups had a history of mistrust and sometimes difficult relationships. Language was the important divide. Traditionally, Anglophone and Francophone Montrealers did not see eye-to-eye. They competed for resources and power in all forums.

To survive, the new organization had to satisfy every group:

There was first the fundraising, which had to be done in accordance with everyone’s best wishes. Then there was the allocation of resources to the various community organizations, which had to be seen as equitable. Also, there was the relationship with the various communities and community-based organizations, which had to be close and considerate. Finally, there was the governance system and management of the newly created organization, which had to leave enough influence and power to the various groups. (Interview with manager)

In addition to these contextual factors, Centraide was also to be an efficient vehicle for raising funds and distributing them to the needy. This meant that the organization would have to be both modest in size, as far as permanent staff was concerned, and large and complex when volunteer work is taken into account. The early years, until late in the 1970s, were essentially devoted to reproducing the fund-raising practices of the previous charities and working to redistribute them according to the priorities of these charities. The mission statement of 1966 and 1974 captured the essence of the organization: *Raising Funds* (1966); *Raising Funds and Allocating Them According to Priorities* (1974).

In 1976, the pull toward the community-based work was reaffirmed. “We felt more comfortable being closer to the needy than to the wealthy donors,” stated one of the managers interviewed. The organization was looking for a new legitimacy and for a definition that clearly delineates its emphasis on poverty reduction and social transformation. According to the then Director of Fund Allocations, this priority is affirmed in the statement that “Centraide should become the crossroads of dynamic and committed communities,” and that the allocation of resources should emphasize “supporting human communities, agencies and organizations, which are based on voluntary work, commitment, and participation, to face their own problems and work toward resolving them and improving their standard of

life.” In 1980, this was made official policy in an elaborate mission statement.⁷ The statement defined Centraide’s activities as a balance between fund raising and the promotion of community work. It confirmed the strengthening of the organization, which was then able to gather increasing amounts of money every year (\$9.8 million in 1977, and \$13.3 million in 1982), to finance a large number of community organizations (92 in 1977, and 156 in 1982), and to mobilize a large number of volunteers (40,000 in 1982).

Idealistic Autonomy-Driven Change

A Monopoly Position

Until the 1980s, Centraide enjoyed an extensive and growing support, even though the traditional provincial government involvement had led most of the local population to believe that societal problems were to be dealt with by government. Rather foreign to local French traditions, charities were a North American Anglo-Saxon tradition. However, Centraide was generally welcomed as a useful social innovation. Because of that, it enjoyed a monopoly on most of the direct contributions of individuals. Governments and firms alike granted them many privileges, including the possibility of direct deductions from pay for willing contributors. Even unions called upon their members to contribute to Centraide.

Most donors were neither interested nor able to actively participate to the exercise of helping community organizations, except by giving money. They were happy to have Centraide take care of the multiple practical issues of identifying needs and facing the challenge of funding them on equitable and efficient bases. Beneficiaries were also satisfied not to deal with donors. An opinion leader went further:

Because of the French cultural traditions and the resentment of the Anglo domination since the creation of the Confederation, the face-to-face relationship was at the time seen as hard to deal with. Many saw poverty as a French problem, and a disgrace that cannot be dealt with in the open. (Interview with opinion leader)

The Community Work Pull

The managers of Centraide derive their motivation from the proximity to the community organizations. Both permanent employees and volunteers do not

⁷“Centraide is a community-based organization whose purpose is to respond, through all the organizations that it supports, to important social problems, and to promote, stimulate and strengthen, in the Greater Montreal area, the participation of the community as another way to respond to these problems. Centraide proposes a concrete response to this social project by inviting, every year, each citizen to contribute financially to a great campaign of public contributions, and by financing organizations and projects, based on participation and volunteer work, to respond in the most appropriate way to the pressing problems of our society.”

typically identify with the donors. Rather, they are attracted to the poignant fate of the poor and the needy. Since donors did not seem to want to be involved, Centraide's management and professionals saw themselves as the only ones qualified and legitimate to deal with community problems.

