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STRATEGIC RESPONSES OF NON-PROFIT ORGANIZATIONS TO THE ECONOMIC CRISIS: EXAMINING THROUGH THE LENSES OF RESOURCE DEPENDENCY AND RESOURCED-BASED VIEW THEORIES

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ABSTRACT

This study examines strategies used by the nonprofit sector in response to the 2008 economic crisis. Drawing on resource dependency and resource-based view theories as frameworks for analysis, we explore the impact the use of numerous strategies on nonprofit organizational performance during this time. We analyzed 280 surveys from the Nashville MSA where nonprofits reported on their strategic response to the economic crisis. Survey items were used to calculate human resource capacity, levels of resource dependency, firm performance, and a visibility index. Findings indicated that nonprofits that had fewer funding sources were more likely to have a lower level of strategic response. However, a website presence and visibility of a board of directors were significantly related to a nonprofit reporting that its resources stayed the same or increased. Experience in the market and firm size did not appear to be significant predictors of the strategic response level. Implications of the findings for how nonprofits can position themselves with the best strategic responses during an economic crisis and recommendations for future research are discussed.

EXAMINING DIVERSITY RECOGNITION AND FIRM PERFORMANCE

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ABSTRACT

Conflicting opinions exist as to whether companies benefit from engaging in corporate socially responsible (CSR) activities. Under the umbrella of CSR, the dimension of diversity has emerged as important for the firm. In order for organizations to gauge the success of their programs, as well as to portray it to shareholders, many companies engage in third party ratings. The objective of this research is to examine the share price of publicly traded firms to determine if they are influenced by the ranking of the Corporate Social Responsibility (CSR) dimension of diversity. We utilize an event study methodology to evaluate market reaction surrounding the announcement of a ranked diversity list. Results indicate a significant increase in stock price for organizations appearing on the list or increasing in ranking. Our findings support shareholders perception of diversity initiatives as being an important dimension of CSR.

INTRODUCTION

Currently there is a lack of understanding by management of how the market reacts to the adoption of the CSR practice of diversity. Accordingly, McMillan-Capehart, Aaron, and Cline (2010) found that the market will respond positively to a firm's inclusion on a third party diversity recognition list. This research lays the foundation that the market truly values diversity practices and participation in third party evaluations, suggesting those organizations that have not adopted such practices may want to consider doing so. Examining this phenomenon a little closer, we hope to gain a better understanding of the importance of diversity policies and practices, how changes in a firm's perceived efforts or rankings may impact shareholder value, and can these initiatives have a cumulative effect on shareholder value that we will call the residual diversity effect.

Behavioral studies are often critiqued for a lack of consistency in findings resulting in a greater importance to replicate, support, and build on previous research (Open Science Collaboration, 2015).

The goal of this research is to first offer further support that an organization's promotion of a diverse image affects shareholder value by examining market reaction surrounding the announcement of diversity initiatives. In doing so we offer several potential contributions to the broader understanding of the influence and promotion of diversity has on firm performance. First, by partially replicating prior research (McMillan-Capehart et al., 2010) where a positive relationship between diversity recognition and market fluctuation was found, we offer additional support for the notion that diversity matters. We then extend these findings by evaluating market response to movement of organizations, both up and down in ranking on a diversity recognition list. Through our analysis we provide insight on how diversity initiatives, and subsequent recognition, may have a positive effect on the firm. Likewise, movement in rankings can have a similar effect.

CORPORATE SOCIAL RESPONSIBILITY

According to KLD (2012), Corporate Social Responsibility can be defined as

> *...how businesses act to implement the broad societal responsibility of going beyond economic criteria, such as creating products, employment, and profits, to meet broader social and environmental expectations. CSR commitment is demonstrated by … employee diversity programs…*

Corporate Social Responsibility is important, as it may act as a 'buffer' for times where the company runs into potential problems. CSR can be part of a proactive business strategy and an effective tool to create competitive advantage (Maignan, I, Ferrell, OC, 2001; Drumwright, M, 1994). A struggle remains in evaluating CSR and its impact on financial performance, as prior findings have been inconsistent. Scholtens (2008) states that there is an interaction between CSR and financial performance. The author outlines two views on this relationship, the first suggesting a negative relationship between CSR and financial performance as this work involves costs and may worsen a firm's competitive position. The second view is considered a stakeholder view and assumes that satisfying stakeholders' interests will result in an improvement of the firm's financial and economic performance. McWilliams and Siegel (2001) contend that firms invest in social activities because they are facing the demands of their stakeholders. Part of the problem in untangling this relationship is the lumping together of CSR as a single construct.

