The Why and How of Firm-NGO Collaborations

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Abstract

This paper studies the motivation, success factors and threats of collaborations between NGOs and firms. It builds up on existing literature on collaborations between firms and examines whether collaboration between NGOs and private-owned companies are different from collaborations between firms. Although there are many similar aspects, some differences can be made up. First, firms collaborate with NGOs mainly to get access to the reputation and legitimacy of an NGO. In contrast, NGOs enter a collaboration with a corporate partner to advance its managerial skills and receive financial resources. Second, firms and NGOs measure the performance and success of a firm-NGO relationship differently. While firms primarily seek financial success, NGOs pursue more ideological goals and offer intangible assets such as reputation and authenticity that are hard to quantify. Third, an NGO suffers stronger if a partner does not behave in a way that fits to the partnership and damages the reputation and legitimacy of the NGO. This is problematic for NGOs, as reputation and legitimacy are their key resources.

1 Introduction

Interactions between Nongovernmental Organizations (NGOs) and firms are an interesting phenomenon: despite the formerly hostile relations between these two kinds of organizations (Elkington and Beloe, 2010), the number and intensity of collaborations between firms and NGOs have risen during the last 30 years (see e.g. Lucea, 2010; Selsky and Parker, 2005; Googins and Rochlin, 2000; Arts, 2002). This increase can be explained by (1) the nature of the resources the organizations possess (Das and Teng, 1998; Austin, 2000b) and (2) the organizations' approaches to problem-solving (Pattberg, 2006; Arts, 2002).

Firms and NGOs possess complementary resources: while the main resources of NGOs lie in their reputation and legitimacy within society (Austin, 2000b; Lucea, 2010), firms – by nature – are equipped with, among others, managerial and financial resources (Das and Teng, 1998). The latter help NGOs to withstand the fierce competition for funding and members in their sector (e.g. Elkington and Beloe, 2010; Berger et al., 2004; Brown and Kalegaonkar, 2002; Austin, 1998). Firms in contrast strive for legitimacy and reputation within society (Austin, 2000b; Lucea, 2010).

In the literature, three economic sectors are distinguished (Rudney, 1987; Googins and Rochlin, 2000): the for-profit sector, which includes firms and other organizations that try to maximize monetary profit, the government sector (i.e. the state) and the non-profit sector, which is also referred to as the third sector and encloses all other organizations not aimed at profit-maximization, including NGOs (e.g. Seibel and Anheier, 1990). As firms pursue different goals than NGOs, they can be affiliated to different sectors. While firms aim at maximizing the shareholder value (Rondinelli and London, 2003; Teegen et al., 2004), other-benefiting NGOs provide public goods altruistically – which is in contrast to self-benefiting NGOs, whose aim to represent only the interests of their members (Yaziji and Doh, 2009; Milne et al., 1996). This implies that firms and NGOs think differently about a problem (Pattberg, 2006; Arts, 2002). Thus, a collaboration between both kinds of organizations is a good choice for solving larger social problems (see e.g. Gray, 1989; Arya and Salk, 2006; Parker and Selsky, 2004).

In the literature there is no consensus on whether these partnerships are analogous to firm-firm collaborations. Only a few scholars have addressed the applicability of theories describing firm-firm collaborations to firm-NGO collaborations and these yield antithetical results. Some argue that there are obvious differences (see e.g. Rondinelli and London, 2003; Wymer and Samu, 2003), while e.g. Teegen et al. (2004) are of the opinion that the mainstream single-sector alliance theories of firm-firm collaborations can just as well be applied to collaborations between firms and NGOs. This reveals the necessity of further research regarding this question (Selsky and Parker, 2005).

Consequently, the goal of this paper is to study why and how NGOs use collaborations with firms to reach their goals as well as the problems they face in these collaborations. Thus, we compare the motivation, success factors and threats of firm-NGO collaborations with firm-firm collaborations. We use these factors since they are commonly used in the literature on intrasector as well as cross-sector partnerships (see e.g. Kogut, 1988; Dyer and Singh, 1998; Gray, 1989; Rondinelli and London, 2003; Austin, 2000b; Gulati, 1995; Selsky and Parker, 2005; Das and Teng, 2000a; Doz, 1996; Hennart, 1988).

As for the formation of collaborations, we use the resouce-based, transaction-cost and strategic behavior perspective to delineate differences in the motivation for entering a collaboration. Regarding success factors and threats, we outline differences based on the different characteristics of firms and NGOs. The results are supported by findings from the literature.

We find that the motivation for entering a firm-NGO relationship slightly differs from that of firm-firm collaborations, especially regarding resource-based arguments. Firms usually collaborate to gain tacit knowledge in a learning race or to acquire the partner's technology (Inkpen, 2001; Hamel et al., 1989). When collaborating with an NGO, firms want to profit from the reputation and legitimacy of the NGO (e.g. Yaziji and Doh, 2009). In contrast, NGOs enter a collaboration with a corporate partner to advance its managerial skills and receive financial resources (Austin, 1998; Kanter, 1999). Taking a transaction cost perspective, firms may collaborate with an NGO to reach a level of social stability they would otherwise be unable to achieve (Lucea, 2010).

