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Relationship governance for very different partners: The corporation-nonprofit case

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ABSTRACT

Organizations increasingly form relationships with partners that have goals, values or operating cultures different to their own. These relationships have significant potential to generate innovative products or services and increase opportunities for service delivery. While they can provide greater access to resources, infrastructure or stakeholders, they can struggle with collaboration. Such partnerships may also encounter differences in the role of governance mechanisms such as trust and commitment. Only limited research however has addressed the governance implications of such relationships. We compared managers' perspectives on relationship governance mechanisms for 267 nonprofits and 276 corporations involved in corporate-nonprofit relationships. We found that ‘fit’ - compatibility and complementarity - was important to performance in such relationships. We found also however that nonprofits valued the role of trust in these relationships significantly more than corporations. Our findings suggest potential for significant success in these types of relationships but also possible complications from differences of opinion as to how they should be governed. While relationships between very different partners can succeed, they should remain cognizant of differences in each partner's expectations for relationship governance and its role in relationship performance.

1. Introduction

Organizations have increasingly formed partnerships with other organizations that are fundamentally different from themselves in ideology, industry, or profit orientation. Very different partners offer significant advantages in innovation, supply chain reach, and service delivery but also present unique cultural challenges (Bauer & Matzler, 2014; Pappu & Cornwell, 2014). These relationships are non-traditional partnerships formed to deliver services and outcomes otherwise unavailable to organizations through their traditional partnerships. Examples include corporate funding of universities and arts organizations, American Red Cross's corporate partnerships, Unilever's partnership with Solidaridad, some sports sponsorships and Walmart's disaster relief operations. Scarce research, however, has addressed how firms should navigate a frequently cited drawback of such partnerships—namely, the inefficiency or conflict caused by each partner's different *modus operandi* or organizational culture (Kale & Singh, 2009; Sloan & Oliver, 2013). Many such relationships, particularly cross-sector collaborations such as those between Corporation and Nonprofit organizations, are not managed like business-to-business partnerships when they arguably can and should be (Farrelly & Quester, 2005). In order for such diverse partnerships to be successful they must overcome their cultural differences and establish methods through which the organizations are able to “get along”, build trust and align their short and long-term interests.

The inter-organizational relationship governance literature has traditionally focused on similar or same sector partnerships. While some prior work has addressed relationship management issues arising where resource or national cultural differences exist (Cannon, Doney, Mullen, & Petersen, 2010; Power, Schoenherr, & Samson, 2010; Ribbink & Grimm, 2014), almost no research has examined the implications of differences between firms in *organizational* culture, such as objectives, values, and governance (Bauer & Matzler, 2014). Such differences, when not managed appropriately, can impede the development of critical mechanisms such as trust and commitment (Sloan & Oliver, 2013). Differences generate misunderstanding, which in turn can lead to mistrust, opportunistic behavior, and even relationship failure (Arya & Lin, 2007; Lavie, Haunschild, & Khanna, 2012; Nyaga, Whipple, & Lynch, 2010). Significant organizational differences are likely to cause difficulties during transactions, but they also provide important, often inimitable, and value-enhancing capabilities for each organization (Bauer & Matzler, 2014) and a source of unique innovation and learning for both organizations (Sanzo-Perez, Álvarez-González, & Rey-García, 2015). As Kale and Singh (2009: 47-48) describe: “emerging research shows that managers need to appreciate under which conditions some of these attributes are more critical to alliance success than others”. Organizations in such partnerships need to establish similarities of viewpoint but also work with each organization's differences

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and perhaps expect that alternative approaches to relationship governance will be needed if they are to be productive arrangements (Arnett, German, & Hunt, 2003; Ertug, Cuypers, Noorderhaven, & Bensaou, 2013; Gulati, 1995; Nooteboom, Berger, & Noorderhaven, 1997).

Partnerships formed between corporations and nonprofit organizations are a common example of arrangements in which significant differences exist. Prior research has described the benefits of such partnerships (Andreasen, 1996; Rondinelli & London, 2003). Corporation and non-for-profit partnerships (hereinafter called C–NFPs) provide complementary benefits, such as increased access to resources and infrastructure for the nonprofit (Selsky & Parker, 2005) and improved reputation, access to new stakeholders, and innovative services for the corporation (Suarez & Hwang, 2008). Similar to other relationships between very different partners, however, C–NFPs face multiple barriers to success (Arya & Lin, 2007; Kale & Singh, 2009; Olson, Belohlav, & Boyer, 2005), including misunderstanding, mistrust, and often a pre-existing expectation of opportunism (Arnett et al., 2003; Milne, Iyer, & Gooding-Williams, 1996; Selsky & Parker, 2005; Sloan & Oliver, 2013).

