Perceptions of Information Flow and Sharing in Non-Profit Organisations: A Relational Capital Perspective

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Abstract—Relational capital represents the information and knowledge embedded in relationships external to an organisation. It is about the information flow and sharing between the organisation and its external stakeholders. The primary goal of this paper is to report preliminary findings collected from 15 Australian non-profit senior executives through qualitative in-depth interviews. The findings revealed that the understanding of relational capital among the participants, in particular their perceptions of information flow and sharing, was substantially different to that in the literature as put forth by scholars in the field. This paper argues that non-profit organisations must develop a better understanding of the relational capital concept or may run a risk of under developing their relational capital. Accordingly, the key contribution of the paper revolves around the participants' relational capital perceptions and the attempts to drive a pivotal attitudinal shift towards a more realistic balance approach of the development of relational capital which, if approached properly, can enable non-profit organisations to attain strategic advantage in the long term.

Keywords—Information flow, information sharing, relational capital, non-profit organisations.

I. INTRODUCTION

Relational capital is about the information flow and sharing that exists in relationships external to an organisation [1][2]. It is the organisation’s relations with its external stakeholders and the perceptions that the external stakeholders hold about the organisation, as well as the exchange of information for knowledge transfer between the organisation and its external stakeholders [3-5]. Examples of relational capital may include: loyalty of valuable customers; mutual trust and commitment given by key suppliers and clients; reliability and reliance partnership from alliance or contractual partners; and reputation and relationships that an organisation has developed over time in its surrounding community [6]. All organisational relationships involve information sharing that constitutes to knowledge transfer and these relationships likely help to foster learning capabilities, information flows and knowledge exchange between organisations [7]. Thus relational capital is the transfer of information, know-what and know-how from an organisation to its external stakeholders and vice versa, which involves a great deal of mutual organisational learning, information flow and knowledge transfer [8].

The literature suggests that relational capital plays a significant role in all organisations and managers should take a more balanced approach towards the investment and development of relational capital in the organisations [8][9]. Based on the in-depth interview data collected from 15 Australian non-profit senior executives, relational capital was strongly perceived to be associated with funding sources and thus the participating organisations tended to establish relationships mainly with fund providers. This paper argues that the participants’ understanding of relational capital limited the full development of relational capital in the organisations as they did not focused on developing more balanced relationships with different stakeholders. This may cause imbalance of investment in relational capital in the organisations and the value of information flows for knowledge transfer may be undermined. Since the perceptions of the non-profit senior executives have been taken to represent the way other non-profit leaders may interpret relational capital, the paper argues that relational capital remains underdeveloped in non-profit organisations because it has not been utilised effectively in the organisations like the literature suggests. The preliminary findings in the paper help to shed light on what might happen in non-profit leaders’ minds in relation to the concept of relational capital and how their mindsets are different to that of the scholars in the field.

This paper argues that non-profit organisations must develop a better understanding of the relational capital concept or may be running a risk of under developing their relational capital. Accordingly, the key contribution of the paper revolves around the participants’ relational capital perceptions and the attempts to drive a pivotal attitudinal shift towards a more realistic balance approach of the development of relational capital which, if approached properly, can enable non-profit organisations to attain strategic advantage in the long term.
However, the findings of the paper do not limited to the non-profit context. The current revitalisation of the Chinese economy under the economic reforms initiated by the Chinese government over the last 20 years offers up an excellent research site. The utilisation of information and knowledge, as well as organisational learning, is playing an important role not only in the Western, but also in the Chinese organisations. The findings in the paper offer Chinese managers a more balanced view of what relational capital can enable their organisations, whether profit or non-profit, to gain strategic advantage in their own context.

The paper is organised as follows. Firstly, a brief overview of the concept of relational capital and its implications in the non-profit context is provided. This is followed by a short outline of the research methodology utilised in the study. Then the findings of the interview data gathered from the participating non-profit organisations executives are presented. This will lead into a discussion of the different understanding of the relational capital concept between strategy scholars and non-profit practitioners. Finally, the paper will conclude with the implications of the findings for non-profit organisations and recommendations for future research.