Concerning the success factors of an alliance, the difference lies in the problem of evaluating collaboration performance, which is much more difficult to do in firm-NGO relationships (Selsky and Parker, 2005; Rondinelli and London, 2003). Indeed, NGOs – in contrast to firms, which seek financial success (Drucker, 1989) – pursue more ideological goals (such as the protection of the environment) and offer intangible assets such as reputation and authenticity that are hard to quantify (Glasbergen and Groenenberg, 2001; Austin, 1998; Kanter, 1999). This is especially problematic as in the course of a partnership, an evaluation of the achievements is indispensable (Ring and Van de Ven, 1994; Doz, 1996; Ariño and De la Torre, 1998). Thus, mutually accepted measures of partnership performance, which can account for these different kinds of goals, need to be found.

A further difference concerns the threats. NGOs may face problems when it becomes obvious that its business partner does not behave in a way that fits to the partnership, which may lead to reputation and legitimacy effects for the NGO (see e.g. Lindenberg and Dobel, 1999; Andreasen, 1996). This is especially important because reputation and legitimacy are the key resources of an NGO (Austin, 2000b; Gibelman and Gelman, 2001; Lucea, 2010) as members and stakeholders want the organization to stand by its mission (see e.g. Lucea, 2010; Westley and Vredenburg, 1991). The necessity for an NGO not to loose its authenticity is amplified through the competition among NGOs for funding and members (Elkington and Beloe, 2010). The paper is structured as follows: Section 2 provides a definition of an NGO and delineates differences between corporations and NGOs. Section 3 studies the rationale for entering a collaboration between firms vs collaboration between firms and NGOs. The subsequent section describes the different success factors of the two kinds of collaborations before it is examined why a collaboration between NGOs and firms might fail. After a brief dicussion of the findings, the last section concludes and gives implications for further research.

2 Nongovernmental Organizations

Before comparing intrasector collaborations with collaborations between businesses and NGOs, a definition of a nongovernmental organization shall be given, followed by a discussion of differences between these two kinds of organizations concerning their goals and other characteristics.

2.1 Definition

In the literature, no generally accepted definition for NGOs can be found (Vakil, 1997, p. 2057). A far-reaching description is given by the United Nations (as cited e.g. in Teegen et al. (2004); Yaziji and Doh (2009)) that define nongovernmental organizations as "any nonprofit, voluntary citizens' group which is organized on a local, national or international level. Task-oriented and driven by people with a common interest, NGOs perform a variety of services and humanitarian functions, bring citizens' concerns to Governments, monitor policies and encourage political participation at the community level. They provide analysis and expertise, serve as early warning mechanisms and help monitor and implement international agreements. Some are organized around specifc issues, such as human rights, the environment or health."[1]

Another definition is used by Teegen et al. (2004). They define NGOs as "private, not-for-profit organizations that aim to serve particular societal interests by focusing advocacy and/or operational efforts on social, political and economic goals, including equity, education, health, environmental protection and human rights."

Due to the generality of these definitions, we follow Yaziji and Doh (2009) by dividing NGOs into groups along two dimensions. First, we have a look at the beneficiary of the NGO. In self-benefiting NGOs, only the members of the respective NGOs benefit from the organizations' actions (e.g. labor unions or alcoholics anonymous). Other-benefiting NGOs provide services or goods that are non-excludable, thus public (e.g. environmental groups or doctors without borders). The second dimension, the type of action, can be subdivided into service, i.e. fulfilling unmet needs of the people (e.g. offering food), or advocacy (i.e. helping to give a voice to peoples' concerns). This typology is shown in Fig. 1.

To clearly separate NGOs from firms (in terms of profit orientation) and also public institutions, we use the definition of Teegen et al. (2004), which is also employed by many other researchers (e.g. Le Ber and Branzei, 2010; Lucea, 2010). For this paper we focus only on other-benefiting advocacy NGOs. Thus we can better separate NGOs from firms regarding the beneficiary. Further, proceeding this way excludes borderline cases in which no clear separation between a for-profit and a non-profit organization can be made (e.g. in healthcare) (Douglas, 1987). It goes without saying that we do not consider NGOs that avoid collaborating with firms but follow a strategy of hostile activism.

[1]A UN official confirmed this definition. However no document containing this definition could be found.

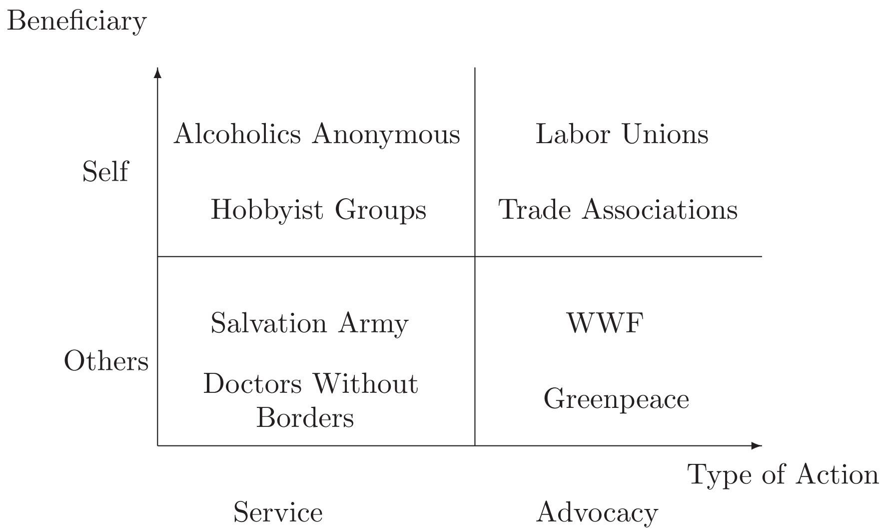

Figure 1: Typology of NGOs and categorization of several examples; Adapted from Yaziji and Doh (2009, p. 5)

