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**ISTANBUL OKAN UNIVERSITY**

**INSTITUTE OF SOCIAL SCIENCES**

# COOPETITION AMONG NON-PROFIT ORGANIZATIONS: THE IMPACT ON FUNDRAISING AND PERFORMANCE

**BELLA GULSHAN**

**Ph.D. THESIS OF**

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**ADVISOR**

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**ISTANBUL, September 2020**

*Dedicated to my parents*

*and my husband*

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## DECLARATION

I declare that I am the sole author of this thesis. Also, I herewith declare that all information in this document has been obtained and presented by academic rules and ethical conduct. I also declare that, as required by these rules ad conduct, I had fully cited and referenced all material and results that are not original to this work. This is an exact copy of the thesis including any required final revisions as accepted by my examiners.

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## ABSTRACT

One of the very interesting sectors that provide evidence of co-opetitive alliances is non-profit organizations that might be labeled as the intertype competitors which involve in several cooperative efforts such as sharing of informal information, sharing of ideas, fund development, and absolute mergers. This study advances the concept of co-opetition in non-profit organizations to develop a theoretical framework that expands that understanding of co-opetitive relationships among non-profits for fundraising and the subsequent impact on performance. Moreover, non-profit co-opetition capability has been operationalized as a moderating variable that moderates the relationship between co-opetition and fundraising. The theoretical model has been empirically tested using a survey (418 sample size) from non-profit organizations from Pakistan. The results indicate a significant positive relationship between co-opetition and fundraising and fundraising on performance. Through, non-profit co-opetition capability is found insignificant.



**Keywords:** Non-profit, Co-opetition, Fundraising, Co-opetitive Relationships, Performance

## ÖZET

İşbirlikçi Rekabet ittifaklarının kanıtını sağlayan çok ilginç sektörlerden biri, gayrı resmi bilgilerin paylaşılması, fikirlerin paylaşılması, fonların geliştirilmesi ve mutlak birleşmeler gibi birçok işbirliğine dayanan çabaları içeren, intertype rakipleri olarak etiketlenebilecek kar amacı gütmeyen kuruluşlardır. Bu çalışma, kar amacı gütmeyen kuruluşlarda İşbirlikçi Rekabet kavramını, fon yaratma ve kar amacı gütmeyen kuruluşlar arasındaki işbirliğine dayalı ilişkilerin ve performans üzerindeki etkisinin anlaşılmasını genişleten teorik bir çerçeve geliştirmek için ilerlemektedir. Ayrıca, kar amacı gütmeyen işbirliği yeteneği, İşbirlikçi Rekabet ve fon yaratma arasındaki ilişkiyi düzenleyen ılımlı bir değişken olarak işlevselleştirilmiştir. Teorik olarak kurulan model, Pakistan'daki kar amacı gütmeyen kuruluşlardan yapılan bir anket (418 örneklem büyüklüğü) kullanılarak ampirik olarak test edilmiştir. Sonuçlar, İşbirlikçi Rekabet ile fon yaratma ve performans konusunda anlamlı bir pozitif ilişki olduğunu göstermektedir. Ayrica, kar-amaci gutmeyen işbirlikçi rekabet yetenegi istatistiki olarak anlamsiz bulunmustir.



**Anahtar Kelimeler:** Kâr Amacı Gütmeyen, İşbirliği, Kaynak Yaratma, İşbirliği İlişkisi, Performans

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## CHAPTER 1

## ABBREVIATIONS

**AVE**: Average Variance Extracted

**CB-SEM**: Covariance-based Structural Equation Modelling

**FAFEN:** Free and Fair Election Network

**FHRP**: Forum for Human Rights Pakistan

**HTMT**: Heterotrait-Monotrait Ratio

**KBV**: Knowledge-based View

**MIMNOE**: Multidimensional Integrated Model of Non-profit Organizational Effectiveness

**NFI**: Normal Fit Index

**NGO**: Non-Governmental Organization

**PLS-SEM**: Partial Least Square Structural Equation Modelling

**RBV**: Resource-based View

**SRMR**: Standardized Root Mean Square

**TDEA**: Democratic Education and Accountability

**VIF**: Variance Inflation Factor

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# 1 INTRODUCTION

Today's business environment that encompasses competitive dynamism and uncertainty push companies to form inter-organizational cooperation in order to gain improved growth, acquisition of resources, capabilities, and share risk. One of the recently emerging strategies for making and managing inter-organizational relations is cooperating with competitors (Powell, 1996). Interestingly, the literature shows that over 50% of all the cooperative relationships are formed between competitors (Bengtsson & Raza-Ullah, 2016; Harbison & Pekar, 1998).

These alliances facilitate firms to both cooperate and compete to gain co-opetitive advantages (Padula & Dagnino, 2007) and other benefits such as cost reduction, minimizing risks, and uncertainties (Luo, 2007b). Moreover, the co-opetitive alliances help to set new industry standards (Gnyawali & Park, 2011), enable entry to new markets (Wu, Lua, Slotegraaf, & Aspara, 2015), and aid greater performance (Lado, Boyd, & Hanlon, 1997). However, the nature of these co-opetitive alliances is inherently paradoxical and complex and research reports that more than 50% of these alliances fail to meet the expected performance outcomes (Lunnan & Haugland, 2008).

As there are benefits and risks associated with co-opetitive alliances, the literature states Co-opetition as a *"double-edged sword"* (Bouncken & Kraus, 2013). For instance, empirical research on Co-opetition demonstrated that it has both a positive and negative relationship with performance outcomes (Bouncken & Kraus, 2013; Ritala & Sainio, 2014). However, several studies indicated a non-significant relationship between Co-opetition and performance (Mention, 2011). Moreover, the literature provides insights from numerous industries e.g. information technology, automobile, airlines, health care, and food (Ritala, 2012) and company types ranging from large to small companies (Gnyawali & Park, 2009; Dahl, 2014). Though, the mixed findings pose several questions regarding the mechanisms or the disappeared relationships between Co-opetition and performance.

One of the very interesting sectors that provide evidence of co-opetitive alliances is non-profit organizations that might be labeled as the intertype competitors which involve in several cooperative efforts such as sharing of informal information, sharing of ideas, fund development, and absolute mergers. For instance, a formal permanent alliance that took place in the form of a merger in the USA where San Diego Symphony and Opera, The Aspen Ballet and Santa Fe Festival Ballet, and The Philadelphia Orchestra and Philadelphia Pops came together. Moreover, the insights from the art sector non-profit organizations that

were engaged in co-opetitive alliances suggest that executive directors of these organizations consider intertype or intra-type as major competitors (Kirchner & Ford, 2017).

### 1.1 Problem Statement

The literature on co-opetition is still emerging that involves the organizations in simultaneous cooperation and competition to gain strategic advantages and common goals (Raza-Ullah & Bengtsson, 2014). A review of the literature suggests that the application of Co-opetition alliances, particularly, to a non-profit organization is scarce. For instances, the concept has been applied in few studies that tried to explore the art sector non-profits (Kirchner & Ford, 2017), non-profit nautical sports clubs and sports tourism network (Lorgnier & Su, 2014) and Opera houses and creative art and heritage sector (Wemmer, Emrich, & Koenigstorfer, 2016).

Likewise, the extended literature on co-opetition has tried to answer questions such as why organizations that traditionally compete would like to enter into cooperative relationships (Todeva, 2006; Zineldin & Dodourova, 2005). Moreover, the previous literature also emphasizes the importance and interaction between organizations (Bengtsson & Kock, 2014). However, few studies focus on non-profit organizations, particularly, in the context of a network of non-profits (Faloye, 2013). The focus of the previous research remains on the traditional manufacturing industry, multinational organizations, and high-tech enterprises that ignore or gave less attention to other sectors and types of organizations (Walley, 2007).

The rise of collaborative relationships between competitors is also associated with the pressures to satisfy the customers and suppliers (Bengtsson & Powell, 2004). Several studies concentrated on reasons to choose cooperative relationships between competitors (e.g., Todeva, 2006; Zineldin & Dodourova, 2005). Similarly, substantial research has explored the nature and importance of co-opetitive interactions between organizations (Bengtsson & Kock, 2014; Wilhelm, 2011). However, a small number of studies have studies Co-opetition in the context of the network (Faloye, 2013) and the non-profit sector.

This research is concentrated on the concept of co-opetition in non-profit organizations. The combination of non-profit organizations, as per literature, is little researched (Faloye, 2013). The area is particularly very interesting to study because of the degree of crossover between non-profit beneficiaries (communities) and the donors—who desire to support numerous non-profit organizations and often end up to unique packaging to only some of the organizations. Moreover, it is a fact that non-profit organizations always

struggle to gain economies of scale and sustainability, specifically, in developing countries—though, they have the potential to do so in operations, administration, and overhead expenditures (Kotler & Scheff, 1997). For instance, the studies of McNicholas (2004) and (Cornwel, Weeks, & Roy, 2005) explored the cooperative opportunities between non-profit organizations, government, and businesses in the form of funding or sponsors. Nonetheless, there is a need for research on the co-opetitive alliance, the joint fund development efforts, and the impact of that on the performance of non-profit organizations. Hence, the purpose of this study is:

> *"To develop a theoretical framework that advances that existing understanding of co-opetitive relationships between non-profits for fundraising and its impact on performance"*

## 1.2 Research Questions

The study specifically addresses the following research questions:

1. How co-opetition affect fundraising activities in non-profit organizations in a developing country?
2. How co-opetition alliances impact the performance of non-profit organizations in a developing country?
3. How co-opetition capability is associated with fundraising activities and non-profit organizational performance?

## 1.3 Significance of the Study

One of the very interesting sectors that provide evidence of co-opetitive alliances is non-profit organizations that might be labeled as the intertype competitors which involve in several cooperative efforts such as sharing of informal information, sharing of ideas, fund development, and absolute mergers. Primarily, The area is very interesting to study because of the degree of crossover between non-profit beneficiaries (communities) and the donors—who desire to support numerous non-profit organizations and often end up to unique packaging to some of the organizations.

The study will contribute to the co-opetition and non-profit literature by exploring a network of non-profits from Pakistan, their collaborations for fundraising, and the subsequent impact of that fund development on performance. Moreover, one of the very significant theoretical constructs is the co-opetition capability of the non-profits and how that impacts the overall relationship and performance.

## 1.4 Disposition of the Study

**Table 1.1 Disposition of the Study**

| Chapter | Description |
|---|---|
| Chapter 1<br>Introduction | This chapter introduces the topic, purpose of the study, research questions, significance of the study, and disposition. |
| Chapter 2<br>Literature review | This chapter provides a detailed review of literature on co-opetition, fundraising and non-profits, and performance, and the co-opetition capability. |
| Chapter 3<br>Methodology and Theoretical Framework | This chapter presents the methodology, research design, sample, measurements, and theoretical framework. |
| Chapter 4<br>Data Analysis and Findings | This chapter presents the analysis of the data to test the theoretical model along with the assessment of the measurement model and the structural model. This chapter also provides hypothesis testing, discussion, theoretical and practical contributions. |
| Chapter 5<br>Conclusion, Limitation, and Future Direction | Chapter 5 briefly provide a conclusion, limitations, and future research directions. |

# 2 LITERATURE REVIEW

This study aims to develop and test a theoretical framework of co-opetition in non-profit organizations for fundraising activities and subsequently the effect of fundraising efforts on the performance outcomes of these organizations. Moreover, this study also attempts to theoretically offer insights on the role of co-opetition capability of non-profits to manage the whole process. Therefore, the chapter of the literature review starts with the comprehensive theoretical background of co-opetition, co-opetition as an emerging research area, conceptualizations of co-opetition, co-opetition in non-profits, drivers, process, and co-opetition outcomes. Moreover, the section sheds light on the fundraising activities, the performance outcomes, and its operationalization. The main purpose of this chapter is to understand the co-opetition perspective for non-profit organizations, a network of non-profit organizations for fund development, performance outcomes with co-opetition capability in the extent of literature, and provide a theoretical framework for this study.

## 2.1 Co-opetition

Raymond Noorda, founder, and CEO of Novell, originally coined the term co-opetition in 1993 (Walley, 2007), the concept is embedded in the two other concepts—cooperation and competition. Over the past two decades, the concept of co-opetition has seen a significant evolution, though, the actual meaning of co-opetition remains the same— *"mindset, process, or phenomenon of combining cooperation and competition"* (see Bengtsson & Kock, 2000; Luo, 2005, p.72).

Moreover, co-opetition has been studied as a paradoxical phenomenon because of its simultaneous achievement of cooperation and competition that contains a natural paradox. In this context, there has been extensive literature available that studied co-opetition as a paradox, tensions, and subsequent strategies to handle those tensions (Bengtsson & Raza-ullah, 2016; Bengtsson & Johansson, 2014). The literature of co-opetition paradox belongs to the main category of organizational paradoxes.

Similarly, the participating organizations attempt to directly interact while cooperating in terms of mutual goal achievement. Though, others perceive Co-opetition with strictly one angle e.g. cooperative or competitive—that encompasses the nature of the phenomena demanding the voluntary and reciprocal participation of organizations to enable success. Therefore, it is possible to symbolize a continuum that is inclusive yet interdependent where the simultaneous existence of cooperation and competition seems to work together but remains distinct in nature. Generally, the existence of simultaneous

interlink of extreme forms of pure cooperation and competition in an inter-organizational relationship—as per theory, the mutual benefits of Co-opetition is the outcome if participating organizations are pursuing it (Barreta, 2008).

The application of co-opetition in the context of inter-organizational relationships is very interesting and it has been at the forefront of several academic studies. The inherent inter-organizational interactions are denoted to the relationships between organizations or in a network within the management literature. Moreover, in this context, the cooperative function is considered a beneficial asset because organizations intend to combine their resources for mutual benefit (Eikebrokke & Olsen, 2005; Laine, 2002). Nevertheless, it is important to note here that when more and more organizations participate to work together—the emergence of tensions within an organization takes place because of several internal and external threats (Bengtsson, Raza-Ullah, & Kock, 2014). Furthermore, the co-opetitive relationship might take the shape of collusive behavior that has even a greater tendency where organizations have distinct goals compared to the mutual goals between competitors (Mariani, 2007).

### 2.1.1 Cooperation and Competition

The literature on management and marketing has been studying the concepts of cooperation and competition for several decades (e.g., Jorde & Teece, 1989). However, the focus of strategic management has traditionally remained on the domain of competition that pressurizes and stimulates the firms for innovation and up-gradation to gain competitive advantage (Porter, 1991). Although, scholars have been emphasizing the importance of cooperation from the perspective of the win-win situation for cooperating organizations (Padula & Dagnino, 2007).

The theories of cooperation and competition have been explored and analyzed on all levels such as individual, intra-firm, inter-firm, and network. The definitions of competition are diverse, though, it has been traditionally defined as the relationship of conflict and rivalry among competitors (Bengtsson & Kock, 2000). Further, competition is also seen as zero-sum games i.e. win/lose or lose/win—that is one organization's profit comes at the expense of the other and vice versa (Brandenburder & Nalebuff, 1996). Furthermore, it is also defined as the *"a dynamic situation that occurs when several actors in a specific area (market) struggle for scarce resources, and/or produce and market very similar products or services that satisfy the same customer need"* (Osarenkhoe, 2010, p. 251). Therefore, firms

deploy the core competencies to gain a competitive advantage in the market by offering superior products and services comparative to competitors (Porter, 1991).

Comparatively, cooperation emphasizes cooperative relationships to achieve strategic goals with alliance partners (Baker, Simpson, & Siguaw, 1999). As has been mentioned earlier that cooperation is a win-win game (positive sum-game) that improves common interest e.g. market share and demand of products (Rusko, 2011). The emphasis of cooperation is to gain the collaboration advantage unlike competitive advantage—moreover; cooperation stresses the interdependent relations between players with other firms through establishing and maintaining strategic cooperation agreements (Thorelli, 1986; Yoshino & Rangan, 1995). Thus, it is important to note that mutual benefit and goals are the prerequisites for the establishment of strategic relationships with other businesses.

It is essential to comprehend that both approaches have pros and cons along with limitations—for instance, a competitive viewpoint simply overlooks the importance of cooperative alliances while the negative aspects of cooperation strategic relationships are ignored by the cooperation perspective (Padula & Dagnino, 2007). The scholars of competition strongly believed that market imperfections provide room for cooperation and therefore it cannot positively impact the performance (Bouncken, Gast, Kraus, & Bogers, 2015). On the other hand, cooperation theorists view negatively the dynamics of competition based on a negative influence that is the risk of knowledge spillovers and learning races. As it is quite clear that both strategies have its advantages and disadvantages and both of these can be executed at the same time—thus, the contemporary businesses have been trying to incorporate both of these strategies simultaneously to achieve success (Lado, Boyd, & Hanlon, 1997)—this paved the way for the concept of Co-opetition.

Furthermore, cooperation is generally associated to describe the inter-organizational relationships as *"when two or more parties have complementary objectives and are mutually dependent"* (Easton & Araujo, 1992, p. 76). It is a collective strategy that motivates participating firms to pool resources and work together to achieve a win-win situation (Thomason, Simendinger, & Kiernan, 2013). Moreover, cooperation is also viewed as the voluntary and reciprocal acts that depend on the concepts of time, trust, physical environment, and a positive social atmosphere—created based on the mutual arrangements (Miles, Snow, & Miles, 2000).

The concept of collaboration, frequently, is used interchangeably with cooperation—and yet, collaboration is defined as *"a process whereby two or more parties work closely with each other to achieve mutually beneficial outcomes"* (Miles & Snow, 2006, p.12). Similarities between cooperation and collaboration are minimal even though the definitions are parallel. The scholars, however, indicate that collaboration is a more complex and challenging process compared to cooperation (Miles et al., 2006). Furthermore, Lewis, Isbell, and Koschmann (2010) argued that collaboration incorporates several other forms of inter-organizational relationships that include *"cooperation, coordination, and other forms of exchange of resources (including people, funding, information, ideas, and mutual respect for individual goals and/or joint goals)"* (p. 462). On the other hand, the concept of cooperation is distinct in the context of the frequency of exchanges between organizations that include both tangible and intangible resources. Fundamentally, the cooperative relationships provide a platform to the two or more organizations to unite strategically, managerially, innovatively, and financially until the time decided mutually by participating organizations (Bengtsson & Kock, 2000; Osarenkhoe, 2010).

There are several motives to enter into a cooperation agreement, however, the most common is to gain access or share the resources—these can include human resources or relations (Hunt & Morgan, 1995); R&D, and value creation (Gnyawali & Madhavan, 2001); knowledge sharing, product capability expertise, and processes (Bengtsson & Kock, 2000); and acquiring knowledge, learning, and to avoid external threats based on learning and acquired knowledge (Teece, Pisano, & Shuen, 1997).

One of the pioneer references in the area of Co-opetition research is Bengtsson & Kock (1999) that define a cooperative relationship as follows:

> *"Exchanges are frequent, comprising business, information and social exchange. Informal agreements are built on social norms and trust. These norms and sometimes formal agreements adjust the distribution of power and dependence among the competitors, which means that conflicts are rare. Competitors have common goals, and proximity between them is based on functional and psychological factors"* (p. 181).

One of the prominent aspects that have been highlighted in the definition is fear of failure that has several characteristics ranging to inadequate knowledge, lack of commitment and communication, and lack of resources. The cooperative relationship gives a heightened realization of these characteristics of fear of failure to participants (Hagberg-Andersson,

Virtanen, & Kock, 2007). The assessment of cooperative relationships, the definition of Bengtsson and Kock (1999) assists in the issues of exchanging, adjusting, and distributing power and dependence between participating organizations. The positive development of cooperative relationships in a sustainable way, trust, and long-term interaction are based on how frequently and intensively both organizations interact and to what extent both organizations are ready to adapt.

On the contrary, competition is something where organizations strive to compete for what is not offered and it is documented (Echols & Tsai, 2005). However, the phenomenon of competition is defined as *"a dynamic situation that occurs when several actors in a specific area struggle for scarce resources, and/or product and market very similar products or services that satisfy the same customer need"* (Osarenkhoe, 2010, p. 345). Though, the most common perspective on competition indicates a struggle between organizations from the same sector or industry or region (Porter, 1990). Competition has been postulated as a psychological pressure that helps to improve the operational capabilities to perform better compared to its competitors.

The literature on management also indicates a similar point view on competition that when two or more organization regardless of their types with similar customer needs, and produce similar products and market will compete (Bengtsson and Kock, 2000). However, the competitive relationship has specific characteristics that are explained as *"interaction is simple and direct. Power and dependence are distributed among the competitors based on their position in the business network. Proximity or distance is based on functional and psychological factors, and competitors set their goals independently"* (Bengtsson & Kock, 1999, p. 181).

The main motivation to be competitive is to establish and maintain the long term competitive advantage among the other firms. The core is to create and capture value as it has been simply described by Brandenburder and Nalebuff (1996) *"creating value is an inherently cooperative process, and capturing value is inherently competitive"* (p. 13). Interestingly, competition greatly benefits the customers e.g. price wars, on the other hand, competition is seen positively for the performance of the organization based on the view of gaining competitive advantage (Bengtsson & Kock, 2000; Hunt, 2007). However, the general belief about competition refers to the strictly following and pursuing one's interest at the expense of others and it creates a negative relationship (Das & Teng, 2000; Birkinshar

& Lingblad, 2005). Organizations act and pursue their objectives based on individual understanding rather than based on mutual interests to govern a relationship.

One of the famous theoretical perspectives on competition in the context of internal tensions suggests that a higher level of competition in a relationship unavoidably leads to the *"opportunistic behaviour"*—that may cost resources and time, difficulty in control, and weaken the development of the relationship (Das & Teng, 2000). Moreover, there is one prominent classification of the competition in the art sector that indicates that the art industry hardly perceived any direct competition between art organizations (Bennett, 2005). Exceptions are there in the art industry but the examples belong to the urban areas where art organizations tend to enjoy the monopolistic environment in a particular geography (Voss & Voss, 2000). Further, the nature of the competition may be explicit, direct, or implied—or the involved the organizations may be *"unconventional competitors"*—the ones who may operate in a broader industry of leisure or entertainment and may unknowingly compete.

### 2.1.2 Defining Co-opetition

The literature on Co-opetition has started mounting up in the mid-1990s and some publications started touching the different perspectives of co-opetition—that are dyadic Co-opetition (Bengtsson & Kock, 2000), Multifaceted co-opetition (e.g. Luo, 2004), intra-firm Co-opetition (e.g. Amburgey & Rao, 1996; Tsai, 2002), and industry-level Co-opetition (Rusko, 2011). The emergence and popularity of the concept co-opetition are obvious and straightforward in contemporary organizations because it has become important to strategically cooperate and compete simultaneously to achieve success. In the simplest terminology, the concept of co-opetition provides an opportunity for organizations to compete and cooperate for mutual interests (Brandenburger & Nalebuff, 1966). The simultaneous pursuit of cooperation and competition helps businesses to gain specialization of core business by cooperation on key resources that one firm does not possess but in extreme need of it, while the competition with the same firm motivates to strengthen the existing competitive advantages to develop new competencies. The scholars and practitioners firmly believe that the right balance between these two (cooperation and competition) are essential for organizational success. Moreover, the actual co-opetitive relations and subsequent activities have proved that it is a vital source of innovation, learning, product innovation, capabilities, and critical resources (e.g. Gulati, 1998; Khanna, Gulati, & Nohria, 1998, Afuah, 2000).

The earlier thoughts about cooperation as positive-sum (win-win) and competition as a zero-sum game (win/lose, lose/win) have complied together as Co-opetition referring variable positive-sum game (win-win-win) (Walley, 2007)—the reason behind the variable positive-sum game is the combine characteristics of cooperation and competition (Padula & Dagnino, 2007; Okura, 2007). The third win of the Co-opetition has been added based on the advantage of co-opetitive relation that helps to provide creative products to the customers in the market, low priced products based on the efficient use of resources and research and development.

The concept of co-opetition is broad like the concepts of cooperation and competition—the concept of co-opetition has an application to different levels of analysis that is individual, intra-firm, inter-firm, and network. Therefore, two or more firms may have different natures of relation—for instance, co-opetition at the individual level only occurs in teams for a specific project for the facilitation of innovation and creativity (Baruch & Lin, 2012). Such kind of co-opetitive relation occurs among team members to cooperate and each member of the team is incentivized especially for performance improvement (Mooradian, Renzl, & Matzler, 2006). While co-opetition at the intra-firm level refers to subunits of an on organization compete with each other for *"parent resources, corporate support, power delegation, market expansion, and global expansion"* (Luo, 2005, p. 73) and simultaneous pursuit of cooperation (Ritala et al., 2009). Furthermore, the co-opetition at the inter-firm level has been studied in two different domains in the literature—first; the organizations belong to the same value chain in the same sector or industry that is a direct competitor forming a cooperative relationship (Burgers & Steenkamp, 2006; Bengtsson & Kock, 1999, Daidj & Jung, 2011). The second stream of research on inter-firm Co-opetition studies the firms within a supply chain that is indirect competitors to cooperate (Eriksson, 2008; Bakshi & Kleindorfer, 2009).

The last but not the least the network level Co-opetition mainly focus on the co-opetitive relationship within a cooperative network structure (Gnyawali, He, & Madhavan, 2006)—the intra-network that deals with co-opetition within a network structure and inter-network refers to the co-opetition relationships between networks (Peng & Bourne, 2009). Even though a similar conceptual understanding of co-opetition at different levels of analysis exists but there is a drastic difference between the definitions, theories, characteristics, and analysis—that make the concept of co-opetition difficult to comprehend (Dorn, Schweiger, & Albers, 2016).

### 2.1.3 Inter-organization Co-opetitive Relationships and Network

Typically, organizations work together for the attainment of the common objectives ending up with a competitive advantage (Bengtsson & Kock, 2000)—these relationships are referred to as inter-organizational relationships (Bergenholtz & Waldstrom, 2011). Moreover, these inter-organization relationships are developed over a certain time between two organizations (Copulsky & Wolf, 1990). The management literature emphasizes the intra-organization relationships in the context of survival and growth (Osborn & Hagedoorn, 1997).

Anderson and Narus (1991) have defined those inter-organizational relationships as *"the set of social, economic, and technical ties between two autonomous business organizations"* (p. 96). The definition is broad and suggests the links between two organizations based on the creation and governance for the adjustment of work routines and product innovation by pooling resources and matching the respective needs and capabilities of respective organizations. Therefore, the ultimate benefits are reducing the risk and shaping perceptions based on the co-opetitive relationship (Eikebrokk & Olsen, 2005). One of the definitions that define inter-organizational relationships regarding relational exchange is that *"a business relationship is more than just the deal. It is a connection between otherwise independent organizations that can take many forms and contains the potential for additional collaboration. It is a mutual agreement to continue to get together; thus its value includes the potential for a stream of opportunities"* (Kanter, 1994, p. 98). Thus, it is important to note that inter-organizational relationships are not just based on the level of dependence but the value of the interaction that takes place between the partners is paramount.