II. RELATIONAL CAPITAL AND NON-PROFIT ORGANISATIONS

Relational capital is important to all organisations as it acts as a multiplying element creating organisational value by connecting collective information and knowledge that are embedded in the personnel and organisational routines of the organisation with other external stakeholders [6][10]. This is because all relationships in organisations involve information flow and sharing. These relationships can be considered as an important information asset that facilitates knowledge transfer and exchange in the organisation [7]. Such relationships include formal as well as informal relationships [5]. Formal relationships may include alliance agreements or distribution arrangements and informal relationships may cover relationships with potential employees or a local community.

Non-profit organisations are externally justified morally, ethically, and legally by what they do to address social needs and, in particular, the interests of key stakeholders in accord with the strictures of the law [11]. External relations are therefore crucial to non-profit organisations since they rely heavily on outside funding, volunteer support, alliance partnerships and public trust for legitimacy [12][13]. For-profit organisations also find that their partnerships with non-profit organisations can be an efficient means of building morale and maintaining good relations in their communities [14]. Such partnerships may include an allied marketing strategy. For non-profit organisations, with the increase in collaborative arrangements with organisations from other sectors [15][16] and high demand for transparency and accountability [17], managing external relations becomes especially important [12]. If external relations are not managed effectively, non-profit organisations may end up losing valuable external resources such as volunteers and donations as well as their legitimacy [13][18]. On the contrary, non-profit organisations are likely to gain strategic advantage if they are able to enhance the information flows between their organisations and external stakeholders. In other words, a better understanding of the role of relational capital in non-profit organisations helps the organisations to nurture or enhance information flow and sharing that facilitate knowledge transfer between the organisations and their external stakeholders.

In order to fulfil that objective, this paper employs a qualitative analysis methodology which utilises an in-depth, semi-structured interviews, including both face-to-face and telephone interviewing approaches, as the primary data collection instrument. The next section outlines the methods used by this research study.

III. METHODS

Relational capital by its nature involves intangible, implicit and tacit knowledge, thus extremely difficult to quantify [19][20]. In addition, the examination of the role of relational capital in non-profit organisations is a new area of enquiry. Thus, it was very important to allow a high degree of flexibility during the research process in order to explore and examine the role of relational capital in non-profit organisations. Due to this reasoning a qualitative approach adopting in-depth, semi-structured interviews of 45 to 60 minutes was conducted. The sample population was chosen from Australian non-profit organisations which had at least five years of history, formal structure and strategic planning, which allowed relational capital to be sufficiently utilised and accumulated in the organisations. The rationale for the selection criteria was to ensure that the chosen organisations would cover both macro and micro oriented activities in regards to issues related to the role of relational capital in the non-profit context. In addition, senior executives were chosen as the elite participants for the study because senior staff members are able to provide rich, textured descriptions of relationship strategy development that best fulfils the purpose of the central research question in the research study [21].

Based on the sampling selection criteria, 25 Australian non-profit organisations were contacted via e-mail and telephone, of which 15 senior executives (6 women and 9 men) in 12 non-profit
organisations agreed to participate. The service provision areas of the organisations covered a wide range of non-profit services (e.g. child welfare, youth services, family support services, services for people with disabilities, services for the elderly, and emergency services). Among the interviewees, 4 worked in the for-profit sector, 6 worked in the public sector prior to joining their current organisations and the remaining 5 interviewees were always in the non-profit sector. The average number of years for the interviewees working in their current organisations was over 6 years with a range of less than one year to 20 years experience.

Interviewees were asked a range of questions regarding the role of relational capital in strategy development processes in their organisations. Intensive semi-structured interviews were conducted over a six month period. An ongoing analysis was conducted throughout the entire interview process which ensured the justification of preliminary conclusion from the interview data. As the interviews represent the preliminary findings of the research study but not the final conclusion, the concept of theoretical saturation was not applied [22-24]. However, the vigorous analysis of the interview data remains which allows properties and dimensions of emerging categories to be well developed and relationships between categories to be appropriately established and validated through the data collected [22]. For instance, a digital recorder was used to record conversations for all interviews, which ensured the accuracy of data collection and subsequent interview transcription [25]. All interviewees gave consent for taping. Interview transcripts and research notes were directly input into NVivo, a computer-aided data analysis software program for qualitative research. The data were then coded into units of meaning (known as ‘free nodes’ in NVivo) according to the exact words of the participant [26], which were then further analysed to capture the emergent properties and categories of the common themes [22]. To maintain the confidentiality of the participants each interviewee was assigned a code (e.g. Exec-1) and the numerical order was not indicative of the interview chronology. Accordingly, even though only 15 senior executives participated in the study, their perceptions of relational capital helps to shed light on how other non-profit leaders may interpret relational capital in their non-profit organisations. The findings of the interview data are presented in the next session.

