

**PARTNERSHIPS BETWEEN NONPROFIT ORGANIZATIONS  
AND BUSINESSES: LEGITIMACY FOR SALE, BUT AT WHAT COST?**

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## **DEDICATION PAGE**

I would like to dedicate this project to my family, without whom, this would not be possible.

To my parents who have steadily been my support and encouragement through the good times and the bad times all through the years.

To my brother, whom I've always been able to turn to for a sounding board, stimulating conversation, or a shoulder to cry on.

To my sister who inspired me that there are no limits to what you can do, only those you set for yourself.

And last, but not least, to my husband, whose patience and understanding exceed my own.

## **ABSTRACT**

This study explores partnerships between nonprofit organizations (NPOs) and businesses. In particular, it focuses on the motivations of the NPOs in such partnerships as they relate to the legitimacy concerns of organizations when viewed through the lens of neoinstitutional theory. The data were collected via semi-structured phone interviews with managers of nonprofit organizations from the United States. The transcripts were analyzed iteratively using a thematic analysis. Results indicate that NPOs may be trying to recapture eroded moral legitimacy with the public through partnerships with businesses. However their bargain to seek gains in their pragmatic legitimacy with their business partner by increasing the business' social legitimacy appears to be potentially at the expense of losing cognitive legitimacy with their clients.

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## **1 INTRODUCTION**

Nonprofit organizations (NPOs), like for-profit organizations, are affected by their environment. The actions of other NPOs, businesses and governments impact that environment. The government's impact on NPOs is primarily through resource distribution and/or laws and regulations. NPOs that depend on government grants for a significant portion of their funding will adapt their actions to ensure continued funding (Luksetich, 2008).

Different governments bring with them different ideologies as well as changes in laws, regulations and budgets that impact NPOs. For those under a neoconservative ideology (Kristol, 1983), NPOs receive less financial support from government while the government focuses on foreign policy. Nathan, Dearborn and Goldman (1982) noticed a reduction in resource allocation for NPOs during the Reagan administration. This has continued and resulted in a changed environment for non-profit managers, both in terms of acquiring resources and establishing their role in the community. Simultaneous to the reduction in resource allocation from the government, the public began to value efficiency and 'being businesslike' as organizational traits (Milne, Iyer, & Gooding-Williams, 1996). These developments meant that the nonprofit sector faced two difficulties: they found it more difficult to secure new resources, and they were asked to justify their operations in order to maintain their current resources.

The focus of this study explores how NPOs have responded to these difficulties by making direct connections with businesses to supply a portion of their resource needs. These connections have resulted in both new and sustained financial contributions to

NPOs, but also signaled the emergence of an increasing number of partnerships between NPOs and businesses. As in any successful partnership, there are benefits for both the NPOs and the businesses that enter into these partnerships. But also like many partnerships, there are some risks involved for both parties. This study explores, as its primary contribution, these benefits and risks from the perspective of NPOs that choose to partner with business.

In brief, businesses can benefit because the for-profit world has found that their environment has also changed. The business sector typically conforms to societal rules and expectations, in other words, it needs social legitimacy (Dacin, Oliver, & Roy, 2007). The public demands corporate social responsibility (CSR) as a part of business responsibilities (Porter & Kramer, 2006). Social issues have become business issues. Therefore, businesses have begun to include philanthropy in their strategy (McAlister & Ferrell, 2002). These partnerships enable a business to strategically identify with a social issue.

NPOs, on the other hand, can receive several different kinds of resources from their business partner such as: funding, volunteers, gifts-in-kind and marketing. This study will explore the motivating factors of NPOs for entering into partnerships with businesses.

Neoinstitutional theory (DiMaggio & Powell, 1983; Meyer & Rowan, 1977) explores legitimacy and both its pursuit by, and impact on, organizations. In particular, neoinstitutional authors provide a body of theory that frames the structure and actions of organizations as they manage the tension between legitimacy and technical efficiency

(Zucker, 1977). Suchman (1995) defines legitimacy as “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (p. 574). This author’s typography of legitimacy will be used to frame the types of legitimacy that NPOs could be seeking, as well as the types of legitimacy they have gained or lost as a result of these partnerships. The concept of legitimacy and Suchman’s typology is further described in the literature review below.

This study will explore what is driving the phenomenon of partnerships between the for-profit and nonprofit sectors. It will consider various stakeholders to outline the demands of the nonprofit environment as well as the motivations of NPOs. It will also enable the researcher to examine if NPOs are seeking to demonstrate legitimacy for purely instrumental purposes, i.e. in order to attract resources such as funds and volunteers, or whether they have other motivations to form partnerships. Finally, the study will explore the potential for actual *loss* of legitimacy by NPOs as they undertake alliances with businesses.

## **2 LITERATURE REVIEW**

### **2.1 Historical Context**

In Hammack's (2002) summary of the history of NPOs in the United States, he discussed various governmental policies, national and international events, and public opinions that have affected the environment of the nonprofit sector over the past century. As governments and their ideologies changed, so did the nonprofit sector, its environment and its method of obtaining resources. At the time of this study in 2008, the nonprofit sector's environment is partially impacted by the current take on Kristol's (1983) neoconservatism. Neoconservatives do tolerate some role of the government in social programs, unlike traditional conservatives where the government should have no role at all (Kristol, 1983), however, that role is minimal and has been more or less in retreat since the 1970's.

The Reagan administration began the process of reducing the government's involvement in social programs through the 1982 federal budget (Nathan et al., 1982). This budget included many tax cuts of which the NPOs were one of the major victims (Nathan et al., 1982). The budget cuts varied in nature; some NPOs experienced the loss of entire contracts or grants, while others did not experience cuts, but were not given increases to account for inflation or increased demand for service (LeRoux, 2005). The Reagan Administration initiated a change of mindset within this sector. This administration emphasized privatization as a strategy for NPOs to reduce the federal government's role in social programs (Adams & Perlmutter, 1991). Many NPOs were faced with the loss of public funding and decreased private donations during the same

time period and therefore turned to creative methods of obtaining resources (Adams & Perlmutter, 1991; LeRoux, 2005).

As a result, NPOs began to interact with businesses and found compatible partners in those that took the opportunity to engage with NPOs to fulfill their extended business responsibilities by including CSR (Porter & Kramer, 2006). Therefore these partnerships provide an opportunity for the business sector to increase social legitimacy (Dacin et al., 2007). Thus, partnerships began to form. Four types of partnerships are predominantly discussed in the literature: NPO entrepreneurial activities, strategic philanthropy, cause-related marketing, and corporate volunteerism.

## **2.2 Four Types of Partnerships**

### ***2.2.1 NPO Entrepreneurial Activities***

For some NPOs, partnerships with businesses are an outgrowth of their involvement in entrepreneurial activities, also called venturing, in which the NPO has developed products or services to generate income (Adams & Perlmutter, 1991; Eikenberry & Kluver, 2004). This can include not only partnering with businesses, but also starting their own for-profit business or converting to a for-profit status (Eikenberry & Kluver, 2004). For example, a NPO could print brochures for a business, invoice the business and be paid for services rendered as a source of income for the NPO. The concern with this new focus on generating income is its effect on the mission of the NPO. Researchers have argued that NPOs will pursue financial opportunities that are not consistent with their mission (Adams & Perlmutter, 1991; Eikenberry & Kluver, 2004).

### ***2.2.2 Strategic Philanthropy***

McAlister and Ferrell (2002) define strategic philanthropy from the business perspective as “the synergistic use of organizational core competencies and resources to address key stakeholders’ interests and to achieve both organizational and social benefits” (p. 690). These authors point out that strategic philanthropy differs from simple donations because it involves the employees, organizational expertise, and ensures synergy between core competencies and social need. It can result in financial contributions or gifts-in-kind to the NPO as well as a benefit to the business. Porter and Kramer (2006) encourage businesses not to engage in CSR as a reaction, but as a strategic plan. They insist that it is in a business’s best interest to give back to the community. Therefore, strategic philanthropy is typically a long-term relationship between an NPO and a business with similar, or at least synergistic, missions or objectives (McAlister & Ferrell, 2002).

### ***2.2.3 Cause-Related Marketing***

Cause-related marketing is also a partnership resulting in resources for the NPO, but does not necessarily involve two organizations with a similar mission or objective providing that the targeted consumer likely has overlapping interests in both the business’s product and the NPO’s issue. An example would be Yoplait yogurt’s "Save Lids to Save Lives" in partnership with the Susan G. Komen Breast Cancer Foundation. For each product with a pink lid that consumers turn in (women are the largest consumers of yogurt), Yoplait donates 10 cents to the foundation.

Varadarajan and Menon (1988) explored this concept and have offered the following definition:

Cause-related marketing is the process of formulating and implementing marketing activities that are characterized by an offer from the firm to contribute a specified amount to a designated cause when customers engage in revenue-providing exchanges that satisfy organizational and individual objectives. (p.60)

NPOs have used this alternative to generate funds as well as receive publicity for their organization. This product based marketing approach can result in a long-term or short-term relationship. This study will focus on long-term relationships. Research demonstrates that the NPO must enter into a partnership carefully or it could have a negative effect on public perception, instead of the desired positive effect (Basil & Herr, 2006; Deshpande & Hitchon, 2002; Hamlin & Wilson, 2004; Rifon, Choi, Trimble, & Li, 2004).

#### ***2.2.4 Corporate Volunteerism***

Corporate volunteerism is different than the previous three methods, since instead of increasing revenue for the NPO, corporate volunteerism reduces expenses. Brudney and Gazley (2006) indicate that there is a lack of sound research in this area (but see Basil & Runté, 2007). Corporate volunteerism includes volunteer work that is supported by the employer. It often takes place during work hours and is sometimes organized by the business. Corporate volunteerism is an asset to the NPO by providing the much-needed resource of volunteers.

## **2.3 Motivation**

These types of interactions have resulted in partnerships between NPOs and businesses. Clearly, the need for resources is one of the primary motivations for the NPO to enter into partnerships with businesses. This study attempts to explore other motivations.

To date, NPO - business partnerships have been studied primarily from the perspective of the business (Aguilera, Rupp, Williams, & Ganapathi, 2007; Berger, Cunningham, & Drumwright, 2006; Hemphill, 1995) with few exceptions (see Basil & Runté, 2007; Gazley & Brudney, 2007 and Milne et al., 1996). Given the broader mission of this study to build a more balanced perspective of the various motivations of both sides of these partnerships, we first turn to what we know about why businesses enter into them.

First, we utilize the power, legitimacy and urgency aspects of stakeholder theory (Mitchell, Agle, & Wood, 1997) to provide a framework to understand a business' motivation to engage in NPO – business partnerships. This framework is then applied to the nonprofit sector to frame their potential motivations. Second, neo-institutional theory (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Suchman, 1995) is used to further explore how the acquisition of legitimacy can be seen as a motivation for both businesses and NPOs to enter into partnerships.

### ***2.3.1 Stakeholder Theory***

Mitchell et al. (1997) describe three attributes that both identify stakeholders and their salience to the organization. The three attributes are power, legitimacy and urgency. A stakeholder may have one, two or all three of these attributes at any given time. It is the

combination of these attributes that establishes salience. Identifying stakeholders and understanding their salience assists an organization to manage all of their stakeholders simultaneously. Possessing this understanding is important because often the demands of various stakeholders conflict.

This project will not identify a complete list of stakeholders and their salience because stakeholder identification is unique to each organization and varies with time (Mitchell et al., 1997). However, this project will develop an understanding of each attribute as well as explore some potential stakeholders for businesses and NPOs in order to investigate various motivations.

Power is the first of the three attributes. Mitchell et al. (1997) describe three types of power: coercive, utilitarian and normative. Coercive power involves the threat of physical resources, including violence. Utilitarian power on the other hand involves the use of material resources, such as financial. Finally, normative power involves the use of symbolic resources, prestige is an example. It is difficult to maintain any of the three types of power, which is why they are described as transitory.

Legitimacy is the second of the three attributes. Mitchell et al. (1997) discuss legitimacy very broadly utilizing Suchman's (1995) definition outlined in the introduction of this project. This broad definition describes legitimacy as a widely accepted benefit for society that is subject to change. Legitimacy can be possessed by a stakeholder or acquired. Acquiring legitimacy will be examined further as a motivation for these partnerships.

Urgency is the last of the three attributes. In order for a stakeholder to have urgency the stakeholder must possess two attributes: time sensitivity and criticality, according to Mitchell et al. (1997). It is generally in a stakeholder's best interests to deal with an impactful claim in a timely fashion. When a stakeholder possesses both of these attributes they have urgency.

Identifying the attributes of power, legitimacy and urgency in potential stakeholders enables organizations to manage those relationships. However, Mitchell et al. (1997) list three considerations regarding stakeholders. First, these attributes may be gained or lost and are not fixed. Second, these attributes are not defined objectively, but are socially constructed. Lastly, stakeholders may or may not be consciously aware of the attributes they possess. We are mindful of these caveats, yet must adopt a more or less instrumental approach that emphasizes the presence of a dynamic equilibrium between partners based on a conscious recognition of objective benefits from the partnership. Therefore, potential stakeholders of businesses and NPOs will be explored only in terms of their connection to motivating factors to enter into partnerships.

### ***2.3.1.1 Stakeholders of Businesses***

Research has shown that businesses have a variety of stakeholders with whom they interact. Maintaining relationships with stakeholders may become a partial motivating factor for a particular action, including forming a partnership with an NPO. These partnerships can be used as a tool to manage various stakeholders. Aguilera et al. (2007) identify several stakeholders of businesses including employees, insiders such as shareholders, outsiders such as customers, governments, and nongovernmental organizations. Each of these stakeholders may have their own motivation to pressure a

business into CSR activities that might be achieved in part through a partnership with an NPO. Each is addressed in turn below.

**2.3.1.1.1 Employees.** An organization can increase job satisfaction, organizational commitment, employee citizenship, performance, and positively influence employees by engaging in CSR (Aguilera et al., 2007). Such an approach recognizes the rights-based legitimacy of employees, their power (especially in a unionized setting) and the growing urgency of social issues as a salient factor in recruitment and retention. A specific example of CSR that can influence employees relating to partnerships is corporate volunteerism. A business that has partnered with an NPO and engaged in corporate volunteerism has been found to positively affect organizational culture and/or improve employee retention (Basil & Runté, 2008).

**2.3.1.1.2 Shareholders.** Businesses may also be motivated by shareholders to enter into these partnerships to enhance their ability to secure resources by improving their social legitimacy in the eyes of consumers. As the definitive stakeholders combining power, legitimacy and urgency, shareholders demands are highly salient. Research suggests that business can accomplish more while in a partnership with an NPO (Hemphill, 1995). CSR can provide a competitive advantage for a business, which makes CSR in the best interest of the shareholders (Aguilera et al., 2007; Porter & Kramer, 2006).

**2.3.1.1.3 Outsiders.** Some businesses are motivated by their customers and special interest groups including NGOs. Customers exert opinion through purchasing power (Aguilera et al., 2007) and through legitimate consumer rights. Although the

legitimacy of NGOs is often questionable as falling at the lower end of an interest / rights / ownership continuum, NGOs have been proposed to pressure businesses to engage in CSR activities so that the NGO can gain power (Aguilera et al., 2007). This pursuit to gain social legitimacy can be a reaction to customer demands or social interest groups producing negative publicity (Hemphill, 1995). It may also be an action that is influenced by industry leaders in anticipation of need (Hemphill, 1995) reflecting normative aspects.

Dacin et al. (2007) examined alliances between organizations focusing on the legitimacy-based function of alliances. Their study developed a framework that suggests five types of legitimacy: market, relational, social, investment and alliance. Social legitimacy is where their framework intersects with this study.

Dacin et al. (2007) found that firms possessing a need for legitimacy will select a partner based on their particular need. This study is focused on the need for social legitimacy. Businesses possess a high level of social legitimacy when they “conform to societal rules and expectations of appropriate business behavior...to behave as socially responsible entities” (Dacin et al., 2007, p. 176). Businesses or industries that are not perceived as socially responsible have a need to increase their social legitimacy. These alliances or partnerships are often, although not exclusively, with NPOs because they typically are perceived as more socially responsible than their business partner. These partnerships can function as a tool to increase the social legitimacy of businesses.

