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## How might partner selection be improved by corporates to address material sustainability issues? A case study of Northumbrian Water Ltd.



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### ABSTRACT

Appropriate partner selection is a crucial concern for businesses who want to address material sustainability issues through cross-sector partnerships. However, the current research on materiality analysis and partner selection is still in the nascent stage of development. This paper contributes to understanding partner selection by corporates through an in-depth exploration of the business's selection of nonprofit organisation (NPO) partners, based on case study research of Northumbrian Water Ltd. (NWL), a UK private sector organisation providing water supply and sewerage services. Using the evidence from this study, we propose a framework for the selection of partners based on the prospective impact of cross-sector partnerships on material sustainability issues. Our paper also provides a useful toolkit for businesses to evaluate these prospective impacts. The framework demonstrates how materiality with respect to sustainability issues can be assessed both reactively and proactively, and how this assessment can better inform the partner selection process by corporates. This understanding of how materiality is assessed and partners are selected in practice is supported by a context specific exemplar and contributes to knowledge and practice of materiality analysis as well as cross-sector partnerships.

### 1. Introduction

Establishing partnerships with key stakeholders, including NPOs, can be an effective stakeholder engagement method for addressing sustainability issues by corporates (Hartman, Hofman and Stafford, 1999; Herremans, Nazari and Fereshleh, 2016; MacDonald, Clarke and Huang, 2018; Spraul and Thaler, 2020). Stakeholders may include varied agencies like the public sector, the private sector and civil society at large (Van Tulder, Seitanidi, Crane and Brammer, 2016). Cross-sector partnership has been defined as “a multi-organisational arrangement for solving problems and achieving goals that are difficult to achieve—by one sector alone” (Schmid and Almog-Bar, 2016, p. 189). Cross-sector partnership research is not a unified body of research, and encompasses diverse theoretical frameworks (Gray and Stites, 2013; Van Tulder et al., 2016) and methodological approaches (Branzei and Le Ber, 2014). It remains in the nascent stage of development to date.

This paper aims to contribute to this emerging body of literature by analysing how corporates in the water industry can select NPO partners who contribute to addressing their material sustainability issues, and how the impact of prospective partnerships on these issues can be evaluated at the organisational level through a case study of Northumbrian

Water Ltd. (NWL). The importance of studying a water company is rooted in the discourse around Sustainable Development Goals (SDG). The 6th goal of sustainable development involves ensuring the sustainable management and availability of water and sanitation for all. Moreover, the 17th sustainable development goal calls for creation of effective partnerships for achievement of sustainability related outcomes (United Nations (UN), 2020).

This is an important field of research because in recent years, some studies have shown that cross-sector partnerships have the potential for social value creation (Le Ber and Branzei, 2010a; Tate and Bals, 2018). Recent studies have furthered this research into the domain of sustainability issues pertaining to water management. For instance, Spraul and Thaler (2020) used a longitudinal case study of German public bathing and swimming pool sector to show how specific structures and process elements of public private partnerships can contribute to achieving sustainability related outcomes. In another study, Nizkorodov (2020) analysed ten case studies of public-private partnerships in the arena of water management in Southern California. The key results from this study revealed that these partnerships can translate into important environmental benefits, diversify local water resources and also improve the efficiency of water utility operations.

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However, the existing literature on cross-sector partnership effectiveness is prescriptive and anecdotal (Gray and Stites, 2013). More empirical research is therefore required to focus on outcomes and impact evaluation of partnerships on social issues “to inform and support the legitimacy of partnerships as an effective approach to solving complex social and environmental issues” (Van Tulder et al., 2016, p. 2).

In this empirical case study research we have employed materiality analysis as a lens to address these complex environmental and social issues. This concept involves prioritisation of sustainability issues according to stakeholder demands and interests (Hsu, Lee and Chao, 2013). Therefore, identification of relevant stakeholders remains a fundamental issue here. We have approached this issue by drawing on the inter-linkages between stakeholder value creation<sup>3</sup> and impact assessment. Materiality analysis however is considered a challenge (Hsu et al., 2013; Hummil, Schlick and Matthias, 2019) due to the absence of a clear universal definition of materiality (Van Tulder and Lucht, 2016), and lack of detailed methodology in the literature for implementing the process (Whitehead, 2017). This paper thus aims to provide an exemplar to other sustainability studies intending to implement materiality analysis and contribute to the small but growing body of empirical research in this field.

Even though many partnerships fail because of the inadequate choice of partners, existing research on partner selection is considered to be limited (Holmberg and Cummings, 2009). This paper responds to Holmberg and Cummings’ (2009) call for research into the process of partner selection. It derives its potential impact from the baleful consequences of poor partner selection on value creation (Austin and Seitanidi, 2012a; Iglesias, Markovic, Bagherzadeh and Jatinder, 2020; Pennec and Raufflet, 2018). Similar to partner selection research, there is a dearth of evidence on how social value is co-created (Pennec and Raufflet, 2018). This paper contributes to both these critical, yet under-researched areas. In this empirical research, we consider the selection of partners from the prospective value creation or impact assessment perspective with respect to addressing material sustainability issues. In doing so, this paper presents a practice-based framework of partner selection that provides insights into cross-sector partnership theory and practice.

## 2. Literature review: NPO-Business partnerships

### 2.1. Materiality analysis

Some studies have shown that stakeholder theory can be applied through relationship management for the purpose of achieving sustainability (Hörisch, Freeman and Schaltegger, 2014; Harangozó and Zilahy, 2015). This may involve generating mutual interests for both the company and its stakeholders which serve sustainable development objectives (Hörisch et al., 2014). According to Hörisch et al. (2014), linking sustainability to stakeholder theory can result in the integrative type of stakeholder theory, since it can entail the descriptive, instrumental and normative aspects of the theory. Combining both concepts of sustainability management and stakeholder theory (the integrative type) helps elaborate the sustainability-based value creation for stakeholders (Hörisch et al., 2014).

Stakeholder relationship analysis from the value creation perspective (Freudenreich, Lüdeke-Freund and Schaltegger, 2020) can help organisations better understand and identify their impacts and key stakeholders. By recognising the value or impact needed from the partnership on material sustainability issues, stakeholder value creation can be better assessed (Austin and Seitanidi, 2014). Accordingly, identification and agreement by potential partners on the particular material sustainability issue that needs to be addressed through the prospective partnership is required before partnership value or impact can be assessed.

Complex environmental and social issues can be identified based on

an assessment of their materiality, referred to as materiality analysis. This concept involves prioritisation of sustainability issues according to stakeholder demands and interests (Hsu et al., 2013) which “reflect the organisation’s significant economic, environmental, and social impacts; or substantively influence the assessments and decisions of stakeholders” (Global Reporting Initiative (GRI), 2013a, p. 7). According to Hsu et al. (2013), materiality analysis is still considered a challenge as the literature shows “the lack of a systematic evaluation framework or model to determine material issues” (p. 150). Therefore, a more effective and systematic evaluation framework is needed to determine the strategic significance of different issues (Hsu et al., 2013).

Some models reported in the literature which are based on GRI guidelines adopt a structured quantitative approach to materiality analysis for enhancing credibility, accountability (Calabrese, Costa, Levaldi and Menichini, 2016), simplicity, and reliability (Bellantuono, Ponzandolfo and Scozzi, 2016). Examples of these approaches include a fuzzy analytic hierarchy process which helps address issues of subjectivity and completeness in sustainability reporting (Calabrese et al., 2016). Multi-attribute group decision-making techniques are also used for supporting more effective stakeholder engagement throughout the materiality analysis process that takes into account all the relevant stakeholders’ perspectives (Bellantuono et al., 2016). In another model for Corporate Social Responsibility (CSR) assessment and materiality analysis, material CSR issues are identified according to the stakeholder (customer) feedback (perceptions and expectations) on the company’s CSR commitment and the company’s CSR disclosure (Calabrese, Costa and Rosati, 2015). With respect to the stakeholders involved, materiality assessment can support stakeholders in evaluating the respective organisation’s short-term and long-term environmental and social performance (Calabrese et al., 2015). In his study that applies materiality analysis to prioritize sustainability indicators for the New Zealand wine industry, Whitehead (2017) proposes a driver-focused prioritisation framework which identifies and locates material issues on a continuum of progression based on issue saliency and risk. This approach combines both strategic/proactive and emergent approaches to addressing sustainability issues.

Van Tulder and Lucht (2016) highlight the need to broaden the materiality approach for sustainable value creation through its application to the Sustainable Development Goals (SDGs). By doing so, companies move from the more common reactive approach to issue prioritisation and strategic planning towards a more proactive opportunity-oriented approach, which can provide suitable conditions for engaging in partnerships that help address the SDGs (Van Tulder and Lucht, 2016). This can provide a collective sense of priority and purpose since the SDGs constitute a common framework of language and action (Van Tulder and Lucht, 2016).

In order to examine and improve the process of partner selection at NWL for addressing material sustainability issues, it is important to understand the types of value created in NPO-business partnerships with regard to material sustainability issues. This is covered in the following section.