For this reason, improved understanding is important to, first, identify such differences and, second, to explicate how relationships between very different organizations can be managed effectively. Thus, the goal of this research is to develop and empirically test a model that identifies compatibility and complementarity of organizational cultures, or "relationship fit", as driving the relationship performance between different partners. The model proposes a relational governance structure in which relationship fit improves relationship performance, and this process is mediated by trust and commitment. Furthermore, we assess these relationships by accounting for the conditional effect of organizational type (i.e., corporations and nonprofits). In other words, we test our relationship model by comparing the perspectives of corporate and nonprofit managers ($n = 267$ nonprofits, $n = 276$ corporations) actively involved in C–NFPs.

This study contributes to relationship management theory by enhancing the understanding of governance processes pertinent to partnerships between very different organizations. Specifically, we contrast the indirect effects of trust and commitment on the link between relationship fit and performance. We also provide one of the first, large empirical studies of C–NFPs or social alliances. Other than Milne et al.'s (1996) study, we are not aware of any other large study on the governance implications of these relationships. As Kale and Singh (2009: 56) describe, C–NFPs "represent a new class of alliances quite different from the traditional interfirm alliances studied in academic literature … Current academic research has very little to say about how to successfully manage this emerging class of alliances." As such, our study responds to this call to examine unique partnership structures and also contributes to the dialogue on the most effective management governance.

The remainder of the article proceeds as follows: first, we discuss the literature relevant to our research problem. Second, we describe hypotheses and delineate our conceptual model for framing the management of diverse relationships, after which we report data collection and analysis. Finally, we discuss the results, provide theoretical and managerial implications, and offer recommendations for further research.

2. Theory and hypotheses

A fundamental aspect of relationships formed between organizations with diverse operating cultures is that differences, regardless of form, introduce not only complexity but also important complementarities that enhance value creation (Bauer & Matzler, 2014; Harrison, Hitt, Hoskisson, & Ireland, 2001; Sarkar, Echambadi, Cavusgil, & Aulakh, 2001). We graphically depict these complex relationships in our conceptual model presented in Fig. 1.

Because we use mediation in our model, we followed the recommendations of Rungtusanatham, Miller, and Boyer (2014) in preparing our hypotheses and results. They recommend hypothesizing explicitly for mediation effects whenever X or the independent variable on Y or the dependent variable is transmitted through one or more mediators (M). We chose to follow this recommendation and used hypotheses that describe only the role of M as a mediator of the X–Y relationships instead of the alternative X on M on Y.

2.1. C–NFP relationships

C–NFPs are arrangements between for-profit enterprises and nonprofit organizations, including social alliances, cross-sector collaborations, cross-sector social partnerships, philanthropy, sponsorships, and commercial–nonprofit alliances (Berger, Cunningham, & Drumwright, 2004; Seitanidi & Crane, 2009; Selsky & Parker, 2005; Wymer & Samu, 2003). These partnerships support causes, develop new services, improve corporate social responsibility, and market certain products, among other benefits. Such arrangements form because of mutual interests as well as to gain potential complementary resources (Iyer, 2003; Seitanidi & Crane, 2009; Selsky & Parker, 2005).

C–NFPs are characterized by differences in their basic economic and social motivations. From an operational perspective, important differences exist in organizational characteristics, such as organizational culture, ideology, values, purpose, and views on equity (Berger, Cunningham, & Drumwright, 2006). As in other cross-sector forms, organizational differences provide opportunities for innovation and joint learning but can create conflict, if not expertly managed (Milne et al.,

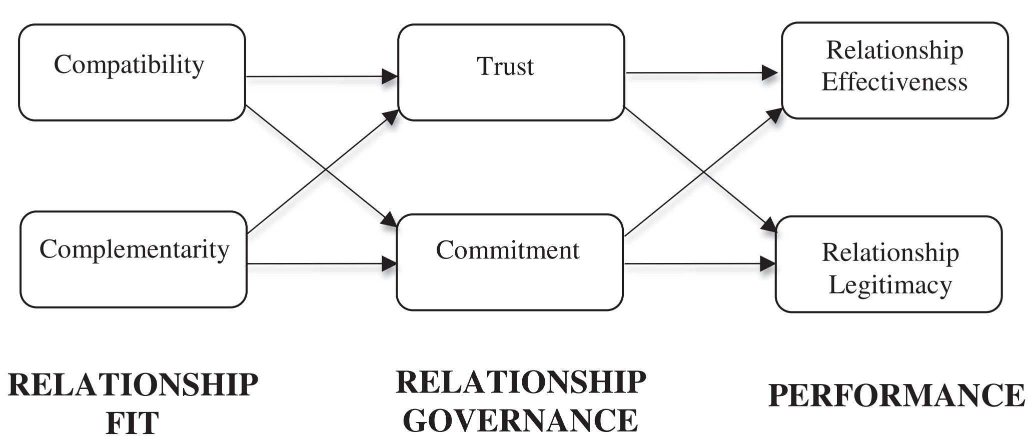

Fig. 1. Conceptual model.

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