Collaborating for Success? The power balance in inter-sector relationships

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1. **Introduction:**

Nonprofit organisations increasingly face threats from funding shortfalls that arise from dramatically changed conditions they are experiencing. Models utilised previously are no longer appropriate to generate sustainable ongoing funding streams. Increasingly non-profit organisations are establishing relationships of mutual benefit with corporations and firms that share their goals and aspirations. Whereas in the past these agreements have relied on acts of charity and philanthropy. Increasingly these are collaborations for mutual benefit.

Characterised by some authors and theorists as ‘friendraising’ (Gottlieb, 2006) this trend has caused others to reconsider the role of the sector. Should non-profit organisations engage in these relationships? Do they threaten independence, or potentially compromise long-held principles? While North American have arguably always been comfortable with these approaches, many European and Australasian organisations have only recently come face to face with this. Such relationships can be enormously advantageous, but at what cost? If this does undermine the very foundation of the third sector, does a theoretical solution to this problem lie in a re-imagining of the distinction between the market and third sectors, perhaps involving the definition of another sector? Alternatively, the emergence of the concept of corporate social responsibility could help us to understand how organisations from two such contrasting sectors could find common ground. Perhaps both are seeking benefits from each other and want to build this relationship for the long term – a new and enduring form of friendraising. The notion of a new sector, embracing new means of attaining goals consistent with a charitable and voluntary community sector, is explored and its plausibility tested. It is suggested that we are now seeing the another form of engagement with different modes of operation, goals and means of attaining them. What evidence is there of the Entrepreneurial Civic Service sector?

This is a sector comprised of formal organisations engaged in strategic and managerial functions with active relationships with the other sectors. These organisations are not profit driven, but nor are they wholly altruistic. They have goals of efficiency and effectiveness in the context of outcomes for clients. These organisations are at once operating in a competitive environment to provide services in a business-like manner, and wearing the mantle of charitable worthy organisations with a privileged taxation status that attracts donors and volunteers with philanthropic motives. Furthermore, organisations in this sector may also exhibit an overriding concern for their own survival, sometimes resulting in a form of goal displacement when concern for their clients become obscured. This fundamental change, should it occur, is perhaps the most significant indicator of sectoral change.

2. **Methodology and theory:**

This project is a case study of power relations between two organisations in different sectors, one in the market sector and one in the third [or community/ non-profit] sector executed as a power analysis. Qualitative data was collected by interview in 2013, with ethical scrutiny provided by the Human Ethics Committee (Tasmania) Network. Interviews were conducted by telephone and all interviewees gave written informed permission for their interviews to be recorded and transcribed. Data was analysed using a thematic matrix approach as well as a theoretically-based power analysis. The matrix was developed using a grounded theory approach, drawing themes and topics from the transcribed text and coding them. These categories were then used to frame the key issues, potential issues and grievances for power analysis (see figure 1).
The power analysis sought to identify the power relations at different levels, some of which was readily evident but much of which was obscured by day to day courtesies and processes. The latent or implied power, virtually undetectable, is also discussed. Steven Lukes’ (1975) three dimensions of power are applied as this theory reveals a great deal about this relationship. Clegg’s (1989) frameworks of power are also considered. It is possible that the relationship is genuinely founded on mutual advantage, with neither actor dominant in anything other than a temporary sense.

3. Narrative:
To analyse the power relations in action in a given relationship, it is first necessary to dispassionately examine the roles and interactions. Complete objectivity cannot be achieved, so the examination is unavoidably relative and selective, to some degree. Nevertheless every endeavour is made to describe actors and behaviours in as value-free terms as possible. The contemporary business environment involves many actors and stakeholders, a significant proportion of whom are outside the corporate sector. Their influence and the impact of the business sector on actors outside the sector is nevertheless significant. Their impact is often indirectly related to their day-to-day function. This case study examines the relationship between a corporation and a nongovernment organisation. Other actors include individual board members of the NGO and particular actors within the corporation. In investigating these roles and activities, key events will be described and mapped to enable the meaning and strength of impact to be determined.

In this case study, Corporate A identified an advantage from being seen to link ideologically and through the establishment of an explicit relationship with a nongovernment organisation [NGO] in an appropriately related field. They had already had a minor connection with a state-level subsidiary of NGO R so believed the relationship had potential.

