Life, Death, and Zombies: Revisiting Traditional Concepts of Nonprofit Demise

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There is a robust literature examining financial vulnerability and demise of nonprofit organizations, particularly in the United States. However, much of this knowledge stems from inconsistent definitions of nonprofit demise. Using eight comparative case studies, this study revisits traditional definitions of nonprofit life and death to better reflect actual organizational operating status. Following this reclassification, findings from this study show that certain internal and external characteristics are more important in determining a nonprofit’s operational status. In particular, nonprofits whose missions involve a particular regulation are more likely to close due to mission completion or obsolescence; however, these nonprofits also tend to either reincarnate or expand scope if other factors are favorable. The findings also appear to show that the existence of conflict or competition with an outside entity boosts nonprofit cohesion. Internal tensions, however, are particularly harmful.

Keywords: Nonprofit Demise, Closure, Dissolution, Conflict

The exact meaning of nonprofit demise is ambiguous in the academic literature (Hager, 1999; Helmig, Ingerfurth, & Pinz, 2013; Searing, 2018). This ambiguity stems primarily from the difficulty in accessing data that conclusively show a nonprofit’s current operating status, especially accessing enough data for large-scale quantitative studies. Additionally, empirical definitions of organizational vulnerability and death vary from study to study; and there are a number of industry standards to identify an organization’s demise, such as multiple years of not filing mandatory reports (Hager, 2001), program expense cutbacks (Greenlee & Trussel, 2000), and fund balance losses (Trussel, 2003; Trussel & Greenlee, 2004). To overcome this ambiguity, some researchers have relied on publicly available lists of nonprofit organizations that are known to have failed, such as the Master Failed Public Charities list from the National Center for Charitable Statistics (NCCS). This list, however, was only released for the year 2003 (National Center for Charitable Statistics, 2003).

Unlike countries with lists of deregistered charities (e.g., Canada), the United States (US) does not have a definitive source of information regarding nonprofit demise (Elson & Rogers, 2010). Even in countries with deregistration lists, however, nonprofits that mistakenly allow paperwork to lapse and immediately re-register under a different identification number are often not recorded as deregistered. The only reliably accurate method to verify and explore nonprofit death is through direct contact with an organization in order to verify existence, or direct contact with organizations in the immediate organizational ecosystem surrounding the yet-to-be-verified organization last operated.

In for-profit network analysis, Human and Provan (1997, 2000) conducted qualitative studies on two networks of small forestry product companies, shifting their research focus from network exploration to reasons for organizational demise when one of them dissolved. Walsh and Bartunek (2011) used six qualitative case studies to study the demise, reorganization, and rebirth in large for-profit organizations. They found that entrenched organizational processes and identity were key to revival. Sutton (1987) studied smaller and newer firms and found that adherence to the prior organization inhibited formation of another organization. Mantere et al. (2013) emphasized that this approach was particularly salient for entrepreneurial failure, since the personal nature of the venture often entails emotional processes (e.g., grief and recovery) in addition to contextual elements.

Although insightful, none of these studies have concentrated specifically on nonprofits that already possess, what organizational ecology researchers refer to as, the liabilities of smallness and newness (Freeman, Carroll, & Hannan, 1983). Organizations that are young and small are more likely than other comparable organizations to close. Since the bulk of the nonprofit sector is made up of smaller organizations (Kim & Peng, 2018), the findings from this study should be particularly salient for both practitioners and researchers.

Using a comparative case study approach, this study investigates the types and causes of nonprofit organizational demise. The study proceeds as follows: first, I provide a review the theoretical foundations of nonprofit, and broader organizational, death. Second, I describe the methods used to acquire and analyze the data in the study. This is followed by a reclassification of nonprofit organization operating status and demise. Next, I describe the themes that emerged regarding the causes of closure. Finally, I discuss the implications of the study; and, I conclude with study highlights and practical applications of the findings.

**Theories of Nonprofit Demise**

This study draws on three theoretical approaches: organizational ecology, institutional theory, and resource dependency. A number of scholars studying nonprofit demise have noted the complementarity of these theories (e.g., Fernandez, 2008; Hager, Galaskiewicz, & Larson, 2004). According to Abzug (1999), the differences between the theories derive from their empirical approaches: institutionalists rely on case studies, resource dependency theorists rely on large databases, and population ecologists rely on either large databases or they don’t report data at all. For the purposes of this study, it is important to note that all three theories incorporate the dynamics of the environment while still including the internal mechanisms of the organization, whether on an individual or a group level. They differ, however, in how they emphasize management’s role in survival and the rigidity of the external environment.

Organizational ecologists view organizations at a group level, with those organizations that possess the ability to adapt and thrive in their particular niche of the ecosystem providing the impetus for its species to evolve. These organizations either have superior means of extracting resources (Hannan & Freeman, 1993; Pfeffer & Salancik, 2003) or they possess unique beneficial attributes such as adaptability, entrainment, or resistance to environmental change. Beyond these characteristics, however, are the dynamics of the niche itself (e.g., the amount of resources available and the population density).

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Density theorists have shown that there is a U-shaped relationship between the number of similar organizations in a niche and the number of organizational closures (Baum & Singh, 1994; Hannan, 1986; Hannan & Freeman, 1993). Industries with a small number of organizations typically lack legitimacy and have difficulty pulling in resources. This causes a high rate of failure. As the niche and the organizational type gain legitimacy, competition for resources increases. However, so does the quantity of resources. The abundant resources continue to draw in firms until the niche is too crowded to support the crowd. After which, the organizational demise rate increases again.