### 2.1.4 Transactional and Relational Exchange within Relationships

Inter-organizational relationships have a mutual understanding between two parties for the exchange of cooperative and competitive actions at the level of organization (Peng, Pike, Yang, & Roos, 2012). The concept exchange in the context of inter-organization relationship is defined as *"a voluntary activity between two organizations which has consequences, actual or anticipated, for the realization of their respective goals and objectives"* (Levine & White, 1961, p. 588). Further, if there is mutuality involved then there must be a requirement that facilitates the participation and interaction of partners voluntarily either for transactional or relational exchange. Therefore, when there is accountability associated with the power between organizations in a network that balance

and suggest how organizations have to manage their environment is referred to relational exchange (Davis & Cobb, 1970), while when the focus is on internal organizational issues of management and costs then it would be called transaction exchange (Barringer & Harrison, 2000).

The phenomenon of exchange is crucial for organizational relationships that take place through a singular interaction between two entities over a period of time-continuous interactions of exchanges that lead to the relationship between organizations (Johanson & Mattson, 1987). Therefore, it is like a process that starts with singular interaction to a regular interaction of exchanges leading to a relationship—and the relationship between two organizations is dependent on prior interactions.

As this thesis has taken into consideration a network of non-profit organizations that cooperate on the generation of funds and strategic objectives, though, on the other hand, these organizations compete with each for market share and base of customers (communities), therefore, the concept of co-opetition in the context of the network is important not only for the theoretical basis of this study but the dynamic nature of the network in the context of their requirements for a higher level of social integration (Poulymenakou & Klein, 2006). The characteristics of a network co-opetitive relationship that facilitates the alignment and management of capabilities and roles of an organization for mutual benefits are trusts, commitment, and identification. At the organizational level, the management has to define the shared values that must be aligned with the common interests—consequently, the boundaries delineation takes place between the organizations and the network opportunities.

It is interesting to note that the membership defines the boundaries from an external perspective and it as real as the target network of non-profit for this study has certain requirements to become the part of the network and some more conditions to successfully remain the part of that network. The literature on co-opetition in the context of business organization indicates that the process of interaction between firms in a network is complex in terms of relationships but it is an essential element of the relationship dynamics—since, it is an interaction between organizations that govern the ultimate relationship at the individual or network level. Furthermore, the understanding of interaction from pure economic terms indicates that it is a mechanism of market exchange while management scholars view interactions more than a mechanism of market exchange (Hakansson et al., 2009).

Building and maintaining relationships involves costs as when actors interact there are certain prices associated, though, these interactions and relationships also provide potential benefits that can only be gained through interactions such as sharing resources, people, and activities. For instance, when organizations are engaged in a dyadic relationship, the one interaction may have affected another interaction—leading to a network of interactions that may impact the boundaries of the organization and activities of the organization. These interactions between organizations have been categorized based on the awareness level of competing organizations—that is implicit, explicit, and asymmetric interactions. *Implicit* interactions indicate that when an organization remain unaware or deliberately behave ignorantly in the context of how interactions are affecting its business. *Explicit* interactions, conversely, suggest that both participating organizations are fully aware of the interactions and consequences—moreover, the exchange between the organizations can be hostile, responsive, and kind. *Asymmetric* interaction, most interesting, takes place when one organization has more knowledge and control over the interaction process and can exploit the benefits in its favor compared to the counterpart.

The goals for the interaction for any organization to another organization define a typical pattern of behavior. Therefore, an organization has to assess the potential benefits associated with the interaction before going into a relationship—there are two main goals i.e. time and space that help an organization to determine the interaction. As it has been discussed previously that experience of interactions (time) help to make a linkage between past and the present along with the future expectations associated with the relationship—while space is a factor that refers to the context (available resources and types of activities) to establish a relationship. These two elements of interaction (time and space) play an important role in deciding the outcome of the interactions (Johanson & Mattson, 1992).

It is quite obvious that some misalignments take place at the initial level of analysis as multiple interpretations of history and future expectations—it means that level of interaction is a challenging process, particularly, when there is a high level of intensity that exists for perceptions. Intensity is an important variable in the analysis of interactions as it may vary across different periods and situations. Thus, both of these low and high-intensity situations in a dyad relationship may be perceived as insignificant at a certain point in time and might affect future interactions. It is crucial to mention that this study has operationalized the interaction of non-profit organizations as the process of continuously adapting each other's routines to exchange the benefits over some time to reach a status of the relationship. Moreover, the nature of relationships is dynamic that changes over time,

and they cannot be fixed in a pattern. Therefore, start from the interaction that leads to exchanges between two organizations in a social context helps to form relationships that evolve and adapt over a period of time.

## 2.2 Co-opetition as an Emerging Research Stream

The earlier work on inter-organization relationships has been explored in two different research streams—competition and cooperation. The focus of competitive stream of research remained on gaining a competitive advantage when the particular organization can lower prices, invest in innovation, and offer unique products and services to its customers compared to its competitors (Porter, 1991). On the other hand, the second stream of research that addresses the cooperation among competitors largely deals with making collusions and cartels that are contended to—*"preclude multiple paths to the invention and dull the incentives to be creative"* (Jorde & Teece, 1989, p.26). Therefore, the successful organizations are the one that can be hostile, motivation to engage in wars with other organizations (Pellegrin-Boucher, Le Roy, & Gurau, 2013), and ultimately are capable to win over competitors.

On the contrary, the emphasis of the cooperative stream is on the development of collaborative advantage through forming interdependent relationships to achieve mutual benefits—for instance, acquisition of social capital, knowledge, and innovation (Burt, 2005). Moreover, the basis for these relationships is based on the reciprocal trust, exchange, and commitment to achieve a win-win outcome while the competition interruption in this context is considered a risk for mutual benefits.

However, the isolated stream of research for competition and cooperation only provides a partial view of reality. It is important to note that companies nowadays simultaneously use cooperative and competitive strategies to take a co-opetitive advantage (Dagnino, 2007). Therefore, the traditional approaches of cooperation and competition have been defied and recent literature stressed the re-conceptualizations (Chen, 2008), which in response help to surface *"co-opetition"*—a research field that contains cooperation and competition simultaneously (Padula & Dagnino, 2007). Thus, the importance of Co-opetition and its application to non-profit organizations is equally important.

There is a flourishing trend of co-opetition—for instance, Apple and Google's co-opetitive alliance (Raza-Ullah, Bengtsson, & Kock, 2014), Oracle and Ericsson (Bengtsson & Johansson, 2014), Samsung and Sony (Gnyawali & Park, 2011), and so on. Moreover, the examples from the non-profit sector as a formal permanent alliance that took place in the

form of a merger in the USA where San Diego Symphony and Opera, The Aspen Ballet and Santa Fe Festival Ballet, and The Philadelphia Orchestra and Philadelphia Pops came together. Accordingly, the phenomena of co-opetition have become a new stream of research and its application in several industries and sectors bring diverse insights.

The phenomenon of co-opetition is multilevel that has been studied at different levels in the literature i.e. network level, inter-network level, dyad, and intra-organization level. Moreover, the literature suggests that scholars have applied several lenses to study the co-opetition—for instance, paradox (Chen, 2008; Bengtsson et al., 2016), tension (Fernandez, Le Roy, & Gnyawali, 2014), ecosystem (Daidj & Jung, 2011), business model (Ritala, Golnam, & Wegmann, 2014), and value net (Brandenburger & Nalebuff, 1996). Therefore, co-opetition has been defined in several different ways, though; all the definitions share the basic characteristic of competition and cooperation. Bengtsson and Raza-Ullah (2017) have categories these definitions and perspectives into two schools of thought in co-opetition—that are *"the actor school of thought"* and *"the activity school of thought"*.

The activity school of thought suggests that the activities that are divided between cooperative and competitive parts and not among actors (Bengtsson, Eriksson, & Wincent, 2010). Organizations used to compete in the activities that are close to customers i.e. selling activities and marketing, however, a simultaneous collaboration in activities that are away from the customers i.e. development of material and joint transportation (Bengtsson & Kock, 2000). It is pertinent to note that activity school, unlike the actor school's broader approach, presents a focused view of co-opetition where a principal firm simultaneously cooperates and competes with the same another firm (Gnyawali & Park, 2011).

Therefore, the activity school approach is precise with the same firms in a relationship and does not allow a relationship in which one firm cooperates with another firm and at the same time competes with another firm (Raza-Ullah et al., 2014). Most of the time, the activity school uses the paradox lens (Stadtler & Van Wassenhove, 2016) and tension lens (Fernandez et al., 2014) to study the simultaneous contradiction yet interrelated logic of competitive and cooperative interactions between firms.

The actor school of thought emphasizes that competition and cooperation are divided among different actors of a value net including competitors, customers, and suppliers, etc. These actors work to create a bigger pie in the network by collaborating and then compete for the larger share of that pie (Stamboulis, 2007). It is interesting to note that game theory

frequently serves as the main tool for outcomes prediction given the expected interaction of the actors, choices, and the subsequent effect that is generated through the interaction of cooperation and competition (Pathak, Wu, & Johnston, 2014).

The actor school of thought has been frequently studied at the network level (Bengtsson & Raza-Ullah, 2016)—for example, ecosystems (Daidj & Jung, 2011), egocentric networks (Hong & Snell, 2013), multiparty alliance (Zeng & Chen, 2003), and alliance portfolios (Ritala, 2012). Organizations, therefore, collaborate with some actors e.g. suppliers, and simultaneously compete with other actors that pose a threat to the product or service market, or either makes the market less attractive for a particular supplier (Brandenburger & Nalebuff, 1996). This gives rise to a condition for the network that *"gives rise to a co-opetitive situation, not a co-opetitive interaction"* (Bengtsson et al., 2010, P. 199), it can be inferred that either/or situation put organizations into a situation of either cooperate or compete with other actors in the network (Bengtsson & Raza-Ullah, 2016).

## 2.3 Co-opetitive Drivers

The literature on co-opetition provides several factors that provide the details of push and pull factors that force or motivate the firms to involve in co-opetition relationship with each other. The drivers of co-opetition can be classified into three major categories (partly overlapping) that are internal, external, and relation to specific drivers.

### 2.3.1 Internal Drivers

The internal drivers of co-opetition denote to openness, conduciveness, and a strong internal environment of the firm to create and maintain co-opetitive alliances. Moreover, the internal environment contains specific ambitions towards co-opetition, aspirations to gain particular resources, and capabilities for effective interpersonal results. Gnyawali and Park (2009) argued that firms try to pursue both forthcoming strategic choices and responsive co-opetition strategies—For instance; firms remain in a continuous search for potential opportunities, finding right competitor partners, and similarly pursue those opportunities. Also, the potential risk and perceived vulnerability also push firms to purse co-opetitive relationships. Likewise, the active triggers that drive the Co-opetition formation are firms' good reputation and attractiveness (Ahuja, 2000), co-opetitive mind-set, and experience (Gnyawali & Park, 2011).

### 2.3.2 External drivers

The external drivers that impact the co-opetitive relationship and the intent of the firms refer to environmental conditions that are industry characteristics, the demand for particular technologies, and stakeholders' power and influence. The first condition is related to industry characteristics in the context of co-opetition indicate that most of the co-opetitive relationships occur in concentrated industries (i.e., few large firms dominate the industry), less bountiful (i.e., resource scarcity), and mostly unified (i.e., regulations support the interconnectedness) (Dowling, Roering, Carlin, & Wisnieski, 1996). Also, factors such as the level of growth, an uncertain industry environment, and the industry structure force firms to engage in cooperation with competitors (Chen, 2008). For example, industries such as media, television, and video game console based on the blurred structures and convergence are investigated in the context of Co-opetition (Daidj & Jung, 2011).

The second environmental factor is technological development—certain technological developments are very complex, expensive, and there is always a risk associated with such advancements. There are several studies available that address the co-positive relationships that are formed based on sharing high costs and risks with each other (Gnyawali & Park, 2009), the challenges of the limited product lifecycle (Quintana-Garcia & Benavides-Velasco, 2004), and tackling the complexities of technological advancement and risks using each other's skills and capabilities (Bouncken & Kraus, 2013). For instance, the joint venture of Sony and Samsung (two fierce competitors) demonstrate the ability of the co-opetitive relationship to counter the challenge of massive capital investment, complicated technology, and the advancement of technology standards (Gnyawali & Park, 2011).

Third, the role of a powerful stakeholder or a third party such as the government or a prominent customer might force firms to engage in co-opetition. For example, the regional policymakers in Italy imposed cooperation among three competing opera houses to form an Italian consortium of opera houses (Mariani, 2007). Thus, the government can trigger an imposed co-opetition by introducing policies, reforms, incentives, and the models of subsidies. Moreover, sometimes the powerful buyers also influence the firms to engage in Co-opetition—for instance, Volvo cars exercised its power to create interdependence between two firms those product car seats and other related components to jointly produce the components (Dubois & Fredriksson, 2008). Also, some studies found that the directors

that sit in more than one corporate board also act as a bridge between firms and persuade them for co-opetition (Simoni & Caiazza, 2012).

### 2.3.3 Relationship-specific drivers

The two main characteristics of relation-specific drivers are partner characteristics and the network of relationships. The partner characteristic, as per literature, the best partner alliance might be the strongest competitor (Deming, 1993) as it probably owns the relevant capability and resource. Moreover, partners that hold distinct and complementary resources are more often engage in co-opetition (Luo, Shenkar, & Gurnani, 2008). Further, sometimes partners chase co-opetition to coagulate the collective power to impact the external stakeholders (Luo, 2007). Further, in response to a common rival, airline dyads are more likely to induce strategic alliances (Gimeno & Jeong, 2001). For instance, in the 1980s Ford and Volkswagen formed a strategic alliance to outcompete the common competitor, General Motors (Park & Ungson, 2001).

The second characteristic is associated with a network of relationships and structural interdependencies between firms. Bengtsson and Kock (2000) indicated that these structural characteristics are the basis on which firms compete and cooperate. Therefore, the network structural characteristics highlight the density, coupling, and the relative position of a firm in the network (Ritala & Huizingh, 2014). Moreover, a study has described that how the structural autonomy's role, equivalence and density, and the centrality of the network that influence the competitive dynamics of the network (Gnyawali & Madhavan, 2001).

Further, one more study also demonstrated how factors such as a firm's central position and the structural autonomy in a network positively related to the volume of competitive interactions. For instance, the illustration in an exploratory study by Bengtsson and Kock (2000) in industries of dairy, brewery, and lining indicates that positions of competitors, interconnectedness, and closeness of engagements to customers activate Co-opetition between firms. Furthermore, some studies also propose the social aspects in the network setting—for example, *"interpersonal trust"* and *"reciprocal swap of knowledge"* is one of the primary drivers that impact the willingness of the competitor to cooperate (Tortoriello, Perrone, & McEvily, 2011).

## 2.4 Networks

The business relationships advance a structure that is called a network (Padula & Dagnino, 2007). A network helps organizations to form mutually dependent relationships to govern the style of management and the determination of potential outcomes and behaviors in the network (Bengtsson & Kock, 2000; Peng & Bourne, 2009). It is quite obvious that these network relationships are based on both cooperative and competitive links regarding private and common interests. The forms and shapes of networks are distinct and there is a wide range of concepts that help to define the networks. Brass, Galaskiewicz, Greve, and Tsai (2004) suggested that the nodes and connections between these nodes and links are a useful way to understand the nature and operations of a network. Moreover, the terminology 'nodes' refers to the actors of the key players in any network i.e. people, groups, and organizations itself—the specific collective characteristics can help to determine the nodes. The relationships, followed by, the linkages between those nodes—these links may have two forms i.e. the direct (communication of two organizations with each other) and the indirect (one organization seen as a leader by other organizations).

The illustration of direct links where two organizations communicate with each can be reciprocated in the light of the mutual agreement between them; on the other hand, the particular relationship between two organizations may become asymmetric (unbalanced) making one organization more dependent on the other. In most of the network relationships, the ties of network highlight the existence of a relationship but the importance of strength of those ties is paramount to influence the organizations leading to the establishment of an identity within a network. The stronger the ties between organizations, the stronger will be the relationships, stable, regular communication, and the resilient emotional intensity that lead to a successful continuation of the cooperative relationships between non-profit organizations. In contrast to the stronger ties, factors such as singular exchanges, temporary or indirect linkage, and casual relationships lead to weaker ties between organizations. Therefore, the significance of interactions between organizations is the first step to arrangements of a network and the essential driver for the formation of non-profit relationships (Gulati, Nohira, & Zaheer, 2000).

Furthermore, it is apparent in the last sections that to have a relationship between organizations whether inter-firm or in a network, the relationship needs to be connected using ties or links and it cannot be established and grow in isolation. Therefore, it is suggested that for this study the relationship of non-profit organizations is based on a mutual

agreement and expectations revolve around the social action (Williams, 2005)—moreover, the target network of non-profit organizations for this study is Free and Fair Election Network (FAFEN) that is based on the mutual agreement and expectations of the participating non-profits. Therefore, the type of agreement, intensity, and interactions determine the routines between participating organizations that consequently execute the process of co-opetition (Johnston, Peters, & Gassenheimer, 2006).

The organization literature on co-opetitive relationships in networks is being explained through several theoretical perspectives such as resource-based view (RBV), knowledge-based view (KBV), game theory, and transaction-cost economics. All these theoretical perspectives provide unique positions about forming networks—though, the major emphasis of these perspectives remained on the antecedents and consequences coupled with the issues of governance and structure ignoring the dynamics of the network (Provan & Kenis, 2008). It is essential to understand the organizations collectively form the network and it is equally possible that those organizations may benefit or lose being in a particular network.

As it has mentioned that all the relevant theoretical perspectives about the formation of the network are not fully able to define and explain the network—Ritter and Gemunden (2003) describe the reason behind such a conceptual difficulty to define the network. First, the different methods (qualitative and quantitative) to understand and analyze the interaction between organizations in a network generate different results such as the nature of the network (vertical or horizontal). Time and again, the difference in the use of a particular method and ignoring the advantages and merits of another method is a common practice in academics (Ghisi & Martinelli, 2006). Therefore, these inconsistencies in the research about networks demand an increased focus on network research, particularly, in the context of inter-organizational relationships.

Moreover, the idea to consider a network as a unique form of organization based on considering the network of an economic and social relationship (Borgatti & Foster, 2003) is interesting. The network has been viewed in numerous ways as it has been considered as a unique form of organization, not only this, the actual form of the network is unique based on the agreement and outcomes of the participating organizations, laws of the country where the network is created, and other factors associated with participating organizations. Therefore, it is obvious in the literature that a multitude of definitions exists that creates different meanings based on the nature of the network and the context.

Second, a similar argument is being presented that the difference in research objectives, context, and the nature of the network generate results that are difficult to generalize. For instance, a network of the non-profit that is established in Pakistan consist of more than 700 organization that are coming from different cultural background and languages working for different development issues—join the network with a list of prerequisites and an agreement of membership, within the companies law of Pakistan, and in a particular political situation will have different dynamics compared to a non-profit profit network in Germany. Therefore, it is extremely clear and obvious that literature on the network may have conceptual similarities but it cannot be generalized.

As far as this research is concerned, the main objective is to explore the impact of co-opetitive relationship on fund generation and performance of non-profits in the context of a network of non-profit organizations that cooperate on fund generation activities but compete geographically to offer development services the communities. Therefore, this study will not attempt to define or redefine the inter-organizational networks rather emphasize will be on the utilization and advancement of literature on co-opetitive network of non-profit organizations. Moreover, the non-profit organizations in a co-opetitive network have connection and linkage based on multilateral ties enabling realization and shared purposes.

The relationships between the non-profit organizations in the co-opetitive network are non-hierarchical holding individual autonomy in operations. Further, these non-profit organizations are connected based on information sharing, financial resources, training, expertise, and social support. Therefore, this study solely focuses on the relationships and their significance based on individual responses of participating organizations instead of an exploration of network structure and process.

The term network in this study has been referred to as the "*web of relationships*" between individuals, groups, and organizations that are connected in an exchange of relationships (Weber & Khademian, 2008). The ability of an organization to find an appropriate partner is the main source of organizational relationships, thus, there needs to consider the depth of exchange between organizations to the network. The inter-organizational network can be defined as follows:

*"...a group of legally separate organizations connected with each other through web-like exchange relationships, common or complementary goals, and/or common bonds or social relationships that are sustained over time towards a mutual gain"* (Williams, 2005, p. 223)

The definition given above is suitable and adapted for this study to describe the network as it distinguishes the network from the arrangement of hierarchy governance usually established for organizations.

### 2.4.1 Social Networks

The non-profit organizations, in particular, compared to business organizations, in general, comprise of several horizontal exchanges in a social context. The organizations in a network are commonly dependent on each other for mutual benefits that motivate a social exchange—it can be a cooperation that is a mutually beneficial relationship or a competitive one that indicates an opportunistic approach of an organization (Molm, Collett, & Schaefer, 2006). Moreover, the social character of a network is determined by the direct connection that forms the dual relations (Breiger, 2004).

The examination and advantages of the networks are being perfectly discussed by the extensive theory (Provan, 2008), though, as it has already been explained that the several network perspective generally builds on the notion of exchange in relationships in a social network of relationships instead of unproductive social context (Gulati, 1998). The distinction between the strong and weak ties, a balance between the embedded relationships, and access to those relations at the level of inter-organization to develop trust, open-mindedness, and advancement of new ideas is vital (Granovetter, 1977).

The explained context for inter-organizational relationships provides opportunities for sharing a wide range of inter-links that are beneficial can be termed as a social network. However, one of the earliest and realistic definitions of the social network is *"a set of nodes among persons or organizations which is linked by a set of social relationships of a specific type"* (Galaskiewicz & Marsden, 1978, p. 458). The work of Bengtsson and Kock (2000) on co-opetition in the context of the network has used and extended that given definition as *"the decision to operate or cooperate in a specific product or market area needs to be made with regard to all the competitors' positions and the connectedness between them, as a change in one relationship within the network may affect the competitors' relationships and positions"* (p. 422).

The reference of the definition to point out the importance of embedded relationship in the large context of relationship and change in one element might change the nature of the relationship and positions in the network indicate the sensitivity of exchange relationships. However, the dynamics of social networks may vary and the power of participating organizations within a network may have different results compared to changing competitors' relationships and position. Moreover, the network context characteristics such as the structure and formation of relationships constitute a network. So, one player does not control the network, and the gradual evolution through interactions and exchange relationships shape the identities of the organizations and their interrelationships. Therefore, the execution of the process of competition and cooperation is directly contingent on the type and intensity of interactions and routines between organizations—similarly, the level of pressure exerted on during the whole process (Johnston, Peters, & Gassenheimer, 2006). For instance, Candido and Abreu (2000) studied the formation of networks and stated that besides the general requirements and interests of the participating organizations, the factors such as culture, region, geography, and technology influence the formation of networks.

In my opinion, in the context of non-profit organizations or development organizations, factors such as the nature of the problems and intensity of those problems across different regions are also a significant factor that contributes to the formation of networks. For example, the non-profit network that has been chosen for this study works for the democratic education and accountability with the name of the network Free and Fair Election Network, the participating organizations of the network belong to all over Pakistan to solve the problem such as voters education to the monitoring the elections and parliament. Therefore, alike pure commercial organizations that form a dyad or a network in a co-opetitive relationship based on potential weaker areas of the organizations while non-profit or development organizations form networks or come in a co-opetitive relationship based on the social problems they are addressing.

### 2.4.2 Resource-Based View

The resource-based view (RBV) is based on the idea of heterogeneity of the organization's resources—the theory assumes that organizations seek valuable, rare, and unique resources to gain a competitive advantage (Das & Teng, 2000). The most significant definition regarding the resources of the organization is as *"all assets, capabilities, organizational processes, firm attributes, information, knowledge, each controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness"*

(Barney, 1991, p. 101). Moreover, the distinction between competitive advantage and sustainable competitive advantage has also been made as—the competitive advantage is gained when an organization implements a value creation strategy that no other potential competitor is implementing simultaneously whereas the sustainable competitive advantage is the value creation strategy that no other competitor can duplicate or benefit (Barney, 1991). However, it must not be misunderstood that the life of the sustained competitive advantage does not last forever. Though, it indicates that duplication efforts of competitors cannot contest the sustained competitive advantage. The unexpected changes in the industry environment can make a competitive advantage no longer useful for the organization (Rumelt & Wensley, 1981; Barney, 1986).

The resource-based view emphasizes gaining sustained competitive advantage by the acquisition of heterogeneous, valuable, rare, and unique organizational resources and capabilities (Wernerfelt, 1984; Barney, 1991). It is important to note that the later research studies pose a criticism on the approach to gain a competitive advantage that is solely dependent on the acquisition of resources and capabilities but the role of context and industry dynamics are also important factors that have been acknowledged by the scholars (Barney, Wright, & Ketchen, 2001; Wills-Johnson, 2008). Moreover, it is the control over resources and capabilities that allow the exploitation and not the ownership always (Dyer & Singh, 1998).

The significance of the internet resources and capabilities of an organization is paramount but the impact of market position and external relationship is substantial on competitive advantage (Levinthal & Myatt, 1994). Therefore, an organization needs to have resources to gain competitive advantage but the access to resources that other organizations hold through relationships is vital (Lenz, 1980). Additionally, the recognition of resource-based views as a theoretical paradigm has been acknowledged in the literature of co-opetition and network—particularly, the notion of resources helps to differentiate the overall competencies of business (Ritala, 2012; Freeman, Styles, & Lawley, 2012).

### 2.4.3 Knowledge-Based View

The knowledge-based view (KBV) is an extension of the resource-based view that is differentiated based on knowledge as a resource (e.g., Grant, 1996; Decarolis & Deeds, 1999; Winter & Szulanski, 2001). Moreover, knowledge as a resource is important to obtain and transform other resources (Wernerfelt, 1984). Barney (1991) suggested that organization must have the capability for resource transformation to gain competitive

advantage—moreover; he has offered three distinct characteristics i.e. Historical resolute, socially embedded in the organization, and tacit that make difficult for competitors to copy the resources and capabilities.

It is suggested that resources are tradable and associated with individuals while capabilities cannot be traded and it is not always necessary that these are associated with a sole individual (Foss & Eriksen, 1995). One more proposal about the knowledge-based view as a strategic move indicates that proprietary knowledge of an organization that cannot assist to gain a competitive advantage in a dynamic environment because such knowledge has limited value that corrodes rapidly for the reason that uselessness and imitation (Grant, 1996). Rather, the tacit knowledge that is a non-proprietary knowledge that controls the sustained competitive advantage. Thus, the value of tacit knowledge that is solely associated with the particular organization is the major source of competitive advantage since it is immoveable and unique.

