Business cooperation as part of NPO strategy

Connecting the dots between social marketer’s general strategy and the execution of cooperative initiatives
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1 Introduction

The cooperative opportunity between non-profit social marketers and businesses has been recognized for a while and encouraged by many (AL-Tabbaa et al., 2014; The Committee Encouraging Corporate Philanthropy ‘CECP’, 2017) In fact, creating partnerships is mentioned as one of the United Nations’ 17 sustainability goals, set in 2015. As expressed by the UN, strong partnerships across sectors are required to successfully drive environmental and social change on global, regional, national, and local level. These partnerships are envisioned to be built on shared principles, goals, values, and a vision for the future, that places the environment and humanitarian needs to the center (UNDP, 2016).

Despite the encouragement, NPO-business cooperation poses many challenges resulting from the fact that the organizations are, by nature, driven by different objectives. The social responsibility of private companies lies with their stakeholders, as famously put by Milton Friedman in The New York Times Magazine of 1970. Thus, a company’s existence is justified by its ability to create wealth to its owners. Non-profit organizations on the other hand, operate based on very different motives. NPOs’ viability is dependent on people agreeing about the importance of their selected cause, and its ability to turn the public support into action. While there have been many mutually successful NPO-business coalitions, many more have failed (AL-Tabbaa et al., 2014). Issues imperative to setting up functional cooperation, such as identifying common interest, establishing trust, and avoiding internal conflict, aren’t always easy to resolve (Murphy, 2015). Considering the undisputed risks related to partnering up with businesses, and NPOs’ usually limited operational resources – is it really worthwhile for NPOs to invest in these cooperative initiatives? If so, why? And what can be learned from successful coalitions?

The intention of this thesis is to examine, from the non-profit organizations’ perspective, the prospect of NPO-business cooperation and its significance in driving a social cause. Deriving from existing literature regarding NPO strategy, cooperation and branding, I look to answer two key questions: (1) How relevant is business cooperation to NPO strategy? (2) What factors influence coalition success?

1.1 Structure of the thesis

The thesis consists of three parts. The first part introduces the non-profit sector in general while the second part of the thesis discusses the relevance of business cooperation to NPO strategy. Finally, the last part attempts to understand factors influencing the success of these cooperative initiatives.

The thesis starts by discussing the non-profit sector in general. Here attention is drawn to issues including competition, and NPOs’ influence and role in society. The first discussion serves as an introduction to the NPOs’ current operational landscape, that is important to understand in order to map out new opportunities, such as business cooperation.

The second part of the thesis focuses on examining the NPO’s interest to engage business cooperation by looking into the characteristics of marketing a social cause, network strategies and NPO branding. The intention of this part of the thesis is to describe,
the relevance and implications of network models to NPOs’ general strategy. Because the recent research leans towards applying complexity science principles to the marketing of social issues, attention is put to understanding the meaning of this approach. The discussions of the second part help to understand how business cooperation may relate to NPOs’ general strategy.

The third part of the thesis, discusses factors influencing business-NPO cooperation success. I will assess findings regarding cooperation drivers of NPOs and businesses, and compare the two sides’ motivations to join forces. I will also examine, what kind of relationships are currently formed between NPOs and businesses, and how relationship quality impacts initiative’s success. In short, my goal is to collect knowledge around the “how” of NPO-business cooperation. How could partnering up serve both parties? How are successful coalitions built? How could NPOs’ strengthen their position when cooperating with businesses?

1.2 Reviewed literature

The literature applied to the thesis has been selected to reflect the most recent perspectives to the issues at hand: (1) How relevant is business cooperation to NPO strategy? and (2) What factors influence coalition success?

When examining the first question (1), I focus my attention to complexity science based network strategies (Bar-Yam, 2004; Lacayo, 2008), and the significance of brand to strategic cooperation (Mizera, 2013). Literature examining these topics strictly in the NPO context is scares, but additional discussions can be found around closely related themes: On the domain of network strategies for example I have included research regarding emergence of social innovation (Goldstein, 2010). Considering the relevance of brand to applying a network strategy, I’ve included perspectives from social marketing (Amos, 2016; Brennan & Binney, 2010) and complex adaptive systems (Plexus Institute, 1998). Other applied literature includes discussions around problem complexity (Conklin, 2006; Kahane, 2004).

To address my second interest (2), I’ve drawn from literature regarding NPO-business cooperation motives (Pedersen et al. 2013; Mizera, 2013) and success (AL-Tabbaa et al., 2014; Murphy, 2014), examining both, business and NPO perspective. While literature around the motives and expectations of both parties appears quite comprehensive, discussions of how NPOs can maximize benefits from cooperation are few (AL-Tabbaa et al., 2014). Interestingly, those discussions that do address NPO-business cooperation strategies from the NPO perspective, seem to take the stance that NPO brand should be considered as a reference point for managing business cooperation (Mizera, 2013; AL-Tabbaa et al., 2014). Finally, I include literature around the implications of trust in cooperation and relationship marketing (Barroso-Mendez et al. 2014).

In the discussions part of thesis, I conclude that a link can be found between complexity-based NPO strategies and business cooperation. I also take the view that NPO branding relates to applying (A) network approach to NPOs’ general strategy and (B) strategic business cooperation, as previously argued by Mizera (2013). Gaps in current literature are identified around, how NPOs can maximize benefits from business cooperation, and how a fit between NPO-business cooperation and complexity based social marketing strategy may be established.
2 Non-profit organizations

Non-profits, or not-for-profit organizations (NPO) are characterized by their purpose being to drive a specific cause rather than create profits. Non-profit organizations are also sometimes referred as non-governmental organizations (NGO), while the term NPO actually refers to both governmental and non-governmental non-profit organizations. For the purpose of this thesis either description could be applied. Although my examination doesn’t make reference to areas such as culture and arts, that are often occupied by governmental non-profits, I found it unnecessary to exclude governmental NPOs completely. In the context of this thesis, the term NPO is connected to non-profit organizations that work to solve complex social or environmental issues.

