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Enacting a nonprofit-business collaboration strategy: A nonprofit sector perspective

1 INTRODUCTION

Nonprofit organizations (NPOs)¹ have become a key provider of public services (Kelly, 2007). In recent years, however, the environment in which NPOs operate has become increasingly challenging due to a number of factors, including an increase in uncertainty over government funding policy (Akingbola, 2004, Anheier, 2009), an intensification in rivalry between NPOs (Chew and Osborne, 2009), and a lack of employee commitment (Kong, 2008). Osborne et al. (2012) have found that in response to such challenges NPOs are, for instance, re-engineering their operations to reduce overhead costs, achieving economies of scale through merging with counterparts, emphasizing the leadership role of trustees, and replacing government funding with new and untraditional streams of income. This chapter concerns the latter in regard to nonprofit business collaboration (NBC), specifically how and under what conditions NPOs can collaborate with businesses to support their organizational sustainability. As a strategic option for NPOs, this aspect of NBC inquiry has been largely overlooked (Al-Tabbaa et al., 2014, Cantrell et al., 2008, Harris, 2012).

The chapter is organized into three principal sections. In the first, we review the NBC literature and present the concept of NBC as a tripartite value-creation mechanism. Importantly, we use this review to identify a salient gap in the nonprofit and NBC literatures: NBC from the perspective of the NPO. In addressing this gap, the second section introduces a conceptual framework that we developed to assist NPOs in developing and operationalizing an NBC strategy. The framework is based on the three elements of strategy: context (the environment in which an organization operates), content (the choices to achieve the strategy purpose) and process (the formulation and implementation of the chosen strategy) (Pettigrew, 1985, Pettigrew and Whipp, 1991). However, using this concept of strategy to study public services providers (e.g., NPOs) can be criticized due to its manufacturing origins (Beck et al., 2008, Dart, 2004). Therefore, we review the service management approach (Osborne et al., 2013, Osborne, 2009, Thomas, 2012) to

¹ Through the chapter, we use the terms 'NPOs' and 'nongovernmental organizations (NGOs)' interchangeably (see Selsky and Parker 2005). However, we favour the more generic term NPOs which refers to organizations that are formally structured, operate exclusively for a not-for-profit purpose, are independent of the government, and utilize any financial surplus to improve the services they provide or to develop internally.

demonstrate how our framework, and its theoretical foundation, is still relevant to NPOs, thus enhancing its validity. We conclude the chapter with an evaluation of NBC-related risks and threats to NPOs and consider implications for future research and practice.

2 NBC AS A TRIPARTITE VALUE CREATION MECHANISM

We argue that, as a value creation mechanism, NBC can be viewed from three distinct perspectives. The first, or society perspective, relates to the formation and conditions under which NBC (and the cross-sector collaboration in general) can deliver value to society (e.g., Austin, 2000b, Berger et al., 2004, Koschmann et al., 2012, Selsky and Parker, 2005, Waddock, 1989). The second perspective concerns the use of NBC by businesses as a vehicle to implement their responsibility programs and create economic value (e.g. Kourula, 2010, Dahan et al., 2009, Holmes and Smart, 2009, Kanter, 1999, Peloza and Falkenberg, 2009). Finally, the third perspective relates to how NBC can effectively deliver value to NPOs. It is evident, however, that the third perspective has been overlooked (Cantrell et al., 2008, Harris, 2012), despite the role of NBC in developing the effectiveness of the nonprofit sector (Sanzo et al., 2014, Austin and Seitanidi, 2012b). Most likely, this state has arisen because society and NPOs are often conceived as a single entity given that they typically follow a similar agenda (i.e., have the same problems to address). We contend, however, that distinguishing NPOs from society is important to enhance our understanding of NBC effectiveness, which requires a comprehensive appreciation of all partners in terms of their capabilities, demands, concerns, and expectations (Bryson et al., 2006, Harris, 2012). Hence, we refer to NBC as a tripartite value creation process.

Before proceeding further, it is important to note that in this chapter we use the term NBC generically to include different collaboration types, such as sponsorship, cause-related marketing, and strategic alliance (Austin, 2000b, Wymer and Samu, 2003a). However, in our discussion we take into account that each type has its own dynamics, requirements, and consequences (Babiak and Thibault, 2009).

2.1 NBC value creation: A society perspective

It is widely recognized that collaboration between NPOs and businesses is the best approach to tackle social and environmental issues (Isett and Provan, 2005), which have been referred to as 'complex' and exceed the capacity of a single sector to resolve (Selsky and Parker, 2011). Two theoretical approaches help to explain the value of this synergistic relationship. The resource-based theory perceives organizations as bundles of resources and capabilities (Barney, 1991). By establishing NBC, complementary resources and capabilities (e.g., expertise, capital, networking) can be exchanged and fully utilized by both partners to augment their joint capacity to address societal issues. Similarly, Knowledge-based theory suggests that partners through combining and exchanging knowledge can accelerate their organizational learning (Hoffmann and Schlosser, 2001). This is essential given the current complex and dynamic nature of community issues (Harris, 2012, Sethi, 1979). Nonetheless,

NBC (and more generally social cross-sector collaboration) has been criticized for being difficult to implement and achieve its objectives (Olsen and Johnson, 2003, Koschmann et al., 2012). Accordingly, research has focused on how partners can overcome the challenges and difficulties that limit the ability of NBC to deliver value to society. Using a thematic analysis technique, we organise the literature that relates to this inquiry under three themes: process, institutionalization, and classification.

2.1.1 The process theme

This theme concerns research that has sought to identify the specific actions and activities that are involved in establishing NBC. In general, research indicates that NBC is an inherently complex and difficult exercise when being formulated and executed (Thomson and Perry, 2006). Therefore, much research effort has focused on simplifying the NBC process by breaking it down into a set of stages. Doing so naturally helps to improve process transparency and application, thereby increasing the capacity of the collaboration to deliver its objectives (Clarke and Fuller, 2011). We regard studies of NBC process as being either linear or circular in focus.

Studies of a linear focus view NBC process as a set of activities that are sequentially interconnected. For example, Wood and Gray's (1991) process model (and cross-sector collaboration more generally) comprises three principal steps: 'precondition of collaboration' or activities that are typically undertaken to identify collaboration motives for each partner; 'nature of collaboration' or activities to determine the collaboration form, which Wood and Gray argue is the least understood; and 'outcome' or activities to decide how collaboration outcomes should be evaluated. Expanding these steps, Hood et al. (1993) suggest a process model that specifies environmental and organizational factors that precede implementation and outcome phases. The initial steps or factors include identifying the dimensions of the social problem to be tackled by the collaboration and perceptions of interdependence between partners, and the latter phases concern, for instance, leadership of the collaboration and evaluation of results against pre-determined goals. Similarly, Seitanidi and Crane (2009) sought to understand NBC process by dividing it into three stages: selection (e.g., deciding the collaboration form), design (e.g., agreeing on NBC objectives), and institutionalization (e.g., embracing the collaboration by assessing and recognizing its outcomes). Concerning the last stage, the researchers identified two types of institutional outcome: changes that affect the organization's core values (i.e., strategic change) and changes that affect organizational practice (i.e., tactical or responsive change). Drawing on these linear models, two general chronological stages can be realized: 'formation' (e.g., problem setting, partner selection) and 'implementation' (e.g., collaboration design, evaluation of outcomes). Compatibility between the two stages will help to ensure that the collaboration process is successful in delivering value (Berger et al., 2004). For example, Ritvala et al. (2014) found that thoughtful partner selection (part of the 'formation' stage) is likely to enhance the appeal of the collaboration-execution plan (part of

the 'implementation' stage) because of the complementary capacity fit between the organizations.

NBC has been also depicted as a circular process. Following this logic, partnered organizations would engage in several waves of interaction, dialogue, and evaluation at all stages of the NBC process. This would ensure the highest level of congruence between partners. For example, Ring and Van De Ven (1994) assert that partners can create value for society if they negotiate, or make appropriate expectations regarding their collective action, and then agree to commit to a course of action. Ring and Van De Ven contend that the implementation process should be continuously monitored. If monitoring were to reveal that, for instance, commitments have not been fulfilled in a reciprocal fashion, partners should initiate corrective measures either through renegotiation or by reducing their commitments. Thomson and Perry (2006), however, note that process complexity and uncertainty might arise from partners constant interaction both formally and informally. Through interaction, partners' commitments and expectations might change frequently, which could complicate the implementation process. Therefore, they suggest that considering dimensions such as 'norms' (including the perception of trust and the expectation of reciprocal effort) and 'organizational autonomy' (the activity of addressing the conflict between an organization's self-interest and the collective interest of the collaboration) would be useful to address the dynamic circular nature of the collaboration process. For instance, greater awareness of 'organizational autonomy' would provide a more realistic perspective regarding the root cause of potential conflict, and how it might develop, between the partners during implementation. More recently, Clarke and Fuller (2011) investigated how collaboration can be collectively formulated and implemented. Similar to Thomson and Perry's (2006) appraisal, they highlight the negative effect of frequent change on the NBC process. Furthermore, the authors explain that change can be caused by, for instance, NPO stakeholder reaction to social or environmental misconduct committed by the business partner. Therefore, feedback loops are important in enhancing the capacity of both partners to respond to these changes and allow continuous improvement of the collaboration process.

In summary, studies in this theme seek to understand the specific activities, and their interconnections, that comprise the NBC process. In doing so, the process should be better understood by partners, thereby helping to realize collaboration objectives. Scholars typically regard NBC process as a number of distinct but overlapping stages. This includes research into the nature of NBC as a chronological flow of stages or steps to understand the attributes of the process. Yet, we contend that the linear view is limited in fully capturing the collaboration process due to the continuous interaction between partners during the planning and implementation of NBC, which drove the focus toward a circular view. The general lack of agreement in regard to what constitutes the NBC process, however, suggests that it is not yet fully understood.