DIVERSITY AS A CSR DIMENSION

Under the CSR dimension, diversity is important for the firm. Research indicates that firms that engage in diversity programs earn higher relative profits than those that do not, thus increasing the value of the firm or shareholder wealth (Herring, 2009). If the organization has implemented a diversity management program, then they should show recognition of the benefits of having such a program, which would portray an image of a diverse company (Gatewood et al., 1993). The value-in-diversity perspective argues that a more diverse workforce will lead to increased sales revenue, more customers, greater market share, and greater relative profits (Herring, 2009). If the market is aware of this view of diversity and believes in it, when a diversity ranking list is released, the market should react in a positive way by bidding up the stock price. The market does this because it knows that a more diverse workforce leads to greater revenues and profits versus a homogenous firm (Herring, 2009). Specifically, pursuing CSR projects that improve the firm's relationship with their primary stakeholders increased shareholder value, while social participation that does not involve primary stakeholders does not affect or decreases shareholder value.

In this study, we hypothesize that appearance on a third party ranking list will positively affect shareholder value, and subsequently increase the stock prices. We assume that if the market reaction is going to take place, it will happen within the event window surrounding the day the news goes public.

H1 *Firms listed on a ranked diversity list will experience cumulative abnormal returns around the public announcement of the list.*

Furthermore, we deduce from the above argument, that not only does recognition matter, but the change in standing of the organization may also determine a change in stock price. Events that improve image will create subsequent positive perceptions (Gatewood et al.,1993). For example, the increase or decrease in standing will impact the relationship between diversity recognition and stock price in that, by being ranked higher than previously will result in a better image and higher gains than those who were ranked lower this year than last. Incremental as it may be, upward movement can indicate continued progress and dedication to diversity initiatives. Conversely, downward movement might signal lack of focus on such initiatives.

H2a *Firms that move up in the rankings will experience positive cumulative abnormal returns around the public announcement of the list.*

H2b *Firms that move down in rankings will experience negative cumulative abnormal returns around the public announcement of the list.*

METHODOLOGY

Diversity Inc. is a recognized industry resource that is commonly used for the assessment of diversity management in corporations. The introduction of the top 50 Companies for Diversity list began in 2001. The evaluation was to provide organizations with a report card, on the progress and commitment to diversity compared to other organizations. The survey addresses four main areas: CEO Commitment, Human Capital, Corporate and Organizational Communications, and Supplier Diversity. The survey is free and available to all organizations that employ over 1,000 employees. The survey contains more than 300 quantitative questions, which have been assigned predetermined weights and ratios between key factors.

We use event study analysis to assess market reaction to the news that a firm is considered one of the top firms for incorporating diversity in their organization, we use an event study analysis. The effect of new information on the value of a firm has been examined through event studies in prior research (Eastman, et al. 2010, Filbeck, et al. 2009).

In addition to testing the market reaction on the entire sample, we ran analysis for the firms which increased in ranking over the prior year including those that were new to the ranking and those that fell in ranking from the prior year. If diversity is important to the market place, we would expect to see a positive reaction when firms are new to the listing or increase in rank and we would expect to see a negative reaction when firms fall off the list.

RESULTS

In support of hypothesis 1, we find a positive and statistically significant (.01 level) market reaction at day zero for the full sample (39 firms with available information) and the subsample of firms that were new to the ranking, as shown in Table 1.