The debate among theorists of the resource-based view and knowledge-based view regarding the value and role of knowledge to obtain competitive advantages is intense—as knowledge-based view proponents argue to differentiate knowledge from other types of resources based on special kind of properties (Kaplan, 2001). For instance, knowledge is not an observable commodity that can be transferred (Spender, 1996), and the tacit knowledge that only transfers from one person to another with a particular context is even stood higher than the general knowledge. Similarly, the opponent theorists of the knowledge-based view criticize that the incompleteness of the KBV theory based on its inability to undertake the contextual, process, and situated view of knowledge and linkage with learning theory and social identity (e.g. Blackler, 1995; Kogut & Zander, 1996; Cook & Brown, 1999). Moreover, the literature also emphasizes on the recognition of the importance of the strategic value of knowledge and whether it can be taken at the organization level rather the individual holders of knowledge retains it (e.g., Chacar & Coff, 2000; Eisenhardt & Galunic, 2000; Gupta & Govindarajan, 2000; Lane & Lubatkin, 1998).

The literature on strategy suggested that knowledge has been viewed as a *"justified true belief"* and the focus remained on the obvious nature of knowledge (Nonaka & Takeuchi, 1995). Additionally, the characteristic of the construct of knowledge is explicit, reducible, and can be transferred easily. This particular view of knowledge is based on the theories that assume that *"knowledge is all about processing information"* and views an organization similar to a machine (Santos & Santos, 1999).

On the other hand, the recent literature on strategy differentiated the tacit and explicit knowledge based on epistemology (Grant, 1996). The knowledge-based view scholars agreed that this also has other names such as how vs. about, subjective vs. objective, and implicit vs. explicit (Spender & Grant, 1996; Simonin, 1999). The major difference between two types of knowledge (tacit and explicit) lay in the process of transferring and instruments to transfer across individuals, time, and space (Grant, 1996). For instance, the tacit knowledge is solely linked to an individual or a firm and very difficult to articulate—can only be transferred through practice and close observation whereas explicit knowledge is based on the ease of communication. The distinction between tacit and explicit knowledge makes knowledge a different kind of organization resource (Kogut & Zander, 1996). Therefore, tacit knowledge that only belongs to particular individuals or organizations makes it a strategic resource that cannot be copied and immovable (Decarolis & Deeds, 1999; Gupta & Govindarajan, 2000).

Interestingly, the literature on co-opetition indicate a gap that knowledge-based view has not been used as a theoretical root, though, the role and importance of knowledge in establishing and maintain the co-opetitive relationships is vital (e.g., Bouncken & Kraus, 2013; Ritala & Hurmelinna-Laukkanen, 2013). In the same context, the desire to learn from competitors to gain valuable knowledge is one of the important drivers of co-opetition (Bengtsson & Kock, 2000). Moreover, the co-opetition relationship offers partnering organizations to develop a common knowledge base using different experiences of organizations to enhance several capabilities (Ritala, 2012). Further, the knowledge spillover/leakage is also considered a shortcoming of co-opetition strategy that negatively impacts the relationship (Cassiman, Guardo, Valentini, 2009). Hence, the literature on Co-opetition is abundant that discusses knowledge as a key resource, though; the application of knowledge-based lens has remained unexplored.

### 2.4.4 Game theory

The adaptation of game theory in the co-opetition literature is common since it provides significant insights to investigate the dynamic interaction between cooperation and competition (Park & Ungson, 2001, Ritala, 2012). Moreover, game theory is most useful in inter-organization relationship to explain the behavior of organizations—particularly, the independent decision making and implementation of decisions allowing organizations to maximize the payoffs in an inter-organizational relationship (Lado et al., 1997).

As it has already been explained that co-opetitive relationships mainly intended to increase the size of a business pie and then compete to divide it up to gain the maximum share—this symbol is a spirit of co-opetition to mutual increase in the total value so that every partner organization may have more compared individually. However, there are opposite views that suggest that collective efforts to gain benefits are uncertain and future-oriented while the opportunistic behavior of an organization to gain benefits is more instant and most of the time concrete. Particularly, this view is most suitable for an organization that has a lack of long term view and the competition is high. Game theory provides interesting insights into the opportunistic behavior of organizations in an inter-organizational relationship.

The prisoner's dilemma is a perfect example of a co-opetitive relationship as partner organizations may behave opportunistically to gain maximum benefits. However, the application of the prisoner's dilemma is a one-shot dilemma game, and it has limitations in the context of the logic of decision making in a multi-shot game. Further, it might not possible to apply in actual business relationships where if one chooses to defect face reputation issues in the business community. Thus, if two or more organizations want to have a long-term productive relationship, they must behave cooperatively (Clarke-Hill, Li, & Davies, 2003).

A multi-shot game or a repeat-game strategy is preferred over other strategies because of emphasizing cooperation norms, communication clarity, proper rules of the game, consequences of different decisions of partners, and defection retaliation (Axelrod, 1984). Therefore, the application of game theory on co-opetition has insights to understand the paradoxes and inter-organization relationships (Child & Faulkner, 1998).

### 2.4.5 Transaction cost economics

Transaction cost economics is another theoretical lens that has been used to study Co-opetition (Silverman & Baum, 2002; Ritala & Hurmelinna-Laukkanen, 2009). The paradigm of transaction cost economics gives insights to understand the foundations of the formation of inter-organizational relationships (Williamson, 1985) and describes the potential conflicts between competitors.

As per the explanation of transaction cost economics, the basis for the formation of cooperation between organizations is to obtain tacit knowledge from others since the nature of tacit knowledge hinders a formal transmission among firms (Ritala, 2012). For instance, the uncertainty of a buyer to purchase a product (value of the product) and if the seller

reveals the knowledge about the value of the product with charging any fee—would reduce the value of the product because the buyer gets valuable information that was not possible otherwise (Madhok, 1997). Therefore, organizations opt to form the strategic alliances to fulfill the objectives of individual organizations—moreover, these alliances are more suitable and profitable when potential collective value outweighs the opportunity costs and when there is a fair allocation of collective value (Jarillo, 1988). However, the alliances that are formed between direct competitors are more likely to fail as per transaction cost theorists (Park & Russo, 1996)—the probable reason for failed alliances between direct competitors is leakage of information (Bresser, 1988) and conflicts on goals. The transaction cost economics perspective emphasizes on the riskiness of the co-opetitive strategy because it is difficult to protect the information from competitors while the opportunistic behavior of the competitors may be more lucrative than alliance relationship.

## 2.5 Fundraising

The concept of fundraising is wide and ambiguous which is directly contingent on the context and the related activities. In a broad term, fundraising or fund development processes to gather and seek voluntary financial contributions through the engagement of individuals, businesses, donors, charitable organizations, and governments. Traditionally, the concept of fundraising was limited to asking for donations from the public in the streets but over a time period, it has taken several different forms such as raising funds online and funding applications to donor organizations.

Fundraising is extremely significant for non-profit organizations for survival and operations—for instance, the operations of non-profit organizations directly depend on the mission and objectives of the particular organization that ranges from athletic, academic, humanitarian, ecological, disasters, human rights, women rights, research, and all social issues. United Nations Development Program emphasized the importance of non-profit and non-governmental organizations (NGOs) for the development and survival of the democratic societies through the improvement of public consciousness raise and activates participation of people in public interests. Moreover, the contribution of these organizations is vital in the cultural life of communities along with the social situations—the social problems that are ignored or out of the scope of the governments are catered by the non-profit or NGOs despite critical problems—these organizations managed to survive.

Over the years, the changing demands for services, crowded market, limited sources of support, socio-economic environment, and the inability of the governments to facilitate the general public—there is an increased need of non-profit organizations with introducing practices from businesses. For instance, the emergence of social entrepreneurship that is a transformation of traditional non-profit organizations now offers their products and services to support their social mission. However, the traditional non-profit and NGOs market pose strong competition due to lack of funds and high costs of funding options e.g. writing grant proposals.

The challenges of limited funds and competition the non-profit and NGOs sector further push these organizations to stick with a single source of funds i.e. local authorities. However, these organizations need to work on their strategic options to gain sustainability in their operations and find new sources of funds. Still, the aim of the non-profit sector is clear that is the establishment of fundraising as a core activity, capacity development, and planning for effective fundraising locally and internationally. It is extremely relevant to mention that non-profit organizations form networks to ensure the regular funds—for instance, the concept of co-opetition that has been extensively applied in businesses organizations as a strategy to cooperate and compete with other partner organizations to gain competitive resources, same applies to non-profit organizations as they come together to facilitate the fundraising activities. Similarly, these organizations work together to make a bigger pie and then compete for the larger pieces of that pie.

### 2.5.1 Funding as a concept

The importance of funds is paramount for every company, organization, or an institute—along with the importance for funds, the emphasize is on the management of the finances that include major management functions i.e. planning, organizing, controlling, and monitoring of financial resources to pursue the objectives of an organization. The significance of these steps is essential and inevitable. As per UNDP (2006), the fundraising has two main ways i.e. opportunistic and strategic—that are explained as follows.

*Opportunistic:* it indicates the fundraising by opportunity—that is associated with certain circumstances of the organization and this is a one-time activity.

*Strategic:* as the name suggests, this kind of fundraising activity is based on the proper planning and the clear goals that an organization wants to achieve. The organization has effectively planned the steps to accomplish the goals and all the subsequent activities are the result of long-term planning.

The literature on non-profits suggest that the NGOs sector has a vital role in the development of the society along with working relationships with government and businesses—moreover, the non-profit and NGOs sector is called the third sector. The importance of this sector is irreplaceable as this engages the volunteers; provides services, supports individuals and groups, contributes to the development of the community, and immune civil life.

It has been discussed that there are two major ways to approach fundraising i.e. opportunistic and strategic—there is a need to comprehend the process of writing project proposals and participation in the competition for funds. This is important because this study is focused on a non-profit network in which all the non-profits participate to strategically generate funds. The proposal writing is essential to apply for a grant program and carry a huge cost to write a proposal e.g. hiring consultants etc.—therefore, every non-profit organization or NGO cannot participate in the funding opportunities. For instance, the strategic approach to fundraising is being initiated with the analysis of the problem and the stakeholders. Later, the process of writing the proposal starts as per the guidelines, standards, and procedures defined by the donors and for that purpose, it is necessary to research donors—that results in the adaptation of the particular donor.

In contrast, the opportunistic approach to fundraising is related to the proposal calls project. The participating organizations analyze the problem in the context of the goals of donors. Next, proposal writing is initiated taking into consideration the goals and the problems. Lastly, the applications for the donor's funds are posted in the final stage.

Non-profits and NGOs must take key steps to identify social problems, produce solutions to those problems, and execute programs to solve those problems—offer unconventional possibilities and solutions to a government with creating suitable conditions for incessant environmental improvements. Additionally, the wide range of expertise of these third sector organizations also comes from the local knowledge and practice. An increasing number of organizations working for the development sector e.g. non-governmental organizations and non-profit organizations is an enormously modern area.

### 2.5.2 Fundraising in the non-profit and NGOs sector

Fundraising is a diverse course of action that directly depends on the plans including but not limited to campaigns, events, and grants, etc.—these courses of actions are used solely or in the combination of each other in overall fundraising strategy (Mutz & Murray, 2010). Before going for the fundraising campaign, any organization must evaluate their existing position and where they want to go—similarly, what are the goals for fundraising.

Then the decision to choose the most appropriate fundraising methods that suit the goals of the organization is made. Usually and most applicable, the non-profit organizations choose more than one fundraising plans and do not overemphasize on a single market—instead, a mix of fundraising plans for different markets is prepared to gain both short-term and long-term funds continuously. For instance, the qualitative fundraising strategy that indicates the desire and efficiency of results—gives emphasis to the incorporation of the basic principles and fundraising types.

As it has been described earlier that there are two basic types of fundraising—opportunistic and strategic, therefore, the recap is to start with a fundraising strategy followed by the basic principles and fundraising objectives—there were defined previously by the organization as goals. Then, the choice of the donor and a program that the organization wants to implement is made. Further, the choice of the donor is a sensitive issue as it primarily belongs to the close circle of the organization and in a wider scope, it covers the long-term cooperation relationship for successful fundraising. It is relevant to mention here that the network of non-profit organizations that have been the case for this study is a prime example of a joint effort to save the cost and resources of all the participating organizations to prepare proposals and finding donors or making long term relationships with donors—instead, a network leader along with the partners make a bigger pie in the form of large grants for projects and distribute to the local non-profit organizations.

It has been traditionally recognized that fundraisers give enormous value to the donor relationships because it is a key to secure major gifts and taking planned programs. Further, the fundraiser-donor relationship is investing more time to develop that relationship and stewardship that reinforce the loyalty of donors to a particular organization. This relationship approach is a successful relationship management strategy to gain significant funds in the form of gifts. However, as the relationship matures between the fundraiser and the donor grow based on the effectiveness of the organization and efficient utilization of the

funds for the purpose. The gifts from donors that are usually without any legal or follow-up contracts communication using email or the verbal cues for small gifts are passable—though, for major gifts, there may be an in personal meetings and solicitations.

It is important to mention here that it is not always possible for small non-profit organizations to approach the donors at international levels—sometimes, the reserve donations for different countries remain unutilized since lack of applications for grants. However, the concept of making a network of non-profits with a huge infrastructure (utilizing all the resources of the partners) make it possible to make relationships with internal donors and not only this, pooling some small resources at the network level to hire professional consultants for proposal writing is a perfect way to get grants. The relationships between non-profit organizations and donors are suggested to be measured using levels of trust, commitment, satisfaction, and power.

*Trust:* it is one of the most important aspects of every relationship and similarly central to a non-profit organization and donor relationship. Accountability is the most vital terminology and practice used in the non-profit sector—if non-profit organizations demonstrate accountability of a satisfactory level then donors will repeat the donations based on the non-profit organization's ability to work efficiently to achieve the goals.

*Commitment:* it is related to the future behavior of a relationship and it is the highest stage where one feels and believes about a relationship that it is worth spending resources and energy to promote and maintain it.

*Satisfaction:* the development of satisfactory relationships with stakeholders is a way to produce valuable long term consequences for the organization.

*Balance of power:* the nature of the relationship between non-profit organizations and donors is a kind of that is misunderstood in the context of power as donors seem more powerful since they are at the giving end. However, it is a fallacy since donors cannot execute the projects with the help of non-profit organizations. Therefore, this relationship is based on equality as a mixed-motive model of fundraising indicates that non-profits also hold a significant amount of power.

The sensitivity of the relationship between organizations and the stakeholders is delicate as the behavior of the organization that conflicts with the wishes of stakeholders can damage the relationship both accidentally or intentionally. Therefore, the efforts of non-profit organizations in maintaining the relationship with donors go beyond just to sustain but

there must be emphasized on the restoration of the past damaged relationship (Waters & Jamal, 2011). There are certain strategies defined in the literature that help non-profit organizations nurture relationships with donors (Waters, 2011).

*Access* refers to a strategy that indicates the involvement and readiness of both parties to reach each other directly in case of any complaints or questions instead of involving a third party to resolve the issues.

*Positivity:* as the name suggests, the positivity strategy promotes the idea of conflict resolution and all associated problems of public relations.

*Openness:* it is also associated with the two previous strategies of access and positivity—as organizations have to be open in communication with the partners to create a climate that is favorable to establish long-term relationships with donors.

*Assurances:* Phenomena that help to assure the participating parties are in a legitimate relationship and ensure the commitment to maintain that relationship.

*Networking:* it is a strategy to develop new relationships with stakeholders and maintain those relationships. Moreover, the concept of Co-opetition promotes the idea of networks in the context of competitors.

*Sharing of tasks:* it promotes the idea of mutual responsibility of the public and organizations to solve the problems.

*Stewardship:* The research of the fundraising opportunity and process is significantly reliant on the elements of stewardship i.e. reciprocity, responsibility, reporting, and nurturing.

*Reciprocity:* the behavior of gratefulness towards all the stakeholders is the obligation of the organization.

*Responsibility:* in the context of fund allocation, it is the responsibility of the non-profit organizations to ensure the proper utilization of the funds that are reserved for specific problems.

*Reporting:* publishing in the form of reports to keep informed the public or the communities about the development efforts for which the grants and funds are sought.

*Nurturing:* the nurturing of relationships with stakeholders and cultivation of the benefits for the organizations requires extra efforts and it also demonstrates reduced potential crises in the future.

## 2.6 Types and Techniques of Fundraising

To develop the capacity of fundraising in non-profit organizations (stated above the usual fundraising process)—it is important to discuss what the types are and techniques of fundraising that are used to generate funds in non-profit organizations. First of all, the trained fundraising staff is necessary that has to be placed in the non-profit organizations, and then the focus to secure the funds become clear using the types and techniques of fundraising. The types of fundraising refer to the nature of the funding opportunities, donations, or grants or appeal type while fundraising techniques refer to the course of action of non-profit organizations to get the money. More fundraising techniques are used to capture a particular type of funds. The literature on fundraising techniques indicates the superiority of one technique over the others as some techniques are more effective compared to others. The insights about the fundraising techniques and their ability to successfully generate the funds are an important parameter for non-profit organizations to identify because the identification ultimately helps them develop their fundraising capacity.

The importance of trained fundraising staff, volunteers, and external fundraising consultant is vital, though; the utilization of these resources depends on the type of fundraising plans. Besides these, the fundraising types for non-profit organizations are numerous and the strategies to achieve those fundraising activities are wide. For instance, there are several strategies that non-profit organizations use to approach the funds that are direct mail donations, online donations, event donations, text donations, peer-to-peer donations, phonation, pledge fundraising, recurring donations, annual campaign donations, planned gifts, major gifts, and capital campaigns (Double the Donation, 2019). The use of these types and techniques of fundraising efforts vary on the success rate and frequency for fundraising. However, this section divides the fundraising types into major four categories i.e. capital campaigns, gifts, sustainable operations, and event fundraising. Moreover, some of the fundraising techniques will also be discussed. Importantly, non-profit organizations use more than one fundraising technique to approach a particular fundraising type to achieve the goals of fundraising.

### 2.6.1 Types of Fundraising

As it has been mentioned earlier that there are several types of fundraising but this section will explain the major four types that are capital campaigns, major gifts, event-based, and sustainable operations fundraising. The purpose and goals of the fundraising are different for each type of fundraising. The reason to represent the types of fundraising is to uncover

the reason why non-profit organizations solicited funds—further, the types of fundraising only define the appeal or donation instead of the process of getting funds. However, fundraising techniques explain the process of getting money.

#### *2.6.1.1 Capital campaign*

The capital campaign is one of the four major fundraising types and it is one of the most commonly used fundraising types for a non-profit organization. This type of fundraising is used to solicit a large number of donations for specific projects of an organization. The terms like donation and appeal are part of and define capital campaigns to raise a large number of funds to meet the capital needs. Rosso (1996, p. 94) defined capital campaign as *"it is an intensive program to raise a large amount of money to meet the capital needs of the non-profit organization. Its purpose is described as asset building because money is raised to improve the organization's asset position for constructing new buildings, re-modelling existing buildings, installing new and expensive technology, increasing the endowment, and so forth".*

Capital campaigns, if properly run, are extremely effective techniques to generate substantial funds for non-profit organizations. One of the most significant challenges in the context of capital campaigns is to sell particular projects to the donor based on the proper utilization of funds in the future. As it has been indicated by Weinstein (2002, p. 155) that *"to conduct a successful capital and endowment campaign, and organization must convince its constituents that the project deserves support—the plan must be visionary, make sense and the project has to be consistent with the organization's mission and strategic long-range-plan".* Moreover, it is, sometimes, difficult for donors to understand how a small donation to a capital campaign will make the difference for a non-profit organization. Therefore, the planning of capital campaigns must be sophisticated to differentiate the special goals and the costs of normal operations of the organization. Since the donors do not usually offer the funds to meet the costs of operations of a non-profit organization and even if they doubt that the funds will be used for operating costs, donors will resist offering funds.

One of the important variables in the success of the capital campaigns is the volunteers' base of a non-profit organization—the chances of success are high if an organization has a resource of volunteers that can be committed to the project if required. The resources required establishing a new office, furniture, building, renovation, or purchase of equipment happens at least once in the lifetime of every organization—the

capital campaign is the usual direction to accomplish this task. The difference between a capital campaign and the other fundraising efforts is *"...for many organizations is the number and the calibre of volunteers that are used"* (Lysakowski, 2005, p. 30). For a successful capital campaign, a non-profit organization must have excellent leadership coupled with the resource of volunteers that must be committed to and willing to see the project through. Moreover, Lysakowski (2005) further emphasizes the importance of knowledgeable and suitable volunteers compared to the number of volunteers for successful capital campaigns. However, in reality with existing realities of unemployment and a bad economic environment, it is always the case that non-profit organizations have a lack of volunteer resources to run an effective capital campaign.

#### *2.6.1.2 Gifts*

Gifts can be categorized as one of the major categories of fundraising that non-profit organizations usually use. Similarly, the fundraising for major gifts is also intended to fulfill the financial requirement for new initiatives or new building—both require a significant amount of money. The fundraising campaign for major gifts is also an appeal or donation that is focused on the potential donors (who can make a substantial contribution to a particular project)—literature indicates that major gift fundraising campaigns are an effective and popular type of fundraising in non-profit organizations. Weinstein (2002, p. 148) further indicated that *"major fundraising encompasses the identification, cultivation, and solicitation of people capable of making significant contributions to a cause. Most often the relationship-nurturing activities and the solicitations are conducted in face-to-face settings".* The reason behind the face to face solicitations for major gifts lies in the potential ability of donors to offer huge donations.

The popularity and effectiveness of the major gift fundraising are obvious from the fundraising reports by different fundraising associations. Interestingly, a large majority of the non-profit organizations seek to have major gifts and over half of these non-profits successfully get those funds. The success rate for major gifts fundraising is higher compared to other types of fundraising—moreover, it largely depends on the commitment and relationship building skills of fundraising volunteers.

#### *2.6.1.3 Event-based fundraising*

As the named suggests, event-driven or special fundraising is another important category for non-profit fundraising that is referred to as a donation or appeal that is made in response to a recent or present event. This funding type is often associated with a situation of disaster or to achieve the new mission of a non-profit that may arise from the disaster situation or identification of new social problems—for instance, situations of floods or earthquakes and subsequent displacement of communities.

Therefore, non-profit organizations try to expand their operations and mission to facilitate those special events and campaigns for fundraising to aid temporarily. For instance, the example of the earthquake of 2005 in Pakistan, and later the floods in 2010—the floods in 2010 hit 14 million people in Pakistan and considered the word floor in the history of the country (BBC, 2010). Research indicates that special or event fundraising is an extremely effective type of fundraising among non-profit organizations but the happening of the special event has a great influence on such type of fundraising and the rate of success.

Hence, the contingent of an event or special fundraising on disasters or special events make this fundraising activity effective, however, such kind of fundraising is not frequent. Further, some non-profit organizations may not have even a single opportunity for special or event fundraising. However, if there is such a situation emerge the non-profit organizations generally benefit the advantage of these opportunities.

#### *2.6.1.4 Sustainable operations fundraising*

The fundraising to sustain the operations of non-profit organizations is the most common type of fundraising that is shaped into an appeal or donation to gain resources that support the daily operations of the organizations. Generally for small non-profit organizations, or sometimes for a medium level of non-profit organizations—the sustainability of the daily operations is quite a challenge and occasionally it becomes difficult to survive. Therefore, non-profit organizations write annual appeals or participate in special events to secure the funds for daily operations. Most of the small non-profit organizations depend on the community contribution or the monthly dinners to pay their monthly bills.

Furthermore, fundraising appeal for sustaining daily operations for non-profit organizations is common. The sustainable operations fundraising appeal is an emotional one that helps to stimulate the donors to help non-profit organizations. Since this type of fundraising is not consistent and cannot be effective in the long run—therefore, a little research is able on this type of fundraising.

It is important to note that small and medium non-profit organizations suffer from funds to sustain their daily operations—thus, co-opetition strategy is a most suitable strategy to form the alliances with medium or large non-profit organizations to not only secure the funds but to gain expertise to improve the operations of the non-profit organizations. Moreover, the concept of social entrepreneurship that emphasizes the utilization of the commercial strategies to generate own money for development sector organizations is gaining popularity especially for small and medium-sized non-profits are more prone to adopt the business models to generate their funds to expand their social mission.

### 2.6.2 Techniques of Fundraising

It is important to mention here that any type of fundraising can be approached with one technique or a combination of the techniques. There are several techniques available that also aligned with the type of fundraising but as the previous section complied with the major types of fundraising—similarly, this section captures the most common fundraising techniques that are used to raise funds.

#### *2.6.2.1 Direct mail*

Non-profit organizations mainly used the direct mail technique to approach the donors and it has been in practice for a long time. The direct mail technique is used to approach all the types of fundraising and has been the most effective and successful. Weinstein (2002) suggest that the direct mail technique serve the functions such as (1) approaching new donors or people who have never donated to a particular non-profit organization (2) insist and encourage the existing donors to increase the donations (3) to re-request the donors who were touched previously or donated earlier but have been silent over a certain period (4) boost the public relations and spread information regarding the mission and performance of the non-profit. Direct mail is also used to apply for grants or mission-specific projects—where a proposal along with the other requirements is sent directly to the donor.

The effectiveness of direct mail techniques to raise funds is also effective because it helps non-profit organizations to contact directly in a personalized way to donors compared to online fundraising techniques. Moreover, the influx of online channels to generate funds also highlights the importance of direct mail. However, it is again associated with the resources i.e. volunteer or specialized fundraising staff to generate successful direct mail fundraising—which is a challenge for small and medium-sized non-profit organizations.

The personalized appeal for fundraising is the biggest advantage of the direct mail fundraising as supported by Weinstein (2002, p. 89) that *"…when fundraising professionals write, the letters should sound as if the appeals are written from one person to another person-not to a group of supporters".* Thus, the appeal letter should be written professionally and an experienced writer should write that appeal.

#### *2.6.2.2 Telephone solicitation*

Telephone solicitation as a fundraising technique is least used by non-profit organizations both based on costs and effectiveness. Since there are new more effective ways to solicit are available, the use of the telephone to reach potential donors is not favorable. The statistics report in the fundraising report of the Association of Fundraising Professionals indicated that more than 80% of non-profit organizations in the USA do not use telephone solicitation and the remaining 20% non-profit organizations that used that technique were only able to raise less than 20% of their annual revenue.

As far as my observation is concerned with the fundraising based on my experience of working with the South Asia Forum for Human Rights, the telephone solicitation was never used by the non-profit organization in Pakistan. There might be several reasons behind such a move but importantly, the confidence level of donors is the main motive for donation and that is not achievable by a telephone call. Further, the social beliefs and the context where the non-profit organization is working also impact the use of the technique to reach to the potential donors. However, telephone solicitation might be a good technique to reach the existing donors or permanent donors—who are more comfortable talking with the fundraising representative. Conversely, the use of telephone solicitation can be extremely frustrating for fundraising volunteers when they contact a large number of non-donors. Similarly, Weinstein (2002) suggested that the low success rate of telephone solicitation demotivates the volunteers.