2.1.2 The institutionalization theme

The institutionalization theme concerns research that seeks investigate the way in which NBC (and cross-sector collaboration more generally) can be institutionally internalized and successfully established within partnered organizations. This institutionalization is necessary if partners' resources and efforts are to be effectively managed, thus enabling the NBC to create value for society (Seitanidi and Crane, 2009). In more detail, NBC can be described as institutionalized when its structure, processes, and programs are accepted by the partnered organizations and their stakeholders, and also are embedded within their existing strategy, values, and administrative systems (Austin and Seitanidi, 2012a).

In general, studies under this theme identify a set of variables or factors and highlight the relationships between them, aiming to facilitate the absorption of collaboration by the partnered organizations. For example, Warner and Sullivan (2004) specify three factors as important for institutionalizing NBC: compatibility of the characteristics of partnered organizations (e.g., organizational capability); suitability of NBC outcomes for each party (e.g., tangible and intangible resource exchange); and agreed partnership themes (e.g., accepted management style and structure of the partnership). Adding to these factors, Bryson et al. (2006) emphasize the importance of addressing the 'imbalance of power' between partners, an expected issue in NBC (Schiller and Almog-Bar, 2013), as well as 'accountability' which refers to the need to adopt a rigorous system to track collaboration inputs and outcomes. Bryson et al.'s work, however, pays little attention to the importance of assessing partners' capacity, especially that of NPOs. Adequate consideration of such capacity, however, is necessary to maximize the potential input of each partner (Simo and Bies, 2007), where resources underpinning partners' capacities would become collectively discernable. Moreover, consideration of capacity should improve stakeholder appreciation of and support for NBC as the contribution of each partner becomes more certain (Austin, 2000b). Focusing on the stakeholder perspective, Wilson et al. (2010) emphasize the role of situational antecedences (e.g., politics inside the organization, characteristics of the planned collaboration, perception of conflict of interests) in developing stakeholder relationships, which in turn lead to broader internal (e.g., staff and volunteers) and external (e.g., general public and media) collaboration acceptance. To enhance NBC institutionalization, Rondinelli and London (2003) sought to understand how NBC-related decisions should be made. They developed a set of strategic questions and criteria (e.g., "can both parties identify specific projects for collaboration and required internal resources?", p. 68) in the form of a logical flowchart. This flowchart should help partners evaluate in advance the appropriateness of a collaboration initiative and to assess the level of commitment and trust between partners, and thus ideally enable partners to avoid potential difficulties.

Based on this review, it is evident that a number of common aspects typically underpin successful NBC institutionalization, which can be summarized as: recognition of value exchange, development of mutual trust, and collaboration compatibility. However, research

shows that NBC integration often fails and thus fails to deliver its planned objects (Bryson et al., 2006, Lund-Thomsen, 2008). This failure might be linked to the fact that partnered organizations in most cases conceived NBC as an extension of their organizations (Phumpiu and Gustafsson, 2008). Koschmann et al. (2012), therefore, regard cross-sector collaboration (including NBC) as a separate organizational form, rather than as a type of inter-organizational relationship. Accordingly, the value of collaboration lies in its ability to substantially affect the people and issues within their problem domain (i.e., the setting of the social/environmental problem that partners seek to address). This ability comes from collective agency or the capacity to influence a host of relevant outcomes beyond what individual organizations could achieve on their own.

2.1.3 The classification theme

Similar to the previous two themes, the classification theme comprises studies that seek to enhance the success rate of NBC and thus create value to society. Nonetheless, this theme differs in focus; research questions include: what are the types of NBC? Are they context-specific? Can NBC evolve by moving from one type to another? In addressing these questions, scholars have attempted to classify cross-sector collaboration (including NBC) into distinctive typologies, categories or levels, where each class/level has its own characteristics and consequences for the partners. However, researchers have called for critical examination of the various levels (or forms) of collaboration because they have been typically conceived through a normative lens, that one level/form is better than another (Rein and Stott, 2009).

Responding to this criticism, Austin (2000) modelled NBC types as a set of levels over a continuum including 'philanthropic', 'transactional', and 'integrative'. The philanthropic level refers to a simple one-way relationship between the donor (business) and recipient (NPO), such as corporate giving. However, collaboration at this level is likely to be limited in delivering value to society (as well as to the partners) due to the narrow scale of partner involvement (Porter and Kramer, 2002, Keys et al., 2009). NBC is described as 'transactional' when there is an explicit mutual exchange of resources (e.g., cause-related marketing) between the partners. Typically, the business partner would provide specific resources (mainly financial) to the NPO in return for publicity (Liston-Heyes and Liu, 2010). Finally, the integrative level (e.g., strategic partnerships) is the ultimate form of NBC. Partners can reach the highest level of association by integrating their missions, values and strategies to achieve value co-creation (Austin, 2000b). The main advantage of this continuum is that it allows for an overarching view of the different types of the relationship because it specifies attributes for each level (Seitanidi, 2010 p.13). However, it underestimates the value to society and focuses more on the corporate perspective. To address this criticism, the continuum has been recently expanded to include a fourth level: 'transformational' (Austin and Seitanidi, 2012b). At this level, partners undertake transformative change, or a change that creates large-scale value by bringing benefit that accrues either to a significant segment

of society or to society at large (Jackson and Nelson, 2004, Martin and Osberg, 2007). One example is the collaboration between Pfizer and Edna McConnel Clark Foundation to establish an entirely new hybrid organization (the International Trachoma Institute) that aims to eliminate trachoma disease (Barrett et al., 2000).

Reflecting Austin's work, Selsky and Parker (2011) suggest three drives determine the potential shape of the collaboration. The first, or 'resources-dependence', refers to situation when organizations seek collaboration for resource complementarity purpose. This relates to the philanthropic and transactional levels (mentioned above), where organizations are driven by the need to solve their problems through resource exchange. The second drive, 'social-issue,' reflects the partners' desire to respond to social needs, thus collaborate due to the feeling of social responsibility. Finally, the 'societal-sector' drive, which is similar to Austin and Seitanidi (2012b) 'transformational' level, occurs when organizations across sectors sense the complexity of the problems that face society and the limitation of their individual capability to respond to them (Parker and Selsky, 2004). In this regard, they collaborate together to learn and develop solutions (Rondinelli and London, 2003). This drive encourages social innovation (Christensen et al., 2006) to address social issues (Mandell and Steelman, 2003) because partnered organizations keep learning beyond the limits of their sector. Similarly, Vurro et al. (2010) investigated how institutional logics - interpretations that guide and constrain organizations actions in different social systems - influence the form of NBC. The authors describe four collaboration styles: instrumental (where the business uses the collaboration as a means to create a new market), transactional (when a business seeks to pool resources), transformative (when businesses penetrate the social market to exploit economic opportunities while building social reputation), and participative (when businesses employ their expertise to solve society's problems). In essence, the selection of collaboration style is determined by the combined effect of 'institutional coherence' (the extent to which institutional logics can guide actors of the collaboration) and 'orientation' (the extent to which gaining profit while doing good is acceptable to society). However, it can be clearly noticed that this classification disregards the NPO perspective as the focus explicitly concerns businesses.

In summary, research under this theme has sought to identify the characteristics of NBC in terms of type/form/level (TFL) to facilitate decision making (i.e., to help NPOs and businesses to select the best TFL to adopt). Moreover, under this theme, scholars study the dynamics that allow partners (NPOs and businesses) to move from one TFL to another to create greater social and economic value. However, TFLs should be not be conceived as a simple 'magic bullet' that can provide solutions to any society problems (Rein and Stott, 2009, p. 80). Each TFL has certain limits in terms of results and entails specific organizational capacities and requirements to become fruitful (Bowen et al., 2010, Wymer and Samu, 2003a).

2.2 NBC value creation: A business perspective

Research in this area has been supported by a change in the institutional norms of society regarding NBC (Idemudia, 2009, Seitanidi and Ryan, 2007). Society has started to accept self-interest motives (i.e., the economic drivers of the business) in addition to business altruistic motives that genuinely concern responding to social needs (Sud et al., 2009). This institutional transformation has encouraged businesses to rethink their traditional philanthropic activities (Seitanidi and Crane, 2009) to extract economic value while doing 'good' to society (Austin, 2000b, Vurro et al., 2010). In particular, the assumption that "there is no inherent contradiction between improving competitive context [i.e., value to business] and making a sincere commitment in bettering society" (Porter and Kramer, 2002, p. 68) is proliferating (McDonald and Young, 2012). As a result, empirical findings suggest that NBC has become a substantial element of CSR strategy for the business sector (den Hond et al., 2012).