2.2 Goals

According to Milne et al. (1996), firms and NGOs pursue different kinds of goals: while the motives of NGOs are more or less alturistic – i.e. they are driven by public goals – those of firms are primarily aimed at profit maximization, which is a private goal (Arts, 2002). This implies that NGOs try to change the behavior of organizations to maximize social welfare (Maxwell, 2010; Milne et al., 1996). Environmental protection, helping under-privileged people, or saving endangered animals are examples for the subjects organizations shall incorporate in their decisions.

A problem is the difficulty of measuring the success of NGOs. Their goals are numerous and sometimes very vague, so their level of achievement is hard to determine (Weisbrod, 1998). In contrast to firms' financial goals, which can be measured by financial rations such as ROE or EBIT, there is no easy objective measure for goals such as environmental protection (Powell and Friedkin, 1987; Edwards and Hulme, 1996).

2.3 Characteristics

To delineate differences between the collaborations of firms and firms and NGOs, we study the different characteristics of firms and NGOs. The characteristics identified in the literature are the source of power (Arts, 2002), the resources (Das and Teng, 1998; Austin, 2000b), the stakeholders (e.g. Elkington and Beloe, 2010; Teegen et al., 2004) and the culture of the organization (e.g. Milne et al., 1996). The main differences regarding characteristics are summarized in Table 1.

Although firms often possess more economic power, NGOs are often more influential in the political or societal area, especially regarding social issues (Arts, 2002; Levy and Egan, 1998). The power differences may be due to the

Characteristic	Firm	NGO
Goals	Profit-Maximization/ Financial success	Altruism/ Ideological success
Source of power	Economic power	Societal power
Resources	Financial, technology, management, physical	Reputation, legitimacy, authenticity
Stakeholders	Owners	Donors, clients, staff, individual members
Culture	Hierarchy	Democracy

Table 1: Differences between NGOs and firms

fact that NGOs enjoy more public trust than firms and that they are perceived as more capable than firms to react to social needs (Yaziji and Doh, 2009) – a reception which stems from their ideals to pursue social welfare (Teegen et al., 2004).

While firms possess financial, technological, managerial and physical resources (Das and Teng, 1998), the key resources of NGOs are reputation and legitimacy[2] *vis-à-vis* society (Austin, 2000b; Lucea, 2010). These are gained because the NGO's mission and actions are perceived as being "right" by funders. It is only under this condition that they are willing to support the NGO, what makes reputation and legitimacy necessary for its survival (see e.g. Lucea, 2010; Austin, 2000a; Westley and Vredenburg, 1991).

A difference can also be found in the stakeholders of firms versus NGOs. Normally, firms are only accountable to owners and shareholders. In contrast, NGOs need to serve their funders as well as clients, staff and individual members with different (and often conflicting (e.g. Edwards and Hulme, 1996)) interests and demands (Elkington and Beloe, 2010; Teegen et al., 2004; Powell and Friedkin, 1987; Edwards and Hulme, 1996). These differing interests make it hard for NGOs to maintain legitimacy for its decisions among all of its stakeholders.

Further, NGOs have a different culture compared to firms (Milne et al., 1996; Percy, 2010; Berger et al., 2004). This becomes obvious when regarding interpersonal coordination of actions, which, according to Seibel (1990), is based more on group solidarity and clan-like power structures. This also leads to different ways of making and implementing decisions, which usually happens hierarchically in firms (Coase, 1937; Berger et al., 2004). In contrast, NGOs are more democratic (Sagawa and Segal, 2000; Berger et al., 2004). This plus of democracy is necessary as the main feature of NGOs is voluntarism, i.e. "the

[2] A very often used definition of legitimacy which will also be used in this paper is provided by Suchman (1995, p. 574) who 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". According to Lucea (2010), legitimacy is not an absolute characteristic, but a perceived characteristic by a certain group or person.

fact that they can only invite voluntary involvement in their activities and must therefore use discussion, bargaining, accomodation and persuasion [...] rather than bureaucratic control"(Edwards and Hulme, 1996, p. 966). This implies that, in contrast to firms, larger institutions such as interim departments, are not necessary within the NGO (Westley and Vredenburg, 1991).

3 Why do NGOs collaborate with firms?

Since they act rationally, organizations do not collaborate unless they expect to create economic value (Kumar and Nti, 1998; Sagawa and Segal, 2000), i.e. they hope to be better off compared to a situation without the collaboration (Huxham and Macdonald, 1992). As our goal is to go beyond this general statement and delineate differences regarding the rationale for entering a collaboration between NGOs and firms, we have a closer look at theories trying to explain this phenomenon. Common theories for explaining collaboration are the resource-based view (Wernerfelt, 1984; Barney, 1991), the transaction cost theory (Williamson, 1975, 1985) and the theory of strategic behavior (Kogut, 1988).