Clearly, a business’ motivation for entering into a partnership with an NPO can involve many stakeholders. Research has shown there is interplay of motives across

stakeholders (Aguilera et al., 2007). Balancing the desires of various stakeholders is a complex task and the needs of one stakeholder may conflict with those of another (Aguilera et al., 2007). This places the business in a position of managing dynamic relationships while maintaining the best interests of their organization, a precarious position from which to launch long-term, intensive partnerships.

### ***2.3.1.2 Stakeholders of NPOs***

Intuitively, an NPO's motivation to enter into any partnership would also be a complex issue. They too have many stakeholders to take into consideration. However, research has been focused mainly on resources as a motivating factor for partnerships in general. For example, Gazley and Brudney (2007) studied partnerships between NPOs and the United States Government and found that NPOs tended to partner with government to secure resources, primarily funds. But NPOs are also likely to have less tangible motivations as well as obtaining funding. Like businesses, NPOs face claims from various stakeholders, leading to various motivations for entering into partnerships. A number of legitimacy-seeking frameworks provide one way into understanding that critical resource as a motivating factor, and we pursue that discussion in a subsequent section. Prior to that discussion, however, five groups of stakeholders will be explored using the NPO as the focal organization: the public as a whole, employees, a business partner of the NPO, government funding agencies and/or foundations, and lastly, current donors.

***2.3.1.2.1 The Public.*** The public forms the first stakeholder group to be examined. This group is important to NPOs because it contains potential donors, potential

clients, tax payers whose opinions sway government and media, and the opinions of society as a whole.

Carson (2002) explains that the nonprofit sector has not done a good job educating the public as the sector has evolved over time. The public still sees this sector as one “composed of relatively small, volunteer-driven organizations that largely rely on contributions of money, time, and goods from individual contributors” (Carson, 2002, p. 429). This has led to the assumption that the nonprofit sector is run by volunteers or underpaid staff, which in turn leads to the expectation that little money is needed for administration costs. It has also led to the assumption that these small, needy organizations must be watched carefully due to their lack of professionalism if they are to be held accountable. Therefore, the public now expects NPOs to operate with very low overhead expenses. These expectations place the nonprofit sector in a difficult situation as many NPOs are very large, national organizations with highly educated employees including paid professionals.

Stone and Ostrower (2007), on the other hand, argue that the public has changed their expectations over the years. Now that businesses are expected to look beyond the bottom line to the potential negative social impacts of their business decisions and engage in corporate social responsibility, NPOs are similarly expected to look beyond their own narrow interests. The nonprofit sector is thus expected to be actively involved in their external environment even if those activities are not related to their mission and these expectations require NPOs increasingly to do more with less.

Interestingly, both sets of expectations could be seen as placing demands upon NPOs to be more like other (business) organizations, both in terms of their degree of professionalism and the extent of their open systems orientation. This study will explore if addressing such expectations are among the motivations for NPOs entering into partnerships with businesses. For example, the public may feel at ease if it appears that a business is mentoring and monitoring an NPO's strategic planning and administrative spending, whether this is the nature of the partnership or not.

**2.3.1.2.2 Employees.** Employees are important stakeholders when considering partnerships because they are often in the frontlines making the partnership happen. That can entail pursuing potential businesses partners, training volunteers, or completing paperwork required by the partnership contract.

As noted above, employees of NPOs are now more highly educated and some are even professionals (Carson, 2002). With more qualified staff comes an expectation for higher wages (Leete, 2000). However, a study done by Kim and Lee (2007) demonstrated that money is not the only expectation of NPO employees. Their study showed commitment to the mission can alleviate concerns about pay or career advancement. Therefore, employees expect to be involved in an organization that is mission focused. However, employees will leave if the required paper work is overwhelming or if they feel their work is not adequately valued by their supervisors (Kim & Lee, 2007). This could translate into expectations of limited bureaucracy and enhanced appreciation relative to business organizations.

**2.3.1.2.3 The Business Partner.** The business partner itself is a stakeholder, albeit one that may have questionable legitimacy in terms of rights (unless a formal contract exists) or ownership. However, the NPO gains resources from this partnership such as funds, gifts-in-kind, volunteers, advertising and contacts with prominent community members, all of which confer power upon the business partnership. While examining the stakeholders for the business partner, various expectations were outlined. Involvement in CSR has been shown to enable a business to accomplish more (Hemphill, 1995), provide a competitive advantage (Aguilera et al., 2007) and improve employee retention (Basil & Runté, 2008), to name a few of the benefits or partnerships. In order to enjoy these benefits, the salient stakeholder(s) of the business must be aware that the business is engaged in CSR. Therefore the business expects that its partnership with the NPO will be highly visible and may compel the NPO to draw attention to it in its contacts with its own stakeholders.

**2.3.1.2.4 Government and Foundations.** Government funding agencies and foundations are also stakeholders of NPOs. They are typically a powerful stakeholder especially when the majority of a NPO's funding comes from this one source. When an NPO is providing service delivery for the government, the government is often the dominate partner (Brinkerhoff & Brinkerhoff, 2002). Their expectations are for the NPO to provide the service efficiently and effectively (Brinkerhoff & Brinkerhoff, 2002). However, as previously mentioned, beginning with the Reagan administration, governments have also encouraged the nonprofit sector to privatize (Adams & Perlmutter, 1991) expecting NPOs to find more of their own funding. This expectation has been partially met through partnerships with business.

**2.3.1.2.5 Donors.** The last stakeholder group to be examined is the current donor. This group would seem to have a legitimate claim on the NPO because they are contributing their personal resources and would thus be equivalent to the ownership stake of shareholders. Where an NPO adopts a co-op organizational structure, this equivalence is quite clear. Research has shown that donors do not seem to take into consideration the major source of funding of the NPO to which they donate (see Herman & Rendina, 2001 and Horne, Johnson, & Van Slyke, 2005). This would suggest they are not concerned if the funds come primarily from the government, foundations, donors like themselves or businesses. Like the public at large, however, they are, concerned with *how* the NPO is spending its money. Callen, Klein, and Tinkelman (2003) found that donors expect NPOs to run efficiently and to spend little on administration costs. Donors are also concerned about the measureable social impact of the NPO. Wagner (2002) found that donors expect NPOs to produce results, but also to provide an opportunity for donors to be actively involved. Increasingly, donors are not interested in just providing funds; they want to be actively involved in a cause that is making a difference.

**2.3.1.2.6 Scope for NPO Stakeholder Convergence and Conflict.** As with businesses, there are both convergences and conflicts between the expectations of the various stakeholders of NPOs. Government, foundations and donors seem to agree on efficiency as an expectation which might suggest that NPOs are beginning to adopt the structures and practices of business. However, Brinkerhoff and Brinkerhoff (2002) report that isomorphism is taking place between the public and nonprofit sectors. NPOs are structuring themselves more like government organizations, which are not known for their efficiency. This disconnect is one of the areas explored by this study.

The public and donors both list lower costs on either overhead or administration as an expectation. However, this conflicts with the employees who expect an adequate wage for their work. Carson (2002) would argue that this conflict has resulted from a lack of education by the nonprofit sector to the community of the realities of the sector.

Another conflict arises from the public's expectation that NPOs will be involved in their external environment even if the activity is not related to the mission. This is contrary to the expectations of employees who often choose an organization based on its mission and expect to work towards that mission. By adding projects that are not related to the mission (combined with inadequate wages), it will be difficult for NPOs to both retain staff and maintain a good public opinion.

Finally, the expectations of government, foundations and donors with respect to efficiency and accountability can be both internally inconsistent as well as providing for conflict with NPO employees. Government, foundations and donors expect NPOs to function efficiently, however they also expect results and reporting on the impact they are having on the community. This adds a lot of paper work to track short-term and long-term outcomes of their service offerings. Not only does that hinder efficiency but it provides added bureaucracy for the employees, amplifying the conflict as the employees expect less bureaucracy.

Clearly, managing various expectations from stakeholders is a complicated task for any nonprofit manager. It is in this context that this study examines both the returns and the risks that arise from entering into partnerships with businesses and whether these partnerships help or hinder the ability of NPOs to manage their stakeholders.

### *2.3.2 Legitimacy-Seeking Theories*

Within organization theory, two general approaches to legitimacy seeking are offered: neoinstitutional theory (DiMaggio & Powell, 1983; Meyer & Rowan, 1977) and resource dependence theory (Pfeffer, 1981). Neoinstitutional theorists examine legitimacy at the organizational level to understand societal norms and expectations of the organization (Elsbach, 1994). Researchers taking the more strategic, resource dependence approach grant a high level of management control to gaining legitimacy (Pfeffer, 1981). These latter studies take place at a firm or individual manager level, focusing on activities or outcomes of the organization (Suchman, 1995).

This study has been informed by both approaches in order to gain a more complete understanding of the situation (Dacin et al., 2007; Swidler, 1986). For example, Swidler (1986) stated that “we can focus on those historical junctures where new cultural complexes make possible new or reorganized strategies of action” (p. 283). By examining the historical context of funding and societal expectation changes, the reaction of the NPOs can be better understood. For example, at the time of this study the United States government has a neoconservative ideology and neoconservatives believe in small government with an emphasis on the free market (Kristol, 1983). This influence leads the study to investigate from a neoinstitutional perspective whether this ideology has affected the nonprofit sector. We are also conscious of the more strategic, operational aspects of managing legitimacy, however, since the primary data set for the study is a series of interviews with respondents who are largely NPO managers.

### ***2.3.2.1 Categorizing Legitimacy-Seeking***

As noted earlier, Suchman (1995) defines legitimacy as “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (p. 574). It is clear from that definition that legitimacy is subjective to the audience, time sensitive as values, beliefs and definitions change, and is commonly held by the whole audience. Therefore, the understanding of how a legitimate organization behaves can change with a historical event such as the budget changes in 1982 under Reagan. Under a more liberal government, the legitimacy of NPOs as an organizational form was taken for granted as essential to the United States and therefore deserving of significant, no-strings-attached government funding (Runté, Basil, & Runté, 2007). Now funders have increased reporting to ensure that NPOs are being efficient with their funds and add value to society (Hall, Phillips, Meillat, & Pickering, 2003). This has altered the definitions of acceptable behavior. This research explores the goal of sustaining legitimacy as a motivating factor in entering into partnerships with businesses. To aid in this exploration, the study makes use of Suchman’s (1995) typology of legitimacy which includes pragmatic, moral and cognitive components.

***2.3.2.1.1 Cognitive Legitimacy.*** When an organization possesses a high level of cognitive legitimacy the organization’s value is both understood and is either thought to be clearly necessary or not thought about at all because it is engrained in the culture and is therefore taken-for-granted (Suchman, 1995). Cognitive legitimacy is the most difficult type to acquire and provides the most secure position for an organization. In capitalist societies, the cognitive legitimacy of the for-profit business organization as a means of

organizing production enjoys strong cognitive legitimacy. Recently, however, with the ascendancy of CSR, the strict Friedmanite position that the business of business is only business is generally seen as no longer cognitively legitimate. Businesses need to demonstrate their social bona fides to be acceptable (legitimate) members of society.

Paradoxically, it is likely that NPOs in general also had greater cognitive legitimacy prior to the Reagan administration. It was simply assumed that government would fund NPOs as they were a necessary part of society (Runté et al., 2007). After the Reagan administration, NPOs lost a great deal of that cognitive legitimacy. Funders and individuals who donate to NPOs now require more information about how their money is being used and whether the existence of the NPO is truly necessary. They do not simply assume that the NPO is benefiting society and therefore deserves their money. Instead donors take the time to check out the NPO or engage a third source to ensure that the NPO will put their donation to good use (Wagner, 2002).

The loss of cognitive legitimacy by both business and NPOs has, in turn, forced them to actively defend themselves in terms of their moral legitimacy.

**2.3.2.1.2 Moral Legitimacy.** Suchman (1995) discusses moral legitimacy as altruistic judgment. The audience judges if the organization's method of providing services is considered generally to be appropriate and/or whether observable outcomes demonstrate they are reaching their goal. How the organization accomplishes its goals and the goals themselves are measurable or observable indicators to the audience whether the organization's actions "are desirable, proper, or appropriate" (Suchman, 1995, p. 574).

There are four kinds of moral legitimacy discussed by Suchman (1995): consequential, procedural, structural, and personal. Consequential legitimacy is based on outcomes or what the organization accomplishes. This can easily be demonstrated by any business producing a tangible product or service. The questionable legitimacy of products or services such as tobacco, alcohol and prostitution are examples in this regard. Although more difficult, consequential legitimacy can also be placed in the context of many NPOs. For example, hospitals record the number of patients served in the emergency ward over a certain period of time to be able to demonstrate both efficiency and effectiveness of care.

Procedural legitimacy, according to Suchman, looks at more than what is accomplished; it examines *how* that outcome was produced. Here judgment is based on procedures or techniques used by the organization. While the products themselves are legitimate, the production of footwear or apparel under sweatshop conditions might constitute a problematic case for procedural legitimacy in a business case. To continue the NPO example, hospitals have specific procedures in place to ensure a sterile environment for their patients, but the practice of providing addicts with clean needles have come under fire as a procedure to reduce the transmission of HIV.

Closely related to procedural legitimacy is structural legitimacy. This type of legitimacy is based on the organizational structure and is closely aligned with the concept of legitimacy-seeking through structural isomorphism (DiMaggio & Powell, 1983). Accordingly, while businesses have developed process and network structures in part to acquire the legitimacy of 'cutting edge design', hospitals have added layers to their structure, especially amongst the nursing staff for similar reasons. Part of registered

nurses' (RN) duties is to delegate tasks to their licensed practical nurse (LPN) because they are on a higher level of the organizational structure.

Lastly, personal legitimacy stems from the charismatic leader of the organization. These individuals often possess a great amount of influence in order to bring about change. Such figures abound in the business popular press from Iacocca to Welch. Returning to the hospital example, a new CEO might just been hired who has just finished a term as mayor. This individual is well liked in the community and is known for accomplishing a lot in a short period of time. Thus, the reputation and personality of the new CEO will reflect well on the organization. All four types of moral legitimacy provide the audience with criteria to form a judgment about the organization.

**2.3.2.1.3 Pragmatic Legitimacy.** The level of "(p)ragmatic legitimacy rests on the self-interested calculations of an organization's most immediate audiences" (Suchman, 1995, p. 578). By pursuing this type of legitimacy an organization can enter into political, economic and social interdependencies. Suchman (1995) describes three types of pragmatic legitimacy: exchange, influence and dispositional. Exchange legitimacy is the simplest form of pragmatic legitimacy. It involves the audience granting support based on the actions of that organization. For example, an NPO, like a breast cancer foundation, is supported by women over fifty because they want a cure discovered before they have breast cancer themselves. Similarly, influence legitimacy involves granting support, not for what the audience will receive, but because the organization is aligned with their larger interests. An example of influence legitimacy is if a business supports an environmental group who is targeting their competition publicly for their bad environmental practices. Lastly, dispositional legitimacy occurs when the particular

audience grants support based on its perception of the personified characteristics of the organization. For example, the particular audience feels the organization is trustworthy, efficient, or has its best interests at heart so they label it as a legitimate organization. Each type of pragmatic legitimacy demonstrates that support is granted based on how the supporters will benefit. This is what makes this type of legitimacy different from the previous two types of legitimacy.

Suchman (1995) acknowledged that in reality all three types of legitimacy; cognitive, moral and pragmatic, co-exist. He proposes an order to gaining these types of legitimacy based on their characteristics. Pragmatic seems to be the easiest type to increase because it can be acquired by supplying the self-interested audience with their needs or wants. Next, moral legitimacy is increased through observation of measurable goals so is less direct, although organizations can take tangible actions to increase their level of moral legitimacy. Finally, cognitive legitimacy is the most elusive and subtle. Communicating the importance of an organization to an audience so that they understand and perhaps completely accept its legitimacy is a difficult task and often involves acceptance of organizational forms and practices at a more macro, industry level that may elude the initiatives of single organizations. Therefore, Suchman (1995) suggests that organizations move from pragmatic to moral to cognitive legitimacy with some overlap. However, conflict can arise from this overlap (Suchman, 1995). For example, if an organization makes desperate pragmatic appeals their methods may come into question, which may decrease their moral legitimacy in order to increase their pragmatic legitimacy (Suchman, 1995).

