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## Business-nonprofit partnerships as a driver of internal marketing in nonprofit organizations. Consequences for nonprofit performance and moderators

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**Abstract** Nonprofit organizations (NPOs) confront competitive pressures derived from complex economic and societal challenges. Their capacity to fulfil their mission increasingly depends on developing successful alliances with key external and internal stakeholders, including cooperative interorganizational relationships. In this context, the aim of this research is to analyze: (1) to which extent business-nonprofit partnerships (BNPPs) foster the development of an internal marketing approach by NPOs; (2) the impact of this approach to human resource management on nonprofit performance; and (3) the possible moderating effect of the funding strategy of the nonprofit. This empirical research, based on a survey to a representative sample of Spanish NPOs, shows that cooperative relationships between nonprofit and business organizations are closely associated with a process of knowledge transfer, resulting in improved nonprofit performance; although these positive effects depend on the capacity of NPOs to generate income from commercial sources.

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## Introduction

The development of cooperative relationships with internal and external stakeholders, including alliances with other organizations, is critical for nonprofits (NPOs) to ensure mission accomplishment and long-term survival (Wellens and

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Jegers, 2014). Whereas cooperative relationships with corporate and institutional donors are key to generate private charitable contributions, both business partners and the personnel of nonprofit organizations become strategic allies if the capacity of NPOs to generate income from commercial activities needs to be enhanced.

First, cooperative interorganizational relationships, and especially cross-sector partnerships – i.e. collaborative alliances among businesses, governments, and NPOs that address social causes, have become a significant trend during recent years (Selsky and Parker, 2005). The development of successful business-nonprofit partnerships (BNPPs), in particular, is vital from both the nonprofit and the business perspective. The proliferation of NPOs, combined with economic hardship, is forcing nonprofits not only to compete for shrinking traditional sources – e.g. government grants, but also to develop new resources from the market to ensure long-term survival and to scale their operations in face of rising societal demands (Never, 2011). From the business side, interest in these partnerships has increased in the context of the evolution of corporate social responsibility (CSR) towards the so-called “CR Innovation” paradigm (Halme and Laurila, 2009).

Secondly, most NPOs are service organizations that depend on their personnel’s professional skills, service attitude, and motivation in order to provide a satisfactory service to their beneficiaries. As NPOs rely upon a mix of paid and unpaid personnel, both employees and volunteers represent key stakeholders. Their relevance has translated into substantial research on the “*internal marketing*” approach to human resources management (HRM), showing its positive effects on job satisfaction, commitment to the organization and loyalty of the NPO personnel (Bennett and Barkensjo, 2005; Borzaga and Tortia, 2006; Hume and Hume, 2015). Adoption of this marketing approach originating from the for-profit sector has resulted in enhanced professionalization of HRM in nonprofits (Rodríguez and Sams, 2009).

Previous studies about the topic of BNPPs are mainly conceptual in nature or based on case studies (for an overview see Austin and Seitanidi, 2012a,b). In particular, we lack robust, quantitative studies that integrate the topics of BNPPs and professionalization of NPOs through the development of an internal marketing strategy. Therefore, the first objective of this research is to evaluate the extent to which BNPPs foster a process of knowledge transfer from the firm to the nonprofit organization, encouraging professionalization of the latter through the development of an internal marketing strategy, and ultimately improving nonprofit performance.

However, these potential positive associations may depend on different factors, most notably the funding strategy of the nonprofit. NPOs can resort to a variety of potential sources of revenue (Andreasen, 2012; Fischer et al., 2011). These include public and private donations and subsidies; fees for services and goods (income earned from commercial activities); and returns from real estate or financial assets. Revenue diversification is generally seen as a necessary strategy to effectively support nonprofit missions in an increasingly challenging resource environment (Carroll and Stater, 2009; Fischer et al., 2011). In scenarios where NPOs undertake commercial activities, the

improvement of their internal capabilities will be particularly important to enhance performance, and parallel to this, also the role to be played by external partners in resource development. As anticipated by Dees (1998), “nonprofits exploring commercialization can form alliances with for-profit companies to provide complementary skills and training in business methods”. Consequently, a second goal of this research is to determine how the funding strategy of the NPO moderates the link between cooperative relationships with businesses, internal marketing and performance.

To summarize, by combining these three closely related topics – i.e. BNPPs, professionalization, and revenue diversification, the research attempts to offer a threefold contribution to the literature on cooperative interorganizational relationships, with potential implications for both nonprofit and business partners. First, previous studies have noted that “nonprofits have embraced collaboration with business as an important mode for the generation of value required for successfully meeting their missions” (Austin and Seitanidi, 2012a,b, 734). We provide insights regarding how this process occurs, by means of a positive association between partnering with a firm and the development of internal HRM capabilities. Secondly, the impact of internal marketing programmes on NPO performance is analyzed. This potential effect is especially interesting, since a greater degree of professionalization is increasingly demanded in support functions in NPOs (Hurrell et al., 2011). And thirdly, we test whether these relationships gain relevance in a context where revenue diversification through the development of commercial activities is becoming an essential strategy for this type of organization.

We structure this work as follows. First, we explain the theoretical background of the research. Secondly, we detail the methodology used to conduct the analysis, based on a survey to a representative sample of Spanish NPOs. Third, we interpret the empirical results. Fourth, we discuss the main conclusions and implications for academics and practitioners.

## Conceptual framework

### Business-nonprofit partnerships as an antecedent of internal marketing in NPOs

“Cross-sector partnering, and in particular collaboration between NPOs and business, has increased significantly and is viewed by academics and practitioners as an inescapable and powerful vehicle for implementing corporate social responsibility (CSR) and for achieving social and economic missions” (Austin and Seitanidi, 2012a, 728). Along those lines, the latest developments of the CSR concept – “CR Innovation” (Halme and Laurila, 2009) and “shared value” (Porter and Kramer, 2011) – involve the creation of business value through enhanced competitiveness, while simultaneously addressing social problems in the communities where firms operate. This dual goal is achieved through the development of new business models and cooperative organizational relationships for solving social and environmental problems, including business-nonprofit partnerships (BNPPs) (Lefroy and Tsarenko, 2014).

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