Corp A explained that:

We looked at a number of organisations that exist in Australia that we felt would be a good fit for Corp A to support. And one of our criteria was that we would prefer them to be a national organisation, so to have a presence in every state if we could. And another was simply are their positions on issues confluent with Corp A so that we are a good fit. Another issue of course was would they be willing to accept corporate sponsorship. Some organisations are happy to and others not so. And I guess visiting the NGO R’s premises and meeting the people and looking at how they approach [their clients] was also really important criteria for us. And NGO R ticked all of those boxes. [Corp A rep]

Corporate A was seeking the validation that could be provided by an alignment with an NGO such as R that consumers would recognise as an inherently commendable and trustworthy group whose ‘halo’ would also reflect well on them:

We need a long term sustainable relationship that goes beyond just giving them some product and, you know and having some fundraisers. I’d like to see it a bit more grown up than that. Part of the motivation is that people associate this feel-good stuff with Corporate A and think yes they are obviously a good company, they’re supporting these great programs and at the same time you’re sort of supporting the [client group] more widely which is, you know, can only be good I suppose. I mean all of these things need to be a two way street if they’re going to be successful in the long term. [Corp A rep]
In exchange for sponsorship and in kind support to NGO R, Corporate A was seeking a relationship that could be publicly acknowledged for the long term:

And we have a proposition at the company that we call creating shared value which is about doing programs that are good for the communities where we operate but also good for our business. And they’re the programs that we really invest in and for Corporate A its around [client] welfare. So they’re the two strands that we really look for when we’re talking about let’s get something that we’re really going to get behind in a major way and stay there for the long haul, you know we’re talking ten year horizons on these sorts of programs when we really get them underway. [Corp A rep]

NGO R’s circumstances were not well established and were seeking a connection and the resources to enhance their profile:

One was we were relatively unknown and we needed a large sponsor to leverage our brand off of, as well as with the significant amount of investment that all of the members had put in informing the NGO in the first place. We needed to get a tangible benefit out of it, and we felt that Corporate A being a brand of [a major multinational] it would be a good opportunity to actually hit both of those strategies on the head at the same time. [NGO R rep]

NGO R urgently needed to develop a national profile to attract sponsorship, and also credibility for client advocacy work, so were alert to the prospects emerging with Corporate A:

It was a state CEO who had been managing the relationship at that local level. So she took her state hat off and put the national hat on and effectively asked a couple of questions, and there was clearly an opportunity there. [NGO R rep]

Nevertheless they needed to be diligent as previous corporate engagement had not developed beyond monetary donations – it had remained in the fundraising field and had not matured to ‘friendraising’ (Gottlieb, 2006). While it was financially lucrative, this alone is not sufficient for third sector organisations, whose primary motivation and underlying purpose is the sharing and promulgation of values. The now expired earlier relationship was purely a market one that did not grow engagement or trust:

We had a relationship prior to that which did expire with [another corporate], it was... the relationship was very difficult so we were very wary about going into a relationship with another food provider. The [previous] relationship, to give you some background – it was very clear that they had a fair bit of money to throw around and in the initial stages they did donate, ... I think it was about $120,000 or something like that for a promotional program. There was never really any [product] involved and they were never really interested in the outcomes for our [clients], whereas we identified initially that Corporate A were wanting to use the national footprint of NGO R – they were interested in that; the outcomes that they wanted to see included improved [conditions for our clients], so there was a real good link there. That’s a really clear line, that the [other corporate] people were just business. [NGO R rep]

Negotiation and agreement on the sponsorship contract was exhaustive with both parties, Corporate A and NGO R, holding their ground. The most contentious and intractable issue concerned NGO R’s demand that it be permitted to stock product for retail sale from Corporate A’s competitors. A compromise was reached. Stock from competitors for which
Corporate A did not produce an identical item would be permitted. Nevertheless, there were severe delays that became alarming for Corporate A.

Subsequently, Corporate A expressed a desire to extend the relationship with NGO R such that they would become involved at an advocacy and lobbying level:

*We would like to join with NGO R in lobbying to have those regulations addressed and rather than doing it on our own obviously we want to get behind NGO R’s initiative.* [Corporate A rep]

NGO R however have reservations about this additional element, and regard it as potentially leading to a blurring of identities- and perhaps this is the kind of intimate connection Corporate A is seeking:

*I think our relationship with Corporate A is healthy and sound, I just don’t want them to have a finger in every single NGO R pie. I don’t want NGO R to be always associated with Corporate A. One reason for that is that I think as NGO R we benefit from being perhaps viewed as a smaller slightly more grassroots organisation than our peers. We’re still the underdog if you like and I don’t necessarily think that that is actually a bad thing because I do get calls from various businesses who’d like to hook in with us and a lot of them say, I’ve had two or three that have said we thought of you because our main peer organisation is a bit corporate.* [NGO R rep]

While willing to accept support, NGO R explicitly does not want to compromise its independence:

