Value Creation in

Business-Nonprofit Collaboration

A Case Study of a Danish Apparel Company

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Master Thesis in International Business

NORWEGIAN SCHOOL OF ECONOMICS

This thesis was written as a part of the Master of Science in Economics and Business Administration at NHH. Please note that neither the institution nor the examiners are responsible – through the approval of this thesis – for the theories and methods used, or results and conclusions drawn in this work.
Abstract

Companies are under increasing pressure to ensure a high degree of social responsibility in their operations, throughout the value chain and around the globe. At the same time, the importance and influence of nonprofit organisations have been increasing drastically in the world economy, pressuring companies and governments to be consciously aware and participate in social issues. Simultaneously with the rise of corporate social responsibility (CSR), and while companies start to realise the importance of strategic benefits that may arise from implementing CSR practices, the emergence of business-nonprofit collaborations has become more prominent within the business world. By choosing a global industry that is strongly influenced by business-nonprofit collaborations, this study examines the value that is created in partnerships within the apparel industry, hereby presented through a case study of the Danish apparel manufacturer IC Group and their nonprofit collaborators. The central justification for engaging in cross-sector partnering becomes evident when the business-nonprofit collaboration starts to generate co-creation of value, which is observed between IC Group and their nonprofit collaborators. While the thesis establishes that elements of all the stages of Carroll’s Pyramid of Corporate Social Responsibility are observable, the Collaboration Value Creation Framework further concludes that there is high potential for co-creation of value. Notably, IC Group’s role as a part of an information network exceeds the notion of one-to-one relationship that Austin and Seitanidi (2012) depict; the company co-creates value in multi-stakeholder, multi-sector collaborations facilitated by nonprofit organisations. This creates favourable conditions for synergistic effects emerging from the collaborators exchanging resources and capabilities. However, within the highly scrutinised apparel industry, there is potential for capturing more value and generating more welfare from establishing better partnership processes.
Acknowledgements

This thesis is written as a part of our Master’s degree in Economics and Business Administration at the Norwegian School of Economics (NHH).

We would like to thank our supervisor, Professor Kirsten Foss, for guiding us through this challenging process and providing useful inputs and professional support to our thesis. Every meeting has left us with renewed drive and inspiration.

We would like to thank IC Group for allowing us to use their company as a case, and taking their time to share information about their collaboration with nonprofit organisations. Without their contribution, this thesis would not have been possible.

Lastly, we would like to thank our families and friends for their ongoing support and encouragement throughout the semester.

Bergen, June 2016

Benedicte Tvedt Pedersen

Marlene Solerød
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Chapter 1: Introduction

The role of nonprofit organisations (NPOs) has both grown and received increased interest over the past two decades (The World Bank, 2016). According to Salamon and Anheier (1998), a study of the nonprofit sector concludes as such: “the existence of a vibrant nonprofit sector is increasingly being viewed not as a luxury, but as a necessity, for peoples throughout the world. Such institutions can give expression to citizen concerns, hold governments accountable, promote community, address unmet needs, and generally improve the quality of life.” Simultaneously, the interest for corporate social responsibility (CSR) has also grown over the past decades. While there is no universal definition of CSR, this thesis will adopt the following classic definition by Kolstad (2015): “Corporate activities that address the interests of corporations’ stakeholders.” Since the term became known during the 1950s, the primary focus of businesses’ social responsibilities has transformed from doing good deeds to society, to involve focus on CSR that includes social changes and other stakeholders. Eventually, it has become an important strategic issue for companies nowadays (Moura-Leite & Padgett, 2011). Often translated into sustainability, CSR is said to facilitate innovation, cost savings, brand differentiation, long-term thinking, customer engagement and employee engagement (Epstein-Reeves, 2012).

In light of the growing magnitude and complexity of socio-economic problems facing societies nowadays, companies can address these issues through business-nonprofit collaborations. One might ask why companies would choose to collaborate with NPOs, which is one of the questions we will try to examine, by an assessment of collaborative value creation. Moreover, this thesis will be focusing on one of the most scrutinised industries where NPO presence is highly prominent, namely the apparel industry. In this regard, we will be analysing a specific case, namely IC Group, which is a clothing company based in Copenhagen, Denmark. IC Group is a medium-sized clothing company that contains well-known premium brands, such as By Malene Birger, Peak Performance and Tiger of Sweden. While an analysis of the company sheds light on the specific case of IC Group, the thesis will also draw in other examples in the discussion to enrich the results of the analysis. Nike, H&M and Timberland are all well-known examples of actors within the the apparel industry that have dealt with public scrutiny and NPO pressure, that have affected their business. By
looking at how big companies within the apparel industry have chosen to act upon confrontation, it illustrates the importance of CSR and successful collaborations with NPOs.

An important driver for the apparel industry is foreign direct investment (FDI). FDI has grown over the last decades, and has contributed in making the apparel industry one of the first industries to become truly global, by moving most of the manufacturing process to Asia. Even though most FDI flows still occur between developed countries, companies are increasingly switching their investment to developing countries, as reflected in the apparel industry, due to cost savings (Herzer, Klasen, & Nowak-Lehmann, 2008). The textile industry plays a major role in the development and industrialisation process of developing countries and their integration into the world economy. The World Trade Organisation (WTO) (2006, cited in Keane & te Velde, 2008) notes that in 2004, developing countries as a group accounted for more than half of all world exports of textiles and clothing and that in no other category of manufactured goods do developing countries enjoy such a large net-exporting position.

In many ways, the globalisation process represents an opportunity for countries to grow. However, it also raises problems for those who have trouble adjusting to a global society and its requirements (Ghaus-Pasha, 2004). While some regions grow exponentially, others still deal with high levels of poverty. Within the highly competitive apparel industry, most retail companies choose to outsource their production to factories in Asia due to extremely low labour costs. Still, working environments at these factories are often reported to be rather poor, indicating that retailers are exploiting the low working standards set by the local government, which in turn attracts foreign investment. According to the Clean Clothes Campaign report on “Living Wage in Asia” (2014), all garment producing countries in Asia have minimum wage, but they fail to provide a dignified, adequate livelihood for a worker’s family. Combined with intense competition with neighbouring countries, tax incentives and authoritarian measures to repress trade unions, governments do not consider worker needs (Merk, 2014).

Recent years have seen the launch of many initiatives to tackle the many ethical challenges posed by global trade, also within the apparel industry. These include labels, guidelines, standards, scorecards, online tools, and training and education. Today there is increased interest in, and focus on, what role companies should play in society. Corporate social
responsibility, in this case, can help facilitate company strategies that differentiate them from competition, or it can be a sole wish to make a difference in society. While IC Group’s main focus is profitability (IC Group, 2016), they express that their policies on responsibility in fact is a contributing factor to their success, meaning profitability is derived from conducting responsible business. This will be further addressed in the analysis and discussion.

In order to differentiate themselves in a highly competitive and global business environment, especially within the apparel industry, more companies are starting to explore the opportunities and challenges of social responsibility. Considering how the fast fashion industry itself leaves a tremendous carbon footprint, attempting to redefine how they do business may be necessary for many, if not all, retailers (Sweeney, 2015). According to the Secretary-General of the United Nations, Ban Ki-moon in his speech at the World Economic Forum in Davos, Switzerland in 2009: “Our times demand a new definition of leadership - global leadership. They demand a new constellation of international cooperation - governments, civil society and the private sector, working together for a collective good” (Ki-Moon, 2009). This quote reflects how the growing magnitude and complexity of socio-economic problems facing societies throughout the world transcend the capabilities of individual organisations to deal with them alone. As stated by Visser: “Being responsible also does not mean doing it all ourselves. Responsibility is a form of sharing, a way of recognizing that we’re all in this together. “Sole responsibility” is an oxymoron” (Visser, 2011).

Over the recent years, innovative partnerships have emerged between business partners and other stakeholders to develop better and more ethical solutions. Cross-sector collaboration is now viewed by academics and practitioners as an inescapable and powerful vehicle for implementing CSR and for achieving social and economic missions (Austin & Seitanidi, 2012). Business-nonprofit partnerships constitute one of the possible types of cross-sector partnerships for addressing societal issues (Selsky & Parker, 2005). Recognising that a broad range of potential collaborations exist between the private sector, public sector and civil society sector, this thesis specifically focuses on cross-sector partnerships between corporations and nonprofit organisations. Different constellations of partnerships between the sectors are depicted in the figure below. Drawing on the work various academics, cross-sector partnerships are commitments between and among any combination of public, private, and nonprofit institutions, in which individuals from partner organisations commit various resources and agree to work cooperatively toward common development goals (Tamutzer &
Schafer, 2006; Googins & Rochlin, 2000; Seitanidi M. M., 2010). Bryson and Crosby (2006) define cross-sector collaboration as “the linking or sharing of information, resources, activities, and capabilities by organisations in two or more sectors to achieve jointly an outcome that could not be achieved by organisations in one sector separately.”

Figure 1: The sectors of society and different types of partnerships adapted from Seitanidi (2010).

In order to prevail within the apparel industry, responsible retail companies realise they have to initiate proactive approaches that address both social and environmental issues facing their industries. By addressing such issues early, proactive companies can reduce the risk of ending up in a crisis that could cause damage to their image and reputation. Yet, according to Vachani, Doh & Teegen (2009), it is not only the nonprofits that have been pressuring companies and working as civil society’s agents. Companies themselves have also been changing their strategies and behaviour, increasing their social responsibility and responsiveness, as the pressure to do so have been arising in the last years. The authors add that this phenomenon has affected companies, their transaction costs and their organisation. We are witnessing a fundamental shift in the ways society, business and nonprofit managers are thinking about value; the concept of economic value creation has never been more hotly debated (Austin & Seitanidi, 2014). If value has traditionally been seen as hierarchical with
economic value on top, we are now moving toward equal priority for social and environmental value. This view is reflected in the “triple bottom line” as presented by John Elkington (1994), who argued that companies should be preparing three separate bottom lines, namely profit, people and planet. Altogether, these three P’s account for profit and loss, social responsibility and environmental responsibility, ultimately aiming to measure the financial, social and environmental performance of the corporation over a period of time. From associating a particular value with a particular sector, that is, economic value from businesses and social value from nonprofits, we are now moving toward the concept of multiple value production from each sector. From thinking about value as something that accrues from transactional exchanges, we increasingly recognise the greater value that is generated from collaborative relationships.

While some researchers report that the increased interaction between multinational companies, host country governments and nonprofits has made FDI more complex and potentially conflicting (Skippari & Pajunen, 2010), other researchers suggest the opposite, stating that nonprofits try to mobilise resources and information in order to advocate for change, which makes them important “figures of the global economy” (Spar & La Mure, 2003). Nonprofits can even fill “institutional voids” in economies where the government cannot satisfy the need for public services. Even though NPOs are under strict surveillance by the government in China, for example, NPOs of this sort help stabilise society, and are therefore encouraged rather than banned. Nonprofits can also help companies with internationalisation prospects, create value and increase understanding of the local context (Dahan, Doh, Oetzel, & Yaziji, 2009). Hence, for multinational corporations entering foreign markets, NPO collaboration can be a useful mean to increase the chances for a successful expansion.

With all this in mind, the structure of the thesis is firstly built to give an overview of frameworks that we believe are relevant for analysing IC Group’s NPO collaborations, while explaining some key concepts that can help further increase the understanding of NPO collaboration. Then, by presenting methodology, we further explain how we conducted an interview with IC Group to help answer our research question. We also present several NPOs, meaning both non-governmental organisations and state-oriented initiatives, to give an overview of their activities and goals. Following is the analysis of IC Group according to Carroll’s Pyramid of CSR and the Collaborative Value Creation framework by Austin and
Seitanidi. To deepen our analysis, we will also discuss the degree to which the frameworks are applicable to our context, industry and company of choice, and which constraints may apply in this regard. In order to create a more in-depth discussion, other retail companies will be presented to both support and challenge IC Group’s perspectives on value creation, ultimately leading us to our conclusion of the thesis.

1.1 Need for study

Essentially, there is limited research of the topic of business-NPO collaborations, and few industries have been closely studied that can verify the CVC framework. We wish to contribute to research by applying the framework within an industry that has high impact on society and engages in NPO activity to a large extent. As the authors of the CVC framework point out, there is a need for additional empirical research to produce greater corroborating evidence. This way, we can evaluate to what extent the framework is applicable to the apparel industry. As mentioned, this is a labour intensive industry with truly global value chains. Western apparel companies operating in developing nations, are subject to significant media attention considering ethics, labour and wage conditions. Negative media coverage could hurt companies’ credibility, reputation and image, and give great damage both in the long and the short term. Yet, relatively few studies examine CSR in the global apparel industry, or the relationships between global apparel companies and nonprofit organisations. The ways in which these partnerships are implemented and create value are not well understood (Seitanidi & Crane, Implementing CSR through partnerships: Understanding the selection, design and institutionalisation of nonprofit-business partnerships, 2009). To develop successful business-nonprofit partnerships, understanding the interests and risks of each party is important, especially since sectoral differences may give rise to conflicting objectives among partners and may be a source of incompatibility.

Our study aims at understanding how partnerships between companies and nonprofits can affect companies, both positively and negatively. According to Brinckerhoff (2002), “partnership is in danger of remaining a “feel good” panacea for governance without obtaining a pragmatic grasp of the “why” and the clearer understanding of the “how” of partnerships.” With this in mind, we will deploy frameworks that we believe are appropriate for shedding light on the “why” and the “how” of partnerships. Further, we will investigate the value creation that occurs in the interaction between a company and their nonprofit
collaborators. What are the drivers and motivations for the company to engage in such collaboration? What are the costs, or the risks? What types of value are created, how is it created, and who benefits from it?

According to Yin (2012), case study serves as the most appropriate method to address descriptive data and study phenomena that involves a big range of contexts and a number of complex situations, as the data come from multiple sources. Therefore, we have conducted a case study where we have analysed the interactions between the Danish apparel company IC Group and their various nonprofit collaborators.

**1.2 Research question**

Based on the information presented above, we have chosen the following research question:

*In the case of IC Group, what motivates them to engage in collaboration with nonprofit organisations, what types of value are created in these collaborations, how are they created and who benefits from the outcomes?*
Chapter 2: Literature review

2.1 Nonprofit organisations - an introduction

Throughout this thesis, we will be mostly using the term “nonprofit” or “NPO” to describe IC Group’s collaboration partners. In this term, we include both non-governmental organisations (NGOs), such as Amnesty International, and voluntary initiatives that are often co-driven by nonprofits and different governmental bodies, such as the UN Global Compact. While a non-governmental organisation can be a nonprofit organisation, NGOs are independent of government insight (Gresham, 2016). This means that NGOs are not part of a government entity or operated through a government programme, which is not necessarily true for NPOs. Overall, both NPOs and NGOs are created and operated to contribute to the public's benefit, but a nonprofit’s revenue is transferred directly into the organisation, which is the core difference between NPOs and NGOs. Even though an NGO is not part of any government or has any government powers, they can still persuade the government in various external efforts. The NPO, on the other hand, may be influenced and governed by a government agency to maintain some control over the organisation and its operations. By choosing to emphasise the term nonprofit rather than nongovernmental, we do not exclude any important collaborations when analysing IC Group’s collaborations.

Yet, we have to be aware that the overall terminology has been contested, and for many authors the concept of nonprofits is just a small part of a wider category referred to as Civil Society Organisations (CSOs). As a part of the civil society sector, NPOs are one of the cornerstones of democracy, alongside the public sector and the market sector. As such, NPOs represent a major channel for people to influence policy (Hanssen, Helgesen, & Vabo, 2005), due to their role as mediators between the individuals in society and the broader social environment (Schofer & Fourcade-Gourinchas, 2001). In a democracy, freedom to form organisations is a basic political right, and the NPO sector has an independent role as a channel to raise concerns about citizens’ needs and rights (Hanssen, Helgesen, & Vabo, 2005).

There are several ways of defining NPOs, and this paper will adopt the slightly altered definition by Kourula and Laasonen (2010), which is as follows: “NPOs are social, cultural and environmental advocacy and/or operational groups that are primarily non-commercial.”
2.2 Motivation for framework use

The thesis makes use of two different frameworks that help us answer the research question. Firstly, to shed light on what motivates companies to engage in NPO collaborations, we believe Carroll’s Pyramid of Corporate Social Responsibility (1991) can help explain why businesses choose to collaborate with NPOs. Secondly, the Collaboration Value Creation Framework by Austin and Seitanidi (2012) gives an extensive overview of the values that are created in these collaborations and the processes through which value accrues, as well as identifying who benefits from the outcomes. Both of these frameworks are strongly related to the field of CSR and sustainability, which are the core activities of NPOs; while Carroll’s Pyramid is a well-established framework to measure the level of CSR within companies, the CVC framework further reviews business-nonprofit collaborations in light of value creation, which is assisted by related corporate social responsibility literature. Together, both frameworks create a solid basis to help us answer our research question.

2.3 Carroll’s Pyramid of Corporate Social Responsibility

Despite the lack of one universal definition, nonetheless, the development of CSR has evolved around two distinctive views (Schwartz & Carroll, 2003):

*The efficiency theory:* This view postulates that businesses have a duty to generate profits complying with the minimal legal requirements (Friedman & Friedman, 1962). According to Friedman’s view, social actions, and their moral justification by managers, are contrary to the primary function of generating profits and returns to shareholders. Following this view, there is only one social responsibility of business - to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud. From this perspective, there is no perception of linked interests between economic performance and social actions.

*Social responsibility theory:* This view argues that organisations have broader social obligations to the society than just profit maximisation, and should be concerned with how their operations impact the whole society and environment (Kakabadse, Rozuel, & Lee-Davies, 2005). As the management pioneer Peter Drucker has stated, “Every organisation must assume full responsibility for its impact on employees, environment, customers, and whomever it touches. That is social responsibility. But we also know that society will
increasingly look to major organisations, for-profit and nonprofit alike, to tackle major social ills” (Drucker, 1995).

