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Mission drift and the effectiveness of resource dependence theory in an internally resource-constrained environment.

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MISSION DRIFT AND THE EFFECTIVENESS OF RESOURCE DEPENDENCE THEORY IN AN INTERNALLY RESOURCE-CONSTRAINED ENVIRONMENT

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by the following Dissertation Committee:

Dr. Ryan Quinn (Dissertation Chair)

Dr. Daniel Bennett

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DEDICATION

This dissertation is dedicated to my husband, Rob,

for his enthusiastic support and unwavering belief.

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Many more people have been a part of making this dissertation possible than could fit on a single page, but I would like to express public gratitude for just a few of them here. First and foremost, I would like to thank my committee chair, Ryan Quinn, who was always ready to offer support, guidance, and a kind ear when I needed it. I would also like to acknowledge my committee members, Isabel Botero, Daniel Bennett, and Robert Garrett, who have provided feedback and advice and helped me complete this dissertation. In addition, I would like to thank Manju Ahuja, my first advisor, for always being understanding and supportive, inviting me to participate in research projects, and encouraging me to pursue my own research interests.

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ABSTRACT

MISSION DRIFT AND THE EFFECTIVENESS OF RESOURCE DEPENDENCE THEORY IN AN INTERNALLY RESOURCE-CONSTRAINED ENVIRONMENT

Kirsten Bullock

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Why are some organizations able to maintain focus on their mission while others founder? This theoretical and empirical dissertation examines the relationships among funding sources, management practices, and organizational stigma within an internally resource-constrained environment. Using Resource Dependence Theory (RDT) as a basis to manage external resource dependencies, I build a theoretical model and empirically test a research model to understand how funding source affects mission drift, how management practices might help organizations manage that drift, and what effect organizational stigma might have on those relationships within an environment of internal resource constraints. Specifically, this study hypothesizes that nonprofits that receive funding from commercial revenue and government funding have a higher probability of experiencing mission drift than other organizations and that organizational stigma and management practices proposed by RDT will affect those relationships.

Using a random sample of 8,359 nonprofit tax returns between 2010 and 2021, representing 961 publicly supported charities, I find no evidence that commercial revenue or government funding is associated with higher levels of mission drift. In addition, the

use of management practices and organizational stigma does not appear to have a statistically significant effect on the incidence of mission drift.

This study contributes to the literature on mission drift in nonprofit organizations, primarily related to the incidence of and management of mission drift. In addition, it also begins to explore resource dependency theory in the context of internal resource constraints. This study also suggests that, contrary to prior findings, commercial revenue may not result in mission drift in nonprofit organizations.

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CHAPTER ONE: INTRODUCTION

Why can some nonprofit organizations stay focused on their mission while others become distracted by other interests? For nonprofit organizations to accomplish the change they seek to make in the world, they must stay focused on their primary mission, avoiding mission drift (Jones, 2007; McDonald, 2007; Weisbrod, 2004). Mission drift is defined as changing its focus from creating social value to creating economic value (Copestake, 2007; Ebrahim et al., 2014). There are several benefits of staying mission-focused. For instance, nonprofit organizations that remain focused on their mission tend to have more legitimacy, thereby receiving more funding and positive media attention (Battilana & Dorado, 2010). Therefore, mission drift would presumably lead to a reduction in funding and less positive media attention, negatively affecting the ability of the organization to accomplish its mission.

Nonprofits are increasingly expected to emulate the behavior of professionals in the commercial sector, challenging the ability of organizations to stay mission-focused (Sanders & McClellan, 2014), collaborate with other organizations (Omar et al., 2014), operate transparently (Behn et al., 2010), and work strategically (Bish & Becker, 2016). Due to time constraints and other internal resource constraints unique to the nonprofit environment, some organizations drift from their missions (Jones, 2007). Therefore, to ensure that organizations stay focused on their primary purpose, it is important to understand how and under which circumstances mission drift might occur.

Although existing studies have provided valuable insights related to management practices to manage mission drift, the overall literature provides an unclear understanding of when and how mission drift occurs (Grimes et al., 2019; Varendh-Mansson et al., 2020). Overall, having more sources of revenue is thought to decrease the influence of each group of stakeholders, thereby decreasing the potential of mission drift (Froelich, 1999). However, specific revenue sources are associated with higher levels of mission drift. For example, results have been inconclusive as to whether commercial revenue (Civera et al., 2020; Staessens et al., 2019) and government funding (Bennett & Savani, 2011; Berrett & Holliday, 2018) lead to mission drift.

Resource dependence theory (RDT) suggests that organizations can adopt management practices to limit resource dependencies, such as those introduced by different revenue sources. For instance, those dependencies can be managed by developing strong governance practices, professionalization, and lobbying (Pfeffer & Salancik, 1978). However, significant internal resource constraints in nonprofit organizations, such as finances and time (Klyver, Honig, & Steffens, 2018; Shoichet, 1998), may alter these influences.

Many management practices advocated by RDT have been used in studies related to mission drift. However, most studies only consider aspects of the practices, such as administrative controls (Battilana et al., 2015) and processes of decision making (Wolf & Mair, 2019), or simply propose that such relationships likely exist (Ebrahim et al., 2014). Professionalization in the nonprofit sector has been associated with an increase in the incidence of mission drift (Beaton, 2019; Ometto et al., 2019). Moreover, although scholars have included political action, including lobbying, to manage resource dependence (Hillman et al., 2009), mission drift literature has not considered whether it plays a role in helping organizations manage mission drift. Incorporating these variables into a single study enables examining potential interactions that are not possible when considered separately.

In addition, this paper considers the role of organizational stigma and its role in the incidence of mission drift. Organizational stigma can be acquired by serving a stigmatized population (Hudson & Okhuysen, 2009; Kreiner et al., 2006). On the one hand, serving a stigmatized population might increase the incidence of mission drift (Barinaga, 2020; Bullock & Tilley, 2008) due to the temptation of organizational leaders to water down their mission to attract more funding. On the other hand, it may result in an organization that can better manage mission drift due to increased commitment to the mission by staff members and other stakeholders (Tracey & Phillips, 2016). Therefore, I also consider the role of serving a stigmatized population in this study.

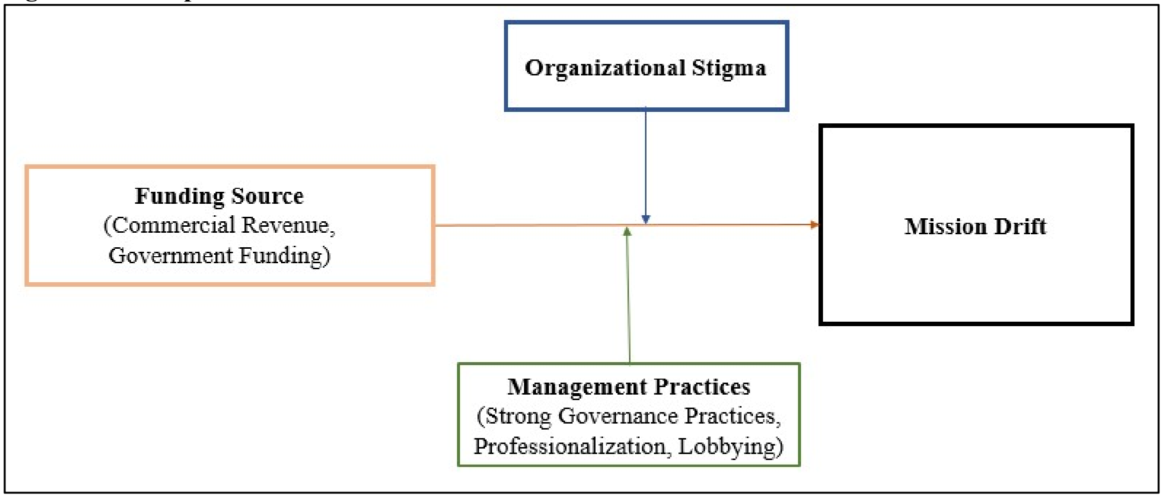
In summary, in this paper, I suggest that specific sources of revenue, including government funding and commercial revenue, will increase the incidence of mission drift. In addition, I suggest that, due to internal resource constraints, management practices advocated by RDT to minimize the influence of resource providers do not operate the same way within the nonprofit context. Finally, I consider whether organizational stigma might affect the incidence of mission drift.

1.1 Research Overview

In this paper, I seek to explore under which circumstances mission drift occurs in nonprofit organizations by answering three research questions. First, how does funding source influence mission drift? Second, how do management practices affect the relationships between funding source and mission drift? Finally, what role does organizational stigma play in the relationship between funding source and mission drift? To answer these questions, I propose hypotheses about how funding sources influence mission drift in the context of internal resource constraints and how management practices and organizational stigma might moderate those relationships. Definitions for constructs are provided in Table 1 on page nine.

As with any organization, nonprofits are constrained in the funding available to invest in organizational activities. Unique to the nonprofit environment is the expectation that organizations minimize their overhead expenses. For instance, average overhead expenses for a sample of banks in the United States, including corporate overhead, technology, consulting, and legal costs, ran almost 49% (Kovner et al., 2014). As a comparison, the average overhead rate (including those expenses, plus fundraising expenses and administrative salaries) for a nonprofit organization with a $550,000 budget is only 12.6% (Lecy & Searing, 2015). This difference in spending habits leads nonprofit organizations to have higher internal resource constraints than the typical for-profit corporation.

Figure 1: Conceptual Model



To understand these influences better, I consider the role funding source might play in the occurrence of mission drift. Per RDT, a particular funding source's level of influence depends on both the "relevant magnitude of the exchange and the criticality of the resource" (Pfeffer & Salancik, 1978, p. 46). Nonprofit organizations typically choose multiple funding sources to gain resources to accomplish their goals (Froelich, 1999; Khieng & Dahles, 2015b). There are several potential funding sources for nonprofit organizations. Due to both criticality and magnitude of the funding, two sources where potential influence is most salient include commercial revenue and government funding (Berrett & Holliday, 2018). Deciding to pursue multiple sources of revenue would, ostensibly, decrease resource dependencies (Froelich, 1999), leading to a lower incidence of mission drift. This decrease in mission drift is due to the organization being less reliant on each funding source and having less need to adapt its programs to achieve funding goals. For instance, a study with Habitat for Humanity affiliates found that affiliates with increased diversity in their funding sources provided more housing opportunities for their clients (Berrett & Holliday, 2018), thereby accomplishing greater mission focus.

However, the addition of some particular sources of revenue might cause operational changes within the organization that result in mission drift (Battilana & Lee, 2014; Khieng & Dahles, 2015b). For instance, commercial revenue strategies include starting and operating a business. While bringing in a business expert can assist in ensuring the new venture's profitability, the influence of these experts might result in a shift in priorities that causes mission drift (Froelich, 1999; Weisbrod, 2004). Government funding also brings potential distractions, as it requires significant time and financial commitments to manage the application process and reporting requirements (Hwang & Powell, 2009; Raaijmakers et al., 2015) that might distract the organization from its primary mission.

Second, I consider ways three different management practices might affect the relationship between revenue source and mission drift. On the one hand, past research suggests that formalized management practices should help an organization focus on its priorities (Hillman et al., 2009). On the other hand, these activities can be at odds with the internal constraints of the nonprofit environment, leading the organization to become distracted from its priorities (Khieng & Dahles, 2015b). The management practices I include are strong governance practices, professionalization, and engaging in lobbying. Much of the mission drift research has centered on reasons strong governance practices might lead to better outcomes and a higher focus on the mission. For example, Smith & Besharov (2019) suggest that organizational infrastructure, such as strong governance practices, can help organizations avoid mission drift (Logue & Grimes, 2019). Generally, this infrastructure provides a framework and boundaries within which the organization must operate to avoid moving too far towards either social or economic goal attainment, thereby avoiding mission drift. However, the time investment required to set up strong governance structures might distract from the organization's mission. Although researchers have not directly addressed this question in the mission drift literature, research in the finance literature has suggested having either distracted shareholders (Kempf et al., 2017) or distracted board members (Masulis & Zhang, 2019) might result in lower firm performance.

Professionalization is another variable I explore related to managing the relationship between funding source and mission drift. Within nonprofit literature, professionalization is defined as the organization having more educated staff instead of using untrained volunteers (Beaton, 2019). On the one hand, professionalization may help an organization become less influenced by resource providers (Pfeffer & Salancik, 1978), thereby reducing the possibility of mission drift. However, in a study of a business incubator in a university environment, the researchers found that the process of scaling up, including the professionalization of their operations, led to an inability to maintain a focus on its goals of helping new ventures grow, as well as integrating students actively in the work of the organization (Ometto et al., 2019).

Lobbying in the nonprofit context is an often-overlooked management practice that might influence the environment to become more amenable to the firm's interests (Hillman et al., 2009). This practice is what Pfeffer and Salancik (1978: 189, 190) refer to as 'controlling interdependence through law and social sanction.' For the most part, this line of research in the nonprofit literature does not appear to explore the outcomes of the lobbying; instead, it centers on whether nonprofit organizations choose to engage in lobbying (Hillman et al., 2009; Mitchell, 2014).

Finally, I consider the role of organizational stigma in the relationship between funding source and mission drift. Although not formally addressed in the mission drift literature, prior studies have identified connections between serving individuals who are stigmatized and mission drift. Goffman (1963) states that a stigma refers to the perception that an individual's identity is 'spoiled' somehow, which leads others to devalue the individual. Serving a stigmatized population can result in organizational stigma, devaluing the organization (Devers et al., 2009). On the one hand, organizational stigma may result in negative attention in the press (Body & Breeze, 2016). On the other hand, organizational stigma might also bring about more funding, including partnerships with other stakeholders who are committed to the needs related to the stigma, thereby reducing the incidence of mission drift.

In summary, this study aims to bring clarity to the mission drift literature by examining antecedents of mission drift in the context of internally resource-constrained nonprofit organizations, particularly related to funding sources. This paper also considers how two key elements, management practices and organizational stigma, moderate these relationships. I use a random sample of U.S.-based nonprofit organizations to test these relationships.

Table 1: Theoretical Definitions and References

Construct	Definition	Reference(s)
Mission Drift	"…losing sight of their social missions in their efforts to generate revenue."	(Ebrahim et al., 2014, p. 82)
Funding Sources	Funding received from each source government funding commercial revenue	(Berrett & Holliday, 2018)
Professionalization	Developing new managerial capabilities	(Sanzo-Pérez et al., 2017)
Strong Governance Practices	Strong governance practices have emerged from best practices advocated by national governance training programs such as BoardSource and watchdog groups such as GuideStar (now Candid) and the Better Business Bureau (Standard 1) as a way to ensure that the board of directors fulfills their oversight role, part of which is to ensure that the organization stays focused on the mission of the organization.	("BBB Standards for Charity Accountability," n.d.; "Oversight and Accountability - BoardSource," n.d.)
Lobbying	Using political activity to influence the environment so that it becomes more amenable to the firm's interests (Hillman et al., 2009). Pfeffer and Salancik (1978: 189, 190) refer to this as 'controlling interdependence through law and social sanction.'	(Hillman et al., 2009; Pfeffer & Salancik, 1978)
Organizational Stigma	"…a label that evokes a collective stakeholder group-specific perception that an organization possesses a fundamental, deep-seated flaw that deindividuates and discredits the organization."	(Devers et al., 2009)

1.2 Anticipated Contributions

There are three primary theoretical contributions I hope to make with this dissertation. The first is to consider RDT in the context of internal resource constraints. The second is to investigate more directly the role of organizational stigma in RDT. My third anticipated contribution is to begin moving towards a theory of mission drift.

RDT and Management Practices in a Context with Significant Internal Resource Constraints. RDT suggests that management practices, such as lobbying, professionalization, and strong governance practices, will result in greater autonomy and better ability to achieve higher levels of firm performance. However, nonprofit organizations operate in an environment with significant internal resource constraints (Kim & Peng, 2018; Svensson et al., 2015), brought on primarily by underinvestment in administration and oversight (Lecy & Van Slyke, 2013; Sargeant & Day, 2018). Prior research has been inconclusive as to whether these management practices are associated with an increased probability of mission drift. Indeed, researchers have found that these practices might also cause the organization to lose its focus on its primary mission, resulting in lower levels of social mission attainment (Ometto et al., 2019). This study seeks to begin to reconcile these apparent contradictions and may clarify the effect of internal resource constraints on relationships outlined by RDT.

Organizational stigma. An assumption made by Pfeffer & Salancik (1978) make is that the goals and purposes of an organization must be deemed 'of worth' to the larger system within which it operates. Organizations that serve the needs of stigmatized individuals may not meet that assumption (Hampel & Tracey, 2017). Furthermore, although scholars have hypothesized about outcomes of organizational stigma (Devers et al., 2009), little empirical research related to outcomes has been conducted. Therefore, this study takes steps to fill this gap by considering whether RDT might still be relevant in the case of organizational stigma.

Towards a theory of mission drift. Articles on mission drift have pulled from institutional theory (Battilana & Dorado, 2010; Civera et al., 2020), resource dependence (Henderson & Lambert, 2018), the life cycle perspective (Mia et al., 2019), paradox theory (Zheng et al., 2020), and an identity perspective (Grimes et al., 2019). Although mission drift has been studied, there is no consensus regarding a general theory of causes and management strategies for mission drift. For instance, while individual management practices from RDT have been proposed and tested, there do not appear to be any studies that attempt to comprehensively test RDT in relation to mission drift. Mitchell (2014) found that nonprofits engaged in management practices from RDT in response to resource dependencies, and while his research did not extend to outcomes such as mission drift, he suggested that could be a fruitful avenue for further study. Through this study, I hope to contribute to this growing stream of literature.

1.3 Structure

This dissertation will continue as follows. Chapter 2 provides a literature review covering mission drift; Chapter 3 focuses on the theoretical development of the model and the hypotheses to be tested in this study, specifically the application of RDT in the nonprofit sector and in the case of organizational stigma. Chapter 4 outlines the methodology followed in this study, including operationalizing the variables of interest and outlining the steps to test the hypotheses. Chapter 5 presents the results, and Chapter 6 discusses the findings, limitations of the study, and ideas for future research.

1.4 Chapter Summary

This chapter began by introducing the primary goal of this study, exploring which management practices are most effective in preventing mission drift resulting from influences from funding sources in nonprofit organizations. The three management practices include strong governance practices, professionalization, and lobbying. In addition, organizational stigma is suggested as a context that might affect mission drift. Next, the chapter covered the theoretical basis for the hypotheses in this study at a high level. The contributions section included some anticipated contributions this dissertation might make to the literature. Section 1.3 provides an overview of the structure for the remainder of the proposal.