Table 1
MARKET REACTION MODEL WITH EQUALLY WEIGHTED INDEX

Days relative to event date[a]	Full sample 2011 Top 50				Firms new to the ranking in 2011			
	N	Mean	Rank Test p-value	Bootstrap p-value	*N*	Mean	Rank Test p-value	Bootstrap p-value
-30 to -2	39	1.01	0.4021	0.107	8	3.14	0.2913	0.0210
-1	39	-0.18	0.3664	0.142	8	0.29	0.3944	0.2990
0	39	0.41	0.129	0.003***	8	0.51	0.0850*	<0.0001***
1	39	-0.45	0.0773*	0.001***	8	-0.29	0.2788	0.063*
2	39	0.13	0.3359	0.151	8	0.3	0.1840	0.0040***
3 - 30	39	2.03	0.1181	0.002***	8	4.24	0.1264	<0.0001***

[a] Day zero is the event date.
***** p < .10 **p < .05 ***p < .01

To evaluate hypotheses 2a and 2b, we used the market model and value weighted index. Using this method, we did not find a significant market reaction for the 39 firms included in the full sample. The subsample of firms which increased in ranking, including firms new to the ranking did have a positive and significant reaction on the event date at the 10% level for the Patell Z test and 5% level for the non-parametric Rank Test, supporting hypothesis 2a. For the firms that moved down in ranking, the market reaction was not a statistically significant, failing to provide support for hypothesis 2b.

Table 2
MARKET REACTION MODEL WITH VALUE WEIGHTED INDEX

Days relative to event date	Full sample 2011 Top 50				Firms Moved Up in Ranking (Including firms new to the ranking)				Firms Down Up in Ranking (Including firms dropped off the ranking)			
	N	Mean	Patell Z p-value	Rank Test p-value	*N*	Mean	Patell Z p-value	Rank Test p-value	*N*	Mean	Patell Z p-value	Rank Test p-value
-30 - -2	39	-0.77	0.2983	0.2324	21	1.59	0.1099	0.4585	26	-4.28	0.0058	0.1147
-1	39	-0.19	0.1278	0.2522	21	-0.13	0.2207	0.3530	26	-0.64	0.0119	0.0634*
0	39	0.14	0.2398	0.2110	21	0.3	0.0791*	0.0385**	26	-0.07	0.3133	0.2796
1	39	-0.23	0.1166	0.1053	21	-0.24	0.1543	0.1357	26	-0.16	0.2583	0.2069
2	39	0.02	0.4628	0.4154	21	0.16	0.2969	0.2356	26	-0.01	0.4949	0.4457
3 - 30	39	0.87	0.0892	0.1484	21	2.0	0.0595	0.1311	26	-0.63	0.4778	0.4839

[a] Day zero is the event date.
***** $p < .10$ **$p < .05$ ***$p < .01$

DISCUSSION

Our research suggests that diversity recognition often has a positive impact on the organization. An organization that has internalized the need to include a diverse group of employees and reward them for the different perspective they are able to provide, in turn enhance the cognitive abilities of the organization (Wang & Rafiq, 2009). Menguc and Auh (2005) argue that that unless an organization integrates diversity, and takes some form of action to stress the goal of diversity, effectiveness of the program will be hindered. From a managerial perspective, diversity programs and initiatives appear beneficial but may be more effective when combined with evaluation by a third party. A survey allowing for organizations to reaffirm and publicize their progress has a beneficial impact per our findings that support a market reaction surrounding the announcement of Diversity Inc.'s top 50 lists.

According to the shareholder view of the firm, management's sole duty is to pursue avenues that increase the wealth of the firm's shareholders (Hillman & Keim, 2001). Some research suggests that there is a conflict between this duty of management and the engagement in CSR activities because they may not increase shareholder wealth, but rather decrease it. Our research supports the claim that certain aspects of CSR, and specifically diversity recognition, may actually increase shareholder value after diversity rankings. Bird et al. (2007) found similar support for diversity programs increasing the value of the firm through revenues, market share, and profits when compared to firms that do not engage in diversity programs.