In the late 1980s, Centraide created a social research department, hired researchers, commissioned more research into social trends, and published a landmark report in 1989. Numerous initiatives were taken to get closer to the community-based organizations funded by Centraide. In particular, an annual conference was organized, an internal journal was distributed to Centraide network members, and Centraide became a militant social activist in the region, organizing thematic meetings, gathering support for various social services and programs, and joining forces with other militant groups to push for a socially responsible government and economic environment.

Structurally, key decisions were centralized in the hands of a powerful and intellectually articulate president, who shaped strategy by making all substantive decisions with the help of a devoted staff. The agenda changed from generalized philanthropy to the promotion of social change. The 1985 mission statement sums up the new nature of the organization: *"Promoting, in the social domain, mutual support, sharing and community and volunteer commitment."*

Nowhere is fund raising mentioned, which highlights the organization's developing character. During the period, however, Centraide raised more money, engaged more volunteers, and became popular among citizens of the region. Research on notoriety and name recognition showed that at the end of the decade Centraide was spontaneously mentioned by over 50% of the population, a jump of 20% points from the beginning of the decade.

The 1990–1991 Crisis

All throughout the 1980 period, the President of Centraide, a forceful intellectual mind, believed in community and mutual support, and promoted his mission to make Centraide the best instrument for the development of a gentle, caring, and compassionate community in the Greater Montreal area. But to achieve anything in Centraide, he had to contend with a slow and aggravating decision-making process, in which volunteers and permanent staff debated endlessly. With time, the slow process conflicted with the need to push for social change. The president and his staff, and the whole organization grew impatient with the need to consult. In the words of a former executive, they felt that they "knew better than anybody else what needed to be done," and had the support of many opinion leaders. The organization started rushing its decisions and imposing them onto the delicate volunteer-based governance system of the organization, alienating in particular, the volunteers themselves and the community-based organizations. Donor representatives, present in the Board of directors, echoed other stakeholders and started

complaining that they were left out of the picture at Centraide. Its own directors therefore, increasingly saw Centraide as an insensitive organization, dominated by social analyses and by theoreticians. The board of directors wanted and demanded more say in what was being decided.

The president's few strategic options to regain control of the system involved either changing the governance system or the people who were involved in it. His attempts to do either were resisted and the issue polarized the governance system to the point of confrontation. Scared by the situation, the board voted for the president's dismissal. In their meetings, board members indicated clearly their desire for the Chief Executive to balance the competing forces of fund raising and community work, emphasizing Centraide's simple but important fund raising and allocating roles. The whole organization was shaken to its foundations, as managers and professionals saw their vision rejected.

Pragmatic, Socially-Driven Change

Competitive Pressures and Morale Problems

From the early days to the time of the confrontation, the environment had changed significantly. In particular, there were now many organizations competing for philanthropic money. Most of these firms were specialized, mostly in health or education and also in direct support of the most visible needs such as food and shelter. Also, corporate donors were now using their donations for both marketing and internal management purposes, and were looking for ways to make their donations more visible to the public and to their employees. And, the independent fund raising successes of some community organizations tempted many "to strike it on their own." Also, Centraide was seen as a demanding source of funds, and as stated by an opinion leader "this may have forced some community organizations to emphasize Centraide's procedures and away from their own purpose. The pressures were coming from all sides, weakening the appeal of Centraide and questioning its central role in the community."

Internally, the organization was disoriented and the most active members could not believe what had happened. Disheartened employees had to contend with significant changes in focus and values. The new president, a woman engineer, with prior experience in public relations and politics, but who had never been involved in managing philanthropy, was chosen "to bring a no-nonsense perspective to the business of Centraide" (statement of a former board member). It was another shock for everyone involved. An influential employee recalls that: "She had no qualifications for the job and we all believed that she would soon crash down."

Instead of dealing with the internal situation, she decided to focus on the external world, giving more visibility to Centraide and cajoling donors into giving more. Campaigns became the most important business of Centraide, and were

managed so that corporations and important citizens of the Greater Montreal would be visibly involved. Centraide values were expressed as being inclusive of all community-based activities, slowly consolidating the organization's position as the leading, but not the exclusive conduit for expressions of solidarity with the weakest members of the Montreal community.