Carroll (1991) combines those two perspectives, and suggests that CSR activities of any company consists of four distinctive elements: economic, legal, ethical and philanthropic responsibilities. This is depicted in the figure below:

![Carroll's Pyramid of Corporate Social Responsibility](image)

Figure 2: Carroll’s Pyramid of Corporate Social Responsibility adapted from Carroll (1991).

The firm’s economic responsibility is to maximise profits by producing goods and services that consumers need and want. As this is the foundation for all business, it constitutes the bottom step of the pyramid. Further, the legal responsibilities build on this foundation, and represent a form of “social contract” between society and business to comply with rules and regulations. Rules may be seen as a codification of ethics, which are turned into laws, and these must coexist with economic principles. But beyond the law, firms have certain other
ethical responsibilities, which are standards, norms and expectations from consumers, employees and shareholders. There is a dynamic interplay between the legal and ethical responsibilities of firms, as both laws and perceptions of what is ethical may change over time. At the top of the pyramid, we find the philanthropic responsibilities. These responsibilities entail being a good corporate citizen, promoting human welfare and goodwill. However, Carroll (1991), points out that this is not expected in an ethical sense. In order for a company to be CSR friendly, these responsibilities should be fulfilled simultaneously “rather than in a sequence” (Cooke & He, 2010). Despite the fact that Carroll’s model clearly illustrates what responsibilities need to be met by a business wanting to be considered CSR friendly, integrating the entire range of expectations happens to be difficult in practice (Szegedi & Kerekes, 2012).

2.4 The Collaborative Value Creation framework

The Collaborative Value Creation (CVC) framework is an extensive, conceptual and analytical framework developed by Austin & Seitanidi (2012), aimed at addressing the value creation process resulting from collaborative relationships between corporations and nonprofits. The authors start with the premise that creating value is the central justification for cross-sector partnering. Further, they define collaborative value as “the transitory and enduring benefits relative to the costs that are generated due to the interaction of the collaborators and that accrue to organisations, individuals and society.” The CVC framework provides a set of reference terms for assessing collaborative relationships between nonprofits and businesses. The framework is divided into four components: The Value Creation Spectrum, Collaborative Stages, Partnering Processes and Collaborative Outcomes.
2.4.1 The Value Creation Spectrum

As stated in Austin & Seitanidi (2012), The Value Creation Spectrum provides new reference terms for defining and analysing value creation. The authors posit four potential sources of value and identify four types of collaborative value that reflect the different ways in which benefits arise. Value created from a collaborative relationship can vary greatly, dependent on collaborative arrangement, degree and form. The extent to which types of value matter for a partnership is based on the interests of participants, level of integration and interaction between the various partners, and nature of resources transferred. According to the authors, the value of collaboration between corporations and nonprofits increases when the partners apply resources and capabilities that are key determinants of their respective organisational success. Value is derived by the complementarity, nature, direction, and use of resources between partners. The types of value created through partnerships are not mutually exclusive, meaning that partnerships can generate a combination of value types.
2.4.1.1 Sources of value

By examining four sources of value as proposed by Austin and Seitanidi (2012), we are able to get a better idea of whether the relationship displays elements of co-creation, as opposed to sole-creation, of value.

**Resource complementarity:** The fundamental basis of collaboration is obtaining access to resources different than those one possesses. But the realisation of the potential value of resource complementarity is dependent on achieving organisational fit. This does not involve eliminating all differences, as each organisation’s distinctiveness is the source of complementarity. Rather, partners should aim for sufficient organisational compatibility to preserve value-enhancing differences (Le Ber & Branzei, 2010). Austin & Seitanidi (2012) hypothesise that the greater the resource complementarity and organisational fit between the partners, the greater the potential for co-creation of value.

**Resource nature:** The collaborative partners can contribute to the partnership with either generic resources, such as money, or organisation-specific resources, such as knowledge and capabilities. Austin & Seitanidi (2012) hypothesise that the more partners mobilise distinctive competencies, the greater the potential for co-creation of value.

**Resource directionality and use:** The question of who brings value to the partnering table is fundamental to analysing value creation. The resource flow in a collaborative relationship can be characterised as largely unilateral, coming primarily from one of the partners, or as bilateral and reciprocal. The authors hypothesise that the more both partners integrate their resources conjointly, the greater the potential for co-creation of value.

**Linked interests:** One of the things that characterise cross-sector collaborations, is that the partners may have distinct objective functions, and therefore no common currency to assess value. With this in mind, it becomes important to understand how each partner views value, how any divergent value creation frame may be reconciled, and to make sure the distribution of the value created is perceived as fair. The authors hypothesise that the more collaborators perceive their self-interest as linked to the value they create for each other and for the larger social good, and the greater the perceived fairness in the sharing of that value, the greater the potential for co-creating value.
2.4.1.2 Resource value types

The four sources of value give rise to different types of value created through partnerships. Austin & Seitanidi (2012) propose four types of value resulting from the combinations of the value sources above.

**Associational value:** This refers to the benefits that accrue to partners by simply having a relationship, such as improved projected credibility. The mere act of cross-sector collaboration can generate reputational enhancement, which is a subset of associational value. But while each organisation brings its particular reputation to the partnership, in terms of how well known it is, what it is known for, and whom it is known by, this only represents the potential associational value. The degree of complementarity and fit between the partners will have implications for how fully this potential will be realised. Furthermore, negative associational value may also accrue: one partner can be exposed to negative associational value because of the inappropriate behaviour of the other partner in activities outside the partnership.

**Transferred resource value:** This refers to benefits that accrue as a result of resource transfers between partners. The significance of the transfer will depend on the magnitude and nature of the asset and how it is used. Furthermore, resources can be depreciable or durable, which will have implications for the significance of the value created by the transfer. While a depreciable resource, like a company’s cash donation, only produces benefits for a short period of time, a durable resource, like buildings or equipment, continues to produce benefits. Durable resources may also be intangible, such as knowledge or skills that enable an ongoing stream of benefits. While depreciable and durable resources are both valuable, partners need to assess the functions that both are serving, relative to the need, and determine the optimal mix.

**Interaction value:** This refers to the intangible benefits generated by the process of working in a partnership, such as shared knowledge and learning between partners. A distinctive feature of these intangibles is that they are not just outputs of the value-creation process but also inputs to it. Co-creating value both produces and requires these intangibles. Whereas conventional economic analysis views interactions as a transaction cost, Austin & Seitanidi (2012) argue that interactions are sources of benefits. Important subsets of interaction value...
include relational capital, and improved trust between partners. Trust may even serve as a risk mitigating mechanism, enabling partners to assume more risk in their joint endeavours.

**Synergistic value:** This refers to the benefits generated as a result of a partnership that would otherwise not have occurred for participants, such as achieving specific outcomes. Synergistic value arises from the underlying premise that combining partners’ resources enables them to accomplish more together than they could have done separately. This requires a synergistic relationship, whereby generation of one type of value sequentially or simultaneously enables generation of other types of value. Innovation is the highest form of synergistic value, especially if it has transformative effects on individuals, organisations and societal systems. This only occurs when collaborators’ resources combine in unique ways to produce completely new forms of change.

### Value Creation Spectrum

<table>
<thead>
<tr>
<th>Source of Value</th>
<th>Sole-Creation</th>
<th>Co-Creation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource Complementarity</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Resource Nature</td>
<td>Generic</td>
<td>Distinctive Competency</td>
</tr>
<tr>
<td>Resource Directionality</td>
<td>Unilateral</td>
<td>Conjoined</td>
</tr>
<tr>
<td>Linked Interests</td>
<td>Weak/Narrow</td>
<td>Strong/Broad</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Type of Value</th>
<th>Sole-Creation</th>
<th>Co-Creation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Associational Value</td>
<td>Modest</td>
<td>High</td>
</tr>
<tr>
<td>Transferred Resource Value</td>
<td>Depreciable</td>
<td>Renewable</td>
</tr>
<tr>
<td>Interaction Value</td>
<td>Minimal</td>
<td>Maximal</td>
</tr>
<tr>
<td>Synergistic Value</td>
<td>Occasional</td>
<td>Predominant</td>
</tr>
</tbody>
</table>

*Figure 4: Collaborative Value Creation Spectrum adapted from Austin and Seitanidi (2012).*

### 2.4.2 Collaboration Stages

The second component the CVC framework addresses collaboration stages. Research indicates that collaboration occurs at different stages, in the midrange of how organisations work on public problems (Crosby & Bryson, 2005). At one end are organisations that hardly relate to each other when it comes to dealing with public problems that extend beyond their capabilities. At the other end we find organisations that have merged into whole new entities.
in order to handle problems through merged capabilities. In the midrange are organisations that share information, undertake coordinated initiatives, or develop shared-power arrangements in order to pool their capabilities to address the problem. Austin & Seitanidi (2012) propose a collaboration continuum to conceptualise the dynamic nature of collaborations between nonprofits and businesses. While there is always some degree of value exchange among partners in cross-sector partnerships, partners achieve greater value as they deepen their relationships. Austin & Seitanidi (2012) posit four relationship stages. Some factors that can be used to characterise the nature of the relationship are depicted in the figure below.

<table>
<thead>
<tr>
<th>Nature of relationships</th>
<th>Stage 1</th>
<th>Stage 2</th>
<th>Stage 3</th>
<th>Stage 4</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Philanthropic</td>
<td>Transactional</td>
<td>Integrative</td>
<td>Transformational</td>
</tr>
<tr>
<td>Level of engagement</td>
<td>Low ←-----------------------------------------------→High</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Importance to mission</td>
<td>Peripheral ←------------------------------------------→Central</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Type of resources</td>
<td>Money ←-----------------------------------------------→Core competencies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interaction level</td>
<td>Infrequent ←------------------------------------------→Intensive</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trust</td>
<td>Modest ←-----------------------------------------------→Deep</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategic value</td>
<td>Minor ←-----------------------------------------------→Major</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Co-creation of value</td>
<td>Sole ←-----------------------------------------------→Conjoined</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Synergistic value</td>
<td>Occasional ←------------------------------------------→Predominant</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Innovation</td>
<td>Seldom ←-----------------------------------------------→Frequent</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Figure 4: The collaboration continuum adapted from Austin and Seitanidi (2012).*

As one moves along the continuum, the level of engagement deepens, mission relevance becomes more central, resource deployment expands, activities broaden, interaction intensifies, and managerial complexity magnifies. So does the strategic value. The different collaboration stages are further explained in the following section.

**Philanthropic stage:** Partnerships at the philanthropic stage largely refer to relationships where the transfer of resources is unilateral, flowing from the company to the nonprofit, and no repayment is required. This is the most common type of relationship between businesses and nonprofits. For instance, a business may choose to provide financial support to a
nonprofit. This type of partnership might have significant associational value in terms of reputational gain for both parties, but may lead to less significant interaction value if the partnership is largely based on a one-time transfer of financial funds between organisations with little interaction otherwise. Such financial support from a corporation to a nonprofit will also mean the transferred resource is merely generic, so the extent to which each organisation benefits from in-kind contributions to the partnership, may be limited. Consequently, such collaboration reflects basic resource complementarity. In other words, it does not add any more value than what would come from any other donor.

**Transactional stage:** Significant numbers of businesses and nonprofits are migrating into the transactional stage. Partnerships at this second stage are characterised by a reciprocal exchange of resources occurring through specific activities. There is an agreed exchange of goods and services based upon an explicit or implicit contract. An example of this is when a business and a nonprofit enter into a contractual agreement under which the business transfers resources to the nonprofit for the implementation of a specific project. This stage involves higher resource complementarity, and the nature of the transferred resources the partners are deploying is often more specialised, with greater value creation potential. The partners have linked interests in that creating value for oneself is dependent on creating it for the other. The organisation’s core capabilities begin to be deployed and the partnership is more important to each other’s missions and strategies. The associational value is more salient, and organisational fit is more essential to value creation.

Transactional relationships can take many forms, including cause-related marketing, sponsorships and licensing, certification arrangements, and problem-focused projects. A more recent form of transactional collaboration is development of social and environmental standards for various products and practices, with accompanying certification systems to corroborate compliance. These systems have typically emerged as a result of confrontations over business practices that were socially or environmentally harmful, showing that conflict can pave the way to collaboration. This type of collaboration differs from other transactional relationships in that it is rooted in the desire to change business practices. When it comes to value creation, such collaboration has three distinct but interrelated components, namely standards, certification and marketing. Standards of business practices are created and aimed at changing existing ways of operating, to remove negative effects and generate positive ones.
The development of such standards involves, in varying forms and degrees, the interaction of businesses and nonprofits, and sometimes governments. The underlying source of value has been linked interests. For the companies, positive incentives include the prospect of capitalising on consumers’ increasing interest in social and environmental issues, and ensuring a sustainable supply of an endangered raw material.

**Integrative stage:** Partnerships at the integrative stage are those which require greater effort from partners to work jointly to define a common partnership plan that will meet each partner’s interest and create benefits. This stage of partnership is typically manifested in the form of a joint development project supported by public, private, and nonprofit actors, where partners develop clear objectives and employ joint decision-making processes and implementation strategies. In this stage, the collaboration changes in many fundamental ways, including the value creation process. Interaction value accrues to both partners, as organisational fit becomes more synchronous, and partners’ missions, values and strategies find greater congruency after working together successfully. The discovery of linked interests and synergistic value creation provides an incentive for collaborating ever more closely to co-create even more value. In this stage, producing societal betterment is given greater priority, even though the collaboration is still seen as integral to strategic success of each organisation. The partners increasingly contribute more of their specialised assets and core competencies, and combine them, making the directionality of the resource flow conjoined. It is in the integrative stage that interaction value emerges as a more significant benefit derived from the closer and richer interrelations between partners. The intangible assets that are created through such collaboration, are by many seen as essential to co-creation of value. These collaborations entail a deeper commitment and larger deployment of valuable resources, but the compensation for these investments is greater value for the partners and society.

**Transformational stage:** The transformational stage is described by Austin & Seitanidi (2012) as the most advanced collaborative stage that a partnership can reach. Partners agree on the social issues relevant to those involved, and also on their intention to deliver transformation through social innovation and improve the lives of those afflicted. Interdependence and collective action is the operational modality, with partners collaborating on longer-term timeframes and expressing stronger commitments to the development
initiative. This stage involves shared learning about social needs and partners’ roles in meeting those needs. The aim is to create “disruptive social innovations” (Christensen, Baumann, Ruggles, & Sadtler, 2006, cited in Austin et al., 2012), such as the joint creation of an entirely new hybrid organisation. As the social problems being addressed become more urgent and complex, the need to involve other organisations in the solution also increases, giving rise to multi-party, multi-sector collaborations. The collaboration’s transformative effects would not only be in social, economic, or political systems, but also change each organisation and its people in profound, structural and irreversible ways.

In practice, it is difficult to establish clear stages for cross-sector partnerships. Partnerships often include elements from more than one stage as they progress along the collaboration continuum. Hence, the continuum serves as a theoretical conception of partnership stages through which different levels of partnership can be distinguished. Partnerships evolve and new benefits emerge over time. Not all partnerships aim to reach the transformational stage. The creation of greater value, and consequent movement from stage to stage, largely depends on the objectives and level of engagement between the partners, as well as the distinct resources and capabilities that each partner contributes. It is important to note that progression along the continuum is not automatic, but rather the result of explicit decisions and actions taken by the partners. Regression and exit are always possible. It is also worth noting that generally, businesses have multiple relationships, and so the continuum can be used as an instrument for managing their “partnering portfolios”.

2.4.3 Partnership Processes

Austin & Seitanidi (2012) further examine the value creation processes involved in the different phases of the partnership. Processes are the motors for value creation in partnerships. They range from planned to emergent, from informal to formal, and from internal to external. Austin and Seitanidi distinguish between four interrelated phases in the partnership development: formation, selection, implementation and institutionalisation. Value accumulates as a collaboration moves through the four phases.

*Phase 1 - Partnership formation:* Formation can be seen as an early informal assessment mechanism that evaluates the suitability of collaboration to evolve into an integrative or transformational relationship, where the long-term value creation potential of the partnership for the partners and society is higher (Austin, 2000). This process will increase managers’
ability to anticipate and capture the full potential for the partnership for both the business and the nonprofit partner. Fit within a partnership refers to the degree to which the collaborating partners can achieve congruence in their respective perceptions, interests, and strategic directions.

The more the social problem is linked to the interests of the organisations, the higher the potential to institutionalise the co-creation process within the organisations, which will lead to better value capture by the partners and intended or unintended beneficiaries (Le Ber & Branzei, 2010). Differences in goals and characteristics, values, motives, objectives, missions, and organisational characteristics and structures require early measures of fit that can provide indicators for the potential of co-creation of value. Examining the partners’ motivations can reveal linked interests by providing an early indicator of partners’ intentions and expected benefits, offering some evidence of the transformative intentions of the partnership. Linked to motives, a particularly important measure to assess organisational compatibility is the mission fit, a key indicator of linked interest. The previous experience of the partners, including their unique organisational histories in developing value relationships, is an important determinant for the partnership fit indicating the ability of the partner to uncover novel capabilities and improve their prospects for social value creation.

**Phase 2 - Partner Selection**: The partner selection phase builds on the assessment of partner fit potential carried out in the formation phase. This selection phase might consist of a long or brief process (Rondinelli & London, 2003; Seitanidi M. M., 2010), but researchers point out that inadequate attention to the selection of partners is associated with organisational inexperience (Harbison & Pekar, 1998). This could lead to short-lived collaborations. Organisations might develop partnership-specific criteria in order to assess potential partners. Criteria suggested in the literature include industry of interest, scope of operations, cost-effectiveness, time scale of operation, personal affiliations, availability and type of resources (Holmberg & Cummings, 2009; Seitanidi M. M., 2010; Seitanidi & Crane, Implementing CSR through partnerships: Understanding the selection, design and institutionalisation of nonprofit-business partnerships, 2009). One approach to systematise this process would be to specify criteria that would reveal how well the potential partnership could tap into each of the four sources of value, and how that resource configuration would produce what mix of the four types of value. Setting criteria for partnership selection can reveal organisational
priorities. Since this is a ‘behind-the-doors’ process it requires research by both partners in order to penetrate the rhetorical statements that aim to impress (Seitanidi & Crane, 2009).