The number and power of NPOs has been growing in the society (Pedersen et al., 2013). Yet, non-profit organizations still face many challenges in driving their causes (Brennan et al., 2010). Increased competition and reducing donations have led to financially pressing situation, where NPOs are pushed to innovate and evolve their strategies to remain viable (AL-Tabbaa et al., 2014). Under pressure, more NPOs have started to take action in developing their capabilities in branding and strategy (Seitianidi, 2010), thus becoming more business-like and focused on efficiency (AL-Tabbaa et al., 2014).

On the other hand, due to the number of competing social marketing messages and the scale of problems that NPOs are trying to bring to the public’s attention, they also face problems related to communication effectiveness (Brennan et al., 2010). According to research, social marketing messages that, in quantity or content, overwhelm the recipient and make them feel helpless will have a negative effect to the individual’s likelihood of taking action (Brennan et al., 2010). Consumer reactions to distressing social advertising are found to follow a behavioral model of ‘Threat>Appraisal>Coping’ (Lazarus, 1991; Figure A), where the individual’s coping behavior is emotion-focused and leads to reactions of anger, retreat or despondency – all counter effective when trying to motivate action (Brennan et al., 2010). Being faced by many competing social messages may also cause an emotional burn-out and result to rejection of any social messages (Brennan et al., 2010). These reactions, are additionally influenced by the individual’s social circumstances. Shame, only produced in social context, is thought to be especially harmful and usually result to a flight-reaction (Brennan et al., 2010).
Figure A: ‘Transactional model of Stress and Coping’
Source: Lazarus (1991)

NPOs, particularly in the field of environmental activism, have also dealt with public backlashes and even organized efforts to discredit their cause (Amos, 2016). Because environmentalist place a moral value to anti-consumption, they have unintentionally apt up a divide, fueled by shame and defensive actions (Amos, 2016). Environmentalism is seen by those actively against it, as opposite of Western ideals, that derive from individualism and are consumption-centric, as well as anti-Cristian, because it seemingly places environmental values above social well-being (Amos, 2016). As a result, NPOs wrestle to bridge communication with those they wish to influence but have unwillingly alienated.

Most importantly however, NPOs have started to recognize a need for paradigm shift in viewing their success of driving social change (Lacayo, 2013). Issues as complex and global as climate change, hunger and conservation won’t fit to any linear model – no matter the level of detail included (Bar-Yam, 2004). Network-influence and long-term orientation - appearing on discussions of the issues themselves (Bar-Yam, 2004; Lefebvre, 2013; Kahane, 2004) - however, haven’t yet translated to NPOs abandoning linear thinking in constructing their general strategies (Lacayo, 2013).
3 Characteristics of complex problems

As described, many NPOs’ wrestle with complex causes. Tackling these issues requires a different mindset than, what can be applied to more simple, linear problem solving (Bar-Yam, 2004). A wide range of literature exists around describing complex problems, attempting to characterize the special requirements posed by these issues. While no one, true description exists, it is useful from a social marketer’s perspective to gather understanding around the general nature of complex problems. The following part of the thesis, examines characteristics of complex problems to establish a basis for later discussions regarding NPO strategy.

Complex problems, also known as wicked problems (Rittel & Webber, 1973), “defy complete definition, and do not have a final solution, since any resolution generates further issues, and solutions are not true or false or good or bad, but the best that can be done at the time”, as put by Harris, Brown and Russell in “Tackling Wicked Problems Through the Transdisciplinary Imagination (2010)”. In general, the complexity of a problem may be considered in terms of “agreement on the solution” or “certainty of outcome” (Lacayo, 2013).

One way to understand problem complexity is to make a comparison against an easily definable, simple problem. It is also important to distinguish between complexity and complicatedness – that refers to the number of steps to a solution, rather than the knowability of the steps (Bar-Yam, 2004). Problems that can be addressed by a process, where the effect of each step is more or less knowable, can be represented by a linear model – the number of steps (problem complicatedness) isn’t relevant (Bar-Yam, 2004). Contrary, problems that, by nature are interconnected, adaptable, and heavily influenced by context, can’t be accurately modelled this way (Bar-Yam, 2004). Any one action attempting to address a complex problem can result to many possible outcomes, but when multiple factors are set to work together the number of optional outcomes can be limited (Bar-Yam, 2004). In other words, complex problems, also known as wicked problems (Rittel & Webber, 1973), resist linear solutions but are susceptible to network strategies.

Rittel and Webber described 10 characteristics of wicked problems in the context of planning and policy (1973):

1. There is no definitive formulation of a wicked problem.
2. Wicked problems have no stopping rule.
3. Solutions to wicked problems are not true-or-false, but better or worse.
4. There is no immediate and no ultimate test of a solution to a wicked problem.
5. Every solution to a wicked problem is a "one-shot operation"; because there is no opportunity to learn by trial and error, every attempt counts significantly.
6. Wicked problems do not have an enumerable (or an exhaustively describable) set of potential solutions, nor is there a well-described set of permissible operations that may be incorporated into the plan.
7. Every wicked problem is essentially unique.
8. Every wicked problem can be considered to be a symptom of another problem.
9. The existence of a discrepancy representing a wicked problem can be explained in numerous ways. The choice of explanation determines the nature of the problem’s resolution.
10. The social planner has no right to be wrong (i.e., planners are liable for the consequences of the actions they generate).

Conklin later generalized the characteristics of wicked problems to areas other than planning and policy (2006):

1. The problem is not understood until after the formulation of a solution.
2. Wicked problems have no stopping rule.
3. Solutions to wicked problems are not right or wrong.
4. Every wicked problem is essentially novel and unique.
5. Every solution to a wicked problem is a 'one shot operation.'
6. Wicked problems have no given alternative solutions.

In addition, four levels of complexity are introduced by Kahane (2004) to describe the level of complexity of a social problem:

1. Dynamically complex: Cause and effect are separate in time and space making it difficult to perceive connection.
2. Generatively complex: Situations unfold in unfamiliar and unpredictable ways.
3. Socially complex: People involved have different opinions, values and perspectives.
4. A combination of the three types of complexity.