Hartman and Stafford (1997) examine how environmental issues could be strategically attractive to business through creating environmental market incentives. They argue that making green alliances, in the form of an NBC, would be effective in achieving competitive advantages (e.g., ecologically-friendly innovations) while responding to environmentalists' demands. Similarly, Yaziji (2004) suggests that conceiving NPOs as partners can give the business an edge in the competitive market, by linking the unique attributes that NPOs possess (e.g., awareness of social forces) with potential economic value (e.g., prediction of changes in demands, setting new industry standards). From a wider viewpoint, research indicates that multinational enterprises can employ collaboration with indigenous NPOs to facilitate the penetration of emergent markets (Dahan et al., 2009). For the effectiveness of this approach, four imperatives have been stated. Two concern the internal context of collaboration (integrating resources across the organization and seeking cultural compatibility), and two external (supporting local business infrastructure and understanding local conditions). However, these imperatives overlook potential pre-collaboration difficulties, such as mistrust and the historical antagonistic view between the two sectors (Selsky and Parker, 2005), which might impede such initiatives. Advancing this perspective, Porter and Kramer (2011), 2011 called for an explicit strategic approach for managing corporate social responsibility programs. In essence, they investigated how companies' charitable projects can be aligned with their strategic objectives to deliver social benefit, as well as economic return to the business. The core of this approach is about enhancing the competitive environment of the business (e.g., when a high-tech company funds an IT-related literacy program in a developing country to create a prospect market and develop a future qualified workforce). However, this approach remains challenging because it might be perceived as a long-term investment and it could be difficult to avoid free-riders (i.e., rivalry between businesses). In response to Porter and Kramer's call, numerous researchers have been working on expanding the notion of linking NBC with CSR. In particular, the aim is to employ NBC as an approach to effective implementation of CSR. This contradicts the

traditional approach of adapting CSR practices in response to stakeholders' concerns (McDonald and Young, 2012), or investing in unplanned and unrelated social activities that are likely to devolve CSR into "a series of short-term defensive reactions...a never ending public relations palliative with minimal value to society and no strategic benefit for the business" (Porter and Kramer, 2006, p. 82).

Studies have also sought to uncover factors that affect the business's tendency to collaborate with the NPOs. These factors include: business commitment to CSR (e.g., Jonker and Nijhof, 2006, Seitanidi and Crane, 2009), organizational fit between the potential partners (e.g., Austin and Seitanidi, 2012b, Ida et al., 2004), and the level of trust and previous experience with NPOs (Rein and Stott, 2009). Other factors include the credibility of the NPO partner to society (Argenti, 2004), the salience of NPO's stakeholders (Mitchell et al., 1997), and the possession of particular advantages to the business, such as knowledge about the local community, the ability to enhance the legitimacy of the industry (Peloza and Falkenberg, 2009) or increasing sales (Liu and Ko., 2011). In relation to these potential advantages, research has also investigated NBC as a prospective driver of innovation (Holmes and Moir, 2007). In principle, NBC can broaden the innovation capability of a business through an emergent approach (evolve by inter-organizational interactions) or pre-determined (deliberate exploitation of an NPO's resources) when addressing societal concerns (Holmes and Smart, 2009). However, despite the fact that the approach taken to enact CSR mandates through NBC can be rewarding, this approach can become ineffective when affecting NPOs negatively. Engagement through CSR activities might undermine the legitimacy of NPOs because it might be negatively seen by their stakeholders (Arenas et al., 2009), especially when the motives of the business partner are deemed as suspicious (e.g., greenwashing) and/or lack an altruistic dimension (Argenti, 2004). Such an approach could also weaken the ability of NPOs to monitor and challenge any inappropriate business practices, where some NPOs might be 'co-opted' when their interests align with business objectives when collaborating through CSR initiatives (Scherer and Palazzo, 2007).

The above review demonstrates an institutional change whereby businesses seek NBC as a vehicle to implement CSR initiatives. Despite its potential value, this approach has been questioned in terms of its ability to create economic returns to business. As discussed earlier, its effectiveness can be largely 'fragile' due to its interconnection with the way in which NBC is perceived overtime by various stakeholder groups. In other words, all business gains might be wiped off once the NBC is conceived as solely initiated by business economic drivers.

2.3 NBC value creation: An NPO perspective

As mentioned previously, very few studies have examined NBC value creation to NPOs from NPO perspective. Andreasen (1996) is possibly the first to discuss NBC from the nonprofit standpoint, where he presents the notion of 'finding a corporate partner', and stresses the need for NPOs to be active in searching for business partners by becoming 'proficient' in

marketing their organization's image. Yet, he focused on the transactional level of collaboration (e.g., cause-related marketing) and ignored the social value NPOs can bring to the collaboration. The latter, however, received much attention when corporate social responsibility (CSR) policies changed (as discussed in the previous section), which encouraged businesses when implementing their CSR programs to seek nonprofit partners that fit with these policies (i.e., NPOs that are able to deliver social value). Accordingly, policy change has encouraged researchers to study business CSR-related expectations to help NPOs make appealing collaboration proposals to attract appropriate business partners (Cantrell et al., 2008).

At the same time, research shows that NPOs began to appreciate the advantages they hold (e.g., social legitimacy, credibility), which can be transferred to businesses (Herlin, 2013). In other words, NPOs started to regard NBC as a two-way win-win relationship rather than as a one-way model of business philanthropy or financial donation (Rumsey and White, 2009). Nevertheless, Schiller and Almog-Bar (2013) questioned the ability of partnerships in between NPOs and businesses (the highest level of NBC, see Austin 2000) to deliver sufficient value to NPOs to justify its considerable cost (Hudson, 2005, p. 101). This is mainly due to a potential set of issues such as power imbalance and cultural discrepancies between the two partners (Schiller and Almog-Bar, 2013), which typically require extended resources and time to be managed. However, Schiller and Almog-Bar's study takes into consideration only short-term NPOs benefits (e.g., direct economic gains) and underestimates other benefits (e.g., organizational learning, influencing business practice through continuous interaction, increasing visibility and reputation) that are typically realized over the longer term. O'Connor and Shumate (2011) examined the impact of NPO attributes on the scale of its NBC involvement, where NPOs with multiple business partners were found to be clearly distinct from those with a single business partner. These organizational attributes include organization structure (e.g., NPOs with federated structures are more likely to have multiple partners than NPOs with less organized structure), scope of operations (e.g., local NPOs are more likely to have a single partner), and mission (e.g., service providing NPOs are more likely have multiple partners compared to advocacy NPOs).

Research that relates to this perspective is typically at an early stage. So far, efforts have been made largely to reveal means through which NPOs might obtain organizational benefits from NBC involvement. Nonetheless, several questions are still lacking proper answer. For example, is there always an imbalance of power between businesses (the resources suppliers) and NPOs (the resources receivers) when engaging in NBC, or the power status between the two can be evenly balanced? How can NPOs employ the NBC to enhance their overall performance and thus fulfilling their goal in providing public services? To what extent can NBC types or forms affect NPOs gains and losses? How can the NPOs-related characteristics (e.g., being mission-centric organizations, have non-business core competences, and face sensitive stakeholders) affect the implementation process of NBC? A thoughtful consideration in addressing such questions is necessary for NPOs to build

compatible and lucrative links with the business sector. Relying merely on the generic literature of inter-organizational relationships (that is derived from investigating business-to-business interaction) to study NPOs prospective would not be adequate as the two sectors are inherently different.

2.4 Summary

The review of these three perspectives (NBC as value creation to society, business and NPOs) highlights two important issues. First, although much research has been undertaken to understand the collaboration between the two sectors, relatively little attention has been paid to investigating NBC from the NPO perspective. More specifically, we propose that an important line of inquiry concerns how NPOs might plan for NBC to attract potential collaboration partners. The wide application of CSR initiatives through NBC to tackle society problems while economically benefitting businesses (e.g., Andre et al., 2008, Dahan et al., 2009, Holmes and Smart, 2009, Pelozo and Falkenberg, 2009, Porter and Kramer, 2002, Seitanidi and Crane, 2009, Yaziji, 2004) indicates the strategic importance of this relationship and emphasizes the need to consider it from the NPOs perspective (Becker-Olsen and Hill, 2006, Harris, 2012, Herlin, 2013). However, understanding of how NPOs can benefit from NBC on both tactical and strategic levels is still in its infancy. Second, research on NBC in general appears to have overlooked the fact that NPOs are not merely influenced by their organizational self-interest when engaging in NBC (Hond, 2009). They are driven by a desire to achieve their social mission, rather than profit. Moreover, the relationship between businesses and NPOs is intrinsically different from intra-sector (or within the sector) collaboration because it “[NBC] brings together actors from two different societal sectors...[where] these sectors present contesting institutional demands, since they are guided by different core logics [e.g., economic versus social rationale]” (Huijstee et al., 2011, p. 44). Accordingly, consideration of issues such as unbalanced power (Berger et al., 2004) and mission incompatibility from both sides is crucial when studying NBC. Such issues signal a significant gap in the NBC literature and thus underscore the importance of our study, as discussed next.

3 A FRAMEWORK TO OPERATIONALIZE A STRATEGY FOR NBC

The aim of this section is to present and discuss a framework that we developed to enhance the capability of NPOs to plan and implement a strategy for NBC. The framework is theoretically based on Pettigrew’s (Pettigrew, 1987a, Pettigrew, 1985) three elements of strategy (context, content, and process), but adapted to include factors within each element that relate specifically to NPOs.

We begin by discussing the three elements concept and state reasons for basing the framework on it. However, using this concept to study public services providers (e.g., NPOs) might be questioned due to its manufacturing origin (Beck et al., 2008, Dart, 2004). Therefore, we introduce next the service management approach (Osborne et al., 2013,

Osborne, 2009, Thomas, 2012) to demonstrate how our framework, and its theoretical underpinning, is still relevant to NPOs, thus enhancing its validity. Finally, we present the framework, including nine endogenous and exogenous factors, and discuss their relevance for NPOs that seek NBC to support their organizational sustainability.

3.1 The three elements concept

In literature, it has been asserted that the effect of three elements (i.e., context, content, and process) determine the 'realized' shape of a strategy (Miller et al., 1988, Pettigrew, 1987b, Wit and Meyer, 2010) and predict its effectiveness (Ketchen et al., 1996). These elements, though, should not be perceived independent (Blair and Boal, 1991) but rather as reciprocally connected (Dyer and Singh, 1998, Miller et al., 1988, Pettigrew et al., 2001). For instance, Ketchen et al. (1996) found that synergies between the three elements positively affect organisational performance over time.