Many researchers stress the importance of managing risk and performing a risk assessment before entering a partnership (Andriof & Waddock, 2002; Bendell, 2000; Heap, 1998; Le Ber & Branzei, 2010; Selsky & Parker, 2005). This is especially important in the case of high adverse visibility or negative associational value, due to exposure to negative press. Research indicates that NPOs have a higher reputational risk than businesses in engaging in business-NPO partnerships (Seitanidi & Crane, 2009). When describing the risk assessment process, Austin & Seitanidi (2012) distinguish between the formal and informal risk assessment processes. The formal risk assessment process aims at collecting interaction intelligence across the potential partner organisations. The informal risk assessment consists of an open dialogue among the constituents of each partner organisation, informal meetings between the partners, as well as the company conferring with peer organisations within their own sector and across other sectors to collect intelligence.

Phase 3 – Partnership Implementation: In this phase, the collaboration is starting to generate results. The value creation process can be either planned or emergent. However, researchers argue that successful implementation requires clear processes for reviewing and measuring performance (C&E Advisory, 2010), as well as having established what the linked interests are. In order to create value beyond the partnership dyad, the partners need to be embedded in the local communities of beneficiaries and stakeholders. Austin & Seitanidi (2012) describe a process-based, dynamic implementation process that facilitates the co-creation of social, environmental and economic value. The authors further indicate four sub-processes of the implementation phase: experimenting, adapting, operationalising and evaluating.

Experimenting with the partnership processes, includes procedures such as: setting objectives, formulating rules and regulations, ensuring mutual understanding, establishing leadership positions, deciding organisational structures and agreeing on partnership management. The above processes add structural and purpose congruence, which contribute to organisational compatibility and generate interaction value. Another essential sub-process in this initial period, is to build trust through personal interactions. Those responsible for managing the partnership’s interface, the so-called “boundary spanners”, play a vital role here. Discovering
how to interact is often a result of experimentation. Adapting involves gradually developing and changing policies, programmes and actions to facilitate collective learning. Adaptation may be among the most difficult steps in value creation, and even more so in cross-sector partnering because of the multitude of organisational differences. A prerequisite is recognising the value of a partner’s knowledge and skills. Seitanidi (2008) indicates that partners need to embrace their adaptive responsibilities in order to move away from their limiting predefined roles and transcend beyond a single dimension of responsibility to offer solutions to problems that require fundamental change. This underpins Austin & Seitanidi’s (2012) notion that the partners’ perceptions of their responsibilities need to evolve to higher levels to co-produce synergistic value. Following the adaptation process, decisions gradually reach operationalisation, and there is typically a stabilisation of the partnership’s content, processes and structures, until the next iteration. Resource complementarity increases as partners are familiarised with the content, processes and structures. Establishing routines and setting performance expectations are important parts of operationalisation. This enables the partners to evaluate which aspects of the collaboration are working well and which are associated with problems. To be effective, evaluation efforts need to be accompanied by processes that hold staff and managers accountable for performance.

**Phase 4 - Partnership institutionalisation:** A partnership has reached institutionalisation when its structures, processes, and programmes are accepted by the partner organisation, and their constituents are embedded within the existing strategy, values, structures, and administrative systems of the organisations. This is a lengthy process that requires interaction value accumulation that iteratively builds from information to knowledge capabilities. Some organisations might never arrive at institutionalisation. This can, however, be a positive outcome, if the partnership was terminated because it was not good for either partner, or the partnership objectives were accomplished before the partnership reached the institutionalisation phase (Seitanidi & Crane, 2009).

**2.4.4 Collaboration Outcomes**

The examination of nonprofit-business partnership outcomes is an evolving area both in practice and in research. In the 1980s, during the advent of the research on cross-sector partnerships, literature appeared to focus on social partnerships (Waddock, 1988). In the early 2000s, there seemed to be a shift in the literature, and more emphasis was put on the strategic
aspect of such partnerships (Elkington & Fennell, 2000; Warner & Sullivan, 2004). Over the recent years, new significance has been assigned to collective impact (Kania & Kramer, 2013) and social value measurement (Mulgan, 2010). Researchers also emphasise the importance of reconfiguring the meaning of financial value by incorporating social and environmental value (O'Donohue, Leijonhufvud, Saltuk, Bugg-Levine, & Brandenburg, 2010) which is also illustrated by the introduction of the triple bottom line. By expanding our view on financial value, we create opportunities for intentional social change mechanisms to provide opportunities for social and environmental impacts as forms of superior value creation, not only for a few, but for many. Porter and Kramer (2011) refer to this phenomenon as “creating shared value”. In order to assess whether nonprofit-business partnerships constitute such intentional mechanisms for social change and innovation, we need to locate where the value is created. Austin & Seitanidi (2012) propose the loci of value creation.

The authors distinguish between two loci: internal to the collaboration and external to it. Internally, they further distinguish between value accruing to the partnering organisations at the meso level, and to the individuals within those organisations at the micro level. Externally, the focus is on societal welfare and how collaboration results in benefits at the meso, micro and macro levels.

**Internal value creation at the meso level:** For the nonprofits, associational value might accrue through higher visibility and credibility (Austin, 2000), increased public awareness of the social issue (Gourville & Rangan, 2004), and greater support for their organisational mission (Pearce & Doh, 2005). Nonprofits might benefit from transferred resource value in the form of financial support from business with whom they collaborate, increased volunteer capital (Googins & Rochlin, 2000) and complementary and organisation-specific assets (Austin & Seitanidi, 2012). Further, interaction value might occur through opportunities for learning (Austin, 2000), development of unique capabilities and knowledge creation (Googins & Rochlin, 2000), access to networks (Heap, 1998), greater technical expertise (Austin, 2000), improved relations with profit sector (Austin, 2000) and market intelligence (Austin, 2000). Synergistic value might be obtained if the collaboration facilitates innovation (Holmes & Moir, 2007), process-based improvements (Seitanidi, 2010), positive organisational change (Glasbergen, 2007), shared leadership (Bryson & Crosby, 1992), increased long-term value potential (Austin, 2000) or more political power within sector and society (Seitanidi, 2010). The potential risk and cost of the nonprofit is typically reported to be greater than the risk and
cost for business (Seitanidi, 2010). These may include decreased credibility due to reduced independency, decrease in potential donations due to high visibility of a wealthy partner (Gourville & Rangan, 2004), and increased need for resource allocation and skills (Seitanidi, 2010).

For businesses, associational value may accrue through enhanced credibility (Austin, 2000), reputation and image (Heap, 1998), legitimacy (Glasbergen & Groenenberg, 2001), increased sales and broader usage of products and services (Gourville & Rangan, 2004), improved media exposure (Seitanidi, 2010), public support and stakeholder loyalty (Gourville & Rangan, 2004), and stakeholder communication and accountability (Pearce and Doh, 2005). Transferred resource value that may accrue to businesses, include market intelligence and competitiveness (Porter & Kramer, 2002). Interaction value elements include access to networks (Millar, Choi, & Chen, 2004), technical expertise (Polonsky, 1996), community and government relations (Austin, 2000), corporate values (Austin, 2000), decreased long- and short-term costs (Newell, 2002), speeding up approval for license to operate (Ishikawa & Morel, 2008), more political power within the nonprofit sector (Seitanidi, 2010), improved accountability (Seitanidi, 2010), employee-specific benefits such as morale, recruitment, motivation, skills, productivity and retention, (Googins and Rochlin, 2000; Porter & Kramer, 2002; Seitanidi, 2010), investor-specific benefits such as increased allegiance (Gourville & Rangan, 2004), consumer-specific benefits such as reduced asymmetry between consumer and business (Austin, 2000), and external risk management (Bendell, 2000). Synergistic value might accrue in the form of product and process innovation and learning (Austin, 2000), better risk management skills (Tully, 2004), adaptation of new management practices (Drucker, 1995), increased long-term potential (Austin, 2000), and more political power within sector and society due to partnership networks (Seitanidi, 2010). But businesses can also incur costs, including increased need for resource allocation and skills, internal and external scepticism and scrutiny (Yaziji & Doh, 2009), and potentially reduced competitiveness due to open access innovation (Stafford, Polonsky, & Hartman, 2000).

**Internal value creation at the micro level:** The value that is produced for the individuals within the partnering organisations can be either instrumental or psychological. Instrumental benefits include new or strengthened managerial skills, leadership opportunities, technical and sector knowledge and broadened perspectives (Austin & Seitanidi, 2012). Psychological
benefits include satisfaction from contributing to social improvement, and developing
friendships with colleagues from the partnering organisation.

*External value creation at the meso, micro and macro level:* CVC at the macro level is
defined by Austin & Seitanidi (2012) as “societal betterment that benefits others beyond the
collaborating organisations but which happens only with their joint actions.” Collaboration
may create value externally which may accrue to individuals, organisations or society. On the
individual level we find beneficiaries whose needs are attended to by the collaborative action.
On the organisational level we find social, economic or political organisations that produce
social value and are strengthened by the collaborative action. At the societal level,
collaboration may contribute to welfare-enhancing systemic change in institutional
arrangements, sectoral relationships, societal value and priorities, product innovation, as well
as improving the environment.

2.5 What connects CSR and business-nonprofit collaboration?
For a long time, nonprofits were perceived as being anti-business. However, they have
evolved to become organised, structured and strategic. Instead of always standing outside
with protest signs, nonprofits can actually work alongside companies to help them implement
their CSR initiatives. This is happening more and more commonly. Nonprofits not only put
the pressure on companies to clean up their business, but also act as facilitators and advisors
towards better policies. Nonprofits have the unique position of being in touch with
consumers, activists and business leaders, giving them a perspective on situations that is rare.
They are also consistently thought of as trustworthy and reliable (Baehr, 1996). In several
instances they offer companies insights into their research and also help in tailoring better
CSR policies that ensure sustainability. Therefore, their knowledge could prove to be very
helpful, as they are able to provide holistic views on many current sustainability trends.

According to GlobeScan’s global public tracking in 2012, which tracked consumers’ opinions
in ten countries over the past decade, only 38% of respondents believe that companies
communicate honestly about their social and environmental performance (Poret, 2014). Many
argue that corporate self-regulation is merely a public relations activity or a window dressing
exercise to improve firms’ reputation, without requiring firms to actually achieve the goal of
being sustainably responsible. Utting (2002) claims that this concern has led to a shift in the
balance of social forces and to a new approach: co-regulation and multi-stakeholder initiatives. The co-regulation method involves civil regulation, in which nonprofit organisations play a key role (Murphy & Bendell, 1999).
Chapter 3: Methodology

Saunders, Lewis, & Thornhill (2012), describe methodology as “the techniques and procedures that are used to collect and analyse research data.” This chapter is dedicated to discussing and evaluating the chosen method used to answer our research question.

3.1 Research approach

We distinguish between deductive and inductive research approaches. The deductive approach is about creating expectations of what reality looks like. The researcher then collects empirical data to compare these expectations with empirical findings. With the inductive approach, the researcher goes in the opposite direction. First, the empirical data is collected, and then the researcher systematise and analyse the collected data. It is important that the researcher keeps an open mind, so that the findings are not tainted by predetermined expectations.

Due to scarcity of research, and since our study aims at exploring, answering questions and providing more insight into a topic, our study will be conducted with an inductive approach. Our aim will be to develop or endorse existing theory by exploring data. We will try to increase the understanding of a Danish textile company’s motivations for collaborating with nonprofits, and how value creation occurs in partnerships between the two sectors. When using an inductive approach, we need to start by collecting data, which is then used to identify patterns and relationships. However, it is still relevant to use existing theory, as this can provide useful identification of concepts that we can explore further.

3.2 Research design

“The research design is the overall plan for relating the conceptual research problem to relevant and practical empirical design” (Ghauri & Grønhaug, 2002). A research design is chosen to appropriately answer or shed light on the research question in the best way possible. The research design must be effective given certain constraints which the researcher faces, such as time and skill, and determining the research design can be seen as a strategy to obtain the information one needs. By defining methodological choice, time horizon and research strategy along with choice of data collection, the research design provides reasoned
justification of how the study is structured in order to explore appropriate answers for the research question (Saunders, Lewis, & Thornhill, 2012). The purpose of research is to gain and increase new knowledge (Saunders, Lewis, & Thornhill, 2012). To facilitate the process, it is important to have a structured plan describing the purpose of the research. Furthermore, the plan should describe the methods one wishes to use to shed light on the research questions, the sources one wishes to make use of to collect necessary data, limitations and ethical dilemmas concerning the research.

Saunders, Lewis, & Thornhill. (2012) describe three different research purposes. A study can be exploratory, explanatory or descriptive, or a mix between these. Exploratory research is used when the problem is poorly or not well understood. The research problem is often less well defined, thus one must observe, collect information and construct explanations, also called theorising. Since the purpose of this thesis is to explore and help increase understanding of a complex phenomenon, this study takes an exploratory approach. Exploratory studies are useful when the purpose is to gain knowledge about a topic, and have the advantage of being adaptable throughout the study (Saunders, Lewis, & Thornhill, 2012). A key characteristic is flexibility in the researcher, as the solution may change direction as new information becomes available.

3.2.1 Methodological choice

Quantitative research methods involve collecting numerical data to explain phenomena. This typically involves theories, hypotheses or questionnaires being analysed statistically. Qualitative research involves a wide range of methods, for instance interviews or case studies, expressed through words instead of numbers, and used to explain phenomena. This method focuses on finding the true meaning and new insight within a topic. The qualitative method is less structured than the quantitative method. The focus is on deriving the essence from collected unstructured data, for instance individual in-depth interviews (Zigmund, Babin, Carr, & Griffin, 2013). A qualitative approach is most appropriate in cases where the subjects of the study are less specific. The suitable method should be chosen for the right research context. A hybrid version where both approaches are used is also common (ibid.).

Given the nature of our research question, we find it most appropriate to make use of a qualitative research method with semi-structured in-depth interview as the main data
collection method. Qualitative research methods are described by Creswell as “an inquiry process of understanding based on distinct methodological traditions of inquiry that explore a social or human problem” (Creswell, 1998). This method leaves room for flexibility, which is useful, as new and interesting perspectives and elements can emerge through the conversation. For this reason, we have chosen semi-structured interview as our method. This type of interview is structured by topics and sub-questions, without a binding chronological order (Zigmund, Babin, Carr, & Griffin, 2013).

### 3.2.2 Research strategy

This study will be a single case study. Specifically, we will be applying the analytical frameworks to the case of IC Group to assess their motivations, the value creation, collaboration stages, partnership processes and outcomes of their involvement with nonprofit organisations. To answer our research question, we wish to collect empirical data through drawing on relevant theory from previous research and then compare this with empirical findings from our specific case. This will be done through collecting and presenting empirical findings based on second-hand data and a semi-structured in-depth interview with the selected company, and then compare with an established literature base. According to Dawson (2009), such a method is characteristic for the qualitative approach. Since the purpose of this study can be achieved without collecting numerical data, a qualitative approach is most suitable. This research area is relatively unexplored, and further understanding of this field is needed to add depth to the topic of cross-sector partnerships. Furthermore, the exploratory nature of the research question requires qualitative methods for data collection since the concept of business-nonprofit collaboration is abstract and the nature of the information needed is rich and deep.

All research methods have strengths and weaknesses, and there is a need to recognise the limitations in the chosen research method. One should show caution in regard to a specific weakness of qualitative research; namely that the degree to which one can generalise is limited, compared to quantitative research. Qualitative research is not statistically generalisable beyond the given context. However, statistical generalisability is not the aim of this study, but rather to gain broader knowledge of the motivations and mechanisms that affect value creation in business-nonprofit collaborations.
3.2.3 Time horizon
We will be looking into a case of a Danish apparel company, but over a short period of time. Given the time horizon, the research can be characterised as a “snapshot” in time.

3.2.4 Respondent selection
In selecting case studies, Ghauri and Grønhaug (2002) emphasise the importance of first deciding the target population, and then out of the target population, selecting one or a few cases, objects or firms for study. The target population for this thesis were Scandinavian textile companies that have some collaboration with nonprofits. This is coherent with Ghauri and Grønhaug’s reasoning that “the cases should correspond with our theoretical framework and the variables we are studying” (2002). It was necessary to choose a company that already had collaboration with one or several nonprofits, because this enabled us to draw conclusions as to how value is created through these collaborations, and because these firms most likely have opinions on how such value creation occurs. Thus it was necessary that the firms publicised some information about their collaborations with nonprofits. To select firms that could be relevant to the purpose of this paper, we conducted a search for appropriate companies. The firms were contacted, but only one was positive to being used as case company.

3.3 Data collection
In the following section, we will structure and describe the process of collecting empirical data. A thorough review of the methods chosen, as well as advantages and disadvantages, will be discussed.

Ghauri and Grønberg (2002) warn that special skills and some caution are needed for conducting a case study - “data collection in a case study design is crucial, as the whole study depends on it.” Further, the researcher “should not only be able to ask relevant and probing questions, but also have the capabilities to listen and interpret the answers given. Researchers should be able to read between the lines and understand not only what is said, but also what is meant.”

In order to write an in-depth case study, data was collected in a variety of ways. Facts and figures on the chosen company were collected through websites, newspaper articles,
publications and other public information. The more detailed and reflective information was collected through an in-depth interview with a representative from the company.

3.3.1 Interview
According to Ghauri and Grønberg (2002), interviews demand real interaction between the researcher and the respondent, and can be divided into three types; structured, unstructured and semi-structured. Structured interviews use a standard format with an emphasis on fixed category responses and systematic sampling and loading procedures combined with quantitative measures and statistical methods. In unstructured interviews, the respondents are given nearly full liberty to discuss reactions, opinions, and behaviour on a particular issue. In semi-structured interviews the topics and issues to be covered are defined beforehand, and typically a variety of personal, attitudinal or value-laden data is collected.

For the type of data needed in our study, a semi-structured approach seemed most appropriate. In using King’s (2004) interview typologies, the type of interview needed for this data collection is a phenomenological interview, in which the phenomenon researched is business-nonprofit collaboration, and the researcher must reflect on his or her predetermined ideas and understandings. In the case of business-nonprofit collaborations, our pre-understanding is based on information found in academic literature and popular press. From the academic literature, we were given certain expectations about the value that is created in the collaboration between companies and nonprofits. From the popular press, we had a pre-understanding that such collaborations give companies enhanced reputational value and credibility.