3.1 Getting access to complementary resources

The *resource-based view* argues that organizations achieve a competitive advantage by accumulating and using resources that are rare, difficult to imitate and nonsubstitutable. For intrasector collaborations, this means that collaboration occurs due to heterogenous – and thus complementary – resources and capabilities the organizations are equipped with. By combining these complementary resources, a competitive advantage over competing organizations can be achieved (e.g. Eisenhardt and Schoonhoven, 1996; Das and Teng, 2000b). In other words, the missing correspondence between needed and available resources is a reason for entering a collaboration with a partner (Garrette et al., 2009). The main resources that are exchanged in intrasector partnerships include financial, technological, physical, and management resources (Das and Teng, 1998).

One example for intrasector collaborations from a resource-based approach is the gathering of resources (e.g. Hamel et al., 1989; Eisenhardt and Schoonhoven, 1996; Kumar and Nti, 1998; Dussauge et al., 2000). Tacit knowledge (Inkpen, 2001), i.e. knowledge that is very difficult to codify and transfer, such as knowledge about cultural differences between countries, is especially likely to be acquired. (Polanyi, 1958, 1967).

The rationale for a firm and an NGO entering into a collaboration is – in regards to resource-oriented arguments – quite similar to that of firm-firm collaborations since firms and NGOs use collaborations to acquire complementary resources from their partner, such as expertise, reputation and access to other stakeholder groups.

In a firm-NGO partnership, the exchange and acquisition of resources is often a central motive. NGOs try to acquire managerial knowledge from the business partner since many funders and donors request NGOs to become more efficient (Berger et al., 2004; Lucea, 2010; Parker and Selsky, 2004; Hardy et al., 2006). Furthermore, NGOs receive financial resources, services and goods as well as access to other firms, technologies, expertise and a larger public attention (Austin, 1998; Kanter, 1999). This helps NGOs achieve a competitive advantage in contrast to NGOs without a corporate partner (Sowa, 2009; Brown and Kalegaonkar, 2002). Hoffmann and Bertels (2010) find a strong correlation between the annual budget of NGOs and the number of ties they have to corporations.

On the other side, firms – when collaborating with NGOs – want to gain first of all reputational effects and legitimacy *vis-à-vis* society (e.g. Yaziji and Doh, 2009; Glasbergen and Groenenberg, 2001; Austin, 1998; Kanter, 1999; Dollinger et al., 1997; Andreasen, 1996). This gives the firm a sustainable competitive advantage (Dollinger et al., 1997; Barney, 1991). Especially since qualified young people want firms to be socially responsible, firms can use collaborations with NGOs to demonstrate social responsibility (Parker and Selsky, 2004; Selsky and Parker, 2005). Using this strategy may lead to higher consumer loyalty, especially among these younger people and thus to higher sales or revenues in the long run (Barney, 1991; Sagawa and Segal, 2000; Hardy et al., 2006).

By collaborating with an NGO, firms can also acquire ecological, scientific, and legal expertise, which allows them to improve their products, especially concerning e.g. environmental or social aspects (Milne et al., 1996; Hartmann and Stafford, 1997). For example Livesey (1999) describes the collaboration of McDonald's and the Environmental Defense Fund (EDF) for the development of an environmental action plan and the replacement of the former polystyrene clamshells by a more environmentally friendly packaging method. This expertise may also help firms in complying with government regulation when the internal development of new techniques is too costly (Milne et al., 1996).

Collaborations with NGOs provide firms with access to other stakeholder groups, especially when the NGO acts as a bridging organization or an opinion leader (Polonsky, 1996; Andreasen, 1996). This enables firms to test new technologies and improve firm-culture and values (Austin, 1998). Through the contact with the end user, firms can learn from their experience and problems, which allows them to improve their products (Kanter, 1999).

These exchanged resources are favorably acquired through by collaborations since NGOs possess the resources firms need and vice versa. Good reputation in terms of environmental or social causes is more and more requested by customers and young professionals (Austin, 1998; Rondinelli and Berry, 1997). One may argue that transferring the desired resources may occur when merging or acquiring the potential partner. However, due to legal restrictions (profit- vs. not-for-profit character), merging with an NGO or acquiring it is impossible (Rondinelli and London, 2003; Austin, 2000b; Sagawa and Segal, 2000; King, 2007). Thus, collaborating with an NGO remains the easiest way to acquire their complementary resources.

3.2 Reducing Transaction Costs

The *transaction cost theory* states that in imperfect markets, organizations face positive transaction costs which have influence on the price of market transactions. Arrow (1969, p. 48) describes transaction costs as "costs for running an economic system". These costs include e.g. negotiation and contracting costs as well as costs for governance and monitoring. Contracts never include all eventualities that may arise and sometimes need to be renegotiated. This incompleteness is quite costly for firms (Williamson, 1975, 1985).

Collaborating with another organization can lower transaction costs through internalizing some of the externalities that result from arm's-length bargaining and contracting. Collaboration usually implies longer-term contracts that put the collaboration partners into mutual hostage positions. This lowers the chances that bargaining partners will engage in opportunistic behavior and thus lowers transaction costs (Kogut, 1988; Hennart, 1988; Shan, 1990).