CHAPTER TWO: LITERATURE REVIEW

2.1 Chapter Overview

Section 2.2 defines mission drift. Next, Section 2.3 explores RDT and outlines why it is an appropriate framework for my study. Section 2.4 provides an overview of the causes of mission drift. Section 2.5 explores potential ways organizations might choose to manage mission drift. Next, Section 2.6 explores ways organizational stigma might affect the relationship between commercial revenue and mission drift. Finally, section 2.7 closes out this chapter.

2.2 Mission Drift

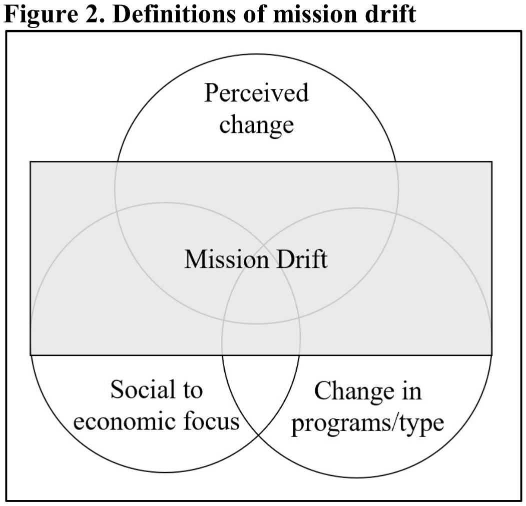
There is an inconsistent view of mission drift and a lingering question of whether the inclusion of 'drift' in mission drift might be a misnomer. One of the earliest uses of the term 'mission drift' in the popular press appears to have occurred in 1992 when technical schools in the U.K. referred to themselves as universities. Since that time, the vast number of theoretical and operational definitions is likely due, at least in part, to the wide range of disciplines that have explored mission drift, including economics, entrepreneurship, nonprofit and public policy, and medicine. Therefore, this section will clarify the construct of mission drift by reviewing its definitions.

Although many articles do not explicitly define mission drift, four general ideas emerged from a review of the literature. Although mission drift includes the word 'drift,' which implies an unintentional change over time, most definitions of mission drift do not include that same implication. The most general definition relates to investing time, energy, or money on activities unrelated to the organization's stated mission (Jones, 2007). However, scholars have typically operationalized this in one of two different ways. The first view attempts to determine whether activities are social or commercial. If the organization opts to engage in more commercial-oriented activities, they are said to have drifted (Copestake, 2007). The second operationalization typically looks more generally at a change in programs or organization type (Ebrahim et al., 2014; Jaquette, 2013; Mersland & Strøm, 2010). A recent conceptualization of mission drift in the management literature is that mission drift is more of a perception issue the organization needs to manage than an objective reality (Grimes et al., 2019).

General definition. The most general definition of mission drift emerged from the nonprofit literature, where scholars defined it as moving away from the organization's stated mission by expending time, energy, or money on activities unrelated to its mission (Jones, 2007). Several subsequent studies adopted this definition (D'Espallier, Hudon, & Szafarz, 2017; Henderson & Lambert, 2018; Kwong, Tasavori, & Wun-mei Cheung, 2017; Robb & Robinson, 2014). Similarly, Cetindamar and Ozkazanc-Pan (2017) speak to a disconnect between the organization's stated mission (ends) and the activities in which the organization engages (means), in that the activities of the organization are not consistent with the stated mission. Other related definitions include a general shift in mission (Ometto et al., 2019) or something that threatens the organization's very reason for being (Logue & Grimes, 2019).

In contrast, as illustrated in Figure 2, the ways scholars have operationalized mission drift may not capture what the definition implies. For instance, a binary choice of creating social versus commercial value (Hestad et al., 2020) does not allow for goals that help the organization create both types of value. Also, changes in programs may help the organization better meet its stakeholders' needs (Bennett & Savani, 2011). The following sections will explore each of these definitions of mission drift.

Figure 2. Definitions of mission drift



Change in emphasis (social versus economic). Several scholars have defined mission drift as simply shifting from creating social value to focusing on generating a profit (Beisland, D'Espallier, & Mersland, 2019; Copestake, 2007; Ebrahim et al., 2014; Xu, Copestake, & Peng, 2016). This view is prevalent in both the nonprofit and the microfinance literature. This characteristic assumes that commercial and social interests are incompatible (Weisbrod, 2004) due to the difference in operating styles and motivations between the two activities (Civera et al., 2020). However, this also assumes that the activities that create economic and social value are separate, which is not always the case. The two goals might be complementary in some situations, as in integrated hybrid organizations, where commercial and social activities are the same (Battilana & Lee, 2014; Ebrahim et al., 2014). For instance, the Girl Scouts, an organization that seeks to create social value, also has a commercial interest in selling cookies. While, on the surface, these activities might seem unrelated, the Girl Scouts see participation in this activity as teaching life skills such as responsibility, goal setting, and business principles (Atkin, 1990; Goerisch & Swanson, 2015). In these cases, the organization integrates the economic and social goals.

Change in programs / type. The third perspective of mission drift suggests a change in the types of clients the organization serves (Mersland & Strøm, 2010). Most of the papers using this operationalization are in the microfinance literature and specifically refer to moving from serving clients who are poor in favor of those clients who have more wealth (Aubert et al., 2009; Caserta et al., 2018; Gutiérrez-Nieto et al., 2016; Mia et al., 2019; Mia & Lee, 2017). A shift towards larger loans results in higher efficiencies, as fewer loans are needed to lend an equal amount of funding, resulting in higher profitability (Ault, 2016). Studies have operationalized this type of mission drift as (1) an increase in average loan size (D'Espallier et al., 2017; Fan, John, Liu, & Tamanni, 2019; Mersland & Strøm, 2010), (2) giving fewer loans to women (D'Espallier, Hudon, et al., 2017; Mersland & Strøm, 2010), or (3) moving away from group lending (where individuals are placed in a group and are accountable for each other's loans) (Pedrini & Ferri, 2016).

Similar to a change in programs, other scholars have operationalized mission drift as entities transforming from one type to another. For instance, a paper from the educational literature explores a college transitioning to a university (Jaquette, 2013). D'Espallier and associates (2017) follow an institutional transformation from a nongovernmental organization to a for-profit entity with shareholders as a type of mission drift within a microfinance setting.

Mission drift as a perception. Finally, scholars have suggested that mission drift is simply a perception issue that the organization needs to manage (Grimes et al., 2019) rather than an objective reality. In this perspective, mission drift might present itself as a discontinuity between how an organization presents itself or its behavior, as viewed by stakeholders or the general public (Grimes et al., 2019). Another paper suggests that mission drift occurs when there is a conflict between an identity claim and the organization's behavior, as perceived by stakeholders (Saqib, 2019). The third paper that references perceptions indicates that although one community might construe an organization's behavior as mission drift, it might not be the case in other communities (Rychert & Wilkins, 2020).

What about strategic decisions? Is there a difference between mission drift and strategic shifts an organization might make? Bennett and Savani (2011) found that, in many cases, the 'mission drift' that occurred was seen internally as a strategic choice by charity leaders. The goals of this strategic choice included expanding services and taking advantage of newly available government funding. Strategic shifts and mission drift may have overlapping characteristics (Chu & Luke, 2012). In preparation for this study, I interviewed executives from community health centers to ask for their perspectives regarding mission drift. All three of the health centers these executives represented had experienced significant changes in services, including:

- A health center founded as a nonprofit, transitioned to a for-profit, and then converted back to a nonprofit
- A health center started a food pantry and professional attire program
- A health center started as an all-volunteer ministry and transitioned into using paid staff and began charging their patients fees (on a sliding fee scale)

None of these executives felt they had experienced mission drift. They shared that these were strategic choices to serve their patient populations better. However, based on academic literature, these changes would likely be considered mission drift. Although this may seem problematic, Grimes and associates (2019) suggest that creating a delineation between strategic shifts and mission drift may be unnecessary due to the following:

- Unintentional outcomes may result from intentional acts; just because a change is intentional does not mean that it will not result in drift
- Strategic change may not be intentional, or leaders may only interpret the changes as intentional after the fact

These ideas imply a conceptual overlap between mission drift and strategic shifts, as an organization could make a strategic decision that moves them further from its stated mission.

Outcomes of mission drift. Regardless of the definition used to describe mission drift, the question remains whether mission drift is good, bad, or neutral. The verdict, it appears, is still out. In the nonprofit and social entrepreneurship literature, many scholars assume that mission drift, whether it be a change in programs or a shift from focusing on creating social value to generating economic value, is a negative outcome, as it draws attention away from what they believe is the 'true' work of the organization (Civera et al., 2020; Kwong et al., 2017; Weisbrod, 2004). Other scholars find that organizations grow stronger and improve social value creation by focusing on economic outcomes. For example, Flemish sheltered workshops increased the number of clients they placed in positions as well as revenue earned from their programs (Staessens et al., 2019). Other research has indicated that accepting funding for new programs can enhance services for existing clients (Bennett & Savani, 2011). These findings suggest that focusing on economic and social returns should not be a dichotomous relationship.

Using mission statements to reconceptualize mission drift. As definitions of mission drift address different components of a mission, it might be useful to break down mission drift into multiple components, such as has been done in the literature related to mission statements (Pearce & David, 1987). Based on their analysis of mission statements for Fortune 500 companies, Pearce and David (1987) identified several attributes businesses typically include in mission statements. These include several components related to customers, products or services, geography, key technologies, commitment to survival or profitability, philosophy, self-concept, and the organization's desired public image. The themes that have been most prevalent in the mission drift literature have included changes in products or customers and philosophy (focus on economic versus social value). Therefore, I attempt to capture mission drift based on the value orientation of the missions statement, that is, whether it is more focused on accomplishing social or economic goals.

2.3 Resource Dependence Theory

Pfeffer and Salancik (2003) theorized that an interdependence exists between the environment and organizations that need resources from external sources. As organizations rely on financial and human resources from their environment, they are likely to be influenced by their environment. RDT suggests this is due to an assumption that those making decisions on behalf of the receiving organization are aware of these interdependencies and take the resource providers' desires into account when deciding how to manage the firm (Pfeffer & Salancik, 1978). According to the theory, organizations can manage these external forces' influence by exerting agency through five different categories of management practices (Pfeffer & Salancik, 1978). The first category relates to managing environmental demands through adaptation and avoidance of demands placed on them, primarily through board-driven activities. The second category involves 'controlling the context of control' by engaging in management practices to manage or avoid independence (e.g., growth/mergers/acquisitions). The third is to establish 'collective structures of inter-organizational action' by engaging in joint ventures or other partnerships. Next is to control 'interdependence through law and social sanction' by finding ways to affect the environment, such as through lobbying. The final management practice involves being intentional regarding executive succession. These are outlined in Table 2. Research using RDT has centered on boards, lobbying, joint ventures, controlling the context of control (mergers/vertical integrations), and executive succession (Hillman et al., 2009). In summary, RDT attempts to integrate both an institutional perspective while recognizing the agency organizations hold when interfacing with their environment (Wry et al., 2013).

While early researchers focused on the strategic choice of ways to manage external influences, recent research has extended this to exploring outcomes, most commonly financial performance, of various organizational reactions to environmental influences (Hillman et al., 2009; Wry et al., 2013).

Table 2: Literature Review Overview

Causes of Mission Drift (derived from the literature review)	**Management Practices** (per RDT)
Resource importance • Availability of alternative sources • Increasing Costs • Decreasing revenues	• Boards • Growth* • Lobbying • Joint ventures
Discretion over use • Influence by funders (direct & indirect) • Different payor & beneficiary • Internal stakeholders	Included in RDT, but not applied to the nonprofit context: • Mergers/vertical integration • Executive succession
Internal Resource Constraints	

* Growth is included by Pfeffer and Salancik (1978) but not by Hillman and associates (2009).

2.4 Causes of Mission Drift

Influences from the external environment can cause organizations to drift from their missions. RDT suggests that the level of influence the external environment has on organizations is related to the importance of the resource and the amount of discretion the organization has in expending its resources (Pfeffer & Salancik, 1978). The importance of the resource relates to its relative magnitude and how critical that resource is for the organization's operations. Discretion over use relates to how free the organization is to decide how to use its resources. In addition, I consider internal resource constraints as an additional cause of mission drift.

2.4.1 Resource importance

Alternative sources of revenue. Having alternative sources of revenue can help organizations feel less beholden to the funding provider. Two studies illustrate this point. The first study is based on a 15-year longitudinal panel. The researchers found that hybrid organizations organized as for-profit ventures were more likely than those organized as nonprofits to drift from their original mission, as measured by increased loans to wealthier clients (Ault, 2016). The logic behind this is that the high costs of building an infrastructure that supports inclusivity drives commercial ventures to seek alternative ways to increase revenue. On the other hand, nonprofit ventures have presumably built an alternative revenue stream that will help to support those costs.

The second study (Xu et al., 2016) is primarily about the impact of institutional forces on microfinance institutions (MFIs). However, it also supports the premise that the availability of funding affects mission drift in that it finds that an increase in available funding decreases mission drift, as measured by average loan balance. The availability of multiple funding providers appears to have led to a decrease in mission drift among MFIs (Xu et al., 2016).

Increasing costs. If costs increase significantly, then the importance of all funding sources will increase, thereby also increasing external influences. An early study regarding mission drift (Mersland & Strøm, 2010) did not find evidence of mission drift within the MFIs they studied. However, they found that average loan size (a frequent indicator for mission drift) increased when costs per client increased. This finding may indicate that resource constraints (such as cost per client) necessitated expansion to higher average loans to ensure the sustainability of the MFI. A comparative study (between drifted and non-drifted MFIs) also finds that high average costs per client can negatively affect the sustainability of an MFI, leading to higher interest rates and fees to clients, which are counter to the social mission of those MFIs (Serrano-Cinca & Gutiérrez-Nieto, 2014). An international study of 1,151 MFIs from 104 different countries also found that, while average loan size might remain low, MFIs often choose to raise interest rates and fees to cover the higher expenses associated with micro loans (D'Espallier, Hudon, et al., 2017). All three of these studies indicate that constrained resources might affect mission drift.

Decreasing revenues. One study explored transitions from a college to a comprehensive university (Jaquette, 2013). The author investigated the impact of institutional (previously integrating curricula commonly used by the comprehensive university model), market (declining enrollments), and network factors. She found that all three of these factors led to an increase in the college's probability of becoming a university. This finding indicates that declining enrollments, or decreasing revenues, were partially responsible for what the author defined as mission drift (transitioning from one type of organization to another).

2.4.2 Discretion over Use

There are many factors in the nonprofit context that might limit the organization's discretion over the use of funding. Some of these include the funder's influence, separation of payor and recipient of services, and influence of internal stakeholders.

Influence by funders. A qualitative research study within the UK's and Italy's food and beverage industry found that funders' conflicting demands increased the incidence of mission drift (Civera et al., 2020). These conflicts are explained using the institutional logics perspective and highlight the differences in worldviews between pure social or pure commercial interests of hybrid organizations that choose to register as either for-profit or nonprofit enterprises. Within the nonprofit literature, it is evident that large donors can influence decision-making related to the organization's mission (Bennett & Savani, 2011; Henderson & Lambert, 2018), potentially resulting in mission drift. This mission drift might be a result of direct influences. For example, Yetman & Yetman (2009) found that nonprofits tend to pursue taxable revenue only when existing funding providers are less averse to taxable revenue. A study within the context of venture capital firms found that the power of financial stakeholders affects how the venture capital firm chooses to invest, regardless of the fund's stated mission (Cetindamar & Ozkazanc-Pan, 2017); specifically, the investors were primarily driven by anticipated financial returns from the projects rather than by social outcomes.

However, the influences may be indirect as well. A study of four mid-sized charities in the U.K. found that funders have the potential to affect mission drift (Bennett & Savani, 2011). Interestingly, the mechanism for this influence was not directly from funders but indirectly through changes to the charities' accounting and information systems. The funders did not dictate those changes, but the organization needed to update its systems to meet reporting requirements. The new reports (initially developed for funders) replaced reports that the organization's governing body had previously used to make strategic decisions, thereby indirectly influencing the charities' decisions. These changes are what appeared to result in mission drift.

Separation of payor and recipient. Other researchers have suggested that whether the beneficiaries and the payors are different might predict the occurrence of mission drift (Santos et al., 2015). Identifying whether the payor and the beneficiary are the same is based on the potential conflict of identifying and maintaining two separate and distinct markets. For instance, in a food bank, one market receives services (a family receiving food), while the other market covers the price (a foundation or other donor). The hybrid organization, in this case, will need to balance the demands of both stakeholder groups while having the temptation to alter the services provided based on the requirements of the primary funder.

Internal stakeholders. One line of research from the microfinance literature related to mission drift is the impact individuals within the organizations have on mission drift. Individual characteristics relate to the loan officers' background and level of experience and where decision-making authority lies within the organization. First, one study explored whether the career backgrounds of loan officers would affect the amount of funding lent to poorer borrowers, even as the microfinance business grew. As evidenced by lending patterns, they found that organizations avoided mission drift when the loan officers had previously been farmers or worked in local government (Jia et al., 2016). Second, as the experience level of the credit officer increases, the number of vulnerable clients they serve (as evidenced by loan size and clients who are young or have a disability) appears to decrease (Beisland et al., 2019). The authors of this particular study concluded that this might be due to the loan officer's desire for increased efficiency, leading them to seek out clients for larger loans. Related to this, when field staff decides which clients to serve and when the organization gives incentives for increased revenue, drift in practices may occur (Maitrot, 2019). This drift might be due to employees prioritizing their potential incentives over the organization's mission. These adjustments in the individual decisions and practices lead to an overall drift in the organization's mission.

2.4.3 Internal Resource Constraints

Although RDT places a significant emphasis on external resource constraints (due to the availability of external resources being limited), it does not appear to address internal resource constraints. The management practices to limit external influences that RDT suggests can often require a significant investment in time and other organizational influences. If available internal resources are constrained, then both the organization's ability to adopt management practices from RDT and the impact of adopting those practices might be different within organizations with internal resource constraints. This difference in available resources may help to explain the lack of consistent findings related to RDT within the nonprofit context (Hodge & Piccolo, 2005).

Prior research studies agree that nonprofit organizations operate with significant internal resource constraints (Foster & Meinhard, 2002; Kim & Peng, 2018; Shoichet, 1998). A study related to service-learning found (in post interviews with staff from the participating nonprofits) that resource constraints hindered the ability of nonprofit organizations to integrate student volunteers into their work (Bushouse, 2005). Within sports development organizations, constraints such as limited funding and poor organizational structures were obstacles to accomplishing organizational goals (Svensson et al., 2015).

However, most studies of RDT within the nonprofit context do not appear to consider internal resource constraints or only mention them in passing. For instance, a study on revenue diversity within housing nonprofits raises the issue of internal factors. However, the authors limit the measurements of internal factors to characteristics of external funders (Shea & Wang, 2016) rather than considering issues such as limited staffing or funding within the nonprofit itself. Although Malatesta and Smith (2014) mention that the nonprofit context is internally resource-constrained, they do not address how those internal resource constraints might affect the ability of organizations to implement management practices suggested by RDT. Despite this, they recommend ways for nonprofit organizations to implement tactics suggested by RDT.

