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Strategic Conduct of Nonprofits for Diverse Public Value Creation through Public-Private Partnerships[1)]

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Abstract

This study examines how Non-Profit Organizations (NPOs) can effectively create diverse public value(s) (PV(s)) through public-private partnerships (PPPs). We focus on the concept of nonprofit "strategic conduct," defined as the intentional process of creating and establishing institutional logics that are compatible with administrative logics. Such strategic conduct enhances organizational legitimacy and allows NPOs to leverage managerial resources from a PPP to generate diverse public values. We illustrate this by conducting a longitudinal case study of a PPP to demonstrate the link between nonprofit strategic conduct and diverse value creation. The findings from this case analysis will serve as the basis for our discussion of the research questions, providing constructive implications for nonprofit strategic conduct aimed at fostering diverse PV creation.

Keywords: *nonprofit strategic conduct, public value(s), public-private partnerships (PPPs)*

1. INTRODUCTION

The purpose of this study is to identify effective conditions for diverse public value(s) (PV(s)) creation (Moore, 1995, 2000) within public-private partnerships (PPPs) (Skelcher, 2005) from the Non-Profit Organization (NPO) perspective. This study focuses on nonprofit strategic conduct: the intentional creation and establishment of organizational institutional logics (logics) (Friedland & Alford, 1991; Thornton & Ocasio, 1999, 2008) that are compatible with administrative logics. By utilizing the managerial resources gained from PPPs, NPOs enhance their organizational legitimacy in the public sphere. We emphasize that such strategic conduct is critical for diverse PV creation. To detail this process, we first apply the concept of logics to explain nonprofit strategy. We then demonstrate how NPOs interpret the logics underlying their engaged PPPs, achieve compatibility between their own and the partnership's logics, and consequently enhance both their resources and legitimacy.

The significance of this study is its investigation into the conditions for diverse PV creation specifically from the nonprofit viewpoint. We assert that effective nonprofit strategic conduct successfully achieves the dual goals of the PPPs and the nonprofit missions while simultaneously strengthening organizational legitimacy and resources.

To substantiate the relationship between nonprofit strategic conduct and diverse PV creation, we employ a longitudinal case analysis of a PPP. The paper is structured as follows: First, a literature review of PV studies in the PPP context establishes

the necessity of this study. Second, the case analysis elucidates the full process of diverse PV creation via a PPP that propelled NPOs to become regional non-profit sector hubs. Finally, we discuss the findings in relation to the research objectives and derive implications for effective nonprofit strategic conduct focused on diverse PV creation.

2. LITERATURE REVIEW

2.1. Previous studies on public value(s)

Increased uncertainty in external environments has dramatically raised interdependency among organizations since the 1980s, leading to a surge in collaborative practices among rival private firms seeking shared interests. Practices like strategic alliances and joint ventures aim to pool resources (e.g., R&D) that single entities cannot achieve alone (Gray, 1985). This collaboration is expected to yield a collective advantage based on synergistic effects (Huxham, 1993). This advantage is realized when the partnership produces uniquely creative outcomes that surpass any individual entity's capability, enabling each partner to better achieve its own objectives (Huxham, 1993).

This trend extended beyond the for-profit sector to the multi-sectoral level. Notably, in the public sector, cross-sectoral collaborations gained prominence in administrative reforms—particularly in Anglo-American countries facing challenges in sustaining their welfare states in the 1980s. Alongside privatization, the provision of public services increasingly involved the independent sector. Furthermore, complex social issues, known as "wicked problems" (Ferlie et al., 2011), began to be addressed through cross-sectoral collaboration between the public, private, and non-profit sectors, specifically in fields such as inner-city renewal and infrastructure development. Such collaborations are termed PPPs, combining government resources with those of private agents (Skelcher, 2005) to achieve societal goals. In administrative reform, PPPs are intrinsically linked to the creation of PV or PVs (Moore, 1995, 2000).

The concept of PV initially centered on the public manager's role within the New Public Management (NPM) context in the UK (Hood, 1991) and the US movement of "Reinventing Government" (Osborne & Gaebler, 1992). This early focus highlighted the manager's entrepreneurial leadership in defining PVs, translating them into cost-effective service delivery, and creating PVs, often via PPPs such as outsourcing, to meet user needs.

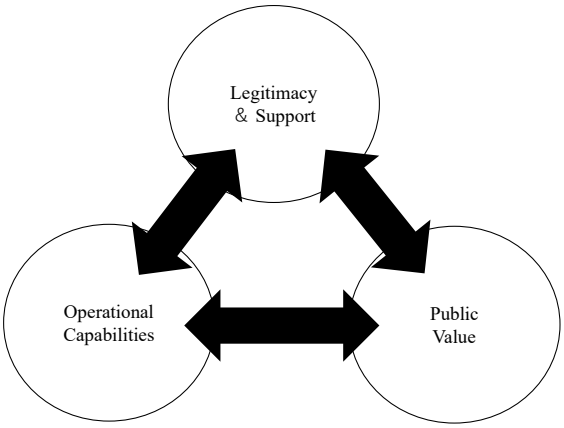


Figure 1: Diagram of PVST

Source: Moore & Khagram (2004, p. 3, Figure 1)

However, the rise of "wicked problems" in the 2000s, such as global warming and severe income inequality, catalyzed by neoliberal globalization, expanded the policy process to include a wider range of participants. These challenges pushed the PV concept beyond the "market constructs of public choice theory" prevalent during the NPM period (Hartley et al., 2017). Consequently, PV creation increasingly emphasized strong connections to the public sphere, reflecting the perspective that PVs are drawn from the public's direct experience (Meynhardt, 2009).

This expanded definition, which recognizes that PV creation contributes to solving wicked problems as well as providing user-oriented services, is reflected in the implementation of more collaboration-oriented PPPs, such as civic participatory partnerships. For analyzing PV creation, the "Public Value Strategic Triangle" (PVST) (Moore & Khagram, 2004) is highly useful. The PVST focuses government leaders' or managers' attention on three complex, necessary components: 1) the "PV" to be produced, 2) the "Legitimacy and Support" required to authorize and sustain the effort, and 3) the "Capabilities" to deliver the desired results (Moore & Khagram, 2004).