Lowering transaction costs through a collaboration also reduces interdependencies and risks and thus improves efficiency (Hamel et al., 1989; Das and Teng, 1996). Risk reduction can be achieved by sharing those risks with the partner (Hamel et al., 1989). That is why projects with a large resource involvement or high risks may be run not by one firm alone but rather in collaboration with another firm (Gulati, 1995). Transaction cost minimization also plays a role in firm-NGO partnerships since firms can reduce their risks and reach social stability.

Risk reduction is also a central point in firm-NGO collaborations since firms strive to protect themselves against possible attacks from NGOs by voluntarily complying with their demands, thus avoiding public offense and therefore negative marketing (Babiak and Thibault, 2009; Gazley, 2010; Milne et al., 1996). They even proactively seek to collaborate with NGOs which might enhance profits (Rondinelli and Berry, 1997; Dollinger et al., 1997; Huxham and Macdonald, 1992; Hartmann and Stafford, 1997).

According to Lucea (2010, p. 118), firm-NGO collaborations allow businesses to "attain a level of social stability that allows them to carry out their industrial activities undisturbed". The author argues with an example of a firm-NGO collaboration in Ecuador, a country with a weak legal and social system in which oil companies were often the target of hostile activities by local communities and NGOs. By collaborating with NGOs, the firms can reach a setting under which they can operate.

These goals can be reached with fewer costs when a firm enters in a collaboration rather than launch marketing acitivities a firm launches on its own. The reason is simple: the focal firm can use the NGO's reputation as well as its legitimacy within society, which otherwise it would need to build up first. For a firm to attain reputation on its own, Dollinger et al. (1997) mention e.g. monetary costs for advertising and maintaining offices for coporate affairs and communication as well as costs for improving product quality. Attributing too much importance to reputation and quality may lead firms to bankruptcy (see also e.g. Andreasen, 1996).

3.3 Improving their competitive position

The theory of *strategic behavior* postulates that organizations act in a way that enhances their competitive position compared with their rivals' (Kogut, 1988). Since the primary focus of this theory lies on the organizational level, the manner in which organizations can collaborate with others to reach a competitive advantage can be examined (Sowa, 2009; Huxham and Macdonald, 1992). The central motive for a collaboration is the receipt of additional market power, e.g. through faster development of a new product – which allows the firm to be the first to sell that specific product (Hamel et al., 1989; Shan, 1990; Kogut, 1988; Dyer and Singh, 1998) – entry into new (mostly foreign) markets (Varadarajan and Cunningham, 1995; Kogut, 1991; Gray, 1989), or the creation of market entry barriers (Doz, 1996; Gray, 1989; Kogut, 1988).

Strategic behavior may also be a motive in firm-NGO collaborations. With the help of an NGO's expertise, a firm can improve its production technology in a way that makes its products e.g. more sustainable or environmentally friendly. After installing the new technology, the firm and the NGO can lobby the government for e.g. to raise the minimum pollution standard up to a level the competitors do not reach. Thus, a competitive advantage emerges as the competitors need to spend money for developing a technique to adhere to the increased standards (Yaziji and Doh, 2009). Influencing the government is even unnecessary sometimes. Hartmann and Stafford (1997) state that after the McDonald's-EDF collaboration, which lead to the replacement of the polystyrene clamshells McDonald's formerly used to package its burgers, other fast-food chains changed to a similar packaging method. This example demonstrates that market forces may be sufficient to introduce new environmental industry standards (Yaziji and Doh, 2009).

4 What makes Collaboration Successful?

Many scholars try to explore the factors that lead to success in partnership or seek to explain the high failure rate of intra- and intersector partnerships (see e.g. Gulati, 1995; Kogut, 1989; Park and Russo, 1996; García-Canal et al., 2003; Parkhe, 1993; Sagawa and Segal, 2000; Iyer, 2003). Shared goals, values and interests are considered important to establish a collaboration (Dorado et al., 2009; Kanter, 1999). In the course of the partnership, three major factors chargeable for success were identified: management commitment (Spekman et al., 1998), prior experience (Gulati, 1995; Levinthal and Fichman, 1988; García-Canal et al., 2003) and trust (Parkhe, 1993; Li et al., 2008).

4.1 Management Commitment

Spekman et al. (1998) mention management commitment as an important factor for leading the partnership to success since managers need to take extra time to manage the collaboration alongside their normal day-to-day business and since the leading process has direct influence on the success of a partnership (Madhok and Tallman, 1998). The tasks managers need to perform are:

maintain communication among partners (e.g. Andreasen, 1996) and establish consensus on processes and procedures during the emergence of the partnership (Ring and Van de Ven, 1994). This helps not only to align the goals of the different partners (Kumar and Nti, 1998), but also to build trust, which is an important factor for the persistence of a partnership (Levinthal and Fichman, 1988).

A large amount of management commitment is especially important for firm-NGO collaborations as this form of partnerships is relatively new (Rondinelli and London, 2003). One thing the leaders of the partners need to do is to clearly define their expectation of the partnership ex-ante and ensure that the goals are not too far-reaching or too abstract (Austin, 2000b; Rondinelli and London, 2003). Moreover, the management should communicate the relevance of the collaboration to its employees (Austin, 2000b; Sagawa and Segal, 2000). Strong employee participation in and commitment to the collaboration is necessary for the success of the partnership (Rondinelli and London, 2003).