### 2.2. Value creation

The success of a cross-sector partnership can be measured through collaborative value creation as an objective dimension and partners’ satisfaction with the value created as a subjective dimension (Barroso-Méndez, Galera-Casquet and Valero-Amaro, 2014). Collaborative value creation is considered to be the major motivation and justification for collaboration, as well as an indicator of its effectiveness (Austin, 2010). The interaction between collaborators helps to generate both transitory and enduring benefits relative to costs, organisations, individuals, and society at large (Austin and Seitanidi, 2012b). Austin and Seitanidi (2012b) first developed a systematic framework to analyse the social, economic and environmental value of collaboration for organisations and society at the macro, micro and meso level. They classified

<sup>3</sup> This perspective is rooted in Freeman’s (1984) stakeholder theory.

value creation as represented in Fig. 1 below.

Some studies have tried to empirically examine the benefits of partnerships relative to costs (Lyakhov and Gliedt, 2017; Shumate, Fu and Cooper, 2018; Stadtler, 2015) within the framework proposed by Austin and Seitanidi (2012a, 2012b). However, for the most part the existing research on collaboration is focused on the symbolic and instrumental aspects of partnerships (Barkay, 2013; Jamali and Keshishian, 2009; McDaniel and Malone, 2012; Selsky and Parker, 2005), many of which are described as transactional and reactive to emergent/unforeseen issues (Austin and Seitanidi, 2012a; Gray and Stites, 2013; Nurmala, de Vries and de Leeuw, 2018). The integrative aspects of partnerships have not been systematically analysed, as these are considered peripheral to most companies' social responsibility initiatives (Seitanidi and Crane, 2014; Porter and Kramer, 2011; Selsky and Parker, 2010).

Unlike other studies mentioned above that focus on the symbolic and instrumental aspects of partnerships, we analyse how NPO-Business partnerships are used to address material sustainability issues for maximising the value creation potential, hence supporting the integrative approach to partnerships. For materiality assessment, the process of prioritising sustainability issues needs to begin during the initial stage of partner selection for assessing the prospective partnership impact. This is explained in the section below.

### 2.3. Partner selection

We discussed in the previous sections how effective and successful partnerships enable value creation. As "previous research has not explored how to detect the potential for positive social change at an early stage, prior to the partnership implementation" (Seitanidi, Koufopoulos and Palmer, 2010, p. 140), it makes sense to consider the selection of partners from the value creation perspective with respect to the material sustainability issues. Considering value creation in the selection process is crucial because partner selection can have a major impact on a partnership's value creation potential (Austin and Seitanidi, 2012b). Considered to be the initial stage of partnership development, the formation phase provides support to the selection phase by assessing the potential of partners in value co-creation (Austin and Seitanidi, 2012a). This is illustrated in the six-stage process proposed by Austin and

Seitanidi (2014) in Fig. 2 below, which demonstrates the need to identify the social issues in focus and to map the respective collaborative value portfolio.

Fig. 3 below highlights a systematic approach to partner selection elaborated through five subprocesses that comprise the selection phase (Austin and Seitanidi, 2014). This selection approach is based on in-depth case studies involving two NPO-business partnerships between Earthwatch-Rio Tinto and Prince's Trust-Royal Bank of Scotland (Seitanidi and Crane, 2009).

The various subprocesses within the formation and selection phases can be associated with the materiality analysis process that aims to identify material sustainability issues. For example, 'articulating the social problem' in the formation phase and 'mapping linked interests' in the selection phase require the particular material sustainability issue to be identified and agreed upon early on by potential partners throughout the partnership development. This can help in understanding how partners perceive the value created and in achieving value frame fit (Austin and Seitanidi, 2012b; Le Ber and Branzei, 2010a). Determining the sources and types of value (second subprocess of selection phase) that could be generated with respect to the particular material sustainability issue being addressed can help in selecting a suitable partner. Risk assessment of the partnership may be implemented in the selection phase, which can involve open dialogue and meetings between employees within one or both partner organisations, communication and data collection from similar organisations within the same sector or outside the sector in an informal approach (Austin and Seitanidi, 2012a). A more formal approach to risk assessment is recommended, which can involve all concerned stakeholders in evaluating partnership risks (Seitanidi and Crane, 2009).

In this paper we examine how a business such as NWL can select its NPO partners based on the prospective impact of its partnerships on material sustainability issues. In addition to partner selection, the research gap in materiality assessment/analysis is also addressed in this study. In the process of partner selection, it is imperative to understand how corporates evaluate the potential impact of their partnerships. Therefore, we discuss partnership impact evaluation in the following section.

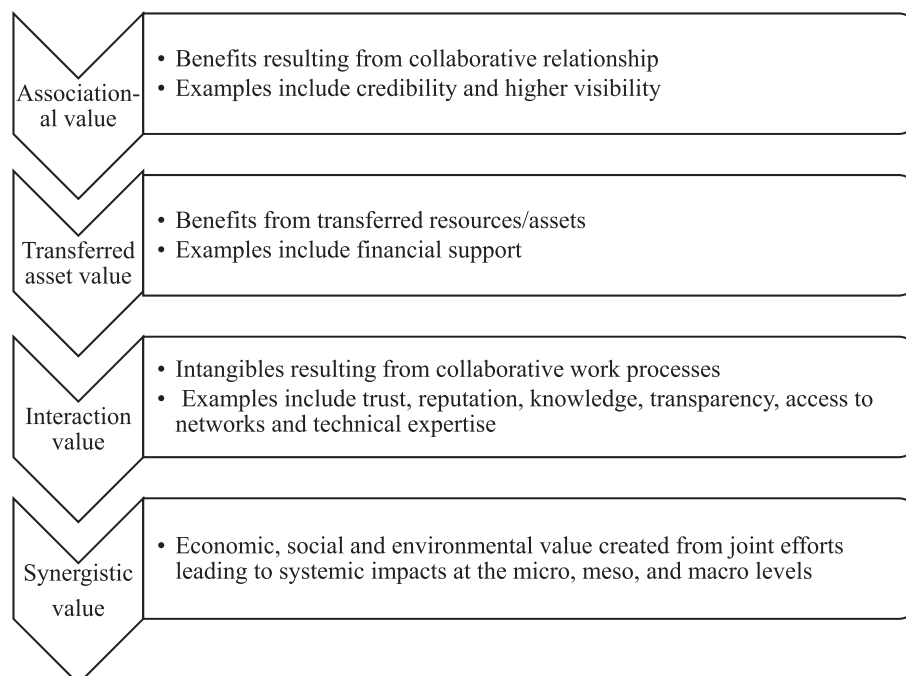


Fig. 1. Types of value that can be delivered from Collaboration (Source: Compiled from Austin and Seitanidi, 2012a, 2012b).

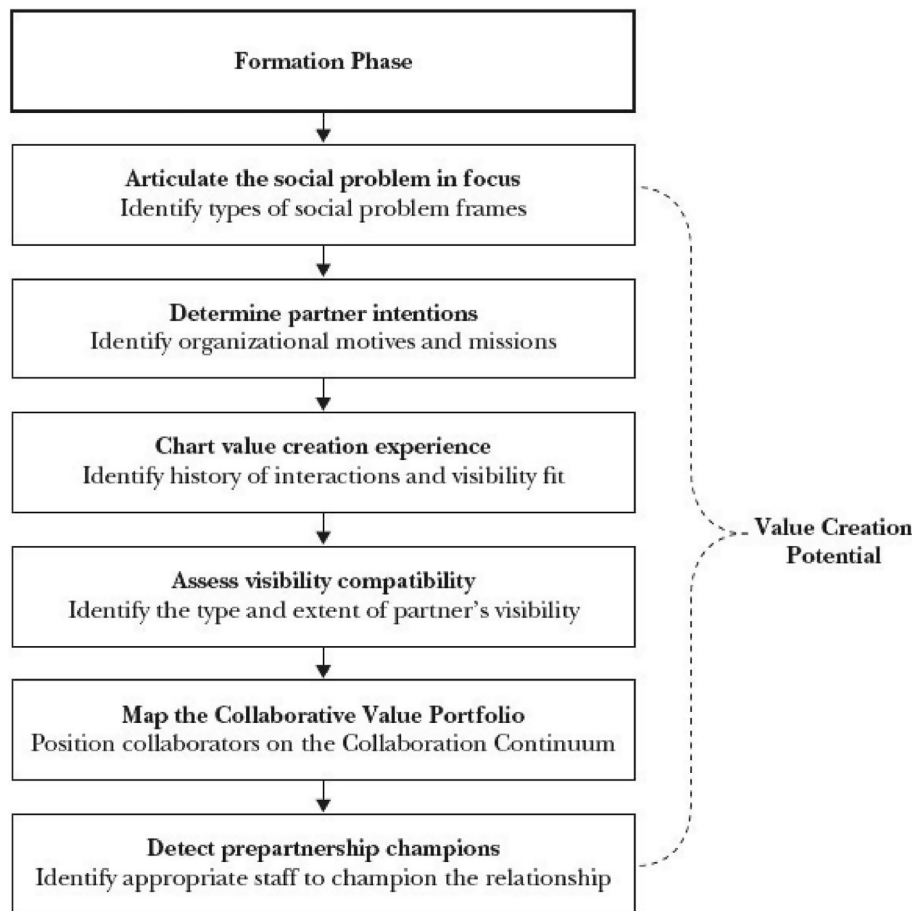


Fig. 2. Partnership Formation Phase for Assessing the Potential of Partners in Value Co-creation (Source: Derived from Austin and Seitanidi, 2014, p. 131).