This study will explore the motivation of NPOs to enter into partnerships in terms of cognitive, moral and pragmatic legitimacy. It will examine each of the previously identified stakeholders in terms of the types of legitimacy they require or can increase. The various kinds of cognitive, moral and pragmatic legitimacy will not be explored specifically. This level of fine tuning does not offer additional understanding into the nonprofit sectors motives. This study will, however, explore Suchman's (1995) proposed order to gaining legitimacy as well as the potential conflicts.

### **3 RESEARCH QUESTIONS**

#### **3.1 Returns**

What motivates nonprofit organizations (NPOs) to enter into partnerships with businesses? Are NPOs seeking legitimacy for instrumental purposes? If so, what role do the nonprofit organization's stakeholders play in their effort to manage legitimacy?

#### **3.2 Risks**

What are the risks involved with these partnerships for the NPO? Is there a loss of legitimacy to the NPO by entering into partnerships with businesses?

## 4 METHODOLOGY

In order to collect data for this study, semi-structured interviews (McCracken, 1988) were conducted over the telephone with managers in various positions of different sectors of non-profit organizations in the United States. Interview blueprint for the final interview can be found in the appendix. Each organization was involved in a partnership with a business. The participants in this study were NPO managers who had previously completed a survey and indicated they would be willing to be interviewed in the future or were referred by previously mentioned individuals. By interviewing actual NPO managers this study has credibility (Guba & Lincoln, 1989) because the data are gathered from participants who are in the situation being studied. Transferability (Guba & Lincoln, 1989) is increased because the participants are at different levels of various types of organizations offering various perspectives.

Managers from the United States have been selected instead of Canadian managers because the United States Government had reduced the amount of funding distributed to non-profit organizations many years prior to the Canadian Government. In the early 1980s the government in Canada experienced similar budgetary issues as the Regan administration, however they reacted differently. Instead of cutting funding to NPOs, the programs were altered from universal to income based (Rice & Prince, 2000). However, since then, the federal and provincial governments have been reducing funding to the nonprofit sector successively (Foster & Meinhard, 2005). Therefore, these partnerships between NPOs and businesses have existed for a longer period of time in the United States and will have a long-term effect on motivations. Studying these impacts may have implications to the Canadian nonprofit sector as they begin to face a similar

situation. This increased the transferability (Guba & Lincoln, 1989) of this study as the information about United States NPOs can be useful to NPOs located in Canada.

Semi-structured interviews were selected for several reasons. First, they enabled the researcher to gather similar information from each organization such as: the size of the organization, size of the corporate partner, nature of partnership, duration of partnership, written contracts, and formalization of their strategic planning. Second, the interview questions allowed the research to explore the evolution of the partnership, their perceived legitimacy before and after the partnership, and the history of strategy formulation by the organization. This information added dependability (Guba & Lincoln, 1989) to the study by providing a context for each NPO.

Thirdly, semi-structured interviews allowed the managers to expand on topics they consider relevant to the subject area. This allowed the researcher to discover emerging themes as they developed amongst the various interviews (McCracken, 1988). Also, the data was analyzed iteratively between each interview in order to adjust the interview questions as needed to reveal the emerging themes. This flexibility added credibility (Guba & Lincoln, 1989) to the study by allowing the interviewee to answer in a manner they see fit instead of being limited to a list of predetermined responses. This also provided a more accurate description of the situation at each unique NPO, thus increasing dependability (Guba & Lincoln, 1989).

The researcher collected data until saturation was reached (McCracken, 1988). Eight interviews are recommended by McCracken (1988) as an appropriate amount. Ten have been chosen for this study to take into consideration the different types of

participants as they vary in sectors and levels of the organization. Each interview was recorded and professionally transcribed verbatim. The transcripts were then coded to reveal trends and themes that emerged using the Atlas program as a tool. A journal was kept logging research activities, including coding, throughout the study to increase confirmability. An electronic copy of the transcription and analysis was stored on the researcher's password protected computer. A hardcopy of the transcription was locked in a cabinet located in the researcher's office. The data and analysis of the data was reviewed by both supervisors. This added credibility (Guba & Lincoln, 1989) to this study by further exposing biases and reducing the distortion of the analysis. It also added confirmability (Guba & Lincoln, 1989) by questioning interpretations and conclusions drawn from the data.

## **5 FINDINGS**

### **5.1 Participants**

The participants fulfilled the criteria of the study. As shown in Table 1, a range of both type and size of NPOs are represented by the interviews, ensuring variation in work experience and perspective. This variation is important because it is likely that some types and/or sizes of NPOs are in greater need of legitimacy than others. By speaking to managers of various types and sizes it is possible to notice a trend amongst some NPOs such as the implementation of strategic plans and the lack of contracts for the partnerships. Table 1 also displays the variety of managerial positions held by participants, which provides a different vantage point from different levels of these organizations. There is also variation in the length of time participants have been in the nonprofit sector, which impacts their perspectives. Participants who have only worked in the nonprofit sector have a different view of the importance of becoming businesslike than those who have worked in the for-profit sector. NPO managers who had recently left the private sector value the difference between the two sectors and did not want to see NPOs becoming too businesslike. Whereas participants who had spent long careers in the nonprofit sector felt that aspects of becoming businesslike such as accountability and professionalism are important for the nonprofit sector to adopt. All participants were both involved in a partnership with a business and had knowledge of that partnership. These participants, therefore, provide variation where it is needed and homogeneity where it is necessary.

**Table 1.** Participant and NPO information

<b>Participant</b>	<b>Type of NPO</b>	<b>Position</b>	<b>Time at NPO</b>	<b>Size of NPO</b>	<b>Time in Sector</b>
<b>Andrew</b>	Church	Pastor	15 years	\$500,000	15 years
<b>Heather</b>	Volunteer agency	Project Director	20 years	\$220,000	35 years
<b>Christy</b>	Low-income financial planning assistance	Operations Manager	4 years	\$5 M	6 years
<b>Colleen</b>	Neighborhood association	Crime Prevention Community Organizer	3.5 years	\$100,000	Entire career
<b>Alison</b>	Domestic violence crisis center / art gallery / research center	Various roles in three organizations	Unknown	Unknown	Entire career
<b>Lisa</b>	Community action agency	Outreach Coordinator	4 years	Unknown	4 years
<b>Nancy</b>	Community action agency	Development Director	2 years	\$7.6 M	2 years
<b>Rose</b>	Neighborhood association	Crime Prevention Community Organizer	23 years	Unknown	23 years
<b>Jason</b>	Church	Pastor	19 years	\$80,000	37 years
<b>Barb</b>	Sport equipment	Executive Director	11 years	\$75,000	more than 11 years

## 5.2 Partnerships

Table 2 displays the types of partnerships, the industries, the sizes, if the partnership had written contracts, and the length of time the partnerships have been in place. Three of the four types of partnerships are represented. There were no examples of cause-related marketing. This is not a concern because the motivations behind the other three types of partnerships were uniform. Therefore it is likely that the motivation behind cause-related marketing would also be very similar. Future research is necessary to confirm that assumption as it may be a limitation to this study. The industries of the business partner varied greatly, demonstrating different types of businesses are involved in partnerships with NPOs. The sizes of the businesses also varied greatly. Many were larger than the NPO, however there were also several small businesses represented. The NPOs that were partnered with small businesses were also partnered with larger businesses than themselves. The focus of their discussion and the examples provided were typically regarding the larger businesses, as they provided the most potential resources, advertising and credibility.

Very few of these partnerships had written contracts. The partnerships that had contracts were with larger businesses that required contracts from the NPO; written contracts were not pursued by the NPOs. Many of the participants had a difficult time reporting how long the partnerships had been in place because they existed before that individual began working at that NPO. Most participants reported that almost each year some partnerships end and others begin, however, their main partner(s) continue with them for long periods of time. It is those long term partnerships where participants

describe an ongoing development of relationships between the two organizations. It was these longer term partnerships that were focused upon in the interviews

**Table 2a.** Business partner and partnership information

<b>Participant</b>	<b>Type of Partnership</b>	<b>Industry</b>	<b>Size of Partner</b>	<b>Contracts</b>	<b>Time in Partnership</b>	<b>Initiator</b>
<b>Andrew</b>	Entrepreneurial	Retail	Larger	No	7 years	NPO
<b>Heather</b>	Sponsorship, strategic philanthropy	Financial services	Larger	No	Up to 10 years	Typically NPO
<b>Christy</b>	Corporate volunteering, strategic philanthropy	Financial services	Smaller to larger	Varies	Since the founding	Typically NPO
<b>Colleen</b>	Strategic philanthropy, entrepreneurial	Food services	Smaller to larger	Varies	Up to 34 years	NPO
<b>Alison</b>	Corporate volunteering, strategic philanthropy	Financial services	Smaller to larger	No	Over 5 years	NPO
<b>Lisa</b>	Strategic philanthropy	Construction, industrial	Smaller to larger	No	Unknown	NPO
<b>Nancy</b>	Strategic philanthropy	Financial services, Retail	Smaller to larger	No	Unknown	NPO
<b>Rose</b>	Strategic philanthropy, corporate volunteering	Industrial, retail	Larger	No	17 years	NPO
<b>Jason</b>	Entrepreneurial	Child care	Smaller	Yes	Unknown	Combination
<b>Barb</b>	Strategic philanthropy	Sports, retail, travel	Larger	No	11 years	Typically NPO

*Table 2b.* Business partner and partnership information continued

<b>Participant</b>	<b>Strategic Plan</b>	<b>Partnership in Strategic Plan</b>	<b>Intangible Reason to Partner</b>	<b>Evaluation Process</b>	<b>Value of Partnership</b>
<b>Andrew</b>	Yes	No	Community development / involvement	No	Opportunity
<b>Heather</b>	No	N/A	Community credibility / publicity	Informal	Beneficial
<b>Christy</b>	Yes	Yes	Name recognition	Formal	Opportunity
<b>Colleen</b>	Yes	Unknown	None	No	Opportunity
<b>Alison</b>	Yes	No	Awareness / community profile	No	NPO - opportunity / participant - last resort
<b>Lisa</b>	Developing	Unknown	None	No	Opportunity
<b>Nancy</b>	Yes	Marketing section	Endorsement	No	Unknown
<b>Rose</b>	Yes	No	Mandated	No	Opportunity
<b>Jason</b>	Informal	No	Community development	No	Opportunity
<b>Barb</b>	No	n/a	Awareness	No	Opportunity

### **5.3 Legitimacy**

As previously mentioned, Suchman (1995) defines legitimacy as “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (p. 574). In order to determine if legitimacy is a motivating factor behind entering into partnerships with businesses, nonprofit managers were asked why they enter into these partnerships. Initially most responded that resources and/or publicity were the motivation

behind entering into partnerships. However, some interviewees listed other motivations directly after mentioning resources and/or publicity, such as community credibility and endorsement (see Table 2 for a list of intangible reasons to partner). Others interviewees were probed if there were any other motivations because they did not offer them at the outset.

The following three quotes provide examples of what intangible motivations were identified by the participants during the interviews. Although the term legitimacy was not used in this first quote, Heather used the term credible within this context to mean actions that would be perceived as “desirable” which is consistent with Suchman’s (1995) definition of legitimacy.

*(I)t helps give us credibility in the community to have major companies be supporters of us.*

This NPO manager is looking for something that can be obtained from the business other than resources. Heather recognizes that the perceptions of her organization from the community are valuable and that their perception can be altered by entering into a partnership with a business. Legitimacy is something that can be gained by having the support of a major company. In order to gain the support of the business Heather uses partnerships.

In the second quote, Alison mentions the support of the constituents. This also demonstrates that the perceptions of the community are valuable and something NPO managers are recognizing. In order to be supported, the constituents must feel that the actions of the NPO are “proper”, which is consistent with Suchman’s (1995) definition.

Thus, this quote also points towards legitimacy as a motivation for entering into partnerships with businesses.

*...which businesses you associate yourselves with affects how much support you have from your constituents too.*

Alison's statement goes one step further than Heather's. Heather identified that the businesses they partner with must be "major companies" in order to gain legitimacy. Alison considers each business independently knowing that one business might enable them to gain more support than another. This would also indicate that some business might be detrimental to the legitimacy of an NPO, which is consistent with research (see Basil & Herr, 2006; Deshpande & Hitchon, 2002; Hamlin & Wilson, 2004; Rifon et al., 2004).

There is consistency between these three quotes: NPOs need the public's support and businesses can help them gain that support. The last quote outlines how NPOs want their business partner to endorse that the NPO is a legitimate organization. Nancy is specific about what information the public want to know in order to grant their support.

*Uh, it's like, for the public they generally don't know if what you're doing is right or if what you're doing is wrong or – yes, we might have a good mission but are we really doing things properly? Are we doing them correctly? Are we fiscally responsible? A lot of people don't know that. But a lot of times when the corporations stand up next to you and say, "We believe in this company or this organization," or, "We believe in their mission and we're willing to put our name next to their name," the general public is a lot more accepting of that. Then, you know, if this big corporation can see that what they're doing is good and right and fiscally sound then they must be doing what's right.*

According to this participant, the public needs information about **how** the NPO is operating to carry out their mission in order to determine if they will grant their support. The public is interested in their procedures and their fiscal behaviour but they do not have

that information. Perhaps they do not know how to find that information or are unable to for reasons such as time constraints. A substitute for that knowledge is an endorsement from a large business; one the public trusts is operating appropriately and would recognize that behavior. A business that has moral legitimacy and can assist an NPO in gaining that same legitimacy as will be explored in the section below.

These quotes also demonstrate that some NPOs are conscious of their intangible benefits and point towards legitimacy seeking behaviour. The NPO managers interviewed recognize that partnerships with businesses communicate positive information about the NPO to the public. Although these quotes show legitimacy in general as a motivation, in the section below, a more in-depth examination of the types of legitimacy as described by Suchman (1995) is provided to deepen our understanding of the interactions of multiple stakeholders engaged in these partnerships showing moral legitimacy as a primary driver in the partnership.

### ***5.3.1 Moral Legitimacy***

Moral legitimacy is granted when the organization's procedures and the outcomes of their operations are in line with what is acceptable for the "audience" (Suchman, 1995). The stakeholder's expectations for NPOs require nonprofit managers to prove they are fulfilling their mission responsibly. This is similar to the previous quote where the public wanted to know how the NPO was operating and if it was fiscally responsible. This speaks to the procedure component of moral legitimacy. In the next quote, Heather points out that NPOs are now required to do more to maintain the support of the public.

*Offering service is "nice" but I get the feeling that people are more interested in seeing forward movement from the status quo. More and more, nonprofits are being asked to "justify" their existence . . . and continued funding.*

Heather eludes to a change in the nonprofit sectors environment, offering a service is no longer enough, the public wants to see observable outcomes, another aspect of moral legitimacy. This suggests that at one time NPOs had cognitive legitimacy where their role in society was understood, that has changed. Now there is a need to “justify” their existence. The public does not take for granted that NPOs are needed in society, those NPOs need to prove that they are making a difference. They need to gain moral legitimacy.

Suchman (1995) outlines four types of moral legitimacy, consequential, procedural, structural and personal. Although we do not categorize responses according to the details of framework, the types of moral legitimacy serves as a useful heuristic for making sense of the interactions and intents of the various stakeholders of the partnership.

#### ***5.3.1.1 Stakeholders***

Before looking at what steps NPOs are taking to gain legitimacy, it must first be understood what stakeholder’s expectations exist from the nonprofit manager’s perspective. Five stakeholders requiring legitimacy have been identified by the participants in this study; the public as a whole, government funding agencies and/or foundations, employees, donors, and the business partner of the NPO. In terms of moral legitimacy, the first three stakeholders have a role to play.

***5.3.1.1.1 The Public.*** As previously discussed, research has shown that the public values efficiency and business practices (Milne et al., 1996). The NPO managers interviewed express views consistent with this research.

The following quote from Alison demonstrates that nonprofit managers think the public values businesslike practices. She feels that the public emphasizes the importance of what can be given a value on the marketplace. This quote points to the neoconservative ideal that social services are important but they should operate in a similar fashion to the marketplace because the business sector offers the most efficient and therefore desirable organizational structure. Therefore, the superior style and structure should be adopted by the nonprofit sector because its work is important and should be done correctly.

