RESEARCH NOTE

Nonprofits and Business:
Towards a sub-field of nonprofit studies

By Margaret Harris

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Research Note

Nonprofits and Business: Towards a Sub-Field of Nonprofit Studies

Margaret Harris

Abstract

Although the field of nonprofit studies now encompasses a substantial body of literature on the relationship between governmental and nonprofit organizations, the relationship between the business and nonprofit sectors has been less addressed by specialist nonprofit scholars. This Research Note aims to encourage further studies by nonprofit scholars of the business-nonprofit sector relationship. It looks at descriptive evidence to date, proposes a tentative resource-based framework for understanding how nonprofits and business relate to each other in practice and suggests some initial directions for developing a sub-field within nonprofit studies.
Introduction

The relationship between governmental and nonprofit (‘voluntary’, ‘third’, or ‘NGO’) organizations has long been of interest not only to nonprofit scholars but also to students of inter-organizational collaboration, the public sector, governance, public policy, politics and law. Yet whereas the interdependencies between governmental and nonprofit sectors (NPS) have been universally recognized, and whereas public sector and NP scholars have given high priority to mapping and theorizing the nature of the links between them, the equivalent links between business and the NPS have been much less studied, and barely at all by specialist nonprofit scholars.

There has been growing scholarly interest recently in ‘hybrid’ organizational arrangements and activities which appear to draw their inspiration and guiding principles from both the business and NPS; for example, venture philanthropy, social investment, social entrepreneurship, social cooperatives and social businesses (Harris, 2010; Squazzoni, 2009). The ways in which ideas traditionally associated with either business or the nonprofit sector seem to cross sectoral boundaries have also been noted (Helm and Andersson, 2010); as has the growing trend towards competition between organizations in the two sectors (Tuckman, 1988; Young and Salamon, 2002). Yet the field of nonprofit studies is far from having a body of knowledge about the interactions between business and the NPS which is equivalent to the well developed body of knowledge about interactions at international, national and local levels between governmental agencies and the NPS.
Thus the purpose of this Research Note is to encourage more interest in the business/NPS relationship within the field of nonprofit studies. It takes a broad look at what is already known about the business/NPS relationship and the ways in which that relationship is manifested in practice. It proposes a simple and tentative resource-based framework for understanding frequently-occurring business/NPS collaborative relationships and concludes by suggesting ways in which we might build on the pioneering nonprofit studies publications by Austin (2000) and by Galaskiewicz and Colman (2004) to develop a sub-field within nonprofit studies which is complementary to the existing sub-field focused on the government/NPS relationship.

Why and How NPOs and Businesses Collaborate

In response to various cataclysmic events in the business world in the last few years - starting most obviously with the Enron scandal and continuing through the global financial crisis - the general public, politicians and business people themselves, have become increasingly interested in topics such as ‘corporate governance’, ‘corporate philanthropy’, ‘business social responsibility’, ‘sustainability’, ‘social investment’ and ‘business ethics’. A growing public awareness of the damage that can be caused by businesses as they pursue their ‘bottom line’ - the BP oil spillage in the Gulf of Mexico is just one recent example - has reinforced the perceived need for businesses to demonstrate ‘corporate social responsibility’ or ‘CSR’; that is business behavior which takes account of the interests of a range of stakeholders (Carroll, 1999).
There is now a developing body of academic literature on aspects of CSR; most of it authored by students of business behavior, particularly students of marketing, enterprise and ethics. Much attention has focused on why, and if, businesses should pay attention to anything other than the financial ‘bottom line’ and the advantages and disadvantages for businesses of doing so (Caroll and Shabana, 2010; Garriga and Mele, 2004; Smith and Lenssen, 2009). Much less attention so far has been given to the crucial role played by nonprofits in the implementation of corporate ‘social responsibility’ activities; for CSR in practice frequently involves cooperation of some kind between businesses and NPOs (Austin, 2000; Berger et al, 2004; Liston-Heyes and Liu, 2010; London and Rondinelli, 2003).

