# The Evaluation of Inter-Organizational Relationships in the Not-for-Profit Sector

Some Observations

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# 1. Introduction

Institutions and organizations find themselves increasingly incapable of dealing with problems of expanding scale and scope. In our international development (ID) practice, the global concerns of poverty, war, famine, equality, the environment and so forth invariably exceed the capacity of any single organization to impact. While organizational visions and mandates embrace these issues, the organizations themselves are small in relation to the challenge. This challenge is not exclusive to the non-profit organizational sector. Experience has shown that the United Nations (UN) system, inter-governmental agencies, international financial institutions (IFIs) and national governments, neither have the approaches nor the capacity to take on these challenges single-handedly. Accordingly, new ways are sought to address these issues and other problems of international reach.

Specifically, over the past decade or so we have seen the growth of a wide assortment of organizational forms to tackle these challenges. These new forms are, in fact, constellations of organizations. Some organizations come together to create new entities formally and others do so less formally. Individuals and organizations in the field of international development are increasingly forging linkages with others in the public, not-for-profit and even for-profit sectors in the hope that together they will better achieve their objectives. A plethora of labels have been applied to these organizational groupings, including networks, consortiums, strategic alliances, coalitions, joint ventures, partnerships and inter-organizational relations.

## 1.1 Partnerships as Inter-organizational Relations

In the field of international development, organizational collectives are typically called partnerships. The term is appropriate since it conveys the need for organizations to collaborate to accomplish their goals. In development work, organizations often find that they must collaborate to accomplish a mission that surpasses the capacity of any one of them. This same motive is apparent in other fields. Organizational researchers, for instance, have noted that private enterprises are increasingly partnering to achieve common ends (Waddock, 1991). Political scientists have remarked that joint action is a popular tool to enhance democratic local government. They label this growing practice – participatory development (Capacity.org, 2006). As a final example, strategists have explored the mechanics and benefits of collaboration from various perspectives in research on collective strategies (Astley, 1984), problem-solving networks (Trist, 1983) and action sets (Aldrich & Whetten, 1981; Whetten, 1987).

The notion of partnership is common to many sectors and disciplines. Sociology, economics, political science, social psychology and professional areas such as education, health, social work and development studies include notions of partnership. The term, of course, is highly associated with the practice of law. In the corporate sector, partnership has become synonymous with contractual arrangements and is defined within legal parameters. Countries create laws that specify rules associated with partnerships. Partnership laws are written and partnerships must fall within this legal framework. In contrast, partnerships within the field of international development may or may not be formal arrangements. Public and not-for-profit agencies often enter into partnerships without or with few formal trappings. These sectors pay little attention to the legal framework set forth in private sector partnership law. For this reason, the term partnership might be ill advised in the context of international development.

Moreover, perhaps as a result of its rampant use, the term partnership has become fraught with ambiguity and added meaning. One finds in the field of international development that any inter-organizational relationship can be dubbed a "partnership". Perhaps more regrettable is the extent to which the term has become value-laden. In the rhetoric of the ID field, partnership has come to imply all things good. Equated with partnership are the virtues of equality, reciprocity, mutual benefit, and democracy. Oftentimes we find the partnership is considered the end in itself, rather than a means to some end (Ostrower, 2005). In society today, partnerships are considered sophisticated and à la mode. With such associations attached, partnerships are superior de facto to alternative forms of organizational relationships (Brinkerhoff, 2002; Caplan, 2003). Clearly, this is not always the case. In reality, the individual partners are rarely equal. Differences are found in their size, clientele, reach, reputation, sophistication, performance and influence. Harmony among partners is an ideal rather than a gift bestowed upon the collection by virtue of their partnering. Democratic values are constantly strained in partnerships where power imbalances are rife. Thus, while the term partnership may be applied as a rhetorical statement, one often finds a host of alternative inter-organizational arrangement created to accomplish goals.

In the hope of engaging in a dialogue more neutral in tone and free of value pre-judgements, we employ the term inter-organizational relation (IOR) to refer to relationships amongst organizations working together. Inter-organizational relationship is an umbrella term that embraces all manner of relationships across organizations (and in some cases prominent individuals as well). The term, butts up against arm's length transactions at one end of the spectrum and to the point of fusion (e.g. merger & acquisition) at the other end (Todeva & Knoke, 2005). Our second reason for using this broad term is that we believe that IORs can be divided into various sub-groups in the same way that we can create organizational typologies. The creation of typologies of IORs will allow us to focus on specific aspects of IORs and thus guide our future studies.

## 1.2 Definition of Inter-organizational Relations (IORs)

This paper primarily focuses on IORs in the **not-for-profit sector**. Further, we are interested in IORs that are primarily organizational[1]. These distinctions aside, we can describe the IORs we study generically. In a nutshell, IORs are collectives of organizations that are voluntary, goal-oriented, complex and flat in their authority structures. The relationship must benefit both the individual members and the IOR as a whole.

To expand, IORs are **voluntary** arrangements in that the member organizations come together of their own accord. It may well be true that the accomplishment of a specific objective obliges certain partners to join forces (Caplan, 2003). But this is not to say that the partners in such a case were forced to collaborate. The option of not undertaking an initiative always remains.

IORs are **goal-driven** collectives. Organizations come together in order to accomplish some objective. At the heart of any IOR is the appreciation of a compelling mission and the realization that none of the partners could achieve that mission alone. Indeed, it is further assumed that by collaborating the members will achieve results that surpass the sum of the members' efforts when acting independently. In a word, synergy is expected to flow from the collaboration. And as it does, the objective becomes more achievable.

[1] A significant issue in creating a better understanding of IORs is the determination of whether IOR relations are organizational or individual. This is not a trivial matter.

IORs are **complex** entities. At the same time that the member organizations are committed to the IOR's objective, they remain committed to the mission, goals and objectives unique to their own organization. IORs are inherently dualities. Their purposes, structures, systems and processes exist at the plane of the collective and at that of the component organizations. Further, the environmental contexts of the IOR are multiple. They include the context in which the IOR functions plus those that influence each of the individual members. These environments may be the same, overlapping or distinct.

IORs are **hierarchically flat**. Their flat governance structure reflects their collaborative origins. Members, who agree to share the costs of the collaboration, expect to share the responsibility of directing the activities of the collective. While such a structure signals respect for the individual members, it adds considerably to the complexity of directing and communicating throughout IORs. It is often the case for instance, that each member has veto power over the direction of the IOR.

Finally, IORs must **benefit** the member organizations and the **collective of the members** (i.e. the **IOR**) as well. When organizations agree to contribute their resources and expertise to a collaborative venture, they expect to be rewarded. Once again, the expected rewards are dual. Members both expect to benefit from accomplishment of the IOR's objective and expect that each organizational participant will benefit locally in the pursuit of its own goals and objectives. Of interest here, we note that it is often unclear how individual members will assess these various benefits.

As a final comment, we emphasize that **hopes** run high when IORs form. At the same time, so do the **demands** that are placed upon them and upon their member organizations. The remainder of this paper lays out our experiences and observations of IORs operating in the not-for-profit sector as a guide for those who would form them, work within them or evaluate them.

## 2. Purpose

Over the past few years, we have been more and more involved in evaluating[2] inter-organizational relations (IORs). As we did so, we became more skeptical about the conduct of these evaluations. We wondered about the questions that evaluators are asked and the basis of the judgments that they in turn render. At the same time, we began to ask ourselves about the very nature of IORs: What are they? How do they form? Why do some develop and prosper, while others flounder at start-up? What are the critical factors in their development and success? What do we know to date about this organizational phenomenon?

We reviewed the literature and now appreciate that while a great deal is written about IORs, our knowledge is still elementary. We realized that it would be useful to consolidate our experiences and put forward the ideas that have emerged through our personal experiences. To do so, we shall first suggest some frameworks we have used to organize our thoughts and what we have learned to date. Second, we shall propose some observations of the successful formation and development of IORs. Third, we shall draw on our key observations and frameworks to make suggestions as to the evaluation of inter-organizational relations. Though these ideas are oriented towards the assessment of IORs in the not-for-profit sector, they seem adaptable to the evaluation of IORs in general.

### 2.1 Locating Ourselves in the IOR World

When we started to write this paper we were confronted with a host of ideas and hypotheses. How could we order them to help organize our thoughts? Part of our dilemma lies in the eclecticism of IORs. Being a collective of a variety of organizations, there is no stereotypic IOR. As such, there is a need to categorize and theorize about this organizational form. Despite this need, there has been little activity in this area.

Typologies provide a succinct and potentially instructive method of organizing knowledge. Given the breadth of organizational relationships possible, the study of IORs begs for one or more typologies. As we pondered this device, we quickly appreciated that a typology of IORs could be plausibly constructed around a number of features that particularly characterize IORs and distinguish them from other organizational entities. We note that each typology will result in different clusters of IORs. Each typology will draw attention to a unique set of defining features and suggest implications that follow from its particular emphasis. To start with, for example, we considered clustering IORs by motivation and sector. (See Exhibit 2.1)

**Exhibit 2.1 A typology of IORs**

| Sector | Motivation | |
|---|---|---|
| | Profit | Not-for-profit |
| Private | 1. Business | 2. Civil Societies<br>Foundations<br>NGOs<br>NPOs |
| ***Public*** | 3. Crown corporations<br>Cooperatives<br>Parastatials (e.g. Casino, Lotto) | 4. Government<br>Public institutions (hospitals, schools, police, army) |

[2] We have evaluated 7 different IORs and consulted with IDRC as it did a major review of its own work on networks.

As can be seen from Exhibit 2.1, four pure IORs are possible. By pure we mean networks of organizations or institutions within the same sector (private/public) and with the same basic motivation (profit/not profit). Indeed, we have found that inter-organizational relations represented by certain of these cells occur and enjoy substantial research. This is the case for those in **Quadrant I** and increasingly (though largely descriptive in nature) for IORs in **Quadrant II.** At the same time, this device reveals IORs about which we know little. Specifically, much less research addresses IORs involving government bodies (**Quadrant IV**). Few explore the nature and operations of IORs within **Quadrant III.** Fewer still, if any, examine cross-quadrant relationships, which is of interest given that we are hearing a great deal about inter-quadrant IORs (e.g. Public-Private Partnerships). As we look at this typology, we recognize that almost all of our own work has been within the second quadrant. This is where we have drawn our observations. As we build our repertoire of experience we hope to examine IORs along these lines, and compare and contrast IORs in the four quadrants (and across quadrants) in search of commonalities and differences among them. In doing so, we would ask, for instance: "Can we generalize across quadrants? How does sector and motivation influence the formation and development of IORs?"

Of course, useful typologies may be formed along other dimensions as well. For example, IORs with narrow formal membership (two person partnerships) differ in many respects from those with open memberships. We noticed that market forces drive some IORS and mission drives others. As we explored our own sample and experience, we recognized that IORs follow an evolutionary trajectory much like organizations. Unlike the simple organizations, however, some are born with sunset clauses while others are quite open ended. Exhibit 2.2 contains these and other features that might be used to sort and classify IORs. The list is by no means exhaustive. It is meant to reflect the array of dimensions about which useful typologies might be created as a basis for the study of IORs.