The emphasis on external stakeholders, especially donors, fundamentally changed also the power relationships within the organization. The campaign team grew in importance and presence, while the team in charge of social development and fund allocation to the beneficiaries dwindled and was confined to generally managing bureaucratic procedures. Campaign expenses were now twice those devoted to community analyses and fund allocation, but at 12% of the total money collected represented a reasonable figure, the lowest among similar organizations. Campaign professionals were highly enthusiastic about Centraide, because they shared in the visibility and, in their job, were to work closely with Montreal's and Quebec's key decision makers.⁸ In contrast, the allocation professionals and those interacting with the community organizations were depressed and frustrated to be kept away from playing a more active role in helping community-based organizations achieve their poverty-related objectives.

The new president's management style was generally participative. Low key and unassuming, she was seen at first as weak and unable to lead. Slowly, these same drawbacks in her personality became the strengths of the organization as a whole. Being modest and non-threatening, Centraide also became more effective in getting corporation's support and community organization's cooperation. Indeed, the organization's flurry of activity toward donors increased the prestige and respect that Centraide enjoyed throughout the community and among all decision-makers. Interestingly, this in turn increased the president's influence inside. To make the management change clearer, we describe the evolution of three key activities: fund raising campaign; consensus building; and relationships with community organizations.

The Campaign

The annual campaign was already a major public relations drive. It became more so, involving a large number of volunteers (about 20,000), and positioning Centraide as a major player in the philanthropy business. The number of corporate executives, professionals, union officials, opinion leaders, and common citizens involved in the campaign increased steadily as did the amounts of money collected. The campaign was also positioned as the annual occasion for the community's expression of concern for those in need, and a concrete moment of inter-group solidarity. During the 2-months campaign, specific contributions,

⁸The provincial government controlled the flow of funds and Quebec City is the political capital of the Province.

community work, and in general all philanthropies gain added visibility in the communication media.

The new president expressed early in her tenure three basic principles: (1) to involve as many stakeholders in the decision-making process as possible, (2) to build bridges among people, and (3) to keep a low profile and appear modest in the process. Over time, in dealing with sensitive issues, Centraide developed an important ability to involve very different people and interests. In particular, the Campaign process was revealing. The Campaign was formally under the control of a cabinet, a group of high-level executives from prominent firms, or public institutions of Greater Montreal. These executives were also key decision-makers for corporate donations.

In building the Cabinet, first there was an appointment, at the end of a yearly campaign, of the following year's campaign chairperson, generally a well-known business personality. The chairperson would in turn, with Centraide's guidance and help, do the hiring of most of the other Cabinet members. The campaign would then become the Cabinet's responsibility. Centraide professionals provided the support and recording staff. They organized all the Cabinet meetings and ensured that each Cabinet member kept focused on his/her specific goals. Personal pride, ambition, and the unusually high need for achievement of most executives in the Cabinet led to a healthy level of interpersonal rivalry in achieving Centraide's set targets. From 1991 to 2001, Centraide never faced any difficulty finding a campaign chairperson, and the campaign gross revenues kept growing, reaching \$38 million by the fall of 2001.

Dialogue Tables

In the nonprofit social organization world, there are many different interested actors, each with a different agenda and an eagerness to succeed. Competing ideas and programs lead them to confront each other in a mostly chaotic manner. Government agencies, which provide a large part of the funding to community organizations, are particularly heavy-handed in this process. They pursue bureaucratic aims, which sometimes may be at odds with each other, and rarely attempt any coordination. Centraide, on the other hand, moved to position itself as a facilitator in providing a helping hand to weaker members of the community, and in a general pragmatic way tried to resolve problems as they emerged. It found itself frequently in the position of "building bridges" between everyone involved.⁹ Centraide became "the only table where everybody is willing to sit,"¹⁰ a goal considered achieved at the end of the 1990s. Sometimes groups in conflicts have put the principles to test. For example, the rights of convict groups were often

⁹Being a civil engineer, the President had early on used the metaphor to emphasize Centraide's role as a facilitator.