Expanding the scope to include non-profit and for-profit actors necessitates clarifying the distinction between public and social value. In this study, social values are defined as those pursued and created through mission-based activities of NPOs, problem-solving activities of social enterprises, or sustainable initiatives by private firms/NPOs. While social values can be considered equivalent to PVs in terms of societal contribution, private firms and NPOs engaging in a PPP are specifically tasked with creating PVs. This is because those values are created using public funds to resolve social issues defined by the public sector. Therefore, this study uses the term PVs to refer to the values created by non-profit and for-profit actors through PPPs.

The academic discourse on PV has been significantly strengthened by key debates (Alford & O'Flynn, 2009; Benington, 2011; Rhodes & Wanna, 2007; Stoker, 2006) and the subsequent rise in publications (Hartley et al., 2017). However, most existing research is theoretical or conceptual, with very few empirical studies (e.g., Hartley et al., 2017; Reynaers, 2014). This paper aims to contribute to the empirical research on PV creation by demonstrating a comprehensive literature review of previous PPP studies.

2.2. Previous studies on PPPs

The previous studies on PPPs aim to identify effective factors for PV creation and primarily analyze PPPs based on three categories (Quélin et al., 2017): (1) contractual factors (e.g., Cabral, 2017), (2) resource and process-based factors (e.g., Caldwell et al., 2017; Villani et al., 2017; Weber et al., 2017), and (3) institutional factors (e.g., Ashraf et al., 2017). While much of the early literature focused on resource dependency and contractual factors, studies focusing on institutional factors have emerged and rapidly developed over the past decade. These studies are generally organized into distinct lines of inquiry (Vogel et al., 2022).

The first line of PPP studies, consistent with new institutionalism (Scott & Meyer, 1994; Scott, 2014), investigates the impact of the institutional environment on PPPs (Opara & Rouse, 2019; South et al., 2018). This perspective views PPPs not merely as technical tools but as socially constructed entities embedded in social and cultural contexts that generate environmental expectations and pressures. Consequently, the continuity of a PPP hinges on its conformity to the institutional environment. For instance, Opara & Rouse (2019) emphasize that institutional expectations provide PPPs with political legitimacy that outweighs efficiency concerns. Their case analysis demonstrates that a PPP was formed and promoted for political rationalities rather than economic ones, despite poor anticipated outcomes. Furthermore, a longitudinal analysis by South et al (2018) shows that shifts in institutional expectations at each stage of a PPP are driven by a dynamic network of external stakeholders whose compositions change over time.

The second line of PPP studies incorporates more recent institutional theory developments, specifically revolving around the concept of "agency" (Giddens, 1984). This research stresses that PPPs are "not merely passive recipients of institutional legitimacy" (Vogel et al., 2022, p. 400). These studies adopt the concept of "institutional entrepreneurship" (DiMaggio, 1988; Maguire, Hardy, & Lawrence, 2004), which is defined as "activities of actors who have an interest in particular institutional arrangements and who leverage resources to create new institutions or transform existing ones" (Maguire et al., 2004, p. 657). It is crucial to note that an institutional entrepreneur is not assumed to be a heroic individual in this literature. Instead, the focus is on a few institutional entrepreneurs across different fields (Biygautane et al., 2019; George et al., 2015) evidencing a "distributed agency" (Whittle et al., 2011) that negotiates, constructs new meanings, and legitimizes new practices. These studies stress that the actions taken by institutional entrepreneurs are vital for overcoming institutional barriers, enabling the actors engaging in PPPs to achieve both the PPPs' and their own individual goals.

However, few studies (e.g., Ashraf et al., 2017; Saz-Carranza & Longo, 2012; Skelcher & Smith, 2015) focus on non-profit strategic conduct. Moreover, even these limited studies fail to develop discussions specifically on leveraging PPPs to enhance and expand NPO activities. Intent upon contributing to this line of enquiry, our study addresses this significant research gap by investigating the strategic actions employed by NPOs in PPPs to effectively create diverse PVs. We therefore

adopt an approach based on institutional factors to empirically identify the drivers of PV creation. Ultimately, we intend to advance PPP scholarship by capturing the organizational institutional logics (Friedland & Alford, 1991; Thornton & Ocasio, 1999, 2008) that underpin actors' strategic conduct.

2.3. Significance of applying the concept of strategic conduct in PPP Studies

Applying the concept of strategic conduct to PPP studies offers two key contributions: highlighting the agency of NPOs and capturing their hybridity. First, the concept of strategic conduct emphasizes the "agency" (Giddens, 1984) of non-profit actors. For NPOs, the ultimate goal of strategic conduct is two-fold: realizing their organizational missions by leveraging PPP-derived resources, and achieving the objectives of PPPs. Critically, over-adaptation to PPPs, which risks NPOs becoming mere administrative subcontractors, severely limits their distinctiveness and PV creation potential. Therefore, NPOs must engage in a dual strategy as follows.

- Conformity: Adhering to the institutional environment (Scott & Meyer, 1994) including service specifications, laws, and regulations set by government.
- Influence: Exerting influence on stakeholders (e.g., public managers and policymakers) to secure the managerial resources (legitimacy and financial resources) necessary for their mission.

Whilst conforming, then, the process of exerting influence involves NPOs offering plausible logics and managing multiple logics, as well as aligning external logics with those internal to their organization, to encourage and sustain collaboration within the PPP.

Second, strategic conduct is essential for capturing "hybridity" in NPOs that engage in PPPs. Hybridity is the combination of typically divergent identities, forms, or logics (Battilana et al., 2017; Smith & Besharov, 2017). In the context of PPPs, NPOs seek to fulfill both organizational missions and public policy objectives using leveraged resources. Managing multiple logics can significantly benefit NPOs by increasing organizational legitimacy, providing access to resources (Wry et al., 2014), and stimulating innovation (Dalpiaz et al., 2016). While individual organizations often struggle to maintain hybridity due to internal tensions (Battilana & Dorado, 2010; Glynn, 2000) and divergent external expectations (Pache & Santos, 2010; 2013), successfully navigating these difficulties requires organizations to reconcile these multiple logics at both the organizational and interorganizational levels. Previous PPP studies have often overlooked non-profit logic hybridity.