**Exhibit 2.2 Suggested features by which to classify IORs**

| Feature | Dimensions |
|---|---|
| Member inclusion | Narrow, broad |
| Drivers behind inception | Donor, members<br>Market |
| Organizational form | Scale (size)<br>Homogeneity, heterogeneity of partners<br>Local, national, international spread |
| Expertise | IOR provides expertise functions or coordinates expertise supplied by partner organizations |
| Relationship among members | Independence (loosely linked), dependence (tightly linked), interdependent (multiply linked) |
| Development stage | Birth to death |
| Stability of alliance | Temporary, permanent |
| Authority | Dispersed, centralized |
| Structural arrangements | Secretariat, mechanisms for coordination, reporting and communication (task forces, committees) |

## 2.2 A Developmental Framework: A useful lens

As mentioned above, for this paper we mined our experiences evaluating IORs of private organizations in the not-for-profit sector. To organize these data, we adopted a developmental framework. We did so because we seek to understand the progress and success of IORs as generically as possible. Our search, at least at this time, is for broad knowledge in which to ground the nuances that will accumulate through further research. Thus, we ordered our observations according to the stage in the evolution of the IOR in which each of them is prominent or first becomes a serious consideration.

To expand, we adopted the notion of life cycles to IORs, largely drawing upon the literature on the organizational life cycle (OLC). We suggest this is reasonable given that IORs can be viewed as organizations of organizations. Our supposition is that as simple organizations evolve over time, so broadly speaking do collectives of organizations. We appreciate that adaptation of the basic model is required to take into account the characteristics that distinguish collectives of organizations from the single organization. To the extent that research and our direct experience allow us to make these distinctions, we do so. To this point, we note that the literature on OLC and IORs in the for-profit sector is prolific. (For information on the OLC model, see reviews by Gupta & Chin, 1994; Hanks, 1990. More recently, see Lester, Parnell & Carraher, 2003; Jawahar & McLaughlin, 2001; Ruef, 2006). For information on IORs, see special issues in the Academy of Management Journal edited by Osborn & Hagedoorn, 1997; International Studies of Management and Organization edited by Ebers & Jarillo; Organization Science edited by Koza & Lewin, 1998; Organizational Studies edited by Grandori, 1998. See also reviews by Gulati, 1998; Oliver, 2001; Rice & Galvin, 2006; Sobrero & Schrader, 1998.) In contrast, while collaboration in the not-for-profit sector also reaches back to the 1970's (Provan, K., Nakama, L., Veazie, M., Teufel-Shone, N., & Huddleston, C., 2003), the research on IORs in this sector is less abundant and largely descriptive in nature (Isett & Provan, 2005). Thinnest of all is the literature on the evolution of IORs in the not-for-profit world (Isett & Provan, 2005).

The basic premise of the organizational life cycle model is that organizations evolve throughout their existence. This evolution entails movement through a series of predictable stages that are both sequential and developmental. The stages are sequential in that stages of early, middle and later development can be clearly distinguished, with the earlier stages leading to the later stages. The stages are developmental in that succeeding stages build on the completion of the tasks that characterize earlier stages (Gulati, 1995; Todeva & Knoke, 2001). They are predictable in that organizations progress from early to later stages, allowing for limited cycling between them (Miller & Freisen, 1984).

Over the years, there has been controversy regarding the paradigm. Today, the OLC model seems generally accepted as a framework for understanding the changes that occur over time as organizations grow in size and complexity (Dodge & Robbins, 1992; Drazin & Karanjian, 1990; Gupta & Chin, 1994; Hanks, 1990). The appropriate number of stages has been disputed. Today, however, there seems widespread acceptance of a 4 or 5-stage model (Avina, 1993; Dodge & Robbins, 1992; Gupta & Chin, 1994; Hanks, 1990; Jawahar & McLaughlin, 2001; Lester, Parnell & Carraher, 2003; Ruef, 2004). These stages entail the birth, growth, maturation, redirection and eventual decline of the organization. Therefore, these are the stages that we employ in this article. (See Exhibit 2.3.) The following paragraphs contain a brief description of these 5 stages in the context of the organization and then the IOR. Subsequently, we offer our insights into the winning conditions for IORs at these different stages – in other words, our observations to guide the evaluation of IORs in the not-for-profit arena.

**Exhibit 2.3 Theoretical Stages of Development of Non-profit IORs**

| | STAGE 1 | STAGE 2 | STAGE 3 | STAGE 4 | STAGE 5 |
|---|---|---|---|---|---|
| **Mode** | Formation<br>*Getting together* | Growth<br>*Getting to work* | Maturity<br>*Organizing ourselves* | Renewal<br>*Recommitting or Refocusing* | Decline<br>*Coming apart* |
| **Leadership Role** | *Champion* | *Cultivator* | *Consolidator* | *Change Agent* | *Philosopher* |
| **Climate** | *Exuberance* | *Production-oriented* | *Results-oriented* | *Reinvigorated* | *Despair & Acceptance* |
| **Developmental objectives** | To articulate objective requiring collaboration.<br>To determine IOR niche and potential organizational members.<br>To encourage collaboration.<br>To get started. | To clarify roles, responsibilities and expectations.<br>To set up basic coordination mechanisms.<br>To produce goods and services.<br>To create a structure that facilitates action.<br>To reflect on business model. | To define business model.<br>To institutionalize mechanics for work planning, shared decision-making and communication.<br>To establish formal evaluation and monitoring systems.<br>To test effectiveness and impact. | To recognize signs of a partnership in trouble.<br>To encourage settling of disputes or revitalize IOR around a fresh purpose. | To create a new IOR (purpose, partners etc.) on foundation of old relationships.<br>To orchestrate its dissolution, so that good relations are maintained among partners. |
| **Performance objectives** | To start up to do things. | To begin service or program delivery. | To show that outcomes can be achieved. | To increase reach, introduce new services or programs. | To terminate service or program. |

## 2.3 Stages of Development

### 2.3.1 Stage 1: Formation

**Birth of the organization**: In the organizational life cycle (OLC) literature, the first stage is referred to as birth (Lippitt & Schmidt, 1967), inception (Quinn & Cameron, 1983), infancy and courtship (Adizes, 1979). Others have labeled it the paternalistic (Scott, 1971) or entrepreneurial stage (Mintzberg, 1984; Kimberly & Miles, 1980). In the not-for-profit literature, this phase is called the start-up (Avina, 1993).

The key task in Stage I is the launch of a viable organization (Daft & Weick, 1984; Quinn & Cameron, 1983). Organizations are born when the germ of an idea is transformed into a product or service (Adizes, 1989; Kimberly, 1979). In this stage the nascent organization defines its niche (Kazanjian, 1988; Dodge, Fullerton & Robbins, 1994). At the same time it establishes its legitimacy in the market place (Downs, 1967; Marcus, 1988) and secures the resources it needs to begin and operate in the near term (Quinn & Cameron, 1983; Kimberly & Miles, 1980; Hasenfeld & Schmidt, 1989). The success of the new organization depends on the abilities of the founder or entrepreneur. This individual (or small group of individuals) performs several functions and as such has been called a one-man show or jack-of-all-trades (Quinn & Cameron, 1983; Galbraith, 1982; Katz & Kahn, 1978; Smith & 1985). Accordingly, power tends to reside in the hands of this individual or small group (Adizes, 1979). Profit motive is the characteristic that distinguishes the start-up of private versus other organizations. Other than this underlying motivational distinction, the issues seem much the same across sectors.

**Formation of the IOR**: IORs form when existing organizations come together for some joint purpose. Organizations seek to partner when it becomes evident that the individual organizations are incapable of accomplishing a significant objective, whose accomplishment will benefit both the partners and the collective (Todeva & Knoke, 2001). Numerous reasons have been cited for the formation of such inter-organizational relationships. Private and public sector organizations seem to ally for much the same reasons. These have been referred to as the generic needs for cash, scale, skills and access (Bleeke & Ernst, 1993). In both sectors, partnerships promote the sharing of scarce resources and expertise (Doz & Hamel, 1990; Dussauge, Garrette & Mitchell, 2000; Liebler & Ferri, 2004; Oliver, 2001; Pyka, 2002), and in this way reduce uncertainty (Isett & Provan, 2005; Webster, 1999; Oliver, 1990). It allows them to broaden their reach or access new markets, geographic regions etc. (Dickens, 1994; Webster, 1999), and in this way to increase their capacity (Leibler & Ferri, 2004; Webster, 1999) and gain economies of scale (Oliver, 1990). In addition, and importantly in the not-for-profit sector, IORs can afford members greater legitimacy and enhance their voice (Liebler & Ferri, 2004; Oliver, 1990; Provan et al., 2003).

Much like simple organizations, then, the IOR forms for a **purpose** that helps define its **niche**. In its formation, organizations gather together that both endorse the mission and have valuable contributions to make towards its accomplishment. In this way, the IOR musters its **resources**. A distinguishing element in the formation of inter-organizational relationships is the negotiation that occurs among prospective partners. Out of this extensive courting, the nature of the partnership (e.g. its size, its partners, its geographic reach, its activities and so on) is determined.

> In all our evaluations, we created milestone charts that highlighted the reasons for the birth of the IOR. In all eight instances founders highlighted the key issues that led the organizations to come together. In six of the eight cases, the reason for the IOR was that the issue being addressed by the IOR was too big for any one of the organizations. In the other two cases, IORs formed in response to market efficiency concerns. How each moved through this phase gives us insight into the inception of IORs and their ability to become viable entities, or not.

The vision and effort of prominent individuals are crucial in the formation of IORs. These leaders both crystallize the purpose and **encourage the collaboration** of members. The mood in this stage is **exuberance.**

### 2.3.2 Stage 2: Growth

**Growth of the organization**: The second stage is called the growth (Miller & Friesen, 1984) or expansion stage (Avina, 1993; Scott & Bruce, 1987). Reflecting the ecological roots of the model, others have called it youth (Lippitt & Schmidt, 1967), adolescence or the go-go stage (Adizes, 1989).

The organization in Stage II has overcome the initial roadblocks to start-up (Dodge & Robbins, 1992). The key task is to take advantage of the opportunity to operate. In the private sector, this means bringing as much product or service to the market as possible (Miller & Friesen, 1982; Adizes, 1989, Scott & Bruce, 1987). In the not-for-profit sector, this means initiating service or program delivery (Avina, 1993). Over this period, the organization exploits its unique competencies (Miller & Friesen, 1984). It may hone them, seeking key individuals to employ (Kimberly, 1979) and additional suppliers to accommodate its growth. As it grows, concerns about communication, coordination and control arise (Greiner, 1972; Quinn & Cameron, 1983). Rudimentary rules and procedures are established (Katz & Kahn, 1978). In this stage, as well, demands on the founder become too great for that individual to retain sole control. Increasingly, the founder takes on the role of coordinator and delegates more responsibility to subordinates (Adizes, 1989; Greiner, 1972; Scott & Bruce, 1987). Concurrently, other individuals become more valuable to the organization because they have taken on supervisory duties or bring in critical expertise (Galbraith, 1982; Smith et al., 1985).

**Growth of the IOR**: In Stage II, members move beyond the euphoria of the idea and begin to organize themselves to **accomplish real tasks**. It is our experience that performance begins to matter a lot at this phase. This is a production-oriented stage. Therefore, of priority are steps that will facilitate the initiation of the IOR's activity. The first of these steps is to figure out how the work of the collective will be done. Members must decide the extent to which the members will manage the activities of the IOR or whether they will set up a secretariat to ensure that things are done. At this point, the members negotiate the basic **roles and responsibilities** of their organizational representatives. They come to grips with basic **governance issues**, namely the leadership of the IOR and its principle components (e.g. Board of Directors, Secretariat). They gear up to for service delivery by addressing how they will **pool their basic resources**, i.e. material, staff, technology, knowledge and so on (Todeva & Knoke, 2001). At this stage, reflection upon the **business model** is advised and evident among the sophisticated and more successful of IORs.