Although Singh and Lumsden (1990) assert that there is convergence in organizational ecology and new institutional theories, there are enough separate elements between the two to consider them unique schools of thought. Similar to organizational ecologists, institutionalists focus on the relationship between organization and environment. However, institutionalists are more concerned with the socio-historical context than they are with the current presence of competitors in the niche (DiMaggio & Powell, 1991). These contextual elements can include social norms (Meyer & Rowan, 1977), organizational norms (Haverman, 1993), industry norms (Krishnan & Yetman, 2011), and/or both personal and organizational identity (Baron, 2004; Hannan, 2005; Hsu & Hannan, 2005). In all instances, though, the emphasis is on the nuance in cultural constructs around the organization.

The concept of legitimacy, where an organization is accepted and embedded in its niche, has roots in both institutional and organizational ecology theories (Aldrich & Fiol, 1994; Hannan, 2005; Human & Provan, 2000; Zucker, 1989). Without legitimacy, an organization is isolated from the resources in its niche. Such an organization eventually be selected out of the evolutionary process, both as an organization and as a species. Institutionalists view the niche itself as a normative construct. Proponents of organizational ecology (and even resource dependency), however, view the niche as a rigid and direct function of environmental characteristics within which an organization exercises a degree of autonomy on strategies, such as specialization and resource extraction (Freeman & Hannan, 1983).

In addition to these theories, there are also several theories that address the resources themselves. First, resource partitioning theory suggests that the resources within a niche are best divided up amongst the inhabitants. This allows each organization type to consume either a particular resource or to do so in a particular way (Carroll & Swaminathan, 2000; Freeman & Lomi, 1994). Partitioning can happen either through specialization in a certain type of resource or by becoming a generalist (i.e., an organization able to use several different types of resources effectively) (Boone & Arjen van, 2004; Breckenridge, 2002).

According to resource dependence theory, an organization makes itself vulnerable to shocks by depending too highly on a single type of revenue. This is an extension of the logic found in resource partitioning. Resource dependence can occur with a wide variety of resources. For example, Grønbjerg (1992, 1993) found that individual philanthropy and foundation grants were highly volatile. Other studies have found that government funding can be fickle or subject to political cycles (Froelich, 1999; Khieng & Dahles, 2015; Marwell, 2004; Weisbrod, 1997). However, many organizations grow faster and larger through specialization in a particular income source. Specialization provides them with additional efficiencies, such as experienced grant writers or knowledge of the arcane government contractual compliance needs (Barman, 2002; Foster & Fine, 2007).

**Typologies of Nonprofit Demise**

Several typologies exist which attempt to organize the numerous causes of nonprofit demise. Stinchcombe (1965) described, what has come to be known as, “the liability of newness” as a vulnerability in four specific ways. First, new organizations do not have the benefit of learning inside the organization. They are, therefore, forced to hire new skills from outside the
organization. Second, lack of routinized operations inside the organization forces a process of trial-and-error to find optimal methods. Third, new organizations lack allies in their niche to rely on and share information. Finally, new organizations have lack established relationships with clients who could decrease the search costs of finding revenues (Lubatkin, Schulze, Mainkar, & Cotterill, 2001).

Levine proposed four potential causes for decline in public organizations: political vulnerability, organizational atrophy, environmental entropy, and problem depletion (Levine, 1978). Political vulnerability, a measure of internal resilience, addresses the level of attention and resources that can be gathered in support of the organization on a political level. Organizational atrophy (also internal) describes the process and human resource factors that can snowball in a declining organization. Environmental entropy describes changes in the surrounding organizational niche that can impact the ability of an organization to keep functioning the way it has been. Finally, problem depletion is the gradual shifting of public or policy priority away from the original issue that spurred the organization’s creation (Levine, 1978).

In 1999, Hager augmented Levine’s typology of organizational demise in order to specifically address existing theories and data from the nonprofit sector. Using a study of 37 closed nonprofits from the Minneapolis area, Hager developed a framework of eight different explanations for nonprofit demise. These explanations were newness and smallness, niche, commitment, conflict, institutionalization, network, human capital, and mission completion. Using several types of analysis, Hager found strong empirical support for a theory referred to as Liabilities of Newness and Size and for Niche. This theory describes the level of resources in the local environment. He also found some support for institutionalization theory, primarily from first-hand accounts; and, he found support for mission completion theory, which states that some organizations close because they have accomplished their mission. This explanation has been tested and confirmed in later studies by Fernandez (2008), who studied 41 closed charities in Madrid, Spain, and Thelin and Trollinger (2009) who focused on the phenomenon of foundation endowment spend-down.

Hager’s (1999) typology forms the foundation for this study’s inquiry in three ways. First, Hager’s (1999) typology describes numerous ways that a nonprofit organization might be considered closed other than financial. Second, Hager’s (1999) findings (particularly those on the importance of the liabilities of newness and smallness) provide empirical justification for the exploration of young and small nonprofits as a unique group. Finally, Hager (1999) specifically excluded nonprofits from his study that were not unambiguous closures. This study does not exclude ambiguous cases; rather, we deliberately seek to explain the nuance of operational status, and the resulting changes to our understanding of demise as a nuanced and complex concept are central to our findings.