The drivers, goals and manifestations of such collaborations are varied. Galaskiewicz and Colman (2006; 181), in one of the few pieces on the subject directed at nonprofit scholars, argue that the goals of business/nonprofit collaborations may be philanthropic (aimed at advancing social welfare), strategic (aiming to ‘realize exclusive benefits for the firm while advancing social welfare’), commercial (aiming to ‘increase revenues for both the company and the nonprofit’) or political (aimed at ‘reproducing or changing institutional arrangements’).

Just as the goals of cross-sectoral collaboration may vary, so too can the forms that such collaborations may take (Abzug and Webb, 1999; Cordes and Steuerle, 2008). Taking together academic business literature and articles in the practitioner and professional
press in North America and the UK, it would seem that the most common forms of contemporary cross-sectoral interaction and collaboration are ones in which businesses transfer resources to NPOs. Such resources include not only money but also goods, equipment, use of premises, employees’ time, provision of services, specialist knowledge and sharing of brands. Examples found include the following types of transfer.

- Businesses make donations of money or goods directly to NPOs; for example grants for general purposes, IT or other equipment provided at low or no cost.
- Businesses make donations of money to NPOs indirectly, through intermediary corporate foundations set up to benefit selected good causes.
- Businesses make donations of goods, premises and services to people in need via NPOs eg supermarkets donate foods to poor families using local community organizations as distributors.
- Businesses encourage their customers to donate to NPOs; for example, airlines collect small change from passengers for designated charities; cellphone service providers may allow donations to nonprofits to be made without charge to the customer.
- Businesses force customer donations; for example hotels and restaurants may allocate a portion of receipts from your check to good causes of their choosing.
- Businesses facilitate their employees volunteering or fundraising for NPOs; they may permit or encourage fundraising activities during paid work time or establish volunteer-involving schemes.
• Businesses second employees to spend time as part of an NPO’s staffing structure.

• Businesses provide sponsorship of public events such as sport games or cultural festivals; the sponsorship may include donations of money, food or expertise, advertising, financing of equipment and/or provision of media coverage.

• Businesses engage in ‘cause-related marketing’ (CRM) or ‘consumption philanthropy’ (Wirgau et al, 2010); an arrangement whereby a business donates an agreed sum to an NPO when people buy or use a specific product (usually with the NPO’s logo displayed on it.); for example bank credit cards whose use benefits a particular NPO.

• Businesses develop ‘strategic alliances’ with an NPO; such an alliance between Starbucks and NGO ‘Conservation International’ for example facilitates training by the NGO of coffee farmers in Mexico.

• Businesses associate themselves publicly with an NPO; no tangible resources are transferred but there is an implied benefit to the NPO from association with a business brand or name.

There are a few examples of resource transfers in the other direction; that is, from NPOs to businesses (Lyon, 2009). This appears to be most common where NPOs have advocacy or lobbying goals and are able to implement those goals by providing expertise or advice to businesses; for example, nonprofits directed towards health promotion may give advice to food manufacturers. Expertise may also be transferred from an NPO as part of an exchange of resources (not necessarily equal or balanced). For example the
British Heart Foundation describes itself as being ‘in partnership’ with the Lloyds Banking Group; the latter raise funds for BHF in a variety of ways and BHF provide blood pressure checks for Lloyds’ staff.

Finally, there are examples of ‘joint ventures’, ‘social alliances’ and ‘strategic alliances’ in which a business and an NPO agree to work collaboratively to achieve common or complementary goals (Austin, 2000; Berger et al, 2004; Meijs and Stubbe, 2010). Thus the Salvation Army collaborated with a for-profit business which sold on textiles donated to the Salvation Army and returned to it a percentage of the profit secured (Booth, 2011). Again, Shell and Greenpeace worked together, and with other stakeholders, to find a solution to the problem of disposing of the Brent Spar oil rig in the North Sea (Tuxworth and Sommer, 2003). In some of these cross-sectoral collaborative ventures the distinction between the norms and working practices of the two sectors become blurred and can then be conceptualized as business/NP hybrid organizations in their own right.