Third, while institutional entrepreneurship focuses on actors who challenge and deinstitutionalize or transform existing institutions, the concept of strategic conduct offers a more realistic portrayal of nonprofit organizational behavior. NPOs are often compelled to operate within an institutional framework (such as PPPs) set by a dominant actor, such as local government (administrative logic). Therefore, the objective of their action is not necessary to deinstitutionalize or transform the institution, but rather to acquire co-existent legitimacy within that framework, extract resources, and maximize the creation of diverse values based on the organization's mission. Specifically, "Conformity" denotes the acceptance of the institutional rules for the purpose of resource acquisition, while "Influence" signifies the subtle adjustment of the existing institutional system to align with the organizational goals. The dynamic combination of these two components functions as a preliminary stage of institutional entrepreneurship or a mechanism for soft institutional change, but its ultimate focus remains on the survival of the NPOs and the sustainability of PV creation.

Crucially, previous studies typically fail to link logic coordination to the creation of PV. Uncovering the hybridity within non-profit strategic conduct, therefore, opens up discussion for diverse PV creation through PPPs. This study addresses this gap by using case analysis and induction to trace non-profit strategic conduct and develop an explanatory model.

3. CASE ANALYSIS

3.1. Context of NPOs in Japan

In Japan, non-profit organizations (NPOs)[3)] gained significant influence after the NPO Law was enacted in 1998. This law was largely a response to the active volunteerism that followed the 1995 Great Hanshin-Awaji Earthquake, which highlighted the effectiveness of citizen-led "networking" (Lipnack & Stamps, 1982) to address social problems. The law granted corporate status to these groups, leading to a major increase in their numbers. However, the rapid expansion of NPOs in the 2000s was driven more by public sector administrative reform than by a push for civil society. Facing austerity, various levels of government began to partner with NPOs and for-profit entities through PPPs. This shift positioned NPOs as key actors in providing public services and addressing complex community issues more efficiently. As of April 2025, there were over 49,000 NPOs in Japan.

The growth of PPPs in Japan has increased the importance of NPOs by enabling them to generate PV (Moore, 1995) and enhance their financial and management capabilities. This has also led to the emergence of Local Infrastructure Organisations (LIOs) (Wells & Dayson, 2010), which provide support to other civic groups in the form of advice and resources. Most LIOs are NPOs themselves, with over 120 currently operating in Japan. Many of these are partnered with local governments to run public support centers, sometimes covering multiple municipalities or even an entire prefecture. While operating PPPs has provided LIOs with financial stability and legitimacy, it has created a core challenge in the form of balancing public accountability to taxpayers and beneficiaries with social accountability to mission-driven stakeholders. Therefore, a key organizational challenge for LIOs is leveraging the financial gains from PPPs to fulfil their mission through diverse PV creation. This case analysis will focus on these strategic challenges and how LIOs navigate them.

3.2. Research strategy and data collection

This study adopts a case study approach, defined as "a research strategy which focuses on understanding the dynamics present within single settings" (Eisenhardt, 1989, p. 534). Consistent with its recognized advantages in social research (Yin, 2014), the case study method allows for a detailed illustration of when, why, and how events occurred from the perspective of embedded practitioners. This approach facilitates a multifaceted qualitative analysis, which was instrumental in refining the research findings.

To fulfill the research objectives, the analysis focuses on two critical elements:

- Illustrating the process from the formation to the implementation of a PPP, emphasizing actors' interpretations of the external environment.
- Explaining strategic conduct and leveraging strategies employed by LIOs over time.

The case selection rationale is as follows. The selection of this specific case is grounded in its capacity to demonstrate how non-profit strategic conduct facilitates the creation of diverse PVs. The case is particularly advantageous as it allows for a direct comparison of strategic conduct across five distinct LIOs operating the same PPP under similar conditions which all five LIOs leverage the PPP as an opportunity to fully launch organizational activities, thereby enabling the identification of common practices. The five LIOs analyzed share two key characteristics: successful attainment of organizational legitimacy and the development of robust capabilities for diverse PV creation through the execution of the PPP. To enhance external validity, the analysis concentrates on a PPP comprising multiple dyadic partnerships within a context where cultural factors exert minimal influence. By tracking the long-term PPP implementation, the analysis demonstrates variations in the LIOs' strategic conduct. These differences reflect underlying disparities in their organizational mission and leaders' perception of the external environment. On the other hand, common types of strategic conduct for diverse PV creation could be extracted. Based on variations in the LIOs' strategic conduct, the study hypothesizes common success factors, which confirms the case's suitability for this comparative study. Although the case analysis reflects the Japanese context, the findings offer transferable

Table 1: Details of the interviews conducted

Interviewee and Position at the Time of Interview	Number of Interviews
Prefectural Government	
• Former senior manager of Labor Dept. and Life Recovery Bureau	1
• Manager in charge of the PPP	2
LIO A	
• Secretary-general	1
• Former manager in charge of the PPP	2
• Chairperson	2
LIO B	
• Secretary-general	3
LIO C	
• Chairperson	1
• Chairperson and Manager in charge of the PPP	2
LIO D	
• Chairperson	3
LIO E	
• Manager in charge of the PPP	4
Total number of interviews	21

Source: Created by the authors

implications for foreign NPOs that rely on administrative finance, similar to the LIOs considered in this case study. In this regard, the implications possess a degree of external validity.

Data collection was conducted over a two-year period, from 2017 to 2019. A total of 21 semi-structured interviews were conducted with individuals involved in the target PPP (see Table 1 for interviewee composition). Interview durations averaged approximately 120 minutes, ranging from 60 minutes to three and a half hours. This was supplemented by the collection of relevant material evidence, including LIO annual reports, press releases, and application guidelines for the target PPP. Data processing and final analysis were postponed until 2023 due to the outbreak of COVID-19 and related personal issues.

