Business Non-profit Partnerships as Learning Arenas

More than just transactions?

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ABSTRACT (100 words)

Learning in partnerships between business and non-profit organizations can occur at three levels: learning *from* the partner, learning *with* the partner and at the societal level. However, the participating organizations are extremely different in their cultures and processes and the argument of this study is that these sectoral differences affect the learning processes in these partnerships. Other important factors in interorganizational learning are the relationship quality, the tacitness vs. explicitness of the knowledge involved and the exploration vs. exploitation of knowledge. Together with the sectoral differences, they will shape at which level learning in a particular partnership occurs.

KEYWORDS

Cross sector partnerships, interorganizational learning, interorganizational relationships, weak-strong ties, explorative – exploitative learning, non-profit organizations, business

1 Introduction

Partnerships between business and non-profit organizations (BUS_NPO_PAR) are a more and more common phenomenon (Crane, 2000). Among other reasons, for companies it is a way of complying with their social responsibilities, for non-profit organizations it is an option to gain more funding. Without any doubt, the participating organizations benefit from these partnerships in terms of an exchange of resources as has been found out in various studies (Austin, 2000; Nelson and Zadek, 2000; Stafford and Hartman, 1996; Waddell, 2000). However, the partnerships can also have a more strategic objective. In any case, it is likely that the differences between business and non-profit organizations - that consist particularly in their processes and values and are based on their affiliations to two different socio-economic sectors - play a crucial role.

Organizations learn in alliances (Hamel, 1991; Huber, 1991; Inkpen, 1996, 1998). Within BUS_NPO_PAR, learning can occur at three levels: learning *from* the partner, learning *with* the partner and – with non-profit organizations as representators of society - learning at the *societal* level. The three levels embrace different learning modes - exploratory vs. exploitative learning (March, 1991) - and kinds of knowledge - tacit vs. explicit knowledge (Polanyi, 1967) - and differ in their outcomes. What is not known is – and this is my research question - what are the conditions that influence learning in BUS_NPO_PAR and how do the sector differences affect the learning processes? After all, the answer to these questions will allow designing partnerships in a more effective way. Partnerships can then be created targeting at learning the maximum at a particular level. In the following an overview will be given about the different elements of the theoretical model and the model will be introduced. The article will close with a presentation of the methodology.

2 Conceptual Framework

Taking insights from interorganizational relationships (IOR) studies, business and society approaches as well as interorganizational learning (IOL) research, this investigation focuses on the conditions within BUS_NPO_PAR for learning. Business and society approaches set the stage in that they focus on the sectoral divide and the need for linking the two sectors – although they do not deal with the explicit organizational differences, IOR studies provide mainly the structural background. IOL research concentrates on the question of knowledge acquisition and creation. The model used for this analysis is built on these three approaches and will be presented after an introduction of the three research areas.

2.1 Business and Society

Business and society are two socio-economic sectors which organizations are different in their character. On the one hand, they differ in their logics of action, i.e. business follow the market logic and price criteria and non-profit organizations follow a socio-communicative logic based on cultural traditions and societal determined values. On the other hand they differ in their processes, e.g. management and governance. Whereas companies apply efficiency criteria to their activities, social organizations base their activities on reciprocity principles. Several approaches, i.e. the stakeholder approach, social capital theory, the added-value chain theory, that have appeared in the recent years, though, have argued that the two sectors should get closer together. Even more they have claimed that the burning issues of our times, environment, health, marginalization of groups etc. can only be solved by close collaboration of the socio-economic sectors. However, I believe, the value-based and procedural differences need to be strongly considered when organizations of the two sectors collaborate. Thus, this aspect sets the starting point of this investigation.

2.2 Interorganizational Relationships

Interorganizational Relationships (IORs) deal with the relationships between organizations and have been characterized through a series of dimensions by which they differ and that form the basis for learning processes within interorganizational relationships. They reach from pure 'cooperation' to 'coordination' (Mulford and Rogers, 1982), i.e. in terms of cross sector partnerships from purely philanthropic to integrated partnerships (Austin, 2000). In this relation, 'cooperation' is defined as

> *"deliberate relations between otherwise autonomous organizations for the joint accomplishments of individual operating goals"*
> (Schermerhorn 1975, cited in (Mulford and Rogers, 1982, p. 13)

and 'coordination within IOR is described as:

> *"the process whereby two or more organizations create and/or use existing decision rules that have been established to deal collectively with their shared*

task environment"

(Mulford and Rogers, 1982, p. 12).

In this context it is important to mention that the coordination in BUS_NPO_PAR follows the network modus, somewhere between market and hierarchy (Powell, 1990). This implies that the relationship quality can vary between strong and weak ties, that the interactions can be one-time actions or follow a recurring pattern and that the structural arrangements are more or less flexible.

