INTRODUCTION:
CHANGING
RELATIONSHIP
DYNAMICS

Increasingly, civil society organisations (CSOs) are starting to partner with businesses on their corporate social responsibility (CSR) initiatives. While such partnerships encourage businesses to support local communities and be responsible citizens, they can also be problematic, leading to loss of independence for CSOs and causing them to compromise their values. This contribution to the CIVICUS 2015 State of Civil Society Report examines the pros and cons of CSO-business partnerships, and lays down some recommendatory principles.

The past 25 years have witnessed significant pendulum swings in the relationship between business and civil society. In the pre-1990 era, relationship dynamics between business and CSOs were mostly in the direction of minimum and often adversarial interactions, with collaborative relationships ranging from philanthropy and cause-related marketing to sponsorship, and adversarial relationships extending from boycotts and protests to violent direct action (Seitanidi 2010; Austin 2000). After the end of the 1990s, the gradual disillusionment of each sector’s mono-sectoral ability to make a significant difference to social issues (Seitanidi 2008), the diminishing levels of trust in government and the private sector, and the
The past 25 years have witnessed significant pendulum swings in the relationship between business and civil society.


empowerment of CSOs (Bovaird et al 2002) swung pendulum dynamics in the opposite direction. In the early 2000s, levels of trust in CSOs were among the highest in the world (Wootliff and Deri 2001), which gradually led to more frequent interactions, engagement and, eventually, partnerships. Over the last 15 years, CSO-business partnerships shifted “… from being a nice thing to do to being a necessary component of strategy and operations. It is difficult to find an important company or nonprofit that is not engaged in some such alliance. In the world of nonprofits and business, collaboration has become essential to success.” (Austin and Seitandi 2014: xv).

The prospects for partnerships remain very positive today, with people and organisations on both sides agreeing that collaborative action will become even more important in the next three years (C&E Advisory 2014), and with company CEOs globally viewing partnerships as a critical element of their approach to sustainability (Lacy et al 2010). The high compatibility of organisational drivers pulls together both CSOs and businesses (Seitanidi 2010), in order for CSOs to achieve access to funds (95% of survey respondents), people and contacts (73%) and long-term stability and impact (71%), and for business to gain positive reputation and credibility (92%), increase the potential for innovation through collaboration (73%) and achieve long-term stability and impact (73%) (survey data from C&E Advisory 2014). It is interesting that serving the social good remains an implicit aim in the motives for developing a partnership.

Partnerships appear for some almost as a panacea for all social ills, and they are “expected to address several existing ‘gaps’ related to regulation, participation, implementation, resources and learning” (Kolk 2014: 15). Over the last decade we have begun to witness a ‘partnership society’, with a generalised fascination with the word partnership, as many organisations try to reap the currency of expected mutuality, equal power dynamics and distribution of benefits across partners, assuming that this is possible in all cases (Seitanidi 2010).

THE VALUE OF PARTNERSHIPS

However, due to the resource intensity associated with partnerships, and despite the claims of an increase in partnerships, we would expect to observe a decrease in the number of true social partnerships (Seitanidi 2010). This trend has become visible and been verified only recently, due to the availability of relevant quantitative studies, suggesting that as partnerships become more strategic and their value for organisations increases, the overall growth of partnerships slows down (C&E Advisory 2014). In 2014 the value of partnerships that ranged between zero and UK£5m (approx. US$7.7m) was 60%, with the remaining 40% of partnerships having a value beyond UK£5m (C&E Advisory 2014), and with both sectors engaging on average in more than five partnerships per organisation (C&E Advisory 2010) (Figure 1 and 2).
Although for a few CSOs the value of partnerships can be over £10m (approx. US$15.3m) annually, for the majority (71%) the value of partnerships is under £5m, with an observed decline of 14% in partnerships of £1m (approx. US$1.5m) in value or under (C&E Advisory 2014). Hence, it is unlikely that CSO income derived from the private sector has increased, but rather, a few large CSOs are likely to be benefiting from a significant increase in the value of their partnerships. In the UK, for example, private sector contributions remain the lowest type of voluntary sector (to use local terminology) income (4.64%), representing a 0.7% increase from the previous year (NVCO 2015). More than two-thirds of the voluntary sector’s income from the private sector in the UK is distributed amongst large or major voluntary organisations (NVCO 2015).
TRUST IN PARTNERSHIPS