*From the public at large, yeah, I do think that the pressure to be more businesslike came from the public at large, I do, because I think that in a way the – I sort of feel like the non-profit sector is the women’s work of the world, and so people have this idea like, “Well why should it be non-profit? I think it’s important work so we could do it as a business.” So it’s kind of this assumption that if it has a price on the market then it’s valuable, but if it has to be subsidized or funded through grants then you’re assuming that it’s not valuable when what I think that means is that you’re assuming that it’s a communal responsibility.*

Most of the nonprofit managers interviewed perceive the public as desiring the nonprofit sector to become more businesslike. This is consistent with the neoconservative view: social services are important to society therefore they should be run like a market. NPO managers link this trend to their survival. If the NPOs do not have public opinion on their side they are not a legitimate organization, therefore, their value to society will be questioned and their resources will be pulled. Christy talked about this pressure in a way that shows the power attributed to this stakeholder.

*I think in some ways non-profits have had to embrace more businesslike procedures just to kind of stay alive.*

This quote suggests an amount of desperation on the part of the NPO. If NPO managers feel that they must fight to survive, they are more likely to implement the first solution that presents itself instead of strategically examining various approaches.

Although most participants agreed that the public expects them to become more businesslike, they disagreed whether this expectation is appropriate for the sector. By implementing the first solution that presents itself, participants have taken very different approaches. These differences stem from their various definitions of the term businesslike. NPOs are not working together as a unified sector to face the changing environment to the best of their ability. They have each taken their own definition of legitimacy, which can be found in Table 3, and reacted to that definition. The reactions have varied from Colleen who is actively working to make her NPO more professional to Alison who rejects the value society has placed on being businesslike.

In the following quote, Colleen shares that being businesslike is something her organization strives for as a goal. Her organization is already quite businesslike for an NPO, but she feels it could still do better by becoming more professional.

*Absolutely. That was – actually we did our annual strategic plan last Monday and yesterday, and we have one phase left that will go into our first Board meeting in July, and that was one of the things that we discussed was how to better be internally organized and maintain – we’re business casual but maintain a better degree of professionalism cause our office is pretty laid back but there are times where we have people from the city and from Michigan Department or Transportation and the Governor’s office come in, and if we look like a bunch of clowns they’re not going to want to write a cheque.*

Colleen is aware that she must demonstrate that her organization is legitimate in order to secure more resources. This legitimacy seeking behavior demonstrates an active, conscious decision to meet expectations. In the next quote, Alison is not willing to accept those expectations, unlike Colleen. She feels that although NPOs are becoming businesslike to conform to social norms, it may not be the best solution for the sector.

*I don’t think that business solutions necessarily apply to non-profit organizations or even government really.*

By looking at the various definitions of businesslike show in Table 3, it is clear that NPOs are taking different actions to accomplish the same goal. Where Heather is changing her systems to better track funds and outcomes of her program, Christy is implementing businesslike structure with more hierarchy, and Nancy is attempting to determine how to calculate the return on investment for her work activities. This disjointed approach to the change in environment has left the nonprofit sector at the mercy of the public's demands. Various NPOs are moving in different directions towards the same goal that is not necessarily benefitting their organizations.

**Table 3.** Definition of businesslike

<b>Participant</b>	<b>Definition of Businesslike</b>
<b>Andrew</b>	One goal: money
<b>Heather</b>	Use of measures and tracking
<b>Colleen</b>	Professionalism
<b>Alison</b>	Only thing valued by society
<b>Christy</b>	Formal procedures, processes and structures
<b>Rose</b>	Professionalism
<b>Lisa</b>	Stuffy, don't break the rules atmosphere
<b>Nancy</b>	Calculate return on investment
<b>Jason</b>	Accountability for funds and treatment of personnel
<b>Barb</b>	NPO are businesses, there is no distinction

The differences in definitions have led to differences in the actions taken to acquire legitimacy from the public. However, these actions all fall into the same type of

legitimacy, moral legitimacy. The following quotes provide specific examples of NPOs taking action, generally conscious action, to increase their moral legitimacy.

Colleen's organization is involved in entrepreneurial activities to raise funds. The following quote indicates a move to increasing paper work. This shift in procedure reflects business accounting practices.

*Our Board asked that because we do the printing the stuff for (their business) that we have a contract with them that dictates how much our community organizer is paid for her services and how much we're billing them per print and just the basic stuff. And it's properly invoiced.*

This quote not only demonstrates an increase in paperwork, it is an increase in paperwork not related to the mission of the NPO. Many of the NPOs involved in this study are in partnerships that involve entrepreneurial activities. The NPO can raise funds by receiving payment for services rendered. The 'community organizer' works for the NPO not only on activities relating to the mission but also to fundraising activities. For this arrangement to be beneficial to the NPO they must evaluate if the payment is more than the cost.

The next quote points to a different aspect of business entirely. Instead of being focused on accounting like Colleen, Heather would like to work on marketing. Heather spoke about her lack of resources that has limited what she would like to accomplish. She has two and a half staff in her organization, just enough people to complete what it is required to accomplish. With more staff she could change the structure of the organization to accomplish more by adding a marketing section.

*I would love to put together a really fantastic marketing campaign to pull in the seniors, especially the younger seniors.*

Heather also works closely with her umbrella organization that has more access to funds. She has noticed the NPO's structure change to reflect a more businesslike atmosphere. Where the label chief operating officer (CEO) traditionally was reserved for businesses, it now appears in the nonprofit sector. In this example, not only are the titles of positions changing, board members felt it was necessary to hire someone with business experience instead of nonprofit experience, taking their organization in a new direction.

*I mean for the last couple of years you've been hearing news about non-profits need to be run as a business and I'll share this personal anecdote with you. We just got a brand new CEO... and she comes after 34 years experience with a bank and no non-profit experience... We're not sure if it's a good decision or not but that's the way the Board decided to go with this.*

Heather admitted that the staff was uncertain if this change was for the benefit of the organization. Changing the titles of an organization does not tangibly benefit the organization, but NPOs are making those changes in order to appear more businesslike and gain legitimacy.

Christy's organization also uses business titles. For example, the title of her position is Operations Manager which is a title seen in the for-profit sector. Christy's organization not only changed job titles, it changed its structure to reflect a more businesslike structure. This low income tax preparation organization has cross-functional teams, but for them to work properly, Christy would like to see more hierarchy established. She feels that another layer of hierarchy will assist her organization, increase the division of labor, and hold individuals accountable for their tasks.

*We can have a lot of very fluid, cross-functional teams to where we'll have somebody from Banking Partners and we'll have somebody from Head Operations and we'll have somebody from Volunteer Management so they're all kind of working on the same projects, but we've never really formalized the role; we've never been good about setting project timelines and objectives for the team and those kinds of things that you really see a lot in corporations. And so we've been looking at ways to increase some of that accountability and saying, "No, you're responsible for this piece of this team." And that's not something that we've ever done and certainly not done well in the past... It sort of adds another layer to our hierarchy but it makes things easier for everyone to understand who is functioning where. It's made reporting easier, it's made meetings easier 'cause we know what teams we can overlap and whose work is where. I think it's just brought a little more usability to our overall structure.*

Personal legitimacy is distinct from the other types of moral legitimacy. It is achieved through a charismatic leader. Suchman (1995) refers to a leader within the organization. However, a senior volunteer agency is using a partnership to accomplish this goal. They have aligned themselves with a prominent community member whom Heather describes in the following quote.

*(T)he gentleman who owns the company, it's privately owned, is a very astute – what do I want to say – community person. He's very involved in other charities and he encourages everyone in his staff to get involved that way also.*

This describe individual as a respected business person who is known for his interactions with NPOs. She later went on to describe the benefit to her organization from partnering with this community member.

*I mean that gives us credibility. When you're worried about being the best kept secret it's really nice when the person whose advertising is running on the 11:00 news at night helps to support you. Yeah, that makes a big difference.*

Acquiring personal legitimacy is more of a risk than other types of moral legitimacy. Heather was confident that this community member would remain in a positive light to the public. However, aligning an organization with one individual has the potential of backfiring on the NPO. The individual could engage in an activity that would

reflect badly on the organization, resulting in a loss of legitimacy. Or the individual may simply only be liked by a segment of the public. It is possible that her scarce funds limited her options. Therefore, this was the least expensive type of legitimacy Heather could pursue.

The public plays a major role influencing the actions and values of NPOs. Prior to this shift in expectations the nonprofit sector prided themselves in being different than the private sector. Therefore, this shift in mentality is a turn in the opposite direction. However, each participant defined businesslike differently and took action according to their values, understanding of the public and resources. The sector is not united in their efforts to adopt these new values. The religious sector of the nonprofit world stands out as being particularly different from the rest and disjointed from the goal of becoming businesslike.

Two participants were clergy members. They did not feel the public expects churches to become more businesslike, as illustrated in the following quote from Pastor Andrew.

*Uh, it would depend on what non-profit field I guess it would be. Uh, you know, I mean non-profit church-wise I don't think so because the number one, always underlying number one, goal of a church should be to share God's love, and you can do that in a variety of ways but that should be the number one goal. There are other non-profits out there, whether they be such and such a fund, or such and such a project, that they obviously have to run business in such a way that keeps them in business I guess if that makes sense.*

Pastor Andrew feels churches are different from all other NPOs because their goal is not to raise funds. Other NPOs must be run like a business because they too are focused on their bottom line. Despite the fact that Pastor Andrew feels that there is a significant different between other sectors and the religious sector, churches do find it

necessary to pursue moral legitimacy from the public for other reasons. Both clergy members felt it was important to be out in the community being involved. This speaks to proper procedure. The church does not just say they want to help the community; they are actually actively involved as Pastor Andrew goes on to say.

*Uh, well, I mean, partnerships as far as community-wise and church-wise, I personally think a church should be involved in the community, and I think you have to do that by building relationships with businesses in the community. For example, in our community - and we're trying to get a couple of things going for this season, but we're working on - it's been a desire of our heart to have like a free back to school haircuts for kids that just don't have - they don't have the money to get the hair cuts or you've got a family that's got too many haircuts. So what we've done is we've partnered up with a salon here in town, we've shared with them our heart, and they are going to have an evening where they will donate their time to give the haircuts and then we will donate our efforts to get the word out and to try to spread it around and let it known. And that's, to me that's community working together to provide a need. I mean, there's a lot of kids that go back to school and they just don't have - either the parents don't have the finances or a pile of other things that seem to happen. But anyway, that's a way of community working together.*

This project provides a benefit for both the church and the business. This project sends the perception that both organizations care about the community. The business gain social legitimacy through corporate volunteerism. Also, the church is going about their mission in the appropriate way to gain moral legitimacy. Similarly, Pastor Jason responded that his church opened their doors to the community for a junior sports camp while the local schools were under renovation.

*Well, the sports camp ended up at the large Roman Catholic parish in a different suburb yet, because they had a football field and so forth, and we would up with the junior camp because we had the space and it was about the same size as the pre-school simply because they couldn't put it in the city schools. And so we had that, and we got a little bit of rent out of that basically to pay or utilities again. And we did that, not because we were going to make the \$500 from it, but if they couldn't have it here they couldn't have it. So that makes, you know - we use our building for the benefit of the community.*

In this case Pastor Jason was able to fill a need of the community and the government. The community would not have been able to hold a sports camp if the church had not agreed to rent their facility. By helping the community when it was needed, this NPO was able to increase their moral legitimacy by fulfilling their goals in a way the public could observe. It also met an expectation of the public that NPOs fill needs of their environment (Stone & Ostrower, 2007). Not only did this serve the community, or the public as a stakeholder, opening their doors to the sports camp potentially helped the relationship with another stakeholder, the government. The following quote from Pastor Jason infers that their local City Council does not understand the value of his NPO.

*Uh, hopefully it makes City Council see us in a little different light because, of course, we don't pay taxes, and they're really rather have us go away so they could have taxes on that land. But if they're getting kind of a benefit like that it makes them look at us a little differently anyhow, because usually they look at us, says, "Oh, another problem," or certainly not a profit point where taxes are concerned.*

Pastor Jason is actively working to change perceptions of City Council for his church. Although the church does not receive funding from the government, Pastor Jason is aware that government has power over the nonprofit sector and it is in his best interests to increase their legitimacy in the eyes of the government.

**5.3.1.1.2 Government and Foundations.** The government funders and foundations form a very powerful stakeholder because they are the main source of funding for many NPOs. The churches again have a different approach as they are not funded by the government or foundations as Pastor Andrew points out.

*There's – I'm sure there are some out there but we are not really strongly affiliated with any type of government program or anything like that.*

The level of power the government has over the churches is less because they are not reliant on resources. However, the government still affects the churches through different means. The government determines laws and regulations that affect all organizations. They are still a stakeholder that this sector needs to consider. Pastor Jason commented about the affect government can have on their church through taxes and changing fire codes on their historic building.

*Well, it can make things more difficult sometimes. It can interfere, notably through tax code, through just the ability to do things, to get word out, just what you can do and not do. It's pretty easy to, for instance, mess with a non-profit's building through things like fire codes. If you want to make life miserable you can do it, and those kinds of things do happen.*

Pastor Jason alludes to the government intentionally making things difficult for an NPO. This would suggest this stakeholder is one to be appeased so they remain on your side. This is not necessarily every NPO's experiences, however, most NPOs need to maintain a good working relationship with the government. Most of the other NPOs rely on government or foundation funding, and yield to their requirements. It is those participants who will be examined in this section.

Understanding who the major funding source of an organization provides insight into who has power over the organization. Knowing the percentage of income that stakeholder provides indicates the organization's dependence on that stakeholder as well as the amount of power they hold. Table 4 shows the funding sources for the NPOs that participated in this study. Clearly, Lisa and Nancy (who work for the same organization at different levels) are the most dependent on the government out of all the participants as almost all their funding comes from the one source. Pastor Jason is also reliant on almost entirely on one source, his congregation. In this case, the congregation not only has a

great deal of power over the organization, it also has a great deal of legitimacy because those individuals are also the clients of the organization. Funding information from Pastor Andrew and Alison was not received and therefore does not appear in the table.

**Table 4.** NPO’s revenue sources

<b>Participant</b>	<b>Business</b>	<b>Foundations</b>	<b>Individual donations</b>	<b>Earned income</b>	<b>Government</b>	<b>Other</b>
<b>Andrew</b>	-	-	-	-	-	-
<b>Heather</b>	29				<b>61</b>	10
<b>Christy</b>	<b>49<sup>a</sup></b>			24	26	1
<b>Colleen</b>	5		5	15	<b>75</b>	
<b>Alison</b>	-	-	-	-	-	-
<b>Lisa</b>	3		3		<b>94</b>	
<sup>b</sup> <b>Nancy</b>	3		3		<b>94</b>	
<b>Rose</b>			40		<b>58</b>	2
<b>Jason</b>	2		<b>91</b>	7		
<b>Barb</b>	16		38			<b>46<sup>c</sup></b>

Note. All values shown represent a percentage.

<sup>a</sup>NPO reported businesses, foundations and individual donations as one funding source. The participant indicated that the foundations were set up by the businesses and they receive very little from individuals.

<sup>b</sup>Participant is employed at a different level of the same organization as Lisa.

<sup>c</sup>46% of this organization’s income is donated sports equipment that comes from individual donations and business, the source is not tracked.

Many of the grants through foundations or government bodies require consequential, structural and procedural legitimacy. NPOs are often given funds on the condition that they will fulfill reporting requirements. These reporting requirements include but are not limited to: number of clients served, outcomes of service on clients, impact on community, number of volunteers and fiscal responsibility. In order to continue receiving the grant funds, the NPO must prove that they are going about their

activities in a responsible way and producing positive outcomes as the following quote from Nancy demonstrates.

*Uh, I think - Iowa Senator Grassley has put on a lot of our financial requirements in that we're fiscally responsible, things like that, so definitely how we do business has been put under question and that's definitely by the government. And it's a good thing; I don't think it's a bad thing. It's just a challenge. It's something new and it's something we have to tackle and deal with and things like that.*

Developing new accounting practices and tracking systems has been a challenge for Nancy's organization. These new procedures will benefit this organization by forcing them to be aware of all incoming and outgoing funds. Not all reporting requirements are in the best interests of the NPO. Some function more as record keeping as a justification that NPOs have earned their moral legitimacy. In the next quote, Heather outlines specifically the conditions of their grant. It requires the precise number of individuals reached by the organization and to research how their program affected those individuals.