#### 2.4. Partnership impact evaluation

Assessing the prospective impact of cross-sector partnerships on material sustainability issues at the outset can better inform the partner selection process. This may in turn enhance cost-effectiveness in selecting suitable partners for implementing the partnership, and ultimately contribute to its success. Some of the main objectives of partnership impact assessment is gaining knowledge about how to improve the value co-creation process for the purpose of increasing the impacts generated (Austin and Seitanidi, 2014; Ditlev-Simonsen, 2017), determining whether partnerships are successful or not (Pedersen and Pedersen, 2013), and enhancing cost-effective decision-making (Peloza, 2009).

According to Ebrahim and Rangan (2014), the academic literature of social performance measurement is still very limited in its provision of a theoretical and conceptual framework, whereby it is considered to be lagging with respect to practice. This is because businesses, funding organisations, and government agencies are providing far more useful insights to this field (Ebrahim and Rangan, 2014). For example, a holistic measurement system developed by PwC (2013) for measuring impact, takes into consideration the post 2015 MDGs set by the UN (replaced in 2016 by the SDGs) and is referred to as the TIMM framework. The TIMM helps businesses identify, quantify and monetize twenty impacts across various areas including tax, economics, society and the environment for the purpose of comparing investment choices and consequently making informed strategic decisions for all relevant stakeholders (PwC, 2013). One of the new initiatives for measuring social impact involves the World Business Council for Sustainable Development (WBCSD) (2017) which has been working to develop a social capital protocol. The social capital protocol aims at providing a consistent measurement system for valuating environmental and social impacts, which makes it easier for each

organisation to select the most appropriate approach to follow (WBCSD, 2015). In line with materiality analysis, the social capital protocol indicates within its steps the need to prioritize social capital (human and societal) issues and to define the impact pathway (WBCSD, 2017).

The different emphases given to long-term versus short-term, direct versus indirect and intended and unintended impacts (Van Tulder et al., 2016) have rendered a single definition of the term elusive (Maas and Liket, 2011). The difficulties encountered in partnership impact evaluation may be due to the interaction of multiple partners coming from different sectors, and the various organisational forms and demands/interests that are involved to co-create impact (Provan and Milward, 2001). There is also the attribution issue identified by Brinkerhoff (2002), regarding how to attribute specific impacts to a specific cross-sector partnership while isolating other impacts.

At a more fundamental level, questions of value are closely tied to epistemological concerns as to perspective (Mulgan, 2010). Reflecting on claims of inherent subjectivity and methodological limitations in impact assessment, Khandker, Koolwal, and Samad (2010) indicate that qualitative methods provide support to exploring the process by which interventions or programmes generate impact. Qualitative methods can also be useful in addressing contextual factors in partnership impact assessment (Vellema, Ton, de Roo and van Wijk, 2013). This paper is primarily concerned with analysing the potential impacts of the partnerships, rather than quantifying the actual impacts. Therefore, following Khandker et al. (2010), we have adopted a qualitative approach to gain insight into the process through which these partnerships generate impact, as well as the type and scope of the benefits received.

Intermediate outcome assessment is considered to be a useful indicator of the impact-achievement potential of a partnership (Lim, 2010).



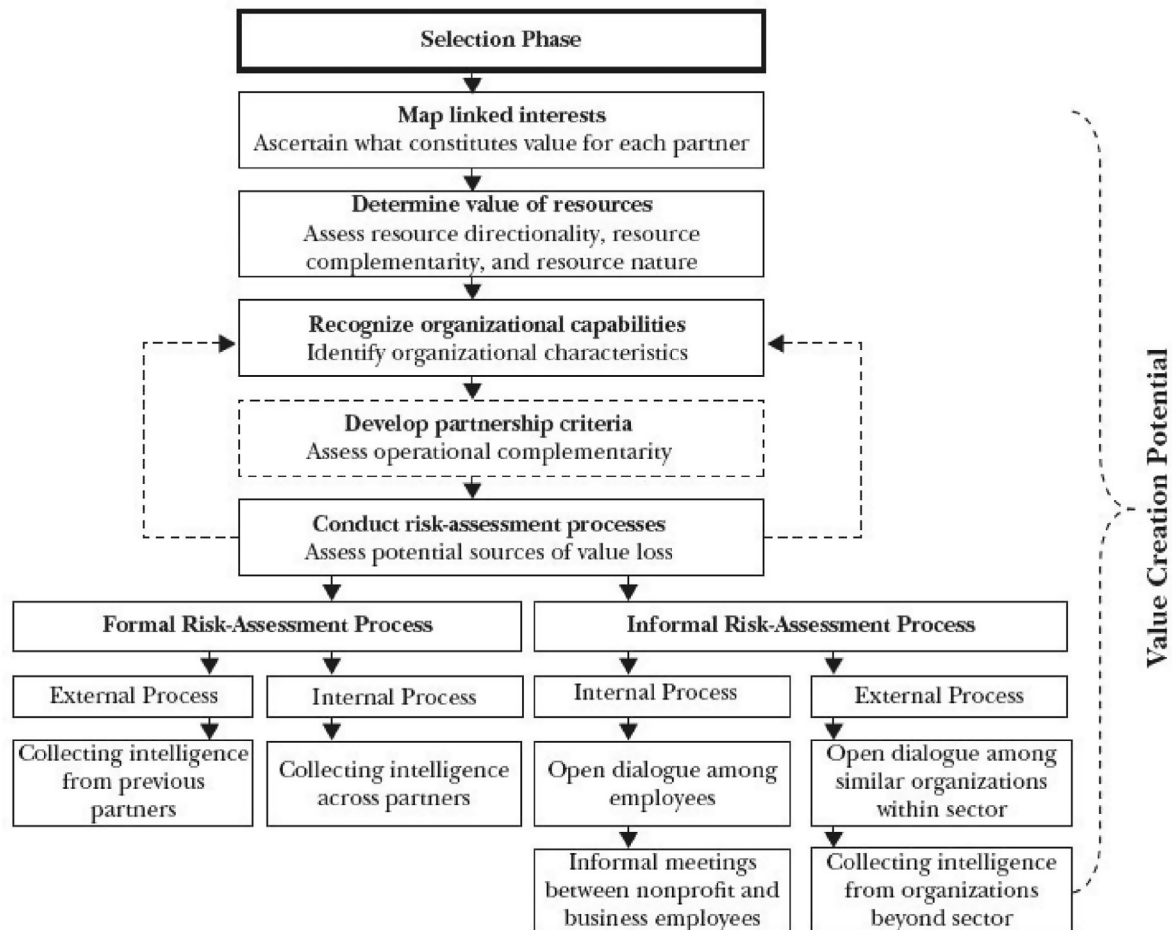


Fig. 3. Partnership Selection Phase (Source: Derived from Austin and Seitanidi, 2014, p. 142).

In line with this perspective, a multilevel outcomes assessment mapping framework proposed by Austin and Seitanidi (2014) is regarded as a useful framework for enhancing and developing the impact evaluation process of NPO-business partnerships. Moreover, social performance metrics and impacts are evaluated through logic models (linking inputs, activities, outputs, outcomes and impacts), such as the impact order framework proposed by Van Tulder et al. (2016). This framework identifies the impact value chain in a partnership and the different 'orders of impact' (Austin and Seitanidi, 2014; Ebrahim and Rangan, 2010; Van Tulder and Maas, 2012; White, 2009). Four impact loops are defined in the framework, which help classify the impact level of the partnership (Van Tulder et al., 2016). Considered to be the most complex, fourth order impact loops highlight the overall added value of the partnership from the input to the impact stages with respect to the defined issue at different analysis levels, whereby partnership success can be realised based on generating long-term systemic changes (Van Tulder et al., 2016). This framework may be used to assess the prospective impacts intended from a partnership for the purpose of selecting suitable partners, as it helps in evaluating the impact-achievement potential of the partnership and in classifying its impact level.

In our analysis of research findings discussed in subsequent sections, we identify how these outcome and impact assessment frameworks by Austin and Seitanidi (2014) and Van Tulder et al. (2016) can provide important insights to corporates such as NWL in evaluating the prospective impact of their partnerships on material sustainability issues.