IV. PRELIMINARY FINDINGS

Through the lens of the participants, the participating organisations were perceived to mainly engage information flow and sharing with key external stakeholders, which also happened to be the primary fund providers for the organisations. The relationships with other external stakeholders, such as service recipients, volunteers and the general community, were perceived to be taken for granted rather than carefully established. In other words, the participating non-profit organisations had a tendency to focus mainly on exchanging and sharing information with their primary fund providers. Accordingly, relational capital was strongly perceived by the participants to be associated with funding sources.

A. Government relationships

Government agencies have a role in addressing societal issues and in many cases are the key funding providers for social service and community based non-profit organisations [27]. Accordingly, government relationships are a common element of relational capital for the participating organisations. In the fieldwork, government relationships were frequently emphasised by the participants, particularly those whose organisations received funding primarily from the governments at Local, State or Federal levels. Some participants in those government funded organisations even described that relationships with government are the highest priority in their strategic management process. This is not a surprising finding as government relationships do play a significant role especially as a funding provider and regulator of the non-profit sector. The importance of government relationships was clearly reflected in the following examples.

We have very strong relationships with the governments. We have formal and informal relationships with them by representational committee and so on. As a lobbying and advocacy organisation, we have to pursue those [relationships] at various levels of the governments (Exec-11, Paragraph 211).

Our whole strategic direction is depending on relationships and partnerships. We could not achieve or even get close to achieve our vision without that. I think one of the things ... we always have very strong relationships with the government ... we need to have good relationships with the government because it is our funding body. Also, it is the social policy maker and we want to influence social policy (Exec-7, Paragraph 106-109).

The perception greatly affected the organisations’ thinking and behaviour in strategic planning particularly in relation to the transfer of information and knowledge in building relational capital in the organisations.

One of our key objectives is to lobby for people to ensure that they have best practice treatment products and there’s been a huge [policy] change in the government sector. So it’s a matter of sort of adjusting and
manipulating our strategic plan to fit with what we need to be doing according to the government policies (Exec-11, Paragraph 49).

... we have to think if we make some hard hitting public comments against the government about [its policies], will the government take our funding away from [our] programs because we get funding from a number of government departments for a number of different programs, and are we allowed to speak freely and independently? ... So we’ve got to think whether we want to be strong, open and independent ... We have to think of that [possibility of losing government funding] (Exec-6, Paragraph 49).

Accordingly, many of the organisations that relied on government funding often struggled with complying government policies and fulfilling social objectives. Information that transmitted to the participating organisations was often perceived that the government was using funding policy as an approach to restrict how the organisations behaved. Accordingly, when the participants were asked how they felt about the existing relationships with the government, many of them replied with a negative attitude.

[If] you are going to take money from the government, you need to consider that you are willing to give up something that you deemed to be important so as to get the money. There are tensions with the government all the time (Exec-3, Paragraph 127).

The view that the participating organisations had to give up their cherished qualities was evidenced in the following quotes.

We get quite a bit of advice from the [government funding bodies] in terms of how we should be spending any fund according to the government’s approval and we make sure we are on right track (Exec-10, Paragraph 197).

... we have government funding for administrative costs and we need to follow particular guidelines so we make the right guidelines for using the fund appropriately ... I think ... ah ... I guess the best way is that we just follow their [government’s] guidelines and make sure we interpret them right, so we don’t go to the wrong path (Exec-10, Paragraph 299).

In the words of P10, the ‘right track’ and ‘wrong path’ were taken to refer to ‘not doing anything against government’s policies’. Thus, the participant’s view that they did not take part in anything against the government’s policies suggested that not only were the organisations likely to lose their independence, but also they were willing to give up their social raison d’etre such as speaking for the voiceless. It was possibly this negative attitude that caused most harm to the organisations, particularly those government funding dominated organisations, because it might impede their pursuit of social objectives.