2.5 Management of Mission Drift

As outlined in section 2.3, Hillman and associates (2009) suggest five primary ways organizations might limit external influences. These include boards, lobbying, mergers, joint ventures, and executive succession. Another management practice included in Pfeffer and Salancik's (1978) original work is growth, as larger organizations can withstand influence better than smaller organizations. In this literature review, I have attempted to connect these management practices from RDT with strategies from the literature related to managing mission drift. As I did not find any literature related to mission drift and mergers, lobbying, and executive succession, this review focuses on boards, growth, and joint ventures.

2.5.1 Boards

While boards and governance have played a principal role in both RDT and mission drift research, recent research on boards and RDT appears to focus primarily on large companies. For in-depth reviews of RDT and boards, see Hillman et al. (2009) or Wry et al. (2013). Research in this stream has included considerations such as board size, board composition, the role the environment plays, and changing needs over the life cycle of the business (Hillman et al., 2009). The mission drift literature focuses on three aspects of boards, including board activities, board structure, and individual leaders.

Related to board activities, Salancik, Wolf & Mair (2019) refer to both external influences that control organizations, as well as the agency of the organization to proactively manage these influences, both of which are core aspects of resource dependence theory. The authors suggest that organizations can manage mission drift by incorporating certain activities into the organization – both in governing body and in the organization's activities. These include focusing on the organization's purpose, committing to the activities that advance that purpose, and continually achieving small wins. Other studies focus on setting goals to ensure the organization does not abandon one goal at the expense of others (Mason & Doherty, 2016) or reduce its commitment to achieving its goals (Wolf & Mair, 2019). These findings suggest that governing boards have several tools available to help manage mission drift.

Other research has focused on board structure. Several researchers (Battilana & Lee, 2014; Doherty et al., 2014; Ebrahim et al., 2014) have explored how organizations pursue multiple goals and yet still avoid mission drift. For example, Smith and Besharov (2019) suggest that 'bumping against guardrails,' or setting exterior boundaries related to financial and commercial activities is helpful. Mission drift scholars also address governance-related topics such as planning (Ebrahim et al., 2014; Tantalo & Priem, 2016; Wolf & Mair, 2019) and administrative controls (Battilana et al., 2015; Ebrahim et al., 2014; Mason & Doherty, 2016). Some scholars have addressed 'spaces of negotiation' (Battilana et al., 2015). These dedicated times are committed to discussing issues that might draw the organization to conflicting aspects of its mission.

Other board structure-related mechanisms in the literature include monitoring, control, accountability (Ebrahim et al., 2014), and flexible budgeting (Mason & Doherty, 2016). These governance-related mechanisms appear to be effective at helping organizations avoid mission drift under the circumstances in the studies. Some organizations are intentional about the people they choose to be part of their board, seeking to include representatives familiar with their different goals (Battilana et al., 2015). Other studies focus on different participants' skills (Mason & Doherty, 2016).

2.5.2 Growth

There are several ways that organizations might choose to grow. In the nonprofit sector, byproducts of this growth often include diversifying funding sources and the professionalization of the organization's workforce.

Diversification. Researchers have theorized that diversifying funding sources can decrease dependencies on a given funding provider (Froelich, 1999), which should, in theory, lead to a lower incidence of mission drift. A study with Habitat for Humanity affiliates found that affiliates with increased diversity in their funding sources provided more housing opportunities for their clients (Berrett & Holliday, 2018), thereby accomplishing greater mission focus. A study in the food and beverage industry in Italy and the United Kingdom also found support for the premise that diversifying revenues can help organizations avoid mission drift (Civera et al., 2020). Transnational NGOs also have been found to use diversifying revenue to manage resource dependencies (Mitchell, 2014). A leader of a human rights NGO reflected on how diversified revenue helped them be more financially stable:

> We were initially funded entirely by foundations and the revenue base has been diversified over the years. ... The challenge for us is that foundations often have very narrowly construed program criteria. A diversified funding base is always safer. Foundation flows go up and down with economic conditions and the flavor of the month. Climate change had almost disappeared as a foundation issue two or three years ago. Now it's the flavor of the month. Everybody wants to fund it. Other things that were hot two or three years ago have now disappeared. So the nice thing about individual donors is that they will often provide general support. (Mitchell, 2014, p. 78)

Professionalization. Following nonprofit literature, I define professionalization as developing "new managerial capabilities" (Sanzo-Pérez et al., 2017, p. 1597). Prior research has found that mission drift becomes more likely when the organization begins to seek paid, paid staff that replaces untrained volunteers (Beaton, 2019). On the one hand, some research has indicated that professionalization should help organizations stay focused on their primary goals, as formalization and professionalization might lead to overly constraining the organization's work through layers of bureaucracy (Adler & Borys, 1996), limiting the ability to change. Professionalization may also provide a framework for building a venture that is less influenced by funding sources (Suykens et al., 2019). On the other hand, in a study of a business incubator in a university environment, the researchers found that the process of scaling up, including the need to formalize its operations and recruit paid staff, led to an inability to maintain a focus on its goals of helping new ventures grow and integrating students actively in the work of the organization (Ometto et al., 2019).

2.5.3 Joint ventures

Network factors, including joint ventures, can play both a positive and a negative role in causing mission drift. For instance, on the positive side, Ometto and associates (2019) suggest that including ways to connect with the institutional environment (what they refer to as herding spaces) can help avoid mission drift by reinforcing the importance of each of the competing worldviews under which the organization is operating. On the other hand, when power between funders or partners becomes unbalanced, the influence of the partners or funders may lead to mission drift. For instance, Saqib (2019) found a disconnect between the identity understanding and the identity claim of two Pakistani organizations following an increase in the power of key stakeholders. Similarly, another study that investigated power and potential mission drift occurred in the context of social enterprises engaging in partnerships in the UK (Kwong et al., 2017). They found that mission drift was more likely to occur when power asymmetries within the partnership were higher. These findings suggest that networks may influence mission drift.

In this paper, I propose to study mission drift within nonprofit organizations through the lens of RDT, as mission drift, based on my review of the literature, appears to be subject to both influences of and management strategies for mission drift.

2.6 The Case of Organizational Stigma

In this section, I will (1) define organizational stigma and how it relates to nonprofit organizations, (2) consider the ways organizational stigma might strain the resources of the organization, and (3) suggest that organizational stigma might result in stakeholders that are more committed to the organization.

2.6.1 Defining and Understanding Organizational Stigma

Three types of conditions might lead an individual to be considered stigmatized, including having a physical deformity, tribal associations (e.g., gender, religion, or race), and those associated with conduct (e.g., crime) (Devers et al., 2009; Goffman, 1963). An organization may also become stigmatized due to its association with stigmatized individuals. Scholars have defined organizational stigma as "a label that evokes a collective stakeholder group-specific perception that an organization possesses a fundamental deep-seated flaw that deindividuates and discredits the organization" (Devers et al., 2009). The focus of academic research in this area appears to be primarily on identifying types of stigmas placed on organizations (typically based on conduct or 'tribal' affiliations, such as country of origin), approaches to prevent or remove the stigmas, or how prevalent the stigma might be (Devers et al., 2009). The idea that nonprofits might become stigmatized developed out of work completed by Body and Breeze (2016), in which they identified causes that were less popular in the press. These 'unpopular causes' served stigmatized populations, such as individuals seeking mental health assistance, offenders and ex-offenders, those with HIV/AIDS, and those addicted to drugs or alcohol. A later related study (Jeong, 2020) connected the idea of unpopular causes to stigmatized causes in an article that explored engagement in cause campaigns on social media on behalf of socially stigmatized causes.

2.6.2 Organizational Stigma and Mission Drift

Whether organizational stigma affects the incidence of mission drift is not clear. Associating with a stigmatized population may bring negative press, but counterintuitively, it may also result in more opportunities for partnerships with other stakeholders. For instance, a social enterprise in the U.K. gained negative attention in the press after adding services for a migrant population (Tracey & Phillips, 2016). While its reputation suffered among some stakeholders, other organizations with a social purpose aligned with that of the organization thought positively about the shift. These stakeholders included organizations at the national level and government commissions. In this case, rather than causing organizational leaders to change their programs, the negative attention increased commitment to serving the stigmatized population.

Organizational stigma may, however, result in higher levels of mission drift. Barinaga (2020) uses a case study to explore an incidence of mission drift in a stigmatized area of an urban city in Sweden. The study's primary focus was on a power differential between two entities seeking to improve the area and how that led to an increase in mission drift. City leaders were most interested in decreasing criminal activity in the neighborhood, while the community center was most interested in elevating residents' voices. Due primarily to the location the city provided for the venture and the gang activity near the location, they were drawn into a dispute with local gang members, who were not interested in sharing a corner with the community center. After gang members attacked the community center, the situation forced community center officials to focus on reducing crime (rather than their primary mission). Although a power differential is a reasonable explanation for the mission drift, it might also be that working on behalf of a stigmatized group increased that power differential even more, thereby leading to a higher likelihood of mission drift due to influence from a funding source.

A study about a gun violence prevention program in the U.K. documented how the organization transformed into a general youth services program. The organization initially based its approach on a successful intervention program to decrease gang activity (Bullock & Tilley, 2008). Their focus shifted multiple times: first to address individual gang members directly, next to identify social determinants of entry into a gang, and finally to prevent entry into a gang by creating an after-school program to keep at-risk youth (loosely defined) occupied. The article indicates that the latter shift was primarily due to the stigma attached to gang membership. This finding might indicate that when organizational stigma is involved, there may be an increased likelihood of mission drift due to the need to make the organization's goals more palatable for key stakeholders.

2.7 Chapter Summary

This chapter has provided an overview of the literature related to mission drift, integrated with resource dependence theory. Section 2.2 provided background related to mission drift. Then, Section 2.3 provided an overview of RDT and the reasoning as to why it provides a useful framework through which to study mission drift. Next, Section 2.4 explored some resource-related causes of mission drift, including how vital the resource is, how much discretion/ownership the organization has over the resource, and whether internal resource constraints exist. Section 2.5 addressed ways to manage mission drift, including work that boards might accomplish, growth, and joint ventures. Then Section 2.6 discussed organizational stigma and whether that might also affect the relationship between funding source and mission drift.

CHAPTER THREE: THEORETICAL BACKGROUND AND HYPOTHESES

3.1 Chapter Overview

The previous chapter reviewed the literature on mission drift and explored how RDT might be relevant as an overarching theory through which to understand mission drift better. Specifically, it explored both the role of external influences through the provision of resources and management practices to address those influences. This chapter develops a theoretical model that proposes ways firms can manage resource dependencies, thereby better managing mission drift. Specifically, I explore the roles that government funding and commercial revenue have on mission drift and how three management practices from RDT (strong governance practices, professionalization of the staff, and lobbying) might affect mission drift. I also explore how organizational stigma might affect mission drift due to government funding and commercial revenue.

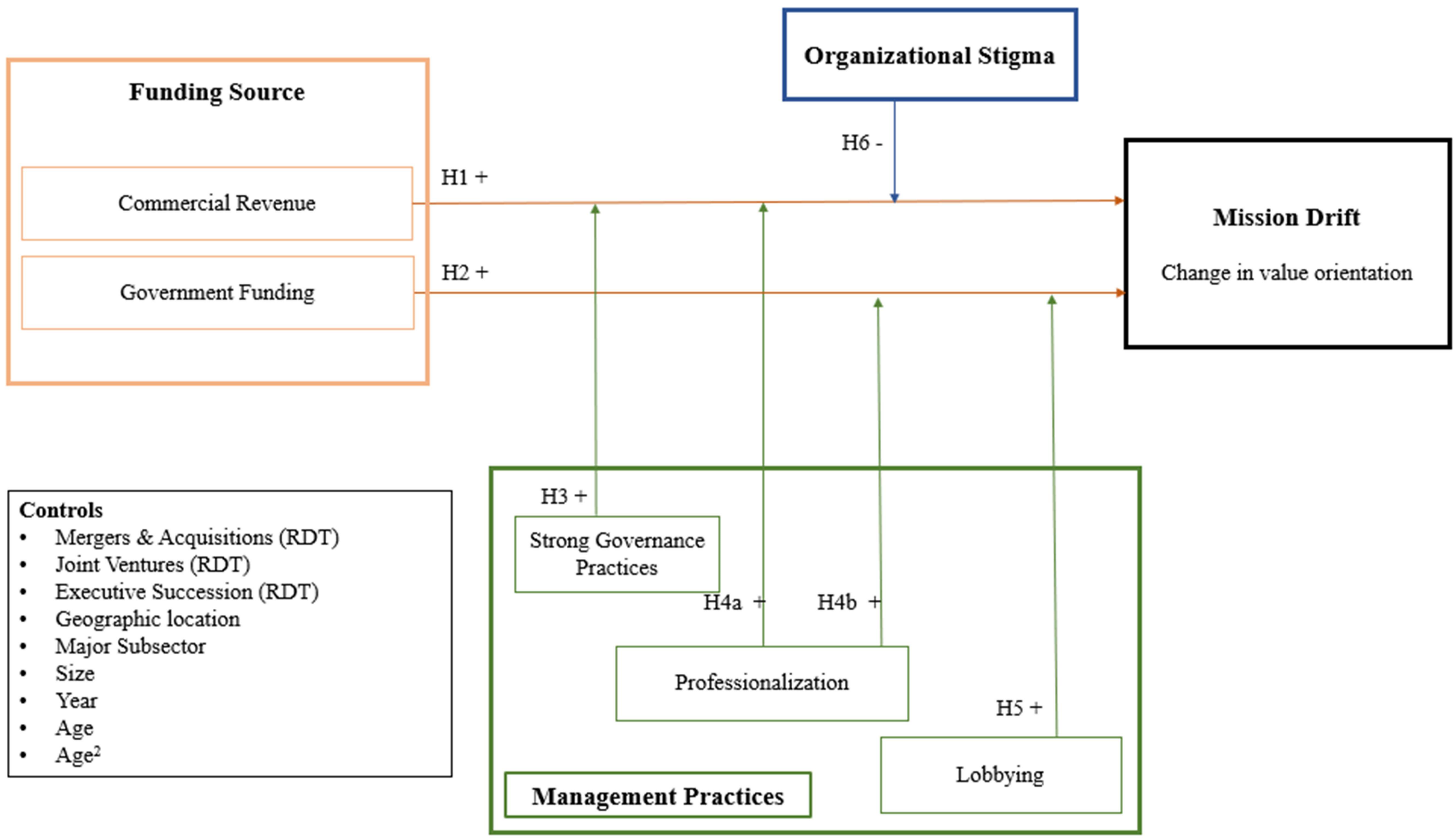
3.2 The Research Model

As discussed in chapter two, many of the findings related to the causes of mission drift have been inconclusive. However, much of the research indicates that mission drift is often a result of external influences on organizations (Civera et al., 2020). Due to the influence of external forces on mission drift, specifically government and commercial revenue, I suggest that resource dependence theory (RDT) is an appropriate lens to explore mission drift. This paper considers the moderating effect of management practices from RDT and organizational stigma on the relationship between funding and mission drift. The management practices include boards (strong governance practices), growth (operationalized as the professionalization of the staff), and lobbying. The other aspects of RDT, specifically joint ventures, mergers/vertical integrations, and executive succession, are not considered in this model as (1) they are not common within nonprofit literature and (2) have not yet been considered in the context of mission drift.

3.3 Funding Source and Influences on Mission Drift

In the last chapter, I shared that diversification of funding is an approach organizations use to manage mission drift because it can offset the negative effects of environmental resource constraints and minimize funders' ability to influence the organization's operations. However, some options available to increase funding diversity may introduce other influences that might lead to mission drift. Therefore, in this paper, I argue that while diversity in funding can help avoid funder-driven mission drift, other influences emerge when organizations pursue particular funding sources, specifically government funding and commercial revenue.

Figure 3: Research



3.3.1 Funding Sources

While there are several potential funding sources for nonprofit organizations, two principal sources that might influence mission drift include government funding and commercial revenue (Berrett & Holliday, 2018). Therefore, I selected these two funding sources as independent variables. Different funding sources come with different expectations. Direct external influences come from funders who provide grants to provide specific services (Ni & Zhan, 2017). Government grants often include stipulations regarding how the organization operates, which may increase the potential of mission drift. Some nonprofit organizations also seek to generate additional funding through commercial revenue. In this case, there are demands associated with running a business, which might run counter to the demands of running a nonprofit organization (Froelich, 1999; Weisbrod, 2004). These conflicts may impact the organization differently (Battilana & Lee, 2014). The following sections will outline how those influences might play out in greater detail.

3.3.2 Commercial Revenue

When more nonprofits began pursuing commercial revenue, most practitioners assumed it would draw attention away from the organizations' missions, as the pursuit of commercial revenue would focus the organization on generating an economic return rather than creating social value (Froelich, 1999; Weisbrod, 2004). Whether that is true is still up for debate. It might not detract from the mission, as some scholars have found that taxable revenue does not draw attention away from the mission (Yetman & Yetman, 2009). Indeed, there may be some benefits to the addition of commercial revenue. A study of Flemish sheltered workshops found that organizations that increased their economic orientation also increased their social performance (Staessens et al., 2019). These increases were higher than those with a primary focus on increasing their social performance. It might also be easier for hybrid organizations to build legitimacy from audiences that ascribe to beliefs of each orientation (social versus economic), thereby increasing access to funding and external appreciation (Durand & Thornton, 2018; Perkmann et al., 2019).

On the other hand, commercial revenue might lead to mission drift, likely due to differences in goals and worldviews. Related to goals, a qualitative research study on the food and beverage industry in the U.K. and Italy found that conflicting demands by funders led to an increase in the incidence of mission drift (Civera et al., 2020). Related to differences in worldviews, the tension in attempting to align with potentially disparate worldviews might cause conflict (Pache & Santos, 2010). This tension could cause a feeling of being pulled in two different directions as the organization pursues a dual mission (Austin et al., 2006). Tension might also emerge as the organization tries to reconcile the competing worldviews (Besharov & Smith, 2014; Pache & Santos, 2010).

Additionally, potential conflicts might arise related to obtaining legitimacy from stakeholders who might adhere more strongly to one of the two worldviews (Doherty et al., 2014). For instance, a commercial orientation suggests that revenues take priority, while a social orientation suggests that the organization prioritizes people and socially-oriented goals. Placing a priority on social goals with venture capitalists might result in a loss of legitimacy with the potential investors, and potential loss in funding, further exacerbating resource constraints. For example, a study of Cambodian nonprofits found that the introduction of commercial revenue negatively affected the amount of focus on the social mission (Khieng & Dahles, 2015a). I suggest that tensions, overall, might still lead to mission drift. This line of reasoning leads us to my first hypothesis:

Hypothesis 1: Commercial revenue will be associated with an increase in the incidence of mission drift.