The management also needs to cope with the different ideologies, cultures, or missions of the partners (Percy, 2010; Parker and Selsky, 2004; Milne et al., 1996; Berger et al., 2004; Rondinelli and London, 2003). Incompatibilities regarding the partners' ideologies, culture, or missions are a possible source of failure in collaborations (Sagawa and Segal, 2000; García-Canal et al., 2003). The different cultures may be a source of incongruencies in the partners' professional languages (Hardy et al., 2006). In order for the collaboration to be successful, the management must bring together, or at least respect the culture and ideologies of the partners and understand their different languages (Hardy et al., 2006). Ashman (2001) reports that overcoming the problems linked to differing cultures may benefit the collaboration as well as the participating organizations and their employees.

The necessity of bridging the gap between diverse cultures is not unique to firm-NGO collaborations. Similar difficulties concerning different cultures and the resulting incongruencies may arise in intercultural (firm-firm) collaborations. Brannen and Salk (2000) for example describe a collaboration between a German-Japanese joint venture with large inital misunderstandings due to different management styles and working cultures between the German and Japanese managers.

4.2 Experience with Collaborations

Previous collaboration experience, which may help in assessing and choosing the right partner, is also relevant for the success of a collaboration (Gulati, 1995; Kogut, 1989; Levinthal and Fichman, 1988; Ariño and De la Torre, 1998). The choice of the right partner is not a trivial problem (e.g. Beamish, 1987). Difficulties concerning the partner choice emerge since predicting partner behavior ex-ante is not an easy task (Li et al., 2008; Parkhe, 1993). Thus, collaborating with another organization includes relational risk, i.e. the risk that a partner does not pursue the mutual benefits but rather his own (Das and Teng, 1996).

A number of abilities emerge from prior collaborations: relational ability, i.e. the ability to anticipate or manage success in the collaboration (Dyer and

Singh, 1998) as well as the skills needed to minimize relational risk (Das and Teng, 1996). Hereto belongs the estimation of a potential partner's reputation (Dollinger et al., 1997). However, after a number of collaborations with the same partner, a saturation point is reached beyond which the probability for further collaborations with that partner falls (Gulati, 1995).

Due to the novelty of firm-NGO partnerships, many managers do not possess enough prior experience regarding the issues of these collaborations (Levinthal and Fichman, 1988). Owing to this lack of experience, managers face greater difficulties evaluating which NGO has the necessary expertise or know-how for a successful collaboration. Similar information concerning other firms is usually much more accessible (Rondinelli and London, 2003).

An additional aggravation emerges out of the sheer mass of different partners among NGOs (Babiak and Thibault, 2009) and of which only a litte information is publicly available (Austin, 2000b). This makes it hard to find a partner that fits the firm's goals and also makes it difficult to estimate relational risk (Rondinelli and London, 2003). Thus, partners should take time to get to know each other (Sagawa and Segal, 2000) and should intensify the collaboration step by step (e.g. Ring and Van de Ven, 1994; Doz, 1996).

4.3 Trust

Schelling (1960) already mentioned the importance of trust in collaborations (more recent articles are e.g. Huxham and Macdonald, 1992; Powell, 1990; Parkhe, 1993). With sufficient trust prevailing, the perceived risk of opportunism can be reduced (Parkhe, 1993). As risk declines, the need for formal control diminishes, which reduces the costs for these control mechanisms (Ring and Van de Ven, 1994; Dyer and Singh, 1998).

Furthermore, trust among the partners enables them to create relational capital in their collaboration (i.e. investments that are under common ownership, e.g. common facilities) (Parkhe, 1993; Dyer and Singh, 1998). Relational capital helps to develop idiosyncratic products (i.e. highly specialized products that are very hard to imitate by rivals outside the cooperation) that yield a competitive adavantage and thus abnormal returns (Dyer and Singh, 1998). Dyer and Singh (1998) give as an example the collaboration between the car manufacturer Nissan and one of its seat suppliers, which built a production plant next to Nissan's assembly plant and connected the two via a conveyor belt which brought the seats to the cars.

Due to the former hostility between NGOs and firms (e.g. Gray, 1989; Westley and Vredenburg, 1991), mistrust among these organizations may still be present (Yaziji and Doh, 2009). As this makes the creation of trust between the actors quite difficult, trust is most often built up by gradually intensifying collaboration (e.g. Sagawa and Segal, 2000; Rondinelli and London, 2003; Percy, 2010). Percy (2010) reports of a collaboration between British Petroleum and the EDF, which started with some environmental forums and later on the development of a system to trade greenhouse gas emissions within the company, which aimed at reducing them in the long run.

4.4 Performance Evaluation

Performance evaluation is crucial for the success of a collaboration. Partnerships are not linear processes, but rather consist in the constant evaluation of achievements. Furthermore, they are subject to influences from the environment. Evaluations but also continuous adjustment to changes and reevaluations are thus necessary (Doz, 1996; Ariño and De la Torre, 1998; Ring and Van de Ven, 1994). Since firms pursue financial success and therefore sell products to customers (e.g. Iyer, 2003; Drucker, 1989), they can quantify their objectives and evaluate their level of achievement in terms of sales, revenues or financial ratios (Rondinelli and London, 2003).