Historically, the private sector’s funding was associated with credibility and professionalism for those CSOs that secured collaboration with well-known corporations (Bennett and Sargeant 2003). Although civil society has consistently enjoyed high levels of trust (see Figure 3), dropping occasionally only due to scandals in particular countries, 2015 has seen an alarming global evaporation of trust across all institutions, according to the Edelman Trust Barometer. In 2015 CSOs were equally affected by a general decline in levels of public trust. Despite NGOs (to adopt the terminology of the survey) remaining amongst the most trusted institutions, the level of public trust fell or remained at equal levels (see Figure 4) in 19 of 27 countries, with notable declines in the UK (16 points) and China (12 points) (Edelman 2015). Given the above, it is important for civil society to reflect on how to preserve or regain lost ground in public trust, which is the cornerstone of interactions (Fowler 2010), and is, as is suggested above, the number one motivation for businesses to partner with CSOs. Cross-sector collaborations are highly likely to increase in significance and it is expected that although they will be multi-actor (with cross-sector and intra-sector collaborations) CSO-business collaborations will remain among the most significant (Globescan-Sigwatch 2015).
The above suggests that, although partnerships will continue to flourish as a central mechanism for organisations to enhance or co-create collaborative value for individuals, organisations and society (Austin and Seitanidi 2014), CSOs need to become more strategic in order to maximise the socio-economic partnership outcomes and minimise the pitfalls that are associated with partnerships.

PROS AND CONS OF PARTNERSHIPS

In order to examine the pros and cons of CSO-business partnerships, the Austin and Seitanidi (2014) multilevel partnership outcomes framework will be employed, looking at the potential benefits and costs within different levels of analysis. The focus in the use of the framework in this contribution is on CSOs, and the positive and negative outcomes as a result of their partnership relationships with business. The framework captures the value created internally for a CSO and its employees, but also the value created externally, to benefit society. Socio-economic value can accrue at the organisational or meso level, benefiting partner organisations and individuals within those organisations. On the societal or macro level, benefits accrue to other organisations that are in close proximity to the central partner organisations (e.g. that have a partnership or a close working relationship), to individuals who benefit from the partnership (e.g. the target group relating to the social issue) and to society at large, referring to other organisations that benefit, due to impact achieved by the partnership. These latter beneficial outcomes are considered systemic level benefits.
### Table 1: CSO partnership outcomes - internal value creation / destruction

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<tr>
<th>LEVELS OF OUTCOMES</th>
<th>PROS</th>
<th>CONS</th>
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<tr>
<td>CSOs organisational pros / cons Internal meso level</td>
<td>Increased visibility, credibility; higher public awareness of the social issue; greater support for organisational mission; financial support received by the business (in cash or in kind) and additional support as a result of the partnership; increased volunteer capital; additional complementary and organisation-specific assets; improved partnership operations; organisational opportunities for learning; development of unique capabilities and knowledge creation; access to networks; greater technical expertise; increased potential to change behaviour; improved relations with profit sector; market intelligence; increased opportunities for innovation; process-based improvements; positive organisational change; shared project leadership; increased long term value potential; increased political power within civil society, profit sector and society.</td>
<td>Increased management costs; increased need for additional funds to leverage the collaboration; potential decrease in donations due to the high visibility of wealthy partners; increased need for resource allocation and skills in several departments; internal and external scepticism in case of controversial partner; decrease in volunteer and trustee support; reputational costs; decrease in employee productivity due to covert resistance; public criticism; decrease in support from other CSOs; media criticism; decreased credibility due to reputational issues or ability to manage successfully the collaboration and deliver outcomes; increased internal and external scepticism; increased costs due to unforeseen partner's exit; legitimising 'greenwashing'; increased risk of losing exclusivity of social innovation; potential increase in accountability issues.</td>
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<td>CSO employees pros / cons Internal micro level</td>
<td>New or strengthened managerial skills; leadership opportunities; technical and sector knowledge; broadened perspectives; individual emotional satisfaction, contributing to social betterment; developing new friendships with colleagues from the partner organisation.</td>
<td>Psychological pressure in case of perceived values mismatch between partner organisations; increased needs in skills; demotivation and confusion and diminishing trust in leadership due to perceived mismatches of missions, goals, strategies, value frames; feeling of selling out.</td>
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### Table 2: CSO partnership outcomes - external value creation / destruction