Data

Case Selection Criteria

To allow the determinants of demise to emerge, we assembled a blended set of comparative case studies for nonprofits, whether living or dead. In line with the case selection parameters of Seawright and Gerring (2008), I employed a “most similar” selection strategy. That is, nonprofits were matched on as many control variables as possible in order to allow more complete analysis of the characteristics that previous studies have indicated could play a causal role. For the initial list of potential case studies (i.e., the population), I relied on all registered 501(c)(3) tax-exempt nonprofit organizations in the state of New York. These organizations were identified using listings from both the 2012 Core File and the 2011 and 2014 Business Master Files (all obtained from the National Center for Charitable Statistics (NCCS)).
To narrow the list further and select cases, I chose five characteristics from the literature to serve as the foundation for the sample: subsector, location, age, size, and operational status. I then constructed a deliberate sample where the organizations within the sample had enough in common to make them comparable but had enough variation to offer useful analysis.

**Subsector.** In smaller comparative case studies or qualitative work, the ability to construct and refute plausible counterfactuals is important. Therefore, it was key to identify a subsector that was not only thematically linked, but that also faced similar regulatory elements yet still had sufficient variation in underlying activities to provide a comparison. Given this consideration, I focused on nonprofits in the mental health subsector (i.e., nonprofits classified, according to the National Taxonomy of Exempt Entities (NTEE), with Code F on their Form 990 or other official paperwork such as their exemption application). This subsector is broad enough that it contains a variety of organizations that operate under any of the 24 different “core code” classifications for this subsector, such as Substance Abuse Prevention (F21) or Hot Lines and Crisis Intervention (F40). Since programming and funding can vary substantially across types of organization in addition to the organization itself, I retained each organization’s core code for purposes of the analysis.

**Location.** Nonprofit regulations, resources, and reporting requirements can vary between states. This is particularly true for a heavily regulated subsector such as mental health. However, any test of ecological characteristics requires a comparison between at least two different environments. Therefore, this study concentrates on three cities within New York State: Albany, Buffalo, and Syracuse. As shown in Table 1, all three cities have similar demographic characteristics. However, the cities are geographically diverse and have different local resource niches (e.g., Buffalo’s proximity to Canada and Albany’s status as the state capitol).

**Age.** Since this study specifically addresses the liabilities of newness and demise, restrictions on age and size are important. Further, there are several mental health nonprofits that are extraordinarily long-lived, so the establishment of a reasonable cut-off for potential sample participants is necessary. Since information regarding the founding date of an organization can be unreliable in the NCCS data, in this study I use the year that the Internal Revenue Service ruled that the organization was a 501(c)(3) nonprofit organization. The earliest year that a nonprofit in the sample was granted tax-exempt status was 2000. The latest year was 2012.

**Size.** I also restricted the size of the organizations in the sample. Similar to the definition of “small” in previous research (Searing, 2015), I restricted the focus to nonprofits that have made less than or equal to $150,000 in revenues during at least one of the years in the sample period.

**Operational status.** Though not used as the basis for inclusion or exclusion, it was important to the study design that there be a balance between participating nonprofits that were currently functioning (referred to here as “alive”) and those that were not (referred to here as “dead”). However, as previously noted, the determination of organizational death can be difficult. Therefore, the assumed operational status of an organization was determined based on three criteria.

First, since the standard period of time for determining vulnerability in the nonprofit literature is three years (Greenlee & Trussel, 2000; Trussel & Greenlee, 2004; Lu, Shon, & Zhang, 2020) all nonprofits that had filed a Form 990 in 2010, 2011, or 2012 and listed in the Core Files were considered likely to be alive. If a nonprofit did not meet this standard, I conducted a search for the organization in the Business Master Files (BMF). Since the BMFs are available for more recent years than the Core Files and include nonprofits of all sizes, this yielded organizations that were either new or too small to have ever filed a full Form 990. If
Table 1. Characteristics of Cities in the Sample

<table>
<thead>
<tr>
<th></th>
<th>Albany</th>
<th>Buffalo</th>
<th>Syracuse</th>
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<tbody>
<tr>
<td>Population (2013)</td>
<td>98,424</td>
<td>258,959</td>
<td>144,669</td>
</tr>
<tr>
<td>Estimated Per Capita Income (2012)</td>
<td>$23,399</td>
<td>$19,973</td>
<td>$17,417</td>
</tr>
<tr>
<td>Median age</td>
<td>31.1</td>
<td>33.3</td>
<td>29.4</td>
</tr>
<tr>
<td>% White</td>
<td>53.2%</td>
<td>46.1%</td>
<td>52.3%</td>
</tr>
<tr>
<td>Population density (per square mile)</td>
<td>4,604</td>
<td>6,376</td>
<td>5,766</td>
</tr>
</tbody>
</table>

Notes: a Data obtained from City-data.com, 2015a. b Data obtained from City-data.com, 2015b. c Data obtained from City-data.com, 2015c.

an organization’s absence from the Core Files indicated demise while their presence in the BMFs indicated possible life, I erred on the side of caution and assumed that the nonprofit was closed for the purposes of constructing the sample. In total, I identified 20 nonprofit organizations for inclusion in the study.