Due to the qualitative goals of NGOs, performance measurement is much more complex in firm-NGO partnerships. This can be reasoned by the nature of this kind of collaboration, which can arise as a response to complex social and/or economic problems or projects (e.g. reducing greenhouse gas emissions). One helpful fact is the difference in the perspectives the involved represent (Selsky and Parker, 2005; Waddock, 1991; Westley and Vredenburg, 1991; Hardy et al., 2006; Gray, 1989). However, this incongruence, stemming from different goals (the achievement of which is hard to measure (Weisbrod, 1998)), leads to the question of how to measure the non-financial success (e.g. the amount of environmental protection) of firm-NGO collaboration. To solve this problem, indicators for success which are acceptable to all actors need to be found (Rondinelli and London, 2003; Selsky and Parker, 2005; Austin, 2000a).

Similarly to this, cost-benefit-analysis also includes factors that are difficult to measure, e.g. reputation or legitimacy (Kumar, 2010; Yaziji and Doh, 2009). This may be facilitated when a focal project for the collaboration is specified. Indeed, a focal project seems necessary for the success of cross-sectoral partnerships (Rondinelli and London, 2003).

5 Threats

Collaborations usually do not come without conflicts (Gray, 1989). Threats for the partners can be devided into three categories: (1) dangers emanating from the partner (especially opportunism or exploitation), (2) dangers within one organization (e.g. innerorganizational resistance against a partnership) and (3) dangers concerning the resources (e.g. diminishing reputation).

5.1 Threats emanating from Partner

One of the main threats arising from a partner is opportunism (Das and Teng, 2000a). This occurs when partner A does not keep his premises or cheats B with the aim of maximizing his own profits at the expense of B (Das and Teng, 2000b). This is especially true for knowledge, as knowlewdge acquisition may result in a learning race, which aims to "outlearn" the partner, i.e. to gain the partner's knowledge faster than he acquires ours (Das and Teng, 2000a; Hamel, 1991; Hamel et al., 1989). The knowledge acquired during a learning race may also help to attack the partner. An example of the latter is to use the knowledge acquired to copy or even steal an innovation and enter into fierce competition with the former collaboration partner. Hamel (1991) cites several Western managers who state that their Japanese alliance partners gained necessary knowledge and eventually entered their markets as competitors.

Another possibility of attack is the acquisition of the partner after the partnership, with the aim of preventing the use or sale of acquired knowledge (Doz, 1996). As Doz (1996) further states, even A's suspicion that partner B has the intent to acquire A leads to mistrust and tensions. These sorrows seem to be justified as a high percentage of interfirm partnerships end in a merger or acquisition (Bleeke and Ernst, 1995).

Exploitation and opportunism, as well as suppression of the partner (e.g. as a result of unequal power distribution) and unfair behavior are also present in firm-NGO collaborations (Babiak and Thibault, 2009). An example of exploiting the reputation of the NGO partner is the so-called greenwashing (Rondinelli and London, 2003; Yaziji and Doh, 2009; Andreasen, 1996). In doing so, a firm disseminates (false) information concerning products or the firm itself which leads to a positive perception of its products or the firm (Ramus and Montiel, 2005). Greenwashing usually implies that firms misuse the collaboration for marketing purposes (Rondinelli and London, 2003; Sagawa and Segal, 2000): the firm can e.g. wrongly promote products as endorsed by the NGO partner.

A potential problem for firms may be that the NGO could drag the respective firm into trouble with the acquired internal knowledge (Rondinelli and London, 2003). Stafford et al. (2000) report about the case of Greenpeace and Foron: after collaborating with Foron to introduce a new and environmentally advantageous technology for refrigerators, Greenpeace gave the technology to Foron's competitors which lead Foron to bankruptcy.

5.2 Innerorganizational Threats

The second category contains dangers that result from innerorganizational conflicts. The main problem hindering a successful partnership is innerorganizational resistance to the partnership agreements (Westley and Vredenburg, 1991; Ashman, 2001). Such resistance may arise especially within the NGO as members fear the loss of independence from the business sector when collaborating with a firm. This loss of independence may manifest itself by a change in the focus or mission of the NGO partner since during the process of collaboration, the NGO adapts to the firm's culture and definition of success (Parker and Selsky, 2004).

The consequences of these fears are further amplified by the more democratic decision style prevailing in this kind of organization, which is in contrast to firms where hierarchies dominate. Due to the organization as a democracy, NGOs are only marginally institutionalized. This idea suggests that the NGO leaders cannot enforce a collaboration against the preference of its members, which makes collaboration more complicated (Westley and Vredenburg, 1991).

Another problem firms may face is the danger of not developing the necessary skills on their own und thus of loosing the ability to develop skills independently, since knowledge is acquired through a collaboration (Hamel et al., 1989; Eisenhardt and Schoonhoven, 1996; Dyer and Nobeoka, 2000). Afuah (2000) argues that a network may isolate itself from the outside in a way that makes the participating firms unable to adapt to major technical innovations (Afuah, 2000). He draws this conclusion from his study on the changeover from CISC to RISC systems. Partnerships that did not adapt to the new technology faced severe problems such as a competitive disadvantage and thus a loss of customers.

