



# E-PARCC

COLLABORATIVE GOVERNANCE INITIATIVE

Syracuse University

Maxwell School of Citizenship and Public Affairs

Program for the Advancement of Research on Conflict and Collaboration

## **New Funding, New Beginnings: To Collaborate or Not to Collaborate TEACHING NOTE**

### **A. Synopsis**

This case exercise focuses on how nongovernmental organizations (NGOs) respond to changes in their environment – specifically, how they react to shifts in donor funding. NGOs are increasingly replacing government agencies as providers of social services, yet they often rely on private donors for funding. As a result, NGOs may experience a tension between upward and downward accountability. On the one hand, NGOs are accountable to the populations they serve. On the other hand, to the extent that they depend on external funding, NGOs are also accountable to their donors. The present case offers an opportunity for students to analyze how NGOs negotiate the tension between upward and downward accountability when a donor decides to shift its funding priorities.

The case study is based upon three real environmental NGOs that were analyzed in depth by AbouAssi (2013). Data were gathered primarily through semi-structured interviews and document analysis, and process tracing and discourse analysis were used to interpret the data. The three NGOs had been receiving funds from a donor, *We-Srv*, which had traditionally offered funds for environmental projects. In the beginning of the case, we learn that *We-Srv* has

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decided to shift its funding focus from the environment to social services. The NGOs must decide how to proceed. Should they abandon the relationship with *We-Srv*? Should they abandon their environmental missions and refocus on social services? Is there a middle ground?

Students should analyze the case based on the topics identified below and determine how the executive director and governing boards of each organization should proceed.

## B. Target Audience

- Masters students studying nonprofit/NGO management
- Masters students studying organizational theory
- Masters students studying public management
- MBA students

## C. Relevant Readings

1. AbouAssi, K. 2013. Hands in the pockets of mercurial donors: NGOs response to shifting funding priorities. *Nonprofit and Voluntary Sector Quarterly*, 42(3), 584-602.
2. Agranoff, R., & McGuire, M. 2001. Big questions in public network management research. *Journal of Public Administration Research and Theory*, 11(3): 295-326.
3. Dobel J. P., & Day D. 2005. A Note on Mapping: Understanding Who Can Influence Your Success. *Electronic Hallway*.
4. Elbers W, Arts B. 2011. Keeping Body And Soul Together: Southern NGOs' Strategic Responses to Donor Constraints. *International Review of Administrative Sciences*, 77(4): 713-732
5. Guo, C, & Acar, M. 2005. Understanding collaboration among nonprofit organizations: combining resource dependency, institutional, and network perspectives. *Nonprofit and Voluntary Sector Quarterly*. 34(3): 340-361.
6. Hardy, C., Lawrence, T. B., & Grant, D. 2005. Discourse and collaboration: The role of conversations and collective identity. *Academy of Management Review*, 30(1): 58-77.
7. McGuire, M. 2006. Collaborative public management: Assessing what we know and how we know it. *Public Administration Review*, 66(s1): 33-43.
8. Provan, K. G. 1984. Interorganizational cooperation and decision making autonomy in a consortium multihospital system. *Academy of Management Review*, 9(3): 494-504.
9. Rauh K. 2010. NGOs, Foreign Donors, and Organizational Processes: Passive NGO Recipients or Strategic Actors? *McGill Sociological Review*, 1: 29-45
10. Sandfort J., Stone M. 2008. Analyzing policy fields: Helping students understand complex state and local contexts. *Journal of Public Affairs Education*, 14(2): 129-148

11. Santoro, F. M., Borges, M. R., & Rezende, E. A. 2006. Collaboration and knowledge sharing in network organizations. *Expert Systems with Applications*, 31(4): 715-727.
12. Sowa, J. E. 2009. The collaboration decision in nonprofit organizations: Views from the front line. *Nonprofit and Voluntary Sector Quarterly*, 38(6): 1003-1025.
13. Stone, M. M. 2000. Exploring the effects of collaborations on member organizations: Washington county's welfare-to-work partnership. *Nonprofit and Voluntary Sector Quarterly*, 29(suppl 1): 98-119.
14. Thomson, A. M., Perry, J. L., & Miller, T. K. 2009. Conceptualizing and measuring collaboration. *Journal of Public Administration Research and Theory*, 19(1): 23-56.