Data Collection

Following identification of the potential sample, all 20 organizations were contacted via e-mail and invited to take place in the study. Nine organizations agreed to be a part of the study. Only eight organizations, however, actually participated. Compared to nonprofits in the final sample, those that did not respond were from Albany. However, since more than half of the organizations in the total sample were located in Albany, this likely impacts generalizability (though not the analytic usefulness of the geographic diversity of the sample). The nonprofits that responded and those that did not respond were otherwise comparable on most other attributes.

Each nonprofit participant in the study was the subject of data collection from primary and secondary sources. In my initial contact for participation in the study, I asked participants for permission to conduct a semi-structured interview with the person that was contacted; the interview protocol and interviewer tool are available upon request from the author. All interviews, except one, were conducted in-person in the city where the nonprofit is (or was) based. One of the interviews took place over the phone, while using the same interview protocol as the in-person interviews.

Interviews were conducted between February 23 and March 3 of 2015. All interviews lasted between 55 and 110 minutes in length. Information about the nonprofits obtained from secondary sources (e.g., financial filings and social media) was also used in the analysis.

Analytical Methods

The majority of studies about nonprofit organizational demise involve large quantitative datasets and they rely heavily on the use of accounting ratios. Though these studies are useful, details and context surrounding the demise process might better be captured through a descriptive process that includes non-financial factors. Miles and Huberman (1994, p. 10) provide the guidelines on how to perform qualitative work that I rely on in this study. This process includes data collection, data reduction, data display, and drawing conclusions. All steps in the process occur along with extensive memo-taking about the process.

The first step, which is data collection, was described in the previous two subsections. The second step, which is data reduction, was necessary due to the copious amounts of documents generated through interviews and collection of secondary source materials. The reduction occurred in several steps. First, all field notes were summarized following each interview, resulting in roughly four dense pages of field notes and quotes per organization. These reports
were then analyzed through a series of iterative coding processes. This is often preferred when comprehensive understanding of a situation is needed (Glaser, 1999).

The initial open coding schema was developed based on an interview narrative randomly drawn from the eight available interviews. Since existing typologies and theory influenced the interview protocol, this study followed a more procedural approach to grounded theory, similar to Strauss (Melia, 1996; Strauss & Corbin, 1990). Following the example of Strauss (1987) and Strauss and Corbin (1990), I assigned the “thought chunks” in the write-up to a summary word based on the content of the chunk. This open coding of the first write-up yielded 98 code tags. These tags were then assembled into six axial meta-codes. Both, the open and axial code tag schema, are available in the Appendix, Table A1.

These meta-codes were then applied to the original test case and the remaining cases by conducting a themed coding sweep on each case per meta-code. For example, for the meta-code “Conflict,” each write-up was hand-coded according to the content in relation to the theme. This process was repeated using unmarked copies of the write-ups to allow a fresh viewing for each meta-code. Doing so allowed each “thought chunk” to contribute to different analytical ideas without visually crowding out during the process of coding. The meta-codes were also applied as needed to secondary information sources.

Once the information was coded, the third step in the Miles and Huberman (1994) process is to display the information. The primary display technique used in this study is word tables (Yin, 2009; Yin, Merchlinksy, & Adams-Kennedy, 1998). Specifically, I used the meta-codes to categorize across organizations. This approach yielded 45 word tables containing applicable elements of narrative and quotation. There was one table per organization per meta-code for all meta-codes but one. For this one the five tables were organized by trait rather than nonprofit for clarity. Then, as a part of an iterative analytical process, the data was again reduced through the use of figures that relied on “tactics for generating meaning” such as counting, clustering, and comparison across cases as appropriate for that particular theme (Miles & Huberman, 1994 p. 248).

Finally, I drew conclusions on the operational status and the organizational factors relating to each nonprofit’s status. This was accomplished using the cross-case analysis displayed in the Findings.

Findings

This section contains pertinent descriptive information about the sample, a brief reconceptualization of demise, and analysis of the six themes on the causes of demise that emerged from the study. The eight organizations included in the sample undertook a variety of activities. They represent all three cities in the study frame.

The sample was initially split evenly between nonprofits deemed “dead” and those deemed “alive.” If all organizations were still living, their average age would be 11.25 years at the time of the interviews. If operating under the assumption that the final NCCS reporting date reflects the organization’s age at closure, the average age would be adjusted down to 5.25 years. It should be noted, though, that this includes two nonprofits that ceased existing almost instantly according to the original three-step classification method for determining organizational death.
The Inadequacy of Demise Terminology

As Hager et al. (1996) discovered in their interviews with nonprofit managers whose organizations had closed, the notion of organizational demise is not a simple concept. In this study, the findings show that there are several levels of nuance around whether an organization is “alive” or “dead,” as displayed in Table 2.

This should not be unexpected. Hager (1999) described several status types in his landmark study, noting that many organizations had left the initial study of healthy organizations for reasons other than simple closure. However, half of Hager’s (1999) exits were outright closures (37 of 73). In the present study, only one of the five nonprofits that was deemed “not fully alive” was a clear closure.

At this point, classifications in this study need clarification. “Alive” indicates that the organization is an operational 501(c)(3) nonprofit as of March of 2015. Three of the four nonprofits that were originally classified as “alive” retain this classification. “Resurrected” refers to the loss and regaining of exemption status for the exact same organization. That is, the employer identification number (EIN) and mission for the organization are identical to the previous one.