This study is structured in four phases. First, we conducted semi-structured interviews with key PPP stakeholders, such as public officials and non-profit leaders, to trace the logic that guided the formation and implementation of the PPP. We then transcribed the interview data to extract keywords and sentences that revealed the "theory in use" (Schön, 1983) of LIO leaders. Second, we used this transcribed data to demonstrate the strategic conduct of five LIOs by tracing their specific logics. Our analysis was continually refined through "reflexive dialogues" (Numagami, 1998) with the participants, a process that also helped us build critical rapport (Emerson et al., 1995). Third, we identified the details of the strategic conduct common to the LIOs in our case study. Finally, to show their theoretical and practical implications, we highlighted the organic links between the LIOs' adaptation of their logics and the resulting creation of diverse PVs.

3.3. Background of the case

This case analysis investigates the strategic conduct of LIOs engaged in a PPP in Hyogo prefecture located in western Japan. The PPP, titled "Support Project for Creation of Community Business," was implemented to help victims of the Great Earthquake regain a "Zest for Life" through the development of Community Business (CB). CB is

Table 2: Transitions in the number of hubs, financial resources and entrusted organizations of the PPP

Unit: 10,000 JPY

Fiscal Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Financial Resource	Reconstruction Fund				Reconstruction Fund and General Revenue		General Revenue									
Total Budget of the PPP	1,200	1,800	4,400	4,400	7,100	9,770.2	8,240	8,220	5,720	5,720	5,720	5,720	5,500	5,030	4,605	4,075
Number of Hubs	1		2		4	6										
Area A (Area A East from FY 2004)	LIO A		LIO F		LIO A											
	1,200	1,800	2,200	2,200	2,200	2,200	1,700	1,790	1,250	1,250	1,250	1,250	1,200	1,000	930	835
Area A West					LIO F		LIO G	LIO E								
					2,200	2,200	1,700	1,050	730	730	730	730	700	750	675	675
Area B (Area B North from FY 2005)			LIO B													
			2,200	2,200	2,200	2,200	1,700	1,790	1,250	1,250	1,250	1,250	1,200	960	890	790
Area B South						LIO C										
						2,200	1,700	1,790	1,250	1,250	1,250	1,250	1,200	880	800	705
Area C East								LIO G		LIO H			LIO I		LIO J	
								900	620	620	620	620	600	720	655	575
Area C (Area C West from FY 2007)					LIO D											
					500	530.2	1,000	900	620	620	620	620	600	720	655	585
Senior CB						LIO K	LIO E									
						440	440									

Source: Adopted and adapted by the authors from Editorial Committee for CS Kobe's 20th Anniversary Commemorative Publication (2016, p. 45)

a business model where local citizens initiate and lead efforts to solve local problems (Kanto Bureau of Economy, Trade and Industry: METI-Kanto, 2024, September 4). It can be viewed as a localized form of social business, which addresses broader social issues. By utilizing local human capital, knowledge, and resources, CB aims to revitalize communities by generating new businesses, creating jobs, and fostering a sense of purpose. The PPP is composed of six distinct dyadic partnerships, each involving the Hyogo Prefectural Government (the Prefectural Government) and a different LIO, operating in separate disaster-affected areas. As stated previously, this study aims to elucidate the dynamic processes of the PPP, including its formation, development, and evolution over time. The primary objective is to demonstrate how the LIOs' strategic conduct led to success, specifically through logic adjustment (adapting their organizational principles to align with the PPP's objectives) and legitimacy enhancement (strengthening their position as credible and essential actors in their fields). The analysis is centered on the long-term strategic conduct of five LIOs that have been involved in this PPP for an extended period.

3.4. Formation and development process of the PPP

The PPP, which originated as part of the post-1995 Hanshin-Awaji Great Earthquake disaster relief policy, was managed by the Life Recovery Bureau until fiscal year 2005. The PPP's primary function is to operate a support center that offers various services, including business incubation, employment assistance, consulting for CBs and NPOs, and workshops. From its inception, the PPP had a unique dual-department structure, as the senior manager of the Labor Department also led the emergent Life Recovery Bureau. This ensured the project integrated policies from both departments. The funding for the PPP evolved over time. The budget, funding sources, and scale of the PPP are detailed in Table 2. Annually, the operating organization is selected through a competitive bidding process. Notably, LIO A lost the bid for two years (2002–2003) but continued to run the support services as an independent project.

3.5. Prefectural logics of the PPP

The PPP was initially a collaborative effort between

Table 3: Logics of the PPP and those of LIOs

Fiscal Year	2000~2003		2004~	
Financial Resource	Reconstruction Fund		Reconstruction Fund and General Revenue (2004~2005) General Revenue (2006~)	
Number of hubs	1	2	4	6
Fiscal Authority	Judgement of Public Interest			
Life Recovery Bureau.	**Complementarity of Two Logics** Creation of 'Zest for Life' for Disaster Victims		**Converted Prefectural Logic and the LIO Logics Adapted to the Prefectural Logic**	
Labor Dept.	Employment Promotion for Disaster Victims		Employment Promotion for Aged Job-seekers and Those Who Have Difficulty Finding a Job	
LIO A	Creation of 'Zest for Life' and New Way of Working through CB		Activation of Senior Citizen through Creation of 'Third Place'	
LIO B			Empowerment of Needy Young People for Their Self-reliance	
LIO C			Empowerment of Needy Middle-aged and Older People for Their Self-reliance	
LIO D			Empowerment of Needy Young People and NPOs with Use of Network Consisting of Small Medium-sized Businesses	
LIO E			Creating Employment for the Elderly through CB incubation and Management Consultation for NPOs	

Source: Created by the authors

the Labor Department and the Life Recovery Bureau, based on the complementary logics of "**Employment Promotion for Disaster Victims**" and "**Creation of Zest for Life for Disaster Victims.**" This dual-purpose foundation helped legitimize the PPP with the Fiscal Authority. Although the PPP performed well, the Fiscal Authority rejected the Life Recovery Bureau's proposal to transition its funding to general revenue. This rejection was based on two factors:

- The original logic of restoring "Zest for Life" through employment was no longer considered necessary due to the recovery of the local job market.
- Job placement services provided by the PPP were seen as overlapping with existing public employment agencies.