Future research might analyze returns seeking to quantify the size of the gain based on movement on the list. Additionally, looking at all forms of diversity information released throughout the year for the top 50 companies might be of interest. Also, future research conducted longitudinally could address other aspects of diversity.

CONCLUSION

The issue of diversity and its relation to the success of organizations is in constant state of evolving. When diversity provides a competitive advantage, the organization incorporates the issue of diversity a part of its core business practices. By showing a commitment to diversity and participating in the diversity surveys, organizations stand to increase awareness of their diversity efforts. Market's recognition may result in higher shareholder wealth, through an increase in share price. Our findings suggest that shareholders do value diversity recognition thus; management should continue promoting and participating in diversity initiatives and rankings.

LEADERSHIP PARADOX IN ORGANIZATION EVOLUTION: AN EXECUTIVE TEAM CONSENSUS-BASED EXPOSITION

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ABSTRACT

Punctuated equilibrium model of organization evolution indicates that executive leadership must encourage inertial forces during convergent periods and yet, must also initiate reorientations in the face of environmental changes. I suggest that the key to resolving this executive leadership paradox is team effort, reflected in different levels of two types of consensus. Thus, combinations of varying levels of executive team consensus on its external adaptation tasks and on its internal integration tasks provoke four different types of strategic reorientations: chaotic, negotiated, muted, and promising. To facilitate promising reorientations, likely the most effective type, executives having dissimilar skills and backgrounds should be inducted periodically, as illustrated in Starbucks executive team.

ABRIDGED PAPER FOR PROCEEDINGS

Understanding organization evolution has been a major agenda in management research for a long time (e.g., Blau, 1963; Chandler, 1962; Schumpeter, 1934). Indeed, explaining fundamental change should be a central concern of organizational scholars in an environment characterized by globalization, intense competition and low predictability (Perrow, 1994). A seminal work in this rich tradition is Tushman and Romanelli's (1985) punctuated equilibrium model of organization evolution that integrates three theoretical frameworks: ecological (Freeman, 1982; Hannan & Freeman, 1977), adaptation (Katz & Kahn, 1966; March & Simon, 1958; Quinn, 1981) and transformational (Greiner, 1972; Mintzberg & Waters, 1982; Quinn & Cameron, 1983). Their model has provided a "fertile ground for generating new ideas, exploring the determinants of different patterns of organizational change, and explaining a wide range of empirical findings (Sastry, 1997: 268). For example, evidence for punctuated organizational change has been found in a variety of industries such as airline industry (Kelly and Amburgey, 1991), savings and loans (Haveman, Russo & Meyer, 2001), newspapers (Amburgey, Kelly & Barnett, 1993), etc. Tushman and Romanelli's (1985) punctuated equilibrium model of organization evolution is summarized as:

> *"Organizations progress through convergent periods punctuated by reorientations which demark and set bearings for the next convergent period. Convergent periods refer to relatively long time spans of incremental change and adaptation which elaborate structures, systems, controls and resources towards increased co-alignment . . . Reorientations are relatively short periods of discontinuous change where strategies, power, structure, and systems are fundamentally transformed towards a new basis of alignment. . . (Tushman & Romanelli, 1985: 173)."*