A “Zombie” is a nonprofit that has not formally disbanded. However, the organization no longer attempts to pursue its mission. In other words, the “body” of the organization is still there, but the organization is no longer accomplishing a purpose.

“Reincarnated” is when the majority of an organization disbands one entity and re-forms as another organization with a similar purpose. This differs from the definition used in Hager et al. (1996), where they describe “reincarnated” as any nonprofit that was removed from their original panel due to merger, acquisition, geographical relocation, or change in tax exemption status. This study treats reincarnation as a death, but then a rise in a related organization with the same actors.

“Dead” refers to an organization that has disbanded and no longer functions or continues on in any form. In the analysis, I use the final diagnoses of operational status alongside organizational numbers.

Emergent Theme 1: Mission

The missions for the majority of the organizations that were interviewed involve influencing the flow of information and funding around the state of New York. This occurs most often through direct education or advocacy toward members of the government (either state legislators or individuals associated within a particular state agency). Distribution of the primary targets of programming and mission efforts are shown in Table 3.
Life, Death, and Zombies

Table 3. Status and Target of Nonprofit Mission

<table>
<thead>
<tr>
<th>Status</th>
<th>Own Members</th>
<th>Government</th>
<th>Society</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alive</td>
<td>2</td>
<td>2</td>
<td></td>
<td>4</td>
</tr>
<tr>
<td>Resurrected</td>
<td>1</td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Reincarnated</td>
<td>1</td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Zombie</td>
<td>1</td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Dead</td>
<td>1</td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>1</td>
<td>5</td>
<td>2</td>
<td>8</td>
</tr>
</tbody>
</table>

Since five of the eight organizations targeted the government in some fashion, it is not surprising that almost all of the organizations with a “dead” or “near dead” classification involve the government as a target. It is notable, however, that two of the four nonprofits that were “dead” or “near dead” targeted a very specific law or regulation. The organization then either disappeared or reincarnated when that piece of legislation had failed or changed. Thus, mission completion and mission obsolescence are two reasons for closure.

The one member-focused nonprofit in this study was brought back to life by the support of its members. This indicates that organizational resurrection may require an internal source of energy to bring a corporate body back to life.

Emergent Theme 2: Management and Governance

The personal characteristics of the interviewees (who, either, are or were Executive Directors of the nonprofits they represented) were diverse. Almost half of the interviewees were, either, currently or previously employed by government. Two of the interviewees had the bulk of their professional experience in the nonprofit sector. Another two had the bulk of their experience in the private commercial sector.

Notably, the two organizations with private commercial experience (Org. 302 and Org. 932) did not spend the bulk of their time lobbying government. In fact, the former nonprofit was primarily member-facing, while the latter nonprofit focused on educating government in efforts to achieve their primary objective of educating the public.

There was rarely paid staff at any of the organizations. Several organizations, however, did hire consultants and/or reimburse volunteers for expenses. The nonprofit with the largest paid staff was the only one that could clearly be marked as deceased.

Board sizes varied, from two to 20; and, the organizations generally had large founding teams. The larger boards and founding teams were associated with organizations comprised of government representatives. These representatives often gained membership simply as a function on their government job.

Only three of the organizations ensured representation of service recipients on their boards (Org. 361, Org. 302, and later reincarnations of Org. 339). However, reliability accounting for this is somewhat difficult since these organizations have missions geared toward advocacy and education of state legislators or agencies.

Almost half of the organizations operated solely by consensus voting. All of the organizations encouraged board members to voice opposition by “voting with their feet” and/or not attending meetings. Because meeting agendas are typically unable to progress without unanimity, there was a strong normative disincentive to engage in constructive discourse around disagreements. This pattern of behavior meant that disagreements tended to amplify when consensus was the default operational style.
Emergent Theme 3: Conflict

Interview responses coalesced around six different types of conflict (shown in Table 3). Half of the interviewees reported deep personal conflict stemming from the organization. Only one interviewee, however, (from the fully closed nonprofit) described this conflict in terms of internalizing the problems that came from operating the organization. Another three interviewees indicated that their organizations used inner conflict to motivate performance within the organization. Two of them even indicated that they had used conflict to establish the nonprofit itself (Org. 361 and Org. 932).

In Table 4, the presence, type, and degree of conflict is coded as “very serious” (i.e., “- -”), “conflict” (i.e., “-”), or “a notably positive relationship” (i.e., “+”). High degrees of conflict within the organization can, undoubtedly, be toxic. Both of the interviewees that reported this condition were from nonprofit organizations that were, either, fully or mostly dead. The only two interviewees that reported no within-organization conflict were, both, fully alive. Two points should be highlighted about these findings.

First, due to the prevalence of conflict we can assume that some degree of conflict among a nonprofit’s board and/or leadership team is manageable. However, severe internal conflict could contribute to organizational mortality. Second, the presence of external conflict may serve as a galvanizing force for the organization since all nonprofits that were able to clearly be marked as “alive” experienced some form of external conflict, at times even to a high degree.

It should also be noted that the New York City area was often mentioned specifically as a resource adversary for upstate New York organizations (i.e., organizations located in the three cities used in this study). Therefore, a motivation for the formation of one of the organizations was to serve as a power balance against New York City, especially against organizations in the city trying to sway governmental education and funding.

Emergent Theme 4: Networks

The role of networks was highly intertwined with the personal characteristics of the interviewees since it was often their contacts that served as the hub of the network. As shown in Figure 1, every organization utilized the professional contacts and network of the interviewee. The resources of the board and the interviewee’s personal network were also utilized heavily.