#### *2.6.2.3 Special event*

It has been discussed in the previous section that a special event is a type of fundraising that is associated with an event such as disaster or special needs of a community temporarily. However, a special event is also a technique that is used in almost all types of fundraising, though; there is conflicting evidence on the effectiveness of this technique among non-profit organizations. Further, the special event fundraising technique is a risky sum-game but on the other hand, the higher the risk higher the returns. The special event's fundraising provides an opportunity for non-profit organizations to raise significantly higher funds but sometimes the well-planned fundraising events fail due to various reasons e.g. outdoor arrangement failure due to bad weather.

Literature indicated some figures that expose the efficiency of the special event fundraising technique. For instance, the monetary costs of special event fundraising techniques usually earnings fifty cents per dollar raised (Herman, 1994). The yield of special event fundraising is low compared to the other fundraising techniques. On the other hand, there are indications that special event fundraising is one of the most effective techniques. Therefore, a good special event fundraising can be evaluated based on *"...income should exceed your expenses by a healthy margin—... the aim should be to earn at least five times the expenses"* (Bray, 2016, p. 25).

## 2.7 Costs of Fundraising

The previous sections on types and techniques of fundraising indicate the complexity of the fundraising activities in non-profit organizations. It has been discussed comprehensively that some non-profit organizations approach capital campaigns while others are more interested in major gifts or special events fundraising. Similarly, non-profit organizations use a single or a combination of different techniques for solicitation such as direct mail, telephonic solicitation, or grant writing. Some non-profits opt for a large number of small contributions while others pursue large contributions of a small number—for instance, non-profits that go for funding from foundations, corporates, or governments look for big funds.

Likewise, some non-profits have professionally trained fundraising staff while some rely on executive directors or CEOs to generate funds. Moreover, some organizations, particularly the small and medium-sized, go for external fundraising professions with the support of volunteers. Lastly, some non-profit organizations approach the affiliates to access their bulk funds—or there are inter-organizational alliances that facilitate each to secure funds. Not only this, some non-profit organizations strategically opt for co-opetition strategy

to make alliances in dyad or networks. The case of co-opetitive relationships is important for the scope of this study as this study is focused on a non-profit network that has a cooperative relationship to tackle the democratic education and accountability issues in Pakistan.

As for the costs of fundraising, it not clear how much a non-profit invests to generate the funds? There are several reasons for this—first; non-profit organizations like other companies have to report their fundraising costs in their annual reports but that information cannot be segregated simply on reporting—for instance, a non-profit does not clearly define the costs of administration and take autonomy beyond the guidelines. Second, non-profits do not report the costs of direct public contributions in fundraising.

Hager, Rooney, and Pollak (2002) have described the three fundraising domains in the context of USA non-profits—that is quite applicable to all non-profit organizations regardless of the origin. Figure 2.1 illustrates the three domains of the fundraising for formal organizations—the inner circle of the figure indicates the formal fundraising operations of non-profit organizations that include the permanent fundraising staff and consultants that work consistently to pursue the fundraising objectives of the organization. The development staff (fundraising staff and consultants) is the full-time representative of the fundraising unit and their salaries and other expenses are reported in the financial statements as fundraising expenses (Hager et al., 2002).

The second domain is the internal operations of the non-profit organization and unlike the first domain—fundraising staff and volunteers do not consider as the development staff instead they are reflected as normal staff members (Hager et al, 2002). It is important to mention that most of the non-profit organizations do not have permanent staff for fundraising activities, though, the administrative and program staff is mainly engaged in the planning of an event, arrangements, and solicitations.

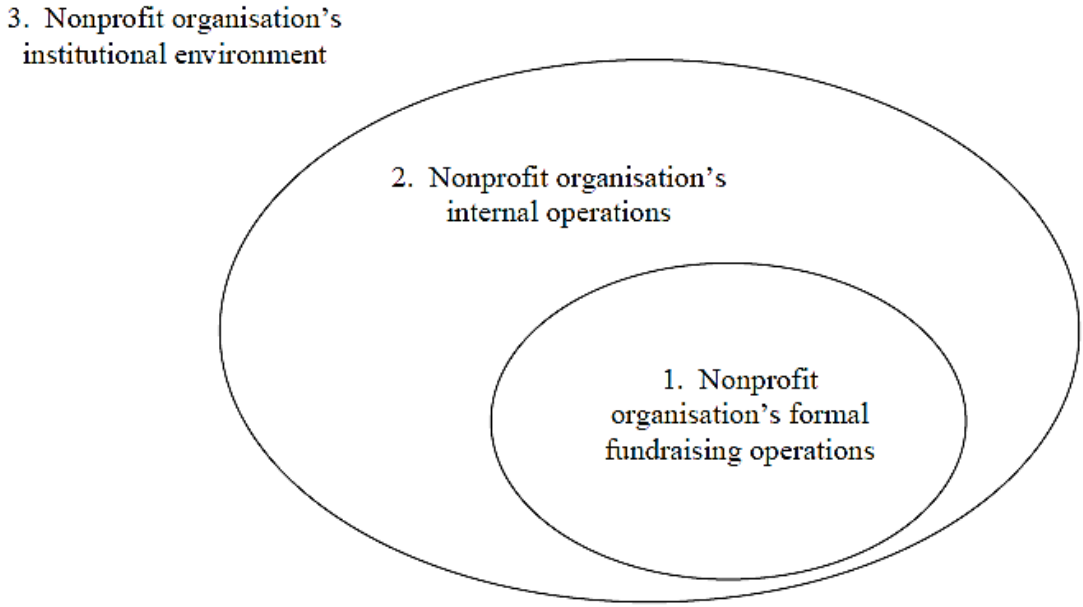


**Figure 2.1 Fundraising Domains of Non-profits**

Source: Hager, Rooney, and Thomas (2002)

The third domain of the fundraising that is numbered as three in the figure refers to the institutional environment. All non-profit organizations whether they have more resources or permanent staff for fundraising or else the non-profit who do have any professional staff for fundraising or no have no resources to hire an external professional—must survive in the institutional environment. Hager et al. (2002) indicated that non-profits exchange resources with other institutes and develop relationships to acquire necessary inputs to carry out the programs. For instance, the institutional environment offers several opportunities to raise funds like hiring a professional fundraising firm. However, the perspective of co-opetition strategy offers another opportunity to collaborate with your competitors with the environment.

The details of the costs of fundraising are out of the scope of this study, however, a comprehensive overview of the potential costs for fundraising is given to prove that non-profit organizations struggle a lot when they do not have enough resources to spend on the fundraising activities. Moreover, these constraints of resources (monetary and human) let many non-profit organizations die and the rest of them work hard for the survival of their existence—meeting development goals is another story. Therefore, co-opetition strategy is

an extremely useful approach for non-profit organizations to better survive and contribute substantially to the development of society.

## 2.8 Performance of Non-profit Organizations

The concept of performance is well-documented in commercial organizations both in academics and practitioners' perspectives (Otley, 1999). However, the debate on measures of performance in the context of non-profit organizations is extensive over the past three decades. Despite the academic interest in the topic—the literature has significant gaps in defining and measuring the performance of non-profit organizations. There is no consensus in the literature to define and measure the performance (Glassman & Spahn, 2012) and there is a great difficulty to operationalize the performance of charitable organizations and non-profits (Stewart & Walsh, 1994). The definition and measurement of the performance of the non-profit is complex because of financial, social, and legal status that is based on the social value make the concept of performance difficult to conceptualize (Kanter & Summers, 1987, Forbes, 1998).

The nature of these organizations is complex and based on multifaceted missions with diverse constituents (Hallock, 2002). Therefore, the performance of these organizations is not reducible to a single measure such as the case of a commercial organization that emphasizes the financial aspects. The performance measurement of non-profit organizations is difficult because no equity stakeholder demands the measurement of the performance (Frumkin & Keating, 2001). Moreover, there is no benchmark for the profitability or the specific outcomes to achieve instead there is an ambiguous notion of mission that exists (Frumkin & Keating, 2001). Further, the lack of an accountability system based on the nature of the ownership and stakeholders' interests is also a contributing factor (Frumkin & Keating, 2001).

Moreover, the validity of the constructs to measure the performance of non-profit organizations is also controversial yet the importance of the measurement is substantively important (Goodman et al., 1983). The measurement of the performance is vital for the survival and growth of non-profit organizations since the donors and society have been showing great interest in accountability. In the same context, Sayer (2004, p. 1) stated that *"unless performance measures are in place it is difficult for the charitable sector as whole or for individual charities in particular to counter criticism for poor management and ineffectiveness".* There has been increasing pressure on charities and non-profit organizations to demonstrate the impact on social problems. Despite the status of tax-

exempted organizations, responsibility, and ethical behavior is expected from donors, governments, and society to achieve the social mission and the public interest.

The evaluators of non-profit organizations' performance have differences upon the reception of performance movement—some accept it with enthusiasm while others receive it with frustration (Newcomer & Brass, 2016). Moreover, the differentiation of "organizational performance" and "effectiveness" is also important to discuss. The term *effectiveness* is defined as *"the ability to reach the desired objective or the degree to which desired results are achieved"* (Tangen, 2005, p. 45). On the contrary, the organizational performance constructs makeup of four major areas that are the financial, social, market, and stakeholder performance. Subsequently, the financial performance address the factors of financial activities e.g. funds raises and expenses while social performance is related to the mission of the non-profit (Willems, Boenigk, & Jegers, 2014). Moreover, stakeholder performance indicates the exploration of new stakeholders, satisfaction of the volunteers and donors, and approval of the society whereas the market performance includes factors such as quality of services and reputation of the organization (Richard et al., 2009).

The measurement of performance of non-profit organizations is important for donors who provide significant resources to function without demanding any financial paybacks and the society who struggle with problems and have high expectations with these organizations to perform. The brief literature on the performance of the non-profit organizations highlights the importance of the measurement and demands a consensus for the formulation of common criteria or a framework to assess the performance.

### 2.8.1 Performance Measurement Conceptualization

With the evolution of technology and sophisticated markets, it has become a necessity for organizations to adopt the knowledge-driven approach. Consequently, the performance measurement construct has become a critical management agenda for organizations. Though, there is a clear distinction for performance measures in lieu of for-profit organizations and non-profit organizations—as for-profits' sole purpose is to generate profits but non-profit organizations have complex reasons that are based on the mission.

However, the popularity of the term *accountability* has been used extensively in the context of non-profits over the years and this has become one of the most important yardsticks for securing funds. Moreover, the governments and foundations have increased emphasis on accountability to push non-profit organizations to demonstrate excellence similar to the for-profit organizations (Moxham, 2009).

There are several performance frameworks developed over the past three decades ranging from a traditional view of measuring the costs and accounting systems to a more balanced view to focus on the long term aspects and not just the short term issues of finance. The contemporary measures, unlike traditional measures, focus on the quality of relationships and interactions with stakeholders instead of typical parameters of success such as revenues brought in or sales. Though, the efforts of non-profit organizations accentuate to improve their performance by evaluation of the funds rose, how many people have been served, growth in membership base, and the number of visitors. Hence, these parameters are important for the measurement of the performance of the non-profit organizations but these are not the only metrics (Sawhill & Williamson, 2001).

The performance measurement frameworks are required that can capture comprehensive and individual performance and suggest transformations for the future accomplishment of the mission (Epstein & Buhovac, 2009). However, as previously discussed in the section of fundraising types and techniques that the size of the non-profit is a sensitive variable not only for approaching the funding but the performance measurement also varies.

The motivation to implement the diverse measures of performance intended to pursue efficiency, accountability, limited resources. Non-profit organizations need to plan the performance measurement starting with a strategy to identify the important areas to improve effectiveness and enhance the ability to deliver their mission. Therefore, the demonstration of non-profit organizations for collective impact on the respective community or a group—it is most likely that donors, corporates, and governments will keep investing in the missions of non-profit organizations.

The reasons behind are exceeding demands of transparency, accountability, and cumulative public scrutiny that are related to the expectations of the stakeholders. Further, the increased focus on impact has been a favorite topic of academics over the past two decades with similar expectations of donors. The literature on performance measurement is categorized into three groups *"proponents", "pragmatics",* and *"skeptics"*—these three groups extensively describe the performance movement. However, the literature indicates diverse findings on performance measurement as there are various constructs.

### 2.8.2 Dimensions of Performance Measurement

Before going into the comprehensive details of the dimensions of performance measurements, it is necessary to mention that a performance measurement plan is divided into three phases i.e. design, implementation, and use of measures. The first stage is most critical as the design laid the foundation for the next two phases (Sillanpaa, 2016).

There are several performance measurement approaches available in the literature that is specifically developed for the non-profit sector. For instance, Kaplan's (2009) *the balanced scorecard for non-profits*, Moore's (2003) *public value scorecard,* and Sowa et al. (2004) *MIMNOE: a multidimensional integrated model of non-profit organizational effectiveness* are widely used frameworks. Lee and Nowell (2014) perfectly describe the combination of perspectives of performance measurement in non-profit organizations along with an illustration that indicates each phase per value generation process. It is pertinent to mention that no framework represents all the phases of performance measurement. Figure 2.2 below is adapted from Lee & Nowell (2014) that illustrate the process of value generation based on the core factors that are associated with the performance measurement of non-profit organizations.

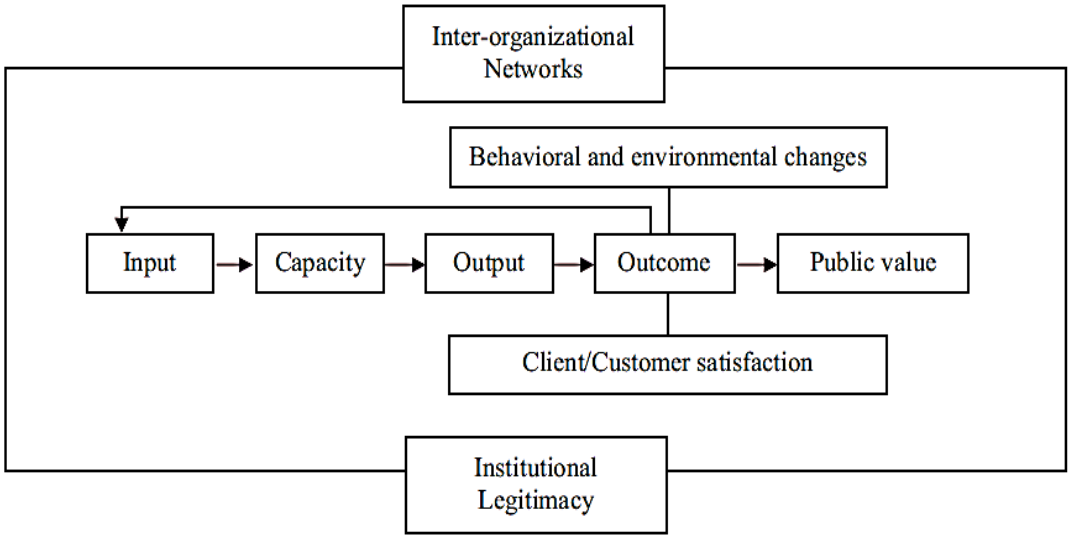


**Figure 2.2: Performance Perspectives of Non-profits**

Source: Lee and Nowell (2014)

The first perspective that is illustrated in the figure is an *input* that indicates the acquisition and utilization of resources to improve the financial health of the organization—that in turn support the activities of organizations (e.g., Beamon, 1999; Kaplan & Norton, 1996; Newcomer, 1997). Then, the acquisition of resources that improve the ability of the non-profit organizations to enhance the offerings of programs and services—this phase is referred to as capacity (Sowa, Selden, & Sandfort, 2004). The third phase is the output that subsequently comes after the acquisition of resources at the first two stages—at this phase, the non-profit organizations produce particular products and services (e.g., Kendall & Knapp, 2000; Poister, 2008).

As it is very clear in Figure 2.2 that the phase of outcomes is divided into two factors i.e. behavioral and environmental changes, and customer satisfaction—the activities of the non-profits, some frameworks, evaluate the behavioral and environmental changes such as the creation of new skills, improvements in conditions, and behavior modification (e.g., Bagnoli & Megali, 2011; Penna, 2011). On the other hand, some frameworks emphasize the satisfaction of the customer as an important near-term outcome (e.g. Median-Borja & Triantis, 2007). Finally, the phase of public value is described as the value created for the community with activities of non-profit organizations (e.g., Moore, 2003). Moreover, some frameworks highlight the importance of relationship management is stakeholders that give a certain level of legitimacy in the respective community is also a critical aspect of non-profit performance (.e.g., Herman & Renz, 2008). Additionally, the perspectives of performance measurement are discussed briefly below.

#### *2.8.2.1 Input*

It has been observed that like for-profit organizations, the public and non-profit organizations are also dominated by the result-oriented performance perspective—ignoring the other corresponding perspectives. On this basis, scholars have proposed that the performance evaluation framework that considers the budget and resource constraint as a work condition for non-profits (Moxham, 2009). Therefore, it can be derived based on this argument that acquisition and utilization of inputs is a key dimension of non-profit performance. Thus, the *input* perspective is based on acquiring and utilizing the resources (Kaplan & Norton, 1996; Kendall & Knapp, 2000) and expenditure (Moxham 2009).

*Acquiring and utilizing resources* address the ability of non-profit organizations to acquire resources to generate value (Lee & Nowell, 2014). There are two popular approaches in this domain—the first approach emphasizes the acquisition and utilization of monetary resources and all over facilities for the preparation and offering of programs and services. For instance, in Beamon's (1999) three-part framework, the resource performance metrics (number of employees, number of hours, surplus funds, and reserves) measure the level of resources that have been used to objectives of the system. Similarly, Kaplan's Balanced Scorecard for non-profit organizations also examines the utilization of resources to develop necessary internal processes (Kaplan & Norton, 1996). The second approach to measure non-profit performance emphasizes on *expenditures* (Cutt & Murray, 2000; Newcomer, 1997). Moxham's (2009) Expenditure-focused measurement is a framework that is particularly used in grants and contract management for public and non-profit organizations.

#### *2.8.2.2 Capacity*

The perspective of capacity development has also been advocated by several scholars and the subsequent evaluation of the same in non-profits (Moore, 2003; Sowa et al., 2004). The dimension of capacity is related to the input perspective, though, the focus of input is on resource acquisition and utilization—the perspective of organization capacity emphasizes on the development of capabilities to generate effective outcomes. So, this dimension indicates the evaluation of how well a non-profit organization has built the organizational structure and the processes for efficient and effective use of resources to achieve the objectives.

Moreover, the development of the capacity to raise the effective delivery of services, innovativeness, and expansion of operations in meeting the needs of stakeholders is also required (Kaplan, 2001). Therefore, the capacity perspective justifies the associated processes to improving the overall performance of the non-profit organization. For instance, the training of the employees, satisfaction of employees, operation capability, and ability of executives to improve the innovativeness indicate high performance. Kaplan (2001, p. 357) has recognized relevant indicators that are *"employee motivation, retention, capabilities, and alignment, as well as information system capabilities".* Further, the building of operations capacity using learning and innovativeness is emphasized by Moore (2003, p. 18) as these can enhance the *"…technologies that convert inputs into outputs, and outputs into satisfied clients and desired outcomes".*

MIMNOE is another framework (Sowa et al., 2004) that with several dimensions emphasizes the capacity of the organization in terms of *"management and program capacity".* MIMNOE, therefore, advocates that properly designed and operation programs that employees, managers, and clients perceive impeccable for operations and design. The focus always remains on the measurement of the performance ignoring the rigorous processes behind. Moreover, it is extremely important to understand the role of management and program capacity that influences the outcomes (Sowa et al., 2004).

#### *2.8.2.3 Output*

The perspective of output is another way for the conceptualization of performance of non-profit organizations which refers to the outcome of activities of non-profits to obtain countable products and services in the context of achieving the organization mission (Berman, 2006; Poister, 2003). Moreover, the perspective of outcome is generally the potential target that contributes to the mission of the organization.

As the term output has always been decided at the first stage of the planning and the sole objective of any activity or a program, therefore, measures of output address whether the activities of the non-profits achieved the particular target (Moxham, 2009). The approach to measuring the output is based on the quantitative measures that evaluate the physical contribution of the non-profit organization such as the number of people served and the frequency of services that have been offered (Moxham, 2009). Consequently, the information of output is analyzed in line with the inputs used to evaluate efficiency and productivity. The measures of output are considered useful and often widely used to analyze the measurements since these measures are easy and cost-effective to monitor compared to other outcomes.

Rossi, Lipsey, & Henry (2018, p. 204) defined the outcome of a non-profit organization as *"...state of the target population or the social condition that a program is supposed to have changed".* Therefore, the ambiguous nature of the outcome has been approached with two different approaches in the literature that are *"behavioural and environmental changes"* and *"customer satisfaction".* These two approaches are differentiated based on different methods used as behavioral and environmental changes focus on the changes in the target community or an environmental condition, while customer satisfaction emphasis on the quality of services. However, service quality is an intangible concept that is measured based on perceptions of customers about the quality of services.

#### *2.8.2.4 Public value*

The importance of public value for the performance of non-profit is paramount and that is the fundamental difference between for-profit and non-profit organizations. The accomplishment of public value illuminates that difference as for-profit organizations intend to achieve profit maximization. The value of a non-profit organization must be evaluated based on its contribution in terms of value to society. The main role of any non-profit organization is to scale the public value (e.g., Moulton & Eckerd, 2012).

The perspective of customer satisfaction focus on the satisfaction of the customer whiles the perspective of public value focus on the outcomes focused on community and serving the broad society. Moreover, the difference between the outcome-based approaches and the public value perspective is that outcome-based measure only focuses on specific program or activity whereas the public value focuses on the global contribution of the non-profit in a particular period.

The discussion on the public value in the context of performance measurement can be framed in a couple of concepts such as *social ambition* (Lee & Nowell, 2014). The ultimate goal to achieve for any non-profit organization is to seek social ambition planed in the mission. Moreover, the social mission or social ambitions cannot be captured in financial terms as Moore (2003, p. 12) stated: *"particular people to be aided in particular ways, or particular social conditions to be achieved through the work of the non-profit firm".* It is pertinent to mention that the size of the organization has been an extremely important variable throughout the operations of a non-profit e.g. starting from fundraising to performance measurement. Regarding the public value, it is obvious that a small level of non-profits will have limited ability to serve society compared to the large organization.

There have been several attempts to operationalize the public value in the context of performance measurement for non-profit organizations, however, these conceptualizations have little consensus (Lee & Nowell, 2014). For instance, Hills and Sullian's (2006) framework for public value measurement indicates the five major dimensions that are further divided into factors that represent a complex construct to measure. Moreover, Moulton and Eckerd's (2012) also offered a complex framework to measure the public value that offers six dimensions. However, the measurement of the public value also varies in the context of the non-profit organizations, expectations of the communities, and consensus of non-profit and the respective community on public value. Therefore, one public value framework might be workable in the USA but not in Pakistan or Afghanistan—

since the expectations and needs of the public and perception of what is value in that point in time are important contextual factors to be considered.

#### *2.8.2.5 Network*

Network as a component of the non-profit organization's performance framework is significant for this study as the target population for this study is a network of non-profit organizations that have been theorized as co-opetition. However, in the context of performance measurement, the networks are conceptualized as the management of relationships with stakeholders and establish a good reputation based on trust and excellence. Further, the issues of legitimacy and network capture all the activities starting from the acquisition of resources, capacity development, and value creations for communities.

The perspective of the network can be broken down into further areas—for instance, the inter-organization network and the effectiveness of the network. Moreover, when an organization is part of a network—its effectiveness also depends on the *"…effectiveness of other organization and people which it is interconnected and the ways in which they interconnected"* (Herman & Renz, 2008, p. 409). Furthermore, the popularity of the network concept is important nowadays due to the requirements of donors like the government give incentives for collaboration to cut costs and duplicate solicitations (Guo & Acar, 2005). Thus the collaborative relationships between non-profit organizations are a vital dimension for non-profit performance measurement. Non-profit organization that has similar social missions can collaborate with others to maximize the capability and resources (Moore, 2003), but the non-profit organizations with diverse social missions may come together to generate resources and capabilities to better serve their missions—for instance, Free and Fair Election Network (FAFEN) in Pakistan is a network of non-profit organizations from diverse sectors but collaborate on some projects.

The second aspect that must be considered in the context of the network perspective is relationships with stakeholders (Lee & Nowell, 2014). The emphasis on the efficacy of non-profit to expand the support is an aspect of non-profit performance (Moore, 2003)—it was referred to the relationships with donors, public legitimacy, relationships with regulators, public reputation, and general credibility in civil society (Lee & Nowell, 2014).

Moreover, in the context of the relationship between organizations in a network, Moore (2003, p. 16) stated that to maintain the sustainability and success of overall strategy *"…managers have to develop and use measures that monitor the strength of their relationship with financial supporters, and public legitimates and authorizers as well as those that record their impact on the world".*

To summarize, this section reviews seven perspectives that portray the performance of non-profit. The first perspective emphasizes to acquire, manage, and utilize the resources in the framework of a challenging environment. Secondly, the capacity perspective focuses on the establishment and strengthening of the internal capacity of the non-profit. The third and fourth perspective that is outcome and output refers to the traditional program evaluation. It is pertinent to mention that these performance measurement perspectives are traditional that has remained on stage for some time but over time, some contemporary frameworks have taken center stage such as behavioral, environmental, and client satisfaction (Lee & Nowell, 2014).

## 2.9 Co-opetition Capability

The literature showed that co-opetition is *"a double-edged sword"* (Bouncken & Kraus, 2013) that has positive and negative performance outcomes (Tidstrom, 2014). However, the literature has mainly focused on individual benefits and the firm's private performance. Though, there are a handful of studies that measured the joint alliance performance. Private performance refers to "those benefits that the focal firm accrues by acquiring partner's skills and applying them to its areas of operations those are unrelated to alliance activities" (Raza-Ullah, 2017). Contrarily, the alliance performance accumulates from *"collective application of the learning that both firms go through as a consequence of being part of the alliance; these are obtained from operations in areas of the firm that are related to the alliance"* (Khanna, Gulati, & Nohria, 1998, p.195).