## D. Topics Covered

The case serves multiple educational purposes and topics. Instructors can decide to focus on one topic versus the others or cover the topics all together, in one or more sessions.

*Mapping the Environment* (In class: 45 minutes including 15 minutes discussion)

Mapping is a tool used to determine what factors shape an organizational environment. NGOs operate in a complex environment consisting of a variety of actors and external forces affecting organizations' goals, strategies, and tactics. Actors with which NGOs potentially interact include government agencies, donors, beneficiaries of service, NGO partners and competitors, board and staff members, and the media. External forces include, but are not limited to, funding availability, social need, legal regulations, organizational reputation, competition, and organizations available to collaborate.

Mapping is an important tool for analyzing the present case. While the three NGOs all operate within the same country and focus on the same issue, they function within different maps that are likely to affect how the NGOs respond to the shift in the donor's priority.

As part of the case exercise, students should be asked to identify both the actors and external forces that could influence each NGO's response to the shift in donor funding and speculate how those actors and forces would affect each organization's response.

*Financial Decision-Making* (In class: 60 minutes including 20 minutes discussion)

The main purpose here to decide how each of the three organizations should react to the changes in *We-Srv's* funding. Students need to deal with this challenge and recommend a specific course of action for each organization. Arguably, NGOs' financial management strategies are factors most likely to influence the organizations' responses to shifts in donor funding priorities. *Resource dependence theory* suggests that organizations' strategic decisions are influenced by the extent to which they depend on external resources for strategy

implementation (Pfeffer and Salancik, 1978). In the present case, and all other things equal, NGOs that rely heavily on external funding should be more likely to shift their work to social services along with the donor, while NGOs less reliant on external resources should be more likely to maintain their focus on the environment. This is a simplistic explanation, however, and Pfeffer and Salancik (1978) suggest that resource dependence should be analyzed according to three sub-factors:

- *Resource importance or criticality:* The degree of dependence on external resources, reflected in the ratio of internal to external resources. Does the NGO, for example, receive funds from a steady membership base? Does it charge fees for services?
- *Resource concentration:* The diversity of external funding sources, measured by the number of external sources. Is the NGO heavily reliant upon one or a few donors, or does it have a wide funding base on which it can rely?
- *External actors' discretion over resource allocation:* The volume of funding from one particular donor. Even if the NGO receives funding from many donors, does one specific donor provide the bulk of the organization's revenues?

The case deliberately leaves out some financial details. The instructor should use discretion in choosing to provide or withhold the following information:

	<b>EVIRO</b>	<b>3 E's</b>	<b>EFA</b>
<b>Main sources of internal revenues</b>	Membership fees/contribution	Membership fees/income generating projects	Membership fees
<b>Percentage of internal revenue in the budget</b>	21%	17%	6%
<b>Fund raising</b>	Ad-hoc	Planned	Members' initiatives
<b>Number of external donors</b>	8	9	3
<b>Last 3-year Grant from <i>We-Srv</i></b>	\$200,000.00	\$250,000.00	\$120,000.00

Students could be asked to identify and rank what other factors related to financial management might influence each organization's decision. These factors include, but are not limited to: organizational mission and values, accountability, public image, and inter-organizational and local relationships.

*Strategic Planning* (In class: 45 minutes including 15 minutes discussion)

Two of the three NGOs – EVIRO and 3 E’s – use a strategic planning process to inform their work. The third NGO – EFA – did not undertake regular strategic planning and instead implements projects on an ad-hoc basis as funding is secured. Among other things, strategic planning helps organizations to determine what types of projects to implement, what beneficiary groups to target, what organizations with which to partner, and what forms of revenue to pursue.

Presumably, organizations that adhere closely to guidelines set forth in a strategic plan should be less likely to blindly follow major shifts in donor funding. This supposition is tempered, of course, by the possibility that an organization relies heavily on the donor whose funding has shifted. Even in this case, it is likely that such an organization would revisit the strategic plan before adjusting to the change in donor priorities.