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<th>LEVELS OF OUTCOMES</th>
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<tr>
<td>Pros / cons of other organisations External meso level</td>
<td>Adoption of innovations that took place originally within the partnership and are spreading due to interactions with other partner organisations in close proximity. Improved partnership operations; benefiting from early adoption of new developments - new products, new markets, new processes, new insights.</td>
<td>Adoption costs (financial and non-financial) as early adopters.</td>
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<tr>
<td>Pros / cons of individuals External micro level</td>
<td>Increased awareness of social issues promoted/tackled by social partnerships; enjoying improved business behaviour of consumers, employees, citizens as a result of the change delivered by CSO-business interactions.</td>
<td>No costs involved.</td>
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<tr>
<td>Systemic pros / cons External macro level</td>
<td>Adoption of institutionalised innovations within sectors or industries; adoption of industry standards originally developed as a result of a partnerships. New ways of ‘doing business’ as a result of industry wide changes originating from a partnership (e.g. environmental standards, lending policies). Adopting new ways of contributing to the development of community infrastructure; improving work-related experiences for employees; contributing to the development of new societal structures and institutions as a result of a paradigm shift or new practices developed originally as a result of a partnership.</td>
<td>Some adoption costs (financial and non-financial), but much less than in the case of early adopters.</td>
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*Based on: Austin and Seitanidi’s multilevel partnership outcomes framework (Austin and Seitanidi 2012b)*
Table 1 provides an overview of the types of value creation (pros) or value destruction (cons) that can occur as a result of a partnership for a CSO (internal meso level) and its employees (internal micro level), representing the internal value creation potential. The generic examples provided are not exhaustive, but are indicative of partnership case studies.

Table 2 provides an overview of the types of value creation or destruction that can take place outside a partnership, focusing on other partner organisations or collaborators of a CSO (external meso level), individuals, including beneficiaries (external micro level) and systemic benefits or costs (external macro level), demonstrating the external value creation potential. As can be observed, a CSO-business partnership can potentially contribute significant benefits, extending the value proposition of a CSO by generating financial and non-financial resources. Similarly, a partnership may have many financial or non-financial costs, including reputational costs, depending on the perceptions of a business partner held within and outside a CSO. It is obvious that the closer organisations or individuals are to the partnership, the more the potential benefits they can enjoy, but also more of the potential costs.

Although most types of interactions benefit almost exclusively the direct participants, what is significant about what can be called true social partnerships (TSP) is their potential to externalise the benefit to those external to the partnership. The externalisation of socio-economic value or societal benefits (Austin and Seitanidi 2014; Seitanidi 2010; Austin 2000; Waddock 1988) is what defines a TSP from other forms of interactions: the external value created by the partners is significantly more than the potential external costs. In other words, a CSO-business partnership has a high potential to benefit other organisations, individuals and society by internalising most of the relevant costs. Hence, social partnerships are seen as laboratories of change, and function as significant sources that can make a difference for society. The additional costs to partners can, however, be significant, in money but, more importantly, in time. A CSO has to invest significant time in order to leverage a partnership. Allocating partnership responsibilities to members of staff with appropriate skills, and developing internal structures that will facilitate a partnership’s objectives and processes, are part of the partnership requirements for which a CSO should be prepared before signing a partnership memorandum of understanding.

ACCOUNTABILITY IN PARTNERSHIPS

One of the central issues of CSO partnerships is balancing the internal and external accountability of CSOs. As partnerships are attempting to solve complex problems that the state or individual sectors are unable to solve or choose not to address, the politics of this process are significant for the new agendas that are being formed (Seitanidi 2010). CSOs need to ensure that the process of solving social problems with business partners is inclusive, and systematically involve internal and external stakeholders. The accountabilities of civil society are complex (Ebrahim 2003) and characterised by many authors as multiple (Mowjee 2001; Commins 1997; Edwards & Hulme 1995b). Hence, it is

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important that all partnership decisions strengthen, rather than weaken, the internal accountability of a CSO, by being aligned with the organisation’s mission statement, and the expectations of trustees, volunteers, employees and members. Often CSOs forget to involve all their internal publics, due to a lack of resources and pressing time-frames. However, retaining internal trust is paramount in the delivery of a CSO’s strategic objectives, while safeguarding legitimacy. The inherent flexibility in CSOs can also be an obstacle in the development of mechanisms for internal accountability. CSOs have an incentive to modify their own goals, rather than reject funding from a donor, sponsor or a partner when there is a disparity between the goals of a funder and a CSO (Ebrahim 2003). As a result, CSOs may encounter tensions between the different accountabilities to funders, communities and other stakeholder groups (Ebrahim 2003). Similarly, CSOs need to take a proactive approach towards their external accountability, involving their external stakeholders as much as possible in order to enhance public trust, which now seems ever more important, due to diminishing levels of trust.