3.3.3 Government Funding

Although one study found that the addition of government revenue did not increase the probability of mission drift (Berrett & Holliday, 2018), other studies have found the opposite. For instance, after accepting government contracts, many nonprofit organizations in the U.K. in the 1990s experienced mission drift after opting to adapt their missions to take on those contracts (Bennett & Savani, 2011). One study (Raaijmakers et al., 2015) investigated how childcare providers in Germany negotiated differences between their operational perspective with a government perspective (as the necessity to comply with state regulations increased). The authors found that it took a significant amount of time for the childcare providers to comply with complex governmental expectations. The attention spent on compliance drew managers away from the social aspect of their mission. Another reason government funding might negatively affect mission drift is that it may not cover the full cost of managing the intended program, as was the case for child welfare providers in New York (Marwell & Calabrese, 2015). The researchers surmised that organizations diverted funding from fundraising to program expenses. Cutting spending on fundraising would likely then result in lower overall funding. Additionally, funding priorities of government agencies may chance, resulting in a significant loss in funding that is not easily replaced (Mitchell, 2014). Therefore:

Hypothesis 2: Government funding will be associated with an increase in the incidence of mission drift.

3.4 Managing Mission Drift

As mentioned earlier, Mitchell (2014) suggests that RDT is an appropriate framework for exploring how funding sources can influence nonprofit organizations. Much of the research within RDT focuses on five primary ways organizations can manage resource providers' influences (Hillman et al., 2009). These include growth, joint ventures, boards of directors, lobbying, and executive succession. In looking at mission drift from an RDT perspective, we would expect that the management practices that apply to RDT to help improve firm performance might also help organizations avoid mission drift. This paper focuses on just three of these: strong governance practices, growth (as operationalized as professionalization), and lobbying. Although lobbying is not often included in nonprofit studies, prior research in RDT has indicated that it can reduce resource dependencies, especially in organizations that receive government funding (Li et al., 2017; Pfeffer & Salancik, 1978). The following sections cover these topics in further detail.

3.4.1 Strong Governance Practices

Scholars have suggested using the lens of organizational controls to understand the role of governance in the nonprofit sector (Byers et al., 2015). Malmi and Brown

(2008, p. 290) define management controls as "all the devices and systems managers use to ensure that the behaviours and decisions of their employees are consistent with the organisation's objectives and strategies." Although this typology has not been present in the mission drift literature, researchers have used it in the context of managing sustainability programs in large corporations (Crutzen et al., 2017). This precedent suggests that it might also be relevant in studying organizations with a social value orientation, such as nonprofit organizations.

***Strong Governance Practices, Commercialization, and Mission Drift*.** Strong governance practices at the firm level may help organizations avoid mission drift as these practices provide a framework and boundaries within which the organization must avoid moving too far away from its mission (Logue & Grimes, 2019). Strong governance practices limit discretion in behavior, which might increase barriers to mission drift. Although limiting discretion in behavior through board practices was included in Pfeffer and Salancik's (2003) book as a management practice to address social control conditions, it has received surprisingly little attention in the literature. When using this management practice, organizations commit to decisions that limit their ability to engage in behaviors outside the purviews of what they have committed. The nonprofit sector has embraced strong governance principles as evidence of a healthy organization. For example, the Better Business Bureau's ("BBB Standards for Charity Accountability," n.d.) charity ranking system includes a list of requirements related to how an organization might behave, including many related to governance. The BBB does not hold direct control over potential funding the organization might receive; however, meeting those standards has been associated with higher charitable gift revenue levels (Chen, 2009).

Limiting discretion in behavior might also result from the board of an organization choosing to specialize in a particular aspect of their work, thereby intentionally forgoing funding for unrelated activities. The board of an international environmental Non-Governmental Organization (NGO) based in the United States chose to adopt a policy to specialize in a particular aspect of their work. The respondent had the following to say about how this protected the organization:

> If a donor wants to give us money for something that is not part of what [this organization] does, we attempt to educate them as to what [this organization] is really doing and how it's effective in helping, and how unique [this organization] is …there isn't another organization [that] does what [this organization] does…and if there still is not consensus on that then we do not accept their funds. (Mitchell, 2014, p. 81)

At least one study (Dai et al., 2017) explored ways these management controls might help a hybrid organization (in this case, a Chinese state-owned enterprise that had recently completed an IPO) maintain focus on its mission. Additionally, in their systematic literature review, Nielsen and colleagues (2019) found evidence that performance management systems, a type of management control, might affect an organization's ability to manage competing goals. Related to the nonprofit sector, scholars have suggested that accountability, a significant focus of management controls, helps the organization avoid mission drift (Ebrahim et al., 2014).

However, developing a formal infrastructure for the board requires a significant time investment (Braganza & Lambert, 2000). Finance research has suggested that distracted shareholders (Kempf et al., 2017) or board members

(Masulis & Zhang, 2019) might lower firm performance. Specifically, Masulis and Zhang's study of S&P 1500 companies considered external distractions from governance, resulting in lower firm profitability and lower firm valuation. Research on the corporate governance life cycle also finds costs related to developing strong governance practices (Aguilera et al., 2008; Filatotchev et al., 2006).

Specific costs in the nonprofit context include direct costs, opportunity costs, and costs related to human resource issues, both on the board and in management. Organizations that primarily rely on government funding and commercial revenue may be less likely to be able to absorb these costs. Direct costs related to developing strong governance practices and taking on a more prominent monitoring role may be high (Aguilera et al., 2008). These might be directly associated with funders' tracking and reporting requirements (Calabrese, 2013). It might also include an external audit of the financial statements or other audit requirements specific to particular funders (Bernstein, 1991). The cost of insurance policies for the board (Directors and Officers policies) also increases as the organization grows, adding costs (Foxman, 2008).

Opportunity costs are a second consideration (Aguilera et al., 2008). According to the attention-based view, attention is a finite resource that, once expended, cannot be used elsewhere (Ocasio, 1997). Suppose the nonprofit organization's board chooses to invest attention in developing strong governance practices. In that case, they may have less time to spend on issues related to pursuing their social mission. Mission drift research has suggested that spending time on mission-related activities at the board level is essential to helping the organization maintain focus on its mission (Battilana, 2018; Ebrahim et al., 2014; Wolf & Mair, 2019). A study of for-profit Brazilian organizations with a corporate social responsibility component found that attention spent on their social responsibility goals reduced financial performance (Ferreira, 2017). It stands to reason that the reverse might also be true, in that social performance might suffer when the organization places attention elsewhere. As charitable donors emphasize social outcomes (Osili et al., 2018; Sargeant et al., 2006), reduced social outcomes may reduce individual giving, leading to increased resource constraints and a higher probability of mission drift.

Finally, the organization's human resource needs are also likely to change as formalization on the board increases (Filatotchev et al., 2006). Specifically, the organization will need staff and board members who understand monitoring issues and know how to complete complex reporting forms (Bernstein, 1991; Calabrese, 2013). For instance, strong governance practices within the context of housing associations in the U.K. resulted in decreased participation by tenant board members (McDermont, 2007). McDermont suggested that their decreased level of participation was related to power issues. Still, it may have also related to tenant board members feeling as if they were unable to contribute to discussions. Solving these human resource challenges takes time, as it requires either training existing staff and board members or recruiting new ones.

In addition, starting a profit-generating venture is associated with several costs. Corporate entrepreneurship literature suggests that undertaking additional lines of business requires resources, including business practices, resources, and competencies (Covin & Slevin, 1991). Time is another essential resource (Hornsby et al., 2002). Suppose a nonprofit organization already deals with the associated costs of starting a profit-generating business. In that case, they will be less able to simultaneously absorb the costs of developing and maintaining strong governance mechanisms. These findings lead me to believe that time invested in developing strong governance practices might distract board members from ensuring that they focus on their social mission. Therefore:

Hypothesis 3: The positive effect of commercial revenue on mission drift is more pronounced as levels of strong governance practices increase.

3.4.2 Professionalization

"... the fear is that nonprofits will become so like business firms that the social missions will take a backseat to revenue and profitability goals, leading to an identity crisis in the sector, a loss of legitimacy, and eventual elimination of special privileges and protections for nonprofit organizations" (Froelich 1999, p 258).

In nonprofit research, professionalization refers to increased education levels and valuing formal knowledge (Hwang & Powell, 2009). RDT suggests that growth (Pfeffer & Salancik, 1978) can help organizations reduce their dependence on external resource providers (Hillman et al., 2009). For instance, organizational lifecycles research suggests that as organizations grow, they invest in staff and training programs (Mia et al., 2019; Whetten, 1987). This change is especially true in the nonprofit context, where organizations often start with an-volunteer workforce and then transition into a paid workforce. As nonprofits grow, they tend to require more expertise to manage fundraising processes, (Betzler & Gmür, 2016), contracts, grant management, human resources, accounting, and other administrative requirements (Searing & Lecy, 2021).

There are several reasons professionalization might lead to an increase in mission drift. These include changes in what the organization is measuring, focus, priorities, and staffing. First, there might be changes in what, precisely, is being measured. In the case of the emerging nonprofit sector in Morocco and Palestine, scholars found that complex application and reporting requirements resulted in several changes that negatively affected the organization's ability to pursue its primary mission (Atia & Herrold, 2018). First, reporting focused on quantitative metrics, which typically measure outputs (such as the number of people attending a crime-prevention training) rather than outcomes (fewer crimes committed). The focus of the organization, therefore, shifted towards outputs. Second, the bureaucracy that developed to meet funders' needs resulted in the organization spending more attention on appeasing donor requests, shifting the organization's focus. As funders obtained more power in relationships, the organizations were more likely to direct their attention away from making permanent, systemic changes in the community served. Instead, they focused on programs their donors emphasized, resulting in mission drift. Research on social movements has reported a similar phenomenon (Piven & Cloward, 2012). In their analysis of four different social movements, Piven and Cloward found that organizers' desire to create a social movement (an output) hindered their ability to create systemic change (an outcome).

Second, professionalization might lead to a change in focus. As mentioned earlier, Ko and Liu (2020) found that the introduction of commercial revenue led many organizations towards professionalization. This change was evidenced by the leaders' formalizing the business's operations and developing a skilled workforce. Both changes required attention from management, which caused the organization's overall focus to change. As organizations scale up, they are likely to face challenges both with the formalization of the organization and recruiting more trained staff. In a study of a business incubator in a university environment, the researchers found that the process of scaling up, including the need to professionalize, led to an inability to maintain a focus on its goals of helping new ventures grow and integrating students actively in the work of the organization (Ometto et al., 2019).

Third, there might be a change in priorities. Evidence suggests that as staff members within nonprofit organizations increase their professionalization, the organization often shifts its priorities towards economic stability. One line of research from the microfinance literature is individual staff members' impact on mission drift, specifically loan officers' background and level of experience and where decision-making authority lies within the organization. First, one study explored whether loan officers' career backgrounds would affect the amount of funds lent to poorer borrowers. As evidenced by lending patterns, they found that mission drift was avoided when the loan officer had previously been a farmer or worked in the local government (Jia et al., 2016). Second, as the credit officer's experience level increased, the numbers of vulnerable clients they served (as evidenced by loan size and clients who are young or have a disability) appear to decrease (Beisland, D'Espallier, & Mersland, 2019). In another case, mission drift, caused by a drift in organizational practices, was more likely to occur in cases where (1) the organization empowered field-level staff to decide which clients to serve, and (2) incentives were given for increased efficiency and an increase in revenue for the microfinance organization (Maitrot, 2019). This drift was due to individuals prioritizing their potential incentives over the organization's mission. These adjustments in the individual decisions and practices led to an overall drift in the organization's mission. These findings suggest that as a nonprofit's professionalization increases, mission drift may become more likely.

Fourth, research suggests that changes in staffing might affect mission drift. Beaton (2019) explored cases where nonprofit organizations began to adopt business practices more commonly adopted by for-profit entities. Traditionally, nonprofits have emphasized social goals. Recently, many nonprofits have increased their emphasis on business goals. Interestingly, there was little conflict with these changes in Beaton's study. Beaton suggests that nonprofits leaders often accept business practices without much tension, as those business practices can help pursue the organization's mission. The arguments nonprofit leaders use to justify this include beliefs such as 'No Margin, No Mission,' which recognizes the importance of remaining financially healthy to continue serving clients. Another related argument is 'More Efficiency, More Mission,' which seeks to lower costs through increased efficiency, providing more funding to accomplish the mission. Through these and similar arguments, nonprofit leaders may miss signals that the organization is changing its value orientation from achieving social goals to attaining economic goals. Due to professionalization affecting both goals and beliefs of the organization, I suggest:

Hypothesis 4a: The positive effect of commercial revenue on mission drift will be more pronounced as levels of professionalization increase.

Hypothesis 4b: The positive effect of government funding on mission drift will be more pronounced as levels of professionalization increase.

3.4.3 Lobbying

An often-overlooked management practice of reducing environmental dependencies relates to lobbying to influence the environment to become more amenable to the firm's interests (Hillman et al., 2009). Pfeffer and Salancik (1978: 189, 190) refer to this as 'controlling interdependence through law and social sanction.' Within the nonprofit context, it is customary for nonprofit organizations to work together toward creating laws and policies that help organizations achieve their social goals (Casey, 2011). There has been scant attention in the nonprofit literature about the effect and outcomes of lobbying (Almog-Bar & Schmid, 2014), as most articles appear to focus only on whether organizations lobby (Hillman et al., 2009; Mitchell, 2014). For instance, in a study of nonprofit organizations in Flanders, the scholars found that organizations that received government funding did not often appear to engage in efforts to influence the government (Verschuere & De Corte, 2015). This was also true in Jordan (Abdel-Samad, 2017) but not in China, where organizations receiving government funding were more likely to engage in advocacy (Li et al., 2017). Social movements reliant on the government for their funding are less likely to engage in advocacy work, resulting in the organizations being less likely to reach their stated goals (Piven & Cloward, 2012).

Government funding and lobbying. Although government funding is relatively consistent, it also comes with high costs often not covered by the provided funding (Calabrese, 2013; Gronbjerg, 1991; Marwell & Calabrese, 2015). These costs are associated with reporting requirements, complex application forms, the need to be available for site visits, and other accountability requirements (Calabrese, 2013). As suggested earlier, the shortfall funding to compensate for these costs likely needs to come from fundraising or administrative budgets (Marwell & Calabrese, 2015). Lobbying would take further attention – and money – from fundraising and administration costs. This diversion of time and attention might result in additional financial constraints and an increased likelihood of mission drift (Ault, 2016; Kwong et al., 2017; Mersland & Strøm, 2010). Therefore, I propose that nonprofits that receive government funding and engage in lobbying might experience an increase in mission drift.

Hypothesis 5: The positive effect of government funding on mission drift will become more pronounced as levels of lobbying increase.

3.5 The Case of Organizational Stigma

As suggested in chapter two, organizational stigma may influence mission drift. Of the three studies covered in Section 2.4, the only organization that did not drift from its mission was funded primarily by commercial revenue. In the case of a Swedish community center (Barinaga, 2020), the organization adjusted its goals to better align with one of its primary funders, a governmental municipality. A gun prevention program based in Manchester, U.K., shifted its focus from gang interventions to serving at-risk youth (Bullock & Tilley, 2008). While no funding source is defined, it is an interagency partnership that includes governmental and nonprofit agencies. Finally, Keystone, the agency serving a migrant population, relied primarily on commercial revenue earned from consulting, a conference center, and a retail food business (Tracey & Phillips, 2016) and did not indicate any drift. Therefore, funding sources appear to play a role in the relationship between organizational stigma, revenue generation, and mission drift.

Much of the literature related to managing organizational stigma focuses on the ability of the organization to manage its messaging. For instance, Chowdhury and associates (2021) propose that an organization's ability to 'sell' their issue, in other words, reframe how potential stakeholders think about the cause, will affect the ability of the organization to obtain needed funding. Selling the issue was a strategy used by the marijuana industry to help stakeholders see the benefits of medical marijuana for the sick and dying instead of being just a recreational product (Dioun, 2018). The ability to sell also helped a travel agency in Victorian England overcome objections by the elite, who saw the travel agency as 'morally abject' (Hampel & Tracey, 2017). In other words, organizations that can manage their messaging are better able to reframe how stakeholders feel about the stigma. Nonprofit organizations engaged in commercial activities will likely have a higher ability to craft messages that will help stakeholders see the issue in a new and different way (Chowdhury et al., 2021). This will likely result in more partnership and funding opportunities, leading to increased funding and the organization's ability to maintain focus on its primary mission. Therefore:

Hypothesis 6: The positive effect of commercial revenue on mission drift will become less pronounced in cases of organizational stigma.

3.6 Chapter Summary

This chapter developed the model for this study that explores the relationships between funding sources, management practices, and organizational stigma. It first highlighted aspects of RDT relevant to the resource dependencies in nonprofit organizations, specifically those related to diversity in funding. The chapter then discussed how management practices from RDT, including strong governance practices, professionalization, and lobbying, might help organizations manage mission drift. Finally, I considered the effect of organizational stigma on the incidence of mission drift. The following chapter will propose methods this study will incorporate to test these hypotheses.

CHAPTER FOUR: METHODS

4.1 Chapter Overview

This chapter outlines the methods used in this study to test the hypotheses presented in Chapter 3. Section 4.2 describes the data collection processes, including details regarding the sample and data sources used in this study, followed by detailed information regarding the measures in Section 4.3. Section 4.4 outlines the statistical analysis used. Finally, section 4.5 provides a chapter summary.

4.2 Data Collection

In this study, I sought to understand how funding source affects mission drift. In addition, I wanted to test whether management mechanisms (as outlined by RDT) or organizational stigma affected that relationship. While cross-sectional studies can show us whether different variables are related, longitudinal data can provide evidence that a causal relationship might exist. Therefore, I sought to create a longitudinal dataset to answer the research questions.

Although mission drift has been studied in many contexts (such as microfinance institutions and social enterprises), I chose to study it in the context of nonprofit organizations. There are several reasons for this. First, the influence of funders might be more pronounced in this sector. For instance, the person receiving the service and the entity paying for the service are often different, potentially resulting in disparate goals between the recipient and the payor (Santos, Pache, & Birkholz, 2015). Second, nonprofits must serve both social and economic goals (at a minimum, they must obtain enough revenue to stay fiscally solvent); nonprofit organizations may experience mission drift due to the tensions that arise from those potentially disparate goals (Doherty et al., 2014). For instance, increased tensions can lead to conflict or organizational paralysis (e.g., avoiding a final decision on goals) as members attempt to reconcile the competing perspectives (Besharov & Smith, 2014; Pache & Santos, 2010). These tensions can lead to higher levels of mission drift, as evidenced by a qualitative research study within the context of the food and beverage industry in the U.K. and Italy (Civera, Cortese, Mosca, & Murdock, 2020).