The range of resources involved in business/nonprofit relationships and the means through which they cross sector boundaries are synthesized and illustrated in Table One; a tentative resource-based framework for understanding the variety of business-nonprofit relationships in practice. The resources are grouped into eight broad types in the left-hand column of the table. Reading from the top of the column, I have placed the resources on a rough continuum; with the most tangible at the top (the kind of resources discussed by resource dependency theorists) to the least tangible at the bottom (reputational resources and other factors which can enhance legitimacy). The horizontal
axis of the table shows three possible means by which - according to evidence to date –
cross-sectoral transfers may take place.

[Table One about here]

A scan of the table suggests several directions for future nonprofit studies research.
Developing a Sub-Field of Nonprofit Studies

The tentative framework for understanding the practicalities of contemporary business/NPS collaborations illustrated in Table One, now requires systematic testing. In this way it will be possible to modify and expand our store of descriptive and analytical data about the variety of business/NPS relationships and inter-dependencies. Are there in practice additional means through which resources are transferred from businesses to NPOs or from NPOs to businesses? Is there always an imbalance of resources transferred (and related imbalances of power) in such relationships or are there examples of perceived mutual benefits, evenly balanced? Can collaborations run alongside, or induce, competitive or adversarial relationships? In short, what has been happening, and is currently happening, at the interface between businesses and NPOs?

A second task for nonprofit researchers is to understand the practicalities of cross-boundary collaborations from the perspective of NPOs themselves. Whereas the drivers from the business perspective are well documented and debated in the business literature (eg Davis, 2005; Porter and Kramer, 2006), we know little about why NPOs choose to embark on such relationships, why and how they are maintained, what organizational challenges the relationships pose for NPOs and how the challenges are responded to (Parkes and Harris, 2008; Schiller, 2011). We need to understand what expectations of benefits are held by NPOs and the extent to which those benefits are achieved in practice. What do they gain and what do they loose from such relationships? Are NPOs willing or reluctant partners? Are the gains and losses different according to the type of relationship
chosen or the type of business involved? To what extent do cross-sectoral collaborations of this kind serve the public benefit goals of nonprofits? What is the longer term organizational impact on NPOs of these relationships? A start has been made on tackling this latter question (for example: Basil et al, 2008; Lichtenstein et al, 2004) but it requires sustained monitoring if research evidence is to inform nonprofit management education and public policy debates about the role of the nonprofit sector.

As nonprofit scholars accumulate research-derived empirical data about business/NPS relationships, they will be in a position to turn to a third task: to modify existing theory and develop new theory about the relationship. There are at least four possible routes to such theory development. One is to consider how far the substantial body of knowledge about the government/NPS relationship (for example, Cho and Gillespie, 2006; Gazley and Brudney, 2007; Salamon, 1995; Young, 2000) can be adapted to help explain the business/NPS relationship. Are models of ‘division of labour’ in service provision between sectors (Gidron et al, 1992) useful, for example; or the concept of sectoral ‘failure’ (Weisbrod, 1977; Hansmann, 1987); or models of governance (Stone et al, 2010)? How far do embedded national policy traditions (Esping-Andersen, 1990) impact on the way the business/NPO sector relationship plays out in practice in particular countries?

A second route to theory development would be to build on the generic literature on inter-organizational relationships (Boydell et al, 2008; Huxham and Vangen, 2005) and consider how far that too can be adapted to aid understanding of the business/NPS
relationship and the challenges it raises for NPOs. Whilst it is important to acknowledge sector-specific aims, values and structures (Rashman et al, 2009), careful analysis to promote organizational learning across sectoral boundaries (in both directions) could be fruitful at this initial stage of developing knowledge and theory about a hitherto largely neglected subject.

A third possible route to theory development about the NPS/business relationship is linked to the ongoing academic debate about hybridization referred to earlier. There have been suggestions that many countries now have an increasing number of ‘hybrid’ organizations and activities (Billis, 2010; Evers and Laville, 2004) which have characteristics traditionally associated with more than one sector. Those with characteristics of both the business and nonprofit sectors include, for example, ‘social enterprises’, ‘venture philanthropy’, cooperatives, and the business arms of charities (Cordes and Steurle, 2008).

