

# Collaborative Value Creation: Partnering Between Nonprofits and Businesses

— James E. Austin and Maria May Seitanidi

Businesses are increasingly looking to improve the outcome and impact of their corporate social responsibility (CSR) and philanthropy initiatives. Authors of this article suggest that businesses can achieve this objective through strategic collaboration with nonprofit organisations. They advise how businesses can partner with nonprofit organisations and effectively co-create significant economic, environmental and social value for society, organisations and individuals.

## Partnership Processes

Building a successful partnership between a business and a nonprofit organisation involves multiple phases. Each phase involves multiple value creation processes.

**1. Partnership Formation** - In this initial phase, the objective of the business is to identify a nonprofit partner that offers a good organisational fit. The processes in this phase include - articulation of the social problem to be addressed, identification of interests and resources of potential nonprofit partners, identifying their motives and missions, studying their previous interactions and visibility fit with the business, and identifying the pre-partnership champions.

**2. Partner Selection** - The processes involved in nonprofit partner selection include building on and extending the

assessment of partner fit potential made in the formation stage. The processes at this stage include - assessment of partnership (i.e. value co-creation) potential, developing partnership criteria (based on operational complementarity), and risk assessment (potential sources of value loss).

**3. Partnership Implementation (Design and Operations)** - This stage is the core of co-creation of value and includes designing and implementing campaigns/activities. Besides having linked interests with the business, nonprofit partners need to be embedded in the local communities of beneficiaries and stakeholders to facilitate value capture and diffusion of CSR/philanthropy efforts. The design and operations phase includes - setting up of structures and processes, testing organisational adaptations of the same and gradual stabilization of those procedures and processes.

**4. Partnership Institutionalization** - This is an evolved stage where a collective meaning and synergistic value emerges between partnering organisations. It includes embedding collaboration in the strategy, mission, value, structures and administration systems of the partnering organisations.

## Loci of Value Creation

The interaction of the collaborators generates value at multiple levels. The

authors identify two loci of value creation - internal and external.

**1. Internal Value Creation** - The organisational benefits accruing to the partners enhance their performance. These include the following -

*a. Associational Value* - While nonprofit organisations gain through higher visibility, credibility, increased awareness of the cause and greater support, business also gains in terms of their credibility, brand reputation, legitimacy, loyalty and increased sales.

*b. Transferred Value* - Nonprofits get financial and other support and volunteer capital, whereas businesses gain through better market intelligence, competitiveness and second-generation customers.

*c. Interaction Value* - Nonprofits gain opportunities for learning, capability building, access to networks and increased ability to change behaviour. Businesses also gain through enhanced networks, community and government relations, investor's allegiance and improved employee morale and productivity.

*d. Synergistic Value* - Nonprofits benefit through process improvements, positive organisational change and political power within the sector. Businesses learn about product and process innovation, better risk management, new management practices and more political power.

**2. External Value Creation** - The partnering organisations also generate value for the society. These benefits accrue to the targeted beneficiaries at the individual level. At a higher level, the social/economic/political organisations that are served by the cause or philanthropic efforts are also benefitted.

### **Practical Implications**

Family businesses need to take a strategic viewpoint with respect to their CSR and philanthropic activities. These initiatives must be aligned with the family business vision and aim at maximizing long-term impact. Developing lasting partnerships with carefully selected nonprofit organisations would mutually benefit the partnering organisations both in monetary and non-monetary terms.

While devising philanthropic initiatives family businesses must identify the sources of value and their right mix. In order to make philanthropic and CSR initiatives effective, family firms must ascertain and regularly assess the value outcomes of the partnership in both organisational and societal terms. This will help family businesses effectively extract the values of these efforts at multiple levels.

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