Aligning a Company's Economic and Social Interests in Cross-Sector Partnerships

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The lack of a conclusive business case for corporate social responsibility (CSR) is at the heart of the ongoing debate on the role of companies in solving social problems. Acknowledging that companies increasingly execute their CSR activities through partnerships to address a social problem together with public and civil-society partners, this paper discusses how companies balance their economic interests with the partnership's social interests. Building on an extensive literature review, the paper develops a conceptual framework for sustainable interest alignment. It highlights that companies' different types of economic interest materialise at different points in time during the partnership's life-cycle and discusses the managerial implications at the company and partnership levels for aligning and achieving both social and economic interests. Practical insights into two partnerships in the area of education are presented to illustrate the framework.

- Corporate social responsibility
- Cross-sector partnerships
- Partnerships for development
- Interest alignment
- Corporate community involvement
- Partnership management

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Companies are increasingly asked to provide innovative solutions to deep-seated social and development problems while, on the other hand, economic theory instructs managers to focus on maximising their shareholders' wealth. The debate on the role of companies in society continues to attract the interest of practitioners and academics. Animated by Friedman's (1970) postulate according to which 'the social responsibility of business is to increase profits', the debate has moved towards the concept of strategic corporate social responsibility (CSR). Going beyond mere philanthropy, strategic CSR focuses on the commitment of a company's core competences to those social problems that are linked to the company's value chain (Porter and Kramer 2006). However, empirical evidence on the relationship between a company's CSR activities and financial performance points to unexplored questions that call for further research (Margolis and Walsh 2003; Orlitzky *et al.* 2003; Carroll and Shabana 2010). Some of the most pressing questions relate to what companies actually do in response to social problems and how respective corporate efforts are 'managed—executed, controlled, monitored and disciplined—amid this crossfire of competing purposes, expectations, identities and motives' (Margolis and Walsh 2003: 288).

This paper acknowledges that companies increasingly engage in partnerships with public and civil-society organisations to tackle social problems that exceed the coping capacities of individual sectors (Kolk *et al.* 2008; Seitanidi and Crane 2009). This engagement confronts companies with a challenge that links back to the fundamental debate of CSR: how can they strike a balance between their organisational (economic) interests and shared partnership interests—namely, achieving the partnership's social goals? Cross-sector partnerships provide an interesting setting in which to explore how corporate social efforts are managed in the crossfire of social and economic interests, since any misalignment may elicit direct negative feedback from the partners if it is at the expense of the partnership's social interests (Berger *et al.* 2004). Alternatively, if it is at the expense of corporate economic interests, and in view of the often substantial corporate resources involved (Kolk *et al.* 2008), such misalignment may elicit negative feedback from the company's stakeholders, in particular shareholders.

Existing literature exploring the micro perspective of managing cross-sector partnerships highlights the importance of reciprocity in the partners' organisational interests (Seitanidi and Crane 2009; Seitanidi *et al.* 2010). But if organisational interests are an indicator of the transformative capacity of the partnership to reach its social goal (Seitanidi *et al.* 2010), what does reciprocal mean in view of the different economic interests that companies pursue through a partnership engagement? Taking into consideration that social engagement is not a company's core mission, the question of how its different economic interests relate to the partnership's social goal merits further attention.

While investigating the relationship between a company's economic concerns and the partnership's social goal may help corporate managers select a suitable partnership, another important question is how a company can actively support the furthering of both economic and social interests. Current literature focusing on interest alignment stresses the relational processes and

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interactions in which partners engage to leverage key differences (Le Ber and Branzei 2010a), and highlights the importance of recognising and reconciling divergent value-creation processes in order to co-construct social value (Le Ber and Branzei 2010b). Adding to the insights into the relational processes, this paper explicitly focuses on the company perspective by exploring how company managers can best prepare and promote the realisation of both economic and social benefits. The objective is to generate cautious conclusions for managing the social partnership's interface with the company, where the latter is an organisation with its own economic goals, corporate values, operational business structures and employees.