¹⁰This expression was used by many of the opinion leaders interviewed.

at odds with police union concerns. Centraide in such a case was threatened on both sides, with the police accusing it of giving money to people who would then use funds to combat justice, while the rights activists accused it of selling off to the more powerful. On many of these conflicts, Centraide has worked at bringing the protagonists to the table, and looked for a solution with them. This may have led sometimes to abandoning the viewpoints of one or the other of the competing concerns, but without the usual acrimony that comes with these conflicts. Often, the losing party ended up understanding the situation and accepting the judgment that came out of the debate.

The results of a broad interview schedule, conducted by the researchers, with key opinion leaders including all the segments of the community, indicated that Centraide was widely seen as a “fair table,” and a necessary mediator among the multiple interests represented in the community. Everyone, including key national figures, appreciated its low-key, “low-impact” interventions, and marvelled at the results. According to a prominent politician, “It is a remarkable situation where the weakest gets everyone to do what they would not do otherwise.”

Supporting Community Organizations

There is a fine line between helping and imposing one’s own views on community organizations. As mentioned earlier, government agencies in particular, provide significant amounts of money, but come with a clear agenda from government, frequently forcing cash-trapped organizations to do what they were not set up to do, and neglect their own objectives. The dominant philosophy at Centraide, however, was that “the community organization’s objectives are the community’s objectives” and the best that they can do was to help these organizations achieve them.

Yet, helping is often associated with imposing rules and procedures, and monitoring goal achievement, which may have counter-intuitive, counter-productive, and unintended consequences. Indeed, research studies of several community organizations suggest that institutional theory predictions are often confirmed; that is, community organizations tend to deviate from their goals in trying to satisfy donors’ requirements (Benouniche, 2001). To reduce Centraide’s burden on community organizations was to reduce the amount of paperwork required and to train professionals dealing with them not to interfere willingly or unwillingly with their operations. However, even that goal was hard to achieve. Centraide being dependent on its professionals’ willingness to cooperate, was clear that persuasion was a key mechanism to achieving change. With the president showing the way, the dedication achieved among professionals was considerable, probably because social norms prevented resistance to what appeared to be the community’s good.

Centraide, in its philanthropic role, also felt dependent on its community organizations and its donors. Its credibility was related to its approval from these

community organizations. Furthermore, the donors looked for real impact on poverty and social distress. The only way to satisfy them was to work hand in hand with the community organizations. As Centraide changed its traditional behavior, the level of cooperation of these organizations grew steadily and increased its ability to show impact to donors, and claim legitimacy. In the last few years, many of these organizations participated actively in the annual campaign, organizing visits for donors and describing to large groups of individual and corporate donors their contribution to the relief of social ills.

The Situation in 2001

In early 2001, Centraide's success was clear. The support of business, government, academia, community leaders, and its own professionals, was very high. Even the objectives set 10 years previously by the former president were being taken up, with everyone's support. In particular, Centraide was now succeeding in attracting prominent donors to become involved in the process of understanding and solving the community problems, changing thus considerably the relationships among the system's components (donors, community organizations, and Centraide). An opinion leader argued that "very few organizations enjoyed such a degree of influence over their stakeholders," and this was done quite softly, leaving everyone in control of their own decisions about whether or not to support a particular community organization.

We now turn to a discussion and conceptualization of these observations.

DISCUSSION

It is generally argued that the more dependent the organization is, the more its action outcome is predetermined. In this work, we have taken issue with such a view. We argue that dependency is not only inevitable, it is necessary for survival as it increases the organization's sensitivity to the environment and its ability to adapt to it. The specific history of the evolution of Centraide examined in this paper shows how a strategy, recognizing and taking into account the organization's dependency, can lead to some surprising levels of control over the environment. We draw upon the institutional theory of organization to offer an interpretation of our findings.

The institutional theory of organization studies the effect of institutions and institutionalization on the behavior of organizations (Powell and DiMaggio, 1991; Selznick, 1957). The early version of the theory was Selznick's description of institutionalization as a value-based process within organizations that leads to predictable behavior of their members. He then suggested that given the power of institutionalization, it should be leadership's main concern, and contribution. More

recent work shifts the focus to the effect of broader, externally borne institutions on the behavior of organizations. This has been stimulated by Meyer and Rowan's (1977) proposition that organizations conform to institutionalized environment-borne rules to improve their ability to survive, and by DiMaggio and Powell's (1983) assertion that the institutional setting generates isomorphism on the part of organizations.