It is important to note that most of the strategies to manage the co-opetition e.g. governance modes and control mechanisms are relatively general and broad (Raza-Ullah, 2017). However, Raza-Ullah (2017) proposed a unique set of capabilities *"balancing, analytical, and emotional"* for managing co-opetition. For theoretical purposes of this study, these three managing co-opetition capabilities i.e. balancing, analytical, and emotional has been used in the theoretical model of this research. Further, it is important to mention that this research will not test this dimension in the model but suggests the propositions for future studies. A brief description of these dimensions is as follows:

### 2.9.1 Balancing

Ambidexterity serves the basis of balancing dimension of co-opetition capability (Andriopoulos & Lewis, 2009) and allied insights from co-opetition (Gnyawali, Madhavan, & Bengtsson, 2016). Moreover, the extant literature on ambidexterity emphasizes balancing the competing demands i.e. exploitation and exploration using differentiation and integration (Raisch & Birkinshaw, 2008). Fernandez et al. (2014) further suggested separation and integration strategies are interdependent—and there is a simultaneous need in co-opetitive settings. In the same context, Raza-Ullah (2017) suggested that *"balancing capability includes developing and utilizing routines and processes that help managers to deploy, integrate, and balance the simultaneous competing demands"*.

The complex and dynamic co-opetition relationships involve *"ostensive (stable) and the performative (change) aspects"* (Feldman & Pentland, 2003, p.98). For instance, the abstract standard operating procedures that are ostensive aspects of routine may perhaps *"assist managers to allocate competing agendas to several units at the lower levels, (i.e., differentiation or separation)"* (Raza-Ullah, 2017, p.61). Whereas the performative *"aspect of routines (e.g., improvisation of current routines and accommodation of variations) further help to integrate and tackle the demands arising from the varying strengths of the Co-opetition paradox"* (Raza-Ullah, 2017, p.62).

### 2.9.2 Analytical

Recently, scholars on co-opetition suggest that analytical capability "…is the firm's capacity to obtain a clear and accurate understanding of the co-opetition situation" (Gnyawali et al., 2016, p.13). In the same context, Raza-Ullah (2017) proposed that managers' paradoxical mindset is critical since it is a major component that lies at the heart of the analysis of paradoxical situations such as co-opetition. The constructive nature of simultaneously contradictory forces can be seen through the lens of a mindset (Smith & Tushman, 2005)—and these forces are inherent in co-opetition. That is why, it inspires *"exploring the tension in a creative way that captures both extremes"* (Eisenhardt, 2000, p.703) instead of focusing on a particular part of co-opetition i.e. cooperation or competition. Therefore, it is important for managers that have a paradoxical mindset incline to have skills at developing a clear, precise, and holistic view of the demands of Co-opetition and resultantly the tensions. Moreover, the managers must tend to comfortably understand the questions such as why and how the co-opetition contradictions are significant and useful.

### 2.9.3 Emotional

Raza-Ullah (2017) draws from the literature of emotions to propose the emotional dimension of co-opetition capability and a specific alteration to manage emotional ambivalence. Moreover, the emotional dimension of co-opetition capability is specifically related to emotional intelligence (Raza-Ullah, 2017). It is important to mention here that this study directly drawing the conceptualization of co-opetition capability on the theorization of Raza-Ullah (2017) and the emotional dimension is defined as *"the ability to accept, understand, and regulate ambivalently, emotions and their effects"* (Raza-Ullah, 2017, p.62). It has been suggested that literature on the emotional dimension can be divided into three insights—that are *Acceptance, Understanding, and Regulation* of ambivalence.

*Acceptance* refers to embrace the negative and positive emotions as these prompts several understandings about a particular situation that helps to comprehend diverse interpretations—which most likely provide greater understanding. *Understanding*, moreover, refers to *"the ability to make sense of why simultaneous positive and negative emotions like trust and distrust arise, and what would be the consequence if one or both emotions are avoided"* (Raza-Ullah, 2017, p.31). As far as *Regulation* is concerned, it is comprised of strategies such as *"surface acting and deep acting"* (Grandey, 2000). Moreover, surface acting refers to the emotion that is not felt but required in a certain situation. For instance, airline staff always has to smile while treating the passengers even if they are tired or angry with a particular passenger. Further, deep acting, on the other hand, refers to display the felt emotions.

**Table 2.1 Illustrative studies examples**

| Authors | Purpose/Research Question | Theoretical Focus | Explanation |
|---|---|---|---|
| Barnes, Cousens, and MacLean (2007) | Explore the Canadian Sport Policy of regions in Canada. | Integration of sport providers network | It indicated the indicators of barriers that negatively influence the integration based on the need for regions. |
| Bengtsson and Kock, (2000) | How firms manage simultaneous cooperation and co-opetition in business networks | The contradiction of logics of cooperation and competition | Individuals can only exercise one part of the contradictory logic, therefore, it can be divided among the individuals or an intermediating actor can control and regulate. |
| Bengtsson and Raza-ullah (2016) | Literature review | Synthesize the Co-opetition literature | Conceptualize the literature into two schools of thought i.e., activity school and actor school. Further, it derived the drivers, process, and outcomes to form a framework and offer a blended school of thought. |

| | | | |
|---|---|---|---|
| Bengtsson, Raza-Ullah, and Vanyushyn (2016) | How the paradox theory affect the co-opetition?<br>How Co-opetition paradox affect the managers' experience of tensions? | Paradox theory | They propose a theoretical model proposing a positive relationship among co-opetition paradox and external tension that leads to internal tension. Further, it also indicates the Co-opetition capability to help manage the tension. |
| Bouncken and Fredrich (2016) | The alliance orientation and network size and its impact on the knowledge acquisition from competitive partners? | Transfer of knowledge and learning between firms | The hypothesis indicated that there is no significant direct effect of Co-opetition on the in-learning of the firms. |
| Bouncken, Gast, Kraus, and Bogers (2015) | Systematic literature review | Synthesis of Co-opetition literature and a new definition | It critically evaluated the literature and tried to connect to other promising domains, and offer several prospects for future research. |
| Faloye (2013) | How certain factors influence co-opetitive relationships in arts organizations and how these factors influence the co-opetitive relationships. | Co-opetition and inter-organizational relationships | |

| | | | |
|---|---|---|---|
| Gnyawali and Park, (2011) | Why and how Co-opetition occur among large firms? | Co-opetition capabilities | A case of Co-opetition between Samsung and Sony led to influence other giants to form co-opetition for advanced technological developments. |
| Lorgnier and Su (2014) | How to value co-creation helps understand Co-opetition in nonprofit sport tourism networks. | Co-opetition strategies | The Co-opetition strategies in nonprofits and the creation of value at the network level and proposed six strategies for nonprofits. |
| Mariani (2007) | How Co-opetition formed in nonprofit organizations and transformed into an emergent strategy. | Emergent and deliberate strategies | The external environment plays a significant role to trigger the co-opetition. A strategic learning process further intervenes to form co-opetition. Two new concepts i.e., Imposed cooperation and induced Co-opetition introduced. |
| Nagurney, Flores, and Soylu (2016) | How nongovernmental organizations (NGOs) compete for financial funds to facilitate the communities post-disaster. | Generalized Nash Equilibrium | It discussed the constraints of demand for relief items with the example of Hurricane Katrina. |

| | | | |
|---|---|---|---|
| Osarenkhoe (2010) | How complementary nature of co-opetition strategy impact the collective strategies for value creation among organizations | Strategy and managerial leadership | In inter-organizational relationships, managerial leadership and trust among participating organizations are the key success factors for co-opetition. |
| Pellegrin-Boucher, Le Roy, and Gurau (2013) | How inter-firm co-opetitive agreements evolve in the enterprise resource planning industy. | Co-opetition typology and stability | There exist two types of co-opetitive agreements i.e., vertical and horizontal cooperation between competing organizations. |
| Powell, Koput, and Smith-Doerr (1996) | How locus of innovation is found in a network of learning when the knowledge in the industry is complex and dispersed. | Organizational learning in networks | A network approach to organizational learning with time series analysis was conducted that suggested implications for strategic alliances and networks. |
| Ritala (2012) | How co-opetition strategy affect innovation and market performance? | Innovation and market performance | The uncertain market, externalities of the network, and intensity of Co-opetition affect the success of co-opetitive relations. Moreover, Co-opetition is effective for innovation and market performance. |
| Schnitzer, Seidl, Schlemmer, and Petters (2018) | How co-opetition in leisure business affects the local communities. | Intentional Co-opetition | It studied organizations from Tyrol region that were engaged in Leisure Card Tirol (LCT). The reason behind intentional co-opetition was financial survival. |

| | | | |
|---|---|---|---|
| Wemmer et al. (2016) | How co-opetition based open innovation impact the organizational performance of nonprofit sports clubs. | Co-opetition-based open innovation | The collaborative relationships with competitors help exploit external knowledge and it helps nonprofit sports clubs to be competitive in the market. |

# 3 METHODOLOGY AND THEORETICAL FRAMEWORK

The purpose of this study is to develop a theoretical framework to advance the existing understanding of co-opetition in non-profit organizations for effective fundraising activities and consequently its impact on performance outcomes.

The theoretical model is build based on integrated literature on co-opetition, paradox, fundraising, performance, and emotions. The first construct of co-opetition underlies the literature on paradox (Smith & Lewis, 2000) that indicate that co-opetition is a paradox that occurs at the inter-firm level, and serves as the main source of collective fundraising activities of non-profit. The second construct, fundraising activities develop when non-profit alliances come together for acquiring funds from donors or governments. The co-opetition alliances help non-profits to efficiently and effectively approach the donors and to avoid huge expenditures to apply for funding e.g. writing funding applications and analyst fees. Moreover, the third construct of performance refers to the collective and individual achievements and strategic goals and serves as a dependent variable. Further, the performance construct is operationalized as the social and commercial performance of non-profits.

This chapter illustrates the theoretical model, research design, and methodology that for this study. The chapter provides details of the research design, research questions, sample population, sampling procedures, data collection, and instruments.

## 3.1 Fundraising

Based on uncertain events and natural disasters that have taken place in the history and are equally possible in the future—the non-profits, NGOs, and other types of social development organizations have to sufficiently flexible to unforeseen events and make collaborations for humanitarian supply chains (SCs) (Mclachlin & Larson, 2011). Doing so will help them to address the immediate and long-term problems using their scarce resources optimally. For instance, many social development organizations usually express concerns about limited funds to response the problem situations. Moreover, the limited number of donors and other fundraising channels pose fierce competition. Therefore, Co-opetition as a strategy to cater to successful fundraising might be a solution—the Co-opetition strategy helps to achieve mutual benefits (Bengtsson and Kock, 2014).

It is pertinent to note that between years 1982 to 1997, there has been an increase in 72% private contributions in non-profit funding and about a 128% increase in non-profits in real terms (Thornton, 2006). Most of the non-profits that rely on private contributions face extreme competition as fundraising serve the primary mechanism of interagency competition for scarce resources. For instance, non-profit organizations tend to personally visit the donors, writing grants, telethons, and Web sites and email to maximize the funds with limited costs. However, it is also important to note that many non-profit organization managers feel difficulties in forming the resource budget and how much to allocate for fundraising activities.

Furthermore, donors and non-profit organizations feel the positive effects of fundraising. For non-profit organizations, *"the fundraising messages create awareness and attract charitable gifts to specific programs"* (Thornton, 2006, p. 218). On the other hand, donors' messages deliver valuable information about the features of non-profit and help non-profits to reduce the cost of finding the ideal charity. Theoretically, the problem of optimization is a challenge for non-profit managers. Practically, non-profits need to keep fundraising until the last dollar spent returns. However, there is a distinct question that asks whether collective efforts of fundraising by non-profit managers are too much? Generally, altruistic managers prefer the inclusive delivery of charitable output—not only the success of their organization. Therefore, it is important to identify that the activities of fundraising could positively and negatively affect the total charitable output.

Also, it is important to note that sometimes any donor that might have received several solicitations from similar types of charities that can sympathize with the dilemma. The evolution of fundraising technologies and sophistication may increase the probability of overlapping solicitations by identical non-profit organizations. From the non-profit organizations' perspective, it is a lost opportunity if competing non-profits represent multiple solicitations. For instance, instead of reaching new constituents, donors might merely change between charities without any increase in the funding pool. As far as the donors are concerned, the multiple solicitations from identical organizations are signified as a waste of resources. Fundraising is expensive; it can siphon resources that could have been used for better charitable production.

For non-profit managers, it is a puzzling problem if private fundraising decisions lead to an excess of solicitation messages in the market. Consequently, the non-profit managers enter into Co-opetition "where they coordinate for fundraising activities to reduce aggregate fundraising" (Thornton, 2006, p.205). For instance, Trust for Democratic Education and Accountability (TDEA) exercise the broad intention of support organizations with a purpose to coordinate the fundraising activities and suppress wasteful fundraising as a national donor—though, it is unclear whether such actions are beneficial in fundraising and ultimately their impact on the performance of the non-profits. This study approaches the issue systematically and examines the impact of competition between non-profits on fundraising activities—as co-opetition is a unique behavior that combines the cooperation and competition between competitors to achieve maximum mutual benefit. The hypotheses are as follow:

> **$H_1$:** *The strength of co-opetition has a positive effect on the fundraising activities of non-profit organizations.*

### 3.2 Non-profit Organizations Performance

The performance measurement and accountability have become compulsory and urgent for non-profit organizations since the continuously increasing pressure of competition, scarce donors, and other funding sources. Interestingly, the focus of performance measurement remains on public performance reports, measures of financial sustainability—such as donations, expenses, and operating expenses. However, the most efficient and effective way to measure the performance of non-profits depends on how these organizations are successfully meeting the needs of respective constituencies?

There are no commonly accepted measurement tools available to capture non-profit performance (Herman & Renz, 2004; Ritchie & Kolodinsky, 2003). Moreover, it is important to mention that financial indicators i.e. assets and revenues do not completely capture the social mission achievements, whereas, it is very difficult to define and assess the intangible outcomes (public good) of these organizations. Therefore, it is stated that performance is a multi-dimensional construct, and to fully measure the performance levels of a non-profit—dissimilar performance measures are most suitable (Lumpkin & Dess, 1996). The performance of non-profit organizations is comprehensively based on difficult to quantify intangible, that's why some scholars conclude that *"performance measurement for non-profit organizations is extensive but generally inconclusive"* (Kaplan, 2001, p.353).

For this study, the performance of non-profits has been operationalized as social performance and financial performance. A self-report instrument will be adapted from Liu, Takeda, and Ko (2012) to gather the perceived opinions of non-profit managers about financial performance using items such as *"We have been experiencing an increase in revenue"* and *"We have been engaging in more enterprise activities"*. The questionnaire of performance has been emphasized that it is a self-report scale because there might be other ways to measure the performance of any non-profit organization e.g. financial statements, annual reports, or other archives.

Moreover, the self-reported measures can quickly collect responses from a large sample with minimum effort and financial costs. Moreover, the measurement of perceived social performance scale contains items such as *"We have been providing more social services"* and *"We have been serving more beneficiaries in the community"*. The questionnaire was initially developed by Nunnally and Bernstein (1994) ensuring the content validity by testing with a sample of board members. Further, the scale reported the reliability (Cronbach's alpha) ranged from 0.73 to 0.92 (Coombes et al, 2011). The values of Cronbach's alpha in this study improved that it is above 0.82. Further, the convergent validity for performance scale has been measure using average variance extracted (AVE) that has a threshold of 0.50 and above and Table 4.4 indicates that commercial performance has AVE=0.631 and social performance AVE=0.624. The results indicate that there is less variance remained in the error than explained by the construct.

Moreover, the engagement of non-profits in co-opetition or co-opetitive environments refers to cooperate and compete simultaneously with each other (Bengtsson & Kock, 2000)—can consequently provide opportunities to greater non-profits performance i.e. social performance and financial performance. However, it remains unclear whether the non-profit's engagement in co-opetition leads to efficient fundraising activities and may increase the performance of non-profits. The second hypothesis is as follows:

> **$H_2$:** *There is a positive effect of successful fundraising activities on the performance of non-profit organizations.*

### 3.3 Co-opetition Capability

The literature showed that Co-opetition is *"a double-edged sword"* (Bouncken & Kraus, 2013) that has positive and negative performance outcomes (Tidstrom, 2014). However, the literature has mainly focused on individual benefits and the firm's private performance. Though, there are a handful of studies that measured the joint alliance performance. Private

performance refers to *"those benefits that the focal firm accrues by acquiring partner's skills and applying them to its own areas of operations that are unrelated to alliance activities"* (Raza-Ullah, 2017). Contrarily, the alliance performance accumulates from *"collective application of the learning that both firms go through as a consequence of being part of the alliance; these are obtained from operations in areas of the firm that are related to the alliance"* (Khanna, Gulati, & Nohria, 1998, p.195).

—*Balancing*: Ambidexterity serves the basis of balancing dimension of co-opetition capability (Andriopoulos & Lewis, 2009) and allied insights from co-opetition (Gnyawali, Madhavan, & Bengtsson, 2016). Moreover, the extant literature on ambidexterity emphasizes balancing the competing demands i.e. exploitation and exploration using differentiation and integration (Raisch & Birkinshaw, 2008). Fernandez et al. (2014) further suggested separation and integration strategies are interdependent—and there is a simultaneous need in co-opetitive settings. In the same context, Bengtsson et al., (2016) suggested that *"balancing capability includes developing and utilizing routines and processes that help managers to deploy, integrate, and balance the simultaneous competing demands"*. The complex and dynamic Co-opetition relationships involve *"ostensive (stable) and the performative (change) aspects"* (Feldman & Pentland, 2003, p.98). For instance, the abstract standard operating procedures that are ostensive aspects of routine may perhaps *"assist managers to allocate competing agendas to several units at the lower levels, (i.e., differentiation or separation)"* (Raza-Ullah, 2017, p. 61).

—*Analytical*: Scholars on co-opetition suggest that analytical capability *"…is the firm's capacity to obtain a clear and accurate understanding of the Co-opetition situation"* (Gnyawali et al., 2016, p.13). In the same context, Raza-Ullah (2017) proposed that managers' paradoxical mindset is critical since it is a major component that lies at the heart of the analysis of paradoxical situations such as co-opetition. The constructive nature of simultaneously contradictory forces can be seen through the lens of a mindset (Smith & Tushman, 2005)—and these forces are inherent in co-opetition. That is why, it inspires *"exploring the tension in a creative way that captures both extremes"* (Eisenhardt, 2000, p. 703) instead of focusing on a particular part of co-opetition i.e. cooperation or competition. Therefore, it is important for managers that have a paradoxical mindset incline to have skills at developing a clear, precise, and holistic view of the demands of Co-opetition and resultantly the tensions. Moreover, the managers must tend to comfortably understand the questions such as why and how the Co-opetition contradictions are significant and useful.

—*Emotional*: The literature of emotions has been perfectly drawn by Raza-Ullah (2017) to propose the emotional dimension of Co-opetition capability and a specific alteration to manage emotional ambivalence. Moreover, the emotional dimension of Co-opetition capability specifically related to emotional intelligence (Raza-Ullah, 2017). It is important to mention here that this study directly drawing the conceptualization of Co-opetition capability on the theorization of Raza-Ullah (2017) and the emotional dimension is defined as *"the ability to accept, understand, and regulate ambivalently, emotions and their effects"* (Raza-Ullah, 2017, p.62).

**$H_3$:** *Co-opetition capability moderates that relationship between co-opetition and fundraising activities such that non-profit organizations with high levels of co-opetition capability will report a high level of fundraising activities.*

**$H_4$:** *A high level of co-opetition capability is positively associated with high levels of fundraising.*

### 3.4 Theoretical Model

Figure 3.1 demonstrates the theoretical model of this study—that suggests that the Co-opetition in non-profit organizations is advantageous for fundraising activities for non-profit managers, which consequently impact the performance outcome of non-profit organizations. Moreover, the model also depicts a moderating role of co-opetition capability. The theoretical model is build based on integrated literature on co-opetition, fundraising, performance, and emotions.

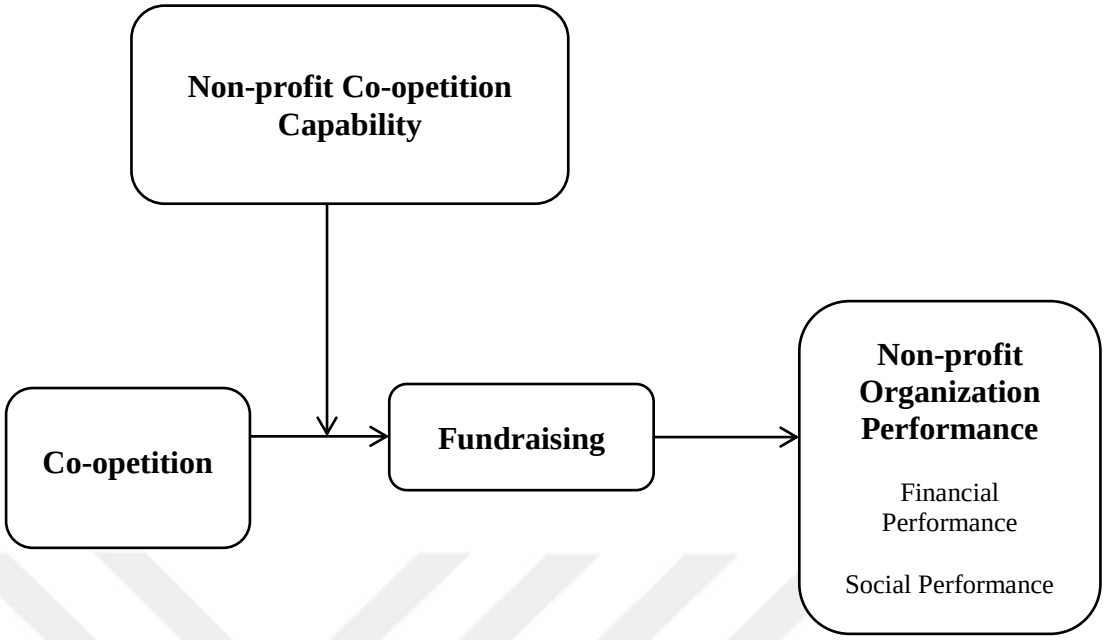


**Figure 3.1: Theoretical Model**

Source: Author

## 3.5 Research Design

There are mainly three main research design choices that are mono, mixed**,** multiple methods (Saunders, Lewis, & Thornhill, 2007). Moreover, the mono method is suitable for singular data collection (quantitative or qualitative) that is combined with the same data analysis procedures. If the data is in the form interviews (qualitative), it will be analyzed using the appropriate qualitative procedures e.g. pattern analysis. However, if the data collection is based on a survey (questionnaire), the corresponding statistical methods will be used to analyze the data.

The multiple methods refer to when a researcher uses more than one method to collect the data of one type. For instance, the use of a quantitative survey coupled with some observational technique refers to quantitative multiple-method. Similarly, the data will be analyzed using statistical procedures. Likewise, the same is true for qualitative procedures. The third design is mixed-method; it is one of the popular methods that use both qualitative and quantitative data collection techniques and subsequent data analysis. For instance, a researcher might start with qualitative data collection along with analysis procedures followed by a quantitative survey and statistical analysis of the same study.

As far as this study is concerned, it has used a quantitative method and used questionnaire survey to collect data from a network of non-profits and Forum for Human Rights Pakistan (FHRP) helped to collect the data and subsequently, the data is analysed using structural equation modelling to address the following research questions:

- How co-opetition affect fundraising activities in non-profit organizations in a developing country?
- How non-profit competitive alliances impact the performance of non-profit organizations in a developing country?
- How co-opetition capability is associated with fundraising activities and non-profit organizational performance?

### 3.6 Research Method—Survey

The study has adopted the questionnaires to measure the stated constructs in the theoretical model—the construct of Co-opetition will be measured through a questionnaire adapted from Raza-Ullah (2017), Co-opetition capability instrument by Bengtsson, Raza-Ullah, and Vanyushyn (2016), and performance outcome is measured using an adapted scale from Coombes et al. (2011). Moreover, the construct of fundraising is operationalized and derived items from the literature.

### 3.7 Sampling

In order to examine the whole population competently and justly, proper sampling is vital. Generally, there are two main kinds of sampling—probability and non-probability sampling. This research investigates the co-opetition in non-profit organizations, its impact on fundraising, and performance outcome. Therefore, the most suitable sample technique is purposive sampling as the study will solely use non-profit organizations and their managers as respondents. Moreover, the study has collected data from a network of non-profits in Pakistan under the umbrella of Free and Fair Election Network (FAFEN). Furthermore, Marshall and Saunders et al. (2007) indicated that purposive sampling aid to select the *"most productive sample"* to answer the stated research objective and questions. Moreover, the study is focused on the co-opetition alliances whether inter-organizational or in a network—therefore, it was necessary to choose those non-profit organizations that are partners of any co-opetitive alliance. The reason behind this is that without a proper selection of the non-profit, it is not possible to measure the construct of co-opetition and thus structural relationships.

It is pertinent to mention that data collection took the longest time in this study as it took more than one year to contact, disseminate, and receive responses. The initial requests for surveys were ignored by non-profits and the process of data collection was unsuccessful. However, the executive director of the Forum for Human Rights agreed to help in data collection and they distributed the survey questionnaires in the annual meeting of the network. Later, the collection of survey questionnaires and compilation of the data was also done by the research staff of the organization. The interest of the FHRP in data collection was the establishment of a data repository and the data will also be in the FHRP repository for further research purposes.

### 3.8 Response Rate

As per the request of the researcher, the Forum for Human Rights Pakistan distributed questionnaires to all of its partner organizations in July 2018—a total of 509 questionnaires were distributed. A response rate of 418 representing 82% was obtained and the entire questionnaires were useable.

### 3.9 The Measurement Scales

The importance of a reliable and valid measurement instrument is vital for every research. The consistency of an instrument is referred to as reliability while validity determines the ability of an instrument to measure what is expected to measure. Thus, an incorrect measurement instrument can misrepresent the conclusions. This study has adapted instruments for three constructs while one construct is being measured by a new scale.

#### 3.9.1 The Measurement Scale for Co-opetition

The application of Co-opetition in the context of inter-organizational relationships is very interesting and it has been at the forefront of several academic studies. The inherent inter-organizational interactions are denoted to the relationships between organizations or in a network within the management literature. The adapted measurement instrument of co-opetition was developed to measure the phenomenon in large commercial organizations (Raza-Ullah, 2017). The instrument has been personally requested from the author and the same instrument has been applied to non-profits in this study. The 10-items scale is as follows in Table. 3.1.