Building on an extensive literature review,[1] this paper approaches this objective as follows: it first introduces the phenomenon of social cross-sector partnerships and then highlights the different economic interests that companies pursue in such partnerships. The analysis shows that while the economic interests that motivate companies to join such partnerships have been clearly identified, less is known regarding the managerial implications of sustainable interest alignment. Consequently, the paper develops a conceptual framework that addresses the different types of economic interest and their relationship with the partnership's social goals, as well as their implications for managers' ability to sustain interest alignment at the company and partnership levels. To give the reader an idea of how the discussion may be reflected in practice, two illustrative case studies are presented.

The emergence of cross-sector partnerships

Social and development problems tend to be 'wicked' (Rittel and Webber 1973: 160-67); that is, they are difficult to define and are interlinked in a web of other problems, and standard solutions can rarely be applied. In view of the problems' complex nature, the limitations of each sector's capacity come to light (Kolk *et al.* 2008): governments may not be able to address these problems 'top down' and may struggle with budgetary deficits, lacking capabilities or corruption. Companies may not have the necessary motivation, legitimacy, access or expertise to tackle these problems alone, while civil-society organisations may lack the necessary operational efficiency. Owing to these restrictions, the sustainable solving of complex problems often calls for innovative cross-sector collaboration that combines the expertise and resources of several sectors. In this respect, the focus of this paper is on social cross-sector partnerships that seek to benefit each partner as well as to enhance development[2] in the area of, for example, social

1 We searched on Business Source Premier for academic contributions with the key words 'partnership', 'interest' and 'development' or 'social' and, additionally, considered the respective references mentioned.

2 Development is here defined as commitment to 'promote higher standards of living, full employment, and conditions of economic and social progress and development' (UN Charter 1945: Art. 55) that profoundly affect human lives.

welfare, education, healthcare, and water and hygiene. These partnerships go beyond a contractual relationship because, for the social problem to be tackled, partners from the private, public and civil-society sectors need to work together in an integrated manner (Waddell 2005) and share the contribution of inputs and responsibilities, as well as risk exposure in operational projects (McQuaid 2000).

Indeed, with pooled experience and expertise and access to sectorally distinct resources, partnerships may achieve innovative and unprecedented solutions. However, they are no easy venture. Designing responsibilities, duties and rights and implementing and sustaining partnerships are very complex tasks (Zadek 2006) owing to the absence of adequate regulatory mechanisms and hierarchical structures as well as the partners' different backgrounds and modi operandi (Gray 1989). Furthermore, they confront partner organisations with the challenge to strike a balance between their organisational interests and shared partnership interests (Wood and Gray 1991; Tschirhart *et al.* 2005; Le Ber and Branzei 2010b). In view of limited corporate resources, aligning a company's pro bono engagement in cross-sector partnerships with its mission to generate profit may indeed create tensions. In other words, if a company joins a partnership, it is assumed that it will commit to the partnership's social goals but has to balance this partnership engagement with its overarching economic interests. But what are the economic interests companies pursue in cross-sector partnerships that are not conceived to provide profit-generating revenues and what are the managerial implications for interest alignment?

A company's economic interests in social cross-sector partnerships

Organisational interests are a crucial motivator for companies to become and stay involved in social cross-sector partnerships (Waddock 1991) and are an indicator of the chances of achieving the partnership's social goals (Seitanidi *et al.* 2010). One driver stems from the fact that corporate stakeholders, civil society and governments have increased their pressure for corporate involvement in tackling societal and environmental problems (LaFrance and Lehmann 2005; Schwab 2008). The crux of the argument for companies to become involved is their increasing power in the globalisation process in combination with current governments' shrinking or generally weak power and capabilities that fail to produce and protect the public good and solve public problems (Lindenberg and Dobel 1999). As a consequence, companies enter cross-sector partnerships to respond to **external pressure**, **maintain a privileged position** within the market and community, and **maintain positive relationships** with stakeholders, in particular with the government (Gray 1989; Zadek 2002; Elsig and Amalric 2008). Indeed, a growing number of governments include pro bono clauses and broader social, environmental and community investment requirements into

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public tenders and procurement (World Economic Forum 2005). Furthermore, engagement in social cross-sector partnerships may be a means to strengthen **corporate brand and reputation** (Googins and Rochlin 2000; LaFrance and Lehmann 2005; Pearce and Doh 2005; Elsig and Amalric 2008). At the same time, it may be a way to show commitment to the company's own **values, principles, policies and traditions** (Austin 2000; Zadek 2002).