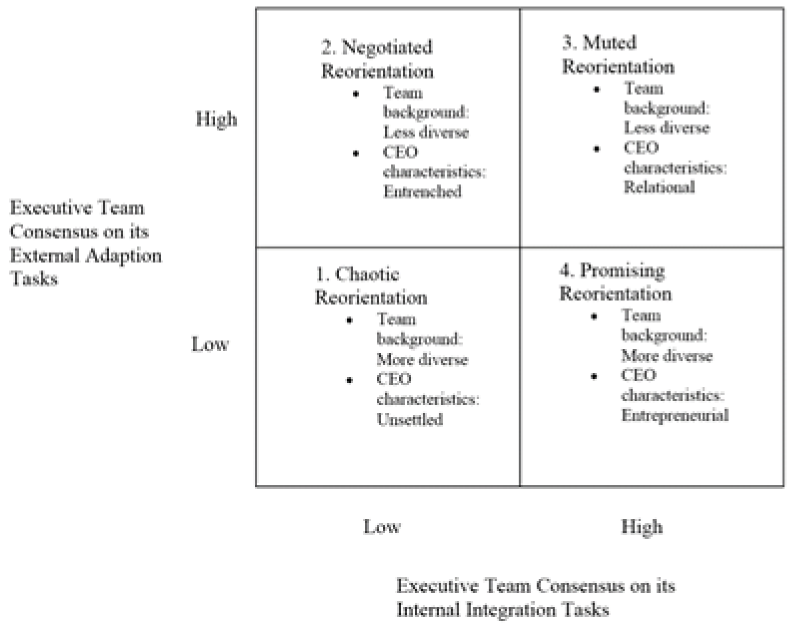
Although punctuated equilibrium research (e.g., Gersick, 1991; Tushman & Romanelli, 1985; Tushman, Newman & Romanelli, 1986) has described the role of executive perceptions, sense-making and succession in strategic reorientations, a systematic approach to resolving the executive leadership paradox is not yet at hand. That is, how do executives address the conflicting demands of maintaining inertial forces and provoking adaptive changes during turbulent environments? The purpose of this paper is to address that unresolved executive leadership paradox.

I propose that the key to resolving the executive leadership paradox is their team effort, reflected in different two types and their levels of consensus. I draw from Schein's (1985: 50) portrayal of group tasks. Accordingly, all groups face two types of basic problems: (1) the problem of survival and adaptation to the external environment [of the group], and (2) the problem of integration of its internal processes to ensure the capacity to continue to survive and adapt (emphasis added). Shared views of key group members about how to cope with these problems lead to, respectively, consensus on external adaptation and consensus on internal integration. I focus on the distinction between these two types of consensus and use this distinction to address a gap in punctuated equilibrium stream of research: how is the executive leadership paradox resolved? Specifically, what allows executives to maintain inertial forces during stable environments and to foster adaptive changes during turbulent environments? I propose that combinations of varying levels of executive team consensus on its external tasks and on its internal integration tasks lead to different types of strategic reorientations (see Figure 1). I describe four types of strategic reorientations: chaotic, negotiated, muted, and promising.

By providing theoretical explanation of a missing piece in a dominant stream of organization evolution literature, I make an important contribution to building management theory. Consciously, however, I choose a limited scope and trade clarity for complexity. First, I focus on strategic reorientations and am not addressing change of all varieties because they have been shown to be more challenging to initiate and implement compared to periods of convergence and therefore, their study is more beneficial to practice. Strategic orientations comprise of changes in five domains of organizational activity (Tushman and Romanelli: organizational culture, strategy, structure, power distributions, and control systems. It is during strategic reorientations that most 'core elements' of an organization are altered (Siggelkow, 2002). A core element "interacts with many other current or future organizational elements (2002:127)", such as a low cost strategy, which is impossible without a clear focus on cost reduction that drives choice of elements such as long term goals, the type of structure, product-mix, the level of quality of service, etc. Strategic reorientations are also relatively more difficult to understand theoretically. Second, I mainly consider dynamic rather than stable environments, because previous research suggests that they are the most important external triggers of reorientations (Haveman et al., 2001).

Finally, I chose the group level of analysis because executive action is primarily a team activity and yet, the group level has attracted less attention than individual and organizational levels in punctuated equilibrium research. In a nested system comprising the individual level, the group level and the organizational level (March, 1991), the importance of the group level is paramount because executive team initiates, shapes and directs strategic reorientations of organizations. Executives cannot work alone on a sustained basis. For example, a CEO experiencing an intense load may share it by creating a new position such as COO and hiring an executive (Hambrick, Finkelstein & Mooney, 2005). This delegation implies that the new executive has to work with incumbents heading other functions such as marketing, finance, etc. In turn, the altered team would face new team dynamics challenges concerning differences in opinions, social cohesion and political behavior, even as it decides about the course of actions that the organization should adopt to confront environmental changes. Clearly, consensus within the executive team will influence the adaptive behavior of the organization such as changes in its strategy, structure, relationships with stakeholders, etc.