In response, the Life Recovery Bureau proposed a new logic: "Employment Promotion for Aged Job-seekers and Those Who Have Difficulty Finding a Job." This revised approach successfully persuaded the Fiscal Authority to legitimize the PPP as a general, non-emergency program. Consequently, the Labor Department took over as the leading government department. As the PPP logic evolved, so did the LIOs involved. They adjusted their operational strategies to align with the new focus, successfully creating diverse PVs by leveraging their unique skills and resources. This not only strengthened their financial footing but also enhanced their organizational capabilities and social legitimacy, all of which are essential for the continued creation of public value. The specific types of strategic conduct of the LIOs are detailed in the following analysis.

3.6. Strategic conduct of LIO A and LIO B

LIO A and LIO B[4)] developed their strategic conduct by entering the PPP that helped disaster victims rebuild their lives. Both non-profit organizations such as LIOs used this opportunity to strengthen their missions and financial stability. The formation of the PPP is as follows. A senior government manager, K, reached out to LIO A and LIO B because she recognized their critical intermediary

functions in supporting civic activities in disaster areas. She believed their involvement was essential for the success of CB project aimed at helping victims of the Great Earthquake find a "Zest for Life." Both LIOs, in turn, were seeking a PPP to fulfill their organizational missions and secure a stable source of revenue. The three parties forged a shared identity, with "Zest for Life" serving as the guiding principle for their collaboration. N, the leader of LIO A, proposed a CB support project to the Prefectural Government, including a bidding process for operators. Due to K's support, the proposal was accepted as a PPP. LIO A won the first contract in 2000, and LIO B secured the second contract two years later. The PPP became a vital project for both LIO A and LIO B, as it aligned with their core missions while providing essential financial revenue. The partnership operated on the logic of **"Creation of Zest for Life"** and **"New Way of Working,"** which also aligned with the goals of the Prefectural Government. Through their participation in the PPP, both organizations gained legitimacy as leading NPOs in their regions. This enhanced status and the new financial and organizational capabilities they acquired made it easier for them to diversify their businesses through other PPPs.

As priorities of the Prefectural Government shifted, **LIO A** adapted its mission to focus on the **"Activation of Senior Citizens through the Creation of a Third Place."** This was a strategic move to align with the new prefectural logic while still fulfilling its core mission. LIO A's new strategy was twofold: reduce financial dependence on the **PPP** while continuing to value it as a source of revenue and a tool for identifying new social needs. The organization diversified its business by leveraging the managerial resources and skills gained from its involvement in the PPP.

- **Operating a senior activity center**: In form of a PPP, LIO A operated a space where senior citizens could attend lectures, form groups, and find a "Zest for Life" through social engagement.
- **Developing internship programs**: These programs were an extension of the original CB support project, providing clients with vocational training and social participation skills. This also helped LIO A develop new organizational capabilities in planning and executing vocational programs.
- **Operating a municipal parking center**: LIO A undertook a new PPP to manage a municipal bicycle parking center, which provided employment opportunities for seniors and served as a community hub for less-able citizens.
- **Opening the Center for Community Coexistence**: This center, opened in 2020, provides a comprehensive, one-stop service for CB and community activities, building on two decades of accumulated organizational expertise.

The new businesses created a **mutually reinforcing cycle**. Resources and capabilities gained from the PPP were used to launch new projects, and the services from those new projects were then funneled back to enrich the PPP. Thus, PPP clients gained access to a wider range of services, strengthening the project's overall effectiveness. This strategic portfolio, based on LIO A's new logic, aims to help both the elderly and socially withdrawn youth find a "Zest for Life" through community activities.

LIO B also adapted its mission in response to a shift in prefectural priorities. It chose to focus on the "Empowerment of Needy Young People for Their Self-reliance." While LIO B, like LIO A, used its resources to activate community activities, its new logic required it to acquire new financial resources and capabilities. The organization's leader, NA, recognized the growing social problem of unemployed and socially withdrawn youth. Since many of these individuals were already using the PPP's employment services, she strategically shifted LIO B's business portfolio to support this vulnerable population. Key diversification efforts are as follows.

- **New support programs**: LIO B proposed a self-reliance program that was accepted by local governments and also secured a central government grant to run an employment program for unemployed youth.
- **Hired professionals**: The organization brought on professional career counselors

to develop new services, applying these new skills to enhance the existing PPP employment services.
- **Expanded support services**: The organization launched new ventures, including CB start-up support for women and the operation of a shared home for single mothers. This shared home provides not only affordable housing but also employment and livelihood support.

The new skills and financial resources gained from these programs were used to enrich the original PPP, providing clients with a wider range of services than traditional employment agencies. The ultimate goal of LIO B's new business portfolio is to help needy and socially withdrawn young people find their own way to a 'Zest for Life' through employment and social participation.

3.7. Strategic conduct of LIO C

Established in April 1996 from a volunteer group, **LIO C** was founded to support victims of the Great Earthquake. In 1999, it was incorporated as an NPO to apply these lessons to broader community development. LIO C's initial entry into PPPs was its collaboration with the Prefectural Government in 2002 to operate a **Small Office/Home Office (SOHO) Support Center**, providing IT training to small businesses. LIO C entered into the PPP in 2005. Despite initial local government resistance, LIO C was awarded the PPP contract through a bidding process. The organization eventually gained legitimacy as a key local non-profit hub, particularly after a change in mayoral leadership. The organizational PPP operations are guided by the logic of **"Empowerment of Needy Middle-aged and Older People for Their Self-reliance."** Its operational distinctiveness is rooted in two key areas as follows.