Context, the first element, concerns the environment in which an organization operates (Shepherd and Rudd, 2013), and includes factors such as level of competition, stakeholder's attitude, availability of resources, and trends of change (Wit and Meyer, 2010). Therefore, context functions as the background or settings for the organization's strategy (Tikkanen and Alajoutsijärvi, 2002). Moreover, the role of the context has been found to be critical in facilitating or complicating the implementation of a chosen strategy. In other words, strategy effectiveness cannot be achieved unless there is consistency between an organization and its operating context (Daft et al., 1988, Hambrick, 2003, Milliken, 1990).. Seeking better understanding of this consistency, Pettigrew (1985) divided the context into two levels: outer and inner. The former includes political, social, economic, and environmental conditions, whereas the latter covers aspects related to an organization's internal features such as culture, structure, resources, and organizational politics. This dichotomy, however has been viewed as limited by Johnson et al. (2011), p. 16, thus the context element has been extended to include four aspects: environment (political, economic, social and technological factors in the macro environment of the organization); strategy capability (organization resources and competences); strategic purpose (the main aims of the organization that explain its actions); and organizational culture.

Content, the second element, relates to what an organization needs to consider during a strategic change process (Pettigrew, 1987b). It includes the methods, plans, and practices that an organization seeks to use in order to achieve predefined purposes (Johnson et al., 2011, Moser, 2001). Moreover, content addresses the issue of organizational growth and competitiveness in terms of creating and maintaining competitive advantage. Ketchen et al. (1996) propose that two types of fit should be considered when studying strategy content. Inter-fit concerns the relationship between the adopted methods and plans and the 'outer context' of the organization. Alignment with the outer context is important to ensure that selected options (e.g., methods, practices, etc.) are applicable within the external environment (e.g., competition). On the other hand, the intra-fit relates to the alignment

between these options and the organization's internal components, such as organizational capabilities and internal policies (Wit and Meyer, 2010). In other words, the intra-fit is necessary to ensure that the selected options are feasible. Importantly, this highlights the connection between the content and context, as any 'fit' misalignment between the two can influence the viability of the chosen strategy, and thus the overall organizational performance (Ketchen et al., 1996, Zajac and Shortell, 1989).

The third element, process, incorporates different activities, procedures, and actions that enable the selected content (e.g., options), within a particular context, to achieve its objectives (Huff and Reger, 1987, Raak et al., 2005). In addition, the process element concerns how the strategy is formulated and managed (Johnson et al., 2011, p. 18). Importantly, strategy process should not be considered in isolation from its context as Pettigrew (1992), p. 10 note: "context is not just a stimulus environment but a nested arrangement of structures and processes where the subjective interpretations of actors perceiving, learning, and remembering help shape process". Therefore, Wit and Meyer (2010) propose a systematic view of the process that comprises three steps: analysis (which seeks to identify external opportunities and threats, and also the internal strengths and weaknesses of an organization), formulation (the identification, evaluation and choice of the possible preferred strategic options), and implementation (specifying activities to carry out the chosen strategy). This view pinpoints the importance of realizing the organisation capabilities (i.e., strengthen and weakness) and its external position (i.e., opportunities and threats) before embarking into devising strategy features (i.e., the content) and enacting its activities.

Due to the conceptual strength of the context-content-process (CCP) concept, it has been applied widely as a theoretical basis to study organizations performance. Specifically, we provide next examples to demonstrate how the combined effect, in addition to the individual effect, of the three elements influence organization operations, strategy and change. In a study of multinational corporations (MNCs), Moser (2001) employed the CCP concept to examine the impact of sustainable business practice (SBP) on the economic growth of less developed countries. This study shows the importance of the external context in which MNCs operate (e.g., government legislations, attributes of indigenous communities) and the characteristics of their internal context (e.g., local staff, internal policies) on the process of enacting and implementing the SBP, either by accelerating or inhibiting such practice. In the health sector, Raak et al. (2005) used the CCP concept to investigate the impact of contextual factors on the decision making process in partnerships. Yet, they adapted the concept to include additional element: 'subject' which refers to the substance of decision making that includes complexity (e.g., if the decision concerns new issues such as providing a new outpatient service), and controversially (e.g., the extent to which a status of conflicts of interests exist). This element, in addition to contextual factors (e.g., organizational characteristics) are found to moderate the sustainability of partnerships. To harness its advantage of providing a comprehensive view of organization's

operations change, the CCP concept was applied to enhance the evaluation of Information Systems (ISs) (Stockdale and Standing, 2006). Traditionally, ISs have been evaluated merely from technical perspective, which means that the social activity inherent in the evaluation process has been underestimated. Therefore, the authors utilized the CCP concept as a framework to consider the overlooked socio-political side of the IS evaluation in tandem to other technical aspects. Focusing on Human Resource Management (HRM) practice, Pichault (2007) developed an analytical framework, which is derived from the CCP concept, to explain differences in the performance of three public organizations after HR-based reforms. The lack of coherence between the organizational setting of each individual project (context), HRM innovations (content), and process of reform, including power relationships among stakeholders was evident to reduce the effectiveness of these reforms.

The examples above show the capacity of the CCP concept to provide a comprehensive multi-level (i.e., the three elements) approach when studying NBC strategy. Being the theoretical foundation for our framework, it allows for a rigorous and systematic approach to be followed in recognizing those factors that are critical if NPOs wish to transform from being 'inactive' in collaboration with the business sector to become 'active'.

3.2 The Service Management Approach (SMA)

The CCP concept is rooted in the 'generic' management research; research that is conducted in the manufacturing rather than the public services sector (Beck et al., 2008, Dart, 2004, Osborne et al., 2013). Therefore, adopting this concept to enhance the delivery of public-service providers (such as NPOs) can be criticized on two grounds. First, theories from the manufacturing domain assume that production and consumption processes are separable (Osborne et al., 2013). However, this assumption does not reflect the real nature of public services, which are produced and consumed concurrently (e.g., educational and health services). Second, theory from the product-dominant approach perceives the consumer (or the user of service) as a passive actor in any interaction process. In contrast, end-users typically have an important role in the design and delivery of public services (Osborne and Strokosch, 2013, Radnor and Osborne, 2013). In addition to these points, Eikenberry and Kluver (2004) argue that the business and nonprofit sectors are inherently different due to the incompatibility between their values and cultures. NPOs are often characterized as socially driven, participative, and co-operative, whereas business are typically described as profit driven, hierarchical, and competitive (Berger et al., 2004, Parker and Selsky, 2004). Because of these issues, the current public management theory (that focusses on organization's internal processes rather than its wider service receivers, and adopts manufacturing-related theories which perceive the public services as product and not pure service) has been described as having substantial flaws (Osborne et al., 2013, Pollitt and Bouckaert, 2004).

Accordingly, calls have been made to incorporate the service management approach (SMA), which originates from service management theory, to manage the delivery of public services

(Osborne, 2009, Steane, 2008). Importantly, two main concepts characterize SMA (Gronroos, 2007, Osborne and Strokosch, 2013) which support these calls. First, SMA underscores the importance of involving end-users in service provision (Powell et al., 2010), where this has been referred to as co-production (e.g., Osborne and Strokosch, 2013) or co-creation (e.g., Hardyman et al., 2014) of services. Research shows that service end-users typically assess the value of these services not only in terms of the outcome (i.e., what users receive such as the quality of healthcare provided), but also according to the extent to which the process of service delivery matches with their expectations, such as the degree to which patients are satisfied with the process of receiving the medical treatment (Lovelock, 1983, Van Looy et al., 2003). Second, service production and consumption are perceived as inseparable because they are typically produced and delivered to end-users for consumption simultaneously, at the same time and place (Johnston et al., 2012).

Therefore, we draw upon the principles of SMA to demonstrate that our NBC strategy framework, which is based on the CCP concept, is relevant and valid for NPOs as public services providers. NBC requires consideration of all internal and external actors (Austin, 2000a). This need fits with the core premise of SMA which stresses the importance of involving NPO beneficiaries (as service end-users) in the delivery of services; that is, through the collaboration with the business sector, NPOs seek to provide additional public services or at least enhance existing ones. Moreover, due to the inseparable nature of the service (as suggested by the SMA), the NBC strategy (which results in providing public goods) can be better understood when the delivery of the services is conceived as a co-production process between the NPOs and their beneficiaries. Co-production can take place not only at the operational level, where the focus is on empowering the beneficiaries to engage in the implementation stage of the service, but also at the strategic level. This level focusses upon the participation of the beneficiaries in the planning and design of the service provided (Osborne et al., 2013, Osborne and Strokosch, 2013). On the other hand, despite being criticized, as explicated earlier, such theories (i.e., the CCP concept) are still relevant to the nonprofit settings (and in the public sector in general) as they have been found to be efficient in improving performance (Kearns, 2000, Radnor and Lovell, 2003, Radnor, 2010). Moreover, stakeholders frequently exhort their NPO to be business-like in terms of efficiency and effectiveness (Dart, 2004). This demand has been fuelled by recognition of the importance to optimize the use of limited resources to maintain NPO sustainability (Weerawardena et al., 2010). Indeed, this is evident in regard to the severe conditions that NPOs currently face, which is similar to what the business sector is confronting, such as the tough competition (Chew and Osborne, 2009) and the instability of the external environment (e.g., changes in the government agenda and the volatility of the economy).

Next, we present our framework of NBC from the NPO perspective. The framework builds upon the theoretical strength of the CCP concept, as well as supported by SMA logics.