Complicated linear-models applied to social change efforts won’t work, because their basic assumption incorrectly reflect the nature of the problem. Instead of being complicated, social issues are complex (Bar-Yam, 2004) and their solutions should be built to address their character. As put by Bar-Yam (2004): “The complexity of the problem should never exceed the complexity of the solution”. According to the complexity science perspective, wicked problems call for participatory processes, and a network of actions (Lacayo, 2013).

3.1. Network model to marketing a social cause

As discussed with regards to the characteristics of marketing a social cause, to solve complex problems a network strategy - where each action addresses a component of the macro-level issue - is required (Bar-Yam, 2004). The following discussion puts attention to such strategies in an attempt to inspect the relevance of business cooperation to driving NPO cause. Complexity science, a branch of organizational science, that has flourished over the past years, offers a popular perspective to viewing NPO strategy and social marketing in general (Lacayo, 2008). It attempts to understand rules governing all, and any, complex adaptive systems (CAS), and refers to *complexity as a large variety of interconnected elements, *adaptive as capability to learn or change, and *system as a collection of individual things (Plexus Institute, 1998, p.6).

According to the view, although all CAS are seen unique, they also share some common attributes: complex systems produce innovative solutions on the verge of chaos, often by recombination of elements (Goldstein, 2010). Applying complexity science to strategy means to take an active, fearless stance that enables and encourages collaboration and building of unexpected relationships (Goldstein, 2010). Because success often follows disruption in the case of complex problems (Goldstein, 2010), pushing boundaries and
challenging status quo is essential to attempts directed to drive a social cause. NPOs can tap into the effects originating from recombining of information (Goldstein, 2010) by removing barriers for interaction, creating new avenues for information flow and a forum for debate (Lacayo, 2013; Bar-Yam, 2004).

Complexity science argues, that the joint effect contributed to interconnected actions is greater than the actions’ independent effects summed together (Bar-Yam, 2004). The relevance of this approach to marketing a social cause can be understood by considering the variety of influences people are exposed to over their day (Lefebvre, 2013). Aside from the marketplace, where people make rational choices about what they want to buy, there exists a variety of other less formal marketplaces, that influence our ideas and behaviors (Lefebvre, 2013). Ideas may be transmitted through media, workplace, family or friends, and they all shape us as individuals, and collectively the society we live in. Recognizing that these marketplaces of ideas and behaviors, are in turn actively shaped by thought leaders and policy makers in public, private, and civil sector means to understand that all these players must become part of sustainable long-term solutions (Lefebvre, 2013).

Instead of restricting operations to fit a tightly defined space, complexity science-perspective allows a degree of freedom to execution and argues for effects arising from the system as a whole (Goldstein, 2010; Lacayo, 2013). Applying complexity science – principles to NPO strategy means setting a clear general direction, mission and vision for the organization, but leaving room for innovative interpretations (Goldstein, 2010). Complexity science emphasizes the importance of organizational culture, people and relationships, and the quality of the created relationships within the organization and with external operators (Lacayo, 2008). In a case study of Puntos de Encuentro, a Nicaraguan feminist organization, Lacayo (2008) reported that having a high degree of shared vision, and mission, enabled Puntos to encourage emergent leadership, self-organizing, innovation, and information flow - even beyond organizational boundaries (Lacayo, 2008) and thereby leverage network effects in driving their cause.

Despite cases such as Puntos de Encuentro, complexity principles are still more often applied to private companies (Lacayo, 2013) that have longer recognized the positive effects to innovativeness, adaptiveness and profit (Goldstein, 2010). One possible challenge in applying complexity science principles to NPO strategy, may be related to the non-linear models’ ability to demonstrate clear returns on investment (Lacayo, 2013). New, relevant ways of measuring success may include measures like rate of innovation, and the organization’s ability to take advantage of opportunities and build alliances (Lacayo, 2013).

### 3.2. Brand perspective to network strategy

Over the past years, NPOs have grown in number, power and influence (Pedersen et al. 2013). This strengthening of NPOs’ influence, can be traced back to the sector’s shift of interest towards active development of strong brand identities and more sophisticated strategies. Putting attention to branding has allowed social marketers to venture new waters, and is one of the main drivers behind the business community’s growing interest in partnering up with NPOs (Seitianidi, 2010). The reason for this seems simple, having a strong brand is in the interest of both, non-profit organizations and businesses. By using their brand as a vehicle to communicate trust, vision, and values, NPOs’ and businesses
try to win over the consumers, their ultimate audience (Mizera, 2013). Recent literature recognizes brand as a bridge between NPOs and businesses in cooperation (Mizera, 2013) but attention hasn’t been put to establishing a link between NPO brand and complexity based network strategy, although characteristics of complexity science applied to social marketer’s strategy seem to indicate one (Lacayo, 2013; Bar-Yam, 2004).

Complexity science perspective suggests, that the organization’s strategy should be formed in such way, that establishes minimum specifications and a general sense of direction (Goldstein, 2010; Bar-Yam, 2004). The chosen general direction should then be made visible to everyone – internally and externally (Mizera, 2013; Lacayo 2013). This implies, that paying attention to communicating the organization’s mission and vision is central to success. Lacayo (2008) argues that when applying a complexity science-based model to strategy - where people are allowed relative freedom - it is essential to make sure that people across the system understand and relate to the set vision. Paying attention to branding appears to serve the social marketer’s ambition, as the intention of a brand is to depict the organization’s vision in a compelling way (Mizera, 2013). Thus, NPO brand could be used as an accessible reference point for the planning of operations on all levels of the organization (Mizera, 2013).