Moreover, corporate engagement in social cross-sector partnerships can be a means to **attract, motivate and develop talented employees** (Austin 2000; Googins and Rochlin 2000; Hess *et al.* 2002; Pearce and Doh 2005). Evidence from qualitative research suggests that corporate engagement in social alliances may enhance organisational identification (Berger *et al.* 2006). Social engagement can thus promote loyalty and facilitate access to new staff. In turn, this may reduce turnover and human-resource costs. Improved **efficiency** along the value chain (Hess *et al.* 2002; Elsig and Amalric 2008; Porter and Kramer 2011) and investment in a **safer environment** (Austin 2000; Googins and Rochlin 2000; Zadek 2002) are other important corporate interests discussed in the literature. Partnership engagement suggests better identification, management and mitigation of at least some of the costs and risks linked to, for example, weak government, inadequate environmental, safety and labour standards, and low quality of input factors.

Finally, partnership engagement may lead to further **growth through competitive advantage** with the development of new products, processes and services or access to untapped or underdeveloped markets (Austin 2000; Googins and Rochlin 2000; Hess *et al.* 2002; Zadek 2002; LaFrance and Lehmann 2005; Pearce and Doh 2005; Elsig and Amalric 2008; Dahan *et al.* 2010). It may be a means to seek knowledge, advance business models (Kanter 1999; Prahalad 2006) and remove obstacles linked to social problems that have so far hampered access to new markets (Googins and Rochlin 2000).

The relationship between a company's economic interests and the partnership's social interests

In line with the concept of strategic CSR (Burke and Logsdon 1996; Porter and Kramer 2006), partnerships should allow an incentive structure that combines the achievement of social and economic objectives and thereby encourage continuous and impact-oriented commitment. As the literature review shows, different economic interests have been identified that companies pursue in cross-sector partnerships. However, little is known about their relationship with the partnership's social goals and the implications for corporate managers to sustain interest alignment. To fill this gap, we build on a classification by Oliver (1990) which identifies six fundamental motivations for inter-organisational relations (IORs).

First, an organisation may enter IORs to **exercise power** or control over another organisation and its resources, or, second, to enhance organisational **legitimacy** by means of improved reputation, image, prestige or congruence with prevailing norms in the institutional environment (Oliver 1990). Third, organisations may work together for **necessity** reasons to conform to the dictates of a higher authority or avoid the anticipated repercussions of non-compliance with external pressure (Leblebici and Salancik 1982). Fourth, the **efficiency** contingency leads organisations to establish IORs to improve the internal input/output ratio, while the **stability** contingency refers to increased predictability in an adaptive response to environmental uncertainty (Oliver 1990). Finally, the category of **reciprocity** brings together the motivations that emphasise cooperation, collaboration and coordination among organisations to realise a mutually beneficial goal (Oliver 1990). Thus, although each motivation is a separate and sufficient determinant for relationship formation, different motivations can interact and occur concurrently.

We argue that this framework can be applied to the context of cross-sector partnerships (Logsdon 1991) and find that its categories cover the companies' organisational interests as mentioned in the partnership literature. More importantly, the application of Oliver's (1990) framework shows that the company's economic interests in a partnership may vary in their relationship with the social partnership goal. Thereby, the relationship ranges from being opposed—asymmetry—to mutually beneficial—reciprocity. This builds a baseline for expanding the framework: when applied to the relationship between a partnership's social goals (i.e. the partners' common social interests) and a company's economic interests, asymmetry and reciprocity seem to constitute two extremes between which there runs a continuum of different **types of relationship**.