The literature reveals that the power of institutions is such that structural forms, and managerial behavior can be predicted, when the institutional situation is understood (Fligstein, 1987; Meyer, 1977; Scott, 2001). In the early institutional research stream, the issues that dominate research cover such areas as influences, values, moral frames, and ways through which interest groups divert the formal mission of an organization. The more recent research currents are more concerned about legitimacy, taken-for-granted norms, routines, and cognitive, normative, and regulative dimensions of institutions (Scott, 2001). New institutional theorists have recently argued that the apparent anti-change bias of institutional theory should be turned upside-down. Institutional theories are actually a powerful way to understand the sources of resistance to change in an organization, and thus comprehending institutional impediments to change, and is a good basis for preparing and acting to effect change (Dacin *et al.*, 2002; Scott, 2001).

Nonprofit organizations can be conceptualized as being often a deliberate attempt to frame and fit the organization within an institutional context to resolve a specific social-political conundrum. Given the close relationships that a nonprofit organization entertains with its environment, the previous findings should provide the basis for describing and explaining their behavior. Indeed, we argue that nonprofit organizations are dominated by values and norms that define their environment and are reflected in the way they function. However, in return, these organizations also influence these values and norms, which should be reflected in how environmental actors contribute to these organizations' governance or operations. Given the complexity of the activities involved, we would even expect that different parts of a nonprofit organization be influenced differently by their institutional setting (Farashahi, 2003; Freeman, 1984).

In the following section we highlight three important situations to discuss further what, to Centraide, dependence was and examine why it was possible for them to achieve more and in general do better when they accepted their dependence on others and acted accordingly. We argue that in such contexts a dependence-based management philosophy is more effective than the search for independence.

From Extremes to Balance

Before 1991, the President of Centraide emphasized the social contribution aspect of Centraide's mission, and acted on the assumption that this was sufficient

to allow him to move without clear approval from other key stakeholders. Thus, he operated on the premise that Centraide managers were the sole competent, legitimate, and responsible entities in judging what was appropriate for the community. They developed the substance of Centraide's new strategy, and imposed implementation decisions on everyone (donors and community organizations) concerned. The president and his top management group overrated the degree of control of the organization on its environment and the legitimacy of their decisions. In the process, they also underrated the various stakeholders' ability to disagree and react (Freeman, 1984). Building on past patterns, they assumed that competition was to remain insignificant and stakeholders too dispersed and unable to articulate an alternative to Centraide's social strategy. Instead, new community organizations emerged to offer alternatives, and stakeholders were able to rally against the president, question the legitimacy of his decisions, and ultimately push him out. Therefore, we could say that: *A philanthropic organization's legitimacy is continually challenged by its key stakeholders. Its ability to get them involved and satisfied is a determinant of its success and survival.*

In 1991, the new president was insecure on many counts. First, she did not know much about community work, or about philanthropy. Second, she was not a professional manager. Finally, she knew very well that most of the various groups could bring her down, if they chose to do so. She was intensely sensitive to Centraide's total dependence on everyone's willingness to help.

The president moved first to get approval from the board of directors. This meant emphasizing the board's expressed concerns that the organization was moving away from one of its primary goals: fund raising. To gain acceptance, Centraide needed to give the campaign back to donors' representatives. The cabinet of the campaign, the leading group in the campaign (not a single individual), was chosen so that key business and public sector decision makers would dominate. The organization of the campaign was such that every one of the cabinet members was to be aware of what the others were doing and occasionally had to present their own programs to the others. This generated competition among cabinet members, but also instilled, in their decision-making behavior, the important premise that Centraide's ability to help the poor and destitute was entirely dependent on their performance. All the decisions that they could make were inevitably in the direction of the campaign success. So, in practice, Centraide did not need to worry much about a critical objective, the campaign result, as it became the cabinet's main concern.