Data was collected from IRS Form 990 nonprofit tax returns, the annual filing required from most US-based nonprofit organizations. Using this data allowed for the creation of a longitudinal data set covering a 10-year time period. Accessing a digital version of this data was made possible once organizations began filing returns electronically. Earlier returns are available only via pdf copies of tax returns.

Developing a longitudinal data set to assess relationships has several benefits. Specifically, it controls for individual heterogeneity, results in lower levels of collinearity, illuminates responses to changes that occur over time, and allows testing of more complicated models (Baltagi, 2008). However, as Baltagi notes, using panel data may also have limitations, such as being expensive to collect, being subject to measurement errors, and participants dropping out. The use of annual government tax filings reduces some of these concerns, including those about (1) data collection (as the collection is already occurring via a third party), (2) measurement errors (in that the legal obligations related to tax filings lead to more accurate responses), and (3) selectivity related to nonresponse and attrition (as respondents are legally obligated to submit these returns). However, some challenges remain. Using existing datasets may result in difficulty finding appropriate measures for all desired variables in a study. However, using nonprofit tax returns provides many variables to select from, making finding proxies for the constructs easier.

Mitchell (2014) studied ways that funding sources might influence international nonprofit organizations and suggested that future studies use a broader sample (than just transnational organizations) to increase the generalizability of findings. Therefore, this study uses a random sample from a panel dataset of all U.S. nonprofit organizations that filed an IRS Form 990 between 2010 and 2018. Before 2010, only a selection of returns each year was made publicly accessible. In addition, IRS Form 990 only added in-depth questions regarding governance practices in 2008. Therefore, earlier data is not available.

4.2.1 Population Description

To be included in the sampling frame, nonprofit organizations included in this study meet six criteria. The first two criteria relate to methodological reasons, and the last four are theoretically based. First, they were registered as 501(c)3 organizations in the United States and filed an IRS Form 990 online between 2010 and 2021. Filers occasionally submit amendments to returns (14,658 tax returns); therefore, only the later return was retained as the data was redundant. Second, they had at least five years of data available in the file for the analysis to pick up on trends.

Third, the organizations needed to be based in the United States and primarily serve a need in the United States. This was because stakeholder influence would have less impact when the stakeholder and the organization are based in different areas. Therefore, returns with a foreign filer address (573) and those that served a foreign audience (38,112) were removed.

Fourth, organizations formed as trusts or associations were dropped, as corporations' governance mechanisms are different from those of trusts and associations. Therefore, organizations formed as associations (17,490), trusts (5,243), or other (10,601) organizational forms were removed.

Fifth, the organizations had to be independent of other organizations and not be part of a group tax return. The justification for this is that organizations dependent on another entity do not have the same resource dependencies as standalone organizations. There are at least three reasons for this relationship. First, some organizations that obtain group exemptions consist of a 'fiscal sponsor' and its subsidiary organizations. The fiscal sponsor does not have responsibility for raising funds for all member groups and often charges a percentage of funds raised to cover their costs (Andersson & Neely, 2017). Therefore, including the fiscal sponsors could be problematic, as their resource dependencies are not related to the actual dollars they report. In addition, a local member of a group exemption will have their revenue reported on their local tax return and the group return of the national organization (Grønbjerg, 2002). Having this income double-reported may affect analysis results. Finally, the member and the organization filing the group exemption are often located in different communities, making controlling for regional differences problematic (Grønbjerg, 2002). Therefore, I dropped organizations that were part of a group return or a consolidated group return (35,318 tax returns).

Sixth, to be included, nonprofits also had to be "publicly supported" organizations, meaning their primary support comes from public support rather than from earned income (such as universities and hospitals) ("Publicly Supported Charities | Internal Revenue Service," n.d.). Being a publicly supported charity indicates that the organization receives most of its funds from contributions and may be more subject to internal resource constraints. This information was identified through information submitted on Schedule A of the IRS Form 990 (Part 1, Reason for Public Charity Status). This resulted in the removal of 204,305 tax returns.

Table 3: Summary Table, Population

Tax Year	Frequency
2010	92,742
2011	120,475
2012	135,774
2013	150,538
2014	165,512
2015	176,969
2016	183,128
2017	106,124
2018	185,121
2019	197,759
2020	97,943
2021	144

Table 3 includes the numbers of electronic filers of the IRS Form 990 (available as of September 2021)[1] registered as corporations, not part of a group return, and registered as 501(c)3 organizations. There were fewer tax returns available for 2017 than in other years, likely due to a change in how the IRS reported data. This provides a population of 1,612,229 tax returns. IRS data was supplemented with data from the National Center for Charitable Statistics (NCCS)[2].

4.2.2 Sample Selection

I conducted an a priori power test to determine the appropriate sample size. Given that the number of predictors (including controls) is 33, the number of tested predictors is 6, and the estimated effect size is .05, an a priori power test for a linear multiple regression model (Faul et al., 2009) computes a minimum sample size of 424. To err on the side of caution, I selected a sample of 1,000 organizations (or 0.74526% of the organizations represented) using Stata/SE 16.1 with a seed of 1234567. This sample size ensured that a large enough sample would be present, even if additional reductions needed to be made based on a manual review of the data.

As a secondary check to ensure that the organizations appearing in the sample were independent, I completed a manual review of the data. A visual scan of the

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[1] IRS 990 Tax Return data is available from https://registry.opendata.aws/irs990/ in XML format and is made available in CSV form by Open 990 (https://appliednonprofitresearch.com/documentation/irs-990-spreadsheets/). That data is now (as of January 1, 2022) available in zip files directly from the IRS at

[2] Data from the National Center for Charitable Statistics (NCCS) is available at https://nccs.urban.org/.

organizations and mission statements identified organizations that were supporting organizations of other entities and, therefore, not independent. For instance, the description indicated that the organization raised funds to support a different organization. One organization did not include its mission statement in its IRS Form 990 filings. As textual analysis of the mission statement is the dependent variable in this study, this organization was also removed from the sample. These changes resulted in removing an additional 27 organizations. At this point, I identified organizations with years of missing data in the middle of runs of data. I attempted to manually locate that missing data by pulling up the xml files for the returns via open990.org and located additional data for 299 tax returns.

Once these adjustments were completed, 961 organizations remained in the sample, represented by 8,059 tax returns, still meeting the minimum recommended sample size of 424 organizations. The remaining organizations represent an assortment of causes, including health clinics, afterschool programs, ministries, sports leagues, and volunteer fire programs, to name a few.

This sample is an unbalanced data set, as not all years are available for all organizations. In some cases, the missing data relates to a change in the way the organization filed. For instance, some organizations switched to an IRS Form 990EZ filing, which meant that key variables were not present in the data. In other cases, the organization missed their filing, or at least it was not available when the IRS last released tax return data for nonprofit organizations (October 2021).

Table 4: Representativeness of Sample, descriptive statistics

	Population Mean	Sample Mean	Difference (Amount)	Difference (Percent)
Total Assets	5,956,630.00	5,088,946.00	867,684.00	-14.57%
Founding Year	1984	1984	0.36	-0.02%
Board Members, Total	13.51	15.93	(2.42)	17.94%
Government Funding	943,767.80	608,800.00	334,967.80	-35.49%
Commercial Revenue	12,102.27	2,983.23	9,119.04	-75.35%
Expenses, Total	4,401,955.00	3,811,343.00	590,612.00	-13.42%
Employees	73.74	54.31	19.43	-26.35%
Volunteers	398.09	352.35	45.74	-11.49%
Purpose: Arts	0.09	0.11	(0.02)	18.47%
Purpose: Education	0.07	0.06	0.01	-11.88%
Purpose: Health	0.13	0.13	0.00	-2.78%
Purpose: Human Services	0.40	0.38	0.02	-5.41%
Purpose: Other	0.20	0.22	(0.02)	10.74%

4.2.3 Representativeness of the Sample

To confirm that the sample was representative of the population, I first compared key characteristics between the population and the sample, as shown in Table 4. Although most numbers in the sample are within a 20% range of the population, there were some notable differences. For instance, government funding is 35.49% lower than the population, and commercial revenue is 75.35% lower. Therefore, to test whether these differences represent a statistically significant difference between the population and sample, I ran a random-effects logistic regression for panel data (xtlogit in Stata). This analysis allowed me to determine whether the organization's characteristics were predictive of the organization’s inclusion as part of the sample versus the population (minus the sample). It was necessary to use a panel data model due to violations in the data related to the independence assumption of t-tests. A fixed-effect analysis was also not possible, as some variables were time-invariant. Based on this information, it appears that the two groups are statistically different (Wald chi2(13)=29.73, $p < .01$). However, the only statistically significant coefficient, government funding, has a very low coefficient (0.00, p<.01). Because the practical difference of that value was very close to 0, I proceeded with the analysis.

Table 5: Sample Representativeness, Regression Analysis

group	Coef.	Std. Err.	z	P>z	[95% Conf.	Interval]
Total Assets	0.00	0.00	-1.02	0.31	0.00	0.00
Founding Year	0.00	0.00	0.37	0.71	0.00	0.01
Board, Total Members	0.00	0.00	-1.33	0.19	-0.01	0.00
Government Funding	0.00	0.00	-3.49	0.00	0.00	0.00
Commercial Revenue	0.00	0.00	-0.68	0.49	0.00	0.00
Total Expenses	0.00	0.00	0.67	0.50	0.00	0.00
Employees	0.00	0.00	-1.51	0.13	0.00	0.00
Volunteer	0.00	0.00	-0.08	0.94	0.00	0.00
Purpose: Arts	0.04	0.25	0.15	0.88	-0.45	0.52
Purpose: Education	-0.30	0.28	-1.08	0.28	-0.85	0.25
Purpose: Health	-0.21	0.23	-0.91	0.36	-0.67	0.25
Purpose: Human Services	-0.17	0.19	-0.89	0.37	-0.55	0.21
Purpose: Other	-0.00	0.21	-0.03	0.98	-0.42	0.40
_cons	-29.48	5.06	-5.82	0.00	-39.41	-19.56

4.3 Measures

This section provides details related to the operationalization of key constructs. Full details of these are provided in Table 6, entitled Variables of Interest. Computations of scores of the variables are provided in Section 5.2.

4.3.1 Dependent Variable: Mission Drift

Mission drift is the dependent variable for this study. Scholars have defined mission drift as when an organization's activities do not align with its stated purpose (D'Espallier et al., 2017; Jones, 2007). Prior research has used industry-specific measurements, such as loans given in the microfinance industry (Beisland et al., 2019; Caserta et al., 2018), changing organizational types in the higher education industry (Jaquette, 2013), and numbers of clients placed in jobs in social service organizations (Staessens et al., 2019). I operationalize mission drift as a change in the organization's value orientation, as evidenced by textual analysis of the mission statement.

Mission statements were retrieved from information provided on the IRS Form 990, the annual tax reporting document required by the IRS. In tax returns where the mission statement was not available or was incomplete, I obtained additional information through ProPublica.com, a repository for scanned IRS Form 990s.

I performed textual analysis on the mission statements to determine how much the social versus commercial focus changed. If an organization's mission changed significantly enough for its values to shift, it indicated that there may have been mission drift. Content analysis on mission statements has been found to be an accurate indicator of the organization's purpose. (Fyall et al., 2018; Leuthesser & Kohli, 1997; Moss et al., 2011). Within the social entrepreneurship literature, researchers used mission statements to confirm that social enterprises exhibit a duality of purpose, in that they indicate a commitment to creating both social and economic value (Moss et al., 2011). Two benefits of using textual analysis are that it enables the study to be easily repeated (Finkelstein & Hambrick, 1996) and is less obtrusive than other options for gaining insights into cognitions due to the use of archival records rather than interviews (Phillips, 1994). Mission statements, in particular, are designed to highlight the purpose of the organization and are central to the strategic planning process (Pearce & David, 1987), both indicators that will help determine the organization's primary purpose. Researchers have found this to be particularly true in the nonprofit sector (Souder, 2016).

In addition, mission statements appear to be more accurate in determining a nonprofit organization’s purpose than the NTEE (National Taxonomy of Exempt Entities) code (Fyall et al., 2018). Fyall and colleagues (2018) first identified the population of nonprofits that filed IRS Form 990s in Washington State that had information regarding the mission statement available. They then created a dictionary of words which related to homeless organizations and identified those organizations which were involved in serving the homeless. After several iterative steps, they found that over twice the number of organizations were providing housing services than the number indicated by just the NTEE code. As the authors were able to better identify the purpose of the organization through the use of mission statements, I propose that this is an appropriate measure to capture the value of the organization as evidenced by the social or economic focus of the mission statement. The results and details of the textual analysis are provided in Section 5.2.1.

Table 6: Variables of Interest

Variable	Acronym	Measurement	Source
Dependent Variables: Mission Drift			
Mission Drift 1	diff_econsocbal	Textual analysis of mission statements to identify social vs commercial focus (score), 990, then subtract social orientation from economic orientation score	Part 1, line 1
Independent Variables			
Funding sources (Rates)	govtorev	government funding (normalized by total revenue): (Government grants/total revenue), 990	Part VIII, line 1e (gov't grants)
	commtorev	commercial revenue (normalized by total revenue): (UBI/total revenue), 990	Part I line 7a (includes gaming) – net revenue
Moderators and Mediators			
Professionalization (Index)	prof	Ratio of staff to volunteers (Ratio), 990	Staff: Part I, line 5 Volunteers: Part 1, line 6
		Salaries normalized by total expenses: (salaries/total expenses), 990	Part 1, line 15 Total Expenses: Part 1, line 18
		Funds expended on administration and fundraising related training normalized by total expenses: (Training expenditures/total expenditures), 990	Part IX, line 19C plus line 19D
Strong Governance Practices (Factor Analysis)	gp_990shared	• governing body receives a copy of the 990 before it is filed (0 if no, 1 if yes), 990	Part VI, line 4
	gp_audcomm	• whether the organization has an audit committee (0 if no, 1 if yes), 990	Part XII, line 2c
	gp_audit	• charity had an audit completed by an independent accountant (0 if no, 1 if yes), 990	Part XII, line 2a
	gp_ind_bd	• ratio which compares independent board members to the total number of voting board members. This will be a number which will vary between 0 and 1. A higher number indicates greater independence. 990	Independent: Part I, line 4 Total: Part I, line 3
	gp_bd_rel_rev	• whether there are family or business relationships between board members and the organization. (0 if no, 1 if yes), reverse coded, 990	Part VI, line 2
	gp_conflict	• whether the organization has adopted a policy concerning conflicts of interest. (0 if no, 1 if yes) 990	Part VI, line 12a
	gp_whistle	• whether the organization has a whistle blower policy (0 if no, 1 if yes), 990	Part VI, line 13
	gp_noOutsrc	• whether management duties have been contracted to an outside party (0 if no, 1 if yes), 990	Part VI, line 3
	gp_bonds	• municipal bond investors (0 if no, 1 if yes), 990	Part IV, line 24a
	gp_gov	• government agencies (0 if no, 1 if yes), 990	Part VIII, line 1e (yes if positive)
	gp_endow	• donors of large gifts (presence of restricted donations) (0 if no, 1 if positive), 990	Part X lines 28 and 29

Variable	Acronym	Measurement	
Lobbying	lobby_norm	Funds spent on lobbying and travel/entertainment for elected officials, from IRS 990 tax forms, normalized by total expenses	Part VI, Question 3
Stigmatized Cause (dummy variables)	stigma_mh stigma_cr	NTEE-CC Major group codes. Those coded as F (Mental Health) and I (Crime, legal related), from NCCS Core Files (0 if no, 1 if yes), NCCS	NCCS
Control Variables			
Mergers & Acquisitions (1 if any were affirmative)	ma33	**Q33** Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? (0 if no, 1 if yes)	Part IV, Question 33-36 (990)
	ma34	**Q34** Was the organization related to any tax-exempt or taxable entity? (0 if no, 1 if yes)	
	ma35	**Q35** Did the organization have a controlled entity within the meaning of section 512(b)(13)? (0 if no, 1 if yes)	
	ma36	**Q36** Did the organization make any transfers to an exempt non-charitable related organization? (0 if no, 1 if yes)	
Joint Venture (dummy variable)	jv_rowmax	Whether an organization conducts more than 5% of its programs through an entity that is not a related organization, from IRS 990 tax forms (0 if no, 1 if yes) 990	Part VI, Question 37
Succession Planning (dummy variable)	succession_rm	Process in place for determining the compensation for the CEO and other core staff, (0 if no, 1 if yes), 990	Part VI, Section B, Question 15
Geographic location (dummy variables)	Region	Region, based on state (midwest, south, northeast, and west), based on US Census categorization	990 City, State: Header, line M
Primary Purpose (dummy variables)	ntee_arts ntee_ed ntee_health ntee_hs ntee_other	Major subsector. Designates charities into five sectors: Arts, Education, Health, Human services, and others (categorical), NCCS	NCCS
Size	assets	Total Assets (beginning of year), 990	Part X, line 16A
Age	age_sq	Computed by subtracting the founding year from the tax year filed (Age squared), 990	Header, line L

4.3.2 Independent Variables

The funding sources used in this study are *commercial revenue* and *government funding*, consistent with Sherer and colleagues (2019) study that suggested funding source might affect organizational performance. Commercial revenue only includes Unrelated Business Income as reported on the IRS Form 990. Some nonprofit organizations also collect fees for activities related to their mission. For instance, the Girl Scouts, an organization that seeks to create social value, also has a commercial interest in selling cookies. While, on the surface, that might seem to be unrelated, the Girl Scouts see participation in this activity as teaching life skills such as responsibility, goal setting, and business principles (Atkin, 1990; Goerisch & Swanson, 2015). Since selling cookies is a program that is integral to the organization's social mission, that, and activities from similar activities in other organizations, would not be included in commercial revenue. Government funding was measured using grants from the government reported in tax filings. Although some organizations also receive contracts and other support from the government, that data was not available from annual tax filing data.

I adjusted the amounts reported in tax returns where the analysis would result in undefined answers. For instance, rather than reporting gross UBI, some organizations reported net revenues from these activities, some of which were negative values. Therefore, following a manual review of these organizations' tax returns, I adjusted the total to equal the gross revenue from the known categories. Adjustments were made for 90 tax returns. Additionally, there were 22 tax returns where the total revenue reported was less than the total of government funding and commercial revenue for the year due to losses incurred in other activities, such as investments (246 tax returns) and other (561 tax returns). In these instances, I adjusted the total revenue to equal total government funding and commercial revenue for the given tax return so that the funding ratios would remain between 0 and 1.