2.2.1 Relationship Quality

One of the most prominent dimensions affecting IOR processes is the relationship quality (Van de Ven, 1976). Tie strength is defined as the *"combination of the amount of time, the emotional intensity, the intimacy (mutual confiding), and the reciprocal services which characterize the tie"* (Granovetter, 1973, p. 348). The relationship between organizations can be at arm's-length or embedded (Granovetter, 1973, 1985; Uzzi, 1997; Uzzi and Lancaster, 2003). Whereas arm's-length relationships are characteristic of rather impersonal market-like relationships, embedded relationships build on close social interactions. In arm's-length relationships, atomistic actors have rather unrepeated contacts or interactions that are not really relevant for the organization and not seriously impacting the organization's activities outcomes. Little effort and resources are invested in their relations and mutual obligations are low or do not exist at all. Price agreements regulate the exchanges that take place between organizations. Conversely, in embedded relationships interactions take place frequently and those relationships are characterized by a high level of trust, transfer of fine-grained information and joint problem-solving arrangements (Uzzi, 1997).

Relationship quality is also relevant in the frame of interorganizational learning since it impacts the kind of learning (explorative vs. exploitative) applied and the kind of knowledge involved (tacit vs. explicit).

2.3 Interorganizational Learning

"Interorganizational learning occurs when one organization causes a change in the capacities of another, whether through experience sharing, or by somehow stimulating innovation" (Ingram, 2002, p. 642) and in general, organizational learning (OL) has been considered to involve some kind of knowledge (Inkpen, 1998).

In the context of organizational learning, two aspects are of particular importance: the fact that learning processes involve different kinds of knowledge and learning styles. Polanyi distinguishes two **knowledge styles:** tacit / not-codifiable and explicit / codifiable knowledge (see also Nonaka, 1994; Polanyi, 1967). *Tacit* knowledge, as opposed to explicit knowledge, is the most critical to acquire and to create. It is difficult to codify since it consists of "embedded" knowledge within habits and culture, also called "know-how", that is difficult to access and to share (Nelson and Winter, 1982; Polanyi, 1967). But it is important for the creation of new knowledge, too. *Explicit* knowledge, however, is codified knowledge that can be precisely articulated and communicated. Both knowledge types are not completely independent from another since they support each other, e.g. tacit knowledge facilitates understanding explicit knowledge (Dhanaraj et al., 2004).

Furthermore, learning processes entail two different **learning modes**: (1) *exploitative* learning which is defined as *"the refinement and extension of existing competences, technologies, and paradigms [producing] returns [that] are positive, proximate, and predictable"* and (2) *explorative* learning which is described as the *"experimentation with new alternatives [producing] returns [that] are uncertain, distant and often negative"* (March, 1991, pp. 85-86). Both aspects determine the way how and what organizations learn.

Eventually, in organizational relationships the **relationship quality** – arm's length and embedded - determines and promotes the particular mode of learning and kind of knowledge , (Dhanaraj et al., 2004, ; Uzzi and Lancaster, 2003). Whereas "arm's-length ties promote learning through exploitation, [enabling] organizations to enhance their current competencies and systems rather than restructure them […] embedded ties […] promote exploratory learning through the flow of private information", which cause a change in the basic structure (Uzzi and Lancaster, 2003, p. 393). The knowledge involved in arm's length ties is rather of a simplistic nature and novel. By contrast, in embedded ties, partners learn about each other, become more dependent on one another and develop relational trust (Larson, 1992).

2.4 Learning Levels

Learning in collaborations encompasses three levels: learning from the partner, learning with the partner and societal learning. In fact, this tripartite structure also corresponds to

Selsky and Parker's (Selsky and Parker, 2005) classification of the partnership literature into three platforms: the resource dependence, the issue-focused and the societal platform. *Learning from the partner* can be understood as acquiring knowledge as a resource in a transactional frame and has been discussed intensively in strategy literature, e.g. in the frame of resource dependence approaches on an organizational level. *Learning with the partner* has been discussed in the frame of learning approaches in terms of knowledge creation about a particular issue. This is clearly a partnership approach that requires integrated relationships. *Societal learning* can be identified with transformative changes occurring in the wider network of organizations and this has been explained through organizations' influential network positions within network approaches. I argue that the three learning levels embrace different learning processes and kinds of knowledge and that a strong factor in this frame is the relationship quality.

3 Research Model

Instead of narrowing down the model to a simple "independent – dependent variable" causality, I believe, it makes more sense to follow a tripartite structure:

Independent Variable →	Intermediary Variable →	Dependent Variable
Sectoral Dimensions (Processes & Values)	Procedural Dimensions (Relationship Quality, Knowledge Type, Learning Modes)	Learning Levels (Learning from, Learning with the Partner and Societal Learning)

Figure 1: Research Model. Source: Own

As has been acknowledged above, business and non-profit organizations differ in their processes and values (independent variable) and the key assumption of this research is that these differences - in values and processes - influence the learning processes (dependent variable). The differences between the partnering organizations can reach from weak to strong in their value sharing. Additionally, the integration of their processes can also be from weak to strong.