*It's very specific as to what kind of volunteer work will the volunteers get doing and right now we're being required to measure the impact of this work so it's not enough to say that we had 200 volunteers delivering meals to homebound seniors, we have to say to what end did that helped. And we can say it helped them live independently, it kept them out of nursing homes, it saved the community so much money because these people were not institutionalized but were able to stay in their homes and continue to pay their taxes and that sort of thing.*

Keeping the NPO accountable is important and knowing specifically what outcomes they have achieved provides a means to measure their worth. However, dictating specifics of their operations may be counterproductive to the mission. If Nancy notices a need in her community, she cannot send volunteers to assist because her grant has dictated what kind of volunteer work her volunteers can provide. Colleen has a

similar experience with her grant where they are required to reach a specified number of individuals and track the impact the program has made.

*I mean we have an estimated number of people that we're supposed to reach every fiscal year... from July to June and it's part of our Community Development Block Grant also. It's all kind of tied in together. Like right now we're supposed to reach just shy of 9,500 residents and impact –yeah, we have a big, huge area that we cover.*

Both reach a specified number of individuals and tracking the outcomes of their activities are methods of measuring their moral legitimacy. Government and foundations are using these reports to measure which organizations deserve their funds because they have a high level of moral legitimacy. The nonprofit managers are aware that if they do not comply with these requirements, they will no longer be considered a legitimate organization and funding will be pulled. Alison mentioned that several organizations lost their funding because of the procedures they took towards helping those with domestic violence.

*Yeah. Uh, and faith-based initiatives like – see that's just a whole other – it's a whole can of worms. Like they have pulled funding from certain organizations that were trying to address domestic violence through houses of worship and because of how they did it and blah, blah, blah, but I think government funding at least – well there's a lot of problems actually in the way government also approaches social service really. I mean they won't even call it social change. But at least it is kind of implicit in the funding practice that it's a societal issue, like whatever the issue may be, that just by virtue of getting government funding you're kind of acknowledging that it's society's responsibility.*

Here funding was pulled even though the organizations could show good results from their program. The NPOs' methods came into question and without that particular kind of moral legitimacy, procedural legitimacy, the government distanced themselves from these NPOs. Alison goes on to say that government is too focused on social service instead of social change. By making moral legitimacy the most important factor, the

mission and reducing the need for NPOs has fallen by the way side. They are so focused on *how* NPOs are functioning that *what* they are doing is no longer discussed. This does not fall into the scope of this study, but does provide an opportunity for future research.

As a stakeholder of NPOs the government also plays a major direct role to varying degrees depending on the organization. The actions of the NPOs are very different with the government than they are with the public because the government is clear about their expectations. NPOs know what is required of them because of the conditions of their funding. Similarly, many foundations are very clear about their expectations and conditions, although often much less reporting is required. NPOs can take clear, direct action to ensure they receive moral legitimacy from their major funder. However, as the political and economic environment changes, there is no guarantee of funding in the future. This stakeholder has a lot of power over most NPOs, power that will be reduced as partnerships increase and sources of funding diversify.

**5.3.1.1.3 Donors.** This stakeholder is a subcategory of the public. Donors are also perceived to expect businesslike practices by nonprofit managers (Callen, Klein, & Tinkelman, 2003). From the NPO manager's perspective of the public, legitimacy is not simply a means to an end, it is an end in itself. In the eyes of the public, an NPO needs to be considered legitimate. However, from the NPO manager's perspective of the donors, legitimacy is a means to an end. The reason NPO need legitimacy with donors is to acquire resources.

Moral legitimacy is vital to finding and maintaining donors. Individuals want to know that the organization they are supporting is responsible and has productive outcomes (Wagner, 2002). Consistent with the research, Heather explains that donors do

not just write a cheque, they want to believe in the difference the organization they are supporting is making in the world.

*I think that people are more careful and are more willing to question what good is it doing, especially when they're asking for financial contributions. Uh, I do believe that people are well aware of that.*

Heather indicates that there is a change, that is, people are increasingly becoming concerned with which organization is getting their money. NPOs need to gain moral legitimacy in the eyes of their supporters. Christy also talks about the trend that donors care which organization will receive their money and goes on to say in the following quote that donors examine the policy and procedures of that specific NPO as well.

*“Okay, I’m supporting you but am I supporting your work or am I supporting back office?” People want to know that their dollars eventually reaching the community and I think that is a way to start to hold people, non-profit organizations, much more accountable to how they’re spending their money.*

Like the government, donors are beginning to hold NPOs more accountable. Christy sees this as a positive trend. To use business terms, the shareholder of the NPO are the public, therefore it is natural for these stakeholders to hold the organization accountable. It is a challenge for donors to investigate NPOs to determine where they want to give their funds and how to hold those NPOs accountable. In order to examine a NPO carefully, many donors know the organization personally, and choose to support because they know what the NPO does and how it reaches its goals. This provides the knowledge and confidence that their funds are being used wisely as Christy demonstrates.

*Most of our donors are either our Board or our volunteers. We’ve just really in the last year or two begun a process of sort of spearheading an individual giving campaign. It’s sort of a new initiative for us so right now the bulk of our individual givers are already familiar with the organization very intimately and know exactly what it is that we do and what the benefits are.*

Christy's organization is going through a transition of actively finding more donors. She understands what the donors need to know, but it is difficult to communicate that information efficiently and effectively. Barb finds that many donors are looking for an experience to get involved. Although some are content dropping off sporting equipment for this organization to distribute to those less fortunate in the United States or around the world, many want to see their impact. This provides an opportunity to see for themselves exactly what the organization is doing and how it is accomplishing those goals. It also blurs the line between moral and pragmatic legitimacy. Are the donors going on a trip to ensure the organization has proper procedures or are they going for their own self interests of travel goals? Suchman (1995) does not address an audience with a potential dual motivation, which is likely the case in this situation.

*Well, I - our big selling point is that we have these service vacations or volunteer trips where people from the public, we just solicit from the public and word of mouth that they can come and partake in one cultural exchange. They can see exactly where their support is going, so I think that's one of our greatest selling points is that not everyone can necessarily afford it but, you know, we don't just go to these communities and leave the equipment and say, "See you later." We have a long-term invested mission and goal in the areas where we work, and our supporters get involved personally, face to face, in a new country, new language sometimes. And I think that's really great to have because then we have their testimonials when it comes to putting ourselves out in the public. It's not like we're talking about ourselves, but these people, volunteers and people that have paid their own money, they're talking about it themselves about us.*

Donors are an interesting stakeholder group because of the possibility of dual motivations. It is difficult for NPOs to target donor when they are donating for different reasons. It is also difficult to determine what actions an organization should take in order to gain legitimacy with this stakeholder. Depending on the need for donations, this stakeholder has the potential to have power, legitimacy and urgency, although they are not well understood. Donors are very similar to the public because prior to donating they

were in that stakeholder group. By complying with the public's expectations, NPOs hope to gain legitimacy as well as more donors.

Although each NPO has taken different action and the motivations from some audiences may be multiple, all are moving towards gaining moral legitimacy. This stems from the expectations of their stakeholders. The government funders and foundations have reporting requirements to ensure that the NPOs are meeting their expectations. The donors, as was just stated, often examine individual organizations to determine if their expectations are being met. In order to change a potential donor into a donor or to gain the public's support, individuals must be able to see the inner workings of the NPO. However, moral legitimacy includes activities and structures that are not typically visible to the public unless they examine the organization carefully. It is not enough for the NPO to be businesslike, the public must be aware. This is where the partnerships with businesses arise. After they have begun developing businesslike attributes, they need a trusted endorsement to testify that they are indeed businesslike and worthy of moral legitimacy.

In the following quote, Barb indicates that if a business says an NPO has worth, then the business is able to send a message to their stakeholders that they are involved with a worthy organization, improving the perception of the NPO.

*Well, definitely that if you're a supporter of that business I guess it's like, you know, if the business says this is something that is worthy for us to benefit maybe that would be of interest to their particular members or people who use their services or buy their products.*

Therefore, Barb finds that because not everyone can afford to go on these service vacations, NPOs need another way to communicate to their donors. Also, not all donors

or potential donors will take the time to investigate an NPO to determine its level of moral legitimacy. NPOs need to a method of communication to gain that legitimacy. This has lead to another change in the nonprofit sector's environment. The nonprofit sector at one time did not get involved with the for-profit, as Christy states in the following quote, but they are now realizing that businesses can be their endorser to the public.

*I think in the past we've always been sort of like, "Oh corporations, we don't want to get tangled up in that." But I think there's really starting to be a recognition of what it could mean, and less hesitance to sort of jump in bed with the enemy.*

Therefore the NPOs need to attract businesses. The nonprofit managers interviewed indicated that there are a few cases where a business approached a NPO to partner, however, generally it is the NPO that approaches the business. In order to attract businesses, NPOs are discovering what they can offer the business in return for their support. This is connected directly to the type of legitimacy being sought from the business, pragmatic legitimacy.

### ***5.3.2 Pragmatic Legitimacy***

Pragmatic legitimacy depends on the audience seeking what they can gain from the interaction (Suchman, 1995). In other words, the audience is self-interested and is looking for a mutually beneficial relationship.

#### ***5.3.2.1 Stakeholders***

***5.3.2.1.1 The Business Partner.*** The nonprofit managers interviewed identified only one stakeholder, the business partner, which engages in this type of legitimacy with NPOs. Although businesses are willing to contribute resources to NPOs, they must have

something in return. Nancy states that doing the right thing is not reason enough for businesses to partner with NPOs.

*You know, I mean there is that human need and compassion obviously but that's generally not always enough.*

It is also clear from the previous quote that an exchange takes place between the NPO and the business. The NPO must offer the business something above and beyond an opportunity to help their community.

Research has shown that the public wants businesses to behave in a corporate socially responsible manor (Porter & Kramer, 2006). Businesses now have a larger role in the community; they also must address social issues. In response, many businesses have changed their formal strategy to include CSR activities (McAlister & Ferrell, 2002). Businesses are willing to partner with NPOs because they know they stand to benefit as the next quote from Heather clearly illustrates.

*They came to me and said, "You work with all these seniors. We really need entrée and credibility with some of these seniors. What can we do together?"*

The same NPO manager was later asked how businesses benefit from these partnerships. Heather's response demonstrates that some NPOs are conscious of the intangible benefits received by the business: social legitimacy (Dacin et al., 2007).

*(T)hey are able to show to their constituents and their counterparts in the community that they are good citizens, that they are supporting non-profits that are doing good not only in one area but in the case of (our organization) they're supporting us which allows us to help place volunteers in 100 different non-profit agencies.*

The following four quotes are different participants' responses when asked how the business can benefit from their partnership. Most respondents point towards social legitimacy (Dacin et al., 2007) as the benefit for the business. In the first quote, Pastor Andrew indicates how the partnership communicates with the public that the business cares about the community.

*That shows the community - I think from the business side it shows the community that they care; they're not in it just for whatever they can get out of it. They don't want just your money but they care about the community, and since the church should be part of the community they're saying in essence to the community, "We care about what happens to our town and our community, and we have partnered up with a church to let them work and also raise funds that we know are going to stay here and support this community." That's what I think it says.*

Pastor Andrew feels that the businesses he is partnered with do care about the community. The partnership provides an opportunity for the business to communicate their intentions to the public. Barb concurs with the first quote, indicating that the business can communicate its good will to the public.

*I think any time that a business supports a non-profit or a charity, they definitely have the ability to say that we're doing good things for the community, or we're doing good things with our profits or our people.*

The third respondent is more cynical than the first two. Rose does not necessarily believe the business would partner because they care. She agrees that the business wants to send the message that they care, but she does not equate the message with the intentions of the business. This NPO manager focuses on the tangible benefits she can offer a business manager to create a partnership.

*Well, I think they get a tax-break. [laugh] That's one thing. Uh, when we had the three-on-three tournament they would get a T-shirt and a nice certificate.*

The last quote shows that some NPO managers think of the two sectors very differently. Several of the respondents indicated that businesses may engage in partnerships to manage their image, Lisa expressed this viewpoint explicitly.

*And I suppose it kind of makes them look more - I don't want to - kind of humane instead of some business people look at them like, sterile, not friendly type of thing. So maybe a little bit - soften their image.*

These participants agree that business partners are seeking to gain from the partnership. Many of the participants confirmed that businesses are seeking social legitimacy (Dacin et al., 2007) from the partnership to communicate to the public they are a good corporate citizens. Therefore, these partnerships function as a mutually beneficial communication tool to the public announcing both parties' legitimacy, social legitimacy for the businesses and moral legitimacy for the NPOs.

Since the business functions as an endorser to the public that the NPO is a legitimate organization, it is important to determine if they are evaluating the moral legitimacy of their partner to confirm that they really becoming businesslike. This would determine if a business partner provides a good endorsement.

In order to provide a good endorsement for moral legitimacy, the business would have to have the information that indicates the NPO has acceptable procedures, structures and results. This does not seem to be the case. Most nonprofit managers interviewed indicated that the businesses require no evaluations or reporting requirements. When asked if their business partners had any sort of evaluation process or reporting requirements, this is how Heather responded.

*They're just happy to see what we're doing. We keep them very involved. I make sure that they see all of our newsletters where we kind of talk about what we're doing and certainly anything is available to them. As our partners they are certainly invited to be involved with the (umbrella NPO) also. For instance it's the (umbrella NPO's) annual meeting that is tomorrow night so these partners have all been invited to attend if they are interested in seeing that. But they do not require any kind of reporting back to them.*

The business is interested in what the NPO is doing, but they do not seem interesting in **how** the NPO is reaching their goals, which is something the public is looking for as an endorsement. Colleen was also asked if her business partner had any reporting requirements or evaluation processes. The following quote is her response.

*Not really. No, they – unless they have a stock in it, like I said, it's like a subsidiary or a fiduciary or something, which doesn't happen often, they really kind of leave us alone. They figure if we need something we'll ask.*

Most of the participants indicated that businesses do not have an active role in the partnership, but they are willing to respond when approached. The government on the other hand, requires extensive evaluations procedures and reporting requirements. This was demonstrated earlier when the government was examined as a stakeholder in moral legitimacy. Most of the managers interviewed mentioned their reporting requirements and the criteria by which they are evaluated. Yet it is businesses that are the endorsers for the legitimacy of NPO. If the businesses have no report requirements and few requirements for funding they have little power over the NPO. They also do not have the information about the NPO to judge if they should be granted moral legitimacy.

Regardless, they do play a significant role in the NPO's effort to increase legitimacy. From the public's perspective the two organizations are connected. The business is the expert at being businesslike, so the public trusts that if the business is involved, the NPO has a high level of moral legitimacy. If the business engages in an

activities that losses the trust of the public, that significantly effects the NPO (Basil & Herr, 2006; Deshpande & Hitchon, 2002; Hamlin & Wilson, 2004; Rifon et al., 2004). That situation can result in a loss of legitimacy because the NPO is tied to the business. NPOs should therefore select their business partners carefully.

### ***5.3.3 Cognitive Legitimacy***

Suchman (1995) described cognitive legitimacy as the most difficult type of legitimacy to attain. If an organization has cognitive legitimacy its role in society is understood and it possesses security because it is taken-for-granted. In order to contextualize the nonprofit sector, stakeholders again must be considered independently.

#### ***5.3.3.2 Stakeholders***

***5.3.3.2.1 Clients.*** Clients have not previously been discussed as a stakeholder because they were not identified by participants as a group from whom legitimacy must be gained. Most NPO managers said their clients understood their role in society and take-for-granted that they will continue to exist year after year. The following quote shows that clients are concerned when they cannot go to the NPO at anytime to receive assistance. Rose's clients assume that they should always be there and will always be there.

*Uh, I just think that the given - I just feel like that's a given anywhere. I mean, sometimes you just always assume, "Oh they're always going to be there," and if we're not, you know - cause we'll have residents that'll say, "Where were you? I was there three times." Well, sometimes we have to be out. Either we're doing something in the neighborhood, we're seeing an individual that needs our help on something because we work a lot with seniors, you know.*

When discussing each stakeholder, their expectations must be explored. The previous quote indicates that clients expect dependability. If a client needs help, they

know where to go. Rose did not limit this expectation to her clients, but felt that the whole sector faces this expectation. Clients understand the NPO's role in society and depend on the services they provide.

Not only do their clients understand their role, most participants were not even concerned about advertising to find more clients. These NPOs already have more people than they can serve as Colleen explains.