> Stage II was interesting for us. In five out of our eight cases, Stage II lasted the longest of any stage. Most of the IORs had difficulty organizing resources to get things done. In three cases they were called "talk shops." It was a number of years before they were able to finish some useful outputs. What is interesting about this stage is that all the groups we evaluated identified the importance of "producing tangible things for members to see". Yet for some of our IORs tangible outputs were elusive.

### 2.3.3 Stage 3: Maturity

**Maturation of the organization**: The third stage is that of the mature or prime organization (Adizes, 1979). This stage is also popularly known by its key activity; namely, formalization (Quinn & Cameron, 1983), stability (Kazanjian, 1988), consolidation (Avina, 1993) and deceleration (Downs, 1967).

In this stage, the organization seeks stability in response to the problems generated during the previous period of hectic growth. Owners and managers attempt to gain better control and efficiency through the institutionalization of formal structures, systems and processes (Kimberly, 1979; Quinn & Cameron, 1983). They elaborate upon the rudimentary rules and procedures of the preceding stage. The organization becomes more bureaucratic. Job descriptions, reporting lines, systems of reward and control are laid out. The organization becomes increasingly more hierarchical and complex. In this stage, the professional manager gains prominence (Avina, 1993; Galbraith, 1982; Smith et al., 1985).

**Maturation of the IOR**: In Stage III, IORs also focus on elaborating upon previous financial and design systems to improve **operational efficiency** and **leveraging competencies** (Rice & Galvin, 2006). The impetus toward **formalization** seems even greater in IORs than in simple organizations because of the ambiguity implicit in their dual structure. Organizational members, in other words, have a loyalty to both their employer and to the IOR itself. This duality provides ample potential for conflict among partners and with the IOR (Todeva & Knoke, 2001). To address these weaknesses and remain viable, IORs in this stage institutionalize the **mechanics for work planning, shared decision-making, communication and reporting**. As they do so, IORs strive to balance the needs and desires of the partners with those of the collective (Rice & Galvin, 2006). While research on private sector IORs indicates that this impetus towards greater formalization lessens over time as trust grows (Gulati & Gargiulo, 1998), this appears not to be the case for those not-for-profit IORs we have known. The demands for **accountability** from donors and governments oblige not-for-profit IORs to adopt a more bureaucratic form and thorough reporting processes (Liebler & Ferri, 2004; Isett & Provan, 2005).

Moreover, this is a **results-oriented** and **self-questioning** stage. Members ask whether the outcomes of their activities justify the cost and effort. The value of the IOR's outputs in the eyes of others is a weighty consideration at this point. Members' determination of the relevance of the collaborative hinges on its perceived impact on society – its clients, other institutions, its geographic areas of operation and so on. In this respect, non-profit IORs appear quite distinct from private sector IORs.

It is at this stage that IORs need to finalize the **business model**. They need to grapple with the complexities of their funding, disbursement of funds, and the implications of the choices they make. By this stage, start-up funds are invariably depleted and the members must secure an ongoing flow of funds. How they will generate revenues to continue in their work is resolved among the members of successful IORs now. Their options are several. At this stage members ask, for example: Should the members support the IOR? Should they solicit more or different donors? Should they sell its goods and services? While finding an appropriate business model is a critical developmental task, it is a laborious and time-consuming one as it necessitates considerable discussion among members and other stakeholders.

> In all eight cases it was at Stage III that we engaged in an evaluation of the network. It was at this stage that this stage that the IORs and their funders begin to scrutinize activities and their impact. Standardization is beginning to take place. IOR members are seriously asking whether their efforts and resources are being well used and cost effective to their own organization. The IOR needs to justify the enterprise in terms of its usefulness to others. This is a make or break phase for IORs and they need to be carefully navigated through this phase.

### 2.3.4 Stage 4: Renewal

**Renewal of the organization:** The next phase is one of revival (Miller & Friesen, 1984). Stage IV is also known by its key tasks, i.e. strategic maneuvering (Galbraith, 1982), elaboration of structure (Quinn & Cameron, 1983), search for new direction (Modis, 1994) and diversification (Hanks, 1990).

The formalization thrust of Stage III proves increasingly problematic. As it seeks stability and control through formalization, the organization becomes more rigid as well (Miller & Friesen, 1984). Further, as managers and owners focus increasingly on the organization and its needs during Stage III, they pay less attention to developing new markets, products or services (Miller & Freisen, 1984). Mired in red tape and insensitive to changing environmental demands, the organization faces the possibility of decline. To remain viable, organizations in Stage IV must remake themselves. This often entails paring down the bureaucracy (Adizes, 1979; Karanjian, 1988; Miller & Freisen, 1984; Smith, et al., 1985). As well, organizations in this phase adopt more complex and flexible systems (e.g., matrix structures, management teams) to boost collaboration, communication and increase the porosity of the organization (Katz & Kahn, 1978; Scott, 1971). In the hopes of kick-starting a second period of healthy growth, organizations in this stage explore new products and markets (Greiner, 1972; Quinn & Cameron, 1983; Modis, 1994). As organizations look outward again, leaders focus on working with the bureaucracy and not adding to it.

**Renewal of the IOR**: The notion of renewal appears more evident in studies of not-for-profit IORs than private sector IORs (e.g. Liebler & Ferri, 2004). Our experience of non-profit IORs suggests that it is the self-questioning of the preceding stage (rather than ramifications of the structural factors) that inclines members to **reconsider their relationships, goal** and **activities**. In this stage, members digest the knowledge acquired through the questioning of this previous stage. They use this learning to decide whether their activities are bringing them closer to achieving their goal.

This stage again calls upon the drive and vision of **leaders**, this time, to serve as **change agents**. Their leadership is needed to stimulate action based on what the members have learned and the conclusions they are drawing. Stage IV is a turning point for IORs. Some will re-commit to the original goal and amend structures, processes or activities to better attain it. In this case, IORs will recycle to Stage II or Stage III, depending on the depth of the changes they make. Others will experience drastic changes in membership, sponsorship or purpose. In the case where IORs find consensus about a fresh goal or experience other profound changes in constitution, those leaders who remain will incite the collective to explore **new opportunities** and **sources of support**. Succeeding, these IORs having found a focus for renewal will reformulate. Under the guidance of champions again, the IOR will take on new life. It will progress in a fashion from Stage IV of one life cycle to Stage I in the life of a new, if related, partnership. As a final alternative, IORs who accomplish none of the preceding, will begin to decline. The climate in IORs that leave Stage IV with a renewed sense of purpose - either within the boundaries of the original collective or in forging a new partnership - is **reinvigoration**.

> In our experience, Stage IV occurs when the evaluation triggers the need for change. This is a very sensitive issue because if the evaluation calls for too much change the IOR becomes paralyzed with the enormity of what it is being asked to do. If too little change is required, the IOR remains inwardly focused. The risk here is that the IOR will eventually cease to be relevant to its clients and decline.

### 2.3.5 Stage 5: Dissolution

**Decline of the organization**: Organizational death is little studied. It is often treated as a default stage. Organizations that do not accomplish the necessary tasks of earlier stages have failed and therefore decline. Hence, it is so labeled (Hanks, 1990; Miller & Friesen, 1984; Adizes, 1989; Downs, 1967).

The research on Stage V focuses on the operational and behavioural symptoms of decline. The chief indicators of operational failure include dwindling demand and market share (Miller & Freisen, 1984), stepped up competition (Ford, 1980; Karanjian, 1988; Smith et al., 1985) and disappearing slack (Adizes, 1979). Behavioural symptoms such as political gaming, rivalry, in-fighting, scape-goating, mistrust, and tendency to conformity and group-think are documented with verve (Adizes, 1979; Miller & Freisen, 1984; Mintzberg, 1984; Nystrom & Starbuck, 1984; Pfeffer, 1981; Smith et al., 1985).

Research on non-profit organizations treats this stage differently, acknowledging that the close-out of NPOs can be planned from the start. Rather than failure, the winding down of non-profit organizations can represent the final step in the successful end of some program or project (Avina, 1993; Liebler & Ferri, 2004).

**Decline of the IOR**: Research on the decline of IORs is also sparse but qualitatively different from that on organizational decline. Notably, the distinction between intentional closure versus decline is seriously considered. This distinction is made in both the literatures on not-for-profit and private sector networks. It is well documented that private sector IORs can be intentionally short-lived (Knoke, 2001; Nanda & Williamson, 1995; Todeva & Knoke, 2001), as well as decay under the pressure of power imbalances within the network (Bleeke & Ernst, 1995). Similarly, the literature on networks of public sector and NPO organizations shows that, while these can also **dissolve prematurely**, often the sustainability of the network is not the goal. The sustainability of its outcomes is (Liebler & Ferri, 2004). Hence, the **planned termination** of collaborations in the non-profit sector appears as an acceptable alternative against which the sustainability of the IOR might be evaluated.

In this final stage, the leaders pose the question: "Should the IOR should continue to exist?" If they still find merit in the collaboration, their challenge is to arrest the spiral of decline and trigger a last minute turnaround. This final stage calls upon the **political savoir-faire** and **personal resources** (contacts, knowledge and managerial sophistication) of the leaders. Faced with the close-out, on the other hand, the leaders are challenged to **orchestrate the dismantling** of the IOR while **maintaining relations** among the partners so that they might collaborate fruitfully in future. The mood at this stage extends from **despair** to **acceptance**.

Why do some IORs continue and others end? In most of the organizational work we do we assume continuity. For IORs this is not always the case. We have been involved in IORs that have "sunset clauses" and the evaluation process was to validate, or not, the closing of the partnerships. We have also been involved in an IOR that closed when the evaluation pointed out that the IOR was competing with one of the members. The evaluation finding led to heated debates and culminated in the "death" of the IOR. In this case, a sole member was responsible for the death - albeit an important member!

## 3. Some Observations

Having outlined the critical developmental and performance objectives characteristic of the evolution of IORs, we offer our observations of the factors that contribute to their success. A summary of our findings is provided in Exhibit 3.1 at the end of this section. Success in this context is multiply defined. In some cases, we refer to the successful completion of a stage of development or of the developmental tasks associated with a specific stage. In other cases, we describe factors that appear conducive to the successful performance of IORs' activities or the direction of members' activities. Success is gauged as well in the satisfaction of the needs and expectations of the partner organizations and third parties. Yet another barometer of the success of IORs, of course, is the extent to which they achieve their objectives. Finally, IORs' success lies in the extent to which each of the partners obtains their own objectives. We have discovered that while a network is moving toward its objective, the network will collapse if partners feel that they are not obtaining adequate benefit in their own pursuits. Thus, our focus in this paper is on those factors that contribute to improving the performance of the IORs across their life cycle and that of the member organizations as well.