Some were under the mistaken belief that government relationships are the sole component of relational capital. These organisations risk becoming ‘crisis driven’ in response to government’s actions rather than ‘mission driven’ in accomplishing social objectives.

It [relational capital] is absolutely critical. At the operational level we get funding from the government departments, State or Federal, and we have to work every closely with them. We have to do the job well. They [the governments] have got their targets and key performance indicators and we have to meet those (Exec-6, Paragraph 89-93).

... if we received any significant cut back from funding then I guess our relationships in particular with the government would probably change because we would put more pressure on volunteers. So instead of putting all pressure on [volunteers], it would have a huge effect on the community level and there would be a big effect to us as well (Exec-10, Paragraph 323).

As government relationships were perceived to play a major part in the relational capital concept, attention to other stakeholders such as the community was often de-emphasised or taken for granted rather than carefully developed. This was also the case with donor relationships.

B. Donor relationships

Donors were another important stakeholder who facilitated the organisations fulfilling their missions. All the participating organisations emphasised the importance of a positive relationship with their donors.

... if you have a better understanding of the donors, it is easier to get people to donate money (Exec-12, Paragraph 196).

... you might have seen [our organisation’s] second hand shops all over the place. We have that for many years. We collect goods from all over the place, people donate goods, sometimes ... someone dies and their
family gives everything to [our organisation] … (Exec-6, Paragraph 49).

Many of the organisations tended to incorporate donor relationships in their organisational strategies and to develop good relationships with donors.

We spend a lot of time of developing and nurturing relationships with potential donors so they might be individual mums and dads in houses or they might be in big corporations. So we sort of understand where they are coming from and what they are doing (Exec-11, Paragraph 211).

Working with corporate sector and trying to understand their objectives and outcomes is important to us. We are developing more and more partnerships and again, it is about getting to know the outcomes at corporations which want to have partnerships. We are working with them and developing very good relationships but at a higher level in the organisations (Exec-14, Paragraph 55).

The importance of donor relationships was also revealed in key organisational documents. Almost all of the participating organisations spent a number of pages, ranging from one to three, in their annual reports to acknowledge the contributions of their donors. Some organisations, which also happened to be receiving funding mainly from the public, placed their acknowledgement to donors within the first 10 pages of their annual reports.

This suggested that these organisations not only recognised, but also highly valued the contributions of donors.

When asked who their stakeholders were, some participants did not mention the government because their organisations did not receive government funding.

Stakeholders to us are normally the people we work with such as both board members, corporate partners, individuals who donate money to us and community groups (Exec-28, Paragraph 63, Public donations: 98%).

Although interview data showed that the overall concept of relational capital was not clearly understood and thus was neglected in the non-profit sector, interviewees generally did not provide a comprehensive explanation of why the government was not included as a stakeholder. Other participants clearly stated that they did not include the government as a stakeholder because their organisations did not receive government funding. This finding further suggested that relational capital was strongly associated with funding sources.

Government ... zero. We get no government funding and the total foundation is ... sourcing is from the good will of the public ... Our stakeholders are staff, volunteers, and donors (Exec-12, Paragraph 37 & 87-91, Public donations: 99%).

We don't have any government funding ... our stakeholders are the children and families, all the hospital and medical staff, the doctors, nurses and social workers, all of that, our donors, whether it is individuals or corporate, and they have very different needs and how you manage individual versus corporate, very different (Exec-27, Paragraph 103 & 205, Public donations: 98%).

The notion that relational capital was strongly associated with funding sources was also substantiated by the significant relationships with external stakeholders that provided financial sources to the organisations.

... we have to manage our relationships with our donors and that is the most important thing to what we call the nurture donors to ensure that they continue to support our services and then the most important is to recruit new donors and specially in a form of funding ... fund trust foundations and corporate partnership (Exec-15, Paragraph 149).

Again it [relational capital] is very important in the strategic plan. There is a section about our relationships with the outside sectors and how we can diversify our funding base. That is very important dealing with the corporate ... dealing with other outside stakeholders from the organisation’s point of view (Exec-16, Paragraph 195-199).