4.3.3 Moderators and Mediators

Strong governance practices. *Strong governance practices* have emerged from best practices advocated by national governance training programs such as BoardSource and watchdog groups such as GuideStar (now known as Candid) and the Better Business Bureau (Standard 1). These best practices focus on ensuring that boards of directors fulfill their oversight role, part of which is to ensure that the organization stays focused on the organization's mission (*BBB Standards for Charity Accountability*, n.d.). The IRS Form 990 was revised in 2008 to include questions about these governance best practices. I base my conceptualization of strong governance on Harris and associates (2017) work, which considers monitoring by a board of directors, independence of key individuals, tone at the top, and capital provider oversight. I used ten variables from the IRS Form 990 to reflect these characteristics and completed a factor analysis to reduce the dimensions. Details of this analysis are available in Section 5.2.3.

Board Monitoring consists of three proxies. First is general monitoring by the board, indicated by the governing body receiving a copy of the IRS Form 990 before they file it. Next is financial monitoring by the board, indicted by whether the organization has an audit committee. The final proxy for board monitoring is independent external monitoring, indicated by whether the charity has had an audit completed by an independent accountant.

Independence of Key Individuals also is represented by three proxies. The first is a ratio that compares independent board members to the total number of voting board members. This number varies between 0 and 1. A higher number indicates higher independence of individual board members. Per directions issued by the IRS, the total voting members of an organizations governing body are inclusive of independent voting board members. However, a handful of cases (29 tax returns) reported a higher number of independent board members than the number of total board members. In those cases, I adjusted the number of total board members to reflect the larger number. As independent board members are a subset of total board members, it would be impossible to have more independent board members than total board members.

The second proxy relates to whether family or business relationships exist between board members or between board members and employees of the organization. Finally, the last proxy indicates whether the organization has officially adopted a conflict of interest policy.

There are two proxies for *Tone at the Top.* The first is having a whistle-blower policy, while the second indicates that management duties have not been contracted to an outside party. These are coded "1" for yes and "0" for no.

Capital Provider Oversight indicates the final aspect of strong governance in this study. This consists of two proxies, each indicated by oversight from a different stakeholder, specifically municipal bond investors and donors of restricted funds. Restrictions from donors might be indicated on the IRS Form 990 by the presence of temporarily restricted funds, permanently restricted funds, or endowments. Therefore, if any of these fields have an affirmative answer, the value of this variable will be 1. Again, these variables are coded "1" for yes and "0" for no.

Professionalization. *Professionalization* relates to increased levels of education and when formal knowledge becomes more highly valued (Hwang & Powell, 2009). Based on Sanzo-Pérez and associates (2017) work, I use three proxies to assess professionalization. I then compute an index score based on these three variables. The first proxy is the ratio of paid staff to volunteers and indicates the level of an organization's reliance on volunteers versus paid staff members. The second proxy is the amount spent on salaries, normalized by dividing by the total expenses for the year, indicating the level of importance placed on the management and professionalization of the organization (Hwang & Powell, 2009). The final proxy to measure professionalization was the amount the organization spends on training, excluding program-related training offered to clients.

Some organizations had anomalies in their reporting of the number of volunteers. Specifically, the number of volunteers dropped to zero in some years, although they reported a higher number in adjacent years. Due to the unlikelihood that there would be that much variation from the years before and after, I replaced the 0 number with the average of the years before and after. These adjustments were made for 53 tax returns.

Lobbying. *Lobbying* is computed by determining the amount spent on lobbying or travel and entertainment for elected officials at local, state, and federal levels (Suárez & Hwang, 2008).

Organizational stigma. Organizational stigma relies on NTEE codes related to serving persons with mental disabilities (Feldman & Crandall, 2007) and crime-related causes (Rasmusen, 1996). Limiting it to these categories focuses on those stigmas associated with being potentially dangerous (Goffman, 1963), which is an extreme case to analyze the effects of organizational stigma better.

4.3.4 Control Variables

RDT research typically investigates five categories of management practices (Hillman et al., 2009). These include mergers and acquisitions, joint ventures, boards, lobbying, and executive succession. As this paper considers strong governance practices and lobbying as variables of interest, I control for mergers and acquisitions, joint ventures, and executive succession with proxy variables on IRS Form 990. While uncommon in the nonprofit sector, *mergers and acquisitions* are captured by four questions regarding whether the organization owns or is related to another organization. Another management practice suggested by RDT to manage external dependencies is related to pursuing *joint ventures*. (Wry et al., 2013). Scholars have found that when social enterprises are engaged in partnerships where the power distribution is unequal, they have an increased likelihood to drift from the social mission that the organization initially stated (Kwong et al., 2017). This is consistent with the prediction of the resource dependence perspective that powerful partners may have the ability to affect decision-making within a firm (Pfeffer & Salancik, 1978), including mission drift. Due to this potential relationship, this paper controls for joint ventures through a proxy variable which indicates whether the organization conducts more than 5% of its programs via an unrelated organization. *Executive succession* is another management practice from RDT that reduces resource dependencies (Pfeffer & Salancik, 1978). This was captured through a proxy variable related to whether the board has created a succession plan for the CEO or other key organizational leaders, which captures board involvement in succession decisions.

Other variables that may affect results, and were therefore controlled for, include geographic location, primary purpose, size, and age. *Geographic location* would likely affect both operating expenses and ease of raising funds. Data regarding the state was available in the IRS Form 990 data. I used categories from the US Census to assign these to the four major regions of the country. *NTEE Codes* represent the primary purpose of nonprofit organizations and are included in the NCCS Core Files. Some subsectors are more established than others, so they likely have more established practices and higher professionalization levels (Hwang & Powell, 2009). Therefore, to control for potential differences between subsectors associated with subsector, I included a control for the 'Major Subsector' of the NTEE code, which designates charities into five sectors: Arts, Education, Health, Human Services, and Other.

There are three primary reasons to control for the *age* of the organization. First, research in the microfinance industry has suggested mission drift may occur in some phases of the life cycle more frequently than others (Mia et al., 2019). Next, researchers have also proposed that the needs of firms related to resources and monitoring might change based on the life stage of the firm and the institutional environment (Garg, 2013). Additionally, as organizations age and the founders and original directors retire, the new directors may be more likely to drift away from the donor's original intent (Howard, 2007; Jones, 2007). Therefore, age is also controlled for and is computed based on IRS Form 990 data indicating the year nonprofit tax status was granted. In cases where data was unavailable from the IRS, age was based on the date of incorporation reported by the relevant state agency. It is computed by subtracting the founding year from the reported tax year for the tax return. In addition, age-squared is included in the model to capture any potential non-linear relationships between age and the other variables in the study.

Additionally, the size of an organization can affect the way a firm operates and the decisions the leaders make regarding the future of the organization. In addition, larger organizations may be better able to balance potentially disparate goals, as is the case in strategic management research related to exploitation versus exploration (Uotila et al., 2009). Therefore, size (measured as the organization's total assets) is used as a control. Due to the skewed nature of assets, I used log_assets.

4.4 Analysis

In selecting the appropriate analysis, I have considered both the amount of variability in the data and the influence that organizational characteristics not collected in the study might have on the occurrence of mission drift. First, there are two variables in the model that are time-invariant, specifically those related to organizational stigma. However, they were only included as interaction terms, so the model still meets the assumptions for fixed-effects analysis. Also, there are likely time-invariant characteristics unique to each organization that might influence the incidence of mission drift. These characteristics might include the level of education of the executive director and board, the amount of time that an executive director has been at an organization, or the organizational/reporting structure of the managers for activities related to income-producing activities and program-related activities. Using archival panel data limits the ability to gather additional data, so I used a fixed-effects panel regression approach to test the hypotheses to control for these effects. I first ran a model using only the controls, then added variables to test each additional hypothesis.

4.5 Chapter Summary

This chapter has outlined the proposed methods this dissertation will incorporate to collect data and test the hypotheses outlined in chapter 3. It started by outlining the data that was collected from IRS tax data and the NCCS. The chapter continued by describing the variables to be used. It then provided an overview of the proposed method for data analysis, primarily using panel analysis.

CHAPTER FIVE: RESULTS

Data analysis will attempt to answer three general research questions. First, how does funding source affect mission drift? Next, which management practices help to manage mission drift? Finally, how does organizational stigma affect the relationship between revenue source and mission drift?

5.1 Computing Variables

5.1.1 Mission Drift, Textual Analysis

My processes and dictionaries for the textual analysis are based on Moss and associates (2018) work that identifies words in narrative descriptions of crowdfunding ventures that reflect either a social or economic orientation. Table 7 provides the word lists they developed. In my paper, these terms serve as the basis to determine if the organization's value orientation shifted from creating social value to economic value. The dataset of mission statements was input into LIWC, which then returned a numeric score based on the occurrence of words in the word lists divided by the total words in the mission statement. That number is then standardized based on 100 words, resulting in a number comparable across organizations, regardless of the length of the mission statement. Scaling ensures that longer mission statements, which would naturally have more opportunities to use social or economic words, do not receive higher scores.

Table 7: Dictionaries for Textual Analysis

Orientation	Words used in LIWC custom dictionaries
Economic	affluen*, asset*, buy*, capital, cash, client*, contract*, cost*, cost-effective, customer*, earn*, economic*, economy, efficien*, employ*, expan*, fee, fees, financ*, fund*, grew, grow*, high-yield, hire*, hiring, income, interest, invest*, job*, lend*, livelihood, loan*, market*, monetary, money, money-saving, money-transfer, output, paid, pay*, performance, producti*, profit*, prosper*, purchas*, renovat*, rent, rental*, rented, renting, rents, repaid, repay*, return, revenue*, rich*, salar*, sale*, saving*, shareholders, sold, staff*, stipend*, transact*, turnover*, valuation, wage*, wealth, work*, worth, yield*
Social	Social: accountable, benefice*, beneficiar*, benefit*, benevolen*, brotherhood, care*, caring, charit*, civic, class, classes, communit*, compassion*, concern, concerned, cooperat*, cultivating, development, educat*, empower*, equal, equality, familial, families, family, freedom*, graduation, happiness, happy, harmony, harvesting, harvests, health*, help*, humanity, humankind, immuniz*, independen*, joy, justice, kind*, learn*, liberat*, liberty, life, mankind, partnership*, peace*, prosper*, reading, responsibilities, rights, social, societ*, SROI, success, support*, teach*, tender*, trustworth*, virtu*, welfare, wellbeing, well-being, wisdom

* The root and its variants were used.

In theory, raw economic and social orientation scores range from 0 to 100, although in my data the highest score for economic orientation was 66.67, as shown in Table 8. Based on Moss and associates (2018) work, I then created an economic/social balance score by subtracting the social orientation score from the economic orientation score. For instance, one organization states that its mission is to "organize and mobilize cancer survivors and supporters to raise awareness and funds for the fight against breast cancer and to help find a cure." Based on the word lists, LIWC assessed this organization's economic value orientation score as 4.17 (based on 'funds' in the text) and their social value orientation score as 8.33 (based on 'help' and 'supporters'). Therefore, the economic/social balance score would be 4.17, indicating that the organization is more oriented towards social value creation. This score was used as the dependent variable. Theoretically, the full spectrum of scores for the economic/social balance would range from -100 to +100, with higher scores implying a greater focus on an economic value orientation and lower scores indicating a higher social value orientation. In my sample, the scores ranged from -100 to 66.67.

Table 8: Economic and Social Value Orientation Scores

Variable	Obs	Mean	Std. Dev.	Min	Max
Economic	8,359	2.28	4.72	0	66.67
Social	8,359	6.80	7.31	0	100.00
Economic/Social Balance	8,359	-4.52	9.02	-100.00	66.67

5.1.2 Revenue Source

Commercial revenue was reported on 512 tax returns, and government funding was reported on 3,223 tax returns. For ease of analysis and presentation, the original values were divided by 1,000. Two organizations reported commercial revenue significantly higher than total revenue in more than one year. Therefore, I dropped these two organizations from the sample. To compute the level of influence that each source of revenue might hold over the organization, I created a ratio that represents the portion of total revenue received from the given funding source (a score of 0.14 indicates that the organization receives 14% of total revenue from the indicated funding source).

Table 9: Variables, Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Revenue					
Government Funding	8,296	0.14	0.27	0.000	1.00
Commercial Revenue	8,295	0.01	0.64	0.000	1.00
Governance					
990 Shared with Board	8,359	0.73	0.44	0	1
Audit Committee	8,359	0.52	0.50	0	1
Audit Performed	8,359	0.53	0.50	0	1
Independent Board Members Ratio	8,169	0.93	0.23	0	1
Family Relationships in Leadership	8,359	0.86	0.35	0	1
Conflict of Interest Policy	8,359	0.69	0.46	0	1
Whistle Blower Policy	8,359	0.52	0.50	0	1
Management not outsourced	8,359	0.93	0.26	0	1
Bonds indicated	8,359	0.03	0.16	0	1
Endowment indicated	8,359	0.13	0.34	0	1
Professionalization					
Employees	8,359	54.02	200.02	0	4215
Volunteers	8,359	313.27	2716.02	0	85000
Employee to Volunteer Ratio	8,359	12.07	66.31	0.00	1,479.00
Employee to Volunteer Ratio (Log)	8,359	0.82	1.31	0.00	7.30
Salaries to Expenses Ratio	8,329	35.15	27.55	-1.62	98.31
Training to Expense Ratio	8,329	0.12	0.59	-0.01	16.68
Employee to Volunteer Ratio, standardized	8,359	0.000	1	-0.629	4.961
Salaries to Expenses Ratio, standardized	8,329	0.000	1	-1.335	2.293
Training to Expense Ratio, standardized	8,329	0.000	1	-0.232	27.859
pro_index	8,329	0.001	0.639	-0.724	8.652
Lobbying					
Lobbying (direct)	8,359	1753.621	33597.390	-150.00	2,066,167
Lobbying (travel)	8,359	42.806	1394.856	0.00	103,516
Lobbying, total	8,359	1796.427	33628.200	-150.00	2,066,167
Lobbying to Expenses Ratio	8,329	0.001	0.015	-0.004	0.998
Organizational Stigma					
Stigma, mental health	8,359	0.038	0.192	0	1
Stigma, crime-related	8,359	0.018	0.133	0	1

* in thousands

5.1.3 Management practices

Strong governance practices. As mentioned in section 4.3.3 strong governance practices are measured by several different proxies related to board monitoring, independence of key individuals, tone at the top, and capital provider oversight. Factor analysis was performed on these items to obtain a single score. The proxies for *Board Monitoring* are whether the governing body received a copy of the IRS Form 990 before it was filed, whether the organization had an audit committee, and whether an audit was completed by an independent accountant (coded "1" for yes and "0" for no). The three proxies for *Independence of Key Individuals* are (1) a ratio that compares independent board members to the total number of voting board members; (2) whether family or business relationships exist between board members and the organization (reverse coded, "1" indicates that no family or business relationships exist, indicating a higher level of board independence); and (3) whether the organization has officially adopted a conflict of interest policy (coded "1" for yes and "0" for no). The two proxies for *Tone at the Top* are whether the organization has a whistleblower policy and whether management duties have not been contracted to an outside party (coded "1" for yes and "0" for no). The two proxies for *Capital Provider Oversight* are whether the organization has municipal bond investors, temporarily restricted funds, permanently restricted funds, or endowments (coded "1" for yes and "0" for no).

Table 10: Tetrachoric correlation matrix for strong governance variables

	1	2	3	4	5	6	7	8	9	10
1 Bonds Indicated	1									
2 Endowments Indicated	0.32	1								
3 Conflict of interest policy	1.00	0.33	1							
4 Audit	0.71	0.36	0.61	1						
5 990 shared with board	0.24	0.18	0.42	0.31	1					
6 Whistleblower policy	0.52	0.29	0.91	0.66	0.44	1				
7 Audit Committee	0.67	0.36	0.61	0.92	0.32	0.64	1			
8 Family members in leadership	0.09	-0.04	0.01	0.00	-0.16	0.02	0.00	1		
9 Management not outsourced	-0.36	0.10	-0.20	-0.37	-0.14	-0.07	-0.34	-0.02	1	
10 Government Funding Indicated	-0.06	0.16	0.24	0.47	0.16	0.31	0.39	0.09	0.00	1

Dimension reduction. As nine of the ten variables related to strong governance practices are dichotomous variables, I used a tetrachoric correlation matrix for factor analysis (see Table 10). Since *Bonds indicated* is perfectly correlated with *Conflict of interest policy*, I dropped *Bonds indicated*. The Kaiser-Meyer-Olkin measure of sampling adequacy (KMO) was under .70, the minimum recommended for factor analysis, with two items (Family members in leadership and Management not outsourced) having scores less than .40. After dropping those two items, the KMO was 0.74, indicating that it was appropriate to proceed with factor analysis. Just one factor was extracted with an eigenvalue greater than 1, which accounted for 75.84% of the total variance (eigenvalue = 3.63). Both the scree test and the parallel analysis also suggested one factor.

A factor structure coefficient of .40 is considered significant (Pituch & Stevens, 2016) in interpreting the factors in this study. Six of the seven remaining items had factor structure coefficients of .40 or greater on Factor 1. The final item had a factor loading of .39 and was retained. Those items are listed in Table 11. The items reflected strong governance; thus, the factor was named 'strong governance.'

Table 11: Factor Loadings, Governance Practices

Variable	Factor1
Endowments Indicated	0.3902
Conflict of Interest Policy	0.8471
Audit	0.8875
990 shared with Board	0.4311
Whistleblower policy	0.8755
Audit Committee	0.8718
Government Funding Indicated	0.4136

Professionalization. As covered in section 4.3.3, the first proxy is the ratio of paid staff to volunteers [staff/(volunteers+1)]. Adding 1 to the number of volunteers ensures that a valid number will be calculated, even if no volunteers were reported on the tax return, eliminating undefined numbers. Following the example of Sanzo-Perez and associates (2017) and based on the skewness of the distribution, I log-transformed this variable, again adding 1 to ensure that no undefined values were created [log(ratio+1)]. The second proxy was the amount spent on salaries, normalized by dividing by the total expenses for the year and multiplying by 100 to normalize the values. The final proxy to measure professionalization is the amount the organization spends on training for staff, excluding program-related training.

To create an index score that combines the three variables, I standardized each item based on their z-scores and computed an average of the three values. A higher number indicates a higher level of professionalization in the organization than in other organizations in the sample.

Lobbying. Lobbying includes funds spent on lobbying for travel and entertainment for elected officials at local, state, and federal levels. There were 492 cases in the sample where organizations reported lobbying expenses on the IRS Form 990.

5.1.4 Organizational Stigma

Organizational stigma was based on NTEE codes that correspond to serving persons with mental disabilities and crime-related causes (coded as "1", indicating the organization served the audience indicated, or "0" indicating that they did not). There were 319 tax returns of organizations addressing mental health needs and just 150 tax returns indicating that the organization addressed crime-related issues.