In case of **asymmetry**, economic interests tend to hamper partnership success and indeed conflict with commitments for achieving partnership goals. For example, some companies may use the partnership to exert power in order to maintain the benefits they gain from the problem's status quo. Such asymmetric interests are likely to be found in conflict-resolution partnerships (Gray 1989). External drivers, such as host-government requirements or investor demands, are less asymmetric but also rarely reciprocal with the partnership's social goal. They push the company to join the partnership, but do not provide further incentives to commit to tackling the social problem jointly. The resulting half-hearted engagement may be challenged by the other partners' expectations and, thus, lead to an increased potential for conflict. These interests are therefore rather **independent** of the achievement of the social partnership's goals.

Economic interests which come together under legitimacy, such as enhancing the corporate brand and reputation as well as showing commitment to proclaimed values, are facilitated by committing to the social partnership goals but are not entirely dependent on it. For example, while consumers may appreciate a corporate engagement in social partnerships, consumer behaviour does not always reflect corporate social engagement in a linear way (Carroll and Shabana 2010). Hence, company benefits may result from any form of engagement, regardless of its effectiveness in solving the social problem and continuity of invested time and resources. To realise (solely) the legitimacy-related benefits, a company may put more emphasis on successfully marketing its engagement rather than on committing to address the social problem. These economic interests are, thus, only indirectly **linked** to the partnership's social ones.

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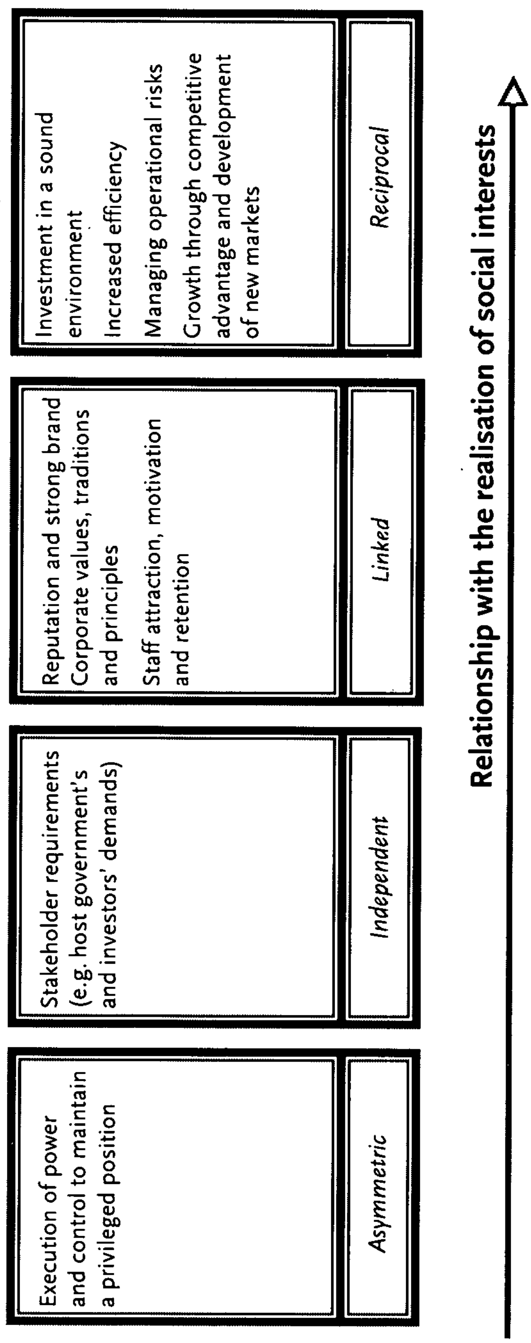
The achievement of the economic aims of environmental stability, increased efficiency and growth through market development generally depends on the positive impact exerted on the social problem targeted. The achievement of the partnership's social goals and the company's economic ones is thus linked through a **reciprocal** relationship. For example, the company's operational business may benefit if the partners successfully alleviate a social problem that previously caused a set of significant risks and/or operational costs to the company's operations. Furthermore, alleviating a social problem can allow access to a market or a customer group that could not have been reached before in view of the social problem (e.g. illiteracy, indigence or political conflict). The different economic interests and their linkage to the realisation of the partnership's social interests are illustrated in Figure 1.