**Table 3.1 Co-opetition scale items**

| |
|---|
| Cooperate intensively in some activities |
| Commit a significant amount of resources and efforts to the collaboration |
| Share a significant amount of knowledge with each other |
| Exchange many ideas on how to improve our capabilities |
| Create new knowledge through close collaboration |
| Compete intensively in some areas |
| Need the same type of knowledge to develop products, services or solutions |
| Cooperate for the same funding opportunities and grants |
| Are major competitors in different areas |
| Respond rapidly to each other's competitive actions |

### 3.9.2 The measurement Scale for Fundraising

Fundraising is a diverse course of action that directly depends on the plans including but not limited to campaigns, events, and grants, etc.—these courses of actions are used solely or in a combination of each other in overall fundraising strategy (Mutz & Murray, 2010). Before going for the fundraising campaign, it is necessary for any organization to evaluate their existing position and where they want to go—similarly, what are the goals for fundraising. Then the decision to choose the most appropriate fundraising methods that suit the goals of the organization is made. Usually and most applicable, the non-profit organizations choose more than one fundraising plans and do not overemphasize on a single market—instead, a mix of fundraising plans for different markets is prepared to gain both short-term and long-term funds on a continuous basis. Therefore, the construct of fundraising is being measured by the 7-items scale presented in Table 3.2.

**Table 3.2 Fundraising scale items**

| |
|---|
| Produces the expected results |
| Reduces costs of fundraising |
| Generates revenues or customer references that met our expectations |
| Enables a high-quality solution based on an integration of both companies' technologies, resources and/or expertise |
| Reduces time to market for launching products, services or solutions |
| Generates new customers, products or services |
| Contributes to our core competencies and competitive advantage |

### 3.9.3 The measurement Scale for Performance

The concept of performance is well-documented in commercial organizations both in academics and practitioners' perspectives (Otley, 1999). However, the debate on measures of performance in the context of non-profit organizations is extensive over the past three decades. In spite of the academic interest in the topic—the literature has significant gaps in defining and measuring the performance of non-profit organizations. There is no consensus in the literature to define and measure the performance (Glassman & Spahn, 2012) and there is a great difficulty to operationalize the performance of charitable organizations and non-profits (Stewart & Walsh, 1994). The definition and measurement of the performance of the non-profits are complex because of financial, social, and legal status that is based on the social value make the concept of performance difficult to conceptualize (Kanter & Summers, 1987, Forbes, 1998).

The measurement instrument to measure the performance of social entrepreneurs has been adapted from Coombes et al (2011) that was developed to measure the entrepreneurial performance of non-profit broads. The 8-items measurement scale is presented in Table 3.3.

**Table 3.3 Performance scale items**

| |
|---|
| **Commercial** |
| Experiencing an increase in revenue |
| Engaging in more organizational activities |
| Achieving customer satisfaction |
| Expanding organization activities to different locations |
| **Social** |
| Providing more social services |
| Serving more beneficiaries in the community |
| Expanding social service to different locations |
| Bidding government (or its funding bodies) grants for enterprise activities |

### 3.9.4 The measurement Scale for Co-opetition Capability

The literature showed that Co-opetition is *"a double-edged sword"* (Bouncken & Kraus, 2013) that has positive and negative performance outcomes (Tidstrom, 2014). However, the literature has mainly focused on individual benefits and the firm's private performance. It is important to note that most of the strategies to manage the Co-opetition e.g. governance modes and control mechanisms are relatively general and broad (Raza-Ullah, 2017).

However, Raza-Ullah (2017) proposed a unique set of capabilities *"balancing, analytical, and emotional"* for managing Co-opetition. The instrument has been personally requested from Raza-Ullah (2017) and the same instrument has been applied to non-profits in this study. The construct of Co-opetition capability is a second-order latent construct with three factors and 18-items demonstrated in Table. 3.4.

**Table 3.4 Co-opetition capability scale**

| |
|---|
| **Analytical** |
| We understand why it is beneficial to both cooperate and compete |
| We identify the suitable areas of cooperation and competition |
| We quickly determine which factors can cause relationship instability |
| We acknowledge the constructive nature of contradictory forces |
| We identify and select the right firm to engage in such relationships |
| **Executional** |
| We act proactively to balance cooperation and competition |
| We both exploit the opportunities and manage the risks effectively |
| We and the other firm provide feedback to each other |
| We contribute to our partner's knowledge without risking our own core competences |
| We have routines to filter the information that we give to other firms so that important information is protected |
| We balance the contradicting demands without jeopardizing the common objectives |
| We have an organizational culture that supports working with conflicting demands |
| We develop alternative strategies to deal with changing demands of such relationships |
| We have established routines and processes to pursue conflicting demands |
| **Emotional** |
| We understand why complex or ambivalent feelings such as trust and distrust arise |
| We accept and allow the simultaneous existence of contradictory feelings |
| We embrace rather than avoid conflicting emotions |
| We understand that positive and negative feelings are inherent in such relationships |

# 4 DATA ANALYSIS AND FINDINGS

The estimation of the theoretical model provides empirical results of the relationships between indicators and the construct (measurement model) as well as the relationships between constructs (structural model). The use of empirical procedures helps to compare the theoretical framework (measurement and structural models) with reality using the collected data. Simply, it helps to determine the goodness of fit of theory and data.

There is a systematic process that helps to review and evaluate the results of SmartPLS software[1]. Though, there are structural equation modelling (SEM) analysis is based on two approaches that are covariance-based SEM (CB-SEM) and partial least square SEM (PLS-SEM) and both use different software to analyze the data. It is important to note that there are several rules of thumbs that help researchers to use the right technique. For this study, I have used PLS-SEM with SmartPLS software because the theoretical model is intended for the prediction of target constructs with a couple of second-order constructs—specifying a complex measurement model. Moreover, the data has not been evaluated for normality since PLS-SEM does not condition the normality. Therefore, the SmartPLS software has been used for the analysis of the theoretical model in this study.

The maximization of variance explained or $R^2$ adjusted of the endogenous latent variables is the goal of PLS-SEM—further, the quality of the evaluation focus on the metrics of the model's predictive capabilities. As far as the measurement model is concerned, the most important metrics are reliability, convergent validity, and discriminant validity. For the structural model, the important metrics are $R^2$ adjusted, *f*-square, and examination of structural path coefficients. Moreover, similar to CB-SEM, the PLS-SEM now also provides some goodness-of-fit such as Standardized Root Mean Square (SRMR), Chi-square, and Normal Fit Index (NFI) but these are not recommended to be reported since these measures are not reliable yet (SmartPLS, 2019). Therefore, the PLS-SEM systematically evaluates the measurement model and structural model differently. The initial focus is on the assessment of the measurement model the provide estimates of reliability, the validity of the constructs, and loadings and significance of indicators.

[1] One month trial version 3.2.8

## 4.1 Measurement Model

As it has been briefly described above that the assessment of the measurement is the first step to proceed to the structural model for assessing the path relationships of the theoretical model. The purpose of the measurement model is to assess the composite reliability, internal consistency, indicator's reliability, and average variance extracted (AVE) for convergent validity. Moreover, the discriminant validity can be assessed using the Fornell-Larcker criterion, cross-loadings, and the Heterotrait-Montrait (HTMT) correlation ratio. This section illustrates figures and tables addressing the criteria for the assessment of the reflective measurement model.

### 4.1.1 Internal Consistency Reliability

The first criterion to evaluate the measurement model is *internal consistency reliability* and the traditional measure is *Cronbach's alpha*—that indicates the estimation of the inter-correlations of the observed indicator variables. The number of items on a scale is a sensitive condition for estimation of *Cronbach's alpha* and it generally inclines to underestimate the internal consistency reliability. Therefore, it is considered a conservative measure of internal consistency reliability. Hence, the internal consistency reliability has to be measured with some other measures such as *composite reliability*—that undertake the outer loadings of the indicator variables to calculate. The evaluation of the measurement model using SmartPLS software provides values for *Cronbach's alpha* provided in Table 4.1 and composite reliability in Table 4.2. Table 4.1 provide the estimated values of reliability based on the inter-correlations of the observed indicator variables. The Cronbach's alpha values ranges in 0 to 1 with higher values indicating higher reliability—thus, the values for this study given in Table 4.1 indicate high reliability as the values range from 0.80 to 0.88. Thus, the constructs used in this study qualify the reliability on the basis of Cronbach's alpha.

**Table 4.1 Cronbach's Alpha**

| | Cronbach's Alpha |
|---|---|
| Analytical capability | 0.801 |
| Commercial performance | 0.845 |
| Co-opetition | 0.877 |
| Emotional capability | 0.852 |
| Executional capability | 0.897 |
| Fundraising | 0.871 |
| Non-profit Co-opetition capability | 0.853 |
| Performance | 0.827 |
| Social performance | 0.838 |

The values of *composite reliability* range between 0 and 1 with an explanation as higher the value higher the levels of reliability. The values of composite reliability, specifically, acceptable in the range of 0.60 to 0.70 in exploratory research and the advanced stage of research might indicate a satisfactory value between 0.70 and 0.90 (Hair et al., 2016). Therefore, the values of constructs for this study illustrated in Table 4.2 indicate high composite reliability as the values range from 0.80 to 0.90. Accordingly, all the constructs of this study succeed the internal consistency reliability.

**Table 4.2 Composite Reliability**

| | Composite Reliability |
|---|---|
| Analytical capability | 0.801 |
| Commercial performance | 0.845 |
| Co-opetition | 0.864 |
| Emotional capability | 0.851 |
| Executional capability | 0.897 |
| Fundraising | 0.870 |
| Non-profit Co-opetition capability | 0.860 |
| Performance | 0.827 |
| Social performance | 0.839 |

### 4.1.2 Convergent Validity

Convergent validity indicates the degree *"to which a measure correlates positively with alternative measures of the same construct"* (Hair et al., 2016, p. 127). The indicators of the reflective construct are treated different but all attempt to measure the same construct based on a sampling model. Thus, the respective indicators of a construct must converge and have

a high proportion of variance (Hair et al., 2016). The evaluation of the convergent validity of reflective constructs based on the outer loadings of the indicators and average variance extracted (AVE).

Higher the outer loadings of a construct are an indication of the more in common between indicators that the particular construct capture. Moreover, the values of the outer loadings are also called the reliability of the indicators. The minimum standard for any indicator to qualify is the statistical significance because it is possible for an indicator that has higher outer loading to be statistically insignificant—the general rule of thumb of an outer loading is 0.708 or higher (Hair et al., 2019). Figure 4.1 illustrates the measurement model outer loadings and Table 4.3 presents the outer loadings along with each indicator. It is important to note that some outer loadings are below the general rule of thumb that is 0.709 but research in social sciences frequently uses the loadings below 0.70 (Hulland, 1999; Hair et al., 2016).

Moreover, it has been suggested that it is not appropriate to straightway remove the indicators when the outer loadings are below 0.70 instead the examination of the effect on composite reliability and content validity of the construct must be evaluated (Hair et al., 2016). Further, if the outer loadings of indicators are between 0.40 and 0.70—these indicators must be removed if there is a significant effect on the composite reliability and removal must not damage the content validity. Furthermore, the indicators with outer loadings less than 0.40 should be removed (Bagozzi, Yi, Philips, 1991; Hair et al., 2013). It is pertinent to mention that the measurement model for this study was analyzed initially and found the construct of Co-opetition three indicators with low outer loadings e.g. coopt1 0.494, coopt5 0.360, and coopt9 is 0.459. However, the removal of these three indicators doesn't make any significant difference in the results. Therefore, the indicators retained expect to coopt 5 *"create new knowledge through close collaboration"* which has extremely low loading—the deleted item has no impact on the model. The initial model illustration is available in appendix1 for reference.

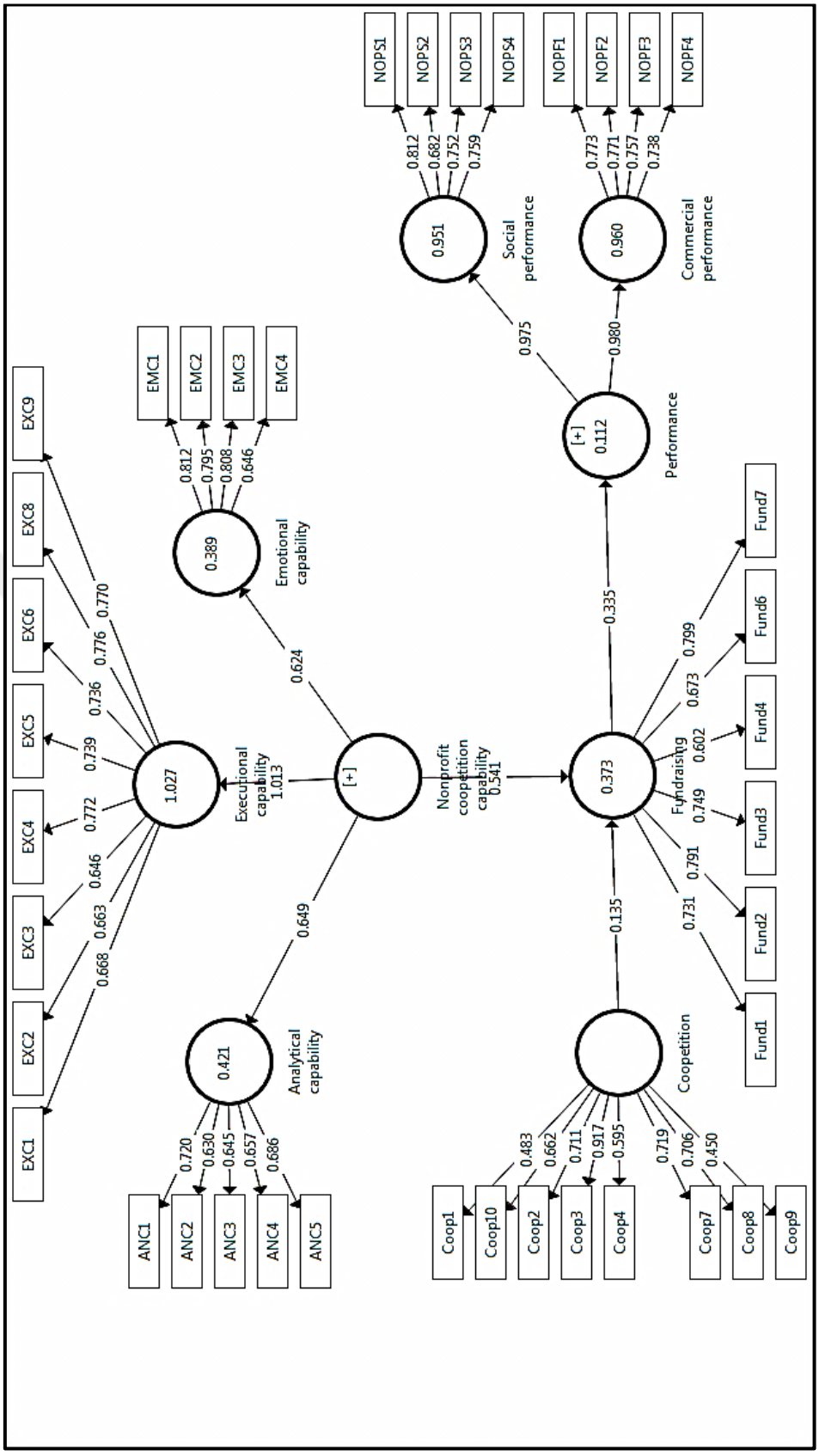


**Figure 4.1 Measurement Model**

**Table 4.3 Outer Loadings of Reflective Indicators**

| Reflective Indicators | Outer Loadings | T Values | P Values |
|---|---|---|---|
| Coop1 <- Co-opetition | 0.483 | 4.173 | 0 |
| Coop10 <- Co-opetition | 0.662 | 6.326 | 0 |
| Coop2 <- Co-opetition | 0.711 | 7.597 | 0 |
| Coop3 <- Co-opetition | 0.917 | 10.852 | 0 |
| Coop4 <- Co-opetition | 0.595 | 5.401 | 0 |
| Coop7 <- Co-opetition | 0.719 | 7.492 | 0 |
| Coop8 <- Co-opetition | 0.706 | 7.394 | 0 |
| Coop9 <- Co-opetition | 0.45 | 3.803 | 0 |
| EMC1 <- Emotional capability | 0.812 | 19.531 | 0 |
| EMC2 <- Emotional capability | 0.795 | 17.405 | 0 |
| EMC3 <- Emotional capability | 0.808 | 16.351 | 0 |
| EMC4 <- Emotional capability | 0.646 | 11.082 | 0 |
| ANC1 <- Analytical capability | 0.72 | 13.398 | 0 |
| ANC2 <- Analytical capability | 0.63 | 11.245 | 0 |
| ANC3 <- Analytical capability | 0.645 | 9.6 | 0 |
| ANC4 <- Analytical capability | 0.657 | 11.907 | 0 |
| ANC5 <- Analytical capability | 0.686 | 11.863 | 0 |
| EXC1 <- Executional capability | 0.668 | 22.608 | 0 |
| EXC2 <- Executional capability | 0.663 | 22.173 | 0 |
| EXC3 <- Executional capability | 0.646 | 21.004 | 0 |
| EXC4 <- Executional capability | 0.772 | 33.515 | 0 |
| EXC5 <- Executional capability | 0.739 | 26.053 | 0 |
| EXC6 <- Executional capability | 0.736 | 29.591 | 0 |
| EXC8 <- Executional capability | 0.776 | 37.246 | 0 |
| EXC9 <- Executional capability | 0.77 | 35.003 | 0 |
| Fund1 <- Fundraising | 0.731 | 14.454 | 0 |
| Fund2 <- Fundraising | 0.791 | 15.672 | 0 |
| Fund3 <- Fundraising | 0.749 | 15.611 | 0 |
| Fund4 <- Fundraising | 0.602 | 10.158 | 0 |
| Fund6 <- Fundraising | 0.673 | 12.92 | 0 |
| Fund7 <- Fundraising | 0.799 | 16.842 | 0 |
| NOPF1 <- Commercial performance | 0.773 | 31.484 | 0 |
| NOPF2 <- Commercial performance | 0.771 | 31.636 | 0 |
| NOPF3 <- Commercial performance | 0.757 | 28.587 | 0 |
| NOPF4 <- Commercial performance | 0.738 | 23.506 | 0 |
| NOPS1 <- Social performance | 0.812 | 34.057 | 0 |
| NOPS2 <- Social performance | 0.682 | 19.989 | 0 |
| NOPS3 <- Social performance | 0.752 | 24.296 | 0 |
| NOPS4 <- Social performance | 0.759 | 25.671 | 0 |

The average variance extracted (AVE) is a measure to establish the convergent validity of a construct and it is equal to the commonality of a construct (Hair et al., 2016). The same logic that has been used for the individual indicators applies to AVE—a value of 0.50 or higher suggests that half of the variance is being explained by the construct on average. Similarly, the value below 0.50 suggests that more variance remains in the error than explained by the construct. Table 4.4 indicates the AVE values that were calculated manually, the values for 2nd order constructs are given based on first-order factors. It is important to note that the AVE value for the co-opetition construct is close but less than 0.5—however, the construct of co-opetition qualifies all other reliability and validity measures. Therefore, AVE of less than 0.5 and greater than 0.4 can be accepted as the composite reliability of the construct is 0.846 and the convergent validity of the construct is adequate (Fornell & Larcker, 1981).

**Table 4.4 Average variance extracted (AVE)**

| | **AVE** |
|---|---|
| Analytical capability | 0.446 |
| Commercial performance | 0.577 |
| Co-opetition | 0.430 |
| Emotional capability | 0.590 |
| Executional capability | 0.523 |
| Fundraising | 0.529 |
| Social performance | 0.567 |

### 4.1.3 Discriminant Validity

There are several ways to determine the discriminant validity of reflective constructs such as cross-loadings and the Fornell-Larker criterion. However, the recent research critically evaluated the performance of these techniques and indicated neither approach reliably address the discriminant validity issues (Hensler, Ringle, & Sarstedt, 2015). Particularly, the use of cross-loadings when applied to a perfectly correlated construct failed to indicate the lack of discriminant validity—therefore, it is ineffective for empirical research (Hair et al., 2016). Likewise, the ability of the Fornell-Larcker criterion also show poor results when the indicator loadings of a particular construct have slight differences e.g. 0.60 to 0.80—even if there is a wide difference between the indicator loadings, the performance of the Fornell-Larcker criterion does not improve significantly (Hair et al., 2016; Voorhees, Bradv, Calantone, & Ramirez, 2016).

For that reason, Heterotrait-Monotrait ration (HTMT) of the correlation is suggested by Henseler et al. (2015)—HTMT is *"the ration of the between-trait correlations to the within-trait correlations…it is mean of all correlations of indicators across constructs measuring different constructs relative to the mean of the average correlations of indicators measuring the same construct"* (Hair et al., 2016, p. 133). Therefore, it is a measure that estimates the true correlation between two constructs and it is also referred to as *disattenuated correlation*. There is a debate on the threshold level of HTMT but 0.90 is considered a threshold value (Henseler et al., 2015) with a condition that if the path model contains conceptually similar constructs. Therefore, a value above 0.90 would indicate a lack of discriminant validity, however, a more conservative threshold level is recommended as 0.85 (Henseler et al., 2015). A bootstrapped PLS algorithm with 5000 random subsamples generated the results of this study as Table 4.5 presents HTMT of the correlation of path model constructs.

Table 4.5 indicates the HTMT of the correlation of path model constructs biased corrected results with lower and upper bounds of the 95% confidence interval (2.5% and 97.5% labeled in the table). Table 4.5 indicates that neither of the confidence intervals includes the value of 1 and the conservative threshold of 0.85 supports the discriminant validity of all the constructs. Therefore, the HTMT confidence interval indicates in favor of the discriminant validity of all the constructs.

To conclude the assessment of the measurement model for this study, the goal was to ensure the reliability and validity of the constructs and indicators so that they can be used for further analysis of the structural model (path model). All the results illustrated above that helped to ensure the threshold for reliability and validity of the constructs and presented in the form of a summary in Table 4.6. It is clear from the results that the constructs of the theoretical model for this study qualify for further PLS-SEM analysis that is estimating the structural relations of these constructs in the next section. It is important to note that the AVE value for the co-opetition construct is close but less than 0.5—however, the construct of co-opetition qualifies all other reliability and validity measures. Therefore, AVE of less than 0.5 and greater than 0.4 can be accepted as the composite reliability of the construct is 0.846 and the convergent validity of the construct is adequate (Fornell & Larcker, 1981).

**Table 4.5 Heterotrait-Monotrait Ratio (HTMT) Confidence Interval Biased Corrected**

| Reflective Constructs | Original Sample (O) | 2.50% | 97.50% |
|---|---|---|---|
| Commercial performance -> Analytical capability | 0.214 | 0.123 | 0.318 |
| Co-opetition -> Analytical capability | 0.244 | 0.131 | 0.366 |
| Co-opetition -> Commercial performance | 0.286 | 0.172 | 0.395 |
| Emotional capability -> Analytical capability | 0.15 | 0.078 | 0.254 |
| Emotional capability -> Commercial performance | 0.253 | 0.147 | 0.355 |
| Emotional capability -> Co-opetition | 0.304 | 0.194 | 0.412 |
| Executional capability -> Analytical capability | 0.292 | 0.185 | 0.405 |
| Executional capability -> Commercial performance | 0.29 | 0.175 | 0.401 |
| Executional capability -> Co-opetition | 0.351 | 0.239 | 0.461 |
| Executional capability -> Emotional capability | 0.286 | 0.175 | 0.392 |
| Fundraising -> Analytical capability | 0.402 | 0.285 | 0.515 |
| Fundraising -> Commercial performance | 0.261 | 0.137 | 0.382 |
| Fundraising -> Co-opetition | 0.354 | 0.236 | 0.465 |
| Fundraising -> Emotional capability | 0.364 | 0.246 | 0.468 |
| Fundraising -> Executional capability | 0.478 | 0.364 | 0.573 |
| Non-profit Co-opetition capability -> Commercial performance | 0.368 | 0.253 | 0.476 |
| Non-profit Co-opetition capability -> Co-opetition | 0.439 | 0.329 | 0.544 |
| Non-profit Co-opetition capability -> Fundraising | 0.606 | 0.494 | 0.702 |
| Performance -> Analytical capability | 0.247 | 0.147 | 0.354 |
| Performance -> Co-opetition | 0.345 | 0.23 | 0.455 |
| Performance -> Emotional capability | 0.3 | 0.196 | 0.401 |
| Performance -> Executional capability | 0.35 | 0.232 | 0.461 |
| Performance -> Fundraising | 0.334 | 0.197 | 0.458 |
| Performance -> Non-profit Co-opetition capability | 0.438 | 0.315 | 0.552 |
| Social performance -> Analytical capability | 0.184 | 0.09 | 0.303 |
| Social performance -> Commercial performance | 0.396 | 0.27 | 0.504 |
| Social performance -> Co-opetition | 0.272 | 0.155 | 0.387 |
| Social performance -> Emotional capability | 0.233 | 0.126 | 0.345 |
| Social performance -> Executional capability | 0.276 | 0.16 | 0.389 |
| Social performance -> Fundraising | 0.28 | 0.15 | 0.408 |
| Social performance -> Non-profit Co-opetition capability | 0.34 | 0.223 | 0.453 |

**Table 4.6 Summary of Assessment Results of Measurement Model**

| Latent variable | Indicators | Convergent Validity | | | Internal Consistency Reliability | Discriminant Validity |
|---|---|---|---|---|---|---|
| | | Loadings | AVE | Composite Reliability | Cronbach's Alpha | |
| | | **>0.40 <0.70** | **>0.50** | **0.60-0.90** | **0.60-0.90** | **HTMT confidence interval does not include 1** |
| **Co-opetition** | Coop1 | 0.483 | 0.430[2] | 0.864 | 0.877 | *Yes* |
| | Coop10 | 0.662 | | | | |
| | Coop2 | 0.711 | | | | |
| | Coop3 | 0.917 | | | | |
| | Coop4 | 0.595 | | | | |
| | Coop7 | 0.719 | | | | |
| | Coop8 | 0.706 | | | | |
| | Coop9 | 0.45 | | | | |
| **Fundraising** | Fund1 | 0.731 | 0.529 | 0.87 | 0.871 | *Yes* |
| | Fund2 | 0.791 | | | | |
| | Fund3 | 0.749 | | | | |
| | Fund4 | 0.602 | | | | |
| | Fund6 | 0.673 | | | | |
| | Fund7 | 0.799 | | | | |
| **Performance (social)** | NOPF1 | 0.773 | 0.567 | 0.839 | 0.838 | *Yes* |
| | NOPF2 | 0.771 | | | | |
| | NOPF3 | 0.757 | | | | |
| | NOPF4 | 0.738 | | | | |
| **Performance (commercial)** | NOPS1 | 0.812 | 0.577 | 0.845 | 0.845 | *Yes* |
| | NOPS2 | 0.682 | | | | |
| | NOPS3 | 0.752 | | | | |
| | NOPS4 | 0.759 | | | | |
| **Co-opetition capability (emotional)** | EMC1 | 0.812 | 0.590 | 0.851 | 0.852 | *Yes* |
| | EMC2 | 0.795 | | | | |
| | EMC3 | 0.808 | | | | |
| | EMC4 | 0.646 | | | | |
| **Co-opetition capability (analytical)** | ANC1 | 0.72 | 0.446 | 0.801 | 0.801 | *Yes* |
| | ANC2 | 0.63 | | | | |
| | ANC3 | 0.645 | | | | |
| | ANC4 | 0.657 | | | | |
| | ANC5 | 0.686 | | | | |
| **Co-opetition capability (executional)** | EXC2 | 0.663 | 0.523 | 0.897 | 0.897 | *Yes* |
| | EXC1 | 0.668 | | | | |
| | EXC3 | 0.646 | | | | |
| | EXC4 | 0.772 | | | | |
| | EXC5 | 0.739 | | | | |
| | EXC6 | 0.736 | | | | |
| | EXC8 | 0.776 | | | | |
| | EXC9 | 0.77 | | | | |

[2] AVE of less than 0.5 and greater than 0.4 can be accepted as the composite reliability of construct is 0.846 and the convergent validity of the construct is adequate (Fornell & Larcker, 1981).