This aligns with findings from other studies that have shown a link between local embeddedness in the community and organizational longevity (see, Ford & Andersson, 2016; Hager et al., 2004). Only one organization included other stakeholders as part of their network. However, this may be because of the overlap in stakeholder and member groups in some nonprofits.
There was also wide variety of network participants and utilization. Some of this variety was influenced by the levels and locations of conflict. These relationships are summarized in Table 5. As displayed in the table, the number of symbols refer to the different types of participants. The symbol represents either a positive (“+”), negative (“−”), or mixed (“~”) relationship.

The greatest variety of relationships is with other nonprofits. This reflects the diversity and complexity of these organizations. For example, the several types of relatively positive relationships enjoyed by Org. 339 are with nonprofits that have a similar mission (though “not necessarily allies”), smaller peer nonprofits, and subsequent reincarnations of the same group of individuals in response to different legislative initiatives.

Relationships with parent nonprofits are generally positive (Org. 201 and Org. 302). However, this is not always the case. One organization, in particular (Org. 661), had a mixed relationship with the parent nonprofit due to a schism at founding.

The nonprofit with the most satisfied clients was the fully deceased organization. Thus, satisfied service recipients do not necessarily provide a means for organizational longevity. Further, with the exception of Org. 661, the organizations with the most strained relationships with fellow nonprofits are also the ones with an operational status at, or closest to, demise.

Emergent Theme 5: Financial Resources

The summarized publicly available financial information is shown in Figure 2. As anticipated, total assets and liabilities for the organizations are low, though net assets reveal that these organizations on average have some (even if limited) reserve funds. However, net assets are only about one third of the annual expenses. As such, there are not enough funds to prevent financial calamity.

It should be encouraging to see that revenues exceed expenses, on the whole. This means that these organizations likely did not over exceed their budgets in their early years. Also, though the “contributions” type of revenue appears high for organizations that depend on contracts,
Table 5. Types of Network Participants

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<td>Funders</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Government (Own)</td>
<td>+</td>
<td>+</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>~</td>
</tr>
<tr>
<td>Local Government (Neighbor)</td>
<td>+</td>
<td>+</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>NYC</td>
<td>~</td>
<td>~</td>
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<td></td>
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</tr>
<tr>
<td>State/National Government</td>
<td>+ ~</td>
<td>~</td>
<td>~</td>
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<td></td>
<td></td>
<td></td>
<td>+ + ~</td>
</tr>
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<td>+</td>
<td>+</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Corporations</td>
<td>~</td>
<td></td>
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<td></td>
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<tr>
<td>Other nonprofits</td>
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<td>++</td>
<td>~ +</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>+ -</td>
</tr>
</tbody>
</table>

the Form 990 (from which the public information is based) considers government contributions and grants as a portion of public contributions. Beyond this, there does not appear to be a unifying trend in revenue behavior throughout the sample.

The interviews provide more detailed information not only into the revenue portfolios, but also into the decision processes behind the revenue choices. As shown in Table 6, there are a variety of funding sources and half of the organizations relied on a single source. Two of the four nonprofits that have only one type of revenue are reliant on individual contributions. These two nonprofits collect donations in different ways. Organization 302 relies on voluntary member contributions, whereas Org. 661 relies on special events fundraising.

Organization 661, the third nonprofit that relied on a single revenue source, also relied on members for income. The members in this case, though, are other established nonprofits that pay a mandatory monthly fee. Organization 339 has members that are governmental entities. These entities pay voluntary amounts rather than mandatory amounts.

Interviewees indicated that many of their organizations received government money, either directly or indirectly through other nonprofits. Interviewees at two of the nonprofits that did not receive government funding were adamant that they did not want to seek it. In particular, they expressed concerns about the strings attached to government funding or the appearance of an endorsement. Even interviewees from nonprofits that did receive government funds joked about how regulations were going to force the mergers of small nonprofits (Org. 339) and that rapidly shifting government priorities had taught everyone to effectively “chase the money” (Org. 201).

Half of the organizations received foundation grants. However, this was not the sole source of income for any of the nonprofits. The interviewee from Org. 361 described foundation grants as “the easiest way to ever get money,” though this does not appear to be a universal opinion. Two other interviewees specifically mentioned how difficult it is being small or new in attracting this type of funding. According to the interviewee from Org. 661, “In order to grow, you have to be credible, but credibility goes to those who have grown. It’s a chicken and the egg problem.”

Financial resources were the area where most interviewees mentioned specific difficulties being smaller and newer organizations. This difficulty extended to their organizational missions as well. Most of the nonprofits in this study exist(ed) for educational purposes, which includes addressing social stigmas such as talking about mental health and addiction. Interviewee from Org. 932, in particular, mentioned how difficult it was to raise money for an issue that it was not acceptable to talk about. Therefore, beyond what may be considered an intuitive link between funding and organizational survival, the complex relationship between age, size, mission, and funding can serve as a particularly large burden for this group of nonprofits.
Emergent Theme 6: The Role of Government

The large role that government played with small and young nonprofits in this study was unexpected. First, regarding financial resources, government was pervasive in their involvement. Only two organizations did not receive government funding. One organization did not receive government funding because it is peer-supported. The other did not receive government funding because many of its relationships with government are (and have been) adversarial.