Organizations that lack a strategic plan, or follow a plan only loosely, should be more likely to quickly adjust to shifts in donor funding. Without a plan to keep them on course, NGOs are likely to be tempted to “follow the money” rather than to seek ways to keep their organizations on a straight strategic path by finding alternative sources of revenue.

Students could be asked to discuss the role of strategic planning in resource mobilization and deployment and identify how strong or loose adherence to a strategic plan would likely influence an organization’s response to a shift in donor funding. Students should pay particular attention to organizational capacity and organizational mission. To what extent does the NGO have the human, capital, and knowledge resources required to shift from a focus on the environment to a focus on social services? To what extent would a shift from the environment to social services fit with the NGO’s mission? Does the NGO maintain a narrow mission to improve the environment, or does the mission more broadly encompass service to society?

Students could also be asked to conduct a “SWOT Analysis,” identifying the Strengths, Weaknesses, Opportunities, and Threats facing each organization, and how the results of the SWOT analyses would be likely to affect each organization’s response to the shift in *We-Srv*’s funding.

*Collaboration* (In class: 90 minutes including 30 minutes discussion)

Inter-organizational collaboration is a common strategy used by organizations to deal with complex problems in their environments (Agranoff and McGuire, 2001; McGuire, 2006). One of the key reasons for engaging in inter-organizational collaboration is to secure sufficient resources to operate and reduce uncertainty (Stone, 2000; Guo and Acar, 2005). These

collaborative efforts can have positive effects, in terms of sharing and creating knowledge within these organizations (Hardy et al, 2003; Santoro, Borges, and Rezende, 2006) and offering innovative solutions to problems an organization is currently addressing (Sowa 2009). Other effects can be negative such as constraining the organization’s autonomy and pressuring the management (Provan 1984; Thomson, Perry, and Miller, 2009).

Facing uncertainty in their environment in light of the development with *We-Srv* funding, the three organizations can explore ways to collaborate. Collaboration can take different forms such as: 1) form a consortium and apply for funding from *We-Srv*; 2) form a coalition to lobby *We-Srv*; 3) form a partnership to launch a joint income-generating project; 4) support each other through exchange of services and resources (e.g. staff, offices, or materials).

Students should consider collaboration as an option and then move to decide on the suitable option to take. As they do so, the students will be exposed to the purpose, management, benefits and challenges organizations face as they consider collaboration and manage their cross-organizational collaborations.

*Leadership and Decision-Making Processes* (In class: 45 minutes including 15 minutes discussion)

The attributes of an NGO’s leadership, as well as the organization’s decision-making processes, are also likely to influence organizational responses to shifts in donor funding. The case provides information on leadership style, internal governance, and decision-making processes for each NGO, summarized as follows:

	<b>EVIRO</b>	<b>3 E’s</b>	<b>EFA</b>
<b>Leadership style</b>	Participatory	Delegative	Authoritarian
<b>Internal governance</b>	High leadership turnover	High leadership turnover	Low leadership turnover
<b>Decision-making process</b>	Debate and voting	Consensus building and voting	Limited debate and voting

Students could be asked to create a table, similar to the one above, identifying the leadership styles, internal governance characteristics, and decision-making processes for each NGO. Then, students could be asked to indicate how each variable might influence how the organizations are likely to respond to the shift in donor funding.

Leadership style is the manner and approach of providing direction, implementing plans, and motivating people. Lewin (1939) identifies three leadership styles:

### *1. Authoritarian/Autocratic:*

- Leader makes decisions without reference to anyone else
- High degree of dependency on the leader
- Can demotivate and alienate staff
- May be valuable in some types of organizations where decisions need to be made quickly and decisively

### *2. Participative/Democratic:*

- Encourages decision-making from different perspectives – leadership may be emphasised throughout the organization
- Uses consultation and persuasion
- May help motivation and involvement
- Workers feel ownership of the firm and its ideas
- Improves the sharing of ideas and experiences within the organization
- Can delay decision making

### *3. Delegative/Laissez-Faire/Free Reign:*

- Let it be – the leadership responsibilities are shared by all
- Can be very useful in organizations where creative ideas are important
- Can be highly motivational, as people have control over their working life
- Can make coordination and decision making time-consuming and lacking in overall direction
- Relies on good team work
- Relies on good interpersonal relations

## **E. Using the Case**

The case may be assigned as a take-home writing assignment or as an in-class activity.