3.3.2 Interview guide
In order to conduct a semi-structured interview in a way that collected relevant data in an organised manner, an interview guide was created (see Appendix B). Interview guides are used in qualitative research where themes and dimensions one wishes to cover are listed, and potential follow-up questions and helpful hints are added (King, 2004). The interview guide was written based on the literature review, and included questions regarding general company information and their collaborations with nonprofits. To a large extent, the interview followed the structure of Carroll’s Pyramid and the CVC framework, with questions sub-categorised into the components of these frameworks.
3.3.3 Interview object

In order to gain access to interview objects, an e-mail concerning the thesis and its purpose was sent to a number of Scandinavian apparel companies (see Appendix A). Only one responded positively, and after conferring with our supervisor, we decided to conduct the thesis as a single-case study. After conferring with our company of choice, it became clear that the interview object would be a key informant on the topic of CSR and NPO collaboration. Because the interview object was in a different country, a phone interview seemed most appropriate. There are, however, several drawbacks to phone interviews, in particular the inability to read body language and facial expressions.

Having only one respondent has definite disadvantages, especially concerning the reliability of the data. Ideally, one would conduct several interviews within the firm with different people, which could have supported or disapproved the statements made. However, the constrained access made this difficult. Further, interviews with the NPOs could have enriched the analysis, although we are focusing on the outcomes from the company’s point of view. To mitigate these weaknesses, we also used data collected through different methods - articles, websites, annual reports and public information.

3.4 Data analysis

The case company is described using the information collected through the interview and through other sources. The interview was recorded, and then transcribed. The analysis is divided into sections corresponding to the models and theories used to analyse the company’s collaboration with nonprofits.

3.5 Evaluation of research

3.5.1 Validity

It is important to consider the issues of internal and external validity. Internal validity refers to the extent to which we can infer that a causal relationship exists between the variables examined. Threats to validity include selection bias, history, maturation, drop-out and testing. External validity refers to the extent to which the findings can be generalised to particular persons, settings and times, as well as across types of persons, settings and times (Ghauri & Grønhaug, 2002).
For qualitative research specifically, four different types of validity are often emphasised. These are descriptive, interpretative, theoretical and generalisable (Ghauri & Grønhaug, 2002). Descriptive validity refers to the factual accuracy of the data. This is crucial when it is assumed that the researcher has inherent beliefs and values, and that multiple realities exist within the research setting (Stensaker, 2002). The descriptive validity in our research may be low as the data is collected through one source, on one organisational level, within our case company. Attempts to mitigate this were made by checking against data from other sources.

Interpretative validity refers to the credibility of the research in the eyes of the researched population (Stensaker, 2002). The interpretative validity in this study may be low, because the interview object has not been consulted concerning the findings and interpretations we, as researchers, have made. Having some participation verification would have increased the interpretative validity (ibid.).

Theoretical validity refers to the adequacy of the suggested theory on explanation (Ghauri & Grønhaug, 2002). We have attempted to apply theories that are relevant for analysing our research question, in order to secure some theoretical validity.

Generalisability refers to the extent to which the findings from a study can be generalised to other settings (Ghauri & Grønhaug, 2002). The extent to which the findings can be generalised to particular persons, settings and times, is also an issue that must be taken into account with the chosen research design. As there is only one case company, one must be extremely cautious about generalising the findings and transfer results onto other companies. The limitations of extrapolating the case study to a more general theory of business-nonprofit collaboration are acknowledged and provide opportunities for further research.

Validity, regarding qualitative interviews, concerns the extent to which the researcher is capable of understanding what the interviewee really means. To ensure validity we focused on problem meanings, clarifying questions, and rephrasing the questions if something was unclear. Interviewer bias is when the interviewer acts in ways that may affect the interviewee’s response. For instance, it is possible for us as researchers to affect the answers through comments and nonverbal behaviour. Interviewee bias, on the other hand, is caused by perceptions the interviewee has about the interviewer (Saunders, Lewis, & Thornhill, 2012). This bias may reduce the quality of the research. For instance, if the interviewee perceives us
as very concerned with poor textile workers’ working conditions, he or she might be inclined to say that their company’s motivations for collaborating with nonprofits were to improve their working conditions. In other words, they might say what they believe we want to hear. Focus on our own behaviour and avoidance of any kind of negativity and anxiety might reduce bias (ibid.). We also aimed to formulate the questions in an objective way, and not ask questions that indirectly implied a specific answer.

3.5.2 Reliability
Reliability concerns whether the results would be consistent if other researchers used the same data collection techniques and analytical procedures or if the study was performed on another occasion (Saunders, Lewis, & Thornhill, 2012). However, findings from a case study are not necessarily meant to be repeated. Our findings will reflect reality at the time when the case study was performed. Our description, from research process to analysis, should enable other researchers to arrive at similar conclusions, or assess the reliability of the research.

3.5.3 Ethical considerations
Interviews may represent a challenge regarding access. It may be difficult to gain access to participants because they may have rigorous time schedules. In addition, there may be resistance in an enclosed group against allowing a researcher insight into the internal affairs. Interviewing also demands a certain prior level of knowledge of the researcher, so that the respondents do not feel they are “wasting time” on explaining basic issues (Kvale, 1996). There is a general ethical rule that the research design should not expose those you are researching to embarrassment, pain or other significant inconveniences (Saunders, Lewis, & Thornhill, 2012). We feel confident that our research design will not expose our subject to any disadvantages. Through informing our potential interviewees about our research topic and the implication of their participation, they were able to make a fully informed and voluntary decision about whether to participate or not. As researchers, we also have responsibilities when analysing data. We have focused on carefully providing sources for all our information, and findings have been reported to full extent (ibid.).
Chapter 4: Case description

4.1 Background information

4.1.1 The apparel industry

The apparel industry is one of the largest consumer goods markets in the world. It is, however, a highly fragmented and regionally divided market with even the largest international market players holding only small market shares (IC Group, 2015). This implies that the competition within the industry is fierce.

The global apparel market itself is worth 3000 billion dollars and accounts for two percent of the world’s gross domestic product (Fashion United, 2016). While a third of the aggregated market value is allocated among the top 100 clothing companies, this indicates that this is a very lucrative business to some. Nike, an American sportswear company, is considered to be the largest clothing company worldwide. In 2015, their revenues exceeded 30.6 billion dollars with a market value of nearly 105 billion dollars. Inditex, a Spanish retailer with well-known brands such as Zara, Massimo Dutti and Bershka in their stall, is very close behind, with revenues of 24 billion dollars and a market value of 104 billion dollars in 2015. The Swedish retailer H&M, on the other hand, which is considered the fifth largest retail company in the world, earned sales revenues of 25.8 billion dollars in 2015, accumulating a market value of 48.3 billion dollars. While each of the companies have their niches, the most traded apparel and textile products are non-knit women’s suits, knit sweaters, knit T-shirts and non-knit men’s suits. In terms of export, the top five exporting countries of apparel in the world supplied 54.5 % of the markets in 2014. China is in the lead, which single-handedly accounted for 36.5 % of apparel export (265 billion dollars), India (38.7 billion dollars), Italy (32.7 billion dollars), Turkey (30.4 billion dollars) and Bangladesh (28 billion dollars) are the remaining top five export countries of apparel (Fashion United, 2016).

As for the increased attention towards the apparel industry, the issues within the industry became prominent when the Rana Plaza in Bangladesh collapsed in 2013 and killed 1,100 workers. It has been recorded as the second worst industrial accident of all time, and the event has led consumers, retailers, investors and governments to be more aware of how clothes are produced and how the workers within the industry are treated (Nimbalker, Mawson, Cremen, Wrinkle, & Eriksson, 2015). Since then, there has been reported a remarkable improvement of
labour rights management systems, 100 % now have codes of conduct, and the number of companies contributing to the research process has increased from 54 % to 94 % (ibid.). Big brands, such as H&M, Walmart and Gap, have pledged to improve safety in their manufacturing factories, but human rights groups still claim that these promises are unfulfilled (Abrams, 2016). Global retailers continue to exploit a workforce at an extremely low cost, and there are still tens of thousands of garment workers in buildings without proper fire exits (Merk, 2014). Pregnant women face wage discrimination in several Asian countries, and protesters in Cambodia have been known to get shot and killed for wanting an extra 20 dollars a month (ibid.). The most problematic aspect of the much-needed improvements, is that the process of ensuring safety and working conditions has been too slow, and that the biggest companies continue to benefit from dangerous and unfair labour practices. As late as this May (2016), the nonprofit organisation Wage Alliance Group released a report containing sexual harassment, low wages and other forms of abuses at H&M’s supplier factories. Even though the Accord on Fire and Building Safety in Bangladesh was established with H&M in the lead, there were still 79,000 workers who produced garments for H&M in Bangladesh in buildings that were lacking proper fire exits (ibid.).

**Segments within the apparel industry:** According to the IC Group (2015), the global apparel market may roughly be divided into four segments based on price, brand and distribution characteristics. Some examples of brands categorised in each segment are depicted below.
In addition to these categories, there is a large mass market for non-branded products as well as private labels.

### 4.1.2 Challenges of Corporate Social Responsibility within the apparel industry

Literature on CSR in the apparel sector centres around sustainable supply chains (Perry & Towers, 2009; Pretious & Love, 2006) and labour rights (Perry & Towers, 2009) as the main
issues of CSR, and global introduction of standards and codes of conduct are presented as main tools for implementing CSR (Gunay & Gunay, 2009; Perry & Towers, 2009). Most researchers also agree that the pressure from nonprofits, society and media, and the resulting risk of reputational damage are major drivers towards companies’ implementation of standards or codes of conduct (Pretious & Love, 2006; Perry & Towers, 2009). A standard is a document that provides requirements, specifications, guidelines or characteristics that can be used consistently to ensure that materials, products, processes and services are fit for their purpose (ISO, 2016). Codes of conduct are referred to as “commitments voluntarily made by companies, associations and other entities, which put forth standards and principles for the conduct of business activities in the marketplace” (OECD, 2001). A number of industry standards and codes of conduct have been developed in order to enable companies to evaluate their score on some key dimensions concerning their operations. Some of them are specific to the apparel industry, while some also apply to other industries. One of the bridging areas between nonprofit advocacy and collaboration with businesses has been corporate codes of conduct. Nonprofits have often compelled the adoption of such codes, but they have also helped corporations by providing knowledge that enables compliance. According to Conroy (2007), there is an ongoing “certification revolution”, whereby nonprofits and companies establish standards and external verification systems across a wide array of socially desirable practices and sectors.

However, the companies cannot forcefully order their suppliers to comply with codes of conduct. In many cases, they do not have any ownership rights over factories to which they outsource production, so the companies can only suggest how the business should or should not be conducted. Therefore, it is clear that having a code of conduct in place does not automatically ensure that suppliers fully adhere to the set guidelines. According to scholars (Cook and He, 2010), there are several reasons why this may be challenging:

**Suppliers and employees are not convinced of CSR.** CSR activities usually incur some extra cost to the suppliers and require extra effort from everyone involved in the process (Cooke and He, 2010). Therefore, in order for suppliers to implement CSR practices in their factories, they need to feel convinced by the concept of CSR and see how CSR can contribute to their overall profits or their own situation (Bhandarkar & Alvarez-Rivero, 2007).
Suppliers are confused by the expectations. Suppliers are often confused with what is expected from them. Suppliers are required to conform to the internally set codes of conduct and at the same time they are asked to meet the demand of supply. It is also crucial to notice that managers of the factories often have several codes of conduct to conform to, depending on the number of companies they work with. Overall, this creates a great deal of pressure as well as confusion in regard to what activities should be prioritised by suppliers.

As we observe, one of the biggest challenges associated with being socially responsible lies around the difficulty of turning CSR into practice (Szegedi & Kerekes, 2012). Ensuring that CSR is appropriately implemented is even more complex for multinational apparel companies that operate extended and complicated supply chains. Traditionally, this was not the case, as companies owned their own supply bases. However, over the years, companies have moved away from the vertical integration and started to outsource their production to a variety of suppliers who are often located in different regions across the globe (Lummus & Vokurka, 1999). This has led to new challenges for the companies to manage, such as differences in culture, norms and legal standards across the countries in which they operate (Kolk & van Tulder, 2010). Moreover, in light of the social responsibility theory, customers demand a new meaning of responsibility from the businesses. In the new globalised environment, organisations are also more transparent due to the existence of Internet and social media, meaning that customers have easier access to information about companies’ activities. According to the CSR study conducted by Cone Communications Global, nine out of ten consumers “want companies to go beyond the minimum standards required by law to operate responsibly and address social and environmental issues” (Cone Communications Global, 2013). Regarding the apparel industry, it could be assumed that pressure received from consumers is further amplified by the fact that some high-profile apparel companies have been found to be involved in socially irresponsible activities in the past.

4.1.3 Well-known industry examples

Nike is a prime example of a company which has been exposed to scrutiny by the civil society. Once news broke about their factories being sub-par in several critical areas in 1997, Nike was criticised to the fullest. While Nike primarily sells an image and do not own their factories, the connection to sweatshops in Asia caused worldwide boycotts of the company (Wilsey & Lichtig, 2016). The consequences of the scandal led to Nike using its far reaching
capabilities to change labour practices throughout the world. It resulted in improved conditions to some extent, but the most important part was perhaps the need for an investigating organisation that could ensure working conditions. While this was specifically directed at Nike, it was also a signal to corporations all over the world to improve working conditions. The initiatives were applauded by human rights organisations (ibid.), and it initially meant that NPOs were allowed to inspect their factories and make public reports of the findings. Yet, there were several loopholes within the policies; while Nike stated they would pay the local minimum wage, it was often set too low by the government in order to attract foreign investors (ibid.).

Another example of a company that has been pressured to implement more comprehensive CSR measures, is the major clothing retailer H&M. Like Nike, it has also outsourced its production to Asia (H&M, 2016). H&M is now offering a full overview of their factories for those interested to see, as a part of their sustainability policy. H&M claims that this will hopefully contribute to increased transparency and sustainability throughout the entire industry (ibid.). These initiatives show how H&M is actively trying to position itself as “the ethical solution”, by combining the world of fast fashion and ethics (Siegle, 2012). Still, it is questionable if their solutions are indeed sustainable, when fast-fashion’s mantra is to rely on low-wage production in some of the poorest countries in the world, and can be seen held responsible for environmental and social degradation of the business. Promoting 30-50 trend-driven fashion trends through millions of units a year, it is rather an oxymoron for a sustainable and ethical fashion industry. While guarantees of ethical conduct are demanded by concerned consumers and activists, head of sustainability, Helena Helmersson, claims it is difficult for H&M to assure this, considering H&M is a huge company that operates in very complex conditions. Nonetheless, by collaborating with a wide range of NPOs, improvements have been made in terms of lower-impact water-based solvents, codes of conduct to ensure working conditions, recycling programmes and the use of organic cotton.

A more recent example of an apparel company that has experienced pressure from NPOs, is Timberland. In 2009, Greenpeace attacked the outdoor-apparel maker with the accusation that leather for the company’s boots came from Brazilian cattle ranchers who were deforesting the Amazon. After receiving 65,000 e-mails from Greenpeace supporters, Jeff Swartz, Timberland’s former CEO, decided to engage with the nonprofit, and together they worked with Timberland’s suppliers to ensure that none of the company’s leather would be sourced
from the Amazon area. Swartz later stated about his experience with the nonprofit: “You may not agree with their tactics, but they may be asking legitimate questions you should have been asking yourself. And if you can find at least one common goal - in this case, a solution to deforestation – you have also found at least one reason for working with each other, not against” (Swartz, 2010).

These cases illustrate the difficulties of catering to several stakeholders and their claims, which may challenge the legal and ethical perspectives of doing business. Wanting to satisfy the consumers who demand quality products at a low price, while at the same time aiming to be sustainable, is one of many complex issues that the apparel industry faces. Collaborating with NPOs might help ease this pressure, considering that NPOs often possess knowledge of local culture, norms and legal standards within the different markets. And, as observed through the cases, being a member of selected organisations and initiatives can help enhance the credibility of companies.

4.2 Company presentation: The IC Group

In this section, we will present the company of our case analysis, IC Group. Information about the company is gathered mainly through their website and available annual reports. Then we will contextualise on IC Group’s CSR projects, by briefly describing their collaborations with some nonprofits worldwide, so that we can understand their motivations and concerns. We will also try to understand the value that is created from these collaborations, how it is created, and who benefits from it.

IC Group is one of the largest apparel companies in the Nordic region, with more than 1000 employees and a full-year revenue of DKK 2.6 billion in 2014/15. Listed in Denmark, the company was formed in 2001, following a merger of Carli Gry International AS and InWear
Group AS. IC Group operates in the Premium segment (see figure 5). The company runs the three brands Tiger of Sweden, By Malene Birger and Peak Performance, as well as having controlling investment stakes in two other brands - Designers Remix (51%) and Saint Tropez (100%). IC Group’s products are sold through nearly 240 retail and franchise stores and shop-in-shops, through e-commerce and via more than 4,500 3rd party distributors in more than 25 countries (IC Group, 2016). IC Group’s mission statement is “to build successful brands by uniting business excellence with creativity and innovation” (IC Group, 2015).

All of IC Group’s production is outsourced, with the bulk of the production carried out in developing countries. In 2013/14, China accounted for 57% of the production, whereas the rest of Asia accounted for 12%, Europe for 28% and Africa for 3%. The IC Group has a total of 260 suppliers, of which the largest 10 suppliers account for 36% of the total production value (IC Group, 2014).