### 3. Methods

This qualitative research adopts a single case study of NWL, which

focuses on the process of partner selection within its organisational context. NWL operates in the North East of England as Northumbrian Water where it provides water and sewerage services to 2.7 million people, and in the South East of England as Essex & Suffolk Water where it provides water services to 1.8 million people (NWL, 2013; NWL, 2016). It is known for its progressive work and approach to partnerships, whereby it engages in a variety of strategic key partnerships and is considered to be leading in responsible business practice in the UK. Based on its history of progressive initiatives and cross-sector partnerships that help address sustainability issues, NWL can be considered a suitable case study for investigating the partner selection process.

In line with Northumbria University's policy on research ethics and governance, organisational and individual informed consent forms were completed prior to data collection. Formal ethical approval requirements, with respect to NWL and its NPO partners, were coordinated and fulfilled in cooperation with NWL.

The case study is based on thirteen semi-structured interviews that were completed between June and October 2016. Our sampling strategy was dictated by Malterud, Siersma, and Guassora (2016) who postulate that the sample size should be dictated by the quality of information that can be derived from participants. According to the authors, in-depth exploratory case studies such as this study, which employ established theory and have a highly specific aim, would require a highly specific combination of interview participants. In order to address the limitation associated with the small sample size, we adopted a maximum variance sampling technique and endeavoured to select interviewees from a range of flagship programmes of NWL, as well as from different managerial levels and departments within the business, in order to cover multiple sustainability issues spanning different sectors. Seven of the interviews

were conducted with NWL employees. The other six interviews were conducted with NWL's NPO partners. Five of these NPOs were NWL's current partners and one of these was a prospective partner.

The selection of NWL key informants was based on their involvement in current working partnerships and their awareness of the organisation's material sustainability issues, including climate change, water efficiency, and sustainable sewerage. The choice of current NPO partner key informants was based on their engagement in strategic flagship and key partnerships with NWL, which covered different sectors and issues involving the environment, communities, health, economic wellbeing, skills enhancement, and global development. In coordination with the organisation's external affairs manager, four NPO prospective partners were identified, whereby only one organisation was willing to participate in this study. The selected interviewees held positions at various decision-making levels, such as managers, chief executives, and directors. Areas of focus in the interviews covered the prioritisation process and financing of material sustainability issues, partnership budget allocation, current partnership potential to address material sustainability issues, future partnership requirements, as well as partnership selection and impact evaluation processes being implemented. A focus group meeting was also conducted in November 2016, which involved NWL key informants who previously took part in the semi-structured interviews. It was used to further explore and explain specific concepts through participant evaluation of ideas/themes generated from the interviews (Saunders, Lewis and Thornhill, 2016), and helped clarify particular themes and areas that were insufficiently addressed in the interviews (Berg, 2007).

The data collected from the interviews helped understand the process of selecting NPO partners who could address NWL's material sustainability issues, based on the potential impact these NPO-business partnerships could generate. The interviews were digitally recorded and transcribed, and the recordings ranged from 35 min to 63 min with an average duration of 48 min. The final transcripts were imported into NVivo software for facilitating the tasks associated with manual coding and retrieving of data involved in qualitative data analysis. The collected primary data was supplemented with documentary evidence including mission statements, strategic reports, and different types of CSR/sustainability and partnership reports provided by NWL. The collected data was analysed using template analysis, which is considered to be a generic approach within the broader field of thematic analysis.

Using template analysis, we analysed the partner selection process within the real-world setting of NWL. We followed King and Brooks' (2017) guidelines for template analysis which involved seven major steps involving familiarisation with the data, preliminary coding, clustering, producing an initial template, developing the template, applying the final template, and finally the writing up of findings (p. 3). Based on the final template generated from the above analytical procedure, the principal themes that contribute to addressing the paper's aim are emphasised, explained and interpreted in detail in the following sections through direct or verbatim quotes from key informants.

## 4. Results and discussion

### 4.1. Materiality analysis

For understanding the materiality analysis process at NWL, key informants indicate that a prioritisation process of sustainability issues is being implemented that is both reactive and proactive. The reactive approach is considered to be more predominant at the organisation, whereby unforeseen issues can be addressed over the short-term, as explained in the following interview extract:

We are currently going down again a dual approach, one is reactive so if an issue occurs, what can we do to stop it occurring again, or to minimise the impact or likelihood of it occurring again, the other one is to try and do a proactive approach to stop it happening in the first

place, we're going down both those paths, the balance is still significantly in the reactive camp, so we do a lot more reactive works than we do proactive works ... (Sustainable Sewerage Manager, NWL)

The proactive approach to prioritisation adopted by NWL is typically planned for longer-term and is implemented based on legislations and regulations (e.g. Water Framework Directive), the Water Forum, an extensive research program that mainly consults with customers, and the five-year asset management planning (AMP) cycle. The Water Forum (formed of various organisations relevant to water and sewerage planning) and the extensive research program involve customer and other stakeholder engagement, that help identify customer priorities and ensure to the economic regulator, Ofwat (Water Services Regulation Authority) that NWL takes into account customer and other external stakeholder perspectives on significant issues in its business plans and decisions. According to the existing literature, materiality analysis of sustainability issues usually involves a systematic process. The proactive prioritisation process of sustainability issues at NWL does not specifically follow the systematic process of materiality assessment discussed in the literature, which is implemented according to principles of materiality and stakeholder inclusiveness (GRI, 2013b).

What is being done at NWL is the prioritisation of investment programs (within the 5-year AMP cycle) rather than sustainability issues, as indicated in the following focus group extract:

... we have a prioritisation process for our investment programs generally ... we don't explicitly prioritize sustainability in whatever terms we would use in that, so, and I would probably go a little bit further that we should ... (Water director, NWL).

The business outcomes, which are centred on five strategic themes (customer, competitiveness, people, environment, and communities) are the main priority of NWL, and within those there are outcomes that relate to sustainability aspects or issues. Some of the key sustainability issues highlighted in this study by NWL and its NPO partners include climate change, flooding caused by extreme weather, water efficiency and conservation, customer affordability and vulnerability, employee diversity and skill development, and energy consumption.

Although sustainability is not explicitly prioritised at NWL, sustainability issues are still (indirectly) incorporated into NWL's business strategy. There is no separate sustainability strategy because sustainability is built into the company's main business strategy. In line with adopting a single business strategy, McPhee (2014) and Eccles, Ioannou, and Serafeim (2014) highlight the added value resulting from incorporating sustainability into a firm's strategy. As sustainability issues are not explicitly prioritised within NWL, material sustainability issues need to be better identified and (explicitly) incorporated into the business strategy.

Another important consideration in materiality analysis at NWL involves how an emergent sustainability issue (such as water leakage) that was initially addressed reactively through a particular project (reactive/emergent approach), gets gradually embedded into business operations (proactive approach):

... one example in water was leakage, so going back a long time we had a big problem with leaks from our water pipes, and it's a problem for sustainable reasons as well, ..., so several years ago we put a project in place to correct that situation which was a combination of investment, innovation, operating activity, management systems, and it took about a year and we got to a much better place and then those activities are now embedded in our normal way of operating, so leakage is a, remains a big question for us, but it's managed in a, it's not a campaign, it's not a project now, it's a routine ... (Water Director, NWL).

Similar to having both reactive and proactive approaches to prioritising issues at NWL, the driver-focused prioritisation framework proposed by Whitehead (2017) takes into account both proactive

(Neugebauer, Figge and Hahn, 2016) and emergent perspectives/approaches (Papagiannakis, Voudouris and Lioukas, 2014) to how these issues may be addressed. The emergent approach ultimately leads to having the sustainability strategy better incorporated into the organisation's business strategy (Whitehead, 2017), and this aligns with NWL's practice.

#### 4.2. Partner selection

For examining and enhancing the process of partner selection at NWL for addressing material sustainability issues, it is imperative to understand the types of value created in NPO-business partnerships with regard to material sustainability issues. For understanding how, why and what types of value are created, the nature of NWL's current collaborative relationships and the partnership approach required for enhancing value creation and impact on material sustainability issues are investigated. Accordingly, for the purpose of improving the partner selection process, the nature of collaborative relationships, partnership approach and financial value, as well as value creation/impact assessment in NPO-Business partnerships are explored in the following sections. Findings with regard to the selection of NPO partners are then presented and interpreted, after which the framework of partner selection is illustrated.

##### 4.2.1. Nature of collaborative relationships and partnership approach

There are three types of partnerships that are reported by NWL and its NPO partners; these are partnerships based on funding (philanthropic), project-based partnerships (transactional), and longer-term strategic partnerships (integrative and potentially transformational).

Project-based partnerships that address particular issues are more prevalent at NWL, are usually short-term, and can be reactive, as indicated in the following extract:

... we are much more comfortable in as a reactive, in a reactive manner ... we tend to be very, I think we value being able to do things quickly, effectively responding to the moment, we don't apply that same value to being able to think hard and come up with the right long-term objectives. (Climate Change Manager, NWL).