Centraide and its president were also aware that unless community organizations in the network were satisfied, they would go their own way to fund raising, and raise doubts among donors about its legitimacy to speak for them. First, it was obvious that these organizations were quite fragile, and needed regular support. Second, it was clear that if they were constantly on the lookout for money, they would neglect their social objectives. Centraide decided to commit to basic

recurrent funding and ensure survival of its network, even if that also meant losing flexibility and some ability to influence. Indeed, the community organizations became the focus of much attention, and Centraide increasingly associated them to its decision-making process. We can thus conclude that: *Where a philanthropic organization involves key stakeholders representatives in its decision-making process, and their interests are taken into account, their commitment to the organization's goals and survival increases.* Also taking into account the history of Centraide, we can say that: *Balance among the needs of donors and those of beneficiaries is a basic norm in the philanthropic system, which when transgressed can lead to confrontation among stakeholders, crises, and to a drift away from the system's purposes.*

Reciprocal Institutional Theory at Work

Clearly, the behavior of Centraide was dominated by the President's experience and values, including a sense of vulnerability or the lack of it. The preferences of key stakeholders were neither clear nor naturally imbedded in specific institutional rules or norms. They were not even clearly expressed by these stakeholders. Centraide actually had to work at creating the institutions that would both facilitate the clarification of norms and possibly shape them. The structure and operations of Centraide, in particular the Board, the cabinet and their operations, as well as the various "dialogue tables," constituted the organizational framework within which Centraide's behavior was defined, and controlled. Participation was not only a principle; it became a key feature of the organizational design and arrangements. We believe this to be generalizable: *The organizational design and structural arrangements of a philanthropic organization reflect the various forces that come to bear on the successful accomplishment of its goals.*

The important feature of such a framework is that it was both designed and directly "managed" by Centraide. It is tempting for a President to feel all-powerful and start actually managing "alone" the organization's strategic behavior. That is what happened prior to 1991. Even if managers' influence on the broad structural arrangements is important, it is accepted only if it is perceived to be legitimate. Thus, in taking into account the various stakeholders' perspectives, it strives to be seen as balancing their influences properly.

When successful, Centraide defines the parameters of its own actions, but makes sure that they are understood by key stakeholders and that their opinions and reservations are dealt with explicitly. In a sense, institutional theory works in reverse here. It is the focal organization that shapes the institutions, in particular, values and norms, and manages them (Barley and Tolbert, 1997; Giddens, 1987; Jepperson, 1991). Centraide's recent experience may be proposing that extreme dependence suggests that a dependent organization is in the business of understanding better the forces that have a bearing on its actions, and

designing its operational and structural framework to fit right into these forces, to be part of them, and then have the legitimacy to guide their decisions as far as they apply to it. We can thus say that: *A philanthropic organization is dominated by the norms and values of its environment's key actors, but in turn, given its central role in the decision-making process, it has an important effect on how these norms and values are understood and how, over time, they are modified.*

The forces that come to bear on Centraide are also unequal and imbalanced. The donors, for example, are clearly very visible and also very active. But to balance the influences, Centraide needed also to bring to the table the groups and individuals being helped, and listen to them. In so doing, the managers shaped the premises of the decision-making process of everyone in the system, and had a greater bearing on the resulting decisions (Simon, 1997). Where Centraide neglected the donors, as was the case in the early 1990s, it lost its ability to act. When it went so far as to neglect the organizations being helped, as was the case occasionally, but more specifically in the late 1990s, it lost, though temporarily, the meaning of its own actions and as a consequence its legitimacy (Atangana-Abé, 2003). This has led many community organizations and corporate donors to by-pass Centraide to deal directly with each other, and in the process create another sort of imbalance and injustice, by leading to the neglect of many less visible causes.

In this case, managing the institutional framework is a “soft management” issue, and a socially driven process. It is an attempt to “mimic” and anticipate the feelings of key stakeholders (DiMaggio and Powell, 1983) enough to acquire the right to act on their behalf, and organize their interventions and interactions into the business of Centraide. This is possible because the norms and values that come to bear on a philanthropic organization's decisions are general enough to provide ample room for negotiation and reconciliation among competing claims. Thus: *Where norms and values are general, the power of the philanthropic organization is positively related to its ability to influence and reconcile, and negatively related to its attempts to decide alone.* Managing the institutional framework requires that this ability to act is constantly checked and adjusted. If Centraide is seen to manage away from the desires of stakeholders, as in an autonomy-driven management process, resistance builds up and support is quickly lost.