## 4.2 Structural Model Assessment

The evaluation of the measurement model confirmed the reliability and validity of the measured constructs—therefore, it indicates the continuation of analysis to the structural model. The analysis of the structural model asses the path relationships and examine the predictive capability of the model. Similar to the assessment of the measurement model, there is a systematic process to evaluate the structural model—that first step is to evaluate the collinearity issues of the structural model. Hair et al. (2016) explained that the reason behind evaluating the collinearity issues is the use of OLS regression for each latent endogenous variable on the conforming precursor constructs in estimating path coefficients in structural models. Similar to the regular multiple regression, there might be issues of collinearity among predictor constructs that can produce biased results for path coefficients.

It is important to mention that examination of the structural model using the PLS-SEM *"estimates the parameters so that the explained variance of the endogenous latent variable(s) is maximized"* (Hair et al., 2016). There is a difference between the PLS-SEM and the CB-SEM, as the later estimate the parameters based on the difference between covariance. Therefore, the CB-SEM reliance on the covariance matrix using the theoretical model is close to the sample covariance matrix. Therefore, most of the goodness-of-fit measures (e.g. chi-square and others) that the CB-SEM uses are estimated on the base of the difference between two covariance matrices (Hair et al., 2016). So, these goodness-of-fit are not transferable to the PLS-SEM because *"the method seeks a solution based on a different statistical objective when estimating model parameters (i.e., maximizing the explained variance instead of minimizing the difference between covariance matrices)"* (Hair et al., 2017, p. 207).

Therefore, the PLS-SEM assesses the structural model based on heuristic criteria (predictive capability of the model determines it) instead of goodness-of-fit. Thus, these criteria do not test the overall goodness of the model fit like CB-SEM rather the assessment is based on how well it predicts the endogenous construct (Sarstedt et al., 2014; Hair et al., 2016). The recommended criteria to assess the structural model in PLS-SEM are path coefficient and there size and significance, $R^2$ adjusted, and *f*-square. However, there are some newly proposed PLS-SEM based model fit measures but those are at early stages of development and are not recommended to report (Hair et al., 2016; SmartPLS, 2019). The next sections provide results from a structural model based on model estimation and the bootstrapping routine using SmartPLS software.

The t-statistics of the structural model with path relationships between latent constructs are illustrated in Figure 4.2. For instance, Co-opetition explains fundraising, similarly, fundraising explains the construct of performance—moreover, there is one moderating variable non-profit Co-opetition capability to explain the fundraising and there is an interaction term added. Therefore, it is necessary to evaluate the collinearity issues between each set of predictor variables. Moreover, the second-order latent variables i.e. performance and non-profit Co-opetition capability need assessment as well. Table 4.7 presents the variance inflation factor (VIF) values of constructs and Table 4.8 illustrates the VIF values of indicators to ensure the collinearity.

**Table 4.7 VIF Latent Constructs**

| **Latent Constructs Inner VIF** | AC | CP | EC | EXC | F | P | SP |
|---|---|---|---|---|---|---|---|
| Co-opetition | | | | | 1.227 | | |
| Fundraising | | | | | | 1 | |
| Moderating Effect 1 | | | | | 1 | | |
| Non-profit Co-opetition capability | 1 | | 1 | 1 | 1.227 | | |
| Performance | | 1 | | | | | 1 |

Table 4.7 above illustrates the variance inflation factor values that are helping to detect the multicollinearity in regression analysis—it is a condition where there is a correlation between two predictors. The presence of VIF values beyond the threshold level adversely affects the results of any study. The threshold VIF value of tolerance to assess the indicators and constructs are consider critical if the values are below 0.20 and higher than 5. As both tables illustrate the inner and outer VIF values for indicators and constructs, all the values meet the threshold VIF and there are no critical issues of collinearity in this study. It is important to mention that the VIF values for constructs are only for the predictors and their respective response constructs—moreover, the construct of non-profit Co-opetition capability and performance are second-order reflective constructs and their lower order constructs form the first order (i.e. social performance (SP) and commercial performance (CP) forms the construct of performance—thus, VIF values are reported as the performance is the being predicted by SP and CP).

**Table 4.8 VIF of Indicators**

| Indicators | VIF | Indicators | VIF | Indicators | VIF | Indicators | VIF |
|---|---|---|---|---|---|---|---|
| ANC1 | 1.59 | EXC1 | 1.844 | Coop1 | 1.916 | NOPF1 | 1.962 |
| ANC1 | 1.674 | EXC1 | 1.907 | Coop10 | 1.598 | NOPF1 | 1.936 |
| ANC2 | 1.599 | EXC2 | 1.639 | Coop2 | 1.771 | NOPF2 | 2.152 |
| ANC2 | 1.619 | EXC2 | 1.67 | Coop3 | 1.562 | NOPF2 | 2.146 |
| ANC3 | 1.413 | EXC3 | 1.684 | Coop4 | 1.469 | NOPF3 | 1.876 |
| ANC3 | 1.534 | EXC3 | 1.732 | Coop7 | 1.862 | NOPF3 | 1.858 |
| ANC4 | 1.538 | EXC4 | 2.617 | Coop8 | 1.955 | NOPF4 | 1.746 |
| ANC4 | 1.582 | EXC4 | 2.641 | Coop9 | 1.611 | NOPF4 | 1.715 |
| ANC5 | 1.522 | EXC5 | 2.328 | Fund1 | 1.946 | NOPS1 | 2.107 |
| ANC5 | 1.547 | EXC5 | 2.38 | Fund2 | 1.737 | NOPS1 | 2.046 |
| EMC1 | 2.171 | EXC6 | 1.713 | Fund3 | 1.838 | NOPS2 | 1.725 |
| EMC1 | 2.275 | EXC6 | 1.825 | Fund4 | 1.748 | NOPS2 | 1.721 |
| EMC2 | 1.959 | EXC8 | 2.442 | Fund6 | 1.781 | NOPS3 | 1.821 |
| EMC2 | 2.073 | EXC8 | 2.461 | Fund7 | 1.973 | NOPS3 | 1.803 |
| EMC3 | 1.794 | EXC9 | 2.455 | | | NOPS4 | 1.81 |
| EMC3 | 1.84 | EXC9 | 2.47 | | | NOPS4 | 1.783 |
| EMC4 | 1.87 | | | | | | |
| EMC4 | 1.903 | | | | | | |

The calculations of the PLS-SEM consistent bootstrapped algorithm with 5000 subsamples generate results that help to evaluate the structural model. The path coefficients of the path relationships between latent variables of this study are also generated through the same process (Hair et al., 2016). The standardized values of the path coefficients have a range of -1 and +1—the values of the path coefficients fall in this bound. Moreover, the closer the value of the path coefficient to +1 indicates the stronger positive relationship and vice versa. Therefore, if the value of the path coefficient is close to 0, it means the weak relationship and very low values indicate an insignificant relationship.

Moreover, the bootstrapping procedure enables to compute the *t*-values of the path coefficients along with the *p*-values—these values help to conclude the statistical significance of the relationship. Further, the significant of the t-statistic is also depends on the degree of freedom that is commonly use critical values for *"two-tailed tests are 1.65 (significance level = 10%), 1.96* (*significance level = 5%), 2.57 (significance level = 1%) whereas the critical values for one-tailed tests are 1.28 (significance level = 10%), 1.65 (significance level = 5%), and 2.33 (significance level = 1%)"* (Hair et al., 2016, p. 211). As

far as this study is concerned, a two-tailed test with a critical value of 1.96 (significance level = 5%) has been used. The modeling window with *t*-values is illustrated in Figure 4.2 below and Table 4.9 presents the path coefficients of the latent variable relationships.

**Table 4.9 Path Coefficients**

| Hypothesized Path | Standardized Beta | T Values | P Values |
|---|---|---|---|
| Co-opetition -> Fundraising | 0.126 | 2.251 | 0.024 |
| Fundraising -> Performance | 0.335 | 4.784 | 0.000 |
| Moderating Effect 1 -> Fundraising | -0.183 | 1.459 | 0.145 |
| Non-profit Co-opetition capability -> Fundraising | 0.545 | 8.384 | 0.000 |

Table 4.9 and Figure 4.2 illustrate the path coefficients estimated by PLS-SEM refer to standardize beta coefficients which are similar to the regression analysis. The value of beta indicates the significance of the path relationship and is used to test the hypothesis—the beta specifies the expected variation in the endogenous construct for change in a unit of the exogenous construct. The given coefficient beta is calculated on the base of hypothesized relationships that are obvious in Figure 4.2. Moreover, it has already been explained that not only the greater the value of beta, the greater will be the significance of the relationship but also hypothesis testing and the significance of beta verified through the value of t-statistics and p-value. Moreover, Table 4.10 and Table 4.11 illustrate the values of $R^2$ adjusted and *f*-square respectively.

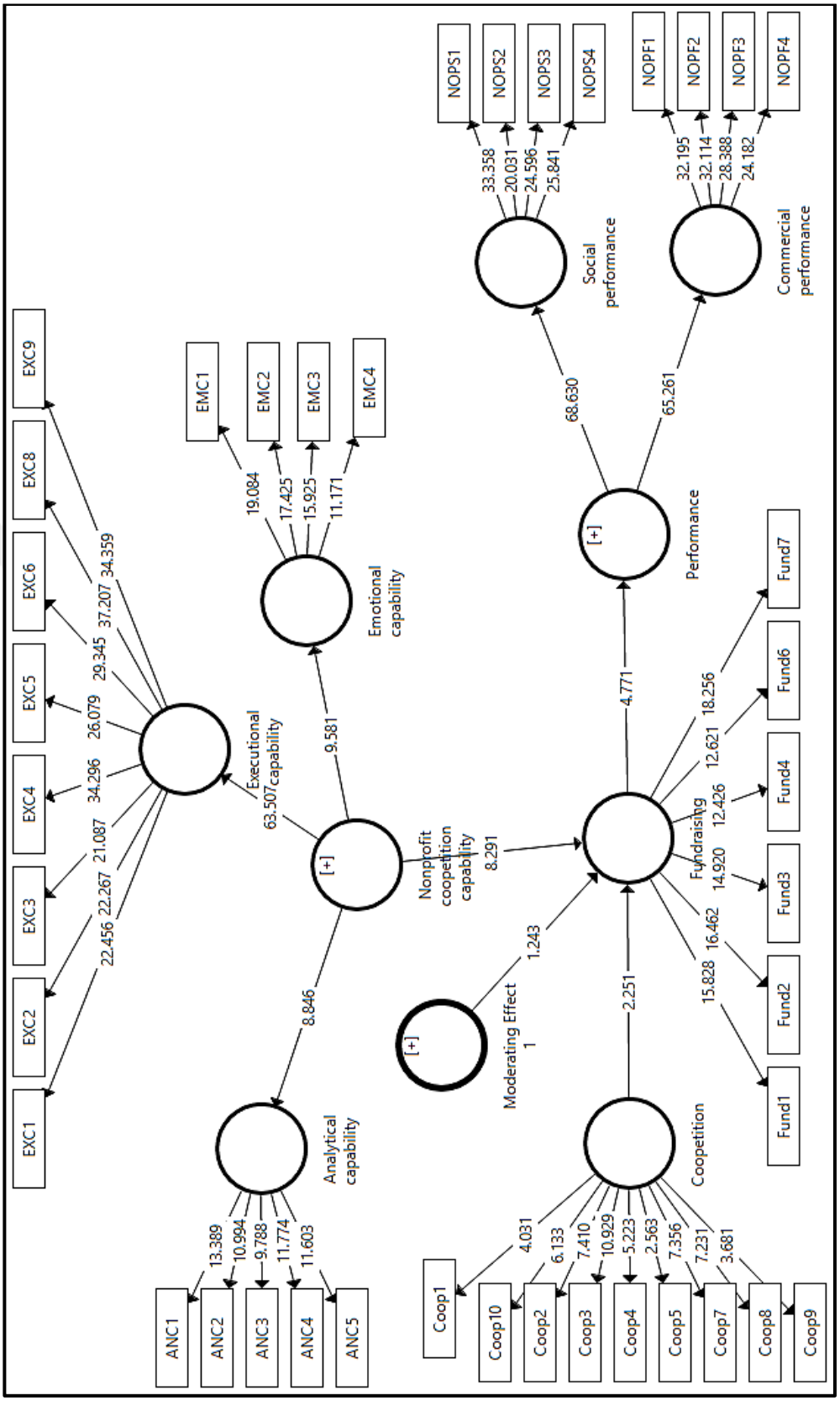


**Figure 4.2: Structural Model**

## 4.3 Hypothesis Testing

The theoretical model is build based on integrated literature on Co-opetition, paradox, fundraising, performance, and emotions. The first construct of Co-opetition underlies the literature on paradox (Smith & Lewis, 2000) that indicate that Co-opetition is a paradox that occurs at the inter-firm level, and serves as the main source of collective fundraising activities of non-profit. The second construct, fundraising activities develop when non-profit alliances come together for acquiring funds from donors or governments. The Co-opetition alliances help non-profits to efficiently and effectively approach the donors and to avoid huge expenditures to apply for funding e.g. writing funding applications and analyst fees. Moreover, the third construct of performance refers to the collective and individual achievements and strategic goals and serves as a dependent variable. The hypotheses of the study are as follows:

**$H_1$:** The strength of the co-opetition has a positive effect on the fundraising activities of non-profit organizations.

**$H_2$:** There is a positive effect of successful fundraising activities on the performance of non-profit organizations.

**$H_3$:** Co-opetition capability moderates the relationship between Co-opetition and fundraising activities such that non-profit organizations with high levels of Co-opetition capability will report a high level of fundraising activities.

**$H_4$:** A high level of Co-opetition capability is positively associated with high levels of fundraising.

Figure 4.2 demonstrates the structural model of this study—that suggests that the Co-opetition in non-profit organizations is advantageous for fundraising activities for non-profit managers, which consequently impact the performance of non-profit organizations. Moreover, the model also depicts a moderating role of Co-opetition capability. The first hypothesized path and the **H1 indicate that the strength of the co-opetition has a positive effect on the fundraising activities of non-profit organizations**—which is supported as *Co-opetition -> Fundraising* has coefficient beta = 0.126, t-value = 2.251, p-value 0.024, $R^2$ adjusted = 0.401, and *f*-square = 0.022. The results are supported empirically as a business environment that encompasses competitive dynamism and uncertainty push companies

(non-profit or for-profit) to form inter-organizational cooperation to gain fundraising advantages, improved growth, acquisition of resources, capabilities, and share risk.

One of the recently emerging strategies for making and managing inter-organizational relations is cooperating with the competitors (Powell et al., 1996). Interestingly, the literature shows that over 50% of all the cooperative relationships are formed between competitors (Bengtsson & Raza-Ullah, 2016; Harbison & Pekar, 1998). These alliances facilitate firms to both cooperate and compete to gain the co-opetitive advantages (Dagnino, 2007) and other benefits such as cost reduction, minimizing risks, and uncertainties (Luo, 2007b). Moreover, the co-opetitive alliances help to set new industry standards (Gnyawali & Park, 2011), enable entry to new markets (Wu, Lua, Slotegraaf, & Aspara, 2015), and aid greater performance (Lado, Boyd, & Hanlon, 1997).

Based on the insights from Co-opetition literature from commercial sectors, the results of this study further endorse the application of the concept of Co-opetition in the non-profit sector. Moreover, the Co-opetition strategy in the form of a network of non-profit organizations is successfully achieving the fundraising goals. However, the effect size of Co-opetition on fundraising is small as *f*-square = 0.022 referred to Table 4.11 (Hair et al., 2016). It might refer to an in-depth study on the reasons for the co-opetitive relationships between organizations in a network—a better understanding of the objectives behind the strategic alliance may enhance the empirical evaluation.

$R^2$ (coefficient of determination) adjusted is a commonly used measure to evaluate the structural model and this also helps to evaluate the predictive power of the model. The coefficient indicates the combined effects of exogenous latent constructs on the endogenous latent construct. Therefore, the $R^2$ adjusted only refers to the effect sizes of endogenous latent variables and there are only two endogenous latent variables in this study. Table 4.10 illustrate the coefficient of determination for fundraising and performance. The value of $R^2$ adjusted for fundraising is 0.401 which indicates a moderate amount of variance explained in fundraising—two exogenous latent variables affect the fundraising in the model are Co-opetition and non-profit Co-opetition capability. However, performance is only explained by one variable that is fundraising.

**Table 4.10 $R^2$ Adjusted**

| | $R^2$ Adjusted |
|---|---|
| Fundraising | 0.401 |
| Performance | 0.110 |

The formula that SmartPLS software used is as follows:

$$R^2_{adj} = 1 - \left(1 - R^2\right).\frac{n-1}{n-k-1}$$

This study and the empirical results provide evidence of the co-opetitive alliances is non-profit organizations that might be labeled as the intertype competitors which involve in several cooperative efforts such as fundraising, sharing of informal information, sharing of ideas, fund development, and absolute mergers. For instance, a formal permanent alliance that took place in the form of a merger in the USA where San Diego Symphony and Opera, The Aspen Ballet and Santa Fe Festival Ballet, and The Philadelphia Orchestra and Philadelphia Pops came together (Kirchner, 2016).

Fundraising is extremely significant for non-profit organizations for survival and operations—for instance, the operations of non-profit organizations directly depend on the mission and objectives of the particular organization that ranges from athletic, academic, humanitarian, ecological, disasters, human rights, women rights, research, and all social issues. The challenges of limited funds and competition the non-profit and NGOs sector further push these organizations to stick with a single source of funds i.e. local authorities. However, these organizations need to work on their strategic options to gain sustainability in their operations and find new sources of funds. Still, the aim of the non-profit sector is clear that is the establishment of fundraising as a core activity, capacity development, and planning for effective fundraising locally and internationally.

It is extremely relevant to mention that non-profit organizations form networks to ensure the regular funds—for instance, the concept of the Co-opetition that has been extensively applied in businesses organizations as a strategy to cooperate and compete with other partner organizations to gain competitive resources, same applies to non-profit organizations as they come together to facilitate the fundraising activities. Similarly, these organizations work together to make a bigger pie and then compete for the larger pieces of that pie.

The second hypothesis 2 has predicted that **H2 there is a positive effect of successful fundraising activities on the performance of non-profit organizations**. Table 4.9 represent the *H2* the relationship of fundraising and performance and report results as *Fundraising -> Performance* coefficient beta = 0.335, t-value = 4.771, p-value = 0.000. The results indicate that there is a significant positive relationship between fundraising and performance and this path relationship is even stronger compared to Co-opetition and fundraising. All non-profit organizations whether they have more resources or permanent staff for fundraising or else the non-profit who do have any professional staff for fundraising or no have no resources to hire an external professional—must survive in the institutional environment. Hager et al. (2002) indicated that non-profits exchange resources with other institutes and develop relationships to acquire necessary inputs to carry out the programs. For instance, the institutional environment offers several opportunities to raise funds like hiring a professional fundraising firm. However, the perspective of co-opetition strategy offers another opportunity to collaborate with your competitors with the environment.

Moreover, the resource-based view comprehensively discussed in section 2.4.2 also indicates the relationship of organizations based on seeking valuable, rare, and unique resources to gain a competitive advantage (Das & Teng, 2000). Therefore, an organization needs to have resources to gain competitive advantage but the access to resources that other organizations hold through relationships is vital (Lenz, 1980). Additionally, the recognition of resource-based views as a theoretical paradigm has been acknowledged in the literature of Co-opetition and network—particularly, the notion of resources helps to differentiate the overall competencies of business (Ritala, 2010; Freeman, Styles, & Lawley, 2012). Therefore, there is empirical evidence that indicates that if organizations have successful fundraising programs, it will positively impact the performance of the organization. Moreover, the value of $R^2$ adjusted = 0.110 and *f*-square = 0.127 indicate the small amount of variance explained in performance as the value of $R^2$ adjusted is low, however, since there is only one exogenous construct explaining the performance—the value is considered acceptable. On the other hand, the value of *f*-square = 0.127 indicates the actual effect size of fundraising on performance which is moderate (0.127) (Hair et al., 2016).

It is significant to note that all three Co-opetition capabilities are overlapping, intertwining, and reinforcing each other, thus, these capabilities collectively contribute to managing the fundraising activities. Hypothesis 4 stated that an **H4 high level of Co-opetition capability is positively associated with high levels of fundraising.** The empirical findings indicate that path coefficient *Non-profit Co-opetition capability* ->

*Fundraising* has coefficient beta = 0.545, t-statistics = 8.291, and p-value = 0. The results indicate that there is a significantly positive relationship between non-profit Co-opetition capability and fundraising. Moreover, the *f*-square value = 0.409 indicates a large effect of non-profit Co-opetition capability on fundraising. Therefore, hypothesis 4 is empirically supported that the non-profit Co-opetition capability (which is based on three factors) has a large impact on the fundraising activity. Therefore, Co-opetition capability enables non-profit managers to better deal with fundraising activities as there are several tensions and pressures associated with the fundraising process. It also indicates the importance of Co-opetition capability at the managers' level to reduce the tensions and pressures to better plan and execute the fundraising.

**Table 4.11 *f*-square**

| | ***f*-square** |
|---|---|
| Co-opetition -> Fundraising | 0.022 |
| Fundraising -> Performance | 0.127 |
| Moderating Effect 1 -> Fundraising | 0.056 |
| Non-profit Co-opetition capability -> Fundraising | 0.409 |

The third hypothesis 3 that stated that the **H3 Co-opetition capability moderates the relationship between the co-opetition and fundraising activities such that non-profit organizations with high levels of co-opetition capability will report a high level of fundraising activities.** The hypothesis has been theorized based on the literature of commercial organizations, specifically, Bengtsson, Rana-Ullah, and Vanyushyn (2016) have used the construct of Co-opetition capability as a moderator between Co-opetition paradox and tension. The use of the same construct in the context of this study has been comprehensively justified in the literature review as if an organization has a better Co-opetition capability in an inter-firm co-opetitive relationship or a network—it seems that the particular organization will be in a better position to handle the fundraising activity and might get a better share.

The moderators have different forms as they can be an observable and unobservable, single item or multiple items, and reflective or formative. The moderator used in this study is reflective of multiple items unobserved construct. Moreover, the moderator is the *continuous moderator* that affects the strength of the relationship between the Co-opetition

and fundraising. The evaluation of the moderator variable is similar to the other constructs used in the research (see previous sections). Further, there is an interaction term added with the name of *moderating effect 1* to determine the effect on fundraising with the impact of the Co-opetition as moderator non-profit Co-opetition capability increase or decrease by one standard deviation (Hair et al., 2017).

The orthogonalizing approach has been used to estimate the moderating effect in this study (Little, Bovaird, and Widaman, 2006). This approach has been built on the product indicator approach and creates all product indicators of the interaction term. Moreover, the orthogonalizing approach is used to maximize the prediction compared to the two-stage approach that is used to signify the moderating effect (Hair et al., 2016). Furthermore, the orthogonalizing approach allows the measurement of the structural model with interaction terms and there is no need to measure the separate structural relationships. Table 4.9 illustrate the results for path coefficients that indicate that *Moderating Effect 1* -> *Fundraising* has coefficient beta = -0.183, t-value = 1.243, and p-value = 0.214. The results indicate an insignificant negative interaction term which means that the moderating variable does not affect the relationship between the Co-opetition and fundraising. However, one of the interesting findings is the negative relationship of Co-opetition capability as a moderator which was hypothesized as a positive significant relationship.

**Table 4.12 Summary of Hypothesis Testing**

| Hypothesized Path | Path coefficient | *t*-value | $R^2$ | $f^2$ | 95% confidence interval | P Value | Decision |
|---|---|---|---|---|---|---|---|
| Co-opetition -> Fundraising | 0.126 | 2.251 | 0.401 | 0.022 | [0.012 0.231] | 0.018 | Accepted |
| Fundraising -> Performance | 0.335 | 4.771 | 0.110 | 0.127 | [0.188-0.464] | 0 | Accepted |
| Moderating Effect 1 -> Fundraising | -0.183 | 1.243 | NA | 0.056 | [-0.208-0.542] | 0.145 | Rejected |
| Non-profit Co-opetition capability -> Fundraising | 0.545 | 8.291 | NA | 0.409 | [0.411-0.667] | 0 | Accepted |

$R^2$ only refers to the effect sizes of endogenous latent variables and there are only two endogenous latent variables in this study. Table 4.10 illustrate the coefficient of determination for fundraising and performance. The value of $R^2$ adjusted for fundraising is 0.401 which indicates a moderate amount of variance explained in fundraising—two exogenous latent variables affect the fundraising in the model are Co-opetition and non-profit Co-opetition capability. However, performance is only explained by one variable that is fundraising. Moreover, the values for moderating effect and non-profit Co-opetition capability are not available because both of these are exogenous latent constructs.

## 4.4 Discussion

This thesis has been built on and extended the key insights of co-opetition strategy and fundraising to develop a theoretical framework that states that the co-opetitive alliance in non-profits significantly improves the fundraising efforts of those organizations that in turn significantly improve the performance. Moreover, the theoretical framework also introduces a moderating variable non-profit co-opetition capability that is hypothesized as a positive moderator between co-opetition and fundraising.

First, I drew on the literate of co-opetition in the context of inter-organizational relationships that are very interesting and it has been at the forefront of several academic studies. The inherent inter-organizational interactions are denoted to the relationships between organizations or in a network within the management literature. Moreover, in this context, the cooperative function is considered a beneficial asset because organizations intend to combine their resources for mutual benefit (Eikebrokke & Olsen, 2005; Laine, 2002). Nevertheless, it is important to note here that when more and more organizations participate to work together—the emergence of tensions within an organization takes place

because of several internal and external threats (Bengtsson, Raza-Ullah, & Kock, 2014). Furthermore, the co-opetitive relationship might take the shape of collusive behavior that has even a greater tendency where organizations have distinct goals compared to the mutual goals between competitors (Mariani, 2007).