In general, successful brands have demonstrated resilience towards changes in their operational environment by creating emotionally compelling promises that don’t lose their relevance with time (Hicks, 2013). According to Hicks (2013), a study of what sets these brands apart implied applying ‘BHAG’s (Collins et al., 1994). A BHAG (big hairy audacious goal) encourages to formulate strategic goals that are emotionally compelling. These big hairy audacious goals help align operations and direct employees to work together. While organizations often drive performance by setting short-term tactical goals, such as KPIs, Collins and Porras originally introduce a ‘BHAG’ as 10-30-year visionary goal. These long-term goals help organizations to focus their message, and communicate a ‘north star’ to follow and to use as a reference point to all internal decisions (Hicks, 2013). Setting a long-term visionary goal requires that the core values and purpose of the organization are put to center stage, and that these are seen as such, that the whole organization can commit to them in setting direction to future development (Hicks, 2013). From this point of view, it appears that setting a long-term visionary direction that can be described as ‘BHAG’ (Collins et al., 1994) could be in line with applying complexity science principles to strategy (Lacayo, 2013; Bar-Yam, 2004).


4 NPO-business cooperation

While there seems to be a growing enthusiasm towards NPO-business partnerships and a general recognition of these coalitions holding potential in solving complex problems (UNDP, 2016), cooperation also entails risks. Because of this, the subsequent conversation focuses on describing the current state of NPO-business cooperation, and revealing tension factors and synergies between the parties by examining motivations, and expected benefits. In a later part of the thesis attention is put to examining factors influencing coalition success. Regrettably, literature regarding strategic NPO-business cooperation, disproportionally favors the business perspective (Harris 2012; AL-Tabbaa et al., 2014) while only few comprehensive articles taking the NPO-perspective can be found (AL-Tabbaa et al., 2014). More research to understanding how NPOs can maximize their benefits from business-cooperation (AL-Tabbaa et al. 2014) and how these cooperation strategies may be linked to the NPOs’ general network strategy is encouraged. Gathering more understanding around these questions appears to be timely also in the light of the 2017 C&E Corporate-NGO partnerships barometer, that suggests that the perceived importance of non-profit NGO-business cooperation is on the rise (Figures B and C).

![Likely importance of corporate-NGO partnerships over the next 3 years (showing corporates & NGOs seperately)](image)

What is your expectation of the role that partnerships will play in the corporate or NGO agenda over the next 3 years? Would you say they are likely to become more important?

*Figure B: ‘Expected importance of NPO-business cooperation’*
*Source: C&E Corporate-NGO partnerships barometer (2017)*
Despite the emerging changes, research implies that NPOs’ interests to investigate business cooperation still frequently result from financial pressure (Pedersen et al., 2013; Weerawardena et al., 2010). This motive has been actually more prominent over the recent years because NPOs are operating in an environment, where their economic viability is challenged, and generating growth has become a matter of survival (Weerawardena et al., 2010). Non-profits have been stretching their finances following ruthless competition generated by a growing number of new operators, and shrinkage of government funding and philanthropic income (Pedersen et al., 2013). Thus, new innovative ways to fill the financial void are called up on. Taking an active approach to NPO-business collaboration has emerged as one solution to the mounting pressure. These collaborative initiatives have been shown to work in the NPO’s favor by generating new income, creating avenues for transferring capabilities, and boosting publicity (Pedersen et al., 2013). The movement towards building alliances and adopting more business savvy practices however, may not come without resistance. NPOs have been found to develop cultural barriers to change considering business collaboration (AL-Tabbaa et al. 2014). There seems to be a fear amongst NPOs that by adopting too many business-type practices or engaging cooperation with the private sector, the organizations could compromise their value-driven model (AL-Tabbaa et al. 2014; Mannell, 2010). Such beliefs have also resulted to the impression that NPOs and businesses are fundamentally incompatible, and can’t work together in a mutually beneficial way (AL-Tabbaa et al. 2014).

Discussions regarding network strategies and social marketing argue against the fears and claim, that building cross-sector cooperation has a central role in driving a social change

‘We are increasingly engaged in deeper, problem-solving partnerships designed to address core, mission-relevant or purpose-led issues in ways that create value for society, for ourselves and for our (corporate or NGO) partners.’ In light of the preceding statement, which of the following choices most accurately reflects your organization’s current position?

Figure C: ‘Trend of mission-relevant NPO-business cooperation’
Source: C&E Corporate-NGO partnerships barometer (2017)
Yet, for NPOs to effectively use cooperation as a strategic tool, more attention must be put on the social marketer’s strengths, that typically lie in strong legitimacy and societal trust (AL-Tabbaa et al. 2014). NPOs must be deeply rooted within society to be influential, and often carry wide knowledge about forces at play within the community. NPOs may also understand better than private organizations, how public opinion can be influenced (AL-Tabbaa et al. 2014). These capabilities combined with specialist knowledge, make NPOs formidable players in society and desirable partners to private organizations. In addition, the growing popularity of the green movement and businesses engaging in corporate social responsibility (CSR) practices, as well as the emergence of sustainable enterprises, gives NPOs added forces (Nguyen et al., 2010).

In the absence of strategic approach to partnering, cross-sector partnerships may be entered without clear goal or from uneven basis, where NPOs “come to ask for support” (Weerawardena et al., 2010) - thus unintentionally undervaluing their own added value that in particular may lay in public trust, brand and specialist knowledge (AL-Tabbaa et al. 2014). It is imperative that, both parties internalize their own strengths, weaknesses and vision for the future and reflect on this when considering cooperation (Mizera, 2013). On the other hand, understanding the business-perspective can give NPOs’ crucial incite to help identify potential opportunities for building alliances, and internal capabilities that cater to the private sector without compromising the non-profit mission. Having a strong sense of self and its relation to the partner organization, can help NPOs enter a coalition from equal basis and ensure that their business partner doesn’t override them in the process (AL-Tabbaa et al. 2014).

4.1 Cooperation motives

The current research regarding business motivations to engage cooperation with social marketers is fairly comprehensive and often includes CSR perspective. Environmentalism applied to business is nothing new, some companies have long engaged sustainable practices but as the green movement gains popularity amongst the wider population more companies have jumped on the band wagon (Nguyen et al., 2010). A growing part of the population bases their buying decisions on environmental factors and actively condemns those who show disregard to this aspect (Nguyen et al., 2010). Yet, it is clear that not all companies are the same when it comes to applying environmental and social values to business practice (Barroso-Mendez et al. 2014). In this part of the thesis, I will examine both business and NPO motivations to engage cooperation.