*Uh, everybody pretty much knows about us. Like I said, we've been around for more than 30 years.*

Colleen was not the only participant who indicated no concern about recruiting clients. When asked if they advertised to find more clients, many participants responded that there was no need, clients found them. Pastor Jason did state that he was having a difficult time finding new members because of the location of his church. However, his congregation does understand the role of the church in the community. Clients are the only stakeholder that the NPO managers interviewed agreed understood their role and expected them to exist, thereby granted them cognitive legitimacy.

**5.3.3.2.2 Public.** There was no consensus regarding the public and their views on cognitive legitimacy. Some participants felt that the public understood their role in society, but many did not. Lisa believes that because she lives in a small county the community understands the role of her NPO. Her organization is the only NPO in the county that offers support for low-income families. Lisa feels that because she is the only organization of this kind the community knows what she does and understands the role of her NPO.

*We're a pretty small county so everybody tries to get involved at one point or another.*

However, the size of the community is not the only factor contributing to cognitive legitimacy that was mentioned during the interviews. Barb believes that an individual's experience and values determine if one understands an organization. As the following quote demonstrates, Barb does not believe the public as a whole understands her organization, but only those who share the same values. Therefore, she does not believe the public as a whole grants cognitive legitimacy.

*Oh, that's a really good question. Uh, some absolutely do, and it goes back to what I was talking about, you know, it just kind of depends on how important people feel sports are. Yeah, so there are people that are definitely more into giving to feed or to cloth or to build houses, but then there is a percentage of the population that realizes that participating in sports or at least having that opportunity is a huge benefit to learning teamwork, and self-respect, and discipline, and - I mean, there's just tons of statistics about teen pregnancy going down for girls that participate in sports, and truancy, and health benefits, and on and on and on.*

Neoinstitutional theory must be examined at the industry level. When exploring moral legitimacy and pragmatic legitimacy, participants spoke of their specific organization and the sector interchangeably because there was a consensus as to the trend. There is no consensus between participants regarding their organizations. Therefore, we have very little insight into the level of cognitive legitimacy of the industry. In order to gather industry level information, participants were then asked if the public understood the sector as a whole. In order to have a high level of cognitive legitimacy, the nonprofit sector as a whole must be both understood and accepted as a necessary part of society.

Alison believes the public does not understand the importance of the role NPOs place in society. This would indicate she believes the entire sector is not understood and does not have a high level of cognitive legitimacy.

*I don't think they understand the influence in terms of the population. I don't know if they know what the world would look like or at least what the US would look like if no one was fulfilling some of these roles.*

In terms of cognitive legitimacy, the church is no exception. Pastor Jason outlines the difference between civilians and military personnel. He believes civilians do not understand the role of a clergy member.

*I'm not so sure the civilian society understands it as well as the military. Having been an Army Chaplain, they knew what I was supposed to be doing or at least knew what a chaplain was supposed to do. I'm not sure that the wider community outside the congregation knows what a pastor is supposed to do. And I don't think that they - well, I have seen the effect when some of the 'clergy' - I'm not sure where their ordination and where their judiciary really comes from - having seen them doing some strange things politically and otherwise. You know, I'm just not really sure what - but the military understands what a clergyman is supposed to be doing.*

Participants generally indicated that the public does not understand their role. NPOs seem to concentrate increasing their moral legitimacy instead of communicating to the public what they do and why it has value. It is possible that a sector within the nonprofit world, for example health care, have obtained a high level of cognitive legitimacy. However, that question is not within the scope of this project and will have to be explored in future research. There is one stakeholder left to examine who does not fit into one of the types of legitimacy.

### ***5.3.4 NPO Stakeholder Convergence and Conflict***

#### ***5.3.4.1 Employees***

Although the public, the government, foundations and donors agree that the nonprofit sector should become more businesslike, not all stakeholders agree with this expectation. The last stakeholder has a different perspective because they interact with all the other stakeholders. The participants are all employees of NPOs and have been quoted

listing the benefits of partnerships with businesses. However, most of the potential conflicts between stakeholders involve employees.

**5.3.4.1.1 Benefits of working for an NPO.** As stakeholders, employees have their own set of expectations. Colleen concurred with the research from Kim and Lee (2007) reporting that money is not the only motivating factor for nonprofit employees. She is willing to overlook receiving a lower wage because she receives intrinsic benefits from carrying out the mission.

*I like my job. Doesn't pay well but it's very rewarding.*

Many employees of NPOs prefer to work in the nonprofit sector for the very reasons that it is different than the for-profit sector (Kim & Lee, 2007). Several respondents discussed the differences between the two sectors, pointing out why they preferred to work for the nonprofit sector. Lisa articulated why she enjoys working for a NPO instead of working for a for-profit organization.

*They're more strict, by the book. There's no if, and's or but's about it, where here we try to look at all avenues and try to get them the most help that we can.*

**5.3.4.1.2 Increased Bureaucracy.** However, NPO employees have found that bureaucracy has increased as their organizations have grown into larger, in this case, international organizations. This increase in bureaucracy is desired by several stakeholders because it indicates a more businesslike structure, but bureaucracy is not valued by employees. It is one of the reasons some participants prefer working for the nonprofit sector, less bureaucracy, but that is changing. Heather explains the difficulty of working for such a large organization when the public's expectations do not match (Carson, 2002).

*I know I'll go to a social function and people will say, "What's happening at (your organization)?" Well most of the time it's not happening here in our building so I don't know really know, [laugh] but you know, you're still expected to answer and I don't think that's unusual. I think that that goes beyond (our organization) too.*

Similarly, Christy struggles with communicating the strategic plan with her employees. Her organization is run with employees' input, as is characteristic of an NPO. Therefore, it is a challenge when they do not understand the direction of the organization. It is difficult to get the employees engaged in the big picture instead of focusing on their tasks.

*I'm not sure that they have any real concept of the details. They sort of - they know what they've been tasked with but not so much how that fits into the bigger picture. It's something we've struggled with for quite a while.*

Historically, the nonprofit sector operates very differently than the public and private sectors (Carson, 2002; Stone & Ostrower, 2007). By becoming more businesslike, NPOs are blending two different approaches, some more successfully than others. Rose found a method of strategic planning with her employees and interested community members creatively, in a way that is consistent with the nonprofit sector.

*I would say yes, because we've had a couple of huge neighborhood-wide meetings where we brought residents to the table and City officials and developers and different organizations that help in the neighborhood, and we've called it a couple times "Magic Bus Ride" where we've gotten everybody on a school bus and took them through the whole neighborhood and then looked at the neighborhood as a whole and said, "Okay, what are the things that we need to do? What's our next game plan? Here's what we have, what do we need next? How do we plan this area out?"*

**5.3.4.1.3 Return on Investment.** Employees are also struggling with reporting results. They are frustrated, finding it difficult to determine a value for non-market activities. Nancy is aware that it is expected that she spend her time wisely to produce meaningful outcomes. She sees value in this expectation because she feels that more good

can be accomplished if employees do not waste their time on projects or programs that are only serving a few. However, she struggles with applying that concept to reality.

*A lot of times it's the staff time involved in some programs or something like that, that it's like, is it really worth it? But what tool do you have in a social environment that provides social services that says a dollar value to some of these things, to making sure that people are healthy, clothed, sheltered, things like that? So I struggle with that. And for that part, the return of investment part, I do think they should be a little - held more accountable to that. On the other hand working in a non-profit organization there's a lot more flexibility that I love, that I wouldn't want to go back to a private organization again.*

Nancy is balancing the fact that she enjoys that NPOs are different from businesses because she is given more flexibility with the fact that NPOs should become more businesslike through accountability and measuring the return on investment. She goes on to provide an example of decisions she faces at work that demonstrates the struggle of determining how to calculate a return on investment.

*Some of the things that we do, yeah. You know, I mean - okay, for example, a family of four has no beds in their house. They got evicted from their apartment that was fully furnished. They maybe got lucky enough to find an unfurnished apartment and it's the middle of winter and everybody's sleeping on the floor. So you have a staff member that's trying to track down beds. How long should that staff member try to look for donations for beds so that that family of four can be off the floor in a warm bed throughout the winter instead of living in a drafty place? I don't know what the dollar amount is. I don't know what the time amount is.*

Determining market values for social services is a difficult task. Even for employees who agree with this expectation struggle with assigning a social issue with a number, and many employees do not agree with this expectation but are still given this difficult task. It is not the only difficult task NPO managers face.

**5.3.4.1.4 Efficiency.** The public, government funding agencies, foundations and donors all expect NPOs to become more efficient. However, this expectation results in a conflict with what employees perceive as their role. NPO employees value the difference

their work can make on individual lives when they take the time needed for each client.

Lisa explains how she can be more effective because she is not concerned with efficiency.

*I just feel that when I'm working with clients it's a one-on-one type of thing and they need that reassurance or that comfort of being a one-on-one basis with them. I think they need that and they appreciate it more. I'm not herding them through a line, cause we take our time here and go over all the programs, what's going on in their life that's brought them to this situation, and help them try to correct it to get them back on their feet again.*

From this quote we can see that Lisa talks about efficiency in a negative light. She feels that rushing people through the process will not result in a lifestyle change. Rose brought up the same topic. In her opinion she is able to prevent a crisis when she is able to not be efficient and work with a client.

*Well, I'm just going to say, we're more prevention, and if you would have been in here yesterday in my office it was all about sitting and listening and helping somebody get their bill paid, you know, things that didn't necessarily, totally - I mean, yeah, in some aspects you can fit it into your work plan, but yet at the same time you're doing a lot more helping someone than you are doing the preventative end.*

Employees seem to understand the need for accountability, return on investment and increased professionalism, but they do not respond the same way to the expectation of becoming more efficient. The quotes from Lisa and Rose point out that they can do their job more effectively if they do not make efficiency their top priority, a sentiment that was echoed by other participants. Part of the reason these employees chose to work in the nonprofit sector is because it is different than the for-profit sector in that they can care about individual clients and make a difference in their lives. These expectations, specifically efficiency, could have a negative effect on the employees of NPOs. It will

become increasingly difficult to hire and retain capable, qualified employees for less than they would make in the private sector.

#### **5.3.4.2 Considering Clients**

Not only are employees affected by these partnerships and the expectations of other stakeholders, the clients are as well. Christy observed how partnerships with businesses have resulted in a loss of trust with a group of clients, thus rendering the organization ineffective to those they are meant to serve. Although she feels that it is impossible to reach all the clients no matter who they decided to partner with.

*I think for some of them it does. I think for a good chunk of our clients sort of the idea of a big bank is scary to them and so if we have a smaller community based bank or a credit union it helps them feel more comfortable with the other overall process. I think for another segment of our clients they've had problems with bigger banks: they didn't understand the accounts that they were signing up for, they've gotten themselves into trouble, now they're in a situation where they owe a bank money because they were bouncing cheques or whatnot. And so I think sometimes there's sort of a reluctance with a larger bank. And I think the opposite is probably true for some of our clients as well. If they have never heard of the bank they don't want to open an account there but everybody's heard of Chase and City Bank. So I think it's sort of a double-edge sword on the recognition of the partners.*

This NPO is placed in a difficult position. Larger banks are more likely to contribute more resources but clients are more likely to have had a negative experience with them. Smaller banks do not carry the same image or awareness, but provide a clean slate for clients to start from. Neither choice is necessarily better, but NPOs need to be aware that the business they choose to partner with may affect their clients.

#### **5.3.4.3 Limitations of Partnership**

When participants were asked if they felt their business partner limited them, they all responded no. Most described the partnership as an opportunity. However, later in the

interview a few participants recognized that there were a few limitations to partnerships. Nancy talked about a loss of creativity due to constraints from the conditions of funding.

*You know, there's more strings attached and there's more limitations to what you can do so you lose a little bit of the creativity to make true changes.*

Employees feel that their hands are tied and they are limited how they can work towards their mission. There are acceptable behaviors, but Nancy feels that social change comes from actions that are not acceptable.

Pastor Jason talked about controversial NPOs and the benefits they find because they cannot partner with businesses. He feels they have more freedom to do and say what they want without so many limitations.

*I really don't know. I think that it makes them - it gives them more independence I think then. I think that it makes them in some respects maybe a bit more radical. They can push their thing and say, "They're going to tar us with it anyhow, let's go ahead and do it." I can see, like, Amnesty International screaming about stuff a little more than they might otherwise because we can be independent and maybe boost our own contributions by doing - boost the contributions from the people that support us already if we're a little more radical, a little more loud.*

When NPOs are not in partnerships they do not have a stakeholder, namely businesses, that are expecting to receive legitimacy based on the NPOs behaviors. Those NPOs are free from one set of stakeholder expectations to take whatever action they see fit. However, when two organizations are working toward pragmatic legitimacy, either both organizations must benefit from the arrangement or one will pull out. If the NPO is dependent on the business partner for resources and moral legitimacy they are concerned that the business is receiving what it expects from the partnership or it will terminate the partnership. Therefore they will monitor their actions based on the expectations of the business partner.

Although employees are pursuing partnerships with businesses, they feel limited by these partnerships. Employees must watch their actions carefully to keep from doing anything too extreme or they will not be able to attract business partners. These partnerships have benefited the nonprofit sector with legitimacy and resources. However, opportunity often comes with a cost, in this case for employees and clients. For the clients, some NPOs are changing into organizations they do not think they can trust, a loss of cognitive legitimacy. For the employees, they are limited to how they can pursue their mission. They must balance the wants of the business with the needs of the clients.

## **6 DISCUSSION AND CONCLUSION**

### **6.1 Motivations**

The objective of this study was to explore the motivations of nonprofit organizations (NPOs) entering into partnerships with businesses. The prior research that has studied partnerships between NPOs and businesses has primarily been from the perspective of the business partner with a few exceptions studying specific types of partnerships (see Adams & Perlmutter, 1991; Basil & Runté, 2007; Deshpande & Hitchon, 2002 and Eikenberry & Kluver, 2004). Given that a primary reason for businesses to enter into these partnerships is to gain social legitimacy (Dacin et al., 2007), this study explored the motivations of the NPOs to enter the bargain. Thus a contribution of this study is exploring the motivating factors driving partnerships between NPOs and businesses from the NPO perspective.

As expected, study participants responded that gaining resources is the primary reason for NPOs to partner. The political and economic environments at the time of this study have resulted in an increased need to secure funds above and beyond an NPO's primary funding source. These partnerships provide NPOs with another source for resources. Although this source may not be secure through a written contract, in most cases, these partnerships are long-term and provide the NPO with a familiar organization to turn to with a request. These partnerships fill a need for resources for NPOs.

The other benefits NPOs receive from these partnerships are less tangible. Participants mentioned credibility, publicity, public support, community profile and endorsement to name a few. Their examples point towards altering public perception of

their organization. NPOs are using partnerships with businesses to communicate with the public in order to generate a positive public perception. These organizations are using partnerships with businesses to increase their legitimacy. Another contribution of this study is identifying and exploring legitimacy as a motivating factor for NPOs entering into partnerships.

### ***6.1.1 Legitimacy as a Motivation***

Paradoxically, the same changes in economic and political environments that have caused businesses to re-examine their social obligations have also placed the nonprofit sector in a position of defending its value to society. Having registered charity status no longer translates to legitimacy. NPOs are finding they must prove their worth through businesslike practices, fiscal responsibility and observable outcomes. This implies changing the operations of the sector to meet expectations.

Suchman's (1995) typology of legitimacy was used to identify what type(s) of legitimacy NPOs are pursuing whether consciously, by actively pursuing legitimacy, or unconsciously, by succumbing to institutional forces. His three types of legitimacy were explored: cognitive, moral and pragmatic. The type of legitimacy that NPOs needed to increase was often dependent on the stakeholder. Participants identified various stakeholders relevant to the process of increasing their legitimacy. The results of this study showed NPOs are attempting to increase their moral legitimacy with the public, government funders, foundations and donors. Pragmatic legitimacy, on the other hand, was exchanged with the business and clients seem to grant most NPOs a high level of cognitive legitimacy.