Organization 932 actively avoids government funding, despite potential synergies. The organization avoids the funding because it “comes with rules and looks like an endorsement.” This skepticism persists even among those that do receive government funding for other activities. Interviewees from organizations 361 and 661 both indicated that they deliberately avoid government monies in order to keep their organizations pure from influences.

As noted previously, many smaller and younger nonprofits, particularly those in the mental health subsector, spend time trying to influence government. Interviewees from these organizations offered information regarding success and failure. This may potentially be because regulation or fund division provides an easier metric than attempting to stem addiction or encourage best practices in program development.

Additionally, attempting to influence state funds also meant that these organizations were more likely to consider other nonprofits to be, both, colleagues and adversaries; further, the majority of those trying to influence state funds considered New York City a direct threat. Some even considered this threat to be a motivation behind the formation of their nonprofit.

Three quarters of the interviewees considered some aspect of regulating the mental health sector or government in general problematic, as summarized in Figure 3. Organizations that were led by veterans of government were more likely to be concerned about concentration of power, especially with recent legislative shifts in the health sector toward managed care.
Table 6. Types of Financial Resources and Opinions

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<thead>
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<td>x</td>
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<td></td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Foundation</td>
<td>x</td>
<td></td>
<td>x</td>
<td></td>
<td></td>
<td>x</td>
<td></td>
<td>x</td>
</tr>
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<td>x</td>
<td></td>
<td></td>
<td>x</td>
<td></td>
<td>x</td>
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<td>Rent</td>
<td>Travel</td>
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<td>Events</td>
<td>Consult</td>
<td>Promo</td>
<td>Overhead</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Consultant/Intern</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>x</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Difficulty: New/Small</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>x</td>
<td>x</td>
<td></td>
</tr>
</tbody>
</table>
There are three agencies at the state government that are related: Mental Health, Developmental Disabilities, and Chemical Dependency. But the 800-pound gorilla in the room is the Department of Health, which now controls all the Medicaid funding (as opposed to each agency controlling their own, like it used to be). This is like the Department of Health is driving the car with the three agencies like kids kicking the back of the seat in order to get the Department’s attention.

Another interviewee offered that there are “20-year cycles” of decentralization and centralization. The interviewee further added many nonprofits have apprehension that excessive consolidation is on the horizon. The dizzying number of new initiatives being promoted at the state level is widely predicted (by the interviewees) to cause additional consolidation of nonprofits, especially those that are small.

Discussion

The academic study of nonprofit demise has generally focused on finding the best approximation for organizational closure. Though this is due primarily to the use of large scale financial data and a desire to employ for-profit predictive tools in the nonprofit sector, even qualitative studies (which have sought to explore more nuanced causal factors influencing nonprofit demise) have tended to focus on binary classifications of operational status. This study provides empirical evidence that not only is organizational death a more complex concept than previously presented in the literature, but that there are certain internal and external characteristics that lead to one of these various operational stages. An organization level summary of the operational status and emergent themes from the study is presented in Table 7.

As shown in Table 7, nonprofits whose targets were a particular regulation were likely to close due to mission completion or obsolescence when the regulation was no longer an issue.
the mission of this type of nonprofit is clear, measurable, and relatively attainable (at least compared to nonprofits with broader missions such as ending hunger), this is somewhat intuitive. However, these are also the organizations that either reincarnated as a related target or expanded scope when other factors were favorable. Based on this study (and others involving mission completion, such as Fernandez (2008)), one might expect that nonprofits with similar missions in other subsectors will be more likely to complete their missions and, either, close or reincarnate (depending on their context).

Despite the preponderance of theory and empirical study on the topic, the role of financial resource dependence appears to be limited. If anything, financial difficulties appear to be symptomatic of other, deeper conditions that are more contributory. This is particularly important when viewing the existing literature. This literature has a tendency to focus on accounting because of readily available data.

In contrast, difficulties of managing human resources (such as a lack of best practices or presence of internal conflict) appear to matter as much, if not more than purely financial causes despite a lack of academic literature on non-financial elements. Notably, this unbalanced literature distribution applies mostly to research on nonprofit organizations. Workforce and founder characteristics have long been the subject of mortality studies in for-profit and entrepreneurial literatures (Simón-Moya, Revuelto-Taboada, & Ribeiro-Soriano, 2012).

The findings from this study also show that government can play a large role in a nonprofit’s demise in the institutional sense. That is, government may control the policy and regulatory frameworks. This is similar to the findings of Khieng and Dahles (2015), where the power differential between funders and NGOs was the most salient element. This is also where we find the strongest evidence for resource dependence theory, though in an unconventional way.

Unlike the traditional portrayal of nonprofits as victims of an affliction of dependence, the findings from this study provide evidence that such dependency can be used as a way to strengthen networks and legitimacy against the consolidated power of the funder. This more complex dynamic is often overlooked in existing literature on revenue dependency due to an over reliance on financial metrics. These metrics are generally only measured annually and at the revenue level.

Finally, the findings from this study indicate that the existence of conflict or competition with an outside entity can boost the cohesion of nonprofits. This underscores, albeit in an unconventional way, the importance of niche dynamics for nonprofit health. Conflict within the organization, however, can at times be problematic, especially when it begins to impact other elements such as governance, management, and mission. Thus, the theoretical guidance offered by organizational ecology and institutional theory may be the most beneficial for understanding nonprofit demise. Warnings regarding reliance on the government from resource dependence theory may be less relevant once nonmonetary characteristics are introduced.