However, non-profit organisations are assessed morally, ethically, and legally by what they do to address social needs and, in particular, the interests of key stakeholders [11]. Thus, all the participating organisations, regardless of their financial sources, were to a certain extent affected by governments. Since the organisations perceived it was more important to focus on developing relationships with their funding providers, less attention was deemed to be given to other stakeholders such as the community. Accordingly, the community relationships were perceived to be taken for granted rather than carefully built.

C. Community relationships

Community relationship strategies are essential for non-profit organisations because they are
critical for achieving legitimacy from the public [18]. One justification is that prospective employees and volunteers are more willing to join an organisation with a strong community reputation [28][29]. Accordingly, it is reasonable to believe that non-profit organisations that have well established relationships with the community may attract volunteers and employees. However, the community relationships seemed to be more casual than well developed. This notion could be illustrated by the three examples below, where the organisations were waiting for the community to approach them rather than reaching out to establish relationships with the community that they served.

... we run events to raise money and perhaps something is called [non-profit] fundraising where the community comes to us. People and organisations want to raise money and so we sanction to that and we have a official process for them to raise money and use our brand name (Exec-27, Paragraph 103).

Well ... I guess they [the general public] know where they can get [our information] from. [Our information] would be available for the general public. We keep a lot of copies stuff at our office and if people ring us at our office and we can hand out our information. And [our organisation] has got a website and a lot of information is available there (Exec-10, Paragraph 155).

... it is the general transference of ways of doing things that sort of spread from words among workers and there is also a general transference of our vision of things that can become a culture of our organisation and transfer from workers to supporters and people like me and external environment and so on (Exec-18, Paragraph 127).

Similar cases were found in the relationships with prospective volunteers and employees. Building community relationships was perceived by some participants as a way to attract prospective employees and volunteers. However, as shown in the highlight in the example below, building community relationships was ad hoc in approach even though the participant stated that it was important to the organisation.

In terms of our volunteer base, it is critical that we know who our volunteers are, where they are and what they are doing. [But] it is a relatively ad hoc kind of way (Exec-25, Paragraph 137).

D. Client relationships

As highlighted in the interview data, some of the participating organisations have shifted their attitude and behaviours towards their service recipients. The shift of attitude and behaviours in the organisations was revealed from the following examples.

... they [the service recipients] are really not the immediate clients. Our immediate clients we would see as the funding bodies that fund the projects or the services we provide. Donors ... major donors, a lot of companies give us money for particular things so we see them as clients. We see organisations in our community centres or schools which purchase a lot of our resource materials or curriculum materials as clients. So we are very client conscious and focus and we have to deliver whatever it is to the people who provide the funds to us (Exec-4, Paragraph 113).

In the case of Exec-4, the participant even denied that service recipients were the organisation’s clients. Instead, the participant saw funding providers as the clients. This not only supports the argument that relational capital was strongly associated with funding sources, but also revealed that client relationships were not nurtured in the way relational capital theory prescribes.

Non-profit organisations’ primary social objective is to serve the people in need. In order to maintain support and legitimacy from funding providers and the public, SSNPOs have an obligation to develop sound relationships with all stakeholders, not just their fund providers. Salamon [30] urges non-profit organisations should engage in more collaboration with government agencies and business organisations in order to respond to societal needs. However, as revealed from the interview data, collaboration was not well developed because relationships were mostly built on the basis of competition. As a result, relational capital in the organisations was not fully utilised.

E. Conclusion

Satisfying all stakeholders simultaneously is not easy to achieve because stakeholder groups have varying, and sometimes conflicting, expectations of non-profit organisations [12]. As revealed in the interview data, information flow and sharing that facilitated the building of relational capital was mainly related to funding providers. As a result, relationships with other stakeholders were generally under-developed in the participating organisations. This paper argues that allowing relational capital to be under-developed could do significant harm to non-profit organisations. It is because over emphasising selective organisations instead of a holistic and balanced relational capital approach will only endanger the long-term survival of organisations. As evidenced from the interview data, the nurturing of relational capital in the
organisations was somewhat unbalanced. This paper argues that the imbalance of relational capital in the organisations was predominantly a result of the different understanding of the relational capital concept. The outcomes from the preliminary study of the paper help to contribute to a better understanding and appreciation of the relational capital concept or non-profit organisations may risk under-developing their relational capital for long-term value creation.

REFERENCES