### **In-Class Discussion**

Students could first be divided into groups. Each group will analyze one of the three NGOs. If the class is small, three groups would be ideal. If the class is large, multiple groups should be assigned to work on the same NGOs.

The instructor may choose to have each group read the entire case or read only the section describing the NGO on which the group will focus. If students will only read about their assigned NGO, the instructor should first offer an overview of the case along the lines of the case synopsis offered at the beginning of this note.

Each group, acting as the NGO's executive director, could ultimately present a memo to the organization's Board of Directors outlining what decision the organization should take in response to *We-Srv's* shift in funding priorities. The memo could be structured according to the topics outlined above.

### *Mapping the Environment*

Students could map the environments in which their organizations are operating, identifying the various external forces and actors that will shape the NGO's decision and discussing how those forces and actors influence the decision. In this case, the primary focus is on external *actors*. We do know that the organizations operate in the same country and focus in the environmental field, but we know little about the social, economic, political, and cultural contexts in which the organizations operate. The case offers more information about external actors that operate in each NGO's environmental map. These include funders, volunteers, members, beneficiaries, other NGOs (that could be competitors or collaborators), etc. Students should identify these external actors and indicate how the NGO's relationship to these actors will affect the organization's response to *We-Srv's* funding shift.

Second, the students could determine to what extent their organizations are dependent upon *We-Srv* for funding. How easy would it be to replace *We-Srv's* funding with donations or earned income from other sources? In order to decide whether their NGO should seek grants from other funders, students will need to consider:

- Their organization's reputation among donors,
- The level of competition for donor funds, and
- Their organization's fundraising capacity.

If the students believe that their organizations might be able to make up for *We-Srv's* funding withdrawal with earned income, they could be asked to identify:

- The strength of their organization's membership base,
- The extent to which their organization could use unpaid volunteers to conduct activities that were previously supported by *We-Srv's* funding,
- The availability and perceived accessibility of donations from individuals, and
- Funded activities that could be transformed into revenue-generating activities while still fulfilling the organization's mission.

The students will also need to identify the type of relationship that their organization has with *We-Srv*. This form of relationship will influence the extent to which the NGO feels motivated to,

and has the capacity to, work with *We-Srv* to continue a partnership or, alternatively, exit the funding relationship altogether.

### *Strategic Planning*

Students could identify the extent to which their organization follows a strategic plan, and how adherence to a plan will influence their response to *We-Srv*'s funding shift. In addressing the strategic planning issue, students could prepare a SWOT analysis for their organization, identifying the strengths, weaknesses, opportunities, and threats that their organization would face under a variety of scenarios (i.e. exiting the relationship with *We-Srv*, transitioning to a focus on social services, etc). Important variables to consider include:

- The organization's mission,
- The organization's reputation,
- How the organization derives its legitimacy,
- The organization's ability to raise funds,
- The organization's capacity to deliver services (whether environment or social service),
- The organization's budget,
- Opportunities for collaboration with other NGOs.

A sample SWOT analysis is included in Appendix 1.

### *Collaboration*

Students could consider the option of collaboration. Students can be divided into groups of 3 or more to have representatives of the three organizations. Each group will be asked to decide whether or not collaboration is a viable strategy for their organization.

Representatives of each NGO should deliberate the strategy they want to use during the negotiation. The case includes basic information on how each organization approaches the issue of collaboration. Then each group would need to discuss its alternatives. It is possible that one NGO decides not to pursue collaboration with the other organizations. The decision should be justified when the class reconvenes.

The first step for the organizations that decide to collaborate is to decide on what they are collaborating. The options here are many: 1) form a consortium and apply for funding from *We-Srv*; 2) form a coalition to lobby *We-Srv*; 3) form a partnership to launch a joint income-generating project; 4) support each other through exchange of service and resources (e.g. staff, office space, or materials).