There are several limitations to the approach used in this study. First, though the detail inherent in a qualitative study allows several unique insights that would not be possible with large datasets currently available, the transferability of the findings may be limited due to the unique factors that exist only within the nonprofits that I focused on in this study. Though I suspect that the classification scheme of nonprofit demise developed in this study is universally applicable (to, at least, US nonprofits), the themes that led to the development of the operational status in this study are most likely unique to the subsector of mental health. It should also be noted that situational factors prevented the recording and transcribing of the interviews. Future extensions of this work should include a larger research team in addition to more interviews in amenable surroundings in order to increase validity of the findings.
Table 7. State of Demise and Dominant Themes

<table>
<thead>
<tr>
<th>Org. #</th>
<th>Initial Diagnosis</th>
<th>Final Diagnosis</th>
<th>Dominant Themes</th>
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<tbody>
<tr>
<td>932</td>
<td>Alive</td>
<td>Alive</td>
<td>Strong conflict with self and external; strong network excluding local government.; many types of donation; societal mission</td>
</tr>
<tr>
<td>302</td>
<td>Alive</td>
<td>Resurrected</td>
<td>Conflict within nonprofit, but good network with other nonprofits; individual donations; member mission</td>
</tr>
<tr>
<td>361</td>
<td>Alive</td>
<td>Alive</td>
<td>Conflict with self and state; good client and nonprofit network; institutional donations; government mission</td>
</tr>
<tr>
<td>661</td>
<td>Alive</td>
<td>Alive</td>
<td>Conflict within and between nonprofits; good client and corporate network; individual donations; societal mission</td>
</tr>
<tr>
<td>991</td>
<td>Dead</td>
<td>Dead</td>
<td>Strong internal conflict with external conflict; strained network; institutional funders; government mission</td>
</tr>
<tr>
<td>201</td>
<td>Dead</td>
<td>Alive</td>
<td>External conflict, some resolved; good network with most government; institutional funders; government mission</td>
</tr>
<tr>
<td>732</td>
<td>Dead</td>
<td>Zombie</td>
<td>Strong internal conflict; tension with other nonprofits but good network with other institutions; nonprofit funding; government mission</td>
</tr>
<tr>
<td>339</td>
<td>Dead</td>
<td>Re-incarnated</td>
<td>Conflict within and with state; broad network; government funding; government mission</td>
</tr>
</tbody>
</table>

Conclusions and Policy Implications

Knowing why nonprofit organizations “die” is salient for both researchers and practitioners. This is particularly true for younger and smaller organizations, which make up the bulk of the nonprofit sector.

Using comparative case studies, I analyzed which internal and external factors contributed to the demise of smaller and younger nonprofits in the state of New York. To do so, I first reclassified and expanded traditional definitions of nonprofit death to better reflect an organization’s actual operating status. Following this reclassification, I found that certain elements were more important in determining whether a nonprofit continued life uninterrupted, had the chance for resurrection or reincarnation, or faced true demise or even a zombie existence.

Though the ability to generalize from this study limited, there are a few cautious recommendations. The first is a fairly pervasive sense of apprehension regarding the speed of regulatory change at the state level. In particular, several concerns were voiced. These concerns ranged from a potential lack of rural health coverage to the difficulties in combining certifications across different types of organizations that needed to merge. These are issues that have serious consequences not only for the nonprofit community, but on the public at large. Indeed, if we consider the nonprofit sector to be the “hollow state” (i.e., implementers of social service delivery (Milward, 1994)), then such a widespread concern regarding the implementation of policy should be heeded.
Second, on a more general level, this study provides evidence that having opportunities to develop board capacity and internal cohesion may be in the best interest of organizational longevity. This means that continued work on initiatives (such as combatting the nonprofit starvation cycle) with provisions for adequate overhead and capacity training in the construction of grants and contracts could eventually help strengthen the organization and, ultimately, the delivery of critically needed human services.

Notes

1. One nonprofit signed the consent agreement then stopped returning phone calls and emails.
2. There is a danger of hindsight bias here. That is, there is a danger that the interviewee could be attaching a bad experience with an increasingly blurry memory. There are two arguments as to why this is not the case in this study. First, the potential for a nonprofit to close, while the individuals who founded it become closer through the experience, is equally as likely. Second, the reports of contention stem beyond the final closing stages of the organizations.
3. Two nonprofits that were a part of the study and identified only in the 2014 Business Master Files reported no revenues or assets. These organizations were also too small for public Form 990 filings.

Disclosure Statement

The author(s) declare that there are no conflicts of interest that relate to the research, authorship, or publication of this article.

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Life, Death, and Zombies


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Elizabeth A. M. Searing is an Assistant Professor of public and nonprofit management at the University of Texas at Dallas. Her primary research focus is the financial management of nonprofit and social enterprise organizations, but she also conducts work on comparative social economy and applied ethics for the social sciences.
## Appendix

### Table A1. Open and Axial Coding Schema

<table>
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<th>Meaning</th>
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<th>Axial Code</th>
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<td>FOUND</td>
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<td>2</td>
<td></td>
</tr>
<tr>
<td>Foundt</td>
<td>Time of founding</td>
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<td></td>
</tr>
<tr>
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