4.1.1 Cooperation motives – Business perspective: CSR and Sustainable enterprise

The most prominent business perspective to NPO-business cooperation lies in CSR, corporate social responsibility (Barroso-Mendez et al. 2014; Pedersen et al., 2013; Nguyen et al., 2010). CSR is considered common practice in many large organization (Barroso-Mendez et al. 2014). However, difficulty to link financial performance to all social responsibility efforts has resulted in a situation, where some companies still fear to make strong commitment to CSR (Nguyen et al., 2010). Rigorous financial circumstances afflicting many industries have further slowed down the sticky process of committing to CSR on a strategical level (Nguyen et al., 2010). Nevertheless, most companies have
recognized the need to demonstrate some form of social and environmental responsibility (Nguyen et al., 2010).

Barroso-Mendez et al. (2014) describe three CSR incorporation stages involving cross-sector cooperation, originally discussed by Austin (2007):

1. philanthropic stage
2. transactional stage
3. integrative stage

Companies that are in the philanthropic stage place addressing social issues outside their strategic domain (Barroso-Mendez et al. 2014). Lower-level commitment to CSR may include committing to a specific issue, such as decreasing waste, or donating to a cause (Nguyen et al., 2010). These companies have limited scope of interest in CSR, but still actively attempt to perform well within clearly-defined areas (Barroso-Mendez et al. 2014). Philanthropic stage- companies often endorse “reduce, reuse, and recycle” -thinking, and may actually experience their commitment quite positively following the savings from reducing inputs (Nguyen et al., 2010). Because CSR is not seen central to company strategy however, considered effects to social and environmental issues are also limited. Interactions with NPOs are best characterized as short-term one-way relationships, where the company provides something for the NPO (Pedersen et al., 2013; Nguyen et al., 2010), and by doing so gains positive impression among its stakeholders for doing something good.

Transactional stage involves developing shared projects with social performance objectives, such as marketing campaigns or events (Barroso-Mendez et al. 2014). In this stage, truly cooperative initiatives first become relevant. Companies that subscribe to the transactional stage have developed two-way relationships with NPOs and engage in dialog to plan activities (Pedersen et al., 2013). According to Pedersen (2013) transactional stage cooperation compared to integrative, is much more common, and a significant difference between the two is that in transactional cooperation the company holds the lead.

Finally, integrative stage refers to incorporating social and environmental objectives to the company strategy (Barroso-Mendez et al. 2014). The concept of sustainable enterprise describes businesses that have entered this stage. A sustainable enterprise values, and measures, its impact to its operational environment, while being financially profitable (Nguyen et al., 2010). Cooperation between NPOs and businesses at this stage is strategic and more inclusive compared to transactional partnerships, and the relationship between the two parties is of equal power (Pedersen et al., 2013).
Sustainable enterprises deliver a business perspective to NPO-business cooperation that goes beyond CSR. Companies subscribing to this category base environmental and social values to their strategy, making them attractive partners to many NPOs. This however, doesn’t mean that the company’s responsibility towards its shareholders is diminished (Nguyen et al., 2010). Sustainable enterprises, such as inclusive businesses, incorporate local people to their business process and tend to their needs with their product or service, so becoming interconnected with their local community on many levels (Nguyen et al., 2010). Companies that identify as sustainable enterprises have internalized social and environmental values on a level where their end-product/service quality is dependent on the company’s social and environmental impact. Because of this, these companies measure their success with a triple bottom line (TBL/3BL) (Elkington, 1995).

Sustainable enterprises measure success with a triple bottom line (TBL/3BL) (Savitz and et al., 2006; Elkington, 1995):
1. the environmental bottom line
2. the societal bottom line
3. the financial bottom line

The environmental bottom line refers to measures addressing contributed changes to the environment. Societal bottom line connects to changes to social well-being in the operational environment (Slaper et al., 2011), while the financial bottom line includes traditional measures of revenue and growth. Companies subscribing to the notion believe that the three bottom-lines are interconnected, and that success follows from addressing each on an equal basis (Nguyen et al., 2010; Savitz and et al., 2006) as shown on the bellow figure D by Nguyen (2010). Applying social values to business strategy may become more common as attitudes towards applying sustainable practices evolve and stakeholder expectations for CSR continue to grow (AL-Tabbaa et al., 2014; Pedersen et al., 2013).

### Table A: ‘Continuum of collaboration’

*Source: Austin (2007, p.58)*

<table>
<thead>
<tr>
<th>Nature of Relationship</th>
<th>Stage I Philantropic</th>
<th>Stage II Transactional</th>
<th>Stage III Integrative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level of Participation</td>
<td>Low</td>
<td>High</td>
<td></td>
</tr>
<tr>
<td>Importance of the Mission</td>
<td>Peripheral</td>
<td>Central</td>
<td></td>
</tr>
<tr>
<td>Magnitude of Resources</td>
<td>Small</td>
<td>Large</td>
<td></td>
</tr>
<tr>
<td>Resource Type</td>
<td>Money</td>
<td>Major Competences</td>
<td></td>
</tr>
<tr>
<td>Focus of Activities</td>
<td>Narrow</td>
<td>Broad</td>
<td></td>
</tr>
<tr>
<td>Level of Interaction</td>
<td>Infrequent</td>
<td>Intensive</td>
<td></td>
</tr>
<tr>
<td>Trust</td>
<td>Modest</td>
<td>Deep</td>
<td></td>
</tr>
<tr>
<td>Management Complexity</td>
<td>Simple</td>
<td>Complex</td>
<td></td>
</tr>
<tr>
<td>Strategic Value</td>
<td>Minor</td>
<td>Major</td>
<td></td>
</tr>
</tbody>
</table>
4.1.2 Cooperation motives – NPO perspective: From collecting funds to strategic partnering