Figure 1
EXECUTIVE TEAM CONSENSUS DRIVEN TYPES OF STRATEGIC REORIENTATIONS IN DYNAMIC ENVIRONMENTS



PROJECT MANAGEMENT IN THE PUBLIC SECTOR CONTEXT

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ABSTRACT

Project management, as a rigorous discipline, has been a part of public sector administration for decades, from infrastructure development to aerospace initiatives. Project management skills are more important than ever in government, as the nature of public sector work has steadily trended away from stability, repeatable routines and strict functional boundaries. Yet while project management literature, both practitioner- and academic-oriented, is extensive and mature, very little of this vast body of knowledge has addressed the particular challenges of public sector project management. The challenges of project management within the public sphere are extensive. The regulatory framework, political constraints, transparency issues and unique risk factors, among others, limit and otherwise affect managers' efforts in the particular case of public projects. The very placement of a project within the public sector may tend to alter business best practices. On the one hand, seasoned private sector managers can be blindsided by these factors. On the other, public sector managers embarking on projects are not as well-served by the literature and discipline of project management, which does not adequately address the government context.

The aim of this research was to address this lack, drawing lessons from Boston's "Big Dig," the building of the Denver International Airport, and more recent cases, to diagnose the issues that have caused major problems, such as serious cost overruns, scope creep and scope change, bottlenecks, multiple schedule changes, etc. and (it is hoped) to provide practical and timely instruction for government project managers and private sector PMPs who are navigating the waters of government projects. Unquestionably, the Economic Recovery Act accelerated the already burgeoning need for skill in this area, as so many of the present administration's efforts are characterized by the very definition of projects: specific, time-limited endeavors to create unique products or services. Projects cross traditional functional and departmental lines of authority and communication, and are "one-off" events. The conventional managerial toolkit is inadequate to handle the organic aspects of the new administrative context. As the scope of government action continues to grow and develop, the need for specific, practical competence in project management is paramount.

The Project Management Institute (PMI) recognizes nine core areas of project management competence:

- *Integration management*
- *Scope management*
- *Time management*
- *Cost management*
- *Quality management*
- *Human resource management*

- *Communications management*
- *Risk management*
- *Procurement management*

Following the generally accepted procedures for dealing with these areas, this research explored the changes that invariably come about when a project is implemented in the public sector. For example, human resources management is affected by such considerations as the nature of the civil service, public sector union rules, public sector hiring practices, etc. Procurement management will be affected by the nature of the bidding system and minority contract requirements. Risk management techniques must be augmented by considerations regarding changes in availability of budgeted funds. Integration management, which is concerned with pan-functional decisions and unique, temporary lines of authority, etc., must take into account potential "functional silos" in federal agencies. Particularly difficult challenges were adduced when considering risk management, human resource management, time management and procurement. These latter four skill areas have constituted some of the more difficult areas for managers to master, and are rife with additional dimensions and peculiar obstacles or challenges when addressed in public sector project management.

While this work was exploratory, specific outcomes included best practices for project managers; benchmarking rules of thumb; a checklist of additional requirements/issues to cover in public sector project management; and potential pitfalls in public sector project management.

IMPACT OF MOBILE PLATFORM STRATEGY ON PLATFORM GENERATIVITY AND COMPETITION

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ABSTRACT

Through convergence, smartphone has become more versatile than any other technological devices in the past. Both hardware device and operating system (OS) have advanced to store and enable various functions that were originally of separate devices. Considering each operating system engages different levels of openness in its platform strategy, it seems necessary to identify how the different mobile platform strategy affects the ecosystem and the affluence of the platform. In this paper, in order to measure the affluence of platform, through which mobile ecosystem can be greatly affected, generativity of platform is discussed as a factor that OS as a platform owner should focus on. This paper addresses the following research question: How does mobile platform strategy affect generativity and competition on the platform? We will analyze the different types of competition on the platform that the platform owner has to face. The relationship between mobile platform strategy, generativity, and competition will be discussed in the following section in order to answer the research question.