The different types of relationship between the partnership's social interests and the company's economic concerns seem to have important implications as they influence the extent to which a company may be motivated to commit to the partnership continuously with an impact-oriented focus. While the power interest may motivate impact-opposed engagement, the necessity interest provides no incentive to engage actively once the company has entered the partnership. The legitimacy interest provides a motivation to become 'somehow' involved and thereby attract the stakeholders' and media's attention during the partnership's implementation. However, their attention is also attracted by frequent 'zapping' between different partnerships (Schwab 2008) and by constantly starting new projects without sustaining the corporate commitment. It is rather the stability, efficiency and growth interests that motivate continuous and impact-oriented partnership engagement.

This has three implications for partnership selection and the design of incentive structures. First, if a company enters a partnership with an asymmetry interest, interest alignment is not realisable. Second, if a company enters a partnership with (solely) a necessity and/or legitimacy interest, there is the risk that it will not be sufficiently motivated to commit in a way that best promotes the realisation of the partnership's social goals. Rather, the stronger the linkage between the (sum of) economic interests and the partnership's social goals, the more return the company can expect from the partnership's success in tackling the social problem. In turn, this motivates companies to commit continuously, decreases their incentives regarding free-rider behaviour and fosters sustained interest alignment.

Third, companies may build on the fact that the benefits linked to necessity, legitimacy, and stability, efficiency and growth tend to be realised at different points in time during the partnership's life-cycle. They can use this variety of economic interests to even out their incentive structure in temporal terms. The efficiency, stability and growth interests motivate the company to commit in a way that promotes the realisation of the partnership's social aims. However, when viewed along a timeline, the benefits arising from these economic interests materialise late in the partnership's life-cycle. Consequently, to withstand and bridge the often very lengthy period stretching from partnership formation to goal achievement, companies may build on interests linked to necessity and

Figure 1 A company's economic interests and their linkage to the realisation of the partnership's social goals



legitimacy that materialise earlier in the partnership process. This assumes that a mix of economic interests behind partnership engagement (except for the asymmetry argument) fosters sustainable interest alignment.

Practical illustrations

Insights into two partnerships in the area of education may be helpful to illustrate the discussion. Example 1 illustrates CTA-Toyota's engagement in a partnership with the NGO 'Madrasati', major school stakeholders and the Jordanian Ministry of Education to improve jointly the overall learning environment of an underprivileged school in Jordan. CTA-Toyota committed its managerial capacity, financial support, staff involvement and networks. Example 2 refers to Microsoft's Partners in Learning Program and its application in the Egyptian Education Initiative (EEI). In this partnership, three ministries, eight multinationals, and over 20 local companies collaborated to improve the Egyptian education system. Microsoft's Partners in Learning Program is an '. . . integrated set of resources, training programs and grants designed to increase technology access for schools, foster innovative approaches to pedagogy and teacher professional development, and provides education leaders with the tools to envision, implement, and manage change' (Microsoft 2007: 10). For both companies, the engagement is seen as a way to live their corporate values. However, while CTA-Toyota entered the partnership mainly with an interest in increased legitimacy, Microsoft engaged with an interest in legitimacy, learning and growth. In Box 1, excerpts from the cases are presented that illustrate the theoretical discussion.

Box 1 Economic interests: Case examples

CTA-Toyota

CTA-Toyota's CSR strategy is centred on traffic safety and environment. In 2008, however, education was added as a pillar owing to a unique opportunity to make a change, combined with a request from the First Lady to get involved (Probst *et al.* 2010). 'Environment and traffic safety are closely linked to our business . . . When it comes to education, it is more abstract from the car industry. But it is something we as CTA believe in' (Marketing Director).

Microsoft

Microsoft's driver in the Partners in Learning Program in general, and the EEI in particular, is not only to be a good citizen but rather to develop and apply a business model that addresses a social concern—digital literacy—and likewise seeks to gain experiences and explore future markets for ICT products and services (Serafin 2010).