3.3 A framework to operationalize NBC strategy

In this section, we build a framework that captures fundamental factors (and explain the interaction between them) necessary for the development nonprofit-centric NBC strategy, as depicted in Figure 1. A strategy that allows the NPOs to approach the business sector in an effective and secure manner. We draw on the CCP concept, in conjunction with stakeholder theory, and the cross-sector and nonprofit literature in identifying and rationalizing nine factors. We also incorporate several aspects from SMA to illustrate that there is no intrinsic contradiction between the CCP concept, that has a manufacturing-related origin, and SMA.¹ It is worth noting that the purpose of the framework is not prescription (i.e., describe a specific strategy for NBC); rather, the aim is to unfold factors that can significantly affect the development and operationalizing of a strategy.

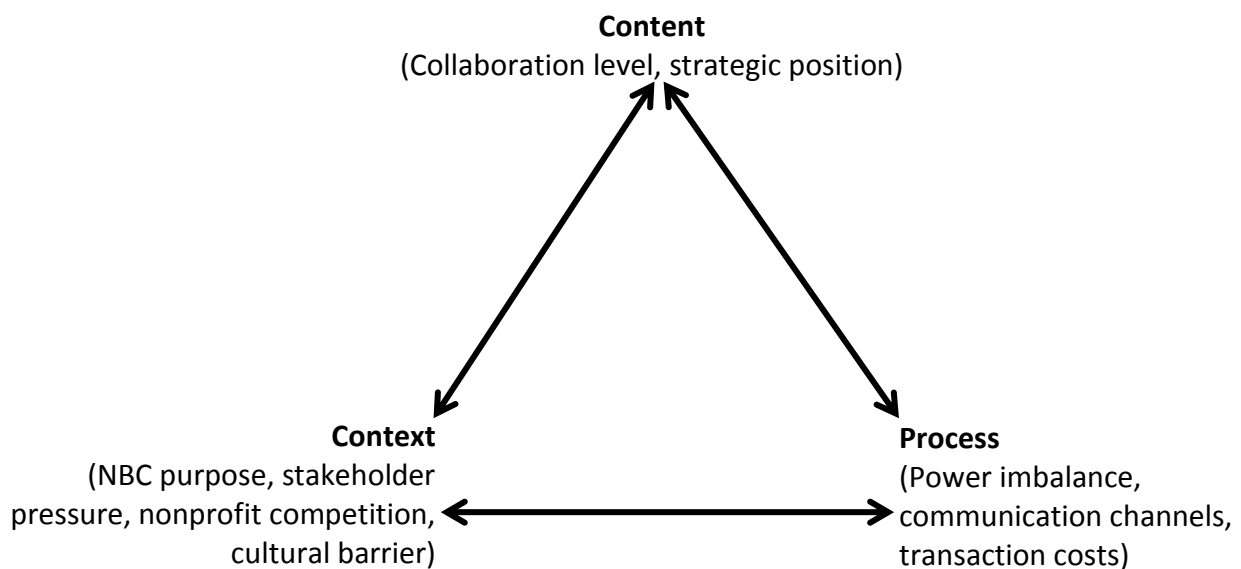


Figure 1: Factors that underpin the development of NBC strategy from the NPO perspective

3.3.1 Context

Context (element 1) reflects the external and internal settings that may facilitate or hinder the adoption of NBC. Furthermore, it involves the initial conditions that provoke the need for collaboration. Four contextual factors have been identified as relevant under this element: 'NBC purpose', 'stakeholder pressure', 'nonprofit competition' and 'cultural barrier'.

NBC purpose

NPOs can be motivated by several purposes when planning for NBC (Elkington and Fennell, 2000, den Hond et al., 2012, Wymer and Samu, 2003a), including the need to diversify and

attain economic value (Bingham and Walters, 2012, Hoffman, 2009), enhance publicity and strengthen their brand (Berglind and Nakata, 2005), expand supporters networks (Arya and Lin, 2007), influence business behaviour (Kourula, 2009, Yaziji and Doh, 2009), and to acquire business-like knowledge (Parker and Selsky, 2004, Rondinelli and London, 2003). With regard to the latter, this has become a vital requirement because NPOs are under incessant pressure from the government and the general public to become more efficient and effective (Baur and Schmitz, 2012) and thus are encouraged to learn business-style cost-cutting techniques and to standardize operational procedures (Guo and Acar, 2005, Stephen and Vic, 2000). Despite the diversity of these purposes, we contend that a more consistent NBC strategy would be achieved if NBC purpose was highly focused. Typically, NBC purpose would influence the selection strategy options (i.e., element 2) and how such option were implemented (i.e., element 3). Several examples support this argument. When NBC is sought only as a means to achieve financial gain, NPOs are likely to accept any type of collaboration (discussed later as a factor of content, element 2), as long as it does not conflict with their organization's mission or values. In contrast, environmental NPOs, which endeavour to influence business behaviour, would seek to collaborate with businesses that have a significant impact on the environment (Yaziji and Doh, 2009). For example, organizations such as the Environmental Defence Fund (EDF) are likely to target a strategic alliance (a higher collaboration level) rather than seek a simple corporate philanthropic contribution (Keys et al., 2009). At a higher collaboration level, the likelihood of achieving a greater environmental impact increases (Hendry, 2006, Milne et al., 1996) because staff interaction at all levels between the organisations should eventually influence the overall business behaviour (Austin and Seitanidi, 2012b). Similarly, they might reject some types of collaboration, such as cause-related marketing, which could put them in the position of promoting or being perceived as endorsing a particular business conduct (Berglind and Nakata, 2005). Furthermore, a focused purpose is likely to aid stakeholder appreciation of the requirements, timescales, and outcomes of any proposed collaboration, and thus enable them to gauge the collaboration's potential effectiveness (Behn, 2003).

Stakeholder pressure

stakeholders are widely regarded as critical to the management of nonprofit and public sectors (Balser and McClusky, 2005, Bryson, 2004). They refer to persons, groups and organizations who can affect, or is affected by, the achievement of their organization's objectives (Freeman, 1984), and therefore should be taken into account when decisions are made (Bryson, 1988). Moreover, in public and nonprofit management, research suggests that defining stakeholders should include, in contrary to the business setting, a broader array of beneficiaries (i.e., service users) who might be conceived powerless (Bryson, 2004, Bryson and Crosby, 1992). This precisely fits with one of the SMA fundamentals, 'strategic orientation', that emphasizes the importance for NPOs (and other public service organizations) to appreciate the current and future needs and expectation of their service users (Osborne et al., 2013, Sofaer and Firminger, 2005). This entails that engagement with

the public should be a core dimension for any NPOs planning and functioning mechanisms (Osborne et al., 2013). At the same time, the need for engaging the stakeholders becomes more evident in the case of NBC. Specifically, there is a mounting pressure by society for considering various stakeholder groups when addressing societal problems via collaboration between sectors (Austin, 2000, Berger, et al. 2004, Bryson, et al. 2006). These problems (e.g., poor educational performance, economic development, and global warming) are getting interconnected and affecting several groups simultaneously. Accordingly, they are becoming more complex and difficult to be addressed as no single sector or organization can manage the problem individually (Kettl, 2002). This implies that taking stakeholders issue into account is a crucial step toward understanding these problems (Bryson and Crosby, 1992) and thus design effective NBC.

However, understanding the stakeholders' needs is not the only issue here. Social legitimacy, or when organizational activities are compatible with the norms and expectations of society (Zukin and DiMaggio, 1990), is also important (Dacin et al., 2007). NPOs can maintain this legitimacy when designing and implementing new activities by carefully considering all stakeholders, such as donors, media, staff, volunteers, general public (Bryson, 1988), and recognizing that they are not collectively and easily satisfied (Herman and Renz, 2008). Moreover, Bryson (2004) asserts that attention to stakeholders is essential for public and nonprofit organization because the 'success' of these organizations depends on satisfying key stakeholders according to what they defined as legitimate. Extending this argument to NBC, stakeholders are typically sensitive to any incongruence between their NPO's values and its activities (Tschirhart, 1996), for instance where an NPO that promotes healthy lifestyle collaborates with a fast-food company. In addition, NPOs stakeholders often possess diverse expectations (Conroy, 2005) which relate to the fact that NPOs are subject to various types of accountability, such as legal, professional, and the obligation to add value (Hoefer, 2000, Kearns, 1996). This makes addressing stakeholder pressure as challenging due the difficulty of satisfying all these expectations.

At the same time, some stakeholders groups might perceive the NBC as a dilemma (Westley and Vredenburg, 1991). On the one hand, they typically demand that their NPO demonstrates effective performance (Kong, 2008, Herman and Renz, 2008) and to seek opportunities to survive (Osborne, 2013). On the other, they are likely to be dubious about collaborating with a business, as this can be perceived as an initial step toward 'mission creep' (Akingbola, 2012, Andreasen, 1996). When the American Medical Association (AMA) entered into a sponsorship agreement with a business, many of the AMA stakeholders rejected this initiative because it was perceived as misaligned with the original mission (by promoting medical products without proper testing) of the AMA (Austin, 2000b, Press, 1998). Furthermore, some collaboration types (as explicated in the content factor) might be more acceptable than others. For instance, NPOs that confront a high contextual pressure (e.g., stakeholders with low satisfaction) would prefer informal collaboration (e.g.,

corporate giving) to keep themselves distant from the business partner (Simpson et al., 2011).

In sum, developing an NBC strategy might generate negative stakeholder attitude. Therefore, and confirming with the SAM, this strategy should be politically acceptable by various stakeholder groups (including powerless) by ensuring that it responds to their expectation and consistent with the NPOs' philosophy and core values.