5.1.5 Controls

Considering the elements of RDT not included in this study, I controlled for mergers and acquisitions, joint ventures, and executive succession with proxy variables. *Mergers and acquisitions* was captured by four questions on IRS form 990 regarding whether the organization owns, or is related to, another organization. This paper controls for *joint ventures* by using a proxy variable indicating whether the organization conducted more than 5% of its programs via an unrelated organization. *Executive succession* is measured by whether the board created a succession plan for the CEO or other key organizational leaders. Details for these variables are included in Table 12.

Table 12: Controls, Raw Data Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Mergers/Acquisitions, Q33	8,359	0.026	0.160	0	1
Mergers/Acquisitions, Q34	8,359	0.209	0.407	0	1
Mergers/Acquisitions, Q35	8,359	0.040	0.196	0	1
Mergers/Acquisitions, Q36	8,359	0.014	0.119	0	1
Mergers/Acquisitions Indicated	8,359	0.220	0.414	0	1
Joint Ventures, Q1	8,359	0.001	0.035	0	1
Joint Ventures, Q2	8,359	0.013	0.112	0	1
Joint Ventures Indicated	8,359	0.014	0.117	0	1
Succession Planning for CEO	8,359	0.515	0.500	0	1
Succession Planning, Other	8,359	0.343	0.475	0	1
Succession Planning Indicated	8,359	0.527	0.499	0	1

Other variables that were included as controls were *geographic location*, *primary purpose*, *size*, and *age*. 'Major Subsector' of the NTEE code, which designates charities into five sectors (Arts, Education, Health, Human Services, and Other), was used to control for potential differences between subsectors. I created dummy variables for each of these sectors.

Table 13: Major Subsectors

Major Subsector	Frequency
Arts	989
Education	576
Health	1,158
Human Services	3,560
Other	2,079

A table with ages is included in Addendum A. Additionally, the size of an organization can affect the way a firm operates and the decisions the leaders make regarding the future of the organization. Therefore, size, measured by the value of assets the organization holds, was used as a control. Due to the skewed nature of assets, I used a log transformed variable of assets.

Although I intended to use a Herfindahl index, the variables in the data resulted in values outside the theoretical range of expected values. The computed Herfindahl score was higher than 1 in 301 cases. Therefore, I did not include this variable in the analysis.

5.2 Data Quality

Panel descriptive statistics are provided in Table 14.

Table 14: Panel descriptive statistics

Variable		Mean	Std. Dev.	Min	Max	Tax Returns
Mission Drift, change in focus	overall	-0.02	2.79	-94.44	107.69	N = 7284
	between		1.07	-10.49	21.54	n = 961
	within		2.62	-83.97	86.13	T-bar = 7.58
Commercial Revenue, ratio	overall	0.01	0.64	0.00	56.61	N = 8295
	between		0.25	0.00	7.52	n = 959
	within		0.59	-7.23	49.10	T-bar = 8.65
Government Funding, ratio	overall	0.14	0.27	0.00	1.00	N = 8296
	between		0.24	0.00	1.00	n = 959
	within		0.10	-0.75	1.04	T-bar = 8.65
Lobbying Expenses, ratio	overall	0.00	0.02	0.00	1.00	N = 8329
	between		0.01	0.00	0.17	n = 960
	within		0.01	-0.17	0.83	T-bar = 8.68
Professionalization Index	overall	0.00	0.64	-0.72	8.65	N = 8329
	between		0.58	-0.70	4.24	n = 960
	within		0.27	-3.71	6.10	T-bar = 8.68
Strong Governance Practices	overall	0.63	0.43	0.00	1.14	N = 8359
	between		0.41	0.00	1.14	n = 961
	within		0.12	-0.17	1.33	T-bar = 8.70
Organizational stigma, serves mental health needs	overall	0.04	0.19	0.00	1.00	N = 8359
	between		0.19	0.00	1.00	n = 961
	within		0.02	-0.86	0.74	T-bar = 8.70
Organizational stigma, serves crime-related needs	overall	0.02	0.13	0.00	1.00	N = 8359
	between		0.13	0.00	1.00	n = 961
	within		0.02	-0.88	0.73	T-bar = 8.70
Mergers or acquisitions	overall	0.22	0.41	0.00	1.00	N = 8359
	between		0.39	0.00	1.00	n = 961
	within		0.12	-0.69	1.13	T-bar = 8.70
Joint ventures	overall	0.01	0.12	0.00	1.00	N = 8359
	between		0.10	0.00	1.00	n = 961
	within		0.06	-0.82	0.92	T-bar = 8.70
Succession plans	overall	0.53	0.50	0.00	1.00	N = 8359
	between		0.48	0.00	1.00	n = 961
	within		0.15	-0.38	1.44	T-bar = 8.70
Purpose: Arts	overall	0.12	0.32	0.00	1.00	N = 8359
	between		0.32	0.00	1.00	n = 961
	within		0.02	-0.74	0.82	T-bar = 8.70
Purpose: Education	overall	0.07	0.25	0.00	1.00	N = 8359
	between		0.25	0.00	1.00	n = 961
	within		0.02	-0.65	0.93	T-bar = 8.70
Purpose: Health	overall	0.14	0.35	0.00	1.00	N = 8359
	between		0.34	0.00	1.00	n = 961
	within		0.04	-0.75	0.97	T-bar = 8.70
Purpose: Human Services	overall	0.43	0.49	0.00	1.00	N = 8359
	between		0.49	0.00	1.00	n = 961
	within		0.05	-0.27	1.20	T-bar = 8.70

Variable		Mean	Std. Dev.	Min	Max	Tax Returns
Purpose: Other	overall	0.25	0.43	0.00	1.00	N = 8359
	between		0.43	0.00	1.00	n = 961
	within		0.05	-0.58	1.14	T-bar = 8.70
Assets (log)	overall	13.55	2.22	0.00	20.08	N = 8352
	between		.07	0.00	19.88	n = 961
	within		0.86	0.14	19.90	T-bar = 8.70
Age	overall	30.47	24.64	0.00	162.00	N = 8359
	between		24.15	2.00	157.00	n = 961
	within		2.88	4.38	52.37	T-bar = 8.70
Age^2	overall	1535.74	2996.00	0.00	26244.00	N = 8359
	between		2892.73	6.00	24659.00	n = 961
	within		247.56	-969.56	5025.04	T-bar = 8.70
Tax Year	overall	2015.11	2.83	2010	2020	N = 8359
	between		0.96	2012	2018	n = 961
	within		2.71	2009.25	2020.86	T-bar = 8.70

Multicollinearity. Table 15 includes a between correlations table, VIF scores, and tolerance values (1/VIF) of the explanatory variables in my model. None of the correlations are greater than 0.80, indicating that multicollinearity should not be an issue (Gujarati & Porter, 2009). Additionally, variance inflation factors (VIF) were all less than 10, supporting that multicollinearity is not an issue (Allison, 1999).

Table 15: Between Correlations Table

	1	2	3	4	5	6	7	8	9	10	VIF	1/VIF
1 Government Grants	1										1.18	0.847
2 Unrelated Business Income	-0.025	1									1.14	0.875
3. Lobbying	0.062	0.022	1								1.07	0.932
4 Professionalism	0.096*	-0.011	-0.041	1							1.05	0.949
5. Governance Policies	0.192*	-0.040	0.025	0.273*	1						1.05	0.949
6 Family members in leadership	0.051	-0.027	-0.028	0.032	0.021	1					1.05	0.951
7. Management not outsourced	-0.056	0.013	0.008	0.138*	-0.130*	-0.010	1				1.03	0.973
8. Independent Board Members	0.113*	-0.005	-0.009	0.051	0.266*	0.102*	-0.030	1			1.02	0.983
9 Stigma, Mental Health	0.079*	-0.010	-0.008	0.221*	0.047	0.019	0.055	0.027	1		1.01	0.988
10. Stigma, Crime	0.088*	-0.007	0.285*	0.013	0.013	0.039	0.039	0.015	-0.029	1	1	0.999

5.3 Main Findings, Panel Regression Tests Results

To test my hypotheses, I conducted a fixed-effects panel regression in Stata through a series of five models. First, to determine which analysis method to use, I conducted a Hausman test and a Breusch-Pagan test based on the full model. Theoretically, a fixed-effects approach would be most appropriate, as there are several time-invariant characteristics at the organizational level that may affect the independent variables in this model. For instance, the personal characteristics of board members and the leadership team would likely be associated with the organization's professionalization and strong governance practices (Parker, 2007). A fixed-effects model helps to control for both the time-invariant characteristics of the organizations and any unobserved heterogeneity (Allison, 2009). A Hausman test comparing a fixed-effects model with a random-effects model was significant (p <.01), confirming that a fixed-effects model was appropriate. A Breusch-Pagan test was statistically significant (p <.01), indicating that heteroskedasticity in the data was a concern. Therefore I added robust standard errors to help compensate for this unequal variance of error terms. Because a fixed-effects model includes all time-invariant organizational effects in a single idiosyncratic error term, I dropped the time-invariant variables from my model to avoid multicollinearity between these variables. These variables included the direct effects of organizational stigma and the controls related to geography and purpose.

Table 16 provides details regarding this analysis. The first model includes the dependent variable and controls only. To test hypotheses 1 and 2, the second model adds in commercial revenue and government funding. The third model tests hypotheses 3 through 5 and considers the interaction effects of funding source and management practice on mission drift. Model 4 focuses on the interaction effects of commercial revenue and organizational stigma on mission drift. Finally, Model 5 presents the full model. The F tests show that none of the models were statistically significant, meaning that not all of the estimated coefficients in the model were different from zero and that the models do not fit the data well.

As a baseline, Model 1, using a fixed-effects (within) regression, includes only the controls and the dependent variable. Although the results are not statistically significant, strong governance practices, mergers/acquisitions, joint ventures, and succession policies led to an increase in social value orientation within my sample. Higher levels of professionalization, lobbying, and assets were associated with higher levels of economic value orientation, as indicated by changes in mission statements.

Hypotheses 1 and 2 predicted that commercial revenue and government funding would be associated with higher levels of mission drift, respectively. Results are provided in Model 2. Hypothesis 1 was not supported ($\beta < 0.01$, $p = .26$), indicating that an increase in commercial revenue is not associated with an increase in mission drift. There was also no support for Hypothesis 2 ($\beta = .01$, $p = .99$).

Hypotheses 3 through 5 (tested in Model 3) predicted that management practices would result in increased levels of mission drift due to the organizations operating in a resource-constrained environment, thereby straining all aspects of organizational management. Hypothesis 3 is related to the interaction between strong governance practices and commercial revenue. In addition to this relationship not being supported ($\beta = -1.37$, $p = .19$), the sign was also different from that I had hypothesized, as the mission statements' social value orientation increased. Hypotheses 4a and 4b were related to the interaction of (1) professionalization and commercial revenue and (2) professionalization and government revenue. Neither coefficient was statistically significant, but both were in the direction I had hypothesized within my sample. Both the interaction of professionalization and commercial revenue (β = -0.65, p = .23) and professionalization and government revenue (β = 0.11, p = .85) were associated with a slight increase economic value orientation. Hypothesis 5 suggested that the interaction of lobbying and government funding would lead to an increase in the incidence of mission drift. Again, this was not statistically significant; however, in my sample, there appeared to be a slight increase in the incidence of mission drift where organizations receiving government funding also engaged in lobbying (β = 0.30, p = .90).

Hypothesis 6 predicted that organizations with commercial revenue combined with organizational stigma would have a lower incidence of mission drift. While there was evidence in my sample that this was the case (as shown in Model 5 in Table 16), it was not supported to a level that was statistically significant. Both organizations serving those with mental health needs (β = -25.10, p = .89) and those with crime-related issues (β = -0.91, p = .46), in the context of commercial revenue, experienced less mission drift, and instead increased their social value orientation. In summary, none of the hypotheses were supported at a statistically significant level.

Table 16: Panel Regressions

	Model 1		Model 2		Model 3		Model 4		Model 5	
	Coef.	P>t	Coef.	P>t	Coef.	P>t	Coef.	P>t	Coef.	P>t
Commercial Revenue			0.003	0.261	0.294	0.182	0.003	0.260	0.298	0.180
Government Funding			0.009	0.987	0.015	0.979	0.008	0.988	0.014	0.981
Governance Practices x Comm Rev					-1.367	0.192			-1.387	0.190
Prof x Commercial Rev					0.652	0.228			0.662	0.225
Prof x Gov Funding					0.112	0.850			0.110	0.852
Lobbying x Gov Funding					0.299	0.898			0.296	0.899
Mental Health x Commercial Rev							-25.104	0.894	-23.620	0.900
Crime x Commercial Rev							-0.909	0.462	-1.331	0.326
Governance Practices	0.704	0.205	0.700	0.212	0.707	0.208	0.700	0.212	0.708	0.208
Professionalization	-0.199	0.116	-0.196	0.126	-0.210	0.161	-0.196	0.126	-0.210	0.161
Lobbying	-0.048	0.957	-0.047	0.959	-0.233	0.919	-0.047	0.959	-0.231	0.920
Mergers/Acquisitions	0.262	0.640	0.264	0.639	0.264	0.638	0.264	0.639	0.264	0.638
Joint Ventures	0.078	0.824	0.076	0.828	0.073	0.834	0.076	0.828	0.073	0.834
Succession policies	0.086	0.796	0.133	0.691	0.130	0.697	0.134	0.689	0.131	0.696
Assets (log)	-0.068	0.166	-0.068	0.177	-0.068	0.178	-0.068	0.177	-0.068	0.178
Tax Year 2011	-0.120	0.379	-0.121	0.380	-0.120	0.391	-0.121	0.380	-0.120	0.390
Tax Year 2012	-0.155	0.244	-0.153	0.254	-0.152	0.260	-0.153	0.254	-0.153	0.259
Tax Year 2013	-0.431	0.060	-0.429	0.063	-0.429	0.065	-0.430	0.063	-0.429	0.065
Tax Year 2014	-0.460	0.041	-0.460	0.043	-0.458	0.044	-0.460	0.043	-0.458	0.044
Tax Year 2015	-0.308	0.201	-0.308	0.204	-0.305	0.208	-0.308	0.204	-0.305	0.208
Tax Year 2016	-0.207	0.393	-0.206	0.397	-0.205	0.400	-0.207	0.396	-0.206	0.399
Tax Year 2017	-0.277	0.255	-0.285	0.245	-0.285	0.247	-0.286	0.245	-0.285	0.246
Tax Year 2018	-0.221	0.386	-0.229	0.370	-0.229	0.373	-0.230	0.370	-0.229	0.372
Tax Year 2019	-0.143	0.422	-0.144	0.422	-0.143	0.427	-0.144	0.420	-0.143	0.426
Age	-0.010	0.843	-0.011	0.843	-0.011	0.842	-0.011	0.843	-0.011	0.842
Age squared	0.000	0.574	0.000	0.584	0.000	0.586	0.000	0.584	0.000	0.587
_cons	-3.283	0.004	-3.300	0.004	-3.308	0.004	-3.300	0.005	-3.307	0.004
Tax Returns		8,322		8,280		8,280		8,280		8,280
Organizations		960		959		959		959		959
R-square										
within		0.003		0.003		0.003		0.003		0.003
between		0.003		0.003		0.003		0.003		0.003
overall		0.004		0.003		0.003		0.003		0.003
corr(u_i, Xb)		0.046		-0.047		-0.047		-0.047		-0.047
F	(18,959)	1.02	(20,958)	0.96	(24,958)	0.83	(22,958)	0.87	(26,958)	0.77
Prob > F		0.44		0.51		0.70		0.63		0.79
sigma_u		8.51		8.52		8.52		8.52		8.52
sigma_e		3.42		3.43		3.43		3.43		3.43
rho		0.86		0.86		0.86		0.86		0.86

5.4 Summary and Conclusion

This chapter presented details related to checking the data, computing variables, confirming that assumptions for the analysis were met, and running the analysis. Section Section 5.1 detailed how different variables were computed, including textual analysis of the mission statements, revenue sources, management practices, organizational stigma, and the controls. Section 5.2 provided information about the data quality checks. Finally, Section 5.3 provided the results of the analysis.

CHAPTER SIX: CONCLUSION

6.1 Chapter Introduction

In previous chapters, I created a theoretical model that attempted to explain the incidence of mission drift, outlined details to test that model, and provided the results of those tests in Chapter 5. This chapter will reflect on those results, specifically presenting possible reasons that none of the findings were statistically significant. In addition, I will present implications and limitations and outline potential future research opportunities.

6.2 Reflection on Results

In this paper, I sought to explore under which circumstances mission drift occurs in nonprofit organizations by answering three research questions. First, how does funding source influence mission drift? Second, how do management practices affect the relationships between funding source and mission drift? And third, what role does organizational stigma play in the relationship between funding source and mission drift? Although there were no significant findings in my study, many of the coefficients did lean in the direction I had anticipated. In this section, I provide some potential reasons that I may not have found significant results and reflect on the findings within the sample.

6.2.1 Influence of Funding Source (H1, H2)

In previous chapters, I suggested that the influence of external funding sources might distract organizations from their core mission, causing them to become more focused on economic value creation. Specifically, I hypothesized that commercial revenue and government funding would be associated with higher levels of mission drift. These hypotheses were not supported. Although this is inconsistent with generally accepted practice in the nonprofit sector and with some prior findings that increased tensions would be associated with higher levels of drift (Civera et al., 2020; Doherty et al., 2014), it is consistent with other studies that suggested there is not a relationship between commercial funding and mission drift (Staessens et al., 2019; Yetman & Yetman, 2009). There are a few reasons that a relationship might not be present in the data. First, it could be that there is no relationship between the two variables and that adding commercial streams of revenue may not put organizations at risk of mission drift. Second, it might be that the variability in the sample was not sufficient to show an effect, as there were just 132 organizations that reported commercial revenue in at least one year. Third, it could be that operationalizing commercial revenue as unrelated business income might be the wrong variable to consider, several types of program-related revenue sources might be considered commercial revenue. Finally, it might also be that any drift associated with pursuing commercial revenue happens when the decision to pursue that revenue source occurs. Therefore it would technically occur *prior* to any commercial revenue being collected. For instance, those types of decisions typically occur as part of an overall strategic planning process, which could also include revisiting the mission statement (Bryson, 2010).