## **6.2 Institutional and Strategic Perspectives**

### ***6.2.1 Neoconservative Influences***

At the time of the study the political environment was influenced by the neoconservative ideal (Kristol, 1983). This ideal emphasizes small government and the free market. During Reagan's administration actions were taken through the 1982 federal budget to create a smaller government (Nathan et al., 1982). In order to reduce the amount of funding given to NPOs, the sector was encouraged to privatize by the government. Essentially the nonprofit sector was encouraged to become more like the private sector. The public began to adopt this ideal across the country and participants indicated that the values of the private sector are now also becoming some of the values in the public and nonprofit sectors as well. Since businesses are seeking social legitimacy as well, the three sectors seem to be converging, implying isomorphism is taking place.

Results of this study demonstrate business practices and structures in the nonprofit sector. The way NPOs operate began to change because they were no longer guaranteed funding from the government. If an NPO was to survive, it would find the needed funds elsewhere. The NPOs that did survive learned how to pursue their mission while they were also pursuing funds; their attention was divided. These changes led to fewer volunteer run organizations and more highly paid, better educated and, in some cases, more professional employees, that, in turn, led to an increase in the cost of operations (Carson, 2002). NPOs thus need more resources even while they are harder to attain.

Participants stated that funders, specifically government funders, also increased their reporting requirements. In order to maintain their funding, NPOs are being asked to

justify their existence. Results from this study show that NPOs are required to provide reports on the number of clients served, how they are served and on the outcome of that service. One participant even discussed her attempts to calculate the return on investment for the social services provided, which is a very businesslike goal. In order to increase accountability in the sector, these reporting requirements are used as a method of measurement. To determine which organizations are worthy, having the most impact with the least amount of money, funders are attempting to assign a market value to a social service.

From the results of this study, we can see neoinstitutional theory (DiMaggio & Powell, 1983; Meyer & Rowan, 1977) in action. Societal norms and expectations (Elsbach, 1994) have changed in this sector. The free market has increased in importance and the nonprofit sector is expected to become more businesslike. The nonprofit sector is changing as a result of these new norms and expectations. Some NPO managers are aware of this change and are taking action. Other NPO managers seem to follow the lead of those taking action, yielding to institutional pressures.

## ***6.2.2 Stakeholder influences***

### ***6.2.2.1 Unrealistic expectations***

The actions of NPO managers who are being strategic can also be understood through resource dependence (Pfeffer, 1981) and stakeholder (Mitchell et al., 1997) theories. NPO managers, who were aware of the changes taking place, began strategically planning, or at the very least, reacting to meet rising expectations. NPO managers perceive a lot of the pressure coming from the public. The results of this study are consistent with research that the public expects NPOs to adopt businesslike practices and

become more efficient (Milne et al., 1996). Carson (2002) argues that these expectations are unrealistic for the sector because the public has not been educated by NPOs as to how the nonprofit sector has changed. NPOs are expected to operate on such minimal funds that they cannot even adequately compensate their staff. Participants identified various stakeholders from whom legitimacy was needed and/or could be gained. The results of this study suggest that NPOs are seeking an increase in moral legitimacy (Suchman, 1995) from the public, government funders, foundations and donors. NPO managers have changed job titles, dress codes, accounting practices and organizational structures all in an attempt to become more businesslike. Instead of educating the public on how to hold the sector to realistic expectations, NPOs are pursuing businesslike practices to gain moral legitimacy.

From this study, practitioners might recognize that the expectations they are working hard to live up to are unrealistic for their organizations. Practitioners should come together and work with the public to determine what constitutes a realistic set of expectations within which the public can hold NPOs accountable. By working with the public, NPO managers can educate this important stakeholder on what the nonprofit sector looks like today and what challenges they are facing. If practitioners do not take proactive action soon, the effects of these expectations may prove difficult to reverse.

Another contribution of this study is to show that, due to ideological forces, NPOs need to recapture lost moral legitimacy from the public, government funders, foundations and donors. By understanding what type of legitimacy NPOs must gain from these stakeholders, practitioners are positioned to pursue these needs more explicitly. It is also

relevant for future research in this area to deepen our understanding of why the nonprofit sector is moving in this direction.

**6.2.2.1.1 Effects of Expectations.** Yet NPO managers have not stopped to question if this course of action is best for the sector. The results of this study indicate that by submitting to the expectations of the public, government funders, foundations and donors, they are falling short of the expectations of their employees and clients. While NPOs become more efficient, employees become more discontent. Many employees are willing to work for an NPO for less pay because they believe in the mission (Kim & Lee, 2007). However, their job descriptions are moving further from mission-driven activities while they focus their time on fundraising and being efficient. Several participants pointed out the difference between the nonprofit sector and the private sector by emphasizing the time they could take with individual clients to make a difference. But this difference between the sectors is diminishing as NPOs become more efficient, one-on-one time with clients no longer seems practical and employees are forced to operate like the private sector. It is likely that it will become increasingly difficult for NPOs to recruit employees for positions that resemble the private sector for less pay. It is also likely that it will become difficult to retain current employees who have witnessed their job description change as mission-driven attributes are dropped.

The potential result of continuing on this path is not only detrimental to the employees but also to clients. As stakeholders, clients do not have a lot of power for the most part, but do have legitimacy. NPO managers are attempting to balance benefits for the client with expectations from other stakeholders. At times these are one and the same, for example, when increased resources provided by a business benefits the NPO's

employees and in turn their clients. However, there are also times when they conflict. For example, the choice of a business partner may discourage some clients from seeking assistance and the results from this study identified clients as the only stakeholder consistently granting a high level of cognitive legitimacy. Perhaps because NPO managers know they have the most elusive form of legitimacy from this stakeholder, they do not feel their expectations are as urgent. Balancing the needs and expectations of stakeholders is a difficult task for any organization and NPOs are no exception.

This study has also contributed to the body of knowledge by identifying cognitive legitimacy as the type of legitimacy gained by clients. By understanding the type of legitimacy granted by this stakeholder, their attitudes, interactions with NPOs, and the consequences of losing the legitimacy of clients can also be better understood. The impact on employees and clients will be further discussed below.

**6.2.2.1.2 Different Methods of Accountability.** A participant stated that business solutions do not necessarily apply to NPOs, perhaps the sector needs to come up with different methods of holding individual organizations accountable. Instead of simply adopting practices and solutions from another sector, innovative solutions are needed specifically for the nonprofit sector. Demanding that NPOs have a high level of moral legitimacy is in itself a good pursuit. Examining how organizations reach their goals and whether they are having a real impact are valuable questions to ask. However, requiring that the structures and processes that they use to reach their goals should look like those of business and assuming that they should be able to measure the impact of their efforts in a similar way to how businesses measure their profit; these are not the best means of accountability.

The results of this study show that NPOs are attempting to meet these expectations only to discover that the public, by not examining them, is unable to find out that they have improved. Once they have taken action to increase their moral legitimacy they must communicate this information to the public. Results from this study show there are dual purposes to enter into partnerships with businesses. NPOs need the resources they acquire from these partnerships, but they also use them as a means of communication with the public.

#### ***6.2.2.2 Partnerships to Endorse Improvements***

In order to show the public that NPOs have made changes to recover their moral legitimacy, they need a means of communication. Businesses seem like a natural choice because businesses are assumed to value efficiency and effectiveness. Participants indicated that if a business, especially a large business, is willing to stand by an NPO this communicates to the public that the NPO has moral legitimacy. NPO managers must find a means to attract businesses to partner with their organizations.

Participants found that they could attract businesses by offering social legitimacy (Dacin et al., 2007) since businesses needed a change in their image to demonstrate that they were becoming more socially responsible. NPOs are a natural choice to confer 'legitimacy by association' because they have a high level of social legitimacy. The interviewees found that they could offer publicity to the business in order to establish a partnership where both parties would gain. Therefore, NPOs can gain pragmatic legitimacy from a business by offering an opportunity to increase the business's social legitimacy.

This study contributes to the body of knowledge by identifying pragmatic legitimacy as the type of legitimacy to be gained by businesses. Businesses are willing to partner with NPOs and offer resources if they receive something in return. By understanding the nature of this type of legitimacy, we can better predict the instability of these partnerships. They will terminate when the business is no longer receiving a benefit. This is an important point because given current economic forecasts, when businesses no longer see large profit margins they may be less likely to be concerned with demonstrating CSR through NPO – business partnerships. This is relevant to researchers studying the phenomena from either perspective. It is also relevant to practitioners considering what kind of partnerships to enter into as well as how much to depend on businesses for support. Practitioners will see benefits for a longer period of time if the exchange with their business partner involves tangible as well as intangible benefits. A partnership based on NPO entrepreneurial activities is the type explored in this study that would likely best sustain a long-term relationship through booming economies as well as recessions because the business receives a tangible service or product in exchange for resources. However, considering the likely resource withdrawals based on the current economy, one type of partnership may not be better than another because they all serve the secondary role as an endorsement of the NPO to the public.

Although businesses are a logical choice as an endorser of businesslike practices on the part of their partner NPO, the public should ask if businesses actually have enough information on the NPO to make the endorsement. Participants outlined many reporting requirements from their government funders that are specifically related to moral legitimacy. However, those interviewed stated that businesses do not ask questions

relating to moral legitimacy. This would indicate that government funding agencies may often know more than a business partner about an NPO's moral legitimacy. Yet since the government does not have a high level of moral legitimacy themselves with respect to efficiency and effectiveness, they are not a credible endorser.

Again, NPOs need to educate the public, not only about expectations, but also in how they are meeting those expectations. However, this type of communication is both costly and time consuming. From the perspective of the participants, partnerships with businesses are reaching this goal. The question is, at what cost?

### **6.3 Inherent Risks of Partnerships and Pursuing Moral Legitimacy**

#### ***6.3.1 Risks of Partnerships to the NPO***

##### ***6.3.1.1 Social Interdependencies***

Pragmatic legitimacy is different than Suchman's (1995) other types of legitimacy because it depends on the audience acting in their own self-interest. In this case both parties are depending on each other to influence the public's perception. If the NPO does something to lose their social legitimacy that will impact the social legitimacy of the business. For example, if a Cancer society distributes cancer causing water bottles knowingly, the public will change their perception of that organization and all organizations associated with them, including the business partner. This can cost the business partner legitimacy instead of helping them gain legitimacy. In the same way, a business that has partnered with an NPO may be discovered to have knowingly manipulated their financial statements to show great profits instead of loss, their moral legitimacy will come into question. This will affect the NPO that is partnered with them

negatively (Deshpande & Hitchon, 2002). When a partnership between an NPO and a business depend on gaining legitimacy, the two parties are socially interdependent (Suchman, 1995). NPOs must choose their partners carefully because instead of gaining moral legitimacy from their business partner, they stand to lose the legitimacy they already possess.

### ***6.3.1.2 Effect on Clients***

The results of this study suggest that clients grant a high level of cognitive legitimacy to NPOs. That legitimacy is based on an understanding of their function in society as well as a trust that they will continue to fulfill that function. Most interviewees mentioned that they do not actively seek new clients because clients were able to find their organization. NPOs depend a lot on the reputation they gain amongst their present and past clientele. Forming a partnership with a business may have the potential to strengthen that trust if the clients trust the business partner, but they also have the potential to weaken or even break that trust if the clients do not trust the business partner. One participant stated that it did not matter which bank she choose to partner with, some clients were happy and others were not. An NPO must be aware of the effect that a partnership could have on its clients prior to entering into that partnership.

## ***6.3.2 Risks of Pursing Moral Legitimacy***

### ***6.3.2.1 Effect on Clients***

Clients are not only affected by resource flows from the partnership, they are also impacted by the pursuit of moral legitimacy. Some of the resulting changes are positive, as NPOs are able to assist more clients with more efficient business practices, but these

same changes can lead to less impact on individual client's lives. Participants were concerned that the focus on efficiency is leading their organizations towards increased social service and decreased social change. As clients are pushed through the door to improve efficiency, the outcome of the service may not be the same as if time were taken to really work on their needs. As NPOs move toward more businesslike practices they must be conscientious to balance the effectiveness needs of their clients with the efficiency demands of the public. Many of these changes have the potential to benefit clients as service improves, but taken too far, they can move the NPO away from its mission.

#### ***6.3.2.2 Effect on Employees***

Similarly, NPOs must balance the expectations and desires of their employees with the need for moral legitimacy. The results of this study suggest that the expectations of employees are often at odds with the expectations of the public. The employees of NPOs chose to work in the nonprofit sector, primarily, because they believe in the mission (Kim & Lee, 2007), but also for other characteristics of the sector. In some ways, NPOs continue to function very differently than businesses. Participants stated how they enjoy the flexibility, the warm environment and the creativity. The ability to work one-on-one with a client until they had helped that client was mentioned as a benefit by many of the interviewees. However, these benefits are at risk since they are not in line with the public's expectations for efficiency and businesslike practices.

The job descriptions of employees are also shifting from being primarily focused on the mission, to dividing attention among mission, fundraising, bureaucracy and publicity. Although that is the reality of the sector, it is also the reality of the sector that

these employees are underpaid, and in many cases, highly qualified (Carson, 2002). Research has shown that employees are content with less pay because of their commitment to the mission (Kim & Lee, 2007). However, NPOs must carefully balance the efforts to gain moral legitimacy with the expectations of their employees or that will no longer be the case. As the sectors become more similar, employees are likely to become less willing to accept a lower wage.

Therefore, another implication of this research is a caution to practitioners that they may be taking two important stakeholders for-granted, namely employees and clients. Although balancing stakeholder expectations is a difficult task, practitioners must keep all their stakeholders in mind and evaluate their expectations. When unrealistic expectations are identified, action can be taken to communicate with that stakeholder to work towards reasonable expectations. Managers may assume because they have a high level of cognitive legitimacy from their clients they can concentrate on more urgent and / or powerful stakeholders. However, cognitive legitimacy can be lost when an organization changes to the extent that the stakeholder no longer understands their role. NPO managers must be aware of the effects of their actions on all of their stakeholders. Losing the cognitive legitimacy of the clients will introduce new challenges as they try to accomplish their mission. Similarly, managers may assume that their employees will be willing to do whatever is asked of them. However, if job descriptions continue to steer further away from employee's justifications for taking a lower wage, they may no longer be so flexible.

### ***6.3.2.3 Effect on the Nonprofit Sector***

The nonprofit sector needs to take a step back and evaluate whether they are moving in this direction for the right reasons. If NPOs were to educate the public (Carson, 2002), examine the expectations of their stakeholders and examine their present environment, they might more easily determine the best course of action and alleviate a lot of the pressure they are facing by trying to be all things to all people. Changes are needed; participants agreed that increased accountability and better management practices would benefit the sector. However, while making such much needed changes, it is important to remember that the sectors are distinct and either that distinctness will be lost or the sector will be disjointed. The sector needs to speak with a unified voice instead of running towards becoming businesslike in all different directions. If NPOs cannot agree on the definition of businesslike, they are not moving together towards the future, they are just reacting. By evaluating their current position and their new environment, together NPOs could strategically plan what is best for the sector, their clients and society.

## **6.4 Limitations**

This study, like any study, has limitations. Exploratory research is not generalizable; there is no reason to believe that all NPOs will exhibit these circumstances, perspectives, strategies or actions. However, this study does provide insight into the phenomenon of partnerships between businesses and NPOs. This insight speaks both to what is going on in the sector presently as well as where it might be going. The sample was a convenient sample from respondents of a survey from a previous study who self-selected to participate in this study. Therefore participants may have had a more clearly

defined or extreme perspectives. However, a more extreme perspective can provide insight into a situation that others may not be as aware of or as articulate when describing their views. These extreme perspectives can then be used more broadly in future research to understand the nonprofit sector as a whole, increasing transferability and credibility (Guba & Lincoln, 1989).

Another limitation of the participants of this study may be that all sectors of the nonprofit world were not represented. Future research is needed to explore whether there is a difference between the sectors, for example between sports/recreation and social service, to increase transferability (Guba & Lincoln, 1989). Future research is also needed to increase transferability (Guba & Lincoln, 1989) by investigating whether cause-related marketing partnerships exhibit similar characteristics as the other types of partnerships. No cause-related marketing partnerships were explored in this study, however, the other three types of partnerships were similar and it is likely that cause-related marketing, being a more obvious exchange, would also reveal itself to be pragmatic legitimacy.

This study occurred during a particular economic and political climate that was described and incorporated into the study to capture the context and increase dependability (Guba & Lincoln, 1989). As the environment changes so do stakeholders' influences and institutional pressures. The neoconservative ideology combined with good economic times has influenced this sector. The political ideology will change, as will the economy and the methods to acquire legitimacy. Thus, the context for NPOs will change and the findings of this study may be altered because of this different context. However,

these circumstances have influenced the sector and this impact must be understood in the future in order to have to full picture of the sector's history.