Nonprofit competition

The nonprofit sector has transformed during the last twenty years where competition between NPOs has intensified (Milbourne and Murray, 2011, Phillips, 2012). Therefore, the sustainability (i.e., viability) of NPOs has become a critical concern, as these organizations are competing for fixed or even deteriorating traditional funding sources (Weerawardena et al., 2010). Researchers propose that the ability of NPOs to be seen as distinctive is vital for their sustainability (Chew and Osborne, 2009). In support of this view, research has found a positive association between NPO visibility and the level of resources received from individuals and businesses (Frumkin and Kim, 2001). We draw on the previous situation, and argue that NPOs with similar mission are also in competition for limited NBC opportunities. NPOs of various causes (e.g., fighting cancer, protecting the environment, combating malnutrition) are increasing in number (Inaba, 2011, Keller et al., 2010), which suggests that the demand for nonprofit partners exceed the supply of collaboration opportunities offered by the business sector. This is evident, for example, in the 'charity of the year' scheme, where the NPOs enter in massive competition with each other to win business support (Cave, 2011). Businesses are also becoming more selective when choosing potential partners, as they require a high return (in terms of both social and economic returns) from their investments (Godfrey, 2005, Porter and Kramer, 2002).

Accordingly, NPOs need to understand the nature of competition and their competitors in their operating context, which would assist in recognizing their strengths and weaknesses to protect their position against similar NPOs. In particular, this would allow them to become different and more attractive to potential business partners, as discussed later (a detailed discussion of how NPOs can differentiate themselves is presented under the 'strategic position' factor). As a director at Save the Children explains: *"Corporate profits have been suffering; corporate and social responsibility budgets have been cut. There is a smaller pie out there so you have to have a really compelling proposition if you want to take a slice of it"* (Cave, 2011).

However, despite this aggressive environment, SMA provides an alternative view. Relationship marketing theory, a theoretical underpinning of SMA, argues that inter-organizational relationships are often the most valuable resource of a firm, and that competitive advantages, which are necessary for the firm to survive, can be generated through collaborative activity rather than competition (Dyer and Singh, 1998, Helfert et al., 2002). We extend this argument through use of the co-opetition concept. Co-opetition is a

phenomenon that refers to a situation where a set of organizations engage in simultaneous cooperation and competition with each other (Gnyawali et al., 2006). Regarding NBC, NPOs can reduce the intensity of competition by cooperating with each other when approaching businesses. Through cooperation, NPOs can share ideas, best practices and experience (e.g., gained through implementing new initiatives) which can enhance their organizational learning and development. Moreover, NPOs can increase their overall mass by combining their resources and competencies (e.g., staff, networks, public-support base and geographical presence) to become more attractive to likely business partners as they can potentially deliver greater value. Co-opetition can also strengthen their ground in negotiations to reach a better collaboration agreement because their collective offer might appear more valuable to the business. However, this option has its limitations. First, the brand of individual NPOs might weaken when forming a group of similar NPOs. The NPOs have to think about the clarity of their individual message and whether they (as an NPO) are spreading themselves too thinly. This also highlights the need to protect their identity when merging in a body which consists of a group of NPOs with similar mission (Guo and Acar, 2005). Second, the decision to cooperate with other NPOs should be made carefully to ensure that the highest return on the investment (i.e., the cost associated with establishing the cooperation and approaching the business) is achievable. The return from NBC would be shared between the NPOs. Investing the same amount of resources into its own NBC (rather than a collective venture), an NPO might receive a larger return (cf. Arya and Lin, 2007).

Based on the discussion above, we claim that, despite the severe competition in the nonprofit sector, SMA can become a prospect avenue for reducing the intensity of competition between among NPOs as part of their NBC strategy.

Cultural barrier

Influenced by tough economic conditions, as discussed above, NPOs are increasingly called upon to adopt business-sector approaches to optimize the use of their limited resources (Helmig et al., 2004, Weerawardena et al., 2010). These approaches include, for example, competitive advantage and positioning strategy to modernize the services they provide (Weerawardena et al., 2010, Wicker and Breuer, 2012), and use of branding and business marketing techniques to maintain and enhance income streams (Sargeant, 2005, Parsons, 2008).

Nonetheless, despite the potential for improving organizational sustainability, research indicates that NPOs often develop an internal cultural barrier when adopting such approaches. Lindenberg (2001) explained that although NPOs are facing pressure to adopt business-like knowledge, they are skeptical because “[NPOs] *fear that too much attention to market dynamics and private and public sector techniques will destroy their value-based organizational culture*” (p. 248). Therefore, NBC, as one of these new approaches, might be perceived by staff and volunteers as a step change in values. This in turn, might generate a culture of internal resistance (i.e., a cultural barrier), especially if the collaboration is viewed as endangering the image of the NPO (Mannell, 2010, Wilson et al., 2010). Such negative

attitude might result from the prejudice of incompatibility between the NPO's culture, which is often characterized as socially driven and cooperative, and the business's culture, which is widely described as profit driven and competitive (Berger et al., 2004, Parker and Selsky, 2004). We discuss the means to address the issue of cultural barrier within the process factors (element 3).

3.3.2 Content

Content (element 2) addresses 'what' strategy to follow (Hoffer, 1975, Jemison, 1981). More specifically, it refers to all directions and choices that an organization deliberately chooses to adopt/apply to achieve pre-determined objectives. Under this element, two factors have been identified as being important when developing NBC strategy. These are 'collaboration level' and 'strategic position'.

Collaboration level

This factor is fundamental to the content of an NBC strategy because it relates to (1) the choice an NPO needs to make regarding the level or type of collaboration and (2) to the degree to which each organization is willing to engage in it (Wymer and Samu, 2003a).

In the cross-sector collaboration literature, several types of NBC can be identified. In providing an overarching view, Austin (2000b) suggests that NBC is a continuum that comprises three levels, where each level has a set of distinctive attributes. The first level or 'philanthropic' is associated with minimal institutional involvement, being limited to a few staff members in each organisation and resource exchange is limited to financial support from the business to the NPO. At the next level, the 'transaction' level, collaboration encompasses a mutual exchange of resources, where a business provides specific resources to an NPO (including intangible resources such as IT experience) in return for some economic value such as publicity (Liston-Heyes and Liu, 2010). The final level, 'integrative', represents the maximum frontier of NBC. Both partners work together at all organisational levels to achieve joint objectives and value creation (Keys et al., 2009, Selsky and Parker, 2011). At this level, partners begin to merge their activities and missions toward more collective actions and organizational integration, forming a strategic partnership or strategic alliance.

Furthermore, each of these levels has different consequences for the internal and external context of the NPO (Keys et al., 2009, Seitanidi and Ryan, 2007). For example, a higher collaboration level would require greater staff and volunteer engagement and a better cultural fit between the two partnered organizations (internal context), and would incur higher public expectations and scrutiny (external context) (Austin, 2000b, Hudson, 2005, Wymer and Samu, 2003b). Similarly, different risks are associated with different NBC levels. For instance, cause-related marketing would put the NPO in a resource dependent position, which might weaken its ability to challenge business behaviour, and therefore make it vulnerable to co-optation by its business partner (Baur and Schmitz, 2012). However, this

factor should not be considered in isolation from the other factors. For example, 'stakeholder pressure' (context, element 1) has a considerable influence on selecting the collaboration level, where some collaboration levels might be more acceptable to stakeholders than others. Simpson et al. (2011) found that the extent of compatibility between NBC and stakeholder expectations influenced the governance of the relationship. For example, stakeholders with high expectations (e.g., those who had a strong ideology) preferred a low collaboration level (i.e., informal governance mechanism) to keep their NPO distant from the business partner. Moreover, an NPO might adjust the level of collaboration to satisfy its stakeholders (Oliver, 1991, Hess and Warren, 2008). A lower level normally involves less NPO commitment and engagement, thereby mitigating the potential risk of being linked to the business (Baur and Schmitz, 2012). Accordingly, this level of collaboration should alleviate the harmful effect of a cultural barrier (Austin, 2000a). In regard to process (element 3), smaller NPOs, which typically have a restricted budget for administration costs (including transaction costs as discussed in the process element), are likely to focus more on a lower collaboration level because it delivers more tangible results and requires less staff commitment and cost.

In conclusion, we argue that a better NBC strategy can be reached when the chosen collaboration level aligns with the internal and external environment of the NPO, where a higher NBC level will be associated with higher organizational commitment, outcomes, and risk, and vice-versa.

Strategic Position

Strategic position (SP) concerns the mechanism(s) an organization applies to create a unique identity for itself, thus becoming easily distinguishable from its competitors (Porter, 1996). This mechanism(s) includes a set of activities (e.g., configuration of resources and competences, determination of strength and weakness, the analysis of existing and future rivals) that are the fundamental requisite to main the organization competitiveness in the marketplace (Kotler and Andreasen, 1996). For NPOs, SP is rooted in their performance and builds significantly on their mission and operational effectiveness (Chetkovich and Frumkin, 2003, Krug and Weinberg, 2004). SP also contributes significantly to the public perception of an NPO, which in turn can influence the extent of their support (Frumkin and Kim, 2001).

However, our understanding of the SP concept in the setting of NBC strategy can be improved using SMA. In principle, the SMA emphasizes that partners should genuinely perceive joint gains from the interorganizational relationship rather than an opportunistic one (Gulati et al., 2000, Osborne et al., 2013). Therefore, being a factor of content (element 2), SP concerns the creation of a distinctive and attractive position for an NPO in the eyes of prospective business partners which is built on its capabilities to achieve social and economic value for its partner (Porter and Kramer, 2002). In other words, a strategy for NBC should incorporate the means to communicate those unique capabilities that create value to businesses. For example, NPOs are experts in the social field and have a deep understanding of problems in this area (Kramer and Kania, 2006, Rondinelli and London,

2003). Accordingly, they are more effective in handling such problems than the business sector (Austin, 2000b). In addition, they are often more legitimate to society and possess links with the community that businesses might lack (Yaziji, 2004), such as networks of stakeholders including donors, regulators and public lobbyists. Alternatively, businesses might be interested in other features like location. For instance, if an NPO is geographically spread, the business partner will be able to establish the collaboration at both the local and national levels. Lastly, businesses might be interested in NPOs that are highly recognized by the general public and have a strong brand. Such capability will enable businesses to generate greater economic value (e.g., enhance its stakeholder support or scale up sales using sponsoring as one type of NBC) in addition to any attained benefits to society.