*We’re obviously always open to the discussion but in the back of our minds we need to think well Corporate A, you know what’s their reason. And we don’t want to be used so I want to [limit it] at this point, although we will have a discussion and there may well be ways that it can work really well, that they help us with it, but I want to keep it clean. This is a project, this isn’t some sponsorship event you know. ...So there’s that balancing act between supporting each other in a meaningful way and supporting each other in a way that is more of a commercial nature for them.* [NGO R rep]

4. Patron Incident Description:

Corporate A has a number of high profile patronage arrangements involving well known and well credentialed public figures. During the course of representing Corporate A, a patron made a public statement in complete contradiction of an NGO R principle for the standards of care for clients. NGO R’s most valued resource are its policies, principles and advocacy positions for which it enjoys an unparalleled reputation for being uncompromising and above reproach. When Corporate A asked NGO R to assist in supporting the patron who was unrepentant, and to validate his statements, disagreement were inevitable. When requested to assist Corporate A by posting social media statements of support and preparing media releases, NGO R refused to do so, stating it would be hypocritical and inappropriate to do so, and inconsistent with their stated values and principles. Corporate A was disappointed by this, but should not have been surprised as there was no contractual obligation and certainly no informal understanding that NGO R would support them regardless. Clearly NGO R were not going to compromise their ‘moral high ground’, which at the end of the day Corporate A was seeking to tap into for its own benefit through its sponsorship program. NGO R went on to release a number of items to the media and social
media reaffirming the core principles attacked by the Corporate A patron, while not directly referring to the incident.

5. Power analysis:
An initial power analysis utilises Lukes’ three dimensions of power (1975). Lukes’ theory built on previous conceptions of power, and while he did not reject previous views, he contended that they were insufficient to explain power in all its forms.

In figure 1, Lukes’ model is depicted and then applied to the case of the relationship between Corporate A and NGO R. Lukes identified three dimensions of power (see figure 1). In dimension one, power is overt, observable and readily identifiable. It is typically seen in the exertion of power or influence in visible decision-making, in the application of authority or force and its subject is key or dominant issues. This behaviouralist view deals with the important matters, rather than the incidental or minor choices made. Hence this view will accept only readily observable and actual conflict or dominance as evidence of power of one over another. Citing Dahl, Lukes explains this as occurring when:
A has power over B to the extent that he can get B to do something he would not otherwise do. (Dahl quoted in Lukes, 1975, 11).

In the one dimensional view, subjective interests are the only important ones, regarded as an accurate reflection of what will genuinely advantage those claiming them.

The two dimensional view, as first identified by Bachrach and Baratz, encompasses the behaviouralist perspective, but contends that power is also present in less visible ways. It is theorised in the abstract:
…Power is exercised when A participates in decisions that affect B [such as by] limiting the scope of the political process to the public consideration of only those issues which are comparatively innocuous to A. (Bachrach and Baratz, quoted in Lukes, 1975, 16).

So power is applied through coercion, influence, force and manipulation:
A achieves his objectives in the face of B’s noncompliance by stripping him of the choice between compliance and noncompliance. (Lukes, 1975, 18).

Dominance can be covert and concealed, but nevertheless devastatingly effective. It might be exerted in private meetings and discussions, and through more subtle exertions of influence.
While a powerful decision is indeed power in action, the capacity to prevent a decision being made, or to manipulate circumstances so that particular topics do not reach the agenda is a highly effective application of power. Because it is somewhat concealed and those affected might well not investigate the course of events, those exerting the second dimension of power often avoid the spotlight and may even not take formal responsibility for their action or inactions, and the consequences. Again, subjective interests, those policy preferences and reforms identified by B, are accepted as an authentic assessment, made with sufficient knowledge to be accurate and to provide the best outcomes for the parties over whom the power is exerted.

The final element of Lukes’ schema of power formations is the three dimensional view. This view states that power can be exerted in such a manipulative way that its subjects are completely unaware of it. This is achieved by controlling the environment completely. In determining the nature and content of debate and the information available and regarded as credible, through the structure of the system of beliefs and the education system, as well as the media, entire populations can be kept malleable and compliant. In this way, conflict is prevented. There is no resistance to the dominant group because their ideas and beliefs are promulgated as the only credible ones through the education system and the media, and are
not challenged. This is the ultimate form of control because once in place, it sustains itself. All that is required is to ensure that the dominant paradigms endure. This is not particularly difficult, as these dominant views, even of disadvantageous to many, are supported and promoted by these very groups who unwittingly conspire in their own oppression. In Lukes’ words:

A may exercise power over B by getting him to do what he does not want to do, but he also exercises power over him by influencing, shaping or determining his very wants. Indeed is not the supreme exercise of power to get another or others to have the desires you want them to have… to secure their compliance by controlling their thoughts and desires? (Lukes, 1975, 23).