With respect to the few long-term strategic partnerships that have been reported by NWL and its NPO partners, these partnerships are indicated to be typically proactive and may involve a high level of stakeholder engagement, analysis and management, broad scope of activities, high level of resource use, managerial complexity that necessitates robust program management and evaluation, as well as the provision of more sustainable solutions to issues. The shared or mutual value created in these partnerships is reported to be strategic, synergistic, and may involve a systemic impact or change (typically long-term). The increased potential for creating long-term impact or value is recognised for the strategic partnerships reported in this study, which is in agreement with characteristics of integrative (and transformational) collaborations suggested in the existing literature (Austin and Seitanidi, 2012a).

In identifying the gaps in their current approaches to engaging in partnerships, NWL key informants recognise the need for the right balance between the proactive approach to partnerships, that is typically strategic and long-term, and the reactive approach that is typically project-based and short-term. This is highlighted in the following extract:

... you need partnerships which are reactive and help you in the here and now, and you need partnerships that will help you in the strategic longer-term, I think it's you know there needs to be a balance, I think it needs to be partners that add value in whatever you're looking for them to add value in, whether that's a strategic or whether it's a project driven environment ... (Commercial Account Manager, NWL).

The partnership strategy at NWL needs reshaping according to NWL key informants, who suggest identifying clear strategic long-term objectives that are based on value creation.

It is evident that NWL is looking to engage in more integrative and transformational stages of partnerships. Progressing towards the more advanced transformative stage can be explained through a 'reactive-turned-proactive' strategy (Gray and Stites, 2013; Perez-Aleman and Sandilands, 2008; Van Tulder and Lucht, 2016). Accordingly, the intended value creation needs to be embedded into the business strategy which requires having NWL's CSR/sustainability strategies better identified and institutionalised (Austin and Seitanidi, 2012b). Similar to NWL's aspirations with regard to its partnership approach, NPO partners are seeking to move from the transactional stage of collaboration with NWL towards the integrative or transformational stage of collaboration. The purpose is to deliver more strategic and synergistic value, and potentially more systemic impact at the societal level.

##### 4.2.2. Partnership financial value

As the cost factor can play a role in selecting potential NPO partners, it is important to understand how NPOs assess the financial value of a partnership and what issues or factors NPOs have to deal with or consider to cover their costs. From the NPO partners' perspectives, the financial value of a partnership is specified according to delivery of tangible outcomes, process of delivery, and required resources. For partnerships based on funding or fundraising, the amount of funding or fundraising may be specified to cover work fees through a formal contract or philanthropy agreement, and in some cases it may not be specified. The partner membership costs of the North East England Chamber of Commerce (NECC) for example are dependent on the nature of projects to be delivered within the partnership and the corporate size of the business partner. For NPOs that allocate project grants, the grant money or funding provided by business partners may be aligned with priority issues identified through stakeholder surveys implemented by NPOs in operating areas. Certain difficulties are reported with regard to attributing particular costs to a specific partnership, and to assigning a specific value on intangible outcomes such as those involving policy work. There are certain factors that are more recently affecting the funding provided to NPOs for delivering project outcomes related to sustainability, such as a decrease in core funding from the government, and an increase in competition amongst NPOs whereby the tendering for work approach is being used. As one NPO key informant highlights on the topic:

Probably for us our key sustainability issues are the major changes through the funding environment in which we work, so we used to have a huge amount of core funding from the central government and from local government and all that's gone, that's a big issue for us. (Chief Executive, NPO).

In line with this statement, one NWL focus group participant further elaborates the impact that resource pressure has on maintaining a certain balance between a reactive and proactive approach to addressing sustainability issues. He also emphasizes the decrease in resource availability to address issues reactively by stating:

... there's possibly also a recognition of the points of view from all partners or potential collaborators, then also typically under extreme resource pressures, it's equally difficult for them to lift their heads up and pay that balance between what needs doing today and what we need to do in the future, and it's a very difficult equation at the moment because of the resource issues, and NWL aren't unique in having that challenge, the ordeal with the local authorities for example, they're handing back tens of millions of pounds, yet still being asked to think proactively, and they've got less and less resource to manage the here and now. (Sustainable Sewerage Manager, NWL).

##### 4.2.3. Value creation

The support or value provided to NWL by its current NPO partners is reported by NWL key informants to involve enhancing more effective engagement with NWL's stakeholders, increasing NWL's awareness of the



local issues (including sustainability issues) affecting communities in areas of operation, and promoting an increase in the level of influence as well as the perception of trust and credibility amongst NWL's stakeholders. Other benefits attained by NWL for partnering with NPOs include better access and reach of relevant stakeholders, cost and human resource savings, access to NPO expertise, the ability to lead on, influence, and shape policy work (that can be related to material sustainability issues), as well as enhancing NWL's reputation and promoting creativity and innovation in NWL's approach to work and to identifying opportunities (that can help address material sustainability issues). With regard to NWL's support to its NPO partners in this study, NPO key informants report various benefits which include the positive impact/value derived from associating with a leading brand name like NWL, the support provided through the extensive resources and budgets that are managed by NWL, funding/fundraising support, and helping to address sustainability issues that are relevant to the NPO. Other significant benefits generated from partnering with NWL involve the advocacy provided for influencing British Members of Parliament, decision-makers, and other key stakeholders through collective voice, as well as the potential for influencing policy work (that can be related to material sustainability issues). Moreover, NWL supports its NPO partners through providing access to relevant stakeholders, enhancing stakeholders' awareness of particular issues (including material sustainability issues), and creating effective communication channels for reaching or influencing the relevant stakeholders (with regard to addressing specific material sustainability issues) (refer to Table 1 below). These value resources and types of value are reported and confirmed in the literature, whether delivered for businesses from their NPO partnerships (Austin, 2000a; Austin, 2000b; Millar, Choi and Chen, 2004; Seitanidi, 2010; Yaziji, 2004; Yaziji and Doh, 2009) or for NPOs from their business partnerships (Austin, 2000a; Le Ber and Branzei, 2010b; Le Ber and Branzei, 2010c; Seitanidi, 2010; Waddock and Post, 1995; Yaziji and Doh, 2009).

Taking into account various stakeholder perspectives (including NPOs) on value creation can support organisations in selecting appropriate stakeholder engagement strategies that can better address key stakeholder issues and societal expectations (Laszlo, 2008). Mapping stakeholder value perceptions is an approach that can be used for identifying sustainable value propositions by recognising new opportunities for creating positive value for society and environment (Bocken, Short, Rana and Evans, 2013). It also helps understand who the key stakeholders are as well as their involvement or contribution to creating a specific value (Bocken et al., 2013). This perspective is in line with Halal's (2001) suggestion that stakeholders can be regarded as potential partners who contribute to creating social and economic value. The specific value intended from the partnership can be identified with respect to a specific

material sustainability issue recognised by an organisation. Identifying the material sustainability issue and its respective value (proactive approach) can in turn provide support to selecting the appropriate partner from a range of NPO stakeholders who are viewed as potential partners.

#### 4.2.4. Selection of NPO partners

For selecting the appropriate partners who can contribute to the success of the partnership, it is important to understand the factors or reasons for success or lack of it. The most reported reasons for lack of success by NWL and its NPO partner key informants include not clearly agreeing or discussing objectives/outcomes and subsequently having misaligned objectives. Having misaligned objectives can be linked to lack of shared values between the partners. Sharing values and beliefs with potential partners (alignment of values) is important for partner selection and subsequent partnership success, as shared values can influence/enhance trust and commitment (Barroso-Méndez, Galera-Casquet, Seitanidi and Valero-Amaro, 2016). Stakeholder engagement is also reported by key informants to be a partnership success factor. This is important for identifying and involving the key stakeholders who have an impact or are impacted by the issue that is being addressed. Hence, it is considered to be fundamental for selecting partners and ultimately for partnership success (Waddock, 1988). This perspective is in line with the principles of materiality and stakeholder inclusiveness (GRI, 2013b), which require identifying the material sustainability issues with respect to the key stakeholders and the business.

The partnership selection criteria identified by NWL and its NPO partners (five current partners and one potential partner) are presented in the following table.