Building on these capabilities (and features) NPOs can create an attractive SP, enabling them to be targeted by businesses that are keen to maximize the yield from investing in the collaboration (Cantrell et al., 2008). Moreover, SP has a strong connection with the ‘nonprofit competition’ factor, context (element 1). Due to the rivalrous environment in the nonprofit sector, it is necessary that NPOs establish and maintain their SP to enhance their chance of attracting potential business partners (Frumkin and Kim, 2001, Maple, 2003).

3.3.3 Process

Process (element 3) explains how the strategy content (element 2) can be formulated and implemented by an organization in a specific context (element 1) (Pettigrew, 1987). Typically, strategy process concerns activities that support the emergence of the strategic choice and decision making process (Huff and Reger, 1987). Specifically, two issues have been suggested as relevant when studying the impact of strategy process on performance (Ketchen et al., 1996). The first, ‘political activity’ concerns the actions of political actors (e.g., lobbying and dissemination of information) who seek to increase their power during the decision process, thus affect how the strategy is developed, agreed upon and implemented (Narayanan and Fahey, 1982). ‘Information usage’, the second issue, concerns the quantity and quality of available information with which to inform strategy formulation (Thomas and McDaniel, 1990b). Informed by these two issues, we identified three factors as fundamental to the process (element 3): ‘power imbalance’, ‘feedback channels’, and ‘transaction costs’.

Power imbalance

In general, an imbalance of power is a predictable issue in any NBC (Baur and Schmitz, 2012, Berger et al., 2004, Martínez, 2003), which puts stress on the relationship between the partners (Mutch, 2011, Parker and Selsky, 2004). The term power refers to the “*the potential to influence others’ action*” (Emerson, 1976, p. 354). Das and Teng (2001) note that power issues are more likely to emerge in situations where the self-interests of the organizations and the collective goals of the collaboration are not congruent. In principle, power imbalance may result from one party being perceived as stronger compared to the

other (Mutch, 2011). This situation might be caused by the need for resources or legitimacy (i.e., where one organization needs to be legitimized through association with another) (Baur and Schmitz, 2012). Moreover, an imbalance can occur if the collaboration is more important to one partner than the other (e.g., availability of alternatives to one organization to achieve its objectives rather than through collaboration) or one partner is structurally stronger (e.g., collaboration between a local authority and business) (Huxham and Vangen, 2005, p. 162). Such conditions explain why some NPOs might become the stronger player in NBC (Berger et al., 2004). For instance, when an international NPO (e.g., Oxfam) collaborates with a national business, the latter is likely to hold less power on decision making because the former is structurally stronger (i.e., Oxfam is a multinational organization) and has other collaboration alternatives (i.e., can easily replace this business partner with another) (cf. Geyskens et al., 1996).

In many cases, power imbalance has been described as ‘problematic’ because it can affect the stability of the relationship (Parker and Selsky, 2004, p. 467). Imbalance can also affect the potential outcome of the collaboration because the resources and capabilities of the perceived weaker partner might not be fully recognized and hence poorly utilized (Berger et al., 2004). By considering this issue early when planning for NBC strategy, NPOs can anticipate the likelihood of such imbalance and consider mitigation measures such as trust (Bryson et al., 2006). Borrowing from the relationship marketing literature (part of SMA), trust is essential to facilitate the adaptation process of any on-going relationship. It provides the basis for mutual commitment that reduces the uncertainties associated with opportunistic behaviour between partners (Sheth et al., 2000). However, building trust between an NPO and a business is not a simple step. It requires prolonged periods given the traditional ‘antagonistic’ attitude typically held by NPOs (Arenas et al., 2013). This implies the need for other means, in addition to trust, to address the imbalance issue. Emphasizing their advantages such as strong brand and nested social networks (Berger et al., 2004) should help NPOs to avoid being the weaker partner in prospective collaborations. Additionally, researchers contend that an imbalance might be augmented or attenuated by collaboration level (Austin, 2000b, Wymer and Samu, 2003a). For instance, the power of NPOs in a high-level collaboration (e.g., strategic partnership) might be stronger than in a lower level one, such as sponsoring (Baur and Schmitz, 2012), because the business is likely to appreciate the value of the nonprofit partner to a greater extent (Tracey et al., 2005).

We summarise discussion regarding this factor by arguing that power imbalance is a critical issue that emerges when formulating and implementing NBC strategy, where the NPOs can adopt at early stages several measures to mitigate its negative consequences.

Feedback channels

As mentioned previously, the overriding activity of the nonprofit sector is the provision of public services (Young, 2000). Value received from the business sector through collaboration (e.g., tangible and intangible resources) can support the delivery of these services (e.g., a literacy program carried out with partnership with a business). However, in contrast to the

product-dominant approach that separates service production and consumption, SMA highlights the importance of managing the service through an explicit coproduction perspective (i.e., between NPOs and service users)(Osborne et al., 2013). In general, coproduction concerns 'regular, long-term relationships between professionalized service providers (in any sector) and service users or other members of the community, where all parties make substantial resource contributions' (Bovaird, 2007, p. 847). In essence, the value of coproduction stems from placing the experience and knowledge of services users at the heart of service design and delivery (Osborne et al., 2013). Therefore, we contend that feedback channels are important in facilitating service coproduction by benefiting from the users' input.

Feedback channels relate to Ketchen et al. (1996), p. 233 'information usage' issue, which in general concerns how organizations gather and process information to support their strategic decision making (Thomas and McDaniel, 1990a). An investigation of the impact of information channels (or feedback loops) on the implementation of NBC found that such channels were fundamental for both partners to respond to the internal and external demands of stakeholders (Clarke and Fuller, 2011). Accordingly, the information obtained from feedback are likely to influence the final shape of the services that the NBC is intending to provide. On the other hand, the use of feedback channels can help NPOs to become innovative in their NBC strategy by unlocking the 'tacit' knowledge that service users possess to develop new service-related initiatives (Osborne et al., 2013, p. 146) that are likely to attract business interest.

Feedback channels are also vital to avoid potential conflict, as concerns can be identified (e.g., stakeholder opposition to a particular business partner) and hence addressed before NBC-related decision are finalised. For instance, when considering the objectives of a particular collaboration level (content, element 2), the potential consequences of the selected level (or type) can be envisioned using feedback with various stakeholders groups (e.g., staff, public, donors, etc.) (Babiak and Thibault, 2009). Additionally, feedback can help to generate 'what if' scenarios to identify potential problems, for instance should the business partner be tainted by inappropriate or unethical behaviour (Dunn, 2010). Furthermore, staff and volunteers at lower organizational levels might perceive unforeseen risks that contradict the positive view of decision-makers, because they have detailed knowledge about what works and what does not on the ground. Therefore, through adopting proper feedback channels, NBC strategy can be improved continuously while being developed. Finally, and from post-NBC perspective, feedback channels can provide decision-makers with real-time data to ensure that activities and actions are implemented smoothly and according to the NBC plan (Gates, 2010).

Transaction costs

We refer to transaction costs as the costs an NPO incurred when participating in NBC-related activities. Drawing upon Macher and Richman (2008), and in regard to NBC, three principal types of cost can be defined. The first concerns the time taken to find potential

business partners, as individuals typically lack accurate and full information necessary to understand the complexity of the external world. Therefore, NPOs need to allocate resources to address the collecting of information when searching for suitable potential partners. The second cost is caused by the need to articulate the agreed collaboration plan and develop a formula that satisfies all, which is not a straightforward task (Hart, 1995). Therefore, there is likely to be a cost associated with negotiation between them in order to reach a mutually accepted agreement. The final cost is required to implement and monitor the agreement, and to ensure that partners comply with what had been agreed as part of NBC (Dyer, 1997).

For any NBC, it is more likely that positive social change will take place when both partners become able to control or at least lessen these costs (cf. King, 2007). Furthermore, both business (e.g., the shareholders) and NPO (e.g., the general public) stakeholder are likely to appreciate any effort to lower the cost of establishing the collaboration, and thus support it (Coase, 1960). For NPOs, the administration cost, and in particular, the cost of fundraising, of which transaction costs can be a part, is always a sensitive issue (Sargeant and Kähler, 1999). NPOs are under constant donor pressure to keep their costs at the lowest possible level (Andreoni and Payne, 2011). Moreover, they are expected to ensure that all expenditures are rationally allocated and carefully monitored, to guarantee that the public receive optimal value (Cutt and Murray, 2002). Although reducing administration costs (including fundraising costs) represents good practice, it should not be sought as an end in itself when planning for NBC. Research shows that minimizing such costs is not always correlated with being viewed as effective by society (Frumkin and Kim, 2001). However, value for money is becoming more important when assessing the effectiveness of NPOs (Young and Steinberg, 1995). In general, NPOs need to allocate specific resources to permit research into understanding and identifying business interests, to support communication with potential partners, and to market their proposals as part of developing NBC strategy. This is consistent with SMA, where resources are required to balance the focus between internal (i.e., how to become efficient in operations) and external (i.e., how to respond effectively to service users' needs through NBC) views (Johnston, 2008, Olsen and Johnson, 2003). Therefore, we contend that NPOs should optimize their NBC transaction costs by, for example, managing them as a research investment to create new opportunities, rather than as administrative costs that should be blindly reduced. Through this mind-set, NPOs are expected to gain the trust of their stakeholders because the strategy that underlies NBC would be conceived as efficiently developed and based on a comprehensive informed decision.