Unlike the one and two dimensional views, the three dimensional view focuses on real interests, which is to say, those interests which with perfect knowledge, time and insight would rationally be agreed upon. This view contends that real interests are unlikely to be the same as the subjective interests identified by B. This is because if A has the capacity to define interests, wellbeing and the environment, through control of information and education, and hence the value system, B will be likely to form preferences that are hegemonic and in the interests of the dominant group- A. It is therefore quite plausible that may never emerge in a finite way, as B does not have access to the information or capacity to make decisions that are genuinely to their advantage. Latent conflict of this type only becomes visible to the fully informed observer.

By applying the notion of the relevant counterfactual, Lukes’ power theory enables the researcher to identify precisely who is dominant and in control of the power relationship. In Lukes’ words:

Where there is no observable conflict between A and B, then we must provide other grounds for asserting the relevant counterfactual. That is, we must provide other indirect grounds for asserting that if A had not acted (or failed to act) in a certain way… then B would have thought and acted differently from the way he actually does think and act. (Lukes, 2005, 44).

To do this, the researcher needs to conduct an exercise in which the impact of the removal of an actor from the interaction is imagined. If A was removed from the incident completely, would B still have complied? Would the control of knowledge and influence change? If the answer is in the affirmative, then A does indeed have dominance.

In applying this theoretical schema to the relationship and power dynamics between Corporate A and NGO R (see figure 1), it is apparent that while Corporate A enjoyed a high level of one dimensional power, with the option to cut funding and media support for NGO R, NGO R also had some one dimensional power. Corporate A had shown the initiative for the sponsorship, making the first approach as they needed the flawless reputation of NGO R. NGO R while benefitting from the funding deal, had other options and was able to negotiate several changes to the contract and to slow down the decision-making process to enable thorough scrutiny of the contract through board processes and legal opinion. Both parties were able to ensure their needs were accommodated in the contract, with the overtly expressed threat to withdraw funding (for A) or withdraw willingness to collaborate (for B).
In terms of the two dimensional power, NGO R (as B) enjoyed some dominance here, as Corporate A needed to finalise the contract for budgetary management reasons, but NGO R while grateful for the funding offered, was at that time able to access other funding options. Once the contract was signed, relations became more strained, with Corporate a using an executive gatekeeper to keep NGO R at arms length, thus making issue raising and resolution difficult. However, during the course of the outspoken sponsor incident, Corporate A became dissatisfied with NGO R’s unwillingness to provide a form of moral whitewash for them. In this was NGO R adhered to its highly prized values and nor did it permit its principles to be compromised by association. The flow of grievances was equally controlled by both parties, each group stalling communications when it was in their interests to do so.

For the one and two dimensional views, the dominance is more or less shared, each party exerting their power from time to time. However when the three dimensional view is

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**Figure 1: Dimensions of Power**

<table>
<thead>
<tr>
<th>first</th>
<th>second</th>
<th>third</th>
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<tbody>
<tr>
<td>Decision-making</td>
<td>Corporate A</td>
<td>NGO R</td>
</tr>
<tr>
<td>Nondecision-making</td>
<td>Initiated relationship with NGO R</td>
<td>Greater need for resources and promotion</td>
</tr>
<tr>
<td>Control over the political space</td>
<td>Anxious for budget reasons to finalise</td>
<td>Final decision on contract referred to a board meeting, delayed, deferred</td>
</tr>
<tr>
<td>Potential issues</td>
<td>Ideology and policy pre-approved before</td>
<td>Policy controlled but no major change possible without contractual threat</td>
</tr>
<tr>
<td>Observable (overt) conflict</td>
<td>Able to make decisions to ensure needs are met</td>
<td>Able to make decisions to ensure needs are met</td>
</tr>
<tr>
<td>Covert conflict</td>
<td>Use of gatekeepers to limit communication of potential issues</td>
<td>Difficulty raising issues for discussion due to avoidance of meetings</td>
</tr>
<tr>
<td>Latent conflict</td>
<td>Power to withdraw funding</td>
<td>Power to withdraw validation</td>
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<tr>
<td>Subjective interests and preferences</td>
<td>Dissatisfaction with level of public support provided</td>
<td>Controversial statements by patron as a threat to reputation by association</td>
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<tr>
<td>grievances</td>
<td>The ultimate authority over resources</td>
<td>Moral authority over a non-exclusive resource</td>
</tr>
<tr>
<td>Real interests</td>
<td>Mutually beneficial</td>
<td>Mutually beneficial</td>
</tr>
<tr>
<td></td>
<td>Control of communication flow</td>
<td>Control of board meeting process</td>
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D- dominant, S- subordinate, E- equal
[based on S. Lukes 1975, Lukes 2005]
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introduced, the picture changes markedly. Through use of the concept of the relevant counterfactual, it becomes clear that in reality the balance is tipped.