The above-mentioned criteria are corroborated in the existing literature on partnership selection criteria (Austin and Seitanidi, 2014; Holmberg and Cummings, 2009; Seitanidi, 2010; Seitanidi and Crane, 2009) and indicators of transformative potential that are suggested by Seitanidi et al. (2010). From the criteria indicated in Table 2, alignment of values and objectives, as well as trust have been identified as criteria of highest priority for partner selection by NWL focus group key informants. Establishing trust is quite critical in the selection process (Waddock, 1988), as mistrust is considered to be a typical challenge in developing partnerships (Berger, Cunningham and Drumwright, 2004). Alignment of values and objectives requires an understanding and agreement on the sustainability issue to be addressed through the partnership. The 'type of sustainability issue' that is being addressed is identified as a criterion (refer to number 14 in Table 2) for selecting partners by NWL and its NPO partner key informants, as it is imperative to identify early on the material sustainability issue that needs to be addressed through the prospective partnership. This criterion is in line with the need for

**Table 1**  
Examples of types of value reported by key informants from NWL and NPOs.

Examples of value reported by:	Type of Value			
	Associational	Transferred resource	Interaction	Synergistic
<b>NWL key informants</b>	promoting an increase in the level of influence as well as the perception of trust and credibility amongst NWL's stakeholders; enhancing NWL's reputation	enhancing more effective engagement with NWL's stakeholders (if engagement skill is attained); cost and human resource savings; access to NPO expertise (if expertise/skill is attained)	enhancing more effective engagement with NWL's stakeholders; increasing NWL's awareness of the local issues affecting communities in areas of operation; better access and reach of relevant stakeholders; access to NPO expertise; promoting creativity and innovation in NWL's approach to work and to identifying opportunities	the ability to lead on, influence, and shape policy work
<b>NPO key informants</b>	positive impact/value derived from associating with a leading brand name like NWL	support provided through the extensive resources and budgets that are managed by NWL (if assets are transferred); funding/fundraising support	helping to address sustainability issues that are relevant to the NPO; providing access to relevant stakeholders; enhancing stakeholders' awareness of particular issues; creating effective communication channels for reaching or influencing the relevant stakeholders	helping to address sustainability issues that are relevant to the NPO (potential); advocacy provided for influencing MPs, decision-makers, and other key stakeholders through collective voice (potential); influencing policy work (potential)

**Table 2**  
Partner Selection Criteria identified by NWL and its NPO partners.

<b>NWL and NPO</b>
1) alignment of values, mission and objectives
2) reputation
3) level of resource
4) trust
5) previous partnership experience and track record of outcome delivery
6) historic relationship
7) credibility
8) expertise, knowledge and skills in relevant field
9) cost or financial value
10) capability to add value/deliver benefits/impacts with respect to identified issues and respective opportunities
11) ethics
12) geographic location when it is necessary to work in same location or site
13) level of commitment and involvement
14) type of sustainability issues being addressed and available opportunities
<b>NWL</b>
15) innovation and creativity in approach to work
<b>NPO</b>
16) corporate sustainability
17) corporate significance/responsibility and strategic nature
18) extent of influence over relevant stakeholders and collective voice
19) balanced representation from all sectors (for multiple partners in partnership)
20) leading in respective field
21) scope of work and activities
22) corporate strategy and policies

'articulating the social problem' in the formation phase (Austin and Seitanidi, 2014), which would require implementing the materiality assessment process. As NWL key informants are looking to engage in more strategic or integrative partnerships in the future, considering innovation as a partner selection criterion (identified exclusively by NWL - refer to number 15 in Table 2) makes sense as innovation becomes more frequent in integrative and transformational stages of collaboration.

For NPOs, it is realised from the selection criteria identified exclusively by NPOs (refer to numbers 16 to 22 in Table 2) that the focus is more on the organisational characteristics of the prospective business partner, such as scope of work, reputation and corporate strategy. This may be because costs borne by NPOs in their partnerships are often indicated to be proportionately higher than those of the business (Seitanidi, 2010), examples of which include reputational costs (Millar et al., 2004) and an increased resource demand (Seitanidi, 2010). Hence, their corporate scrutiny in the selection process may be more rigorous.

As part of a systematic process, project-based procurement procedures are indicated to be used at NWL for selecting partners, where least cost is emphasised as a major criterion. The project-based procurement procedures reflect the transactional stage collaborations that NWL engages in. Although cost plays a role in partner selection, assessing cost-effectiveness, which is one of the partnership-specific criteria developed in the selection phase, is not being implemented at NWL due to lack of potential value creation assessment. NWL key informants acknowledge this gap and emphasise the need to have a return on investment and to deliver value for money from the partnership, and to be able to assess its tangible benefits.

Similar to having "multiple and competing values of different participants" in stakeholder theory (Antonacopoulou and Méric, 2005, p. 30), and as perceptions of value creation can be different for different stakeholders in a partnership (Austin and Seitanidi, 2014), partner selection criteria can often contradict each other (e.g. trust and cost-effectiveness). This may require adopting a paradox perspective on corporate sustainability by distinguishing and highlighting the interconnections between descriptive, instrumental, and normative aspects of it in order to overcome prioritising business outcomes over social and environmental issues (Hahn, Figge, Pinkse and Preuss, 2018).

For the purpose of selecting potential partners by mapping the potential value, one of the approaches suggested by a NWL participant involves assessing whether the value chains of potential partners are

aligned with NWL's value chain. This perspective is in agreement with achieving a value frame fit or alignment between the partners to co-create social value (Le Ber and Branzei, 2010a; Rodríguez, Giménez and Arenas, 2016), which is typically achieved in the integrative or transformational collaboration stages (Austin and Seitanidi, 2012a). Other processes for partner selection that are being used at NWL involve relationship development with potential partners through discussions, meetings, and small-scale projects to enhance mutual understanding of partner perspectives. Contrary to the reactive approach to partner selection that is often being implemented at NWL, having a systematic process in partner selection is proposed to help (Austin and Seitanidi, 2014) avoid choosing an inappropriate partner (Holmberg and Cummings, 2009) and losing significant resources as collaboration is resource-consuming, time-consuming and costly (Huxham, 1996).

For NPO partners, one of the selection procedures used involves an invitation to tender according to outcomes and delivery process for large partnerships. In other cases, a questionnaire is issued to potential partners (if they are not well-known) asking about their expertise, local knowledge, and finances, and there may be quick research and accounts checking of these potential partners. A philanthropy service agreement outlining the objectives and work to be done by potential partners is typically used as well by NPO partners. This would ensure alignment of objectives between the partners, and can correspond to 'articulating the social problem' in the formation phase and 'mapping linked interests' in the selection phase. Other approaches that are being implemented include direct approaches to organisations with previous working relationships, relationship development involving discussions, workshops, and meetings, as well as relationship and trust building by working on various projects.

Moreover, according to three of the NPO key informants, NPOs are targeting other NPOs with similar interests/objectives as potential partners to deliver more substantial impact on specific issues:

... so how WaterAid works is that we work with other local NGOs and communities to deliver the projects, they are the stakeholders [...] it's the most sustainable way for us to deliver those projects, it also ensures that the skills and knowledge is within those communities and within those partners as well. (Water Industry Partnerships Manager, NPO).

The perspective of having more NPO-NPO partnerships is encouraged by Seitanidi (2010) as a way to augment and broaden the extent of social impact, as similarly suggested by NPO key informants.

Ethical risk assessment is an approach used by one key informant from the prospective NPO partner, which involves estimating likelihoods and potential consequences of partnerships. These are assessed with respect to the potential partner's corporate strategy, its activities and policies with respect to particular NPO issues, its broader sustainability issues, and its commitments to welfare. The focus here is on the ethical aspect of the potential business partner. Compatibility between the partners is assessed (Le Ber and Branzei, 2010a) with respect to the sustainability issues being addressed, the policies, strategies and mission. The ethical aspect of the risk assessment process can be linked to the negative associational value that can be generated from a NPO-business partnership in terms of the visibility of the potential business partner (Le Ber and Branzei, 2010a).

Flexibility in the selection process is highlighted by NWL key informants to help identify opportunities and benefits that may not always be recognised through a systematic process, as reflected in the following extract:

... you've got to be flexible and be able to recognise an opportunity, and welcome that when it comes along, process doesn't always identify those or support those, so there's gotta be a degree of flexibility [...] identifying opportunities when they come requires flexibility ... (Sustainable Sewerage Manager, NWL).

Considering the nature of collaborative relationships at NWL, flexibility in the selection process can be linked to project-based partnerships (transactional collaboration stage) which are used to address particular issues, can be reactive and are typically short-term. Flexibility is further elaborated by NWL participants to be particularly applicable to unforeseen or out of control circumstances (emergent issues), which would require the ability to be reactive to these circumstances or issues. Accordingly, this would require keeping a level of openness, less rigidity in the partner selection approach, and flexibility around the type of partners selected.

The systematic approach to partner selection is suggested to complement the flexible approach, whereby both approaches are needed, as all focus group participants recommend:

... you can set out to engage with certain organisations as a matter of principle, but you should also be open to the opportunistic stroke issues that come along that maybe you haven't planned for ... (Sustainable Sewerage Manager, NWL).

... I think the one area where I would suggest there might need to be a more systematic approach in that's, in part of our business strategy we're looking at a bigger picture aspect, and we might need to say who of the partners that we want to be working closely with as part of that, and that probably wouldn't come about just opportunistically [...] so I suppose my point of preference would be you know the opportunity one, but I think if we're looking for a strategic alliance, a strategic partner, we'd probably need a more active forward looking process. (Water Director, NWL).

The second extract above highlights the need for having a systematic approach to selecting partners when the aim is to engage in strategic partnerships, which refer here to the integrative or transformational stages of collaboration. The time horizon of partnerships is also elaborated by NWL key informants who indicate that long-term partnerships would require a more strategic and systematic approach to partner selection. This view is shared by Pangarkar (2003) who contends that longer-duration partnerships provide more opportunities for generating benefits than shorter-duration ones.