In summary, this section describes a framework that aims to operationalize the development and the implementation of NBC strategy from the NPO perspective. The framework has a unique value in the sense that it identifies the critical factors that NPOs should consider when thinking proactively about NBC. It has been developed based upon the three elements concept and insights from the stakeholder theory, nonprofit and cross-

sector collaboration literature. Importantly, we show that our framework is relevant to the nonprofit context by demonstrating how the majority of the framework factors are consistent with SMA logics. The next section concerns a detailed evaluation of the NBC as an option for the nonprofit sector.

4 NBC: A RISK-FREE STRATEGY?

Research indicates that NBC can bring value to NPOs, which should foster their organizational sustainability (Peloza and Falkenberg, 2009, Simpson et al., 2011) and assist in fulfilling their mission. Yet, this approach should not be treated as ‘inherently safe’ because it carries its own risks to the nonprofit sector (Andreasen, 1996, Ashman, 2001, Babiak and Thibault, 2009, Yaziji and Doh, 2009). We discuss these risks and their causes in four themes: deterioration of image, collaboration failure, collaboration cost, and loss of other opportunities.

In regard to the first theme, its image represents an NPO’s most precious asset (Andreasen, 1996), as it reflects its values and mission (Kotler and Andreasen, 1996). It plays a key role in building competitive advantage, because it can communicate a certain organizational distinctiveness that will have a positive effect on people’s perception of the NPO (Lauer, 1995). This suggests that a proactive approach to NBC should be carefully assessed to avoid harm to its image. Porter and Kramer (2011, p. 64) assert that “in recent years business increasingly has been viewed as a major cause of social, environmental, and economic problems. Companies are widely perceived to be prospering at the expense of the broader community”. This comment reflects a traditional antagonistic attitude that views NPOs that engage in NBC as “sleeping with the enemy” (Rondinelli and London, 2003, p. 63). In other words, an NPO’s image can be tarnished quickly due to NBC, which might result in a loss of legitimacy and, in turn, the withdrawal of community support (Andreasen, 1996, Dunn, 2010). Importantly, two issues can cause an NPO’s image to deteriorate. The first relates to general unethical behaviour/activities of the business partner (e.g., causing significant damage to the environment or adopting an unethical trading policy when sourcing input materials), or simply if the nature of the business’s activity is widely perceived as unacceptable by society (e.g., gambling businesses). The second issue concerns the contradiction with the NPO’s mission, which refers to a situation when an NPO collaborates with a business from an industry that society accepts but stakeholders perceive as undermining the principle mission of their NPO (e.g., a sport-related NPO collaborates with a fast food company).

The second theme, collaboration failure, occurs when partners fail to reach the planned outcomes, which would be detrimental to all partners (Le Ber and Branzei, 2010). This situation can be caused by an unrealistic estimation of the returned value of the collaboration (Austin, 2000b). Furthermore, a mismatch between partners’ values, attributes, and objectives is often described as the main reason for collaboration failure (Bryson et al., 2006, Rondinelli and London, 2003). However, attaining a good organizational

fit is not an easy task (Austin, 2000a, p. 61) given the 'inherited distrust' (Rondinelli and London, 2003, p. 63) and heterogeneity between the two sectors (Seitanidi and Ryan, 2007). Berger et al. (2004) identify nine dimensions (mission, resources, management, work force, target market, cause, cultural, cycle, and evaluation) that underpin NBC fit. The more the partners are compatible across these dimensions, the more likely they are to achieve a successful collaboration. Failing in a particular collaboration would raise questions regarding NPO accountability and efficiency. This would also increase stakeholder pressure because stakeholders would become more sceptical toward any future NBC opportunities.

The third theme relates to the potential risk that the cost of establishing a collaboration might outweigh the desired outcomes (Ashman, 2001). As addressed under the 'transaction costs' factor, the cost of collaboration is a critical issue because an NPO might lose credibility if it were perceived as inefficient due to the wasting of its resources (e.g., donations and funds), which are typically scarce (Austin, 2000b). On the other hand, the difficulty of estimating this cost during the early stages might sour the situation. For example, if the final accrued cost significantly exceeds the initial estimated one, stakeholders might be very critical of their NPO. As previously discussed, stakeholders maintain high expectations of their NPO's ability to demonstrate accountability (Babiak and Thibault, 2009) and efficiency in how resources are used.

Finally, the fourth theme or the loss of other opportunities concerns a situation where an NPO loses support due to the engagement in NBC. For instance, Bennett et al. (2012) found that individuals are less likely to support an NPO if sponsorship from the business sector (a form of transactional collaboration) exists. Typically, such engagement can cause the individuals to underestimate the value of their contribution, when compared to the size of the business support. Likewise, cause-related marketing (another form of transactional collaboration) has been found to cause the same effect. Customers' purchases to sponsored products can be perceived as charitable contributions by these customers (because portion of these products prices would be donated by the business to the sponsored NPO), which would result in reducing their direct charitable donation (Krishna, 2011).

Research suggests, however, that NPOs are not paying adequate attention to the risks associated with NBC (Martínez, 2003). Nonetheless, some aspects might alter the severity of NBC risks. For example, the level of collaboration moderates the extent to which NPOs are accountable for business misconduct; "the deeper the alliance, the more exposed each partner is to what happens to the other" Austin (2000b, p. 78). As an example, for some NPOs the transactional collaboration type (as illustrated under the fourth risk) might be more critical as a source of risking the loss of contributions from other supporting groups (mainly individuals), in comparison to the two collaboration levels: philanthropic and integrative. NPOs mission is another aspect. As discussed under the stakeholder pressure factor, NPOs are under constant scrutiny of their stakeholders, especially when embarking on new NBC to avoid mission creep. However, the reaction of stakeholders often varies according to the nature of the NPO mission. For instance, environmental NPOs would

typically have more sensitive stakeholders regarding NBC than social NPOs. In other words, for ecology-related NPOs the risk of losing legitimacy due to NBC would be higher in comparison to purely social NPOs, because a conflict of interest would be expected to take place with the former more so than with the latter when engaging in NBC. In support of this argument, Milne et al. (1996), p. 212 found that the stakeholders of environmental NPOs would in general view the business as "the enemy or suspected that...[they] desired only a superficial "green-washing" for public relations purposes. The most commonly supplied reason for this antipathy reflected a perception of inherently conflicting goals... [as] business has its own agenda. It's there to build the economy and its own bottom line". Furthermore, in relation to the collaboration level, these ecology-centric NPOs, which aim (as part of their mission) to alter the decision-making and preference formation of businesses (Doh and Guay, 2006) are less likely to engage with businesses through sponsorship. Collaborating through this level would put them in a vulnerable position since they have less power and control over the agreement (Arenas et al., 2009).

In conclusion, the framework can encourage NPOs to be more vigilant in recognizing the risks and their causes associated with potential collaboration opportunities, that risks are neither underestimated nor overestimated.

4.1 Implications for research and practice

We suggest that using quantitative data would be necessary to test the statistical generalizability of the framework. More specifically, this might include the use of a questionnaire across a representative sample of NPOs. Importantly, such research can use the themes we identified to develop specific measurable constructs and testable hypotheses. In addition, a quantitative comparative study could be conducted to investigate the difference between NPOs that have developed successful collaborations with those that have been unsuccessful or inactive. This line of inquiry would enable better validation of the framework and in-depth understanding of collaboration strategy on a wider scope.

In regard to practical implications, it is evident that NPOs are confronting sustainability-related difficulties, which have compelled the sector to adopt new strategic and operational measures to respond to these difficulties (Chetkovich and Frumkin, 2003, Chew and Osborne, 2009). NPO managers can use the framework as a starting point when considering NBC as a 'strategic choice'. Strategic choice is referred here as the process whereby power-holders within organizations decide upon courses of strategic action (Child, 1972). In other words, the framework can be used as a checklist to help decision-makers predict systematically and pre-empt problems and risks normally associated with NBC. This would encourage NPOs to move beyond traditional thinking regarding cross-sector interaction and become more open and less sceptical when considering collaboration (Andreasen, 1996).

4.2 Conclusion

Our work has started to fill an identified gap in studies of NPO involvement in NBC. Although prior research shows its potential value for society, business, and NPOs (e.g., Harris, 2012, Selsky and Parker, 2005), surprisingly, as illustrated in this chapter, how to achieve value without compromising the norms, values and assumptions that underpin the nonprofit sector has been evidently overlooked (Herlin, 2013). We employed a strategic planning perspective, as “strategic planning typically works, and often works extremely well” for NPOs (Bryson, 2010, p. S255). In doing so, we aimed to identify and understand factors that affect the development of NBC strategy. The fundamental aim of this strategy is to allow NPOs to improve the scale of their collaboration with the business sector both quantitatively (by increasing the number of business partners in their portfolio) and qualitatively (through engaging with better partners through better agreements). We develop a conceptual framework that can offer a strategic direction for NPOs when embarking on NBC. The framework is based upon the three elements of strategy concept and also supported by the Service Management Approach. The value of the framework is that it captures various factors that are critical to NPOs when designing a strategy for NBC. Although the framework is based on the three elements (which is rooted in the manufacturing domain), we demonstrate how our framework complements SMA, which is arguably a more appropriate theory for managing public services providers (including NPOs). Importantly, this fit enhances the conceptual validity of the framework.

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