Although, many NPOs approach business-cooperation out of financial need, this shouldn’t be viewed as the sole motive to collaborate. As demonstrated in the figure E bellow by C&E Corporate-NGO partnerships barometer (2017), NPOs’ have both non-strategic and strategic motives to collaborate with businesses. Yet, the 2017 findings indicate, that companies are further in the process of internalizing NPO-business cooperation as part of their strategy. The figures E and F bellow show, that 41% of corporate respondents consider over 75% of their NPO partnerships to be strategic, while correspondent number for NPOs is 10%. It seems that NPOs see their partnerships with businesses much more often non-strategic (C&E Corporate-NGO partnerships barometer, 2017).
In approximate terms, what percentage of your corporate - NGO partnerships would you describe as strategic as opposed to non-strategic (transactional, tactical) (NGO-respondents)

Figure E: ‘Percentage of strategic NPO-business partnerships – NPO perspective’
Source: C&E Corporate-NGO partnerships barometer (2017)

![Diagram showing percentage of strategic partnerships]

Figure F: ‘Percentage of strategic NPO-business partnerships – business perspective’
Source: C&E Corporate-NGO partnerships barometer (2017)

From the perspective of complexity science, the findings are regrettable. Complexity perspective underlines the importance of cooperation, as part of applying network strategy (Lacayo, 2008). According to the view, social marketers’ strategies should reflect the complexity of their cause (Bar-Yam, 2004). For this reason, building alliances and creating avenues for discussion between sectors and different influencers is seen fundamentally important (Goldstein, 2010).

4.2 Expected benefits from cooperation

Beyond motivations like CSR, funding and implementing strategy, both NPOs and businesses hold specific expectations for cooperation when entering joint ventures. Research implies, that these expectations commonly differ between the parties (Murphy (2015); Pedersen et al., 2013). NPOs mostly see forming a coalition as an opportunity to tap into their partner’s resources, and grow the partners’ understanding of the NPO’s cause - thereby impacting their future actions (Pedersen et al., 2013). Contrary to the NPO view, businesses mainly engage cooperation to raise public awareness of a problem as well as to positively impact their reputation and legitimacy (Pedersen et al., 2013).
Although having different expected benefits from collaboration, isn’t a problem in itself parties must be transparent in their motives so that both collaborator’s expectations can be understood, and met (Pedersen et al., 2013). Because of this, the following part of the thesis focuses on discussing findings around the expected benefits NPOs and businesses hold for their collaboration.

Considering CSR, the Committee Encouraging Corporate Philanthropy claims that businesses can benefit from all levels of Corporate Social Responsibility (CECP, 2017). Expected benefits may include things such as good will, market exposure, and employee engagement (Nguyen et al., 2010; CEPT, 2017), but not all efforts to obtain positive CSR affects work equally well (Chang et al., 2015). According to research by Chang and Cheng (2015), tactics such as large philanthropic donations associated with product sales may trigger skepticism in consumers. Even worse, consumers’ general trust in companies has significantly reduced on a global level as demonstrated in the following figure G (Edelman, 2009). Unfortunately for companies struggling with trust issues, cause-related marketing only carries fruit when the consumer trusts the marketer (Nguyen et al., 2010). Some companies have recognized that cooperating with NPOs on a deeper level may offer a solution to this problem (AL-Tabbaa et al. 2014) and moved from philanthropic to transactional collaboration (Austin, 2007).

![Chart: Consumer trust in businesses](image)

**Figure G: ‘Consumer trust in businesses’**

Source: Edelman (2009)
Addressing public trust is a vital issue for businesses as demonstrated by Edelman (2009) in figure H; when consumers trust a company their interest to buy product, pay premium, engage in positive WoM (word-of-mouth), and obtain company shares significantly rises. A company distrusted by the public struggles to maintain profitability (Mizera, 2013; Edelman, 2009). However, NPOs especially in Europe and USA tend to have more public trust on their side, as shown on figure I (Edelman, 2011). Contrary to the global trust in businesses, trust in NPOs - also in those markets where relatively low - has been on the rise (Mizera, 2013). Not surprisingly, addressing brand related issues, that are about building trust and reputation among company stakeholders, have been found to be among the most sought-after benefits related to NPO cooperation (Mizera, 2013).

Figure H: ‘Consumer behavior related to trust in business’
Source: Edelman (2009)
Concerns about company appearance were visible also in a recent research by Murphy (2015) that aimed to describe expectations for cross-sector collaborations, and model the effects of common values and prior experience to coalition success. The survey respondents were asked to identify the type or organization they worked in (NPO, public, private), evaluate the organization’s level of experience from cross-sector cooperation, and the degree by which their expected benefits had realized. Respondents also had to scale the importance of the alliance to their strategy, mission, and the level of joined values with their partner. The results showed (Table B) that most NPOs and Businesses shared ‘addressing a social need’ as the primary expectation for collaboration (Murphy, 2015). In terms of the second most important benefit though, the organizations held different expectations as previously suggested by Pedersen (2013) and Mizera (2013). According to Murphy (2015), ‘access to financial resources’ was named the second most important expected benefit for NPOS, while ‘name recognition/ reputation’ was that for businesses. Similar findings appear also on the C&E Corporate-NGO partnerships barometer of 2017 (Figure J), where NPOs’ and businesses’ reasons to engage cooperation were compared.