Based on the above, both flexible/reactive/project-based and systematic/proactive/strategic approaches to partner selection can be considered, taking into account that more time may be required for selecting the appropriate partners systematically. Although they may be in conflict and may require different criteria or processes for selection, both approaches can be adopted within the business, depending on whether NWL is seeking to derive strategic value from its partnerships (more ongoing long-term strategic partnership) or whether it is aiming to address a specific issue through a particular project (more flexible short-term project-based partnership).

#### 4.2.5. Partnership impact evaluation

The issues and challenges encountered by NWL and NPOs in their partnership impact assessment include mainly difficulties in assessing long-term impacts, complexities in managing and recording progress information from multiple partners, and weaknesses in evaluation knowledge. The lack of a rigorous system in partnership assessment and the limited visibility of partnership impacts/benefits within NWL are reported issues that may need to be addressed. Another significant issue that is reported by participants involves the complexity arising from cause effect attribution, which would require isolating indirect external factors (e.g. climate change) that are also difficult to account for. Difficulties in quantifying benefits and identifying measures of success for aspects such as policy work/impact are also highlighted in this study. These challenges are confirmed in the literature, with regard to the relatively complicated methodologies and analytical techniques needed for evaluating long-term impacts (Van Tulder et al., 2016), the attribution problem (Brinkerhoff, 2002), the difficulties in quantifying partnership value (Austin, Stevenson and Wei-Skillern, 2006), particularly in

the case of social impact assessment (Maas and Liket, 2011), and the absence of impact measurement frameworks that organisations can rely on (Gray and Stites, 2013). As the lack of a rigorous system is reported to be an assessment limitation by NWL key informants, having a rigorous assessment process throughout the development of the partnership (including the selection phase) can help ensure that value is generated in the partnership (Austin and Seitanidi, 2014).

According to NWL and NPO partner key informants, outcomes, budgets, delivery milestones, and measures of success need to be agreed upon at the outset by potential partners. Some of the evaluation tools that are reported include internal rate of return (IRR), social return on investment (SROI), proxy indicators, and key performance indicators (KPIs). Both qualitative and quantitative data may be needed for assessing impacts. The use of comparative data involving pre and post-partnership assessment is highlighted by NWL and NPO partner key informants for assessing impacts involving conservation. Based on NWL focus group participant perspectives, quantification of benefits is preferred when it is feasible. Other approaches reported by NWL and NPO key informants include a delivery board responsible for monitoring and reporting on progress/outcomes, a project management system for recording evidence-based progress information, and statistical analysis providing evidence-based data. In addition to providing progress reports, key informants in this study indicate that outcomes can be continuously evaluated through regular meetings and discussions between partners, and regular project visits. Recommended approaches for impact assessment by key informants include a built-in assessment process involving baseline assessment that is implemented before the project is initiated, to help understand how and why an intervention succeeded or failed. The use of natural capital accounting is proposed by another NWL key informant for the purpose of reflecting the value of natural resources or assets and supporting external investors to make suitable investment decisions.

In another case reported by one NPO key informant, a partnership that has a history of nearly 10 years may not require hard and fast evaluation, because there may be a strong degree of mutual understanding between the partners that eliminates the need for evaluation:

... in other cases the partner isn't really looking for that because we've probably as I said got a relationship where we understand each other better and they feel confident and comfortable that they don't necessarily need that, you know we've got some partners as I said who have been partners of ours for nearly 10 years, and you know we don't sit down every time that with news and go through a set of figures, they understand the relationship that they have with us, they understand how that is delivering for them and how they can you know, how we can work together to achieve what we want to achieve, and there isn't necessarily the need for that kind of hard and fast measurement, other partners and perhaps sometimes those who are where the partnership is younger are looking for something that's more specific like that. (Director of Policy, NPO).

Although generally recommended (Austin and Seitanidi, 2014; Lim, 2010; Rondinelli and London, 2003), rigorous evidence-based evaluation may not always be needed, as indicated above for partnerships that have a history of 10 years or more. Partners' satisfaction with the value being created (Barroso-Méndez et al., 2014) and their perceived impacts (perception of generating benefits) may be adequate, which reflects the subjective dimension of partnership success (Morrow and Robinson, 2013). Furthermore, impact assessment may not always be feasible with respect to the costs it may incur, and the degree of complexity involved (Austin and Seitanidi, 2014). Based on the subjectivity inherent in stakeholder value perceptions and the various challenges involved in partnership impact evaluation, agreement on a common value system and a shared partnership evaluation scheme may be difficult to achieve.



#### 4.2.6. Framework of partner selection

In considering the demands/interests and concerns of key stakeholders in a partnership, stakeholder analysis needs to be implemented from the value creation perspective (Freudenreich et al., 2020; Myllykangas, Kujala and Lehtimäki, 2010) for identifying who the key stakeholders are and mapping their respective value propositions. In this respect, stakeholder involvement and engagement are fundamental. Based on the potential NPO partners' value propositions that are mapped during stakeholder analysis, the different types of value proposed can be associated with the respective company's material sustainability issues that may be addressed through partnerships. This helps identify which potential partner/stakeholder can contribute to a specific material sustainability issue. Mapping key stakeholders' value propositions or perceptions in stakeholder analysis (Bocken et al., 2013; Epstein and Buhovac, 2014) can support companies in identifying their material sustainability issues, and accordingly in selecting the appropriate partner from a range of NPO stakeholders that are considered to be potential partners. This study provided insights to the type of sustainability issues being addressed and the outcomes reached through current partnerships, as well as the support/value provided to NWL and its NPO partners from their current partnerships. This helps tackle one of the research avenues identified by Austin and Seitanidi (2012b) which involves investigating "how do partners view their own and each other's benefits and costs from the collaboration?" (p. 958).

For identifying material sustainability issues, there are two suggested approaches to materiality analysis which are the reactive and the proactive approaches. These are highlighted in Fig. 4 below which illustrates the framework of partner selection.

As systematic research into organisational practices is limited in assessing materiality in the literature (Hsu et al., 2013; Whitehead, 2017), and as practical guidelines (e.g. GRI) are only available for use by organisations, the reactive and proactive approaches reported in this paper contribute to knowledge and practice with respect to how organisations can prioritize their sustainability issues. Similar to NWL's prevalent reactive approach, companies are reported to predominantly adopt a reactive approach to issue prioritisation (Van Tulder and Lucht, 2016). Recognising the need for both approaches is crucial, as indicated in the prioritisation framework proposed by Whitehead (2017) which combines both proactive/strategic and emergent approaches to addressing material sustainability issues. Feedback loops are proposed in the above figure to highlight their use in informing the approaches to prioritising sustainability issues, which would in turn better inform the partner selection approaches.

Within the field of partner selection that is considered to be limited with respect to how businesses can select NPO partners from an impact or value creation perspective, the existing literature highlights a more systematic/proactive approach to partner selection. In their study, Holmberg and Cummings (2009) indicate that further research is needed to investigate how "one or multiple turbulent or fast-changing environments" can affect the selection of partners by the focal firm and promote flexibility to the process (p. 188). Hence, adding or including a more flexible approach to partner selection that may be reactive to an emergent issue addresses this gap and contributes to knowledge and practice in that field.

Recognising that the collaboration field of research is still considered emerging (Crane and Seitanidi, 2014) and lacks a comprehensive theory that can adequately explain it (Gray and Stites, 2013), the literature on partner selection also demonstrates more focus on general motivations rather than specific motivations, and shows a lack of adequate consideration to dynamic concerns and changes over time (Holmberg and Cummings, 2009). This paper helps extend the existing literature on partner selection by developing a framework that helps corporates select NPO partners based on the more specific motivation of addressing particular material sustainability issues and generating the intended partnership impacts on these issues. This also helps address the research gap on partner-issue fit, which according to Van Tulder (2017) is still

characterised with a weak state of research. By having both proactive/systematic/strategic and reactive/flexible/project-based approaches to partner selection proposed within the framework, and owing to the dynamic and highly context dependent nature of partnerships (Austin and Seitanidi, 2012b; Van Tulder, 2017), dynamic concerns and changes that may be more evident in the reactive approach can be accounted for.

The proactive approach, typically involving more ongoing long-term strategic partnerships that address identified material sustainability issue from proactive prioritisation approach, encompasses the formation and the selection phases proposed by Austin and Seitanidi (2014) (refer to Fig. 4). The flexible project-based approach to partner selection links the emergent/'opportunistic stroke' issue from the reactive prioritisation approach or the identified material sustainability issue from the proactive prioritisation approach (demonstrated in Fig. 4 through two connections going towards the flexible project-based partner selection approach) to the proposed potential NPO partner value. The NPO partner can be new (taking into account the particular issue and relevant NPO stakeholders) or previously identified from stakeholder analysis. Articulating the material sustainability issue and mapping linked interests with respect to the particular issue are crucial for both project-based and strategic approaches to partner selection, as shown in Fig. 4. The framework also shows a connection between the reactive approach and the proactive approach to prioritising sustainability issues. This connection, which is initiated from the reactive approach towards the proactive approach, indicates how an emergent sustainability issue can gradually become a proactive issue.