IC Group recognises that they are part of an industry with many corporate responsibility (CR) challenges both in terms of complex supply chains and resource challenges (IC Group, 2015). IC Group is involved in projects in various countries and locations, and in different problems of the social and environmental sphere. In IC Group’s Corporate Responsibility Report (2015), they state that “We want to be a responsible developer and this means not only being in compliance with international standards on people, planet and profit, but also trying to impact the development towards sustainability by joining forces with various stakeholders based on a partnership approach.” This reflects the increasing understanding that some of the issues faced by the industry cannot be solved by a single stakeholder, but are best dealt with through collaborations between multiple parties. Further, the IC Group states that “We consider CR to be an integrated part of our business and an essential element in our company’s profitability. Furthermore, our work with CR plays an important role in making sure IC Group is ready to meet future challenges”.

4.2.1 IC Group’s nonprofit partners

While our main objective is to analyse the business-nonprofit collaborations from IC Group’s point of view, we have included a section that describes some of their NPOs in order to put the collaborations into context. Each may contribute in varying degrees in terms of
engagement and interaction, yet they all involve important issues that are of IC Group’s concerns, contributing to IC Group’s sustainability strategy.

4.2.1.1 Solidaridad

Solidaridad is an international civil society organisation with over 45 years of global experience in facilitating the development of socially responsible, ecologically sound and profitable supply chains. Solidaridad works across 12 supply chains and operates through 10 regional offices on five continents (Solidaridad, 2016). IC Group, along with 11 other apparel brands, has partnered with Solidaridad in an attempt to increase value chain sustainability in the textile industry. IC Group’s collaboration with Solidaridad is centred around supporting the education of cotton farmers. Solidaridad’s programmes also have the support of major brands such as Primark, C&A, G-Start and H&M. The latter recently announced a strategic partnership with Solidaridad designed to achieve sustainability in cotton, water, labour conditions, fair wages and transparency. Solidaridad still points out the need to engage with even more leading global brands, both medium and large, in order to truly achieve sector transformation. After all, their mission statement is “to make an impact by being the best in building partnerships, in piloting and scaling up programmes, in learning and innovation.”

4.2.1.2 The Better Cotton Initiative

The Better Cotton Initiative (BCI), founded in 2005, is a nonprofit organisation stewarding the global standards for Better Cotton, and bringing together cotton’s complex supply chain, from the farmers to the retailers (Better Cotton Initiative, 2016). Their mission is “to make
global cotton production better for the people who produce it, better for the environment it grows in, and better for the sector’s future.” This is done by teaching cotton farmers and local organisations how to grow cotton in a more sustainable manner, for example by saving water and improving the soil, but also by using fewer and harmless pesticides. The income of these farmers increases thanks to the higher yields and lower costs of this method. Moreover, BCI works on social issues, for example to fight child labour by organising education for children. BCI’s global approach is meant to provide a solution for both smallholders and large scale farmers. Benefits are delivered to the poorest and most exposed actors in the global supply chain, and at the same time, large producers are assisted in developing solutions that enable large scale provision of a new mainstream commodity, Better Cotton. BCI’s approach is to work with partners to enable the supply of Better Cotton and stimulate marketplace demand. BCI brings together producers, ginners, mills, traders, manufacturers, retailers, brands and civil society organisations. Success is measured by both the positive change created at the field level and the use of Better Cotton on a global scale.

IC Group became a member of BCI to work strategically with these challenges. The company believes that through collaborating with BCI and setting a common industry standard for better cotton production, they can contribute to a more transparent and sustainable apparel industry. In 2015, IC Group started a pilot project with the supply chain in Peak Performance in order to incorporate BCI cotton in their production.

4.2.1.3 The Sustainable Apparel Coalition and the Higg Index

The Sustainable Apparel Coalition (SAC), established in 2010, is a nonprofit organisation that seeks to develop a universal approach to measuring sustainability performance. The focus of the SAC is the Higg Index, which is a self-assessment standard for assessing environmental and social sustainability. It provides brands, retailers, and manufacturers with a tool to measure their environmental and social labour impacts at every stage of the lifecycle and value chain, and then demonstrate the data in a standardised and simplified way. The members of SAC commit to cooperation to meet shared goals. According to SAC, their
annual meetings are where members forge personal connections while improving the Higg Index together in a cooperative atmosphere (Sustainable Apparel Coalition, 2016). SAC also states that the Higg Index helps drive transformative change by delivering a holistic picture of sustainability performance.

SAC’s mission is to “collect peers and competitors from across the apparel, footwear and textile sector and together, develop a universal approach to measuring sustainability performance.” This shows how SAC emphasises the importance of a collaborative approach to solving sustainability issues within the apparel industry. On their website, they write: “The urgency and expanse of the sustainability issues facing the apparel (...) industry requires collective attention on a global scale. This is why collaboration is the heartbeat of SAC. No company alone can shift the existing industry paradigms.” IC Group collaborates with The Sustainable Apparel Coalition, with focus on implementing the Higg Index. They also participate in the coalition’s in-person meetings to discuss, debate and share experiences with other members of the coalition. These meetings are held 2-3 times per year.

The Higg Index consists of three modules - the product, the brand and the facility modules. The product module provides designers and buyers with a tool that enables them to compare the sustainability of different materials and manufacturing processes, already in the pre-production phase. IC Group states that this has created increased awareness about the sustainability of different design choices, as well as increased dialogue and collaboration between designers and buyers. Furthermore, it has spurred creative thinking and dialogue across the supply chain on how to implement sustainable initiatives. The brand module enables companies to score their own performance on environmental and social issues, and then share and benchmark their scores against other Higg Index users. Peak Performance, one of IC Group’s brands, has been one of the pioneers of this work. The last module, the facility module, is aimed at suppliers and producers, and enables them to score their performance on environmental and social issues. IC Group uses the facility module for training their suppliers, and as a tool to build trust and transparency in the value chain.
4.2.1.4 The Leather Working Group

The Leather Working Group (LWG) is a nonprofit organisation formed in 2005, whose mission is “to develop and maintain a protocol that assesses the environmental compliance and performance capabilities of tanners and promotes sustainable and appropriate environmental business practices within the leather industry” (Leather Working Group, 2016). The IC Group is a member of Leather Working Group. According to their corporate sustainability report, they joined the group in order to find feasible solutions to the challenges in the leather supply chain, and the membership is vital to their understanding of how to handle leather in a sustainable manner. Leather production poses a high risk area, making it an issue that the IC Group is concerned with. Much of the risk is associated with the chemicals used in tanneries preparing raw leather, which can potentially harm both workers and the surroundings. The IC Group states that their work with LWG will help create a more transparent leather supply chain. They are working with their suppliers to ensure that the tanneries are contacted and urged to become members of LWG. After training and audits, the tanneries will be graded according to the level of compliance. IC Group has initiated this process among its suppliers in India, who are now engaged in this process on different levels. The tanneries were audited for the first time in the autumn of 2014, after ongoing preparations by consultants. IC Group also approached its Chinese leather suppliers in the autumn of 2014 to start the process in China, and has conducted several training sessions with the aid of leather consultants.
4.2.1.5 The International Accord on Fire and Building Safety in Bangladesh

The Accord is an independent, legally binding agreement between brands and trade unions designed to work towards a safe and healthy Bangladeshi garment industry. Their mission is “to enable a working environment in which no worker needs to fear fires, building collapses, or other accidents that could be prevented with reasonable health and safety measures.” In 2015, the Accord had concluded fire, electrical and structural inspections in more than 1,400 factories resulting in more than 700 critical action plans (The Accord on Fire and Building Safety in Bangladesh, 2015). IC Group joined the Accord in 2013. Since then they have supported their suppliers in working with the Accord. Suppliers in Bangladesh have been inspected by the Accord, and IC Group is working with them to make sure the corrective action plans are implemented. The inspections showed critical flaws that could not be remediated with one of IC Group’s suppliers, and consequently they moved their production to another factory.

4.2.1.6 Dansk Initiativ for Etisk Handel (Danish Initiative for Ethical Trade)

In 2008, IC Group co-founded the organisation Dansk Initiativ for Etisk Handel (DIEH). This is a resource centre and a multi-stakeholder organisation that aims at strengthening Danish businesses’ ethical trade and supplier management. DIEH’s purpose is to contribute to a sustainable development in the developing countries and promote international trade that
respects human and workers’ rights. DIEH seeks to gather experience and knowledge about good business conduct in the developing countries and help Danish companies ensure that their suppliers live up to international conventions (IC Group, 2011). As co-founder, IC Group plays a significant role in the initiative. The IC Group’s CR Manager currently fills the position of vice chair. According to their corporate responsibility report, “IC Group’s engagement in DIEH reflects the Group’s belief in working together in a multi-stakeholder approach to create sustainable solutions to the challenges in the industry. This also reflects the growing awareness in the industry that no single stakeholder can solve the complex challenges alone. On the contrary, there is great potential in working together and in identifying where each stakeholder has the best competences to contribute to sustainable solutions.”

4.2.2 IC Group’s adopted standards and codes of conduct

4.2.2.1 UN Global Compact

Launched in 2010, the United Nations Global Compact is both a policy platform and a practical framework for companies that are committed to sustainability and responsibility in business operations. As a multi-stakeholder leadership initiative, it seeks to align business operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to catalyse actions in support of broader UN goals. With more than 7000 corporate signatories in 135 countries, the UN Global Compact is the world’s largest voluntary corporate sustainability initiative.

The UN Global Compact also emphasises the need for partnerships. They aim to help participants create partnerships across sectors through networking, collaboration with local networks, resource development and online partnership matchmaking (UN Global Compact, 2016). IC Group states that their work with these principles has played an important role in guiding the company in making the right decisions while also contributing to readiness to meet future challenges.
4.2.2.2 Business Social Compliance Initiative (BSCI) Code of Conduct

BSCI is a business-driven initiative for companies committed to improving working conditions in the global supply chain. Built on the three pillars of Monitoring, Empowering and Engaging, BSCI unites hundreds of companies around one common Code of Conduct and supports them in their efforts to build a responsible supply chain by providing them with a step-by-step development-oriented system (BSCI, 2016).

In 2007, IC Group joined BSCI, and has since then adhered to the BSCI Code of Conduct. BSCI’s aim is to ease the implementation of the BSCI Code of Conduct, by providing a broad range of tools and activities to audit, train and share information. This is done with the input of participating companies and stakeholders. Implementing the BSCI Code of Conduct is a part of IC Group’s long term strategy to ensure that their suppliers offer good conditions to their workers. They encourage their suppliers to participate in training and workshops within BSCI around the world.
Chapter 5: Analysis and empirical findings

After having collected data through an in-depth semi-structured interview and collection of second-hand data, we processed the gathered information. This data analysis process is complex, and it consists of moving back and forth between description and interpretation, between inductive and deductive lines of reasoning, and between tangible and abstract concepts. The first thing we did was to prepare the data for analysis by transcribing the interview. This allowed us to get familiar with the data and get the thought process started. In this chapter we will analyse IC Group’s CSR responsibilities, how the company implements collaborations with NPOs, followed by an analysis of the values that occur in such collaborations. The case is compared to the existing theory, and conclusions are drawn from the analysis.

While the framework appears to depict how to analyse one-to-one relations, the respondent was reluctant to emphasising one of the collaborations as more important or significant than the others. As stated in the interview: “We do not rank. We only join those that we find important. Which we need. We only engage with those we find important on a specific area.” We argue that in the case of IC Group, it makes more sense to think of their collaborations with nonprofits as a “partnering portfolio”, where the purpose is to share and exchange information. Hence, we will not be focusing on one specific collaboration in our analysis, but rather conduct a comprehensive analysis of the most important collaborations. While keeping a holistic perspective, we will highlight specific examples to support our conclusions where we find it useful. By merging specific excerpts from the interview and second-hand data into a general discussion, we can further highlight the interesting aspects of the different collaborations.

5.1 How does the case of IC Group correspond to Carroll’s Pyramid?

Considering the two distinctive views on CSR, namely the efficiency theory and the social responsibility theory, it appears obvious that IC Group’s way of conducting business adheres to the latter. Their work on social and environmental issues, and their collaborations with nonprofits, raises welfare above and beyond benefits that accrue to shareholders through mere profit maximisation. Such activities tend to be at least partly motivated by managers’ belief that they are the right thing to do, and we believe this is also the case for IC Group. Still, they
are likely to see some upside potential for creating shareholder value as well, at least in the long run. We will be further elaborating on these topics by reviewing the steps of Carroll’s Pyramid.

**Economic responsibilities:** In their annual report, IC Group’s ambition is stated as: “... to generate continued revenue growth while continuously improving the profitability of the Group as a whole” (IC Group, 2015). They further announce that: “The Group’s clear objective is to generate profitable growth, increasing revenue while increasing earnings proportionally more” (ibid.). Their long-term profitability focus also integrates social, environmental and economic responsibilities; contribution to society is also viewed as some form of profitability, which they believe results in proper risk management for the benefit of their stakeholders and societies in which they operate. Following the logic of Carroll’s Pyramid and the Group’s ambition, maximising profitability is the foundation upon which all the other responsibilities rest within the IC Group.

**Legal responsibilities:** Being a company that actively promotes their corporate responsibilities, IC Group has their own legal department, which is a part of their centralised support functions that provide cost efficient services (IC Group, 2015). Their annual report from 14/15 states that they follow legal accounting policies and jurisdiction. Based on public company statements and no official occurrence of legal repercussions, we can reasonably assume that IC Group complies with legal responsibilities in the countries in which they operate. The respondent also specified that they train all their suppliers around the globe in chemical management. The reasoning for this is firstly to ensure safe products, as well as meeting legal requirements. Yet, countries and regions often have different laws which they adhere to, which can cause legal challenges to the company. Considering IC Group is a global company situated in Denmark that outsources their production to Asia, they have to observe the different laws in the different countries. Issues, such as minimum wage requirements and working conditions within different countries, generally cause a debate within the industry, as local governments purposefully often lowers the working standards to attract foreign investors. At this point, there is a noticeable dynamic interplay between legal and ethical responsibilities; while some governments intrinsically implement ethical responsibilities within their jurisdictions, other governments might consider this irrelevant. The thought of a universal law has been proposed several times, but due to cultural differences and ethical values, this is very difficult to implement and would require tremendous efforts worldwide.
Also, even though IC Group seemingly adheres to local laws, one might question whether the local jurisdiction is comprehensive enough to stimulate sustainable businesses. It is worth noting that through their signing of the Accord on Fire and Building Safety in Bangladesh, IC Group has made a legal commitment to make certain requirements that go beyond the legal responsibilities imposed by local jurisdiction.

**Ethical responsibilities:** According to their policy, IC Group’s efforts are founded in the UN Global Compact’s 10 Principles. These principles are derived from internationally adopted declarations and conventions concerning human rights, labour rights, anti-corruption and environmental protection (UN Global Compact, 2016). As such, governments and the public largely expect businesses to adopt these principles, even though they exceed the legal responsibilities of the firm. IC Group’s Human Rights Policy says it is their responsibility to support and respect human rights, by continuously identifying and assessing potential adverse human rights principles, along with their suppliers. Still, there is a certain operational risk towards suppliers, since this is an area that is more complex and difficult to control. Through systematic scoring of suppliers, this strategy helps strengthen the compliance control of the Group’s business standards (IC Group, 2015). By pledging pro-actively both internally and externally with their suppliers, IC Group formally states that they strive to comply with the UN Global Compact principles. The respondent also promoted how IC Group has implemented worker protection because they believe they must, even though the law does not necessarily require it.

The perception of what is ethical might change over time, and in the long run, this is something that can eventually cause legislative change as a consequence of changed, ethical perception. In the case of IC Group, there is an ongoing activity of improving working conditions in their manufacturing sites in Asia, where companies, NPOs and local governments are in dialogue. The Business Social Compliance Initiative and the Higg Index are examples of appliances that promote how ethical responsibilities should eventually become worldwide, legal responsibilities

**Philanthropic responsibilities:** It is stated in IC Group’s sustainability report that the company views sustainability as an essential part of improving the profitability of the Group as a whole. This indicates that the CSR work is not rooted in a purely philanthropic reasoning; it is believed to have a positive impact on profitability. This view was endorsed by our
respondent, who expressed that the collaboration should lead to some form of output, and not be a simple donor-recipient relationship. The company states that they would like to take sustainable development “one step further” by turning challenges into opportunities. Using both creative and innovative skills, IC Group expresses a desire to make a difference and contribute to sustainable development (IC Group, 2016). Offering quality products and fulfilling customer expectations are important, but it also must be done responsibly, which is an essential part of the company’s profitability strategy. In order for corporate strategy to indeed be sustainable, IC Group has ensured that corporate responsibility issues and targets are assigned to relevant functions of the company. The overall approach to the matter is to build corporate strategy competence among the staff, which creates awareness as well as opportunities for employees to take action and work strategically with corporate responsibility. Ultimately, by adhering to policies that ensure sustainable production, and establishing measures to ensure international declarations and conventions are fulfilled and actively engaging in corporate strategy challenges to improve overall CSR, IC Group’s responsibilities display elements of philanthropy, benefiting both them and society.

5.2 How does the case of IC Group correspond to the CVC framework?

With Carroll’s Pyramid of CSR in mind, we will use the Collaboration Value Creation Framework to further review IC Group’s nonprofit collaborations. We will assess how IC Group’s collaborations with nonprofits most effectively can co-create significant economic, social, and environmental value for society, organisations and individuals. Beginning with the Value Creation Spectrum, we will analyse value creation; we will undergo how the different sources and types of value correspond to IC Group. Next, we will analyse how the nature of the partnerships varies across Collaboration Stages. The two next components of the framework, namely Partnering Processes and Collaboration Outcomes, will further indicate the value creation dynamics in the formation, selection, implementation and institutionalisation stages, and examine the impact at the meso, micro and macro levels.

5.2.1 Value creation spectrum

By looking at the four potential sources of value, we will analyse whether IC Group’s collaboration value culminates into “sole creation” or “co-creation”.