<table>
<thead>
<tr>
<th>Rank</th>
<th>NPOs</th>
<th>Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Address a societal need</td>
<td>Address a societal need</td>
</tr>
<tr>
<td>2</td>
<td>Financial resources</td>
<td>Name recognition/reputation</td>
</tr>
<tr>
<td>3</td>
<td>Communication w/influential parties</td>
<td>Communication w/influential parties</td>
</tr>
<tr>
<td>4</td>
<td>Access to expertise/technology</td>
<td>Staff motivation</td>
</tr>
<tr>
<td>5</td>
<td>Access to other organizations</td>
<td>Access to other organizations</td>
</tr>
<tr>
<td>6</td>
<td>Capacity to influence other sectors</td>
<td>Competitive Advantage</td>
</tr>
<tr>
<td>7</td>
<td>Competitive advantage</td>
<td>Capacity to influence other sectors</td>
</tr>
<tr>
<td>8</td>
<td>Name recognition/reputation</td>
<td>Access to expertise/technology</td>
</tr>
<tr>
<td>Lowest</td>
<td>Staff retention</td>
<td>Staff recruitment</td>
</tr>
</tbody>
</table>

Table B: ‘Expected benefits from NPO-business cooperation’  
Source: Murphy (2015)
In the research by Murphy (2015), related ‘expected benefits’ were grouped together and given a factor name. Several optional expected benefits were presented under each factor for respondents to evaluate (findings shown on tables C&D). Considering a factor named ‘addressing an environmental or social need’, for instance, businesses expected to gain benefits related to ‘alleviating a problem’, as well as ‘gaining investor approval’. Examining NPOs’ expected benefits under the same factor, NPOs only found benefits in ‘alleviating a problem’ (Murphy, 2015). Thus, it seems that for companies to achieve expected benefits from cooperation, effective communication about the social and environmental actions must be in place. However, it also appears that seeking for benefits related to brand, reputation and recognition doesn’t need be in contrast with being motivated to address a societal need.

**Why companies and NGOs engage in partnerships with each other (broken down by sector)?**

**Why does your organization engage in corporate-NGO partnerships?**

*Figure J: ‘Reasons to engage in partnerships’*

*Source: C&E Corporate-NGO partnerships barometer (2017)*
<table>
<thead>
<tr>
<th>Business Factors</th>
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<tr>
<td>No.</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td>4</td>
</tr>
<tr>
<td>5</td>
</tr>
</tbody>
</table>

*Table C: ‘Expected cooperation benefits by factor – Business perspective’
Source: Murphy (2015)*

<table>
<thead>
<tr>
<th>NPO Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
</tr>
<tr>
<td>1</td>
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<tr>
<td>2</td>
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<td>3</td>
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<tr>
<td>4</td>
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<td>5</td>
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</table>

*Table D: ‘Expected cooperation benefits by factor – NPO perspective’
Source: Murphy (2015)*

In summary, although NPOs and businesses hold different expectations for collaboration – as clearly demonstrated (Murphy, 2015; Mizera, 2013) – inspecting these motivations also helps to reveal possible synergies and common ground (Pedersen et al., 2013). Businesses care about their social and environmental impact, although commitment to these issues varies (Nguyen et al., 2010) and despite looking for benefits related to reputation (Murphy, 2015). From the NPO perspective, it’s worth mentioning that while business cooperation is often used as means to bridge a financial gap (Murphy, 2015), other top reasons to collaborate reveal a more strategic view. Expected NPO benefits from cooperation include encouraging innovation, and long-term stability and impact (Figure J: C&E, 2017).
4.3 NPO-business cooperation success factors

Research implies, that the success of NPO-business cooperation depends on addressing specific issues that most commonly relate to trust, commitment, communication and alignment (AL-Tabbaa et al., 2014; Barroso-Mendez et al. 2014; Mizera, 2013). The last part of the thesis examines, how applying strategic approach to evaluating cooperative opportunities and managing cooperation through branding, may help to develop shared understanding, and alleviate collaboration pains (AL-Tabbaa et al., 2014; Mizera, 2013).

Findings presented in the C&E Corporate-NGO partnerships barometer (2017), and demonstrated in Figure K, imply that businesses tend to experience their role in cooperation as being the more dominant partner. Businesses also appear to value the partnerships more than non-profit NGOs and relate their significance to company strategy. Non-profits on the other hand, seem to be less satisfied with their voices being heard and also give coalitions less strategic value.

![Partnership Characteristics](image)

**Figure K: ‘Tension factors arising from the characteristics of NGO-business partnerships’**

*Source: C&E Corporate-NGO partnerships barometer (2017)*

Multiple issues hindering the performance of NPO-business coalitions arise, when NPOs are seen as ‘the weaker party’ (AL-Tabbaa et al., 2014). Power imbalance doesn’t facilitate development of trust, and can lead to a situation where the NPO’s capabilities are not recognized or fully utilized for the benefit of joint operations (AL-Tabbaa et al., 2014). The imbalance may exist for a number of reasons, one being low-level commitment to
collaboration, such as sponsoring, where the NPOs potential value to business is left undiscovered (AL-Tabbaa et al., 2014). Thus, businesses and NPOs should aim to develop their cooperation strategy in such way, that helps to establish equal power-balance (AL-Tabbaa et al., 2014).

Aligning goals and establishing shared vision is crucial to the success of any coalition (Murphy 2015). In the case of NPO-business cooperation, alignment is based on recognizing commonalities between the partnering organizations’ vision, mission and strategy, rather than joint financial investment (Murphy 2015). Because the organizations are so different, building common ground can be difficult, and thus clear communication regarding both parties‘ ambitions must be in place (Mizera 2013). Cooperative initiatives are most effective when the partners share their expectations and are also made aware of possible differences (Murphy 2015; Mizera, 2013).

Mizera (2013) argues, that because strategic NPO-business cooperation requires establishing shared vision, and because brand-related issues are among the most sought-after motivations for companies to approach NPOs, non-profits should use branding as a tool to manage their cooperative initiatives. Emphasizing brand value, may also prove useful in addressing imbalance of power between NPOs and companies (AL-Tabbaa et al., 2014). Applying branding to partnering however, first requires that both parties have an identity and a vision independent from each other (Mizera, 2013), as previously discussed in relation to applying complexity science principles to NPOs’ general strategy (Goldstein, 2010; Lacayo, 2008; Bar-Yam, 2004). Potential partners should then be evaluated against this self-knowledge (Mizera, 2013).