- **Professional Networking**: Leveraging its experience with SOHO support, LIO C built a network of professionals (e.g., lawyers, accountants) to enhance its support services, such as CB incubation and NPO consulting.
- **Specialized Support**: LIO C's long-standing work with socially disadvantaged populations from the earthquake recovery efforts allowed it to develop highly specialized self-employment programs. A notable example is the "Entrepreneurship Course," which enables needy individuals to rent low-cost storefronts in shopping malls to start their own businesses. The organization also provides operational support to other NPOs that offer vocational training for individuals receiving public assistance.

Building on the expertise and resources gained from the PPP, LIO C expanded its services to support other vulnerable groups, including low-income households and foreign immigrants, further demonstrating its commitment to revitalizing local communities through social participation.

3.8. Strategic conduct of LIO D

LIO D was founded in 1991 as a membership organization, initially focusing on revitalizing local volunteer activities. Its members, many of whom were managers of small and medium-sized businesses, used the organization's network to conduct Corporate Social Responsibility (CSR) activities. After the Great Earthquake, LIO D expanded its mission to include providing employment support for young people. In 2000, it became an NPO. The chairperson, a business manager, proactively advocated for the expansion of the PPP throughout the prefecture. As a result, LIO D was chosen to operate the PPP in 2004 as a pilot case for this expansion.

LIO D, located outside the immediate disaster area, operated the PPP based on the logic of **"Empowerment of Needy Young People and NPOs with the Use of a Network of Small and Medium-sized Businesses."** Leveraging its strong network of 120–130 local businesses, LIO D specialized in matching young, needy job seekers with employment opportunities at these companies. Its business-oriented chairperson recognized that this model was more efficient than supporting the creation of new organizations or community businesses. This approach proved effective as the number of unemployed individuals and NPOs grew in the 2000s.

Unlike other LIOs, LIO D maintained its core logic even after the prefectural government's

priorities shifted. Over time, it gained recognition from local municipalities as a hub for the local NPO network, which strengthened its legitimacy. This enhanced status allowed LIO D to secure additional contracts from local governments for various youth employment, social support, and NPO management consulting programs. By leveraging the resources gained from the PPP, LIO D successfully strengthened its organizational capabilities and financial base.

3.9. Strategic conduct of LIO E

LIO E runs two businesses: a social enterprise for seniors and an NPO support organization. Founded in 2006 as a non-profit, its roots trace back to a failed venture that made clothing for people with disabilities. The organization was founded to provide lifelong learning courses for seniors. Around the same time, the Prefectural Government sought a new organization to run its CB support project for seniors, a role that the previous operator, LIO K, had not performed adequately. Despite being a new organization, LIO E was chosen and took over the project in April 2006.

While running its senior learning courses, LIO E identified an unmet need for tailored travel services for physically disabled elderly people. The organization quickly obtained the necessary qualifications and launched this new venture as a Social Business (SB) in April 2007. This strategic move gave LIO E a unique competitive advantage, as its own SB operation provided it with expertise in business incubation and management consultation, which it then applied to its PPP work. LIO E's operation of the PPP is guided by the logic of **"Creating Employment for the Elderly through CB incubation and Management Consultation for NPOs."** The organization's key differentiators include:

- **Diverse Support Options**: It provides practical assistance for aspiring social entrepreneurs, including business model proposals and study tours.
- **Specialist Network**: It connects clients with a network of professionals (e.g., lawyers, accountants) to address legal and financial issues.
- **Unique Courses**: It offers specialized training on topics like NPO business succession and social marketing, courses not typically provided by other LIOs.

This strong, differentiated approach was highly valued by both the Prefectural Government and local municipal governments. As a result, LIO E was entrusted with additional projects, including NPO foundation, consultation services, and coordinating collaborations between the municipal government and NPOs. By leveraging the knowledge gained from its SB and PPP, LIO E successfully increased its organizational capabilities and legitimacy. It effectively uses a cyclical strategy, where know-how from one project is applied to others, mirroring the successful strategies of the other LIOs.

3.10. Explanatory model of nonprofit strategic conduct

Based on the case analysis, an explanatory model of non-profit strategic conduct was derived. The model, supported by the evidence in Table 4, outlines a three-phase approach for non-profits engaging in PPPs.

Before Entering a PPP

- Identify a suitable PPP that allows the non-profit to fulfill its mission.
- Define and establish its own logic, ensuring it is compatible with the PPP's logic. This requires proactively approaching the government during the PPP's formation to create a unique, strategic non-profit logic rather than just passively conforming to the PPP's design.
- Decide on a PPP operation strategy that leverages the organizational strengthens.

During PPP Operation

- Create diverse PVs by fully utilizing the non-profit's expertise while balancing its own logic with that of the PPP.
- Build organizational capabilities, strengthen its financial foundation, and enhance its legitimacy within the community.

After PPP Operation

- Diversify the organization's activities to fulfill its mission and participate in new PPPs as needed.
- Regularly review the business portfolio to ensure it remains consistent with the organizational mission and withdraw from any PPPs that are no longer aligned.
- Establish a fully functional strategic triangle by continuously defining PVs, building capabilities, and enhancing legitimacy in the community.

4. DISCUSSION

Focusing on the "hybridity" (Battilana et al., 2017; Smith & Besharov, 2019) inherent in the logics of NPOs engaging in PPPs, this study extracts effective strategic conduct for diverse PV creation. Our case analysis of these NPOs, referred to as LIOs, demonstrates their ability to successfully leverage PPP resources to achieve both their organizational missions and the objectives of the partnerships. These findings directly challenge the concept of "institutional isomorphism" (DiMaggio & Powell, 1983), which stresses NPO conformity to institutional environments, and instead underscore the critical importance of nonprofit agency, reflected in strategic conduct, for asserting influence over public policy. Details of key findings of this study are as follows.