In the following sections, we highlight our key observations regarding the evolution of IORs. We present these observations in rough chronological order. By this we mean that a particular observation is presented in association with the developmental stage in which it has greatest impact or is a dominant concern. Readers should be aware that each of these observations, however, touches on all stages. What changes is their impact over time. There is an ebb and flow to the preoccupations of IORs over the course of their existence. The focus of the observations, accordingly, is of greater or lesser significance to the IOR at certain points in its evolution. For example, the importance of trust among partners is the first observation we present. We do so because some trust is a precondition to the formation of such intense and demanding collaborations as these. This is not to say, however, that trust becomes irrelevant in later stages. It is quite the contrary. What happens, in fact, is that the observations we have learned about trust changes from stage to stage. In essence, our observations evolve with the IOR. Hence, observations identified with one stage are also linked to other stages. Exhibit 3.1 provides some preliminary insights into how these observations evolve. In the passages that follow, we shall expand on each observation in the context of the stage in which it appears dominant and then allude to its apparent influence on prior and subsequent stages.

**Observation 1: Clear and consistent information within and across organizations in IORs increases levels of trust and interconnection among members.**

Trust is necessary for the establishment and maintenance of IORs. This is our first observation. For an IOR to succeed there must be trust between members. The operation of trust is evident and significant in **Stage I.** In the initial stage, we found that trust is manifested in the willingness of members to suspend judgment of one another. Subsequently, we found that trust remains an issue. Over time, trust builds, perhaps comes to be taken for granted, is often tested and builds afresh.

The reason that trust is important from the start and continues to be so over the life of the IOR is that IORs are voluntary arrangements. They depend on the goodwill of the members. While self-interest and the competitive accrual of material gains operate against the survival of voluntary IORs, trust and mutual support buttress them. Trust among the partners is a necessary precursor to their meeting, negotiating a relationship, agreeing to join forces, contributing resources, accepting to receive certain benefits and allowing others to enjoy rewards of the collaboration. In other words, the imperative of trust sweeps across all stages. Without trust, there is no meeting, commitment, sharing or involvement. (See Liebler & Ferri, 2004.)

As a corollary, without open and candid communication among partners, there will not be trust. It is our experience that trust is built through consistent and predicable communications. Since open communication is the source of trust, successful IORs build and utilize effective communication systems. This is especially true in complex networks involving diverse members. In many of the cases we reviewed, the partners were not natural allies. In addition to bringing their strengths to the IOR, they also brought preconceptions, protectiveness of turf and suspicion. As a consequence, trust was strained and the relations among members were precarious.

> Striving for such transparency, most of our IORs have newsletters to report on partnership activities. Some IORs started the newsletter early, others later. The issue is that early information seems to help build relationships and trust amongst members. Our experience shows that newsletters and other regular informational materials are powerful tools to share learning with members and stakeholders. From this sharing, trust builds among individuals and provides the basis for trust throughout the IOR.

It is important to point out that in the not-for-profit world many things mitigate against creating these trusting relationships. First, we found that IOR members often compete for funding. Second, most of the IORs we reviewed were partly supported by large government bureaucracies that in turn imposed a host of bureaucratic requirements. Bureaucracy does not facilitate trust. What appeared to assist members in overcoming these roadblocks was the creation and fortification of interpersonal ties among key individuals. We discovered that when the individuals who were most deeply involved in the IOR forged personal connections, system trust gradually evolved.

Interestingly, we have found as well that as members communicate and trust builds, the IOR begins to develop a culture of its own. Key values, norms and beliefs begin to be shared and embraced by the member organizations. Even though these members may enjoy quite strong and distinctive internal cultures, we have found that in successful IORs a rapprochement occurs such that an overarching value system can flourish. The emergence of this culture of the collective is not only a significant product of the trust among partners, but serves to further understanding and hence trust among them.

**Observation 2: The successful formation of IORs depends in large part on the vision, commitment, drive and interpersonal sophistication of individuals who champion and lead the venture.**

Our second observation is integral to the successful formation of IORs as well (**Stage 1**). This observation concerns leadership. Champions play a critical role in forging these relationships. We have found repeatedly that individual champions are often the starting-point for the formation of IORs. Typically, it is a select group of men and women who appreciate early on the potential of inter-organizational relations to make possible the accomplishment of some broad mission. They anticipate the benefits of such organizational relationships. Despite being aware of the difficulties that such relations promise as well, they take on early leadership roles that are time-consuming and potentially injurious to their organizational careers.

> In all of the IORs that we evaluated or reviewed, champions were a critical factor at start-up. An interesting question is whether they stay beyond start-up. In our cases, we found a variety of practices. Ultimately, the IOR needed at least one champion to stay over the first three stages of the evolution of the IOR. The champion needed energy to persevere. Of interest is that few had the managerial qualities to enable the network to move into a more mature stage. Hence, in almost all instances problems arose in Stage III.

It is appropriate that inter-organizational relations begin with the forging of personal alliances across the organizations.

> For example in one of our evaluations, we found that technical staff employees of a partner organization were exceedingly critical of the network organization. While the executives were positive, staff members were very negative. Exploring their qualms, we discovered that part of the explanation for their discontent was that the network was competing for very scarce resources with the technical people. The executive of the organization constantly gave advantages to the newly forming IOR in competing for funds thus further creating anger amongst his staff. Champions of IOR need to be wary about fostering problems within their own organization.

Relationships start with people and it is people who guide these relationships through the tricky waters of their organizations. In our research, the seed for cooperation was often planted through informal and personal contacts between and among organizational leaders. For IORs to develop, championship of the CEO is vital because staff can view these new relationships as threats and resist cooperation.

Further, we discovered that while the position of the founding leaders is crucial, so are their interpersonal skills. Being the driving force behind a new organizational entity requires considerable political acumen and consummate inter-personal savoir-faire. To be successful, organizational representatives have to be willing to compromise, to deal honestly with others, and to be respectful. The mix of their skills is also important with negotiation and communication skills being of foremost importance.

Thereafter, we observed variations in the prominence of the leaders. As IORs evolve, leadership prowess and managerial sophistication are called for. But it would seem not at the same time. Leaders and managers furnish different skills and abilities, which are most useful at various stages in the evolution of IORs. While leaders are vital in the formation stage, they are less figural in the subsequent stages of growth and maturation. In these intermediary stages, the coordinating and design skills of professional managers are needed. As a result, we found that there was less attention paid to leadership in the intermediary stages. Leadership became crucial again when the IORs had surfaced from reflection upon their activities and outcomes, and sought redirection or reinvigoration. At this point, leaders re-emerged, as is addressed in a later observation. This movement between leadership and management is a crucial consideration for the successful development of IORs. It is difficult to find people who can move between these two roles.

**Observation 3: Successful IORs invite the right partners at the beginning, embrace new partners if need be, and allow partners to exit when appropriate.**

It is critical that the right partners are involved in the partnership. They should do so from the start (**Stage I**). By right we mean, organizations that embrace the mission of the collective and have a significant contribution (e.g. resources, knowledge, legitimacy, commitment, expertise etc.) to make towards it. Further, it is important to identify from the start - not only organizations whose contributions are required in the early phase of the relationship - but also organizations whose contributions may become important in later stages.

In the event that necessary partners are forgotten, they must be identified and invited in later. To do so, the IOR needs to establish mechanisms to review the constituency of the partners over the life of the IOR. These mechanisms enable the members to discuss their contribution and willingness to participate. To do so, the IOR needs to nourish a climate of openness so that the partners feel comfortable both assessing others and being assessed by them. (We appreciate that it is difficult to bring new partners into the IOR. The process of cultivating trust between partners is laborious and time consuming. Therefore, it becomes increasingly more awkward to introduce newcomers. Typically, we find that new partners already have linkages or a history of collaboration with incumbent members. In that way, some trust has been institutionalized. See also Gulati & Gargiulo, 1998; Hite & Hesterly, 2001.)

Lastly, it is vital that partners be allowed to leave gracefully so that future collaborations are not jeopardized. Review mechanisms are necessary here again to enable partners to assess their ongoing contribution. At the same time, such formal mechanisms provide the members with a platform from which to announce their intentions to withdraw in the event that they no longer feel valuable to the collective.

> Throughout our work we found that membership matters. Indeed, the members who started an IOR might not be the right members at a later stage. For example, when we explored a network of health agencies, we found that their network was missing some of the most important players in their region. Without these organizations joining the network, the objectives of the network could not be met. It took the evaluation to say this and lead to the growth of the network.

**Observation 4: Successful IORs adopt a business model that aligns resources with the goals of the collective.**

Often, the work of IORs is initially financed through short-term, project targeted funding. Successful IORs, however, take advantage of this early financing to reflect on longer-term funding needs as well as the disbursement of these funds. While not resolved in **Stage II**, the business model takes shape at this point. By the beginning of **Stage III** successful IORs have refined their **business model**. Subsequently, the financing arrangement may be revised by the partners or alter significantly as donors withdraw their support for the collective, new donors are found and the financial viability of member organizations strengthens or erodes.

The business model links resources to activities. When partners gather to determine the group's financing, they can choose from two opposite models and a range of hybrid models between them. Their decision has implications for the way in which they will conduct the business of the IOR, beyond whether they will proceed at all.

The two models have been called top-down (i.e. donor driven) and bottom-up (i.e. member driven) (e.g. Liebler & Ferr, 2004). In donor driven arrangements, a funding agency or agencies supply the financing. This agency may or may not participate in the work of the IOR. Regardless of whether the donor takes part in the operations or not, it will have considerable influence over the partnership. Alternatively, the members may choose to support the partnership by drawing on their own sources of income. Discussion will revolve around the pooling equation. This choice may strain the partners' resources, but leaves the power in their hands. The fiscal burden on the partners and their capacity for self-determination vary in hybrid models, depending on the degree to which the IOR is internally or externally funded.

Hence, the financing decision is both a control and a resource decision. The partners have to decide whether to increase their resource base by seeking outside funds or to rely on the resources they bring collectively to the partnership. If they choose to go outside for funds, they risk becoming dependent on the donor. As a result, the partnership is vulnerable to collapse should

> In our evaluations of IORs we have witnessed real neglect of the business model. IORs in the not-for-profit (NFP) sector often start because of financial opportunity. In other words, a donor puts money on the table. However, the seed money is often spent within a couple of years. Continuation of the IOR depends on the willingness and the ability of the members to create a viable financial system to support the work of the partnership. Few IORs, that we have seen, engage in serious business planning. Our experience indicates that they often limp along - waiting for the next donor. Sustainability requires otherwise. It is our observation that IORs in the NFP sector need to devote more time and effort to the definition and development of their business model.

funding be withdrawn. Perhaps more importantly, the IOR may undergo a shift in direction under pressure from the donor to pursue the donor's agenda rather than the partners' original purpose. Alternatively, an IOR that relies on its collective resources may enjoy fewer resources than it might otherwise. However, drawing from many different sources of income, the collective is less vulnerable to the loss of donor support and therefore may feel free to be true to its original purpose. Ultimately, in making their choice of business model, the partners have to be sensitive to the choice they are making between wealth and control. Their choice needs to be consistent with their collective values as well as recognize their need for funds.

**Observation 5: Successful IORs encourage members to express their individual goals, and clarify their expectations regarding contributions and benefits.**

Effective IORs begin service delivery after the members have agreed on the IOR's priorities and the allocation of resources to the common activities. Clarification of the objective of the collective and members' expectations is necessary input to these decisions. For this reason, Observation 5 is highly associated with **Stage II**. In subsequent stages, the partners will review their contributions and benefits. They will do so in the normal course of business, comparing their perceived costs and benefits to those of other partners. More formally, the partners may re-open this discussion when changes in direction, member composition or activities occur.