This study also examined legitimacy through one framework, where other frameworks may lead to other conclusions. Future research is needed to confirm these findings and to broaden our understanding of the undercurrents driving these partnerships to increase confirmability (Guba & Lincoln, 1989).

### **6.5 Theoretical Contribution**

The use of Suchman's (1995) typology in the nonprofit sector provided a challenge. The term 'moral' legitimacy leads the reader to refer to *what* the organization is doing. When introducing the concept, Suchman describes it as just that. However, when expanding on the concept by introducing the various types of moral legitimacy, the concept steers away from *what* the organization is doing to *how* it is doing it and measuring the *outcomes* of that activity. The reason this becomes a challenge with this sector is that if we simply examine *what* an organization does to determine that it is for "societal welfare" (Suchman, 1995, p579), all NPOs would have high levels of moral legitimacy because their various missions are all directed toward "societal welfare" of some sort. But, when each type of moral legitimacy is explored independently, consequential, procedural, structural, and person, it is clear that some NPOs do not possess a high level of moral legitimacy. Examining *what* an organization does points towards cognitive legitimacy when an organization's role is understood and taken for-granted. The findings of this study suggest that NPO's cognitive legitimacy eroded and now they also lack moral legitimacy. NPOs are being encouraged through societal expectations to optimize their procedures and outcomes, which will build their moral

legitimacy. They are not being encouraged to change their mission or *what* they do as a sector. Moral legitimacy seems to examine the means of an organization and the results it produces. It is this definition that was used in this study because it describes precisely the kind of legitimacy NPOs are seeking to increase in regards to the public.

The distinction to be made here can be articulated by an extreme example. The example shows that the issue with terminology is not distinct to the nonprofit sector, but only amplified. Even in the business sector ‘moral’ does not describe the type of legitimacy its types suggest. Escort services have acceptable procedures in place in that they pay their taxes. Whereas prostitutes do not pay taxes so their procedures are not acceptable. It could be argued that escort services have a higher level of moral legitimacy than prostitutes because they pay their taxes. However, it would be difficult to find an individual, whether they utilized either service or not, who would label either escort services or prostitution as moral. The definition of moral legitimacy through its various types provides intuitive means to determine if an organization has a high level of moral legitimacy. However, the term itself does not intuitively relate to the definitions of the various types. While using Suchman’s (1995) typology specifically in the nonprofit sector it may be clearer if another label for moral legitimacy was utilized. It may also be advantageous to use another label in the other two sectors. We suggest the term instrumental legitimacy would more accurately describe the concept of moral legitimacy.

## **6.6 Future Research**

Future research is needed in this area to increase understanding regarding the phenomenon of NPO – business partnerships. This study is exploratory in nature and therefore requires more inquiry to fully understand the topic of study.

### ***6.6.1 Political and Economic Environment***

Hammack's (2002) study of the history of the nonprofit sector needs to be both updated and focused on the impact of neoconservatism (Kristol, 1983). This study introduced the impact of this ideology; however a more in-depth historical study is required to fully understand the extent of the impact neoconservatism has on the sector. This historical shift is not only impacting the sector currently, but is likely to have a lasting effect because it has changed the way the sector approaches challenges. Therefore, more research is needed to understand this impact.

### ***6.6.2 Structure Isomorphism***

Throughout this study findings indicated isomorphism may be occurring between private and nonprofit sector organizations. The bulk of the findings for this study centered on resource dependence theory, however, the responses from the participants indicated a strong sign that neoinstitutional forces were simultaneously at work. DiMaggio and Powell (1983) describe the process of isomorphism as one where organizations become “more similar without necessarily making them more efficient” (p147). They go on to outline three kinds of isomorphism: 1) coercive, where an outside audience formally or informally pressures an organization into a structure; 2) mimetic, where an organization adopts a structure as a response to uncertainty; and 3) normative, where organizations come in line with expectations from a profession. Results from this

study show NPOs are adopting businesslike practices, such as job titles like CEO, that do not function as an improvement to the organization and may, in fact, have negative impacts at a symbolic level. Future research is needed to further explore the nonprofit sector for signs of isomorphism and then to go on to explore the isomorphic forces taking place.

### ***6.6.3 Variation among Nonprofit Sectors and NPOs***

The results of this study indicated discrepancies among participants when asked if the public understood their role in society. In other words, participants did not agree amongst themselves whether NPOs had a high level of cognitive legitimacy from the public. This might be attributed to the fact they come from various sectors within the nonprofit world. Future research is needed to examine each sector independently to determine if there are differences in their ability to increase their cognitive legitimacy with the public as well as other stakeholders. If some sectors have a higher level of cognitive legitimacy than others, perhaps sectors can learn from each other.

Similarly, future research is also needed to explore the differences of perception among various levels of the same organization. Although various levels of various organizations were used in this study, and in one case various levels of the same organization was represented by participants, the impact of this variation was not clear. Results from this study pointed towards the perceptions of the top levels of management as more focused on survival and more willing to adapt than lower levels of management who were seen as more mission driven and unable or unwilling to grasp the big picture. However, future research is needed to confirm this possibility and explore its impact.

#### ***6.6.4 Variations among Types of Partnerships***

The participants of this study represented three of the four types of partnerships identified in the literature: NPO entrepreneurial activities, strategic philanthropy and corporate volunteerism. Of the organizations involved in this study, none had partnerships that can be characterized by cause-related marketing (CRM). The results of this study did not demonstrate a noticeable difference among the three types of partnerships represented. Therefore, CRM might be expected to be consistent with the findings of this study. However, future research is needed to confirm this expectation.

#### ***6.6.5 Canadian Study***

NPOs located in the United States were selected for this study because of the length of time they have been exposed to neoconservatism. Findings confirmed that partnerships were well established with these NPOs with one having been in place for thirty-four years. The long duration of these partnerships contributed to the richness of the data as well as the depth of understanding achieved by this study. Canada, on the other hand, has only more recently begun to experience the effects of neoconservatism. Future research is needed to explore the similarities between the two countries while Canada is in the beginning stages. Also, future research is needed to examine the implications of this trend to determine if the best direction for Canadian NPOs is to follow the example of their American counterparts. There is an opportunity here to learn from the experience of the United States for the benefit of Canadian NPOs and its stakeholders.

### ***6.6.6 Gaining, Maintaining and Repairing Legitimacy***

Suchman (1995) proposed more than a typology of legitimacy; he also explored methods of gaining, maintaining and repairing legitimacy. By examining the reactions and / or strategies taken by this sector more could be understood about the neoinstitutional forces compared to the more strategic actions. Exploring NPO actions may also lead to recommended strategies for NPOs in the United States and Canada to both gain and maintain various legitimacies with various stakeholders. Suchman (1995) stated that research is limited in the area of repairing legitimacy and more is needed. By studying NPOs who have lost a great deal of cognitive legitimacy, strategies or characteristics of repairing legitimacy could be identified or expanded. Examining the methods of gaining, maintaining and repairing legitimacy is beyond the scope of this study. However, future research is needed to fully understand the actions taken by NPOs to manage legitimacy.

## **6.7 Conclusion**

This study identifies legitimacy as a motivation for NPOs to enter into partnerships with businesses. Various stakeholders of NPOs were identified to explore which of the three types of legitimacy (Suchman, 1995): pragmatic, moral and cognitive, were being increased, decreased or maintained in relation to specific stakeholders. Results from this study show that NPOs are becoming more businesslike in order to increase their moral legitimacy with the public. As a means of communicating their moral legitimacy to the public, NPOs have entered into partnerships with businesses where pragmatic legitimacy can best describe their relationship because the businesses gain social legitimacy (Dacin et al., 2007). NPOs run the risk of decreasing or even losing

cognitive legitimacy due to their efforts to increase pragmatic legitimacy with businesses and moral legitimacy with the public. This study cautions practitioners to evaluate all the needs and expectations of stakeholders to select the best action instead of giving in to pressures from the most urgent and powerful stakeholders.

This study also has a recommendation to make regarding Suchman's (1995) typology. The term 'moral legitimacy' is challenging to use in the nonprofit sector because it implies *what* the organization is doing and not *how* it is reaching its goals or to what *outcome* as the types of moral legitimacy indicate. Intuitively, NPOs are doing *what* is right for society, but they must prove their methods and results. To meet this challenge, this study defined moral legitimacy through its types to gain a functional understanding of the concept. A contribution of this research is to offer the term instrumental legitimacy to label Suchman's concept of moral legitimacy.

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**APPENDIX**

Interview Blueprint

Name of Interviewee:

Organization:

State:

Time of interview:

Phone Number:

<b>OBJECTIVE</b>	<b>QUESTION</b>	<b>POSSIBLE PROBES</b>
<b>Introduction</b>	Literacy centre  positives and the negatives  OK to record?  Understood the document?  Any questions?  This is an interview by Gail McKenzie with _____ on _____. Are you willing to have this interview recorded?  Could you tell me a little bit about your organization?	

<p><b>Establish criteria and Context of the partnership</b></p>	<p>Position?</p> <p>How long have you worked for this organization?</p> <p>What is the size of your organization's annual budget?</p> <p>How long have you worked in the nonprofit sector?</p> <p>Is the NPO involved in a partnership with a business? Or have you ever worked with an NPO involved in such a partnership?</p> <p>What is the size of your partner's net profit? Bigger? Smaller?</p> <p>Telling me a little bit about your partnership(s)?</p>	<p>Do you oversee other employees or volunteers?</p> <ul style="list-style-type: none"> <li>○ Less than \$125K?</li> <li>○ \$125K to \$499K?</li> <li>○ \$500K to \$1.49M?</li> <li>○ \$1.5M to \$3M?</li> <li>○ Greater than \$3M?</li> </ul> <p>Do you receive any volunteers or funding on a regular basis from a business? Is there a business that does some marketing for you regularly?</p> <p>What is (are) industry (ies) of that (those) business (es)?</p> <ul style="list-style-type: none"> <li>○ Less than \$125K?</li> <li>○ \$125K to \$499K?</li> <li>○ \$500K to \$1.49M?</li> <li>○ \$1.5M to \$3M?</li> <li>○ Greater than \$3M?</li> </ul> <p>Cause-related marketing, strategic philanthropy (more than funds), corporate volunteerism</p> <p>If a combination, which came first? Which do you find most beneficial, why? Which do you find the least beneficial, why?</p>
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<b>Formalization</b>	How formalized is this partnership?	Is it a verbal agreement? Is there a written contract?
<b>Timeframe</b>	<p>How long have you been in this partnership?</p> <p>Continuing?</p> <p>Partnership b/w two orgs or two individuals...will it continue without the individuals?</p> <p>When this partnership began, do you know if your organization initiated the partnership or if it was the business?</p>	<p>How many years since it has been formalized? How many years before it was formalized? How long have you been involved with partnerships in general?</p> <p>Do you feel the length of the contract is up to you, the NPO or up to the business?</p>
<b>NPO's strategy</b>	<p>Does your organization have a strategic plan?</p> <p>Have you incorporated this partnership into the plan? Have you incorporated anything you have learned from your partner into this plan?</p>	<p>known throughout</p> <p>Is this something valuable?</p> <p>Have you had different reporting or evaluation criteria? Has your business partner encouraged or directed you towards change of any kind?</p> <p>Has the partnership limited you or enable you to do more?</p> <p>Have your program offerings changed? Are they good?</p>

<p><b>Objectives</b></p>	<p>What do you think were the reasons to enter into this partnership?</p> <p>Do you feel this partnership has helped your organization to accomplish these goals?</p> <p>Does your organization have a formal or informal evaluation process to ensure that this partnership is benefitting your organization?</p>	<p>Can you name some intangible motivations or benefits? What are you really getting out of it?</p> <p>What do you think they are really getting out of it?</p> <p>Why was it not successful?</p> <p>How has it been successful? What has changed or how have you benefitted? Did it give you an edge with the competition? Do you think other NPOs have a similar experience?</p> <p>Do you feel a process like this is necessary? What is that process like?</p>
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<p><b>Outcomes</b></p>	<p>Would you describe this partnership as an opportunity or a last resort?</p> <p>Do you feel there are any negative consequences from being in a partnership?</p> <p>Do you feel the public views your organization differently because of this partnership?</p> <p>Was that one of the reasons to enter into the partnership?</p> <p>Why do you feel people pick you to send their donations/support?</p> <p>Do you feel the public has changed their expectations for NPOs?</p>	<p>Was this something your organization was excited about or did you feel pushed in a corner with no alternatives?</p> <p>Even if it has been a positive experience. Has this partnership hurt your organization in anyway including resources and reputation? What about for other NPOs? (NPOs who were partnered with enron?)</p> <p>Are there different groups who would answer differently? Is this important to your organization? If this has been good for you, can you see how it might be bad for others?</p> <p>Did you predict the public would see you differently? Why do you want the credibility?</p> <p>Do they feel you are doing the right thing? Does it benefit themselves in some way?</p> <p>Do you feel that society's expectations have changed for NPOs? How has this affected your org? Does the public question the results your organization accomplishes? Or how you do what you do? Or your administration?</p>
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	<p>Do you feel the public understands your role in society? Do they feel it's a given that you exist?</p>	<p>Do they understand what you do? Do they think it is important? Is it important to your organization that the public understands and/or values what you do? Do you think the level of understanding the public has for the need for the NPO sector as a whole has changed?</p>
<p><b>Resulting changes</b></p>	<p>Have you noticed anything about the way your partner runs their business that you would like to implement if you could?</p> <p>Should NPOs become more business-like?</p> <p>Why "should" NPOs become more business-like?</p> <p>Does the business want you to become more business-like?</p>	<p>What have you learned from your business partner?</p> <p>Is there anything your organization has seen about your business partner that you have used to improve your NPO? Is there anything you have tried to adopt unsuccessfully? Is there anything you hope to adopt in the future?</p> <p>Procedures, structure, measurement of outcomes.</p> <p>What does that mean to you?</p> <p>for the public, for the biz, to compete with each other?</p>

<p><b>Hypothetical questions</b></p>	<p>Hypothetically speaking, do you think a business would be more likely to partner with a planned parenting organization or habitat for humanity?</p> <p>In previous interviews it has been said that businesses should support the noncontroversial NPOs and the controversial NPOs should be supported by the individuals who believe they are necessary, what do you think about that statement?</p> <p>When a partnership involves volunteering of employees, who gets the credit? The business or the employees? The NPO/buz?</p> <p>How could the business loose the credit?</p> <p>There is a lot of emphasis on % spent on admin costs of NPOs, is this the public's way of holding NPOs accountable?</p> <p>In a previous interview someone stated that because NPOs are becoming more business-like they are about social service instead of social change, do you agree with that comment?</p>	<p>What impact on society is this having? Will this have?</p> <p>Does this make the controversial NPOs less important in society? Dangerous? What about the people who can't speak for themselves (needle exchanges)?</p> <p>If Home Depot has employees working on a house for habitat for humanity who gets the credit? Should anyone?</p> <p>If Home Depot supplies the building supplies does that change? What if they don't?</p> <p>Is it a good way?</p> <p>For example, an organization dealing with domestic violence, is solely a place for victims to come not a place to try and effect the problem.</p>
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	<p>In a previous interview someone mentioned that the nonprofit sector working with the business sector is like two worlds coming together, would you agree?</p> <p>Some people have raised concerns about the business interfering with the NPO.</p> <ul style="list-style-type: none"> <li>• NPO working with Seniors, company is expanding into a different market, teenagers. The company now wants the NPO to expand and work with teenagers as well. What do you think?</li> <li>• What if the company discovers that the NPO is connected with a needle exchange program. The business demands that the connection be severed or they will withdraw their support.</li> </ul> <p>Do you think the current gov'n't has impacted some of the changes you now face?</p> <p>Will the trends change with different gov'n't in place?</p>	<p>Is this a good change? In what ways are they coming together? What are the implications of this change? Do you think it will last?</p> <p>If they provided the funds to do it, would you say they were interfering more or less than before?</p> <p>What contributes to an NPO's chance of being interfered with? Do you think ones with Strategic plans are more or less likely?</p>
<p><b>Closing the interview</b></p>	<p>Thanks for the time</p> <p>Are you willing to be contact for future research?</p>	