I also hypothesized that government revenue might be associated with higher levels of mission drift, as the requirements of government grants, particularly related to reporting and administrative requirements, may not be covered (Marwell & Calabrese, 2015). This hypothesis was also not supported. There are, again, several possible reasons for this lack of significant findings. First, it might be that when organizations first seek government funding, they are intentional about finding a match for their mission, ensuring that no drift should occur. Second, It could be that the influence becomes salient after the first grant is approved and prior to an additional grant. For instance, a health-related organization I worked at was often strongly encouraged by its grant officer (a government employee who represents the government's interests to the organization) to pursue additional grant opportunities (based on being a health care organization, rather than considering the specific mission of the organization). A more nuanced look at first versus subsequent government grants might help determine whether an effect is present that might not be apparent when all organizations that receive government grants are pooled together. Third, government grants are not the only source of government funding that organizations receive. For instance, many healthcare organizations receive contracts to provide care for the underserved. Those contracts are not captured under government grants and are not readily available in the 990. That would require researching county, state, and federal contract programs and manually tracking recipients. In summary, neither pursuit of government funding nor commercial revenue was associated with an increase in the amount of mission drift.

Table 17: Summary of Hypotheses

Hypotheses	N=8280 (959 Groups)	
	Beta	Significant
H1: Commercial Funding − Mission Drift (+)	0.003	Not Significant
H2: Government Funding − Mission Drift (+)	0.009	Not Significant
H3: Governance on Commercial − Mission Drift (+)	-1.367	Not Significant
H4a: Professionalization on Commercial Revenue − Mission Drift (+)	0.652	Not Significant
H4b: Professionalization on Government Rev to Mission Drift (+)	0.112	Not Significant
H5: Lobbying on Government Revenue − Mission Drift (+)	0.299	Not Significant
H6: Organizational Stigma on Commercial Revenue − Mission Drift (-)	-25.104 (mental health) -0.909 (crime)	Not Significant

6.2.2 Management Practices to Minimize Stakeholder Dependencies (H3, H4, H5)

Management practices did not appear to affect the relationship between the source of revenue and mission drift to a statistically significant level in either direction. This is contrary to expectations based on RDT (Pfeffer & Salancik, 1978) and from the hypotheses in this study. Although not statistically significant, the interaction of commercial revenue and strong governance practices within my sample appeared to lead to an increase in social value orientation. This might indicate that, at least for organizations earning commercial revenue, RDT operates as Pfeffer and Salancik (1978) anticipated, minimizing resource dependencies and allowing the organization to prioritize its own goals.

Another finding in my sample that was not statistically significant is that the interaction of professionalization and commercial revenue and the interaction of professionalization and government funding resulted in a slight increase in economic orientation. This is consistent with my hypothesis and might suggest that when organizations focus on aspects of RDT, they do so at the risk of distracting from their social mission.

6.2.3 Organizational Stigma and Commercial Revenue

In Hypothesis 6, I suggested that organizational stigma would be associated with lower levels of mission drift in the context of commercial revenue. The results were not statistically significant. However, in my sample, the interaction between commercial revenue and organizational stigma was associated with higher levels of social value orientation. This means that not only did this group, on average, not experience mission drift, but the interaction of commercial revenue and organizational stigma also resulted in higher levels of mission focus.

6.3 Implications

There are theoretical and practical implications that might be drawn from my study that are covered in-depth below. On a theoretical level, I suggest that RDT might benefit from considering internal resource constraints and the effect that might have on the effectiveness of management practices in minimizing external influences. Next, I also suggest that concerns related to mission drift due to competing worldviews and donor influence (primarily related to the introduction of commercial and government funding) may be overstated. Then, I consider whether nonfinancial indicators might be relevant in the context of RDT. My final theoretical contribution is to hopefully move one step closer toward developing a theory of mission drift. In addition, I offer two practical implications. First, I suggest that practitioners may not need to be as concerned about mission drift when they consider adding commercial revenue. Next, I encourage nonprofits to consider ways to build commitment to the cause to help protect against mission drift.

6.3.1 Theoretical

RDT in the Context of Internal Resource Constraints. In chapter one, I suggested that RDT may not operate the same in organizations with internal resource constraints. Although the findings of my study are inconclusive, in my sample, it appeared that, in certain circumstances, management practices recommended by RDT led to an increase in mission drift. For instance, organizations in my sample that received government funding and were engaged in either lobbying or the professionalization of their staff appeared to have a slightly higher rate of mission drift. Although this was not statistically significant, it could indicate that investigating the effect of internal resource constraints, as are present in nonprofit organizations, is warranted.

Competing Logics and Mission Drift. Hybridity literature theorizes that attempting to operate under two different logics simultaneously will lead to increased tensions and that those tensions may lead to favoring one logic over the other (Pache & Santos, 2010). An institutional logic represents the assumptions (sometimes formally introduced and, at other times, informally enforced) under which individuals and organizations operate (Thornton & Ocasio, 1999). Much of the research on this topic has assumed that conflicting logics will cause mission drift (Smith et al., 2013). Therefore, researchers have appeared to focus their efforts on identifying ways to balance these logics (Battilana et al., 2015; Mason & Doherty, 2016). My findings do not indicate an increase in mission drift (measured by value orientation of mission statements) associated with commercial revenue (in the form of unrelated business income). There are a few reasons this might be the case. Organizations that pursue commercial funding may have already assessed whether they have the bandwidth to manage it. They may also engage in behaviors such as compartmentalizing, where organizations have distinct units that focus on either commercial or social goals (Battilana et al., 2015).

The Role of Organizational Stigma. Social organizations that attempt to generate commercial revenue may be at a disadvantage, as their stakeholders may not be clear on how to categorize the organization. Organizational stigma may then add another legitimacy challenge. On the surface, this double legitimacy challenge might be expected to lead to an increased incidence of mission drift. The results of my analysis indicate that, although there was some level of drift in my sample, it was not at a statistically significant level. This indicates that there may be a missing factor that can help overcome legitimacy challenges. It is possible that organizational stigma may result in stakeholders having a higher level of commitment to the organizational goals and purposes, leading those stakeholders to become even more committed to the cause rather than being sidetracked when challenges arise.

RDT and Nonfinancial Indicators. Studies contributing to RDT have typically measured financially driven outcomes. Since more companies are pursuing the creation of shared value (Porter & Kramer, 2011), it could be helpful to understand whether RDT still applies to nonfinancial outcomes. However, due to a lack of statistically significant findings, my study was inconclusive. None of the management practices I tested, including governance practices, professionalization, and lobbying, appeared to affect the incidence of mission drift.

Towards a Theory of Mission Drift. Although I had hoped to move towards a theory of mission drift, my results did not provide clear findings related to either source of mission drift or ways to manage mission drift. Related to causes of mission drift, it does not appear that commercial revenue nor government funding are associated with higher levels of mission drift. As there was no drift to manage, considering the effectiveness of management practices in managing that drift might be seen as fruitless. However, the lack of support for mission drift caused by the presence of commercial revenue might be informative in itself, in that it may tell us that we need to cast a wider net as it relates to identifying precipitating causes of mission drift. In addition, the finding that the commercial/social orientation of the organization did not change at a statistically significant level when management practices from RDT were employed may mean that those management practices did help manage that drift. Overall, however, it does appear that an overarching theory of mission drift is a goal in need of further research.

6.3.2 Practical

Commercial Revenue and Mission Drift. Although nonprofit industry standards suggest that pursuing commercial revenue might distract nonprofit organizations, my results suggest this may not be the case. Over the last thirty years, nonprofit organizations have increased their levels of professionalization, as evidenced by an increase in associations serving professionals working within nonprofits, including board members, organizational leaders, fundraisers, volunteer managers, grant writers, and program managers. Perhaps this level of growth and professionalization helps to equip organizations to balance the demands of both social and commercial goal pursuits. Regardless, my study's lack of findings suggest that it might be possible to pursue commercial revenue without risking the organization's social mission.

Commitment to the Cause. Within my sample, organizational stigma appeared to be associated with higher levels of social value orientation in organizations that received commercial funding. One possible mechanism for this effect is that people working in those agencies have a higher level of commitment than in other organizations. Hudson and Okhuysen (2009) found that some of the bathhouses in their study sought out suppliers and vendors known to be either stigmatized themselves or at least not worried about potential negative repercussions of working with entities with organizational stigma. This suggests that a network exists that might overlook the organizational stigma and embrace the idea of challenging the stigma itself, thereby making "a virtue of their insurrection" (Oliver, 1991). This seems likely, as people who align themselves with a stigmatized group risk being stigmatized themselves (Hudson & Okhuysen, 2009). Therefore, to be willing to accept that risk, they may need to have a strong commitment to the cause. Practitioners might want to find ways to increase commitment to the cause to mimic this possible moderating effect on mission drift.

6.4 Limitations

There are two primary limitations of my study I would like to highlight. The first relates to the way I operationalized mission drift. The next considers limitations related to using tax returns.

Measurement of Mission Drift. Although prior studies have used textual analysis of mission statements (Lumpkin et al., 2013; Moss et al., 2018), this may not be the best measure to use. There are a few reasons for that. First, some mission statements can be quite short. In my sample, the mean word count is just under 31 words with a standard deviation of 26.3 words. The majority of mission statements are less than 40 words. While LIWC, the textual analysis software I used, compensates for the length of the text by normalizing the score per 100 words, and while this has not been raised as an issue in prior papers that used nonprofit mission statements, a general rule of thumb in the psychology literature appears to be that a minimum of 25 to 50 words is suggested to obtain accurate results (Boyd, 2017). This may limit the usability of this measurement. Second, it takes effort on the part of organizations and their boards to change their mission statements. Smaller organizations with higher internal resource constraints may be least able to take the time and attention away from other issues at board meetings to consider formally changing their mission statement. Finally, the incidence of drift, as measured by textual analysis was quite small in the sample as their were only 350 cases where the organization appeared to drift towards an economic orientation, and only 105 of those were at a level greater than a .5 standard deviation from the mean. This lack in variability of the dependent variable may have affected the results.

Use of Tax Returns. There is value in working from an existing set of data, primarily because it allows a larger number of years of data than would otherwise be available. However, the granularity of the data is reduced, as measurements are limited to those fields in the data. Three additional reasons using tax returns might be problematic are as follows. First, the information provided on the return may not be fully accurate. A bookkeeper or accountant, who may not be knowledgeable about the organization's operations (including governance, operations, programs, and mission descriptions), is typically assigned the tax of compiling the tax returns. Next, small start-up organizations may not be included in the sample, as organizations are not required to file a complete

990 (as opposed to the shorter 990EZ) until they reach $25,000 in annual revenues. Small organizations are not the primary organization of interest in this study, but it is a limitation that should be acknowledged. Finally, the dataset is limited to US organizations, so its applicability to an international audience is limited.

6.5 Future Research Opportunities

I highlight several potential avenues for future research in this section. First, the question of what constitutes a mission drift versus a strategic shift is a question that remains outstanding in the literature. Next, although my research did not find a relationship between government funding and mission drift, there may be conditions under which they might be associated. Finally, using longer narrative descriptions to measure drift, focusing on specific segments of the population, and considering the organization's life stage are other approaches that could be interesting to explore.

Is it drift or shift? Although this paper presents mission drift as a negative phenomenon, there are cases when changing course is better for the organization and the cause to which it is committed. Adjusting the mission might help the organization focus on the root problem the organization was founded to solve. For instance, many organizations are attempting to solve 'wicked' problems, which may require that the organization stay nimble and adapt to the challenges they face (Conklin, 2006; Rittel & Webber, 1973). These ongoing adaptations should not necessarily be considered mission drift. In addition, it may not be a tradeoff in that an increase in a commercial value orientation might also lead to an increase in social value creation (Staessens et al., 2019).

Impacts from the Introduction of Government Funding. Although this study did not find a relationship between government funding and mission drift, there may be an effect if one were to investigate whether a second federal grant would have more of an effect. Perhaps the process of getting the first grant is intentionally focused on advancing the organization's mission. In contrast, the second grant could directly result from stakeholder influence, as the stakeholder (in this case, the government) would be more salient after the first grant. Additional grants the organization might be strongly encouraged to pursue might not be so closely related to the organization's mission.

Longer narratives to assess value orientation. Future research might consider using longer narratives from annual reports or other annual reports to address the length of mission statements. While not all organizations file annual reports, many established organizations do. Therefore, these reports may provide additional insights into whether these organizations have an economic versus social value orientation.

Focus on Specific Segments. There may be too much heterogeneity in the sample, so it might be beneficial to consider whether some subsectors are more susceptible to external influence than others. For instance, limiting the study to arts organizations, community health centers, or other specific organization types may help us better understand the nuance of the relationship between funding source and mission drift. Because this study used fixed effects, those effects did not surface in this study.

Life Stage of Organizations. It might also be that the organization's life stage would affect these relationships. Specifically, young organizations in their formative years might be more likely to be swayed by external influences. The research on young nonprofit organizations and how they avoid mission drift is quite limited. Only twelve articles in my literature review included age in their analysis, and none used it as a variable of interest.

6.6 Conclusion

Despite the concerns of leaders in the nonprofit sector regarding mission drift, results from research thus far have been inconclusive related to the sources of drift. For instance, studies on whether commercial revenue leads to mission drift have had conflicting results (Civera et al., 2020; Staessens et al., 2019), as has government funding (Bennett & Savani, 2011; Berrett & Holliday, 2018). Not understanding the causes of mission drift has made it difficult to know how to manage it. In addition, I suspect that not accounting for the internal resource constraints typical of nonprofit organizations has also caused challenges.

In this paper, I have used RDT to attempt to deconstruct some of the causes of, and management practices for, mission drift within an internally resource-constrained environment, specifically in my study within nonprofit organizations. I hypothesized that management practices typically used to manage external stakeholder influence would not operate the same in the nonprofit context due to limitations of administrative budgets and time available by executives and volunteer boards.

I tested these relationships using a sample of 8,280 tax returns (from the years 2010 − 2021) representing 956 organizations. Although there were no statistically significant findings in my study, the results from my sample might still inform two primary implications. First, although my study found no statistically significant relationships, the interaction between professionalization and both commercial revenue and government funding resulted in a slightly higher incidence of mission drift in my sample. In addition, the interaction between lobbying and government funding was also positive in my sample. This suggests that management practices recommended by RDT to manage external influences may not operate the same in organizations with internal resource constraints. In addition, the interaction between commercial funding and organizational stigma resulted in higher levels of social value orientation in my sample. This is in contrast to prior studies, which have suggested that both tensions related to divergent worldviews (in this case, commercial revenue) and organizational stigma increase the probability of mission drift. This suggests that more research may be needed to understand these relationships fully.

Although there were no statistically significant findings in this study, the results provide evidence that many of these relationships would benefit from further study. By considering internal resource constraints combined with RDT, we may better understand why the management practices suggest work in some cases and not in others.

6.7 Chapter Summary

In this chapter, I started by reflecting on the results of my analysis, including several potential reasons my findings are inconclusive. Next, I presented some theoretical and practical implications of those findings. This was followed by possible limitations of my study, primarily the use of public tax return data and possible shortcomings with using mission statements to determine value orientation. Next, I shared some ideas about future research opportunities and provided some concluding thoughts on my study.

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ADDENDA

Addendum A: Table of Ages

Age of Organization	Frequency	Percent
0-9	1154	13.8%
10-19	2045	24.5%
20-29	1777	21.3%
30-39	1371	16.4%
40-49	838	10.0%
50-59	425	5.1%
60-69	234	2.8%
70-79	110	1.3%
80-89	67	0.8%
90-99	64	0.8%
100-109	80	1.0%
110-119	77	0.9%
120-129	24	0.3%
130-139	29	0.3%
140-149	40	0.5%
150-159	21	0.3%
160-169	3	0.0%

CURRICULUM VITAE

NAME: Kirsten Brøndsted Bullock

EDUCATION & TRAINING:

B.S.W., Social Work
University of Central Florida
1993-1995

M.B.A., Webster University
1996-1999

Ph.D., Entrepreneurship
University of Louisville
2017-2022

AWARDS:

Paul Dunn Memorial Emerging Scholars Award. Spring 2022. Small Business Institute Conference.

Best Empirical Paper. Spring 2022. Small Business Institute Conference.

PROFESSIONAL SOCIETIES:

Academy of Management, 2017-2022

United States Association for Small Business and Entrepreneurship, 2018-2022

Association for Research on Nonprofit Organizations and Voluntary Action, 2020-2022

PUBLICATIONS:

Botero, I.C., Sandoval Arzaga, F., and Bullock, K.B. 2021 Understanding governance mechanisms in small and medium family firms in Latin America. Multidisciplinary Business Review.

Sarker, S., Ahuja, M., Sarker, S., Bullock, K.B., 2021. Work-Life Balance in an Evolving and Expanding Workforce: Challenges and Opportunities for Organizations. Book from Palgrave McMillan.

NATIONAL MEETING PRESENTATIONS

Bullock, K.B. Will a Carrot or a Stick Encourage Entrepreneurs to Invest More Time in Their Ventures? *2022 Small Business Institute Conference*.

Bullock, K.B. Managing Online Feedback: A Proposed Model for Offsetting the Impact of Negative Feedback. *2022 USASBE Conference*.

Bullock, K.B. Mission Drift: A review of the literature. *2021 Association for Research on Nonprofit Organizations and Voluntary Action Annual Conference.*

Bullock, K.B. The Impact of Sociohistorical Changes on Family Business: A Conceptual Model. *2020 AOM Annual Meeting*, *Entrepreneurship Division*.

Botero, I.C., Sandoval Arzaga, F., and Bullock, K.B. 2021. The same but different: An Exploration of the Governance practices in Latin American family firms*. 2020 Family Business in the Arab World Conference*.

Muhammad, M., Atkinson, L., Bullock, K.B., and Ahuja, M. Social Integration and Knowledge Spillover Entrepreneurship. *2019 AOM Annual Meeting*, *Entrepreneurship Division*.

CONSORTIUMS AND SYMPOSIA:

Participant, Doctoral Consortium
Small Business Institute
Spring 2022

Participant, Doctoral Consortium
Southern Management Association
Fall 2021

Participant, Academic Research Symposium
Managing Risk and Uncertainty: The Challenge of Entrepreneurship
Institute for Humane Studies (IHS)
Fall 2021

Participant, Entrepreneurship & Strategy Doctoral Research Lab
SMS Entrepreneurship and Strategy (E&S) IG
Summer 2021

Participant, Research Roundtable
ARNOVA Annual Conference
2019

Participant, Paper Development Workshop
Academy of Management Annual Meeting, Social Movements Workshop
2018

INDUSTRY WORK EXPERIENCE:

Owner/Strategy Consultant
Bullock Consulting, Inc.
2008 – 2017

Podcast Host
Social Good Instigators
2008 – 2017

Founder
The Nonprofit Academy
2011 – 2014

Fundraising Manager
The Institute for Internal Auditing Research Foundation
2007 – 2008

Owner / Image consultant
Image Transformations
2003 – 2004

Director of Development
Covenant House Florida
2001 – 2002

Director of Development
Community Health Centers, Inc.
1999 – 2001

Comptroller
Nationwide Gift Packaging, Inc.
1996 – 1998