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5.2.1.1 Sources of value

**Resource complementarity:** The literature stresses that the fundamental basis of collaboration is obtaining access to needed resources different than those one possesses. According to statements from IC Group’s Sustainability Report, and also from the interviewee, the IC Group engages in partnerships to access expertise and knowledge on specific areas: “*Each nonprofit can help us in their own area. They have very specific expertise and knowledge.*” The respondent highlighted some of the resources and competencies they get access to through partnering with different nonprofits. In the case of Solidaridad, the respondent emphasised the nonprofit’s excellent project implementation skills when it comes to initiatives that help supporting cotton farmers in developing countries. Instead of initiating their own projects, which would require IC Group to adopt new resources and capabilities, as well as extensive knowledge about the local communities, IC Group chooses to endorse the projects already initiated by Solidaridad. This indicates that IC Group considers Solidaridad to be better able to make a good impact, as Solidaridad has more experience and knowledge of the local communities, and how to best implement measures that will lead to societal betterment.

In the case of The Leather Working Group, the respondent highlighted the benefits IC Group enjoys from accessing knowledge about sustainable ways of producing leather, which would be more demanding and time-consuming to obtain through other channels. But while LWG might be the world’s leading centre of excellence for the leather industry, IC Group is the one that has direct contact with its own suppliers, and is better suited to influence them. The respondent talked about how IC Group turns to LWG for advice if they suspect that their leather is not produced in a good way, and they do not know how to fix it. As a next step, they talk to their suppliers about how they want the tanneries to be upgraded. As the respondent expressed: “*There is a lot of work from our side, in selling it in, but we are not the ones that will be able to tell the suppliers what to do and how to do it. That is why we are members of The Leather Working Group.*” This reflects how LWG and IC Group’s resources complement each other. While LWG has the expertise, IC Group has the interaction with, and to some degree, ability to influence their suppliers.

As these examples indicate, IC Group chooses to work with partners that have specific knowledge or capabilities in areas where IC Group has limited knowledge or capabilities themselves. Furthermore, the organisations that IC Group partners with, appear to attract a
wide range of important stakeholders and representatives from the industry. They are in fact multi-stakeholder organisations. In this regard, they offer access to a network that would likely take much more time for a company like IC Group to develop on their own. This is the case with Sustainable Apparel Coalition, for instance, who arranges meetings where industry actors can meet and share experiences. Such network-facilitating organisations, are dependent on companies’ willingness to attend and share their knowledge. If several of the significant industry players take part in such initiatives, it may also set an example for smaller players, and thus make it more attractive for more players to take part. In this regard, we could infer that by taking active part in such initiatives, IC Group helps create a kind of network effect, where being a member of a certain nonprofit organisation becomes increasingly valuable the more companies join. Hence, one could say that these organisations complement each other. While the nonprofits need the individual companies in order to facilitate the network effect and knowledge sharing, as well as increasing awareness of the social issue, the individual companies themselves benefit from the knowledge sharing that is facilitated by these networks.

The framework points out how the potential value of the resource complementarity is dependent on achieving organisational fit. The collaborations presented so far, with Solidaridad, LWG and SAC, show how IC Group ensures that the collaborations indeed fit their needs and their desire to obtain access to competencies that are of high relevance to their business. At the same time, there is mutual dependency, considering the work of Solidaridad, LWG and SAC is dependent on interacting with companies such as IC Group. Assuring organisational compatibility with collaborators, IC Group can more easily overcome challenges in the apparel industry and capitalise on the differences. Establishing resource complementarity and organisational compatibility, there is great potential for co-creation of value.

Resource nature: While the framework depicts that the partners can contribute to the collaboration with both generic resources and organisation-specific resources, the respondent expressed that the nature of the resources contributed to their partnerships, are both generic and firm-specific: “It is both, right? Because you do pay a kind of fee, when you are member of an NGO. So of course there is generic value to each relationship. But then there is also very much in knowledge. It is not like anyone calls us with a specific question, it is rather that you participate in webinars, and you share experiences. That is the way to grow together. But
As stated, IC Group contributes with some sort of membership fee in their collaborations. This contribution of money is considered a generic resource. Also, considering both Solidaridad and Leather Working Group have accumulated credibility in their local societies throughout the years, they also contribute with transmittance of positive reputation to IC Group, which is also considered a generic resource. Simultaneously, IC Group contributes with distinctive competencies in some of their partnerships. The respondent highlighted how their extensive knowledge on working with chemicals is a result of their close collaboration with LWG. This knowledge, which is considered a valuable organisation-specific resource, is further transferred to other collaborating partners.

Another field where the IC Group possesses specific competences, is within the drydye technology, used by Peak Performance to produce weaved fabric in skiwear without using one single drop of water in the dyeing process. Peak Performance is among the world leaders when it comes to innovative products developed using the drydye technology (IC Group, 2015), and they are likely to be able to contribute with substantial knowledge about this technology to their collaborators: “In chemicals we have very much knowledge here. We share a lot, and we place everything on the Internet, so that we are able to share more than we take, I believe. It is always a partnership approach.”

While both IC Group and their NPO partners contribute generic resources to the collaboration, they mostly emphasise the importance of mobilising and leveraging organisation-specific resources, such as knowledge and capabilities on how to treat both leather and chemicals. The collaboration between IC Group and their partners therefore further facilitates the potential for co-creation of value.

**Resource directionality and use:** Analysing who provides the resources, and how, helps establish whether the resource flow is largely **unilateral**, coming primarily from either IC Group or one of its partners, or if the resource flow is **bilateral** or **reciprocal**. When asked about how IC Group perceives the directionality of the resource flow, the respondent replied: “It is definitely two ways. It would not make sense, for anyone, to be a member anywhere, if it was not because you had some kind of output in it. Because, otherwise, it would be about a
donation, where you could give money anonymously, but this is not it. We want to be active when we are members somewhere, and to join and to share.”

As stated, IC Group does not have any collaborations where they are simply donating money to a good cause. They always strive for a partnership approach. Nevertheless, it is not always obvious how IC Group can contribute to the nonprofits with more than the generic financial resources: “I am not sure how much we can contribute actually to the NGOs(...) We do contribute quite a bit when we talk about chemicals (...), we have just made a guide for smaller companies, so our people have helped them make materials. We teach in chemistry through the Danish Fashion Institute. But these are not really our NGO partners, these are just others that we collaborate with, right? So when you take strictly the NGOs, I do not see that we can contribute that much to them. But then again, when we meet for example with the BSCI, we can all contribute to each other, stories and cases and so on.”

One can argue that the resource directionality appears to be neither unilateral nor bilateral. Rather, it seems that the IC Group in some regards, function as an intermediary in the knowledge sharing process. By participating in Leather Working Group, they have obtained significant competences when it comes to handling chemicals in a more responsible way. This knowledge is then passed on to suppliers, and to smaller companies, through teaching efforts and creation of guidelines. This is reflected in the respondent’s statement: “The resource flow definitely goes both ways. And more.”

Functioning more as an information network, IC Group facilitates conjoined intermingling of complementary and distinctive resources that assist the activities that neither organisations could have done by themselves. Even though the resource flow might not be classified as purely unilateral, bilateral or reciprocal, IC Group and their nonprofit partners still manage to integrate the resources conjointly to some extent, which increases the potential for co-creation of value.

**Linked interests:** In order to understand the fourth source of value, namely linked interest, it is important to establish how IC Group and its partners view value. Partners in cross-sector collaborations do not necessarily have the same objectives, and hence, they may be seeking different outcomes from the partnerships. The examined literature emphasises the importance of perceiving self-interest as linked to the value that is created through collaborations. The IC
Group only engages in collaborations with nonprofits that are in some way concerned with issues that relate to IC Group’s activities and operations; the respondent states that they want to become better, be safe and avoid risks, which is reflected in their collaborations. This might be due to the fact that they operate in an industry where there are already a number of known issues, both socially and environmentally, as well as being under scrutiny by several stakeholders. While these challenges still exist within their own industry, it arguably makes less sense to spend resources pursuing charity projects that are unrelated to their own operations.

Being proactive and adhering to codes of conduct within the apparel industry allows IC Group to potentially avoid scandals, which are often observed among the big retail companies. Several of the NPOs have philanthropic views, such as increasing the wellbeing of mankind by introducing proper regulations at manufacturing factories in developing countries. As a corporation, IC Group is also interested in maintaining a sustainable supply chain, as this is likely to help them prevail in the business, facilitating profitability in the long-term. As both parties are interested in achieving the same outcomes, although perhaps for differing reasons, this indicates that there is fair value exchange between the involved parts. This also results in greater potential for co-creating value.

5.2.1.2 Resource value types
Following the reasoning of Austin & Seitanidi, the value sources discussed above produce four different types of value in varying degrees, namely **associational value**, **transferred resource value**, **interaction value** and **synergistic value**.

**Associational value:** When asked about how collaborations with nonprofits have affected IC Group’s image, the respondent specified: “Well, since we do not use it actively in any communication, I do not know. It is not so important for us. I mean, we do approach these partnerships for a reason, and that is to be better within sustainability. And of course it is on our webpage and in our content, and so on. So for those who know what it means, it is probably really positive. And for those who do not know, well, it is not. Because we are not using it actively. We are not communicating it.”

Although associational value is not the primary objective or motivation for the IC Group to engage in collaboration with nonprofits, one can assume that it is generated nevertheless. The
basic form of associational value can be regarded intrinsic to collaborating, and represents a minimum base level of value accruing to most collaborations. Even though the IC Group does not use information about their nonprofit collaborations in a strategic manner in their communication, nevertheless, this information is conveyed to some degree through various channels. For instance, press coverage was generated when IC Group signed The Accord on Fire and Building Safety in Bangladesh, thereby providing positive visibility to both partners and their relationship. Furthermore, the nonprofit organisations each list IC Group as one of their collaborators in their respective websites. Much of the information about IC Group’s collaborations with nonprofit organisations is also readily available on their website and through their annual reports and corporate responsibility reports. The respondent further made a noteworthy distinction between the corporate company as a whole, and the specific brands that IC Group operates: “You are talking to corporate now. I am sure that if you were speaking to Peak Performance they would love to use it somehow in their communication. And probably also do. But corporate-wise we believe it is a part of being compliant in a world that is getting more and more complex on these issues. We are just trying to keep up, really.” The brands are more visible and high-profile, and it is likely that consumers are more familiar with the brand names Peak Performance, Tiger of Sweden and By Malene Birger, than with the corporate name IC Group. It might be more relevant to use this type of information strategically in marketing or communication at business unit level, as this level has more direct interaction with end consumers.

**Transferred resource value:** Transferred resource value, meaning benefits derived by a partner from the receipt of a resource from the other partner, seems to be of greater importance to the IC Group, as motivation for engaging in collaborative relationships with nonprofits. This involves assets with a durable nature, such as knowledge, as well as hands-on services, such as audits. As the respondent states in the case of BSCI: “We do not audit our suppliers, of course we talk to them, but we are members of BSCI, who go out and audit. So we add skill sets to our skills when we go into partnerships.” The partnerships promote ongoing enhancement of both IC Group’s and their partners’ capabilities, as new skills are learned, and this value renewal is essential for the continuation of the partnerships. The membership fees that IC Group pays to their collaborators can, on the other hand, be viewed as a depreciable asset that the nonprofits benefit from, but only for a limited period of time.
**Interaction value:** Interaction value is the intangibles that are derived from the process of IC Group and the nonprofits working together. As observed, IC Group supports inter-sectoral learning through their collaborations. The respondent emphasised how knowledge sharing is an important part of their partnership approach. They engage in multi-stakeholder projects that offer interaction opportunities for all partners, and they attend meetings and seminars where they can share their experiences and learn from others. This value creation process reflects the notion that the intangibles generated from collaboration, are not just outputs, but inputs as well. The interaction value that accrues from such knowledge sharing include greater mutual understanding of perspectives across the industry, which can serve as risk-reducing mechanisms. Similar to transferred resource value, IC Group also accumulates a positive reputation and trust among their stakeholders, considering their proactive approach to meeting challenges within the apparel industry.

**Synergistic value:** By combining partners’ resources, it can enable synergistic value, arising from the underlying premise that partners can achieve more together than they could have done separately. This means that IC Group and their partners should be able to achieve a better outcome through the co-creation of value, than if each organisation put the same resources into sole-creation of value. IC Group participates in, and is continuously working on implementing, large-scale programmes aimed at industry transformation in key areas, the results of which we argue would not be feasible without multi-stakeholder cross-sector support. The cornerstone of IC Group’s responsibility approach, according to their website, is “a continuous assessment of [our] CR [corporate responsibility] risks and opportunities,” which indicates that IC Group has to collaborate with partners that have specific knowledge in certain areas in order to secure compliance. For instance, they put focus on education; together with stakeholder groups that teach chemistry management, IC Group helps coordinate knowledge exchange between the NPO and their suppliers in order to produce sustainable products and ensure workers’ safety. Still, innovation is the main driver of synergistic value creation, and it is questionable whether IC Group, as an individual company, can create innovative new forms of change directly, but rather indirectly through collaboration with other actors within the apparel industry. As part of large-scale programmes, such as the Accord on Fire and Building Safety in Bangladesh, collaborations seek systemic transformation and advancement at the meso, micro and macro levels, by improving and ensuring working conditions and labour rights. Yet, given IC Group’s
immediate size, they still “look for issues where [they] can have an impact and where possible [they] can exercise leverage to obtain an impact.”

The Group emphasises their active membership of Business Social Compliance Initiative (BSCI) as a good example of this approach, which concerns responsible supply chain management. While this is a business-driven initiative for companies committed to improving working conditions in the global supply chain, the main goal is capacity building or empowerment of suppliers and members. The synergistic value is created at this point: BSCI provides workshops concerning issues such as overtime, occupation health and safety and worker management, and IC Group sees this as valuable for their progress with their suppliers, while simultaneously contributing to the work of BSCI’s capacity building work. Without the other partner, neither of them can fulfil the mission of improving working conditions in the global supply chain. In a virtuous value circle, IC Group contributes to BSCI, and in return gains valuable knowledge on how to improve their supply chain.

While IC Group is concerned about risk management concerning their self-interests, they realise they cannot excel in this area by themselves - they need partnerships in order to upgrade their tanneries and factories by seeking advice from NPOs, such as BSCI. As IC Group, to some extent, contributes to creating synergistic value, it indicates that the Group has a high degree of CSR institutionalisation, according to Austin & Seitanidi.
### Value Creation Spectrum

**Sole-Creation** ←-----------------------------→ **Co-Creation**

#### Sources of Value

<table>
<thead>
<tr>
<th>Resource Complementarity</th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource Nature</td>
<td>Generic</td>
<td>Distinctive Competency</td>
</tr>
<tr>
<td>Resource Directionality</td>
<td>Unilateral</td>
<td>Conjoined</td>
</tr>
<tr>
<td>Linked Interests</td>
<td>Weak/Narrow</td>
<td>Strong/Broad</td>
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</tbody>
</table>

#### Types of Value

<table>
<thead>
<tr>
<th>Type</th>
<th>Modest</th>
<th>High</th>
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<tbody>
<tr>
<td>Associational Value</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transferred Resource Value</td>
<td>Depreciable</td>
<td>Renewable</td>
</tr>
<tr>
<td>Interaction Value</td>
<td>Minimal</td>
<td>Modest</td>
</tr>
<tr>
<td>Synergistic Value</td>
<td>Occasional</td>
<td>Predominant</td>
</tr>
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</table>

**Figure 6:** Collaborative value creation spectrum display of IC Group’s relationships with nonprofits. Due to the very qualitative nature of this topic, this figure does not serve as a scientifically precise illustration, but rather as an approximation to illustrate the points we make throughout the text.

#### 5.2.2 Collaboration stages

The IC Group supports a large number of initiatives and nonprofit organisations. The collaboration continuum provides a useful tool for mapping the type of relationship IC Group has in terms of four relationship stages: *philanthropic, transactional, integrative* and *transformational*. By studying IC Group’s relationships stages, it is possible to analyse the dynamic nature of the collaborative relationships across the collaboration continuum.

**Philanthropic stage:** While the philanthropic responsibilities constitute the highest level of CSR in Carroll’s Pyramid, the philanthropic stage is associated with the least advanced types of partnerships in the CVC framework. These two must therefore not be confused. The philanthropic stage of this framework, is rather non-existent within IC Group, meaning they do not emphasise a unilateral transfer of resources, according to the respondent. They do not engage in any donor-recipient relationships; the resource directionality is perceived as bilateral and “more”, as the respondent replied when asked about their involvement in NPO-collaborations.
**Transactional stage:** The transactional stage, on the other hand, is far more relevant in the case of IC Group, considering there is a transfer of valuable resources through specific activities between the IC Group and its NPO collaborators. IC Group does not engage in cause-related marketing, nor do they have any ongoing sponsorship or licensing campaigns. IC Group’s involvement in the development of certification arrangements and industry standards, appear to be their most prominent type of transactional relationship by far. Through specific certification initiatives, such as the BSCI and the Accord on Fire and Building Safety in Bangladesh (IC Group, 2015), and assigned responsibilities through membership in UN Global Compact, the IC Group creates value that is more quantifiable. Through the processes of creating industry standards, the complementary competencies of IC Group and their NPO collaborators are leveraged. The participation of many companies multiplies this leverage. If standards were set unilaterally, they would arguably be less valuable, as they may have been perceived unacceptable to either party. Interaction is essential, and represents another type of value emerging from this process. Through these shared initiatives, mutual understanding is broadened and deepened. We argue that this is also risk-mitigating measures, as it involves the opportunity to work as allies alongside stakeholders that could otherwise be IC Group’s adversaries. IC Group also works in collaboration with nonprofits in the certification process that follows once the standards are set. An example of this is the process in which BSCI goes out and audits IC Group’s suppliers and reports back to the company. This certification process generates interaction value because it enables the company to identify weaknesses and make corrections in their practices, assisted by BSCI’s proprietary and specialised knowledge. Such changes in internal business may in turn generate social and environmental value. Often the new methods give rise to direct economic value by achieving cost efficiencies, productivity improvement or product enhancements. The final value emerging from this process is the market value of the certification label. IC Group and its branded products bearing certification labels communicate externally to consumers and other stakeholders an enriched value proposition represented by the social and/or environmental benefits produced by compliance with the standards.