Clarity of joint objective and expectations is vital for two reasons. Such clarity has implications for the effectiveness of IORs. When the partners initially gather, they are lured by the possibility of achieving a mission of such scope that its accomplishment eludes any one of them. In the formation phase, a noble and grand goal is appropriate. When the members are on the brink of action, however, it is wise to ensure that the objective of the collective is clear. The reason is pragmatic. With clarity about the operational target, activities can be designed to bring the collective closer to achieving it. At the same time, it is imperative that the partners' own goals are made clear. In this case, clarity facilitates dialogue across partners. Inevitably, some of the partners' goals will not align with those of other members or with the IOR itself. Only if these differences are visible can the partners discuss them and attempt to accommodate members' preferences. Successful IORs deal with the possibility of goal conflict early so that it is less likely to disrupt service already underway.

Transparency in the allocation of costs and benefits across members promotes equity in the system. Since IORs are voluntary arrangements, members will remain so long as they feel fairly rewarded for their contribution. This can be difficult to ensure especially when IORs include dissimilar types of organizations (e.g. private, governmental, charitable). A major challenge, for instance, for IORs linking government and the voluntary sector is to reconcile the value judgments that implicitly attach to monetary versus non-monetary contributions. The bias that favours monetary inputs tends to put voluntary sector organizations in a subordinate position. Successful IORs, however, genuinely recognize the value of members' various contributions - monetary and non-monetary (i.e. expertise, access to infrastructure, public reputation and creativity) alike. Making these considerations known to members, and encouraging their discussion, is a major step towards attaining equity in the IOR.

> IORs must satisfy the needs of the IOR and each of the member organizations. IORs that fail to do so, die! Creating feedback loops and opportunities for members to articulate their expectations enabled one of the IORs we evaluated to promote discussion and disclosure. In IORs that lacked the mechanisms for open dialogue, we found that unclear expectations led to unnecessary conflict and in some instances withdrawal of members.

**Observation 6: Successful IORs learn how to adapt to their environment. They identify their niche and align their resources to satisfy its demands early in their development.**

Successful IORs reflect the complexity of their internal and external contextual demands early (i.e. **Stage II**), and in subsequent stages evolve to reflect changes in their environment and constituents. Given the complexity that IORs encounter on all fronts, their ability to adapt to changing circumstances is critical to their ongoing viability (Bernard, 1996). For example, we have witnessed IORs that embrace non-governmental organizations (NGOs), government and the private sector. These partners had very different cultures, rules, systems and work processes. Government bodies, for instance, are mandate-driven, rule-bound, structured and hierarchical. Their partners from the private sector, on the other hand, are driven largely by profit not social responsibility. Clearly, linking such organizations is complicated. Successful collaboration requires the recognition of their differences, and further, the flexibility to work through these differences. Hence, learning about each other and creating unique ways to work together, rather than relying on traditional modes of action, is imperative. In this sense, it is argued that successful IORs—continually learn.

> In all the IORs we evaluated, learning from each other was a central theme of interviewees commenting on the importance of the IOR. Of interest is that the learning that people described as most helpful was "face to face". This was true even when the partners were dispersed over a huge area. We discovered that people want to learn from the direct experience of others. As well, we found that this direct experience is best obtained from face to face contact.

In our evaluations, we discovered that the issue for many IORs is how to make the learning alive. It became evident that a number of them were grappling with learning how to learn. We found that IORs require mechanisms to facilitate the steady acquisition of knowledge. Further, mechanisms are required to enable the IOR to put that knowledge into practice. As we mentioned above, face-to-face encounters were the preferred mode of gathering knowledge. However, this mode often severely limits the contacts between the network and its members. In general, we found that the learning became limited to those who went to partner meetings or engaged in partner activities. Even in those situations where there were discussion groups, newsletters, blogs and so forth, getting messages and knowledge out in interesting ways was difficult.

**Observation 7: IORs form to serve the greater good, but work together on focused and targeted objectives if they are to be successful.**

IORs form about grand missions. They do so because the partners realize that alone they are unable to engage in the scope or type of activities that they must to accomplish a prized objective. In allying with others, however, they realize that they might achieve this objective. We illustrate this concept below.

> As one example, Ugandan women groups got together to address the lack of access to education of young girls in their country. No one group was able to deal with this issue alone. Moreover, they felt the government was also incapable of taking on this issue. Similarly, an IOR was formed of environmental organizations to significantly increase the number of assessments of species around the world so that they could better identify species in danger of extinction. As a final example, a group of organizations dedicated to promoting the rural poors' ability to secure access to land formed a coalition with this objective. They realized that the success of their objective hinged on changing international and national laws and enforcement mechanisms – a step that no one of them could hope to accomplish alone.

While this sounds easy, it is not. Many of the IORs had an extremely difficult time focusing their work. The dilemma is that the IORs were created because the partners believed that in doing so they could address big issues. However, once the members began to address these issues they realized that the IOR - while better able to deal with the issue - is still limited. Persisting to strive towards broad, long-term goals caused the IOR to become bogged down and lose momentum. Paradoxically, then we found that IORs are better able to engage in their initiatives over the long-term when they set and work towards more narrow, immediate goals. Successful IORs are pragmatic in this regard. They match expectations with resources. They make tactical and focused adjustments over their existence.

**Observation 8: IORs are more likely to succeed when the partners take charge of the IOR and demonstrate ownership.**

While the vision of persuasive leaders and the allure of a compelling mission motivate partners to come together, the glue that keeps them together is a belief in the value of the IOR itself. Partners must experience ownership. When partners experience ownership, they believe that the collective belongs to them and not the reverse. They believe that they have the right to steer it and are not subservient to it. They believe that they are entitled to a fair share of the benefits that accrue and are not supplicants when it comes to allocating gains. They donate the promised resources without suspicion that others are benefiting at their expense. When they experience ownership, members are more willing to participate in the strategic planning and administration of the superstructure.

We found that true ownership blossoms towards maturity. At start up, a number of promises are made. These tend to wane as a network begins its work – although verbal exuberance continues. By **Stage III**, however, members are paying more than lip service to the ideal of ownership. Having forged a working relationship to which contributions are made and expectations are met or reviewed, the partners begin to identify with the IOR. The history of their collaboration, and the trust that has built to this point, make the partners increasingly more comfortable with the collective action and its demands. In part this comfort derives from their recognition that the IOR exists to serve the members' purposes. So long as the IOR focuses on the priorities of the members, they will continue to experience this comfort. Largely for this reason, member-driven IORs tend to spur a greater sense of ownership and therefore are more enduring than IORs that are driven by some external force (e.g. donor).

As a corollary, it is more difficult to create ownership in grossly heterogeneous IORs. Theses are more fragile arrangements. Members in IORs with a widely eclectic membership contain disparate value systems, goals, work styles and speak from unique points of reference. As a result, the individual partners may fail to identify closely with the collective.

> For example, we reviewed a network that linked people engaged in research on indigenous minorities in several countries. Externally mobilized by a donor, the network involved NGOs, academic institutions and an organization that combined elements of both. The aim was to link researchers and indigenous groups to generate a deeper understanding of the impact of development on communities. Despite the merit of the initiative, the consensus is that the network failed. The members were unable to work in harmony. Disagreements between the academicians and activists were pernicious. The cultural, linguistic, religious, political and economic differences between the researchers and their mandates were too many and too great. Failing to find common ground, the IOR dissolved. There was no ownership for the work.

In contrast, where differences exist but are not profound and where practical considerations support moving toward shared objectives, IORs can be sustained. This is particularly true where there are urgent, practical considerations that entice the partners to continue moving toward shared objectives.

For example, in reviewing an IOR for school improvement, we found that schools and school districts were constantly redefining inclusive schooling, which means the accommodation of "all" handicapped and disabled children in public schools. Not unpredictably, "all" meant different things to different people. This led to a questioning of common values and principles. Flexibility and perseverance on the part of the members resulted in an acceptable refinement of guiding principles. These principles led to concrete training proposals that all members saw as a step in the right direction. The members were able to get behind the IOR and support the training. "It is our training," one member remarked. As a result, the IOR remained intact.

**Observation 9: In successful IORs partners discuss the structural features of the IOR and adopt the institutional arrangements and administrative systems that support the IOR.**

As IORs continue to operate and grow, elaboration of structure increasingly concerns the partners. In the early stages of development, the partners adopt the basic rules and procedures necessary to initiate the activity of the IOR. By **Stage III**, initiating delivery is no longer the issue. The issue at maturity becomes how to ensure the smooth operation of the partnership and thereby its ongoing activities. In subsequent stages, the partners focus on both ensuring the delivery of valued services and adjusting its institutions and systems to support changes in direction and activity.

Designing IORs is taxing. First, IORs are complex being formed of a set of organizations, each with their own mission, culture, staff, activities, structure and work routines. The challenge is to accommodate these differences while unifying the members sufficiently to accomplish the work of the collective. Second, IORs are voluntary arrangements in which each member organization has its own work to do while contributing to the work of the IOR. Accordingly, the design decisions are influenced by the need to foster the success of the IOR and that of the partners in their own endeavours. The challenge here is to understand the objectives and activities of the partners and collective well enough to strike this balance between the success of the members and the group.

Though difficult, it is imperative that partners attend to the details of design by this stage. Successful IORs ensure that the structure enables partners to accomplish the collective goal and also supports the values (say of democracy or equality among the partners) that they had envisioned for it. Failure to select a design suited to its purpose and motivation can fuel conflict. In almost all of the case studies we reviewed concerning the not-for-profit sector, inadequate institutional and administrative arrangements were a source of tension. Rules were not clear. Staff was insufficient to carry the load. Planning and reporting were thin. It was from these experiences of others that we learned our lessons regarding the design of IORs.

The design of organizations refers to the mechanisms that organizations use to divide and coordinate their work. By maturity, the partners have roughly apportioned the work of the collective (be it, done independently and pooled, interdependently or some combination of these extremes). At this stage, then, two aspects of design appear of paramount importance. They are the control and coordination of the work.

Control is a prickly, but vital consideration. It is contentious in that the IOR has little authority over representatives of the partner organizations or even over the partner organizations. The IOR, however, does have responsibilities to members and vice versa. In fact, there are multiple levels of responsibilities within IORs. Therefore, partners of successful IORs debate alternative authority structures and chose the one that reflects their collective values (be it preferring democracy or expediency and efficiency). They then imbue these roles with sufficient authority to provide direction and resolve conflicts. Alternative governance structures include the establishment of a formal Secretariat, a formal Steering Committee, rotating leadership by the partnership, the appointment or emergence of a lead partner. Each choice has implications for the efficiency of the IOR and the distribution of power within it. As such, partners tend not to make governance decisions lightly.

The division of labour and choice of authority structure influence the coordination needs of the IOR. The least demanding system would seem to be one in which the work is done independently by the partner organizations, who are therefore governed entirely by internal managers. In this case, cross-organizational coordination would be modest. Integrative mechanisms would largely entail status reports to the other members and joint planning sessions for future initiatives. It is more likely, however, that partnerships entail the sharing of resources, expertise and knowledge in the undertaking of joint activities. When the partners' activities are intertwined, control mechanisms at the level of the collective are indicated. As well, more sophisticated mechanisms are necessary to encourage the flow of communication across individuals in the partner organizations, across the partner organizations and between the IOR, partner organizations and key individuals. Committees, teams and matrix structures therefore tend to proliferate as members seek to accommodate both the work and values of the IOR.