Since NGOs do not primarily want to acquire technological knowledge – in the sense of R&D knowledge for the development of a product – but rather wish to gain managerial capabilities and financial resources, they need to watch their funding acitivities. By collaborating with firms, NGOs temporarily enjoy corporate donations and thus neglect other funding bases. By the time the collaboration ends, the corporate donations stop and the NGO faces trouble since the remaining funding can be insufficient for survival (Andreasen, 1996).

5.3 Threats for Legitimacy and Reputation

The third category of dangers concern the legitimacy and reputation of NGOs exclusively. This category includes the problem of NGOs losing their reputation and legitimacy within society. This may arise when a firm behaves in a way that damages the NGO's image, e.g. on the one hand it cooperates with an environmental NGO but on the other hand, produces in a manner that is environmentally questionable. To avoid the resulting damage to its reputation and authenticity, the NGO needs to check its partner's external relationships (Parker and Selsky, 2004).

A similar point is made by Pattberg (2004), who states that there may be conflicts of interest. As an example he mentions a business-NGO collaboration that aims to create a certification label, while at the same time the NGO has the donors' mission to carefully monitor the focal firm for possible legal offence. The independence of the NGO over time is very important for maintaining its legitimacy and not being regarded as a business's accomplice by the public (Lindenberg and Dobel, 1999; Rondinelli and London, 2003; Hardy et al., 2006; Yaziji and Doh, 2009; Andreasen, 1996; Sagawa and Segal, 2000). This independence is sometimes even endangered by the simple act of entering into a collaboration with a firm (Lucea, 2010). Gray (1989) calls this "institutional disincentives" as this demotivates NGOs from collaborating with businesses.

6 Conclusions

This paper studied the why and how of firm-NGO collaborations. Based on the differentiation between firms and NGOs regarding the characteristics of both organizations, we established a link between firm-firm and firm-NGO collaborations. The findings state that firm-NGO collaborations differ from those of collaborations between firms. The arising incongruencies can be divided into three categories: (1) the motivation, (2) the success factors and (3) the threats.

The motivation of firm-NGO collaboration is based on the exchange of complementary resources. Firms usually seek access to the NGOs' reputation and legitimacy, while NGOs try to acquire managerial and financial resources (e.g.

Yaziji and Doh, 2009; Glasbergen and Groenenberg, 2001; Austin, 1998; Kanter, 1999). In intrasector alliances, learning and the appropriation of techology and tacit knowledge is a key factor. When taking a transaction cost perspective, firms may choose a collaboration with an NGO to avoid hostile acitivsm and thus to secure a sufficient level of social stability in order to maintain their day-to-day business (Lucea, 2010).

Management commitment, trust, prior experience and performance evaluation help lead a partnership to success. The management needs to bridge the gap between the different cultures and ideologies of firms versus NGOs and convince the employees – and especially the NGOs' voluntary personnel – of the benefits that result from collaboration (Hardy et al., 2006; Rondinelli and London, 2003). Due to the novelty of firm-NGO collaborations, prior experience is far from abundant. Thus, firms face difficulties in finding an appropriate partner among the many existent NGOs (Rondinelli and London, 2003). Just as in firm-firm collaborations, trust develops over time. This is especially true since firms and NGOs are traditionally opposed to one another (Sagawa and Segal, 2000; Westley and Vredenburg, 1991). Based on the mostly non-financial goals of firm-NGO partnerships, evaluating the performance of this kind of partnership is not an easy task (Austin, 2000a).

However, firm-NGO collaborations offer not only positive, but also negative aspects like opportunism and exploitation of the partner. In firm-firm collaborations, these points are usually connected with profiting at the expense of the partner (-ship) or outlearning it. In firm-NGO partnerships, it has a slightly different connotation. While the NGO may have incentives to use internal data from the firm for an attack or hostile activism, the firm may misuse the NGO's reputation and – in Ramus and Montiel's (2005) terms – "green" its products or reputation (Babiak and Thibault, 2009). Moreover, some NGOs struggle with innerorganizational resistance resulting from its more democratic decision style (Westley and Vredenburg, 1991). This resistance emerges from the fears of members and volunteers that the NGO will become dependent from the respective firm, since conflicts of interest might not be dealed with appropriately. Such a behavior would undermine the NGO's legitimacy, which is vital for the organization (Pattberg, 2004; Yaziji and Doh, 2009). This idea suggests that an NGO must avoid partnering with uncompliant firms.

Despite the differences, our findings support Teegen et al.'s (2004) argument that the main theories on firm-firm collaboration can be applied to firm-NGO collaborations in a modified form. An adaptation needs to occur regarding the detailed argumentation on which the theories are based. Still, there is a unique difference regarding the threats to the NGO partner. In contrast to firms, NGOs face the crucial difficulty of diminishing legitimacy and authenticity, especially when the partnering firm does not comply with the NGO's values and principles.

Further research is needed to figure out what the NGO can do to avoid reputational problems in firm-NGO collaborations. With one exception (King, 2007), this question has not been dealt with to date. Empirical research may be helpful, especially to NGO managers, in revealing how to avoid a loss of legitimacy and reputation.

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