The second step is to prepare a plan for any option they might consider. A plan should include a topic and activities for a funding proposal or joint project, a strategy for the coalition, or a scheme for support and exchange/sharing of resources. Each group should consider the following questions:

- What is the goal of your collaboration? What are you trying to accomplish?
- How will the collaboration work? Develop a basic plan that covers who will work with whom, how, when, and so forth.
- How will the collaboration be structured and managed? Who will lead and what are the management mechanisms (reporting, budgeting, etc.)
- What are the anticipated outcomes and what are the possible challenges?

The groups then need to report to the class on their work and justify the choices they made, outlining the benefits and challenges.

Please refer to Appendix 2 for a possible scenario for a collaboration exercise.

### *Leadership*

Students should consider how their organization's leadership style and decision-making processes will affect their response to *We-Srv's* funding shift. Who must be consulted in the decision-making process? Who will play influential roles in the decision-making process? How will leaders' and stakeholders' characteristics affect their decisions?

### **Take-home Assignment**

If the instructor chooses to assign the case as a take-home assignment, each student should read the entire case. Alternatively, students could be assigned to work on the case in groups. From there, the assignment could take a number of different forms.

One option would be for each student (or group) to analyze each of the three NGOs according to the criteria listed above (mapping, financial management, strategic planning, collaboration, and leadership). For a shorter assignment, students could choose to analyze one of the three organizations or focus on one particular variable, i.e. mapping or financial management or strategic planning or collaboration or leadership and analyze all three organizations according to the specified criteria.

Additional reading/discussion questions are in Appendix 3.

## F. Case Background

The theoretical framework used to analyze the case was developed by AbouAssi (2012) in a paper that extends Hirschman's (1970) typology of Exit, Voice, and Loyalty to the NGO sector. AbouAssi (2012) argues that NGOs can respond to shifts in donor funding in four ways:

1. *Exit*: When an NGO decides to no longer seek funding from a particular donor and therefore suspends the relationship. Donors often revise their funding objectives without consulting grantees or other stakeholders. As a result of a funding shift, NGOs may become dissatisfied or no longer find a match between their missions and the new funding priorities. In such a case, the NGO may exit the particular funding relationship and pursue other funding sources in order to sustain its programs.
2. *Voice*: When an NGO relates its feedback and concern to the donor with the intention of influencing the donor's decisions and sustaining the relationship by reaching common ground that balances the donor's objectives and the organization's mission. Such an approach allows the NGO to maintain its relationship with the donor despite changes in funding objectives, but without sacrificing its own goals and interests.
3. *Loyalty*: When an NGO automatically and unconsciously complies with the donor. The exercise of loyalty is likely to be particularly relevant among so-called "donor-organized NGOs," that is NGOs that are established directly by donors to carry out their agendas.
4. *Adjustment*: When an NGO practices agency and voluntarily and deliberately decides to adjust its activities to favorably cope with the donor's new objectives in order to secure funding. Adjustment reactions are distinguished from loyalty reactions by examining the nuance in the NGO response. Loyalty refers to *unconscious* decisions to abide by donor funding objectives, while adjustment applies to *conscious or discretionary* decisions made after an internal deliberative process.

In the actual case, the three NGOs chose exit, voice, and adjustment as responses to *We-Srv's* shift in funding. *Eviro* took the *exit* approach. The NGO wanted to stay true to its strong organizational identity and therefore did not want to undertake any project that deviated from its stated mission of environmental sustainability. This decision reflects an inward accountability to organizational mission and values. To compensate for the drop in funding, *Eviro* had to mobilize its grassroots support and rely on volunteers, which had already been cultivated prior to *We-Srv's* shift in funding. The NGO also increased its advocacy activities, which did not require external funding.

*3 E's* exercised *voice* by leveraging its organizational capacity and relations with local beneficiaries and communities to maintain its relationship with *We-Srv*. The downward accountability *3 E's* exhibited to its constituent empowered the organization to negotiate an agreement with the donor. The organization was able to talk the donor into supporting a

project that bridged environment and social services. They applied for, and received, funding to implement an income-generating project related to organic products and recycling.