First, this study demonstrates the significance of the role of institutional logic in strategic conduct. Despite being in the same organizational environment, the LIOs in our study did not conform to a single logic. Instead, they adapted and diversified based on their unique missions. For example, when the priorities of the Prefectural Government shifted, LIO A and LIO B responded differently by changing their own organizational logic. This demonstrates that non-profit strategic decisions are driven by their own interpretation of the environment, not just by external pressures. This strategic adaptability was crucial in helping LIOs avoid both over-reliance on the PPP and mission creep (Moore, 2000) where an organizational mission strays from its core purpose. By skillfully balancing their own logic with that of the PPP, all the LIOs strengthened their financial base, enhanced their capabilities, and increased their legitimacy. On the other hand, all the LIOs successfully obtained sufficient trust and legitimacy from local governments, establishing themselves as leading NPOs. This enhanced status enabled them to behave agentic actors as it provided them with greater opportunities to become involved in, or exert influence over, the policy process for the formation and implementation of PPPs.

Second, the LIOs' successful strategic conduct led to the creation of diverse PVs through the implementation of other PPPs as well as the PPP. All the LIOs expanded and diversified their business portfolios based on their distinct organizational logics, which in turn earned them legitimacy as leading NPOs in their respective fields. This diversification was not linear. All the LIOs studied created a positive feedback loop where skills and resources gained from the initial PPP were used to secure new projects. In turn, the capabilities developed from these new projects were brought back to strengthen the original PPP. This demonstrated that skillful strategic conduct directly impacts the creation of diverse PVs.

This study offers several important implications for PPP and PV studies. First, using "institutional logic" (Friedland & Alford, 1991; Thornton & Ocasio, 1999; 2008) as a unit of analysis is effective because PPPs are complex systems with multiple actors, each with a different set of interests. Our study takes a dualistic perspective, recognizing that while actors share a common logic (e.g., the prefectural logic), they interpret and adapt it differently based on their own missions. This approach differs from other previous studies (e.g., Ashraf et al., 2017; Saz-Carranza & Longo, 2012; Skelcher & Smith, 2015) and helps explain the varying strategic responses of the LIOs.

Second, strategic conduct is crucial for survival of NPOs. Many NPOs are highly dependent on government funding. Therefore, their strategic conduct, particularly their ability to manage and coordinate multiple logics, is crucial for their survival and mission fulfillment (Heylen, Fraussen, & Beyers, 2018). The case analysis shows that NPOs can enhance their legitimacy and financial resources through business diversification across a variety

Table 4: Background of the LIOs and

			Background
	LIO A	LIO B	
Year of foundation	1996	1998	
Total revenue of Fiscal 2018 (JPY/USD)	89,923,467 / 817,486	73,046,646 / 664,060	
Total number of staff members	33 (Fiscal 2018)	25 (Fiscal 2018)	
Total number of the PPPs operated in Fiscal 2018	20	11	
Degree of financial reliance on the target PPP in Fiscal 2018 (%)	10	11	
			Strategic Conduct
Operating logic of the PPP	**At the time of the initiation of the PPP** Creation of "Zest for Life" and New Way of Working through CB **After the shift of the prefectural logic** Activation of Senior Citizen through Creation of a "Third Place"	**At the time of the initiation of the PPP** Creation of "Zest for Life" and New Way of Working through CB **After the shift of the prefectural logic** Empowerment of Needy Young People for Their Self-reliance	
How did they get involved in the PPP?	The opportunity arose when the Senior Manager of the Prefectural Government became interested in the activities of LIO A and LIO B to help rebuild the lives of disaster victims. She then accepted the idea of a CB creation support project to create jobs for disaster victims proposed by N, the head of LIO A. Despite the introduction of a bidding process, she asked each leader of LIO A and LIO B to take on the project. **"I asked the officials in the Prefecture Government, 'CBs can only be established if there is support to provide a management base for those who establish them. It is impossible to ask them to establish CBs on their own and as volunteers. So please set up a support system.' And so, it was realized in the form of the CB Creation Support Project."** (Chairperson of LIO A)		
How did they create diverse PVs through the PPP?	Shifted its business focus to the empowerment of senior citizens through the creation of a "Third Place" for senior citizens and the promotion of social participation of senior citizens, while continuing to expand the content of the PPP. **"A third place is a result of social circumstances, isn't it? The number of isolated people is increasing, the elderly are dying of loneliness, the young are withdrawing from society, and so on. I think these words are used to describe them all. This can be seen in the counseling services of the PPP."** (Chairperson)	The diversification of its businesses is aimed at helping these younger people to create a "Zest for Life" by finding their own way to self-reliance through public assistance or employment. **"We are not an ordinary employment support organization, but we do the work of intermediary support. For example, we encourage young people who use the employment support service to help out at the night stalls during the summer festival. In other words, we provide intermediate support for these young people to participate in the volunteer work of the local NPO that runs the summer festival, and in the process, they are nurtured by the local community and brought closer to employment."** (Secretary general)	
How did they leverage the resources gained through the PPP?	Opened the Center for Community Coexistence with the purpose of providing one-stop CB support services. **"It is a place where you can go through the entire process of planning and operating a community business. Co-work offices can be registered at the same time as the business is organized. This is the missing link in our organization. I thought we were missing one of the processes of social human resource development. We will make a one-time contribution of the money we have been saving for the past 20 years to create it."** (Chairperson)	Branched out the new businesses that diverged from the PPP and then strengthened the business content of the PPP. **"Ultimately, the core of our business is to support the foundation of NPOs and provide ongoing support for their operations. And what sets us apart from the other LIOs is that we support the incubation of CB for women."** (Secretary general)	