This study has theorized the fundraising opportunities and benefits as a motive to enter into a co-opetitive alliance. For instance, the literature from commercial organizations indicate that there are several motives to enter into a cooperation agreement, however, the most common is to gain access or share the resources—these can include human resources or relations (Hunt & Morgan, 1995); R&D and value creation (Gnyawali & Madhavan, 2001); knowledge sharing, product capability expertise, and processes (Bengtsson & Kock, 2000); and acquiring knowledge, learning, and to avoid external threats based on learning and acquired knowledge (Teece, Pisano, & Shuen, 1997).

As this thesis has taken into consideration a network of non-profit organizations that cooperate on the generation of funds and strategic objectives, though, on the other hand, these organizations compete with each for market share and base of customers (communities), therefore, the concept of co-opetition in the context of the network is important not only for the theoretical basis of this study but the dynamic nature of the network in the context of their requirements for a higher level of social integration (Poulymenakou & Klein, 2006). The characteristics of a network co-opetitive relationship that facilitates the alignment and management of capabilities and roles of an organization for mutual benefits are trusts, commitment, and identification. At the organizational level, the management has to define the shared values that must be aligned with the common interests—consequently, the boundaries delineation takes place between the organizations and the network opportunities.

It is interesting to note that the membership defines the boundaries from an external perspective and it as real as the target network of non-profit for this study has certain requirements to become the part of the network and some more conditions to successfully remain the part of that network. The literature on co-opetition in the context of business organization indicates that the process of interaction between firms in a network is complex in terms of relationships but it is an essential element of the relationship dynamics—since, it is an interaction between organizations that govern the ultimate relationship at an individual or network level. Furthermore, the understanding of interaction from a purely economic

term indicates that it is a mechanism of market exchange while management scholars view interactions more than a mechanism of market exchange (Hakansson et al., 2009).

There have been several attempts to operationalize the public value in the context of performance measurement for non-profit organizations, however, these conceptualizations have little consensus (Lee & Nowell, 2014). Moulton and Eckerd's (2012) also offered a complex framework to measure the public value that offers six dimensions. However, the measurement of the public value also varies in the context of the non-profit organizations, expectations of the communities, and consensus of non-profit and the respective community on public value. Therefore, one public value framework might be workable in the USA but not in Pakistan or Afghanistan—since the expectations and needs of the public and perception of what is value in that point in time are important contextual factors to be considered.

Furthermore, the moderating variable non-profit co-opetition capability is not significant. It is possible that the adaptation of the moderating variable co-opetition capability from pure commercial organization literature does not fit with the dynamics of the non-profits. It is suggested that the moderating role of co-opetition capability must be reviewed and establish the nature of non-profit organizations. Moreover, this research thesis contributes to the literature of co-opetition in the context of non-profit organizations in explaining in benefits of fundraising activities or actual funds.

### 4.4.1 Theoretical Contributions

The development of the theoretical framework for co-opetition in a non-profit organization and their impact on fundraising and performance contribute in several ways. First, this research contributes to the concept of co-opetition in non-profit organizations that are engaged in services. The combination of non-profit and service organizations, as per literature, is little researched (Faloye, 2013). The area is particularly very interesting to study because of the degree of crossover between non-profit beneficiaries (communities) and the donors—who desire to support numerous non-profit organizations and often end up to unique packaging to only some of the organizations. I provide a nuanced understanding of how co-opetition in the context of non-profit organizations develops at the level of the network. Particularly, the adaptation of co-opetition strategy is embedded like non-profit organizations that help to support the fundraising activities—the examples of the real non-profit networks.

It is important to note that fundraising is extremely critical for non-profit organizations and it is a consistent activity because there is no other source of fund generations for these organizations. Therefore, it is interesting that non-profit organizations form strategic alliances based on contemporary management literature. Though, the findings of the application of co-opetition provide diverse insights e.g. the competition aspect of non-profit organizations is milder than commercial organizations. Further, it is also interesting to observe how co-opetition strategy can boost up and scale up the development objectives of non-profit organizations.

### 4.4.2 Practical Contributions

The findings of this study are also valuable to the executives and managers of non-profit organizations in practice to cope with fundraising issues. Moreover, it is specifically relevant for those non-profit organization (or small and medium level) who are suffering from funds shortages or do not have permanent professional staff for fundraising or do not have enough funds to hire external professionals for fundraising—the use co-opetition strategy might be a strategic solution ally with other non-profit organizations to take advantage of each other's resources and competencies to sustain their development goals. Further, this study reaffirms the use of co-opetition strategy for non-profit but in a new context of raising development funds—that also positively impacts the performance.

The characteristics of a network co-opetitive relationship that facilitates the alignment and management of capabilities and roles of an organization for mutual benefits are trusts, commitment, and identification. At an organizational level, the management has to define the shared values that must be aligned with the common interests—consequently, the boundaries delineation takes place between the organizations and the network opportunities.

As this thesis has taken into consideration a network of non-profit organizations that cooperate on the generation of funds and strategic objectives, though, on the other hand, these organizations compete with each for market share and base of customers (communities), therefore, the concept of co-opetition in the context of the network is important not only for the theoretical basis of this study but the dynamic nature of the network in the context of their requirements for a higher level of social integration.

The measurement of performance of non-profit organizations is important for donors who provide significant resources to function without demanding any financial paybacks and the society who struggle with problems and have high expectations with these organizations to perform. The constraints of resources (monetary and human) let many non-profit organizations die and the rest of them work hard for the survival of their existence—meeting development goals is another story.

## 5 CONCLUSION

This section very briefly concludes this study that has attempted to develop a theory that explains the nature of the Co-opetition strategy in the context of the non-profit sector. The theory suggests that the changing demands for services, crowded market, limited sources of support, socio-economic environment, and the inability of the governments to facilitate the general public—there is an increased need of non-profit organizations with introducing practices from businesses (Herman & Associates, 2005). For instance, the emergence of social entrepreneurship that is a transformation of traditional non-profit organizations adopts business models to support their social mission. However, the traditional non-profit and NGOs market pose strong competition due to lack of funds and high costs of funding options e.g. writing grant proposals. The challenges of limited funds and competition the non-profit and NGOs sector further push these organizations to stick with single sources of funds i.e. local authorities. However, these organizations need to work on their strategic options to gain sustainability in their operations and find new sources of funds. Still, the aim of the non-profit sector is clear that is the establishment of fundraising as a core activity, capacity development, and planning for effective fundraising locally and internationally. It is extremely relevant to mention that non-profit organizations form networks to ensure the regular funds—for instance, the concept of Co-opetition that has been extensively applied in businesses organizations as a strategy to cooperate and compete with other partner organizations to gain competitive resources, same applies to non-profit organizations as they come together to facilitate the fundraising activities. Therefore, the internal and external challenges of non-profit organizations push them to adopt co-opetition strategy to form inter-organizational relationships i.e. dyad or network. The theory has empirically proved that the non-profit co-opetitive alliance successfully supports the fundraising activity for all the participating organizations. Further, the generation of funds consequently impacts the performance of this non-profit organization both in terms of their financial aspect but the social mission.

The findings of this study establish that non-profit organizations in a network are competitors that operate in the same sector (human development). In recent years, there has been an increased focus on non-profit organizations in diverse sectors and there has been an overlap in the operations, strengthening of strategic position, acquisition of resources, and management. The most important reason for non-profit organizations to enter into a co-opetitive network is high resource compatibility—as the empirical findings of this study endorse the theoretical relationship of Co-opetition with fundraising. Moreover, the limited

number of donors and other fundraising channels pose fierce competition. Therefore, Co-opetition as a strategy to cater to successful fundraising might be a solution—the Co-opetition strategy helps to achieve mutual benefits (Bengtsson and Kock, 2014).

Most of the non-profits that rely on private contributions face extreme competition as fundraising serves the primary mechanism of interagency competition for scarce resources. For instance, non-profit organizations tend to personally visit the donors, writing grants, telethons, and Web sites and email to maximize the funds with limited costs. However, it is also important to note that many non-profit organization managers feel difficulties in forming the resource budget and how much to allocate for fundraising activities.

Therefore, it is possible to symbolize a continuum that is inclusive yet interdependent where the simultaneous existence of cooperation and competition seems to work together but remains distinct in nature. Generally, the existence of simultaneous interlink of extreme forms of pure cooperation and competition in an inter-organizational relationship—as per theory, the mutual benefits of Co-opetition is the outcome if participating organizations are pursuing it (Barreta, 2008).

The illustration of direct links where two organizations communicate with each can be reciprocated in the light of the mutual agreement between them; on the other hand, the particular relationship between two organizations may become asymmetric (unbalanced) making one organization more dependent on the other.

In most of the network relationships, the ties of network highlight the existence of a relationship but the importance of strength of those ties is paramount to influence the organizations leading to the establishment of an identity within a network. The stronger the ties between organizations, the stronger will be the relationships, stable, regular communication, and the resilient emotional intensity that lead to the successful continuation of the cooperative relationships between non-profit organizations. In contrast to the stronger ties, factors such as singular exchanges, temporary or indirect linkage, and casual relationships lead to weaker ties between organizations.

The relationship between organizations whether inter-firm or in a network, the relationship needs to be connected using ties or links and it cannot be established and grow in isolation. Therefore, it is suggested that for this study the relationship of non-profit organizations is based on a mutual agreement and expectations revolve around the social action (Williams, 2005)—moreover, the target network of non-profit organizations for this

study is the Free and Fair Election Network (FAFEN) that is based on a mutual agreement and expectations of the participating non-profits. Therefore, the type of agreement, intensity, and interactions determine the routines between participating organizations that consequently execute the process of co-opetition.

The potential costs for fundraising are given to prove that non-profit organizations struggle a lot when they do not have enough resources to spend on fundraising activities. Moreover, these constraints of resources (monetary and human) let many non-profit organizations die and the rest of them work hard for the survival of their existence—meeting development goals is another story. Therefore, co-opetition strategy is an extremely useful approach for non-profit organizations to better survive and contribute substantially to the development of society.

The collaborative relationships between non-profit organizations are a vital dimension for non-profit performance measurement. A non-profit organization that has similar social missions can collaborate with others to maximize the capability and resources, but the non-profit organizations with diverse social missions may come together to generate resources and capabilities to better serve their missions—for instance, Free and Fair Election Network (FAFEN) in Pakistan is a network of non-profit organizations from diverse sectors but collaborate on some projects.

The engagement of non-profits in co-opetition or co-opetitive environments refers to cooperate and compete simultaneously with each other (Bengtsson & Kock, 2000)—can consequently provide opportunities to greater non-profits performance i.e. social performance and financial performance. However, it remains unclear whether the non-profit's engagement in Co-opetition leads to efficient fundraising activities and may increase the performance of non-profits.

Non-profits and NGOs must take key steps to identify social problems, produce solutions to those problems, and execute programs to solve those problems—offer unconventional possibilities and solutions to a government with creating suitable conditions for incessant environmental improvements. Additionally, the wide range of expertise of these third sector organizations also comes from the local knowledge and practice. An increasing number of organizations working for the development sector e.g. non-governmental organizations and non-profit organizations is an enormously modern area.

There are a few limitations that are highlighted as follows:

- This study has used a homogeneous sample from the same country and context
- The study has used one moderating variable in the theoretical model that proved insignificant
- There are two-second order reflective constructs that have used in the theoretical model—the model may have the capacity to test with first-order constructs.

There are some suggestions for future research directions.

- Future research should explore the co-opetition and fundraising with a diverse sample from different contexts and countries to better understand the linkage between these two constructs.
- Future research should reconsider the moderating variable of non-profit co-opetition capability and develop of a new scale only for the non-profit.
- Future research may explore a dyad relationship using embedded design for an in-depth exploration of the co-opetitive relationship between two non-profit organizations

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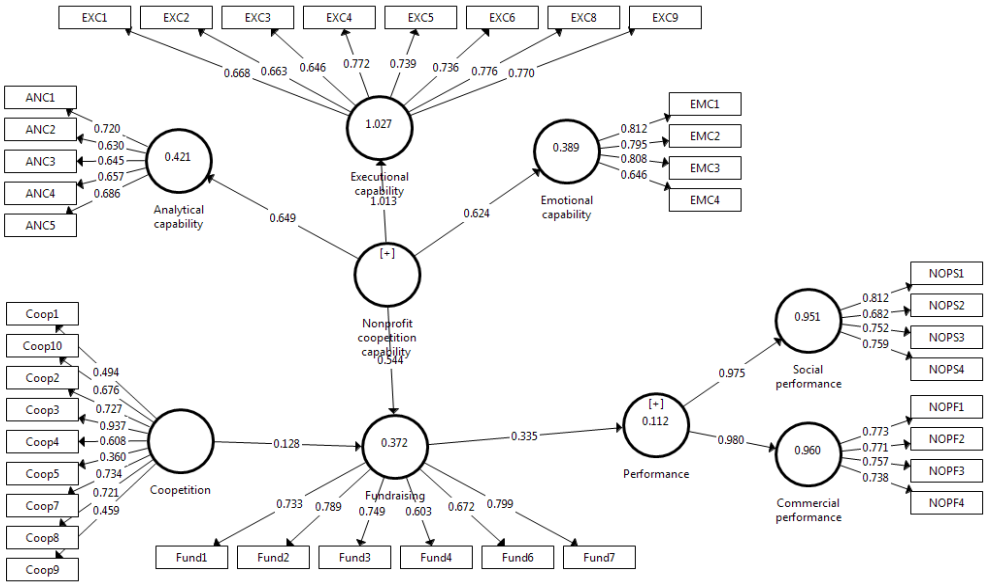
## 6.1 Appendix 1 Results

The measurement model with initial outer loadings—the loadings of the Co-opetition construct has three indicators that contain values less than 0.5. The indicator of coopt1 has value of 0.494, coopt5 has loading of 0.360, and coopt9 is 0.459. However, the removal of these three indicators doesn't make any significant difference in the results. Therefore, the indicators will be retained expect coopt 5 which has extremely low loading. The initial model illustration is available in appendix1 for reference.

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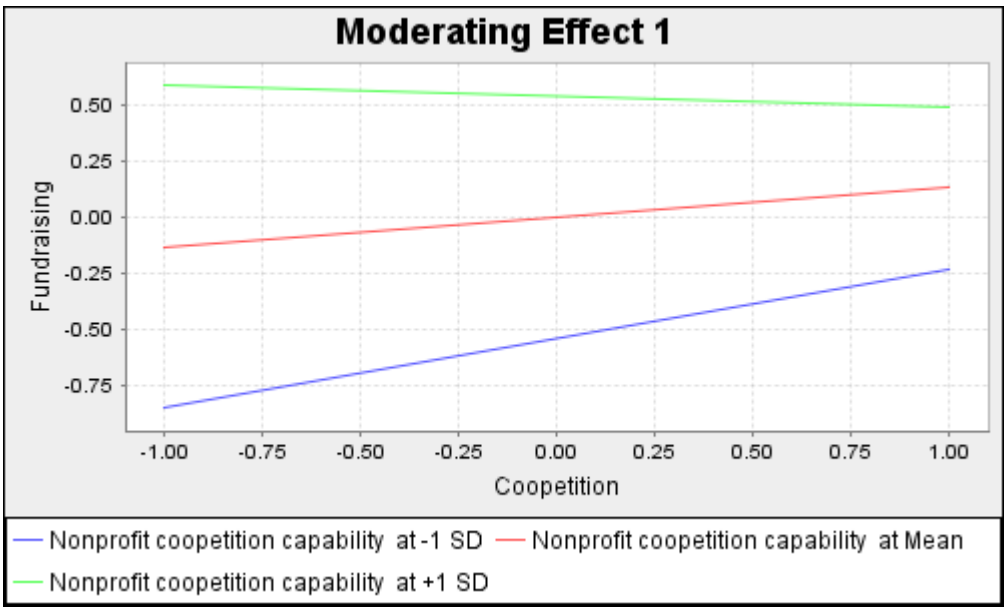
**Simple slope analysis**



## 6.2 Appendix 2 Study Questionnaire

Dear Respondent:

My name is Bella Gulshan. I am a Ph.D. student at the Department of Business Administration, Okan University Istanbul. I have been working on my Ph.D. research thesis titled "Co-opetition among Nonprofit Organizations: The Impact on Fundraising and Performance". More specifically, the research intends to examine the Co-opetitive relationships between nonprofit organizations and how it affects the fundraising activities. Moreover, the research is also intended to measure the impact of these nonprofit Co-opetitive alliances on the performance.

I need your help with data collection and request you to answer few questions. Your responses are critical for the research and I request you to spare 15 minutes to answer the questions. I requested Forum for Human Rights Pakistan (FHRP) to approach company/NGO/CSO in its network for this survey. Moreover, all of your answers will be treated as confidential and will never be disclosed separately.

Think of your experience of simultaneous cooperation and Co-opetition with other nonprofits and answer the following questions.

1. **Firmographics**

1. About how long have you been in your current position?

- 1-2 years
- 3-4 years
- 5-6 years
- More than 6 years

2. In what year was your company founded?

   ……..

3. In what province or territory of Pakistan is your company currently headquartered?

- Balochistan
- FATA
- Gilgit Baltistan
- Khyber Pakhtunkhwa
- Punjab
- Sindh
- Islamabad

4. About how many permanent employees work at your organization?

   ……

5. In which sector does your organization work?

   ……

**2. Co-opetition**

To what extent do you agree with the following statements about your non-profit's relationship with the other non-profit companies? Answer on a scale from 1: not at all to 7: to a great extent.

We and the other non-profits…

| | Not | | | | | | Great |
|---|---|---|---|---|---|---|---|
| …cooperate intensively in some activities | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ |
| …commit a significant amount of resources and efforts to the collaboration | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ |
| …share a significant amount of knowledge with each other | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ |
| …exchange many ideas on how to improve our capabilities | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ |
| …create new knowledge through close collaboration | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ |
| …compete intensively in some areas | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ |
| …need the same type of knowledge to develop products, services or solutions | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ |
| …cooperate for the same funding opportunities and grants | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ |
| …are major competitors in different areas | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ |
| …respond rapidly to each other's competitive actions | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ |

**3. Fundraising Activities**

Next, please indicate the extent to which this relationship (so far) has been successful in improving fundraising activities on a scale from 1 (not at all) to 7 (to a great extent)

| | Not | | | | | | Great |
|---|---|---|---|---|---|---|---|
| Produces the expected results | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ |
| Reduces costs of fundraising | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ |
| Generates revenues or customer references that met our expectations | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ | ☐ |

Enables a high quality solution based on an integration of both companies' technologies, resources and/or expertise ☐☐☐☐☐☐☐Reduces time to market for launching products, services or solutions ☐☐☐☐☐☐☐

Generates new customers, products or services ☐☐☐☐☐☐☐

Contributes to our core competencies and competitive advantage ☐☐☐☐☐☐☐

4. **Performance**

Please indicate the extent to which this relationship (so far) has been successful in improving the performance of your non-profit? Answer on a scale from 1: not at all to 7: to a great extent. We have been…

…experiencing an increase in revenue ☐☐☐☐☐☐☐

…engaging in more organizational activities ☐☐☐☐☐☐☐

…achieving the customer satisfaction ☐☐☐☐☐☐☐

…expanding organization activities to different locations ☐☐☐☐☐☐☐

…providing more social services ☐☐☐☐☐☐☐

…serving more beneficiaries in the community ☐☐☐☐☐☐☐

…expanding social service to different locations ☐☐☐☐☐☐☐

…bidding government (or its funding bodies) grants for enterprise activities ☐☐☐☐☐☐☐

5. **Co-opetition Capability**

To what extent do you agree with the following statements regarding your non-profit's capability to manage such relationships in general (not the specific relationship we asked about earlier)? Answer on a scale from 1 (not agree at all) to 7 (totally agree).

**Analytical Capability**

| | Not | Great |
|---|---|---|
| We understand why it is beneficial to both cooperate and compete | ☐☐☐☐☐☐☐ | |
| We identify the suitable areas of cooperation and competition | ☐☐☐☐☐☐☐ | |
| We quickly determine which factors can cause relationship instability | ☐☐☐☐☐☐☐ | |
| We acknowledge the constructive nature of contradictory forces | ☐☐☐☐☐☐☐ | |
| We identify and select the right firm to engage in such relationships | ☐☐☐☐☐☐☐ | |

**Executional Capability**

| | Not | Great |
|---|---|---|
| We act proactively to balance cooperation and competition | ☐☐☐☐☐☐☐ | |
| We both exploit the opportunities and manage the risks effectively | ☐☐☐☐☐☐☐ | |
| We and the other firm provide feedback to each other | ☐☐☐☐☐☐☐ | |
| We contribute to our partner's knowledge without risking our own core competences | ☐☐☐☐☐☐☐ | |
| We have routines to filter the information that we give to other firm so that important information is protected | ☐☐☐☐☐☐☐ | |
| We balance the contradicting demands without jeopardizing the common objectives | ☐☐☐☐☐☐☐ | |
| We have an organizational culture that supports working with conflicting demands | ☐☐☐☐☐☐☐ | |
| We develop alternative strategies to deal with changing demands of such relationships | ☐☐☐☐☐☐☐ | |
| We have established routines and processes to pursue conflicting demands | ☐☐☐☐☐☐☐ | |

**Emotional Capability**

| | Not | Great |
|---|---|---|
| We understand why complex or ambivalent feelings such as trust and distrust arise | ☐☐☐☐☐☐☐ | |
| We accept and allow the simultaneous existence of contradictory feelings | ☐☐☐☐☐☐☐ | |
| We embrace rather than avoid conflicting emotions | ☐☐☐☐☐☐☐ | |
| We understand that positive and negative feelings are inherent in such relationships | ☐☐☐☐☐☐☐ | |

## 6.3 Appendix 3 CV

**BELLA GULSHAN**

House 12:D2, Güneşli Sk., Çobançeşme, Bahçelievler, Istanbul,
Turkey Tel: +90 552 249 0083
bellagulshan@gmail.com

### SUMMARY

Bella Gulshan is a PhD candidate in Business Administration with a five years' experience in the non-profit sector. Moreover, performance driven energetic professional with two years plus teaching experience at private campus of a state owned public university, taught several courses including strategic management, organizational development and change, financial statement analysis, business communication, and business & technical English writing. Having inspiring leadership qualities, to participate and lead in a team environment. She earned a Master's degree in Business Administration from the Virtual University of Pakistan, and Master's degree in English (Linguistic) from the University of Education, Lahore, Pakistan. In 2014, Bella co- founded three social enterprises in Pakistan that are Forum for the Advancement of Social Entrepreneurship (FASE), Magical Hands, and Soul of Art. Currently, she is working as instructor-English in Altinbas University.

### EDUCATION

2016-present
**PhD Candidate Business Administration**
Department of Business Administration
Istanbul Okan University, Istanbul, Turkey

2011-2014
**Masters of Arts in English & Bachelors of Education** Department of English Language and Literature University of Education, Lahore, Pakistan

2008-2012
**Master of Business Administration (MBA 3.5 years)**
Department of Management Sciences
Virtual University of Pakistan, Lahore, Pakistan

2006-2008
**Bachelor of Arts**
Faculty of Humanities
University of the Punjab, Lahore, Pakistan

## WORK EXPERIENCE

September 2018-till date

**Instructor-English Language and Literature**
Altınbaş University Istanbul, Turkey

I am responsible for curriculum development, effective delivery, development of the assessments, and subsequent evaluation. Furthermore, the achievement of departmental goals, learning outcomes and the meeting of targets and benchmarks are routine.
I delivered courses such as:

- English for Engineering Purposes
- Presentation Skills
- English as a Foreign Language

September 2017-May 2018

**Academic Coordinator English Preparatory School**
Altınbaş University Istanbul, Turkey

I was responsible for effective curriculum delivery, the achievement of departmental goals, learning outcomes and the meeting of targets and benchmarks. I had a key role in the development of a positive work environment – one that is innovative and responsive to student needs.

August 2014 - September 2015

**Director Programs**
Forum for the Advancement of Social Entrepreneurship [FASE]

FASE is a unique of its kind in Pakistan that finds people, target, train, and utilize; to make a new breed of social entrepreneurs, social enterprise business plans – and help them find social impact investors. We are working in a suburb district Sheikhupura and Narowal to promote, inspire and empower social entrepreneurship and provide a variety of unique programs and services that aim to transform the traditional norms of doing business. Moreover, we are ambitious to optimal utilization of graduated youth with a particular focus on women social entrepreneurship.

February 2013- August 2014

**Assistant Manager Budgeting**
Forum for Human Rights Pakistan [FHRP]

Highly accomplished young analyst with a verifiable track record of managing governance and human right projects, practiced in clarifying business requirements, and performing gap analysis.

**Accomplishments**

- One of a selected group of individuals assigned to the project of public sector governance
- Team member for the project related to “Education Emergency”, FHRP worked as a consultant organization with UNICEF

September 2012- August 2014

**Instructor Management Science**
Micro•Inn Technologies, Lahore

**Courses delivered**

- Principles of management
- Strategic management
- Portfolio management
- Global business management
- Business communication

## • PUBLICATIONS

**In preparation**

- Gulshan, B. & Donduran, M. (Expected completion 2019). *Co-opetition among non-profit organizations: The impact on fundraising and performance.* Manuscript in preparation

- Gulshan, B. (Expected competition 2020). *Do non-profit organizations really benefits from Co-opetitive alliances? A case study of Free and Fair Election Network (FAFEN).* Manuscript in preparation.

**Refereed Conference Proceedings**

- Liaqat, M. M., & Gulshan, B. (2017). Challenges of International New Ventures: Evidence from Surgical Instrument Manufacturing Cluster, Sialkot, Pakistan. In M. Donduran (Ed.), *Proceedings of the 3rd Annual International Conference on Social Sciences* (pp. 102-114). Istanbul, Turkey: Yildiz Technical University

**Dissertations**

- Gulshan, B. (2019). *Co-opetition among non-profit organizations: The impact on fundraising and performance* (Unpublished Ph.D.'s thesis). Istanbul Okan University, Istanbul, Turkey

- Gulshan, B. (2014). *Identification of the barriers faced by the students during class interaction at master level* (Unpublished master's thesis). University of Education, Lahore, Pakistan

- Gulshan, B. (2012). *Internship report on South Asia Forum for Human Rights (SAFHR)* (Unpublished master's project report). Virtual Univeristy of Pakistan, Lahore, Pakistan

## LANGUAGUES

- English (Proficient)
- Turkish (Basic)
- Urdu (Mother's language)
- Punjabi (Mother's language)

## REFERENCES

**Dr. Murat DONDURAN**
Professor Economics
Yildiz Technical University
E-mail: donduran@yildiz.edu.tr

**Dr. Ezgi Yıldırım Saatçi**
Associated Professor Management
Istanbul Okan Univeristy
E-mail: ezgi.saatci@okan.edu.tr