Accountability demands greater transparency in the organisational processes of all sectors. As Bovens (2005: 183) contends, accountability “has become a rhetorical device; it serves as a synonym for many loosely defined political desiderata, such as transparency, equity, democracy, efficiency and integrity.” The increasing number of corporate social reporting initiatives, and equally the sophistication of civil society reports, could lead to the assumption that organisations are more accountable today than ever before (Swift 2001). It appears, however, that the ample provision of information to stakeholders has increased, rather than reduced, scepticism, associated with the critique that such over-demonstration of accountability is the result of managerial opportunism (Owen et al 2000). Achieving the balance between demonstrating and over-demonstrating accountability can be difficult, particularly for large CSOs that have available resources.

Accountability in CSO-business partnerships should be seen as an additional process, i.e. the development and nurturing of social relationships between a CSO and its internal and external stakeholders, to who they proactively need to explain and justify their conduct for a partnership. CSOs should expect and welcome opportunities to be challenged by their stakeholders as a way of sharing the risks involved in a partnership. Institutionalising such processes of dialogue with all stakeholder groups can be formal or informal, depending on the resources available and the levels of risk involved (Austin and Seitanidi 2014; Seitanidi 2010; Seitanidi and Crane 2009). Formal risk assessment is, nevertheless, a best practice that allows for a systematic two way communication with key stakeholder groups, strengthening the civil society mandate for a CSO, which can in effect act as an important leverage in negotiations with a business partner. CSOs are embedded within communities, and have an obligation to keep those communities informed of their decisions, but this is also a significant source of strength that can be used for increasing a partnership’s accountability and legitimacy, reducing the risk of potential costs. If this is the case, in negotiations between CSO and their partners, they are likely to feel more empowered, as they have a direct mandate to speak on behalf of their communities and
beneficiaries regarding a partnership’s programmes and processes.

CONCLUSION

Despite the central premise of social partnerships being the addressing of social issues (Waddock 1988), until now the starting point of collaboration has been “the need and the potential” for benefit (Wood & Gray 1991: 161) for the partners, rather than prioritising the benefit to society (Seitanidi 2010). Despite early calls for positive partnership outcomes to “encompass the social value generated by the collaboration” (Austin 2000: 77), partnerships do not necessarily achieve the desired outcomes at all times, as they require skills, time and long-term commitment from all involved parties, which can be challenging. Critics of partnerships (Reed and Reed 2009; Biermann, Chan, Mert & Pattberg 2007; Hartwich, Gonzalez & Vieira 2005) and partnership outcomes, although relatively scarce, have cautioned for attention to be paid to the motives, processes and delivery of outcomes (Austin 2010; Seitanidi 2010; Margolis & Walsh 2003; Brinkerhoff 2002; Austin 2000).

In order for CSOs to maximise their benefits and minimise the risks associated with partnerships, they need explicitly to prioritise the social good in their operations and communications, and become more strategic in their interactions with business, by strengthening their internal and external accountability, and developing appropriate processes, including institutionalising a formal risk assessment process, which will further assist in maintaining or increasing their levels of public trust. Putting such processes in place can further empower CSOs, enabling them to increase significantly their financial demands from business for providing a critical connection with communities, which is currently undervalued. At the same time, CSOs need to invest significant time and resources in making sure they have appropriate skill sets in place for a new era of intense interactions.

The criticism of partnerships, the retreating levels of trust in CSOs and the increasing need for resources and effectiveness will signal another pendulum swing, which is likely to be associated with a paradigm shift in what constitutes collaboration value, so that all partners will explicitly prioritise the social good in their motivations, processes and outcomes.

REFERENCES


D L Owen, T A Swift, C Humphrey and M C Bowerman (2000), 'The new social audits: accountability, managerial capture or the agenda of social champions?' European Accounting Review, Vol. 9, No. 1, 81-98