As this paper aims at assessing the prospective impact of the partnership for partner selection purposes, it is necessary to specify the potential partnership outcomes and impacts at the outset. As a starting point, the multilevel outcomes assessment mapping framework proposed by Austin and Seitanidi (2014) can be used to identify prospectively the beneficiaries, the types of value intended or that may be generated (associational, transferred asset/resource, interaction, and synergistic), the level of analysis, and whether the potential benefits are internal or external to the partnership. This mapping of potential outcomes can be applied within the second subprocess of the selection phase which involves determining the value of resources (added as point 'a' in Fig. 4). In implementing the multilevel outcomes assessment mapping framework, the different types of value would need to be linked to the respective material sustainability issues identified from materiality analysis, to be able to select partners who can contribute to the intended impact on these issues. For classifying the impact level (or the impact-achievement potential level) intended from the partnership, it may be useful to resort to the impact order framework proposed by Van Tulder et al. (2016) (added as point 'b' in Fig. 4). Mapping the potential outcomes and assessing the prospective impact level of the partnership can be implemented within the second subprocess of the selection phase which involves determining the value of resources, as indicated in Fig. 4.

As a summary, the main contribution of this case study is gaining in-depth insights into the partner selection process rather than achieving generalizability of its findings. Through linking 'materiality' and 'sustainability' with stakeholder theory, this study helps understand and illustrate the integrative type of stakeholder theory, as stakeholder value creation on material sustainability issues can be both normative and instrumental. By examining NPO-business partnerships based on stakeholder theory, this research helps understand the interconnections between the different stakeholders (involved in a partnership) and the resulting impacts on the business, which according to Harangozó and Zilahy (2015), and Starik and Kanashiro (2013) have been disregarded in stakeholder theory. Accordingly, stakeholder theory in this study helps explore how the collaborative relationship between businesses and NPO stakeholders can contribute to addressing material sustainability issues, for the purpose of improving partner selection.

Based on the above discussion on materiality analysis, partner selection and partnership impact evaluation, the conclusions,



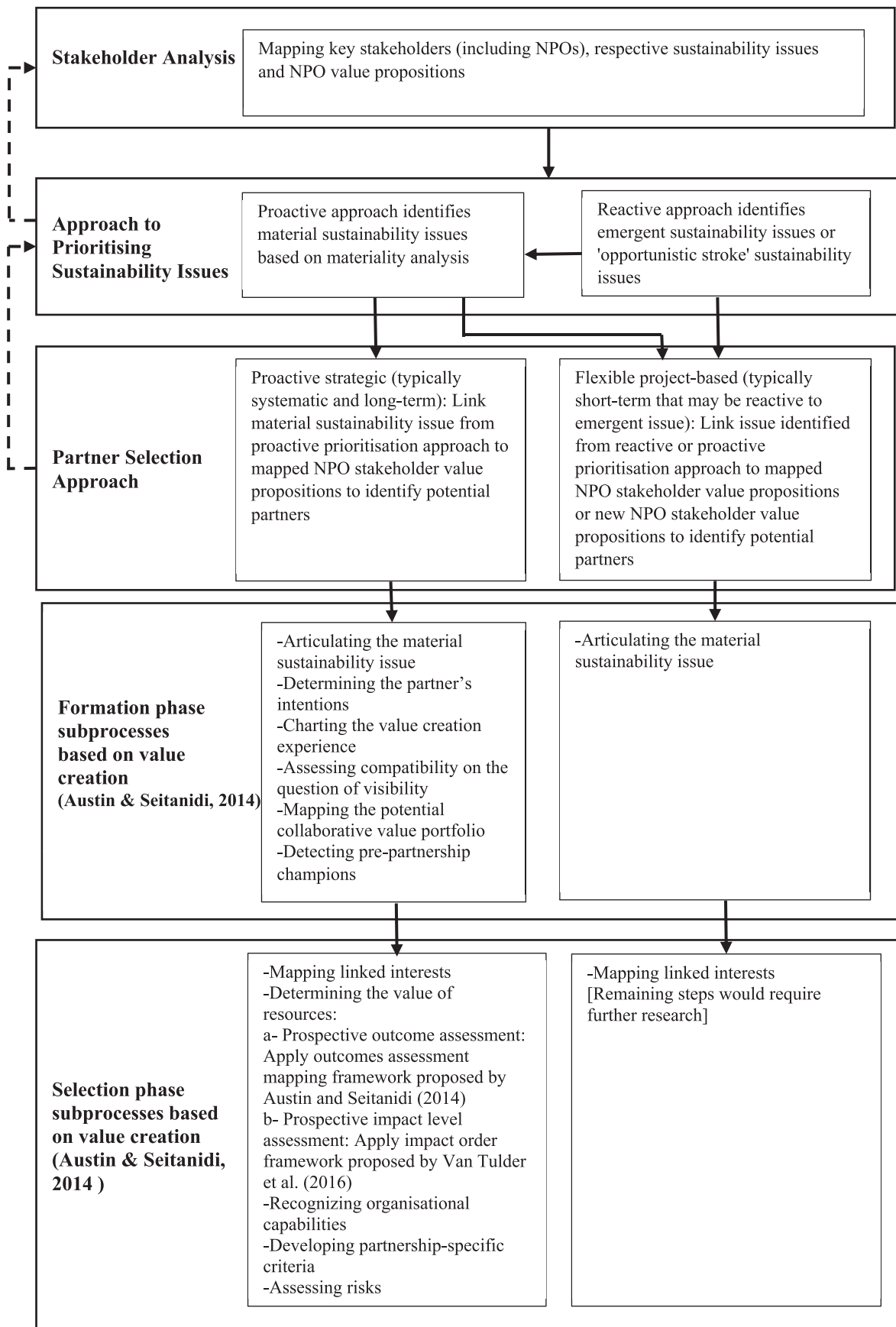


Fig. 4. Framework of Partner Selection from a Sustainability Impact Assessment Perspective (Source: Author's conceptualisation – Based on Austin and Seitanidi, 2014; Van Tulder et al., 2016).

recommendations and implications for improving the partner selection process are presented in the final section of the paper.

## 5. Conclusions

Based on the main findings of this paper and the relative interpretations that are discussed, various recommendations can be provided to corporates to improve their partner selection processes. This paper highlights the need for having the right balance between the flexible approach (which may be reactive to particular issues) to engaging in partnerships, that is typically project-based and short-term, and the proactive approach, that is typically strategic and longer-term (ongoing partnership). Within the proactive approach, it is revealed that the partnership strategy needs to identify clear strategic long-term objectives that are based on value creation. Similar to having the right balance between flexible (which may be reactive) and proactive approaches to engaging in partnerships, both flexible/reactive and systematic/proactive approaches to partner selection, which can be contradictory, are needed for consideration. Although they may require different partner selection criteria or processes, both approaches to partner selection can be applied within an organisation, depending on whether a business is aiming for strategic value (ongoing long-term strategic partnerships), or whether it is tackling a particular issue through a specific project (flexible short-term project-based partnership). As such, the recommended partner selection process includes both approaches that are illustrated in the partner selection framework in Fig. 4, which provides practical insights to businesses in the water industry who seek to select NPO partners who can help address material sustainability issues.

As the research aimed to gain an in-depth understanding of the selection process, data has only been collected from participants who have a degree of involvement in partnerships. The purposive sampling approach that was adopted might be considered a limitation. Also, the small sample size of thirteen participants (6 participants from NPO partners and 7 participants from NWL) for this study could be seen as a limitation. Yet, according to Malterud et al. (2016), studies with small sample sizes such as this case study may still contribute to knowledge if they address an aspect that is significant to existing theory. Based on the above, the study relies on a limited data set that intentionally excludes other stakeholder voices within the partner organisations and outside of them (e.g. beneficiaries) to meet the specific objectives of this study. Future research may thus involve these other stakeholder voices such as the partnership's beneficiaries, to which partnership outcomes and impacts are usually intended for.

According to the framework in Fig. 4, the reactive approach to selecting partners requires further research as it was not sufficiently examined in this study. Future research may also involve applying this framework to other businesses in the water industry, particularly those who have greater experience in the integrative or transformational stages of collaboration. Furthermore, it can be applied to businesses from other industries, as well as NPOs, who engage in partnerships that aim to address SDGs, in an effort to widen the materiality approach through its application to the SDGs. This can help investigate the framework's applicability and usefulness for partner selection and sustainable value creation, and hence inform both practice and theory. As this case study highlights the use of impact assessment in informing partner selection for addressing material sustainability issues, future research may involve applying impact assessment as part of sustainability-oriented business model development. This would provide theoretical and practical insights into the field of impact assessment which is characterised with methodological and theoretical foundation limitations.

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## Declaration of competing interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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