Managerial implications at the company level

Interest alignment does not, however, end with the identification of the interests linked to a partnership. Rather, sustainable alignment in terms of achieving both social and economic benefits requires active management from the company side. Active management is important not only to achieve the maximum social and corporate benefit from limited corporate resources available for such partnerships, but also to mitigate the risks that companies face in such involvement, which jeopardise interest alignment and realisation. Indeed, if the partnership engagement is not well prepared and managed, companies risk harming their staff, property and/or reputation (Harley and Warburton 2008). Furthermore, the costs may far exceed the rewards and reduce the motivation to commit to the partnership.

Coordination with the business

The literature on social cross-sector partnerships points to the question of how to coordinate the partnership engagement and business activities so that they do not impede or conflict with each other. In this regard, to identify suitable partnerships, Porter and Kramer (2006, 2011) highlight that it is by exploring the intersections between the corporate activities and their environment that those social challenges along a company's value chain that significantly affect a company's ability to improve productivity and execute strategy can be identified. In addition, the analysis of partnership alternatives for achieving the respective economic goals seems important (Ansell and Gash 2008; Seitanidi and Crane 2009): compared with in-house solutions (i.e. implementation through an organisational unit within the firm) and outsourcing (i.e. charitable contributions to a third actor to solve the problem), collaboration with public and civil-society organisations seems preferential if the solution to the problem at hand requires the companies' specific competences and capacities while the company is not able to tackle the problem alone (Husted 2003).

The analysis suggests that the selection of a partnership engagement should be motivated by a reflection on relevant economic interests in line with the business instead of simply following the partnership trend (see Bendell *et al.* 2010) just for the sake of the hype. Moreover, not all economic interests apply to every business: while alleviating reputational risks is particularly relevant to global brands in consumer markets, it may be less important for companies with smaller, local brands or those active in B2B markets (Smith 2003). Furthermore, a mining company has reason to be concerned about good relations with the government and other stakeholders as well as about environmental impacts threatening its licence to operate, but this may be far less of a concern for a financial services company (Smith 2003).

Once chosen, a partnership then requires a close coordination of the partnership and business activities. That is, the capacities used for the partnership engagement need to be aligned with those needed for ordinary business to avoid overcharge and conflict. At the same time, the intersections with the ordinary business need to be well thought through and developed to realise the economic aims linked to the partnership engagement. For the benefits to go beyond increased legitimacy, companies must shift from a fragmented to an integrated approach (Porter and Kramer 2006). As a result, partnership activities need to be ingrained in the overall organisation (Seitanidi *et al.* 2010) rather than stop at the marketing or CSR department. According to the interests pursued, the development of additional structures and processes may be needed. For example, the efficiency benefit may require investments in local support structures that encourage innovative ideas for process improvements. To explore market opportunities for achieving corporate growth objectives, procedures to absorb and circulate new knowledge and insights from the partnership may be necessary.

Facilitating staff commitment

Conflicts may also occur at the individual level within the company if the employees involved struggle to align business and partnership interests (Berger *et al.* 2006). The top management's support in this respect is crucial to address and discuss potential tensions openly as well as to express the value of engagement for the community, partners and the company—including its employees (Hess *et al.* 2002). Staff involvement is often based on voluntary engagement. However, time constraints challenge their involvement: any time spent on partnership activities comes at the expense of task performance (Bergeron 2007). To smooth potential tensions and facilitate the alignment at an individual level, managers are therefore encouraged to consider staff engagement in the reward system and promotion decisions. When selecting employees, managers may involve in particular those employees for whom an engagement allows for reciprocity and may provide visibility, while at the same time avoiding those who are already overburdened with ordinary business (Bergeron 2007).