Undertaking projects that are sharply focused on addressing a particular problem constitutes yet another distinctive form of transactional collaboration. IC Group’s active participation in The Accord on Fire and Building Safety in Bangladesh can be categorised as such a problem-focused project. The project was initiated to address the particular issues associated with worker safety in Bangladesh, and came as a direct response to the Rana Plaza accident in
2013. The Accord involves independent safety inspections with public reports on all Bangladeshi suppliers used by signatory companies. By signing the Accord, IC Group has committed to underwrite the costs of safety upgrades, mandatory repairs and upgrades, and to sanction suppliers that refuse to improve conditions, potentially including termination of business. The fact that IC Group terminated their business with one of their suppliers after revealing critical flaws in worker safety, indicates that the company is committed to following up their obligations. This generates value in terms of credibility and legitimacy.

**Integrative stage:** As partnerships at this stage require greater effort from partners to work jointly to define a common partnership plan that will meet each partner’ interest and benefits, we can draw lines to IC Group’s collaboration with Solidaridad. Much like a joint development project, IC Group, along with several other apparel brands, has joined Solidaridad to increase value chain sustainability in the textile industry. Together, they develop clear objectives and employ joint decision-making processes and implementation strategies. Yet, IC Group’s main objective throughout Solidaridad’s work is to support the education of cotton farmers. The organisational fit becomes apparent when this in fact contributes to IC Group’s purpose of doing sustainable business, which is their underlying profit strategy. The interaction value accruing from this partnership uncovers the linked interests and synergistic value creation, as IC Group and BCI collaborate even closer through educating cotton farmers. While Solidaridad helps the cotton farmer conduct sustainable business, IC Group learns new ways of handling cotton in their clothing production; this can include improved water use and material extraction, which can help reduce costs, and even create a competitive advantage. We observe how both Solidaridad and IC Group make use of their specialised assets and core competencies to make a conjoined resource flow to improve the livelihood and welfare of the cotton farmer. This is viewed as a type of intangible asset that is essential to co-creation of value, which entails a deeper commitment and larger deployment of valuable resources, but the benefits are first and foremost reserved the society.

**Transformational stage:** Moving beyond the integrative stage, the transformational stage aims to co-create transformative change at the societal level. While this is the most advanced collaborative stage, we find that IC Group and its NPO collaborators appear to share increasingly aligned views of how they should help improve working conditions and advance handling of materials, although implementation processes of sustainable practices might be
complex and lengthy. While this stage, according to the framework, generates major strategic value, the respondent explicitly expressed that, IC Group’s NPO collaborations do not generate strategic value to the company as such, but rather generate major value within the areas of sustainability and product development. However, we argue that this is interrelated, due to IC Group’s dependence on sustainability for long term profitability. The interdependence between IC Group and its partners is reflected in how IC Group relies on the information from NPOs, and how the suppliers attain this information from IC Group. While IC Group’s motivation for undertaking the collaboration itself is not necessarily to improve social needs, this is an indirect effect of shared learning, which means that IC Group and the NPOs collectively achieve societal betterment. Even though IC Group has not been a joint creator of an entirely new hybrid organisation in order to create disruptive social innovations, they still engage in urgent and complex matters within the apparel industry throughout their entire value chain. Considering the current state of the world, companies like IC Group need to stay alert to ensure responsible operations. The respondent talked about how the importance of BSCI efforts and tracking the source of their materials, are becoming ever more important in light of the current refugee crises and modern slavery occurring in the wake of this crisis. Therefore, they have stepped up their efforts in the countries afflicted. These factors show that in an ever-changing external environment, new challenges can more easily be dealt with through collective action and strong commitment to the development initiative.
### Nature of relationships

<table>
<thead>
<tr>
<th>Nature of relationships</th>
<th>Stage 1</th>
<th>Stage 2</th>
<th>Stage 3</th>
<th>Stage 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philanthropic</td>
<td>&gt;</td>
<td>Transactional</td>
<td>&gt;</td>
<td>Integrative</td>
</tr>
</tbody>
</table>

| Level of engagement     | Low     | High    |          |         |
| Importance to mission   | Peripheral | Central |          |         |
| Types of resources      | Money   | Core competencies |          |         |
| Interaction level       | Infrequent | Intensive |          |         |
| Trust                   | Modest  | Deep    |          |         |
| Strategic value         | Minor   | Major   |          |         |
| Co-creation of value    | Sole    | Conjoined |          |         |
| Synergistic value       | Occasional | Predominant |          |         |
| Innovation              | Seldom  | Frequent |          |         |

*Figure 7: Collaboration continuum display of IC Group’s relationships with nonprofits. Due to the very qualitative nature of this topic, this figure does not serve as a scientifically precise illustration, but rather as an approximation to illustrate the points we make throughout the text.*

#### 5.2.3 Partnering processes

**Partnership formation and selection:** The social problems addressed by the nonprofits that IC Group collaborates with, appear to have clear links to the interests of the company. The missions presented by the different nonprofits reflect a heavy emphasis on undertaking a partnership approach, as well as addressing the specific social and environmental problems within their areas of expertise. IC Group seeks out partners based on issues they face in their supply chain; by receiving input on how they can conduct business more sustainably, for instance by using materials in innovative ways, it supports their mission of uniting business excellence with creativity and innovation. While the missions of the nonprofits display clear elements of philanthropy, IC Group’s mission display clear elements of a business mind-set. Nonetheless, the mission fit is strong, as there is a mutual desire to address the same issues. IC Group does, however, not appear to spend a lot of resources on developing specific criteria or searching for nonprofit partners that might suit their organisation better than others. When describing the process of how IC Group chooses their partners, the respondent described a
very pragmatic approach: “We do not spend a lot of time considering one nonprofit organisation over the other. (...) It is also about who have we worked with before. Who do we meet through others? Or, where are other fashion companies gathering? Or where does it make sense to come? It is often very pragmatic and logic.” Again, these are statements that endorse the importance of networking within the industry, and of multi-stakeholder organisations. The IC Group appears to be mostly interested in where the other apparel companies are situated, and do not spend resources conducting extensive analyses to determine whether there is a good organisational fit between them and the nonprofit itself.

The selection criteria typically appear to be very closely related to the social or environmental problem at hand, and who has the most extensive knowledge on how IC Group can solve problems within the supply chain. To some extent, criteria are also based on availability. As the respondent stated: “Sometimes it is regional. You become members of chemical risk assessment groups in Sweden and in Denmark, because those are the national close by chemical groups you can join. The criteria can also be based on product, material. After all, there is only one Leather Working Group.”

On a side note, the respondent also talked about how the company receives daily requests from start-up companies trying to make CSR networks, where one would pay large fees for participating. However, the respondent did not see the value of paying a large fee just to talk to people from other companies, as the “boundary spanners” of the Danish fashion companies typically talk to each other through informal settings. To IC Group, it is more important to cater to the already established collaborations that are working well, that are offering proprietary knowledge and capabilities, and where major industry players are already present.

Further, IC Group does not appear to pay a lot of attention to the potential negative associational value when choosing partners. The risk assessment process seems to be largely informal, and based on collecting intelligence from previous and existing partners through open dialogues and informal meetings. When asked about whether IC Group worried about adverse visibility and reputational risk resulting from being associated with any of their partners, the respondent said: “No. Not at all. We have not faced any of that, and I do not see that we have any collaborations that would be endangering. I mean, we could all get in a ship storm, and then we would have to support each other, but there is always more to it. I am not sure I would ever work with Greenpeace, but otherwise... Many of those who receive negative
press, are genius at what they are doing. So then it would be about supporting each other instead of seeing it as a risk.” There could be several reasons for this response. Firstly, research suggests that the reputational risk of business-NPO collaboration is higher for the NPO than for the business. IC Group also appears to avoid partnerships where the potential adverse visibility is high. This is reflected in the respondent’s reluctance to working with Greenpeace, an NPO that has received criticism for their use of direct action and controversial methods, occasionally leading to legal action against them. Secondly, IC Group appears to have a tendency to partner with nonprofits that have collaborations with multiple other industry players, often including IC Group’s closest competitors. This means that if the NPO were to face a reputational crisis, the adverse visibility would likely not affect the IC Group any more than it would affect their competitors.

**Partnership implementation and institutionalisation:** In terms of partnership implementation, IC Group’s approach appears to be highly emergent, as opposed to planned. They do not have clear criteria or scorecards for reviewing the individual partnerships, but rather keep a pragmatic approach to assessing which partnerships they wish to continue being part of. In some cases, the personal relationships developed through the partnerships, appear to have been decisive for the continuation of collaboration. This has been the case with Solidaridad, with whom IC Group has extended their collaboration, partly because of good personal relations. This shows how interaction value is generated from the collaboration. However, the exchange of resources has also proven to be an important decisive factor. Our respondent mentioned an example of a partnership between IC Group and a nonprofit that had been terminated after five years, because they no longer saw the potential for creating more value together than they could create separately. After having reached stabilisation, the partners did not see the point of moving on. This shows that IC Group does continuously evaluate their partnerships, although the lack of formal measurements of partnership progress could indicate limited effectiveness in this process.

To some extent, IC Group ensures that their partners are embedded in the local communities of beneficiaries and stakeholders. For instance, the respondent highlighted Solidaridad’s local presence in India, and BCI’s close relationships with cotton farmers in their local communities. Moreover, both BSCI and the Accord on Fire and Building Safety in Bangladesh, are highly present in local tanneries and factories, performing hands-on auditing.
By being present in the production facilities, the nonprofits are in a better position to convince the suppliers and managers of the concept of CSR.

When it comes to partnership institutionalisation, we generally observe that there is a certain degree of interaction value accumulation that iteratively builds from information to knowledge capabilities. While most of IC Group’s collaborations assumingly do not reach this stage due to how IC Group partly seems to limit their role as a part of an information network, a few of the initiatives appear to be fully integrated in their CR policies, such as the BSCI.

5.2.4 Collaboration outcomes

By examining where value is created, we can determine who benefits from IC Group’s collaborations with nonprofits.

**Internal value creation at the meso level:** Although the collaboration outcomes at the meso level have to do with the value accruing to all partnering organisations, we will be emphasising the outcomes from IC Group’s point of view. At the organisational level, the first outcome is that some of their initiatives have attracted interest from newspapers and government officials, resulting in free press coverage. This was especially the case when IC Group, along with five other Danish companies, joined The Accord on Fire and Building Safety in Bangladesh. The Danish Minister for Trade and Investment, and the Danish Minister for Development Cooperation, both applauded the announcement, and it was suggested to establish a mechanism that supported the participation of smaller companies in the Accord. IC Group harvested associational value in the form of high visibility contributing to reputational enhancement.

Even more important to IC Group, is the transferred-asset value resulting from accessing the proprietary knowledge of their nonprofit partners. At the organisational level, interaction value elements include access to networks and technical expertise. As illustrated above, the collaborations also appear to have enhanced government relations to some extent. We also argue that synergistic value accrues at the meso level through product and process innovation and learning. Through their interactions with nonprofits, IC Group is inspired to pursue innovative ways of producing apparel, which in turn sparks new learning. An example of this
is the drydye technology, in which Peak Performance has become one of the leading experts. Synergistic value also accrues at the meso level in the form of better risk management. The respondent also saw this as an important outcome for IC Group: “It has a lot to do with risk management, with due diligence”.

Our findings have not revealed any significant costs accruing at the meso level, apart from the management costs we can assume incur to develop and maintain relations with nonprofit partners. While the literature warns of potentially reduced competitive advantage caused by open access innovation, our research appears to indicate the opposite. According to our respondent, the IC Group is happy to share their knowledge on sustainable chemical use, and new technologies that can potentially reduce environmental impact. We argue that this shows signs of long-term thinking, and the idea that sharing best practices remains critical to sector transformation, which will benefit the individual organisations, including IC Group, in the long run.

**Internal value creation at the micro level:** Individuals working in IC Group, can enjoy both instrumental and psychological benefits. The employees obtain enhanced technical and sector knowledge. One of the most prominent examples in IC Group’s case, is related to their expertise in the handling of chemicals, which has been reinforced through the close collaboration with LWG. They also pass knowledge on by training and teaching other companies, which is likely to result in strengthened managerial and leadership skills. Psychological factors are also important aspects at the individual level, and our respondent pointed out how personal relationships are also accounted for when deciding which partnerships are worth preserving: “We have had a great cooperation with Solidaridad, and we would like to keep them on. Of course, also personal relationships come into account.” Moreover, employees might derive psychological satisfaction from working in a company that aims to contribute to societal betterment, as this might represent an alignment of personal and company values.

**External value creation at the macro level:** While acknowledging that IC Group’s nonprofit-collaborations are strongly linked to the company’s self-interest, the respondent expressed a belief that it is society as a whole that benefits the most from these collaborations. “We just want to make it better, be safe and not take risks. I definitely think that it is society as a whole that benefits.”
At the societal level, IC Group helps enhance welfare and working conditions of workers in their supply chain, through collaborating with nonprofits. A prominent example is the Accord on Fire and Building Safety in Bangladesh. By actively conducting inspections, and taking action when critical flaws are detected, we can assume with some confidence that this collaboration has prevented casualties. Other examples include workers benefitting from reduced use of dangerous chemicals as IC Group and LWG work together to develop better ways to work with leather, and cotton farmers benefitting from increased income and less use of harmful pesticides resulting from the initiatives takes by Solidaridad and BCI in collaboration with IC Group.

Organisations external to the collaborations benefit from increased technical knowledge through open access innovation and conveyance of knowledge. They also benefit from the improved standards and alignment of policies that are developed through the multi-stakeholder initiatives, even though they are not actively participating, given that these standards and policies are appropriate and reflect linked interests.

The outcomes also include effects on the environment. For example, by collaborating with BCI, IC Group contributes to improved water, soil and chemical management of cotton farmland, as well as other environmental and social considerations for production. A study conducted by Dansk Miljøstyrelse (The Danish Environmental Protection Agency), concluded that IC Group’s potential use of BCI Indian cotton would give a 10% reduction in natural capital costs compared to conventional Indian cotton (The Danish Environmental Protection Agency, 2014). By using such verified cotton, IC Group can be assured that during the cotton farming process, use of agrochemicals, consumption of water and other environmentally harmful practices are minimised.
Chapter 6: Discussion

When we started doing research on the topic of CSR and collaborative value creation between businesses and nonprofits, certain expectations were formed regarding our case company’s incentives for collaborating with nonprofits, as well as regarding the value creation process. Some of these expectations turned out to be endorsed throughout our research process, while others did not.

There is an ongoing debate concerning companies’ motivations for engaging in CSR activities. Some argue that while companies might say that they engage in CSR for philanthropic reasons, we can never really know if this is their true motivation. We were therefore prepared to be sceptical about the IC Group’s answer to the question of why they engage in CSR activities and NPO collaborations so extensively. However, we found the response to be unexpectedly honest. The respondent was clear about the fact that their engagement in CSR and involvement with NPOs were not philanthropically motivated. They do not engage in any partnerships in which they have no self-interest. However, this does not necessarily mean that less value is created for other stakeholders. Even though Carroll depicts philanthropy as the highest level of CSR, we argue that there is not necessarily a trade-off between philanthropy and self-interest. This view is also reflected in Austin & Seitanidi’s notion that linked interests between partners promote a higher potential for co-creating value. As long as companies engage in CSR, it arguably does not matter if it is philanthropically or strategically motivated.

Reading the CVC framework, we were given the impression that business-nonprofit collaborations often take form as one-to-one partnerships, much like a joint venture between two corporations. However, in the case of IC Group, it turned out to be difficult to encounter any one-to-one partnerships with nonprofits. We noted that these partnerships appeared to function as door openers to larger networks, where multiple stakeholders from the industry gathered. In this regard, IC Group was only a small part of a larger nonprofit initiative. This made it challenging to analyse the value accruing from the interactions between IC Group and the nonprofit itself, as we sometimes perceive the nonprofits to be facilitators of collaboration between member organisations. We argue that as these nonprofits become more successful in growing their membership base and developing sophisticated networks to effect change, they
become more integrated into the institutional environment in which they operate, and the more they will influence the formal institutional setting where they operate. In order to keep up with industry standards, companies need to be present where the standards are being developed, and where the knowledge is being shared. To some extent, it is even expected that companies are members of some of these nonprofits, as it appears to be becoming the industry norm. This view also appears to be expressed by our respondent, who stated that IC Group is merely keeping up with stakeholder expectations. We argue that this notion can be seen in the context of institutional theory. Scott (2004), argues that, in order to survive, organisations need to conform to the rules, norms and belief systems that prevail in the environment. This is because institutional isomorphism and conforming will earn the organisation legitimacy.

Further, we made some unexpected findings regarding resource directionality and nature. While the framework gave us the impression that resource flow was either unilateral, bilateral or reciprocal, our findings suggest that the flow of resources include more recipients than the collaborating partners. After having gained knowledge and know-how through a collaboration with a nonprofit, IC Group aims to pass this knowledge on to their suppliers, as well as to smaller companies. The respondent further expressed uncertainty as to how IC Group could contribute with more than financial resources to the nonprofits. We argue that IC Group appears to be using their nonprofit partners as advisors with expertise knowledge on specific issues. The IC Group’s most valuable non-generic contribution, appears to be their active participation in the sharing of experiences through webinars, seminars and other meetings. Beyond this, there seems to be little involvement by either partner in each other’s daily organisational life. Based on the data we have collected, we argue that IC Group does not spend that much resources in order to maintain close relationships and develop joint strategies with each single nonprofit partner. Further, we argue that this seems logical when we draw on the assumption that these collaborating partners must be viewed as an information network, where IC Group is only one of many participants. When you have such a portfolio of nonprofit partners, it is also arguably challenging to develop and maintain distinct strategies and close relations with all of them. However, we argue that even though each single one-to-one collaboration might not have reached the transformational stage as described in the CVC framework, the sum of all the different industry stakeholders collaborating through the different nonprofit organisations, can potentially have transformative effects for society, and for how companies do business.
Another finding that was unexpected, was IC Group’s very pragmatic approach to choosing partners, and what appeared to be a lack of a formal selection process. The literature points out that inadequate attention to partner selection might be a sign of organisational inexperience. However, we argue that if the institutional effect and the desire to obtain legitimacy by conforming is in fact becoming a more crucial motivation for nonprofit-collaboration, the choice of collaboration partners also becomes more intuitive. Following this logic, companies are not necessarily looking for nonprofit partners that fit their specific organisation better than others, they are mainly concerned with being where the rest of the industry is. Additionally, IC Group appears to choose nonprofit partners based on how much knowledge and competence the nonprofit has on a specific issue. This seems to be in keeping with the notion that IC Group to some extent use the nonprofits as advisors, without necessarily having higher ambitions for the partnerships outcomes than getting access to their proprietary knowledge.