EFA *adjusted* to *We-Srv's* shift in funding by changing its focus from the environment to social services. The NGO exhibited strong upward accountability, allowing donor priorities to dictate the projects it pursued. And because EFA did not follow a strategic plan, it was straightforward for the organization to switch its priorities along with the donor. The organization started a project to serve the needs of the elderly.

It should be noted that this case takes place in a specific time period. NGOs' behaviors at the point of this case may differ from past and/or future behaviors.

## APPENDIX 1: SWOT Analysis

<ul style="list-style-type: none"> <li>• What advantages does your organization have?</li> <li>• What is the core competency of your organization?</li> <li>• Why is your organization important to the stakeholders?</li> </ul> <p><b>Criteria examples</b> Resources, assets, people? Experience, knowledge, data? Location and geography? Mission and values?</p>	<p><b>Strengths</b></p>	<p><b>Weaknesses</b></p>	<ul style="list-style-type: none"> <li>• What internal factors are responsible for drop in performance?</li> <li>• What are the technical snags for your organization?</li> <li>• Achievements of competitors</li> </ul> <p><b>Criteria examples</b> Gaps in capabilities? Damaged reputation? Processes and systems?</p>
<ul style="list-style-type: none"> <li>• What are future prospects?</li> <li>• Interesting trends to be coming soon</li> <li>• Change in technology and Markets</li> </ul> <p><b>Criteria examples</b> Market developments? Technology development and innovation? Global influences? Partnerships, agencies, distribution?</p>	<p><b>Opportunities</b></p>	<p><b>Threats</b></p>	<ul style="list-style-type: none"> <li>• Performance of the Competitors</li> <li>• Government Policies</li> <li>• Problems/changes in surrounding environment</li> </ul> <p><b>Criteria examples</b> Political effects? Legislative effects? Environmental effects? Market demand? Economy - home, abroad? Seasonality, weather effects?</p>

## **APPENDIX 2: An Exercise on Collaboration**

The presidents of the boards of the three organizations met in a professional event. They considered that in light of the development with *We-Srv* funding, their organizations should collaborate and work together. They asked their executive directors to meet and discuss the possibility of creating a multi-organizational collaboration.

You represent your organization in these meetings. You are first required to deliberate with your colleagues on the strategy you want to use during the negotiation. The case includes basic information on your organization perspective on and engagements in collaboration. You then need to discuss as a group the possibility to collaborate. If you decide to pursue collaboration as an option, your next step is to decide on what you are actually collaborating.

Your group needs to cover these questions:

- What is the goal of your collaboration? What are you trying to accomplish?
- How will the collaboration work? Develop a basic plan that covers who will work with whom, how, when, and so forth.
- How will the collaboration be structured and managed? Who will lead and what are the management mechanisms (reporting, budgeting, etc.)
- What are the anticipated outcomes and what are the possible challenges?

Your group will have one hour to work on a collaboration strategy and then report to class, providing details based on the four main questions. If you decided not to collaborate, you need to provide justification.

## APPENDIX 3: Guiding Questions

Read the case carefully, then choose one of the three organizations—EVIRO, Environment, Earth, and Ecology (3 E's), and Environment for All (EFA)—to study. Assume that you are the Executive Director reporting to the Board of Directors of that organization.

As you are preparing a memo to the Board of Directors, think of the challenges and opportunities the organization is facing in its surrounding environment, relationships with stakeholders, internal management and operations, impact, and future. It is your responsibility to help your Board make an informed decision about *We-Srv's* new funding opportunity and your organization's response.

1. What is going on in this case?
  - a. Besides *We-Srv's* new funding, what are the main challenges and opportunities facing the organization? Why do you say that?
  
2. How do you recommend your organization should react to the call for new funding?
  - a. Based on the recommendation, what should the executive director be trying to achieve as the leader of the organization?
  - b. How will the decision to be made affect the organization and its stakeholders? Why? Make sure to identify the stakeholder and be specific when you are talking about the organization (for example: the decision will have an effect on structure). Make sure to consider other alternatives to support your argument.