After establishing an organizational fit, both parties should be able to recognize one another’s value and enter the coalition from equal grounds (Mizera, 2013). Managing the coalition though is still an issue to tackle. Mizera (2013) suggests that the coalition itself can also be managed with the help of branding: Partners should jointly set direction to the coalition by applying practices commonly used for organizational branding. Answering questions around topics such as coalition vision, mission, and values, enable both parties to reach agreement on the fundamentals of future operations (Mizera, 2013). Brand Octagon, as presented bellow (Figure L), is offered by Mizera (2013) as a tool for branding NPO-business coalitions.
All literature around factors influencing NPO-business partnership success seem to support the claim that open communication is required for meaningful cross-sector cooperation, and that success measures should be closely linked jointly established cooperation fundamentals (AL-Tabbaa et al., 2014; Barroso-Mendez et al. 2014; Mizera, 2013). NPOs are encouraged to develop cooperative strategies that serve their general strategy (AL-Tabbaa et al., 2014, Lacayo, 2013; Bar-Yam, 2004) and to consider the relevance of branding to these efforts (Murphy 2015; Mizera, 2013). Entering coalitions from equal basis is seen to positively impact the development of trust between parties, witch in turn encourages commitment on both sides (Barroso-Mendez et al. 2014). Finally, relationship marketing implies that both trust and commitment directly impact cooperation success (Barroso-Mendez et al. 2014).

Considering the effect of previous cross-sector cooperation experience on new cooperation success, research by Murphy (2015) implied that even failure may not be all bad. The research found that, the parties’ collaboration experience leads to significantly better value creation when there is a high level of alignment between the organizations (Murphy, 2015). The combined effect of the two factors is greater than the both independent influences summed together (Murphy, 2015). Following this logic, even failed cooperation that contributed to the organization’s learning, may have true benefits as the organization enters its next project where alignment between partners is more apparent.
5 Discussion and implications

It appears that NPOs that work to advance complex social and environmental issues, can benefit from applying learnings from the study of CAS (complex adaptive systems) to their strategy (Lacayo 2008; Bar-Yam, 2004). The perspective argues that because complex problems are unpredictable and interconnected a linear-model won’t work in addressing them (Bar-Yam, 2004). Instead, complex problems can be tackled with network strategies, where the combined effect of interconnected actions is considered to be greater than the sum of the individual actions (Bar-Yam, 2004). Reaching toward multiple arenas, and encouraging conversation between different influencers sits at the core of complexity principles (Lefebvre, 2013; Goldstein, 2010; Bar-Yam, 2004). Network strategies that endorse complexity science, should be driven by a clear sense of long-term vision but leave relative freedom with regards to the form of execution (Lacayo, 2013; Goldstein, 2010; Lacayo, 2008, Bar-Yam, 2004). In addition, NPO strategies aimed to tackle complex problems should put focus on the quality of relationships within their network (Lacayo, 2013; Lacayo, 2008, Bar-Yam, 2004).

The complexity science perspective to NPO strategy seems to give a supportive argument for linking business-cooperation as part of NPOs’ general strategy. Unfortunately, however, no literature directly referring to the fit between NPO-business cooperation and complexity based social marketing strategy has been found. More research in this area is encouraged. Examining NPO strategy through the lens of complexity science, also seems to reveal a need for putting focus on branding – having a strong sense of organizational unity, vision and mission are considered to facilitate intentions of leveraging complexity-based network strategies (Lacayo, 2013; Lacayo, 2008, Bar-Yam, 2004). In the context of complexity science, the notion of setting a long-term ‘north-star’ (Hicks, 2013) for operations is relevant (Lacayo, 2013; Bar-Yam, 2004), also because it allows sufficient freedom for execution (Lacayo, 2013), and connects with the notion of ‘many roads lead to one goal’. Based on these discussions, I conclude that complexity-based NPO strategies can be linked to both, NPO-business cooperation and NPO branding.

If business cooperation is excepted as an important component to successfully execute a network strategy, what is the next step considering strategic NPO-business cooperation? Research in the field of cooperation motivations between NPOs and businesses implies that (A) NPOs currently apply less strategic approach to partnering than companies do and that (B) the demand for strategic NPO alliances is growing among companies (C&E, 2017). This seems to indicate that there is an opportunity for NPOs to leverage from business-cooperation by developing capabilities that are attractive to businesses and in-line with the NPO’s mission. Such capabilities may include branding, communication and understanding of business practices such as CSR (AL-Tabbaa et al. 2014; Mizera, 2013). NPO brand, that is often more credible than that of a private company, could also be seen as a strong selling point when entering cooperative negotiations (AL-Tabbaa et al. 2014).

Finally, the reviewed literature gives support to the idea that NPO’s cooperation strategy could be managed similarly to the organization’s general strategy – driven by mission, vision and brand. Consequently, when examining cooperative opportunities, the partner prospect’s suitability with NPO brand is relevant to consider (Mizera, 2013).
notion holds true, also considering the management of individual cooperative initiatives because branding principles can be applied to the NPO-business coalitions themselves. In this stage, partners together establish the nature of the coalition and give it a general sense of direction by answering questions around topics relevant to branding, such as mission, vision, and purpose (Mizera, 2013). The idea that NPOs can benefit from taking a proactive approach in leading their cooperative initiatives (AL-Tabbaa et al. 2014) and use brand as a strategic bridge between organization (Mizera, 2013) seems to be supported by literature regarding NPO-business cooperation success factors (Barroso-Mendez et al. 2014; AL-Tabbaa et al. 2014). However, while research around cooperation motives on both sides is fairly comprehensible, literature about creating maximal benefits from NPO-business alliances disproportionally favors business perspective (AL-Tabbaa et al. 2014).

In short, the current literature indicates, that complexity science principles are applicable to NPO strategy and thus all cooperative initiatives should be seen as strategic (AL-Tabbaa et al. 2014; Lacayo, 2013; Lacayo, 2008; Bar-Yam, 2004). Branding on the other hand, can be used as a tool for defining purpose and framing common ground (Mizera, 2013), in the context of NPOs general strategy as well as cooperation strategy. Reflecting on these discussion, my managerial recommendation is that NPOs develop capabilities to lead strategic business-relationships with the expectation of opening new, more powerful avenues for driving their cause. Furthermore, NPOs may benefit from developing understanding around their potential partners’ ambitions, including CSR, branding, and marketing communication – not only by attracting new partners but also by ensuring that they enter new relationships from equal power basis.
6 References


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