However, our respondent did express a wish to move their nonprofit collaborations to more advanced levels, and there appeared to be a notion that the topic of choosing appropriate partnerships is increasingly on the agenda within the industry. The respondent talked about a session initiated by DIEH, where the topic was partnerships, and this session had taken place the week before our interview was conducted. Through this session, the respondent had been inspired by how the German supermarket chain Lidl talked about their major partnerships with World Wildlife Foundation and UNICEF, and how Lidl works systematically to identify which organisations will be most critical for them to partner with. This illustrates another example of how companies come together and share stories and experiences. As cross-sector partnerships is a relatively novel and unexplored phenomenon, sharing such experiences helps create awareness of the possibilities that may arise from partnerships, and perhaps also induce companies to take a more proactive approach when it comes to partner selection.

We need to acknowledge that IC Group is a relatively small actor globally. We cannot necessarily infer that similar findings would be made if our unit of analysis was another apparel firm with different characteristics. For instance, we assume that firm size and is a significant factor that must be accounted for when discussing the topics of CSR and business-nonprofit collaborations. Due to higher visibility and media exposure, high profile companies like H&M are more prone to public scrutiny. This might in turn make them more likely to invest more resources in developing and maintaining close one-to-one relationships with
nonprofits. They can also use their size to have a higher impact on industry trends on the issues of sustainability. Furthermore, our findings are not necessarily generalisable across the different segments in the fashion industry, as they have different business models, and consequently, could have different approaches to working with nonprofits. The factors mentioned could be topics for further investigation.

The CVC framework is developed to apply to any industry. However, one can discuss how the distinct characteristics of the apparel industry might affect the outcomes that accrue from business-nonprofit collaborations in this industry. In this regard, it is worth repeating that this is a highly fragmented and competitive industry with complex value chains. Due to the competitive nature of the industry, companies are looking to cut costs and allocate resources wisely, and consequently, production is often outsourced to countries with low labour-costs. Retailers rarely own the factories from which they source materials, and consequently, they have limited decision power. This is also the case with IC Group. While one could argue that companies could do even more to monitor factories and suppliers, to ensure that their products are produced under proper conditions, enforcing such practices is more complicated when they do not have ownership rights. They cannot directly force regulations upon their suppliers, but rather encourage them to comply by certain codes of conduct. As suppliers might be serving more than one customer, they could face multiple sets of codes of conduct from different retailers, making it more demanding to satisfy the demands of every individual stakeholder. The very complex and fragmented global value chains, could be a reason why it is especially important for the apparel industry to establish standardised codes of conduct that all the important actors can get behind. Operating in multiple countries, they face differing rules and regulations, and in some countries, local legislation might allow companies to conduct business in a way that could be seen as ethically irresponsible. The Carroll model does not provide guidelines for which specific laws companies should follow, and again, this illustrates the dynamic interplay between the legal and ethical responsibilities of the firm. Developing internationally recognised standards that companies are expected to follow anywhere, might be a way to mitigate this problem, as these standards will presumably exceed the minimum legal requirements in countries where workers’ rights are not recognised.

However, as CSR has gained increased focus and prevalence in business, some critics have expressed concern over the idea of reassigning responsibility for social and environmental issues from governments to the private and civil sector. We also argue that the fact that
impact and success are not easily measurable, poses problems in terms of accountability. Who is responsible if these projects fail? If the trend of nonprofits working closely with businesses continues, it might become necessary to have some kind of overseeing body or agency capable of imposing measures of transparency. So far this has not been the case, because nonprofits are considered trustworthy. But as they move further and further toward working in close collaboration with businesses, it is conceivable that the sector as a whole could lose credibility. For this very reason, some nonprofits aim to maintain a strict separation between the nonprofit and the private sector. As companies and nonprofits are becoming more and more involved with each other’s activities, are the differences between them being erased? How can they ensure independence and integrity as they are becoming more and more interrelated? These are topics that are worth investigating further.

As already mentioned, one of the challenges associated with studying this topic, is concerning the complexities of measurement. According to Austin & Seitanidi (2014), the challenges of measuring social change is great due to non-quantifiability, multi-causality, temporal dimensions, and perspective differences of the social impact created. These challenges could be reasons why there is little or no public data available on such measures. This makes it difficult to properly assess the macro outcomes of IC Group’s collaborations with nonprofits. Companies are required to publish annual financial reports containing analysable figures necessary for stakeholders and investors. Governments and international institutions collect data and publish economic and development indicators at regional, national and sub-national levels. But neither companies nor nonprofits are required to measure the progress and efficiency of their projects in terms of development, and they seldom make this information readily available. These various factors help explain why partnerships are so hard to evaluate without performing original research onsite, as well as the relatively low number of academic articles written on the subject. Another challenge to evaluating the success, is that most partnerships are too recent and/or too small in size to allow researchers to draw clear conclusions as to whether they are sustainable, and whether they can create significant value in the long term.

It is worth noting that while the collaborations we reported on here are generally regarded by the IC Group as successful, they do not represent unreservedly best practice in partnership implementation. One of the areas where improvements could be made, is in developing
measurements for the development progress for the stakeholders impacted by projects undertaken by IC Group and their nonprofit partners.

Nonetheless, despite these obvious problems, we can conclude from our research that business-nonprofit collaboration in the textile industry, hereby illustrated with the case of IC Group, represents a step in the right direction in terms of improving the social and environmental conditions of the industry. The projects that IC Group undertake in partnership with nonprofits do have the ability to significantly improve the livelihood of the individuals they specifically target. More time and further analysis are needed to see how these trends will evolve, and the importance they will take in the future.
Chapter 7: Conclusion

In our research question, we asked about what motivates IC Group to engage in collaborations with nonprofits. Furthermore, we asked what types of value are created in these collaborations, how it is created, and who benefits from the outcomes.

There are three main motivations to involve in business-nonprofit collaborations that are recurring throughout the thesis, which reflect why IC Group chooses to collaborate with nonprofits:

1. **To reduce risk.** By obtaining knowledge and competencies that can help them address the challenges and opportunities they are faced with throughout their value chain, IC Group can possibly avoid scandals and reputational damage.

2. **To be a part of the larger networks of industry stakeholders that are facilitated by the nonprofits.** By participating, IC Group can share experiences, learn from others, and develop trust and relations. Further, they can more easily keep up with, and possibly also impact, the development of industry standards and codes of conduct.

3. **Stakeholders increasingly expect it.** While business-nonprofit collaboration is admittedly a relatively novel phenomenon, it is starting to become the industry norm for addressing social and environmental issues. Reflecting the dynamic interplay between the steps in Carroll’s Pyramid, this is likely to alter stakeholder’s perceptions of what is considered philanthropy versus what is considered complying with minimum requirements.

Further, the Collaborative Value Creation framework helps us determine what kinds of value are generated through the collaborations. According to the results from the analysis of the Value Creation Spectrum, there is high potential for co-creation of value:

The resource complementarity and organisational compatibility are both high, which is supported by IC Group’s participation in network-facilitated business-nonprofit collaborations within the apparel industry. By utilising the nonprofits’ specialised knowledge in certain areas that are problematic within IC Group’s supply chain, IC Group is able to mobilise distinctive competencies of their NPO collaborators. The network-facilitated business-nonprofit
collaborations assist IC Group in the integration of complementary and distinctive resources, which conjoined enable the activities that neither organisations could have done by themselves. The sustainability aspect of the apparel industry is a strongly linked interest that connects IC Group with their nonprofit collaborators, even though they may have different motives to do so.

Supplementing the sources of value, we further identify what types of value that are accrued from the partnerships, yet to varying degrees, supporting our assumption that there is high potential for co-creation of value:

**Associational value** is not the primary objective of IC Group’s nonprofit collaborations, but occasional press coverage and other information channels conveys information about the partnerships to the interested stakeholders, leading us to conclude that IC Group enjoys a moderate level of associational value. Due to the durable nature of knowledge exchange and transfer of firm-specific skills within specific areas of interest to IC Group, the transferred resource value is perceived as renewable. Considering IC Group repeatedly meet with their collaborators to remain an attractive ongoing value proposition, it contributes to collaborative longevity. We conclude that IC Group’s collaborations with NPOs produce a high level of transferred resource value. By sharing knowledge and experience, and facilitating inter-sectoral learning at a high level, IC Group’s NPO collaborations co-create greater mutual understanding of the apparel industry, which assumingly serves as risk-reducing mechanisms through joint problem solving and communication. We conclude that IC Group’s collaborations with NPOs produce a high level of interaction value. IC Group’s network-facilitated business-nonprofit collaborations indicate that the synergistic value is a result of multi-party, multi-sector collaborations. Combining the different participant’s resources, including IC Group’s resources, it enables collective accomplishment of tasks they could not have done separately. However, we argue that these initiatives are still too recent to draw clear conclusions on the transformative effect on individuals, organisations and societal systems, which would constitute the highest level of synergistic value. Therefore, we conclude that IC Group’s collaborations with NPOs produce moderate synergistic value, with the potential to eventually give rise to new forms of change.

Moving on to the second component of the CVC framework, we analyse the Collaboration Stages of IC Group’s NPO collaborations. Employing the results from the Value Creation
Spectrum, we further conclude that there is a large extent of value creation, yet varying, across the different types of collaborative relationships:

Due to lack of pure donor-recipient relationships, we conclude that IC Group’s collaborations with NPOs display no elements of being at the *philanthropic stage*. IC Group’s focus on reciprocal exchange of valuable resources, illustrates how the Group only engages in collaborations where there is a certain degree of output in areas of their interest. Combined with the extensive focus on developing and implementing social and environmental standards, this leads us to conclude that IC Group’s collaborations with NPOs display strong elements of being at the *transactional stage*. IC Group’s heavy emphasis on sustainability indicates that producing societal betterment is given great priority, even though the main motivation might be to keep up with industry standards. CSR has become an integral part of IC Group’s core strategy. However, there is a potential for IC Group to make a greater effort in developing clear objectives, employing joint decision-making processes and implementation strategies. We conclude that IC Group’s collaborations with NPOs display moderate elements of being at the *integrative stage*. IC Group themselves do not seek to create “disruptive social innovations”. Some of their NPO collaborations do arguably have the potential to give rise to transformative effects in social, economic or political systems. Considering the social problems within the apparel industry are still both urgent and complex, it requires multi-party, multi-sector collaborations, which IC Group observably is a part of. However, the collaborations in these multi-party partnerships are still best characterised as information networks, rather than entire new “hybrid organisations” that have changed the member organisations in profound and structural ways. We conclude that IC Group’s collaborations with NPOs display some, although limited, elements of being at the *transformational stage*.

Continuing with the third component of the CVC framework, we conclude that IC Group’s Partnership Processes are mostly informal, yet a few are extensively institutionalised.:

**Partnership formation and selection.** Ensuring organisational fit and linked interests, IC Group has a very pragmatic approach when choosing partners. They have not developed formal selection criteria, nor do they make any formal risk assessment to secure the partnership. The collaborations rather appear to be a result of networking and gatherings, as well as availability. Even though there is no specific value creation assessment in the early dialogues with potential partners, we also observe that IC Group tags along the bigger
companies within the apparel industry when selecting NPO collaborators, just to keep up with the industry.

**Implementation and institutionalisation.** We conclude that IC Group’s implementation processes are emergent, due to the lack of formal, pre-defined implementation processes. They also lack formal partnership progress evaluations. Nonetheless, they do continuously evaluate their collaborations, and terminate them if they no longer serve their intended purpose. IC Group ensures that their NPO partners are embedded in the local communities of beneficiaries and stakeholders, enabling them to help aligning the objectives of the different stakeholders throughout the supply chain. This enables IC Group to fully embed and institutionalise a few of their collaborations, such as the BSCI Code of Conduct and the UN Global Compact Principles.

Lastly, we conclude on how the Collaboration Outcomes benefit IC Group and their collaborators at the meso level; individuals working in IC Group at the micro level; external individuals and organisations, as well as society, including the environment at the macro level – they all benefit from IC Group’s nonprofit collaborations.

### 7.1 Implications and limitations

When it comes to the CVC framework, we notice how the nature of the IC Group’s NPO collaborations involve multi-party, multi-sector relationships, which is inconsistent with the framework’s one-to-one approach. We thus call for a dimension within the CVC framework that accounts for this factor. Following the issues of only undertaking one-to-one collaborations, we observe that IC Group’s resource flow includes several recipients that are external to the partnership. IC Group transfers knowledge from their NPO collaborations to their suppliers, which indicates that the framework should alter the scope of the role of the business, in which we have defined IC Group’s role as a part of an information network. This is also justified by our view on how IC Group’s one-to-one collaborations do not reach the transformational stage, while in fact their multi-party, multi-sector collaborations do.

As for partnership processes, we expect businesses to make formal risk assessments of potential nonprofit collaborations to avoid reputational damage, yet we find IC Group’s very
pragmatic partnership selection approach surprisingly incomprehensive. We try to reason this by referring to their desire to obtain legitimacy. In truth, as a relatively small actor globally, IC Group’s ability to influence the apparel industry is minimal when comparing the company to major brands, such as H&M and Nike. We therefore conclude that size may be a crucial factor that affects the power balance between the partners in business-nonprofit collaborations, which should be added to the CVC framework as well.

While governments may conjointly initiate global standards, some are worried that assigning CSR issues to the private sector may cause businesses and nonprofits to become more interrelated, making NPO collaborations less credible. Due to lack of tools to measure impact and success of such collaborations along with CSR, we suggest the establishment of an overseeing body or agency that can ensure transparency.

Finally, even though IC Group’s NPO collaborations appear to be largely successful, we still do not consider their implementation practices to be exemplary. An idea is therefore to develop clearer measurements for partnership progress to ensure successful collaboration.
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Chapter 8: Appendices

Appendix A: Request for interview

Study of Scandinavian textile companies and CSR initiatives involving collaboration with nonprofit organisations (NPOs)

We are two master students at The Norwegian School of Economics, who are writing a master thesis on Scandinavian textile companies and their motivations for implementing CSR initiatives and collaborating with NPOs. We would be grateful if a representative from the IC Group would participate in an interview regarding this subject. More specifically, the purpose of this dissertation is to assess the motivations of textile companies to engage in business-NPO collaboration, as well as your view on the value resulting from such collaboration. We are interested in studying different types of collaborative relationships, collaboration processes and collaboration outcomes.

The interviews we wish to conduct, will be semi-structured, meaning that we will follow an interview guide with questions related to the subjects we wish to learn more about. The length of the interview might vary slightly from person to person, but we estimate that it will last up to 60 minutes. We wish to use a tape recorder, to avoid overlooking important information during the interview. The recording will be deleted as soon as the interview is transcribed, and only the authors and our supervisor will have access to the transcribed interview. All information you provide during the interview will be anonymised.

We wish to conduct the interview within the next three weeks, and would thus be grateful for your quick response. We look forward to hearing from you, and thank you so much in advance for your participation.

Please do not hesitate to contact us if you should have any questions.

Best regards,

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Benedicte Pedersen - benedicte.pedersen@student.nhh.no
Appendix B: Interview guide

General information

1. Would you first like to share information about what kinds of collaborations your organisation has had with nonprofit organisations? Are there any ongoing projects which you can tell us about?
2. What types of collaboration with nonprofits do you consider most important to your company and why?

Value creation spectrum

1. What do you think are IC Group’s skills that complement the nonprofits that you have been collaborating with?
2. On reverse, what are the nonprofits’ skills that you think complement yours?
3. What types of resources do you contribute to the collaboration? Would you characterise them as “generic”, for instance money, or “firm-specific”, for instance specific capabilities and/or knowledge?
4. Also, what types of activities do you carry out in collaborations with nonprofits?
5. Would you characterise the resource flow as unilateral, with resources going only from the company to the non-profit, or would you say that the resource flow goes both ways?
6. Given that the resource flow is bilateral or reciprocal, do you think that combining these resources enables you to accomplish more together than you could have done separately?
7. Which party do you think benefits the most from these collaboration - your company, the nonprofit or society?
8. How is the value created from the collaboration linked to your company’s self-interest?

Collaboration stages

1. Would you say that you are very involved or engaged in non-profit collaborations, or do you generally engage in donor-recipient relationships?
2. Your mission is “To build successful brands by uniting business excellence with creativity and innovation”. What role does non-profit collaborations play in your ability to achieve your mission?

3. Do you see nonprofit collaboration as something of great strategic value to your company or is it primarily philanthropic?

**Partnering processes**

1. Can you describe the process of how you choose collaborating partners?

2. In what ways do you assess your potential partner’s motives and missions in order to identify linked interests before entering partnerships with them?

3. Do you have examples of specific criteria or selection processes you have developed for assessing potential partners?
   3a. Risk factors
   3b. Compatible missions/linked interests etc.

4. Managing reputational risk is important for companies and nonprofits as both risk being tainted by partners’ negative actions and corresponding bad publicity. How do you account for this risk factor when choosing nonprofit partners?

5. Collaboration with nonprofits can involve outsiders getting access to the organisation's internal affairs. To what extent do you see this as problematic?

6. Do you have examples of any negative experiences that you would feel comfortable sharing when it comes to nonprofit collaborations?

**Collaboration Outcomes**

1. In your opinion, what is the effect of collaborations on your company’s credibility, reputation and image?

2. In your opinion, what are the benefits you derive from receiving resources from the collaboration partner?

3. In your opinion, what are the intangible assets that you derive from collaborating with a non-profit? Examples can be trust, reputation, knowledge etc.

4. Would you say that combining your resources with your partners’ resources has enabled you to accomplish more together than what you could have done separately?
5. Has non-profit collaboration been important for obtaining legitimacy and market intelligence in foreign markets? Has it helped your internationalisation process of the company?