the strategic conduct of the LIOs

of the LIOs			
	LIO C	LIO D	LIO E
	1996	1991	2006
	74,051,883 / 673,198	84,565,639 / 768,778	51,659,798 / 469,634
	14 (Fiscal 2023)	17 (Fiscal 2019)	11 (Fiscal 2014)
	7	9	9
	8	6	9
of the LIOs			
	Empowerment of Needy Middle-aged and Older People for Their Self-reliance	Empowerment of Needy Young People and NPOs with Use of Network Consisting of Small Medium-sized Businesses	Creating Employment for the Elderly through CB incubation and Management Consultation for NPOs
	When the PPP was extended to LIO C's area of operation in 2005, LIO C was entrusted with the PPP through a competitive bidding system. **"Our organization had a history of working with disaster victims, so one of our main issues was supporting the independence of disaster victims. So, we worked to create jobs for disaster victims."** (Chairperson)	The chairperson lobbied the Prefectural Government to expand the PPP in areas other than the disaster areas. **"When I saw the PPP specifications, I thought this project was needed in our area. Since LIO A had been entrusted with the project, we were jealous. So, I told the prefectural officials that our area was also an area indirectly affected by the disaster and asked them to expand the PPP."** (Chairperson)	The project's predecessor did not perform well, and LIO E that was running a project for the same seniors was chosen by the Prefectural Government. **"The performance of the organization in charge of the project was not good. Therefore, the prefectural staff became increasingly concerned about this organization. In fact, they were looking for a replacement organization. At that time, LIO C happened to tell us about such a project."** (Manager in charge of the PPP)
	Provided more support services for middle-aged and older people for their self-reliance than the other LIOs. **"We had middle-aged and elderly people bring us the job sections of free magazines and the jobs advertised in the newspaper, and then we connected them directly with the companies they wanted to work for. And for those who were a little reluctant to work as security guards, we invited a president of the security company to our office to hold a job seminar, and then we encouraged them to apply to the company."** (Chairperson)	The chairperson, who is also a local small business owner, uses his extensive network of local small and medium-sized businesses to efficiently match youth with local small businesses, and also provides NPO management consulting based on his business management experience. **"The know-how for the continuation of an NPO is important. It's easy to start an NPO to do the business that you want to do, but many people don't know if the business will be profitable. At such times, we talk about how to keep the business going. I have run a business, and many of our members are also business owners, so we often talk about how to run a business."** (Chairperson)	By leveraging the benefits of running a social business, LIO E created different values than other LIOs. **"I think we are the only LIO that can teach marketing methods and how to create business models."** **"That's true. I think we have a lot of originality and expertise when it comes to planning courses. This year we held a course on business succession. I think our course on business succession for NPOs and social enterprises is a unique project."** (Manager in charge of the PPP)
	Planned own business, the "Entrepreneurship Course," that aims to encourage needy people to start their own business instead of working for a company. **"In particular, many of those who have difficulty finding a job that the PPP supports are unskilled workers, and most of them end up losing their jobs. They don't have clear dreams. That's why we talk about the Entrepreneurship Course. Whether it's a coffee shop or something else, if you do something, you can dream about it."** (Chairperson)	Undertook the operation of several programs related to youth employment support programs with use of the resources gained through the PPP. **"Local municipal governments do not have a proper department to deal directly with social withdrawals. So, when we were supporting these people in the genre of 'those who have difficulty finding a job,' we received offers from several municipalities in this area for projects to support social withdrawals."** (Chairperson)	The local municipal government appreciated the CB incubation support for the elderly and the NPO management consulting provided through the PPP, and entrusted LIO E with the management of several projects (PPPs) related to these businesses. **"That's right. In fact, when we set up this NPO consultancy service in Kobe, we had several meetings with the Kobe City Government, and the model we used as the basis for those meetings was actually the PPP."** (Manager in charge of the PPP)

of PPPs. This approach not only provides funding but also expands an organizational strategic option and its understanding of governmental processes. In short, for NPOs, effective use of administrative resources depends on strategic conduct that allows them to proactively participate in policy processes and secure opportunities that advance their organizational missions.

5. CONCLUSION

This study concludes that three types of strategic conduct enable non-profits to create diverse PVs through PPPs. The first is **proactive engagement**. Effective non-profits do not just follow PPP specifications. They actively engage with local governments from the design phase to create a shared, compatible "logic" that aligns with their mission. Second is **flexible logic and resource management**. Successful organizations can flexibly adjust their internal logic to be compatible with the goals of PPPs. They also ensure they have the necessary managerial resources to effectively implement their strategies. The final strategic conduct is **strategic portfolio management**. NPOs must manage their PPPs as a portfolio, creating a cycle where knowledge and experience from one project are leveraged to improve others, enhancing overall effectiveness and mission fulfillment.

6. LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

This study, while providing an explanatory model based on case analysis, has two primary limitations that point to future research directions. First, this study lacks focus on dynamic capabilities. The study does not fully explore the relationship between effective strategic conduct and the development of dynamic capabilities (Teece, Pisano & Shuen, 1997; Teece, 2007). Future research should investigate how non-profits restructure and reorganize their resources to adapt to changing institutional environments, which is crucial for long-term survival. Second, this study does not address how effective strategic conduct leads to the creation of new knowledge (Nonaka & Takeuchi, 1995). It is likely that non-profit leaders strategically create knowledge to differentiate themselves from competitors, which provides a competitive advantage in securing future PPPs. The concept of phronetic leadership (Nonaka & Toyama, 2007) could be useful for a future study to explore this process, as it focuses on making optimal decisions based on practical knowledge gained from experience. Such a line of inquiry would investigate the dynamic process of knowledge creation and capability development under effective non-profit leadership.

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NOTES

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2) Corresponding author
3) It should be noted that NPOs usually refer to small civil associations in Japan, many of which are granted a corporate status of Specified Nonprofit Corporation. Therefore, non-profit organizations incorporated as Social Welfare Corporations, Private School Corporations, and Medical Corporations would rather be counterparts in other countries. To avoid confusion, this paper refers to Specified Nonprofit Corporations as NPOs.
4) LIO A was founded in 1996 as a spin-off of a volunteer organization to help disaster victims rebuild their lives. Then it was incorporated as an NPO in 1999. LIO B was founded in 1998 with the support of the Hanshin-Awaji Community Fund. Since its foundation, this organization has been fully supported by the local municipal government, as M, the founder of LIO B, fully contributed to activate civic volunteer activities as the volunteer coordinator in this area. It was then incorporated as an NPO in

1999.

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