**Observation 10: Successful IORs are mindful of the dual allegiances that individuals within the system suffer and take steps to alleviate the potential for role conflict.**

This and the following observations are cautionary observations. They are linked to other observations, but have such significant implications for IORs that they merit consideration in their own right. While key individuals serve both the IOR and their own organization from the start, the impact upon these individuals and the system is especially felt in mature IORs. Therefore, we most associate the problems of dual loyalties to Stage III. While in the early stages, key leaders speak for their own organization and the ideal of the partnership, it is as operations take hold that they are increasingly involved in the work of the IOR. Not only do they experience increasing demands on their time and energy, but they may be torn between their responsibility to represent the partnership and their organization.

This observation instructs that successful IORs are both aware of the role conflict implicit in the multiple allegiances common to IORs, and they install mechanisms to bring these conflicts to light and resolution. We refer to our discussion of the structure of the IOR that suggests duality at the level of the partner organization. In these collaborative arrangements, partners are both governor and operator. Accordingly, individuals in the collective often wear two hats. At the most basic level, individuals in the partner organizations have a role and responsibilities to the organization to which they adhere. At the same time, each organization can be said to have a responsibility toward its employees, volunteers, associates etc. At the next level, individuals in the Secretariat who represent the partner organizations have a role and responsibilities to the Secretariat as well as to the sponsoring organization from which they come. Here again it is imagined that the relationship is reciprocal to the extent that the Secretariat and partner organizations have a responsibility to the individual representatives constituting the Secretariat itself. At the next level, the Secretariat can be perceived to be responsible to and having a role to play vis à vis the partner organizations. At the highest level, the partner organizations have a role to play and responsibilities within the collective. They are effectively responsible to one another.

This notion of responsibility to one another is the ideal. At any point, of course, these multiple allegiances may cause conflict. What is good for the IOR may not be good for a particular partner. What is the individual to do? Should he or she sacrifice the needs of his organization for the good of the whole or some partners? Should he or she favour the employer? Should a compromise be sought, and if so how? Successful IORs anticipate, discuss and work through the push-me-pull-you situations endemic in these systems. They attempt to do so through the strategic design of their coordination and communication systems. But they succeed, if they succeed, through the operation of trust.

**Observation 11: Successful IORs are mindful of the transaction costs that plague such systems and take steps to anticipate and budget for them.**

This is our second cautionary observation. We call it a cautionary observation because it is not an observation of cost control but rather of cost recognition. Like the observation before, the impact of Observation 11 is particularly felt by **Stage III**. In previous stages, members may profess sensitivity to the increased administrative costs of networks. However, the impact of these escalating and often hidden transaction costs is not truly felt until IORs reach maturity. As the structure becomes more elaborate and the systems demand greater input from partner representatives, the partners and their representatives feel the strain of limited time and resources to carry the administrative load. In subsequent stages these costs continue to be material and the topic of debate.

One problem of transaction costs is their materiality. It is not our experience alone that IORs require enormous inputs from the partners (Agranoff, 2003; Isett & Provan, 2005; Ostrower, 2005; Todeva & Knoke, 2001). IORs are particularly unwieldy organizational forms. As a result, their coordination costs are onerous (Dill & Rochefort, 1989). Their processing and reporting costs are high due to the multiple layers of interested parties involved coupled with the lack of firm authority and direct reporting lines. The logistic demands of IORs mount with the geographic spread of partners. Given the complexity, there is the potential for a number of costly dysfunctional outcomes such as resource hoarding, the gravitation towards risk-averse agendas and free riders. Successful IORs are aware of these risks from the outset and build mechanisms to anticipate and counter them.

A second problem is the relative invisibility of these transaction costs. Transaction costs are much less visible than the direct costs of programs and services. IORs redirect employees' (and often key employees) time from the partner organization to the IOR. The costs of their time may be neither recognized nor accounted for. However, this time is lost to the partner organization. At some point, certain partners may have insufficient slack in terms of their staffing to continue to bear this burden, with or without rewards from the collective.

For reasons of their materiality and susceptibility to being overlooked by members in the glow of start-up, transaction costs can overburden IORs and contribute to their decline. Our observation, therefore, is that to succeed IORs pay these costs more than lip service. They recognize their potential for growth at the outset. They plan for them by preparing systems to track them and agreeing to allocate funds to defray them before they accumulate.

**Observation 12: The creation and use of monitoring and evaluation systems by the IOR inspire trust amongst the partners, which again helps sustain inter-organizational relationships.**

On reflection, we realize it is no accident that we are usually retained to evaluate IORs when they are mature. In maturity (**Stage III**), IORs focus on their internal structure. In earlier stages, members are preoccupied with forging cross-organizational ties and beginning service delivery. As a result, the roles, responsibilities and control mechanisms of the IOR in previous stages are rudimentary. In **Stage III,** system elaboration becomes a priority. Matters of structure and design are examined seriously. Evaluation and monitoring are among the systems that are refined at maturity. While previous attempts may have been made to gather information about the IORs' activities, monitoring becomes more sophisticated in mature IORs. As well, the information that these systems supply will increasingly be applied to the strategic assessment of the IOR and its purpose.

The practice of monitoring and evaluation is critical to IORs. Hence, increasing attention is paid to these systems over the life of the IOR for two reasons. The first is pragmatic. The sharing of resources and responsibility give rise to issues of accountability. This is especially true in situations of the scale and complexity that describe the IORs we study. Partners from the voluntary sector, for example, are accountable to their boards, volunteers and constituents. Partners representing government often have special requirements for accountability and performance measurement because they are responsible for public investments. IORs involving constituents across sectors nationally and beyond, present further accountability concerns. Where there are many partners and the implementation of IOR activities is decentralized, challenges to accountability are greater still. As a final consideration, while accountability for funds is largely straightforward and handled through established accounting practices, accountability for program delivery is more complicated. In order to withstand the multiple pressures for accountability upon them then, enduring IORs adopt and use elaborate systems to monitor their activities and evaluate the results of their efforts.

Apart from the practical imperative for the evaluation and monitoring of these complex organizations, the design and use of such systems by the IOR has symbolic significance. The willingness to engage in self-assessment signals that the collective values transparency. It signals that the collective intends to remain focused on its shared purpose, objectives and activities. Over the course of time, it will not be swayed by the agendas of one or a few of its member partners or third parties. With the adoption and implementation of monitoring systems, the IOR publicizes its intent to honour its commitment to its mission and its partners. At the same time, the IOR has a vehicle for making public the evidence that it is in fact doing so. The availability of ongoing feedback on the deployment of its resources and the progress of its initiatives enables the IOR to detect and correct deviations from its original plan. Such feedback is invaluable in keeping the IOR aligned with its partner members' expectations and thereby meriting their trust.

Given the symbolic and practical importance of these systems, successful IORs invite the partners' input in their planning. Successful IORs are transparent in this from the beginning. They work to ensure that accountability expectations are clear and accepted by the partners. Such IORs seek partners' agreement on the monitoring and evaluation tools. Finally, they encourage the partners to accept responsibility for the results of initiatives within their jurisdiction and agree upon strategies for meeting their accountability requirements.

**Observation 13: IORs are best able to withstand disputes and regain focus, when the top leaders of the member organizations are committed to the collaboration.**

By **Stage IV**, the partners begin to question the value of their activities. Their preoccupation shifts again from being, doing and assessing to passing judgment. How valuable they judge their activities to be for clients has implications for the future direction of IORs.

The introspection and doubts that characterize **Stage IV** call for leadership again. As foretold in Observation 2, leaders (rather than managers) are needed to guide the partners through this reappraisal. Leaders, not managers, are needed to reinvigorate the collaboration. Typically, these leaders are found at the helm of partner organizations. This time, these key individuals serve as guardians and change agents. As guardians they encourage members to re-commit to the collaboration. Since partners' recommitment may depend on the IOR changing, the leaders often serve as change agents as well. Under their guidance, the goal, structure, and partner responsibilities might be revised at this stage. Under their leadership as well, new opportunities for the IOR may be identified. By re-inventing itself in various ways, the IOR survives or a new IOR forms from the vestiges of the original partnership. When the leadership cannot re-inspire the members and gain consensus about the original or a new purpose, the IOR is poised to decline.

It is our experience that the need for guardians recurs over the life of IORs. In such complex arrangements, it is easy for partners to see little progress or to question the value of the progress made. It is likely that some partners will feel over-burdened or under-rewarded. It seems inevitable that they will experience goal conflict or a shift in purpose. Accordingly, we anticipate that IORs will move into renewal and cycle back to earlier stages throughout their history, or alternatively provide a platform for a related but significantly altered partnership. Therefore, the presence and commitment of key leaders will be critical at the start and over the life of the IOR.

**Observation 14: When the efforts of any partner(s) are redundant with the efforts of the collective, IORs risk dissolution. In successful IORs, the overlap between partner and the collective is small or none.**

Key performance deficiencies undermine IORs. Therefore, we associate the critical performance failures with decline (**Stage V**). Previously, since performance has been satisfactory, it is unremarkable. Interestingly, then, the observations we learned about the performance of successful IORs are stated in the negative.

The first performance observation concerns the complementarity of the partners' efforts and resources. The members were initially drawn to one another because they recognized that each one of them had something unique to offer in pursuit of the collective goal. At the outset, the partners attempt to delineate areas of competence and contribution. It is essential to the viability of the IOR that distinctions are maintained between partners. At the same time, the partners' identities must be clearly distinct from the IOR. In successful IORs, the work of the collective complements the work of the members. It neither duplicates nor competes with them. The goal of the collective is to strike a balance between promoting the interdependence of the partners and assuring their independence.

To illustrate, in the late 1970's General Motors (GM) sought an alliance with Korea's Daewoo. GM sought to tap Korea's low cost labour. For its part, Daewoo was anxious to build up export sales through GM's marketing and distribution network in the United States. In other words, considerable synergy was anticipated to result from the collaboration. As it turned out, neither side was satisfied. Greater prosperity in Korea combined with militant labour unions pushed wage rates higher and eroded the cost advantage of manufacturing in Korea. Concurrently, GM's Pontiac division, which was responsible for selling the Korean-made LeMans, had not done a stellar job (Business Week, 1991). Sales were disappointing. With their complementary strengths materially reduced, the IOR folded in 1992.

In IORs where the activities of the partners and the IOR are not complementary, the IOR is in peril. Overlap spurs competition. It may create a power imbalance within the partnership. As such, it undermines the harmony necessary to maintain these networks. (See also Liebler & Ferri, 2004.) When partners feel redundant, they may re-evaluate their contribution and adjust their offerings to be unique again. Alternatively, partners who sense that their worth is diminished may withdraw seeking to protect their niche exclusivity.

**Observation 15: IORs are bred in the promise of synergy. Thus, when synergy fails to emerge, IORs are in peril.**

Like the observation before, the final observation is an observation of performance gone wrong. Here again, the observation is most associated with decline (**Stage V**). Satisfactory performance in preceding stages is what was hoped for – perhaps expected – and as such is unremarkable.

This observation concerns synergy – or rather the lack of synergy. Successful IORs produce synergy. This means that their output exceeds the sum of what the members can achieve independently. Members of IORs that yield synergistic results stay together and continue to work together. Conversely, IORs that fail to yield the benefits of synergy - dissolve.