Some writers have gone further than simply noting the phenomenon of hybridization and have suggested that the boundaries between the NPS and other sectors are increasingly becoming ‘blurred’ (LSE, 2009) as sectors adopt each other’s characteristics. Does this point apply to the boundary with the business sector as well as to the boundary with the governmental sector? Is the notion of ‘blurring’ confirmed by empirical observation? If blurring is indeed occurring at the business/nonprofit boundary, what are the implications for NPOs and for theories which have seen the separation of the market from civil society and the state, as crucial for healthy democratic societies (Eikenberry and Kluver, 2004)?
As evidence and theory in this area is developed, nonprofit scholars may wish to engage more fully in critical debate about the relationship between business and the voluntary sector. Edwards (2008), for example, has strongly criticized the ‘philanthrocapitalism’ movement and its potential for exploiting the institutions of civil society whilst failing to meet social needs. Again, Porritt (2006) is amongst many who have expressed concern about ‘bankrupt capitalism’ seeking to ally itself more closely with philanthropy and charitable endeavour. Much of the criticism of the business/NPS collaborations centers on the apparent power imbalance between organizations in the two sectors; the benefits to businesses of partnerships with NPOs are thought to far outweigh the potential benefits to NPOs. Systematic empirical research could provide the evidence needed to address these fundamental debates about the respective roles of business and VSOs in contemporary society. It could also uncover the nature and extent of the phenomenon of competition (rather than collaboration which has been the focus here) between businesses and NPOs, especially as they tender for contracts from the governmental sector (Frumkin and Andre-Clark, 2000; Young and Salamon, 2002).

The notions of ‘hybridity’ and ‘blurring’, as well as critical debate around the business/nonprofit theme, could encourage a fourth area for theory development; a reconsideration of the usefulness of the long-standing three sector model which basically posits three areas of social, economic and political activity: the market or business; the state or government; and the civil society/associational worlds. If it is indeed the case that the boundaries between business and the NPS are blurring; if we are seeing
increasing numbers of business/NPS hybrids; and if there is increasing public and scholarly concern about the inter-relationships between business and nonprofits; then it may be time to develop new metaphors and conceptual frameworks which reflect realities on the ground.

**Concluding Thoughts**

The myriad ways in which the nonprofit and business sectors relate to each other are apparent although they have rarely been subject to systematic empirical investigation by specialist nonprofit scholars up to now. With governmental funding to the nonprofit sector under threat in a number of countries as governments respond to the public deficits incurred during the banking crisis, building partnerships with business will become increasingly attractive to NPOs. They will need research evidence to enable them to make informed choices about cross-boundary initiatives.

In addition to the opportunities for nonprofit scholars to investigate the nonprofit/business relationship through surveys and case studies, there are opportunities to develop theory about the relationship. Exciting possibilities will be opened up to develop a specialist sub-field within nonprofit studies; turning the research spotlight on to activities which occur across the boundary between the business and nonprofit sectors. Findings will be useful not only for nonprofits themselves but also for businesses seeking ‘partnerships’ and ‘alliances’ and policy-makers seeking to encourage such cross-sectoral relationships. It is surely time for nonprofit scholars to undertake systematic empirical
investigation of what is happening at the business/nonprofit interface; along with a parallel development of theoretical frameworks and critical debate.
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## Table One: Transfer of Resources across the Business / NPS Boundary

<table>
<thead>
<tr>
<th>Resources</th>
<th>From Business to NPO directly</th>
<th>From Business to NPO indirectly e.g. thro’ bus. foundations or nonprofit infrastructure organizations</th>
<th>From NPO to Business</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Money</strong> (e.g. cash, sponsorship, CRM payments, loans, ‘community investments’)</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td><strong>Gifts in kind</strong> (e.g. goods, premises, food, equipment)</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td><strong>Use of business assets</strong> (e.g. premises, equipment)</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td><strong>Time of staff</strong> (employees, volunteers, secondees)</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td><strong>Services</strong> (back-office, IT, testing, staff training)</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td><strong>Donations of money from third parties</strong> (e.g. customers, staff)</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Specialist knowledge or expertise, advice, information</strong></td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td><strong>Halo effect</strong> of association with brand name or purpose</td>
<td>X</td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

X = found examples in practitioner and general media