The three dimensional view reveals that while NGO R may have carriage of the values, these are not negotiable in any significant way. Corporate A has selected NGO R because of the set of values and principles it expounds, but should these alter in any significant way, the contract would be re-negotiated. Nevertheless it is NGO R that controls the agenda, the content of the values statements and policies, and the degree to which Corporate A is able to ‘buy into’ their programs.

6. Conclusion: the intricate dance of mutuality
The relationship between Corporate A and NGO R is based on imperatives and outcomes sought for both actors. Corporate A, seeking to enhance its community standing so they are regarded as a worthy company deserving of loyalty, is seeking to build its stocks of corporate social responsibility (CSR). As Lindgreen, Swaen and Maon explain, it is now common for corporations to develop and implement strategies for corporate social responsibility, ‘[w]hether it is in response to external pressures – from government, civil society, or the public – or driven by an internal belief in the economic benefits of responsible business practices, many companies are starting to take concrete steps to deal with social and environmental issues’ (Lindgreen, Swaen and Maon, 2009, 83). The reasons for this are sometimes altruistic, but more often rest on a conviction that CSR will improve enterprise performance, through more motivated staff and chances to ‘create new business opportunities’ (Lindgreen, Swaen and Maon, 2009, 83). From an NGO perspective, collaboration is sought to increase resources and profile, to enhance sustainability by diversifying organisational support mechanisms, and to provide the opportunity to generate a surplus. Marquis, quoted in Eweje and Palakshappa, defines corporate social action as ‘behaviours and practices that extend beyond immediate profit maximisation goals and are intended to increase social benefits or mitigate social problems for constituencies external to the firm’ (Marquis et al. 2007: 926, quoted in Eweje and Palakshappa, 2011, 82). This concept implies a more combined approach that encompasses consideration of the NGO perspective as well as the benefits to the business. A third conceptual approach uses the third sector terminology of collaboration, emphasising that an NGO is less inclined to enter a wholly market-driven arrangement, and will tend to seek to work with the corporation for mutual benefit. Research has shown that collaboration is useful for organisations dealing with an uncertain environment and smooths out irregular episodes thus assisting the organisation to survive. In addition, ‘while individual organisations retained their independent goals, collaborations where an alignment of core values was seen provided a valuable contribution to partner organisations and were regarded as successful’ (Eweje and Palakshappa, 2011, 98). In other words, there is absolutely no doubt such an arrangement is expected to be and in most instances is, mutually beneficial. Significantly, their findings conclude that a genuine partnership is reliant on ‘[appropriate] partner selection, synergistic structuring of the relationship, positive relational components and joint value generation’ to be successful (Eweje and Palakshappa, 2011, 81).

The success of collaborations may also be reliant on the commitment of social entrepreneur, either within the corporation, the NGO or possibly both. For the NGO, a values-driven approach is assumed, but this is also a characteristic of corporate-based social entrepreneurs. The number and extent of entrepreneurial activity depends on circumstances and the maturity of the relationship (Hemingway, 2005; Alessandrinì, 2013; and Alessandrinì and Ham, 2001).
This type of analysis leads to conclusions about mutuality, shared goals and values and a kind of pluralist revolving door of dominance where the power is reasonably evenly shared. However a thorough-going power analysis using Lukes’ typology produces a different picture. A one dimensional view, and to an extent the two dimensional view both support the shared power and influence proposition. When the three dimensional view is used for analysis, it becomes clear that it is control and influence over the environment in which the relationship occurs that determines who has the power. Obviously, in a judeo-christian or secular society, hegemonic power rests with the media and institutions outside the scope of this research paper. However, this power analysis does identify greater influence on public opinion and values based on shared principles and opinions is more concentrated in NGO R than Corporate A.

While corporations have sought to convey an image of adherence to a triple bottom line in recent years, their mode of operation remains market-based. NGOs and other nonprofit organisations, reliant largely on the support and goodwill of the wider public, are unencumbered by compromised principles and can maintain a moral higher ground. At the end of the day, their survival relies on public support and demand for their outputs, be they advocacy, service delivery, charitable activities or representation, rather than obligations to shareholders and the owners of capital.
References:


Confidential transcripts of interviews conducted with informants in 2013.