The promise of synergy is the operational rationale for IORs. It is this promise that attracts partners to collaborate. It is this promise that encourages them to maintain the collaboration despite the enormous transaction costs inherent in such complex organizations. These costs represent the downside to IORs and merit observation of their own (Observation 11). Because of the substantial and accumulating system costs, the output of IORs must be substantial as well. When partners join, they have some inkling of the expense of union. Each of them knows what resources they can offer. And, each of them understands what they can accomplish on their own. When they agree to collaborate, the partners are gambling on the benefits of cooperation. Their wager is that the results they produce together will surpass the sum of their independent efforts. The cost of this wager is the cost in excess of the direct costs of the members' activities. These excess costs are what we refer to earlier as transaction costs. Often they are hidden. They are difficult to quantify. Finally, these costs rise rapidly over the life of the IOR. Thus, where there is no synergy or the benefits are only slight, the costs of the collaboration may swamp the benefits. For this reason, IORs that disappoint in the production of synergy will fold.

**Exhibit 3.1 Observations in the Evaluation of Non-profit IORs**

| | Stage 1 | Stage 2 | Stage 3 | Stage 4 | Stage 5 |
|---|---|---|---|---|---|
| **Mode** | Formation<br>*Getting together* | Creativity<br>*Getting to work* | Maturity<br>*Organizing ourselves* | Renewal<br>*Recommitting or Refocusing* | Decline<br>*Coming apart* |
| **Leader Role** | *Champion* | *Cultivator* | *Consolidator* | *Guardian* | *Philosopher* |
| **Climate** | *Exuberance* | *Production-oriented* | *Results-oriented* | *Reinvigorated* | *Despair & Acceptance* |
| **Developmental Observations** | Build and maintain trust.<br>Visionary leadership.<br>Right partners join together. | Align resources with goals of IOR.<br>Clarify member expectations.<br>IOR form adapted to complexity of its environment.<br>Focus on near-term, tangible objectives. | Ensure members value the IOR (ownership).<br>Adopt institutional arrangements and administrative systems that support the IOR.<br>Be sensitive to dual allegiances of partner representatives.<br>Be sensitive to mounting transaction costs.<br>Monitor and evaluate progress. | Top leadership committed to sustaining the IOR. | Premature termination due to:<br>Redundancy in efforts of members and IOR.<br>Failure to generate synergy. |

# 4. Synthesis and Implications for the Evaluation of IORs

## 4.1 Synthesis of Observations

This paper has been percolating for some time. It began as a list of our observations of IORs in the non-profit sector. We hastened to note the lessons we were learning from the evaluation of the successful and less successful among them. The next step was to organize our observations. We brought an outsider on-board to do so. This person was not involved in the conduct of the evaluations or instructed to apply any particular framework. However, as she reviewed our notes, a developmental model suggested itself. We reiterate that our data were largely amassed in the observation of IORs in the middle phases of development. In addition, however, we did witness the disbanding of one IOR. Further, as we probed the history of the IORs we were evaluating, we received insights into their inception and growth. So, in fact, we have been exposed to non-profit IORs over all stages of their life cycle in some fashion. As a result, we were ourselves stuck after the fact by how fitting the conceptual model is to the empirical evidence we have gathered.

Accordingly, when we engage in the next step of our project – which is to say the development of a framework to evaluate IORs – we shall build upon these observations and notions of the evolution of networks. As we continue in our practice and project, we shall test our understanding of these developmental hurdles. We shall probe their implications for member relationships, IOR structure, systems and activities. Finally, we shall seek to add to them.

Before proposing implications of our findings for the evaluation of IORs, we summarize our observations. (See Exhibit 4.1.) The cells in Exhibit 4.1 contain the interpretation of a particular observation in each stage of development. As previously suggested, it appears that an observation typically most influences one stage. Thus, we found that **inter-personal factors** are most valuable at start-up. Trust, leadership and the right partner mix are the building blocks of successful IORs. Over time IORs attend to the **design** of the system. Thus, mature IORs are particularly occupied with bolstering the business model, elaborating the systems of control and coordination, and installing mechanisms to monitor their activities and outcomes. Finally, we note that while performance matters over the life of the IOR, **performance failures** (just as the failure to attend to developmental tasks) undermine IORs. As such, absence or insufficiency of synergy and redundancy of the partners' activities presage decline. At the same time, we realized that the observations operate over the life span of the IOR. Thus, in earlier and later stages we note differences in the emphasis and the specific tasks that associate with a particular observation over time.

**Exhibit 4.1 Summary of Observations across the Stages of Development**

| Observation | Stage I | Stage II | Stage III | Stage IV | Stage V |
|---|---|---|---|---|---|
| 1 | Trust | | | | |
| | **Partners suspend judgment of each other.** | Build trust. | Transform trust to standard practice. | Renew trust. | trust dies |
| 2, 13 | Leaders | | | | |

| Observation | Stage I | Stage II | Stage III | Stage IV | Stage V |
|---|---|---|---|---|---|
| | **Leaders voice common goal.**<br>**Brings together and encourages parties to join.** | Cultivator of action and coordinator. | Standardizer and consolidator. | **Leaders committed to sustaining IOR as is or with renewed direction.**<br>**Serve as change agent.** | Leaders question continued existence of IOR.<br>Serve contextual and interpretative role. |
| 3 | Partners | | | | |
| | **Identify and encourage right partners to join.** | Partnership alignment. Mechanisms to allow partners to talk openly. To discuss their contribution and that of others. Permit entry and exit of partners. | | | Partners separate having established both positive and negative? relations on which to build in future. |
| 4 | Business model | | | | |
| | No model – collaboration being discussed. | **Determine basic business model**<br>**Partners agree on objectives and financing structure.** | Business model in action.<br>Test its viability. | Adjust model as needed. | No model – collaboration ends. |
| 5 | Goals and Expectations | | | | |
| | Express goal of IOR. | **Clarify members' goals.**<br>**Clarify members' expectations of contributions and benefits from collaboration.** | Institutionalize contributions and rewards. | Revise inputs and rewards expected as IOR renews or changes focus. | Terminate contributions.<br>Disappointments about inability to act.<br>Attempt to sustain outcomes to recipients. |
| 6 | Organizational Alignment | | | | |
| | Deliberate fit. | **Recognize niche.**<br>**IORs are complex from start-up to reflect the complexity of their environments.** | Focus on niche. | Evaluate current niche.<br>Adjust niche strategy. | Disappointment about inability to satisfy internal or external contextual demands. |
| 7 | Tangible Objectives | | | | |
| | Common goal provides rationale for IOR. | **Provide tangible activities (services, programs).** | Focus on results of activities (outcomes). | Reflect on impact to revise activities. | Failure to find justification in outcomes. |
| 8 | Ownership | | | | |

| OBSERVATION | STAGE I | STAGE II | STAGE III | STAGE IV | STAGE V |
|---|---|---|---|---|---|
|  | Individuals attracted to notion of partnering. No collective yet in place. | Seek membership and profess ownership. | **Partners value IOR for itself.**<br>**Develop commitment to IOR.** | Readjust commitment.<br>Renew exuberance or move to Stage V. | Withdrawal. |
| 9 | Structure | | | | |
| | No structure. Collaboration being discussed. | Basic rules of control and coordination in place. | **Elaborate and refine management systems of decision-making, planning, communication and coordination**. | Revise systems and structure to reflect changes in IOR goal, objectives or partners. | Dismantle IOR structure. |
| 10 | Duality | | | | |
| | Leaders symbolically? wear two hats.<br>Leaders are enthused by the new IOR. | Leaders' time taken by IOR.<br>Who engages matters. (meaning?) | **Allegiance begins to matter.**<br>**Partners' representatives of invest time and effort managing the IOR.**<br>**Transaction costs must be discussed and justified.** | Debate surrounding renewal involves time and energy of leaders and managers.<br>Redirection efforts influenced by dual allegiances – serving to lessen tension or failing because of them. | Withdrawal by key figures. |
| 11 | Transaction Costs | | | | |
| | Enthusiasm overrides concern for costs. | Focus on direct costs (i.e. of partner inputs).<br>Administrative costs accumulating but not yet material. | **Transaction costs (largely hidden) are now sizeable.**<br>**Coordinating, reporting and controlling activities demand time and effort from partner employees.** | Transaction costs remain large. Are sensitive to issue but unclear on how to change other than professionalizing Secretariat and organizing.<br>Potential for disagreement over allocation of overhead costs.<br>Issue for resolution in renewal stage. | Inefficiency seen as a reason to dissolve. |
| 12 | Evaluation/Monitoring | | | | |

| OBSERVATION | STAGE I | STAGE II | STAGE III | STAGE IV | STAGE V |
|---|---|---|---|---|---|
| | Informal flow of information.<br>No formal systems in place. | Rudimentary attempts to collect information to assess IOR's activities. | **Install evaluation and monitoring systems to meet demands for accountability and transparency.** | Use data collected via monitoring systems to appraise outcomes and suggest possible refocus. | Systems inadequate for needs. |
| 14 | Complementarity | | | | |
| | Parties with shared vision and complimentary resources, expertise etc. to offer – contemplate forming an IOR. | Give and take of resources and benefits in performance of IOR's activities (services, programs) sustains partnership. | | Strive for complementarity as expectations of costs and rewards are revised in response to changes in goal, partners, etc. | **Redundancy of partner's efforts, resources, field of activity etc. leads to withdrawal of one or some partners.**<br>**Undermines IOR.** |
| 15 | Synergy | | | | |
| | Anticipation of synergy is rationale for joining together. | Experience of synergy is source of satisfaction and ongoing support of IOR. | | Strive for ongoing synergy while revising goal, partners, activities, etc. | **Failure to create synergy is a source of member dissatisfaction.**<br>**Undermines IOR.** |

**Note**: We have placed the observation in bold print in the stage in which that observation seems critical. In earlier or later stages, that observation remains a consideration but of varying importance and emphasis.

## 4.2 Implications for Evaluation

Our observations and reflection suggest four main implications for evaluation. First, we conclude that sensitivity to the developmental stage of the IOR under study is worthwhile. The benefit of a developmental perspective is that it directs one's attention to the **figural tasks** that the IOR should be addressing at a certain point in time. Second, this framework provides some perspective as to how the developmental tasks **play out over time**. It highlights the tasks that should have been addressed and presages those that should be anticipated. These insights assist us in assessing how competent the IOR is in handling these tasks. Third, a practical benefit of this developmental perspective is that it reveals the **data** that evaluators might reasonably expect to be available at a certain point. The sources and sophistication of accounting data, legal documents, proceedings of formal committee meetings vary over the evolution of IORs. This framework reveals what data evaluators might expect IORs to provide and when. Fourth, a developmental perspective focuses attention on the **key actors** at a point in time. As can be seen in Exhibit 4.1, some critical tasks fall to individuals (say the champions or change agents). Other tasks are the onus of the partner organizations. Still other tasks are best viewed as the domain of the collective. The focus of evaluation therefore slides from individual to organization to collective, depending upon the task that is being assessed. In this respect, the evaluation of IORs differs from that of single organizations. Since IORs are collectives of organizations, they are multi-leveled assessment targets. Their assessment is conducted, therefore, at the level of the individual, the partner organizations and the network itself. These individuals and organizations do not just provide information about the IOR - they are the subjects of investigation as well.

Exhibit 4.2 builds upon this understanding of the developmental challenges that IORs face in the context of evaluation. Exhibit 4.2 considers the major performance dimensions that we evaluate; namely, relevance, efficiency, effectiveness and sustainability. The Exhibit lays out the main issues for IORs' performance along these dimensions and how these performance criteria should be appraised per stage. As can be seen from the Exhibit, the focus of attention shifts in evaluation too.