Managing the System

Centraide's management has “internalized” the organization's environment by structuring its governance system, so that all key stakeholders participate directly in the making of decisions. But in Simon's words (1983, 1997), they have kept important control over the setting of premises. The control of premises may be seen as legitimate because of the need to maintain balance among all the

claims. Where it is seen to be abused, it again loses legitimacy and leads to strong rejection by most stakeholders, as was the case in the 1990–1991 crisis.

The acute awareness and sensitivity to Centraide's total vulnerability and dependence on others, led top managers to "enact" an environment so demanding that the only way to respond to its demands was to design the organization so that the environment is brought inside, and dominates all governance mechanisms. For example, in recent years, many corporate donors have been tempted to "go direct" or demand that their donations be "targeted" to meet a specific need or be given privileged access to a specific community organization. To respond to the trend since 2003, Centraide has been in the process of redesigning itself completely so as to make more visible the community organizations and the causes financed. It is also emphasizing its relationship with these organizations to be able to conduct "impact measurement" and "project financing." The latter can be offered also as a partial alternative to the traditional methods of financing community organizations. It will help bring many of the latter together to increase territorial identification and address important issues that are beyond smaller organization's capabilities. Project financing is also attractive to corporate and employee group donors who want to assess the impact of their contributions, and identify with specific needs. As a consequence: *The governance and management systems of a successful philanthropic organization reflect the nature and the state of the environmental forces that come to bear on its decisions.*

We propose that it is because this sense of vulnerability permeates all the organization's activities that Centraide's managers have in the more recent period been able to keep their vigilant watch over their key stakeholders' need changes. These findings can be used as a basis for a large sample research into not only philanthropic organizations but also other organizations in high-dependency environments, such as schools and universities.

CONCLUDING COMMENTS

This paper's contribution is not only about the relationship with stakeholders, but with the strategic choices that may arise when there is total dependence on these stakeholders. Such a level of dependence is not common, but when it happens as illustrated by the Centraide case, the strategic choices that are the most successful are not obvious (Freeman, 1984).

The search for autonomy is an important tenet of strategic decision-making. Organization and strategic management theorists (Pfeffer and Salancik, 1978) generally recommend gaining power over the environment to balance dependence. Fit then is mostly seen as a balance of power (Miller, 1981). Given their almost total dependence on donors, community organizations, volunteers, opinion leaders, and most other stakeholders, nonprofit organizations, especially those that have a bridging role like Centraide would appear completely unable to function.

The history of Centraide shows that the environment should not be seen as completely distinct from the organization. It can be “internalized.” In such situations, the acute sense of vulnerability of management and leadership may lead to the building of an institutional setting in which the organization plays a leading role. This role is however constantly put to test. Any attempt to overlook the contributions of key stakeholders is perilous.

The relationship to stakeholders has been discussed by such scholars as Freeman (1984), but little empirical research has been provided for total dependence, and in particular in nonprofit organizations’ settings. The subtle interactions with stakeholders may be mistakenly seen as obvious. We have shown that knowing that there are important stakeholders does not necessarily lead to a dependence-based strategy and the development of innovative mechanisms to enlist stakeholders’ support. The choice that leads to a deeper understanding of what dependence means and the design of organization and policies to make it a strength, is an unusual choice. The contribution of this research is to suggest that, in some circumstances at least, such a choice is the most successful one.

There is no question that for organizations such as Centraide, there is dependence and it is considerable. But they have discovered ways to make it a strength. In particular, they have designed a decision process in which they have kept control over the premises, leaving its key stakeholders to come up with specific decisions (Simon, 1997). In so doing, these organizations can increase the rationality of their system, and reduce confrontation with their key stakeholders. We have suggested that such a behavior has been Centraide’s most important strategic innovation and the source of its success.

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