With "learning from the partner" being a rather transactional relationship, I assume they involve weak value sharing and process integration. At the other extreme, "societal learning" would involve strong value sharing and process integration. Learning with the partner would be situated somewhere in between. The figure below maps the three learning levels onto the two-dimensional diagram:

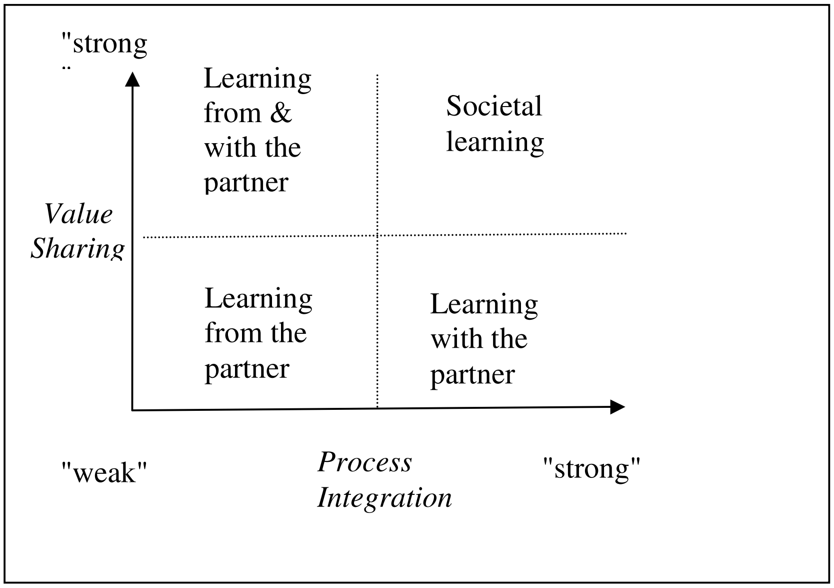

Figure 2: Sketch of the Analytical Framework. Source: Own.

The procedural dimensions play an intermediary role in that they influence the shape of the learning level. However, I suppose that finally each of the learning levels will show a particular pattern of the procedural variables and it will be possible to picture the learning levels as follows:

	LEARNING LEVELS:		
	From the partner (mutual)	***With the partner (collective/joint)***	***On the societal level (societal/network)***
Relationship Quality (Tie strength)	**Weak**	**Middle**	**Strong**
Learning mode	**Exploitative**	→	**Exploratory**
Knowledge Type	**Explicit**	→	**Tacit**
Kind of interaction taking place	***Transactional***	***integrated***	***Transformative***
Organizational level	***Organization***	***partnership***	***Society / network***
Platforms (Selksy & Parker 2005)	***Resource dependence***	***Issue-focused***	***Societal***

Figure 3: Learning Levels, Relationship Quality, Knowledge Types and Learning Modes. Source: Own.

4 Methodology

I am still at the very beginning of determining the methodological proceeding. What is clear, though, is, that the investigation will be conducted in a rather post positivist tradition starting from what is empirically available. I view collaboration in the light of the interactions taking place and as a rather open, very individual process (constructivist approach) with a strong emphasis on the outcomes (pragmatist view).

The investigation will be conducted in the frame of several case studies; however, comparability will be very limited. So, I rather intend to show the great variety of possibilities in order to raise as much knowledge about BUS_NPO_PAR as possible.

4.1 Case Identificación

Cases in cross-sector partnerships show usually a great variety. That is due to the immense diversity in social organizations and businesses involved but also due to the great variety in kinds of partnerships that exist. Cases may be chosen on the base of a variety of criteria, e.g. social sectors to which the social organizations are affiliated to, industry sectors, issues tackled within the partnership project, maturity of the partnership, intensity of the relationship. I believe it is appropriate to chose three cases that fulfill the following criteria:

- sufficiently mature partnerships (so the structures are already quite set up)
- that have a strategic importance to the partnering organizations and
- whose ties quality is at arm's length vs. embedded ties
- The participating organizations not too big so that learning effects do not disappear within the largeness of the organizations
- Domain similarity, i.e. industry and social sector have an interface.

Nevertheless, the choice of the cases will in the end depend on the availability and accessibility of data.

4.2 Data Collection and Analysis

In order to gather as most data as possible, various means will be used: analysis of documents directly related to the partnerships as well as documents that may express changes within the organizations and their strategies based on the partnership activities, e.g. mission statements or similar documents. As far as available, also press and other media documentation will be used. Furthermore, (semi-structured) interviews with participating persons but also with management will be conducted. Data analysis will then take place, if possible, by means of structured methods, i.e. applying Grounded Theory methods.

5 Discussion

The sectoral differences between the two organizations are rather bigger than small and therefore, I do believe that they will play a role in learning in BUS_NPO_PAR. However, I am not sure if in the end it is possible to integrate the intermediary variable with the dependent variable in that the learning levels will show a certain configuration.

Nevertheless, the study is limited in terms of comparability and generalizability: Case selection is problematic because on the one hand, above all non-profit organizations differ so that in choosing a partnership for an organization satisfying a particular criterion will certainly be at the cost of other criteria. On the other hand, many projects are not known, so choosing representative cases is certainly challenging.

Eventually, measuring learning effects at the societal level remains a challenge. First, because of its vast extension (which actors do we include?); and second, for the availability of rigorous measurement criteria. However, considering the socio-economic problems of today, this topic would certainly be important to follow up.

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