**Relevance**, for instance, builds over time but is the fundamental issue at start-up. It asks whether members should pursue their mission through partnering. While always a consideration, relevance may be a less profound consideration in growth and maturity, returning to the forefront again as the collective re-evaluates its mission and impact in Stage IV. In both formation and renewal, then, the evaluators' contribution will focus on the appropriateness of the form and member mix vis à vis stakeholder needs. In the middle stages, when external evaluators are most likely to be invited in, relevance pertains to the alignment of offerings and members to serve the stakeholders. In growth and maturation, evaluators will monitor stakeholder satisfaction with the offerings of the IOR, rather than question the existence of the IOR to serve these needs.

In maturity the **efficiency** of IORs can be most acutely assessed. By this stage, IORs are in peak operations and endowed with elaborate management systems. As the cost and outcome data are most complete in this stage, evaluators can best monitor the return on partners' investments. (Though even at this stage, the challenge of allocating transaction costs within the system remains.) In start-up, there is no activity to appraise. In the early stage of operations, attention is more appropriately paid to the activity and proposing the basis for the evaluation of cost and outcomes. In renewal, attention may return to these very issues should shifts occur in direction, activities and members. As such, monitoring appears to be the external evaluators' predominant role from the start and though the middle stages. In the final stage, however, financial indicators may signal decline. As a consequence, the evaluation may contribute to strategy recommending improvements in the use of resources that may assist a turnaround.

**Effectiveness**, like efficiency, is most fully judged in mature IORs. In maturity, the members have seen or participated in the activities of the collective. They have some information on the impact of these activities. Hence, at this stage they can best appreciate the progress that they are making together towards their joint goal. At the same time, the members are realizing the impact that their involvement with the IOR has on their progress toward their organizational goals. In maturity then, the members should be clearest about the degree to which the arrangement allows them to concurrently fulfill their shared goal and their internal goals. External evaluators will be privy to the most extensive collection of data about the collective's effectiveness in this stage. They will be able to best fulfill their monitoring obligations, and offer strategic input to the extent that changes in the goals or actions to meet them are indicated. Their strategic input should be greater still in formation and later in the life of the IOR, when goals and objectives are debated and mutating. Particularly in the later stage, when they are likely to be involved with the IOR, external evaluators could participate actively in the inquiry, formulation and alignment of goals and objectives within the system.

The **sustainability** of the IOR, like relevance, is a performance issue that especially surfaces at the extreme stages of development. Gathering the financial resources to begin operations is a crucial first step, while a crisis in financing readily triggers dissolution of the partnership. In the intermediary stages, members are concerned with refining the financing algorithm and creating tighter controls for the collection and disbursement of funds. Financial viability will be a crucial question at the formation stage, but will probably be posed among the partners only. In mid-phases, the external evaluators will largely serve a monitoring function. At the point where, the financial viability of the IOR becomes a serious concern again, evaluators and members alike will need to grapple with the question of whether the IOR should indeed continue to operate and if so, how. In this respect, the external evaluator will fulfill an increasingly strategic function.

**Exhibit 4.2 Key Issues in Evaluation across the Stages of Development of IORs**

<table>
<tr><th>Performance Dimension</th><th>Stage I<br>Formation</th><th>Stage II<br>Creativity</th><th>Stage III<br>Maturation</th><th>Stage IV<br>Revitalization</th><th>Stage V<br>Decline</th></tr>
<tr><td colspan="6">Relevance: The extent to which the IOR meets the needs of stakeholders (partners, donors, clients).</td></tr>
<tr><td>Issue for IOR<br>• Identify stakeholder needs<br>• Manage their expectations</td><td>• Elicit stakeholder needs<br>• Determine IOR role to serve them<br>• Negotiate expectations of partners’ contributions and benefits</td><td colspan="2">• Alignment of partners (entry and exit)<br>• Alignment of services and programs to stakeholder needs</td><td>• Refocus mission<br>• Renegotiate expected contribution and benefits<br>• Revise program and service activities</td><td>• Shut-done programs and services, or transfer to other provider</td></tr>
<tr><td>Evaluation Task<br>• Assess relevance</td><td>• Assess choice of IOR form<br>• Assess appropriateness of partners in the IOR</td><td colspan="2">• Assess satisfaction of partners and donors as members change<br>• Assess client satisfaction with activities of IOR</td><td>• Re-assess fit between needs of partners and IOR form<br>• Assess client satisfaction with new activities</td><td>• Assess post-separation relations</td></tr>
<tr><td colspan="6">Efficiency: The extent to which the IOR obtains the maximum return (i.e. benefit or output) on its resources (i.e. collective input).</td></tr>
<tr><td>Issues for IOR<br>• Articulate costs and benefits for partners<br>• Create and maintain equity among partners in contributions and benefits<br>• Clarify expectation of partners</td><td>• Identify resources that each partner is best able to contribute<br>• Identify rewards that each partner covets<br>• Strike balance between optimal input/output for partners with that of IOR</td><td>• Contribute resources to IOR<br>• Rudimentary tracking of direct costs</td><td>• Improve systems to track direct costs<br>• Add systems to capture system overhead costs<br>• Appraise benefits to clients and partners</td><td>• Revise systems in accordance with changes to IOR goals, partners, and activities</td><td>• Inefficiencies suggest close-out</td></tr>
</table>

| Performance Dimension | Stage I<br>Formation | Stage II<br>Creativity | Stage III<br>Maturation | Stage IV<br>Revitalization | Stage V<br>Decline |
|---|---|---|---|---|---|
| **Evaluation Task**<br>• Assess efficiency | • Topic of discussion | • Ensure tracking of activities' costs<br>• Identify basis for evaluating cost data | • Review IOR accounting system<br>• Assess return on costs – including allocated transaction costs<br>• Examine growth and quality indicators | • Appraise revisions to accounting systems following focus revision<br>• Reassess return on total costs following changes<br>• Reassess growth indicators following revision | • Note indicators of decline in diminished returns, reduced quantity or quality of outputs, disappointing outcomes<br>• Recommend turnaround options |
| Effectiveness: The extent to which the IOR is able to fulfill the shared goal of the partners. | | | | | |
| **Issues for IOR**<br>• Identify shared objective<br>• Not to impede partners from achieving their internal goals | • Articulate goals and objectives<br>• Gain partners' acceptance of collective goal | • Align start-up IOR activity with goal<br>• Identify outputs and outcomes | • Monitor outputs achievement of IOR<br>• Monitor partners' expectations, and complement-arity of partners and IOR results<br>• Explore outcome measures | • Re-evaluate goal, objective and activities for possible revision | • Terminate collaborative activity |
| **Evaluation Task**<br>• Assess effectiveness | • Review intentions expressed in IOR objectives<br>• Compare IOR's objectives to partners' objectives | • Review timelines and outputs (quantity, quality) vis à vis IOR goal<br>• Assess objective congruence between partners and IOR | • Review IOR outputs and outcomes in relation to IOR expectations<br>• Assess congruence between partners and IOR results | • Evaluate changes in goals and their operational-ization<br>• Solicit partners' support for changes in direction | • Identify alternative means of meeting goals should IOR fold<br>• Recommendati on for transition to alternative provider |
| Sustainability: The extent to which the IOR is financially viable (i.e. it accumulates sufficient funds to cover its activities). | | | | | |
| **IOR tasks**<br>• Determine sustainability goal (whether ongoing or plan to close-out) | • Get start-up funding<br>• Discuss initial financial management | • Review funding in response to needs<br>• Rudimentary financial management | • Develop business model<br>• Improve and implement financial management | • Revise business model<br>• Amend financial management in response to new goal or objectives | • Possible crisis of funding – seek replacement funds<br>• Settle accounts in case of close-out |

| PERFORMANCE DIMENSION | STAGE I<br>FORMATION | STAGE II<br>CREATIVITY | STAGE III<br>MATURATION | STAGE IV<br>REVITALIZATION | STAGE V<br>DECLINE |
|---|---|---|---|---|---|
| **Evaluation task**<br>• Assess financial viability | • Ensure financing of start-up and near-term activities | • Ensure funding commitments are kept<br>• Monitor coverage of costs | • Track financial planning for future<br>• Assess diversification of financial support | • Evaluate any revision to business model as a consequence of refocus<br>• Assess cost coverage following refocus | • Note symptoms of decline (loss of donors, partners withholding their contributions, deficits)<br>• Recommend financial strategies for turnaround |

## 5. Concluding Remarks

With these brief comments on the evaluation of the performance of IORs – their relevance, efficiency, effectiveness and sustainability – we conclude our reflection on the evolution of IORs. This paper is rooted in our evaluations of IORs in the not-for-profit sector. Our intent in writing this article was to organize our understanding of these complex arrangements, and in so doing to highlight the factors that contribute to their development and success. Our reading and hands-on experience has taught us that partnerships succeed and fail because of a host of variables, some of which are under their control and others of which are much less so. Therefore, this article contains a set of observations to serve as best practices for IORs that are and that would be. The observations we propose seem to us critical to the success of IORs. We employ the term observations to denote insights drawn from the interpretation of data acquired through empirical observation. As is the case for all observations, those offered here should be viewed as hypotheses for testing and refinement. It is hoped that the observations we have proposed will invite reflection, stimulate discussion, and provide a foundation for nuance with the result that ultimately we shall enjoy a richer understanding of IORs in the field of International Development.

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# Appendix II List of Observations

| | |
|---|---|
| Observation 1: | Clear and consistent information within and across organizations in IORs increases levels of trust and interconnection among members. |
| Observation 2: | The successful formation of IORs depends in large part on the vision, commitment, drive and interpersonal sophistication of individuals who champion and lead the venture. |
| Observation 3: | Successful IORs invite the right partners at the beginning, embrace new partners if need be, and allow partners to exit when appropriate. |
| Observation 4: | Successful IORs adopt a business model that aligns resources with the goals of the collective. |
| Observation 5: | Successful IORs encourage members to express their individual goals, and clarify their expectations regarding contributions and benefits. |
| Observation 6: | Successful IORs learn how to adapt to their environment. They identify their niche and align their resources to satisfy its demands early in their development. |
| Observation 7: | IORs form to serve the greater good, but work together on focused and targeted objectives if they are to be successful. |
| Observation 8: | IORs are more likely to succeed when the partners take charge of the IOR and demonstrate ownership. |
| Observation 9: | In successful IORs partners discuss the structural features of the IOR and adopt the institutional arrangements and administrative systems that support the IOR. |
| Observation 10: | Successful IORs are mindful of the dual allegiances that individuals within the system suffer and take steps to alleviate the potential for role conflict. |
| Observation 11: | Successful IORs are mindful of the transaction costs that plague such systems and take steps to anticipate and budget for them. |
| Observation 12: | The creation and use of monitoring and evaluation systems by the IOR inspire trust amongst the partners, which again helps sustain inter-organizational relationships. |
| Observation 13: | IORs are best able to withstand disputes and regain focus, when the top leaders of the member organizations are committed to the collaboration. |
| Observation 14: | When the efforts of any partner(s) are redundant with the efforts of the collective, IORs risk dissolution. In successful IORs, the overlap between partner and the collective is small or none. |
| Observation 15: | IORs are bred in the promise of synergy. Thus, when synergy fails to emerge, IORs are in peril. |