Likewise, facilitation of staff commitment requires managers to: clearly define responsibilities for the collaboration's daily operation at an individual level; establish the respective communication channels within the organisation; and set overarching guidelines that serve as a reference (Tennyson 2003). In addition, it seems important that managers ensure that staff are sufficiently trained and equipped for the partnership activities (Harley and Warburton 2008) and thereby avoid tensions, risks and uncertainty. Overall, well-prepared staff will result in greater commitment and less resistance, thus allowing for more efficient and effective contributions in line with the partnership's social interests as well as the company's economic ones.

Communication

Key questions that are linked to the managerial implications of interest alignment also include: what do companies do in order to realise the reputation

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benefit without triggering backlashes? How is internal and external communication realised in a way that soothes conflict? As regards internal communication, the development of an overarching company mission that provides a clear link to social engagement is considered important (Harley and Warburton 2008; Berger *et al.* 2006). Thus, internal communication throughout the organisation of the partnership engagement implies discussions of how it is embedded in the corporate mission. Only then will managers yield the desired company benefits, such as deeply ingrained values, enhanced staff identification, higher productivity and increased attractiveness to (potential) staff, while being effective in achieving its social goals (Kolk *et al.* 2010).

Furthermore, recent research shows that if employees do not develop a sense of ownership, the CSR activities will not find organisational support (Morsing *et al.* 2008). Consequently, neither a basis for the continuation of the activities themselves nor a trustworthy communication about them will be created (Morsing *et al.* 2008). One aspect which seems more credible than mere top-down reporting is the additional communication and transfer of 'local' stories, while having someone in a senior role to champion such engagement. With regard to external communication and the manifold traps involved, research acknowledges that the legitimacy benefit requires increased communication, but also shows that the latter should be carefully thought through. While stakeholders like to hear the facts, attempts to 'sell' these activities may backfire (Bhattacharya and Sen 2004). Consequently, research suggests that companies should first make sure that they have internal support for their engagement and then communicate those CSR activities that relate to employees (Morsing *et al.* 2008), and focus on joint events with the partners instead of praising the company's engagement (Sagawa and Segal 2000).

Controlling the realisation of economic and social interests

Controlling is an important concept in management and relates to 'a regulatory process by which the elements of a system are made more predictable through the establishment of standards in the pursuit of some desired objective or state' (Leifer and Mills 1996: 117). An ongoing controlling of the partnership activities and interest alignment within the company starts with the questions: what are the indicators for achieving the partnership's social goals and linked business objectives? How can we analyse their achievement while taking into account inputs and processes? By continuously controlling how and to what extent economic interests and shared social ones are achieved, managers can detect potential conflicts of interest in time. For this purpose, indicators for the related interests have to be tailored in line with the specific characteristic of each partnership engagement.

For example, an indicator of the legitimacy benefit may be the endorsed communication; that is, to what extent and with which tone do focus groups (with whom companies communicate directly about the corporate partnership engagement) resonate it to third parties?[3] As for the growth benefits, the market share in the targeted area may be considered, while the efficiency interest may be approached by the number of ideas for product or service improvement triggered by the corporate partnership engagement, as well as by a comparison of costs linked to inefficient value-chain operations. The stability benefit may be approached by continuously assessing environmental risks linked to the problem at hand and assessing the cost savings related to security arrangements (Acutt 2004). Overall, a company's systematic backing and monitoring of the achievement of the partnership's social goals as well as the company's linked economic goals, although frequently absent in practice (Rein and Stott 2009), help anticipate trends towards misalignment. Table 1 illustrates the managerial implications for the CTA-Toyota and Microsoft cases.

Managerial implications at the partnership level

While the focus has so far been on the company level, the partners' joint decisions and activities at the partnership level may also challenge or facilitate interest alignment and achievement. Existing literature stresses the importance of intense relational processes between the partners which seek to co-create value and align their different interests (Le Ber and Branzei 2010a, b). As it is the relational processes that help partners remain closely connected to their shared goal, Le Ber and Branzei (2010b) identify relational coordination mechanisms that help partners better understand and capitalise on their differences. More precisely, they identify the importance of clear contact points designed to strengthen the relational interactions (see also Seitanidi *et al.* 2010), deliberate engagement of influential third parties and catalysts, as well as flexibility in design that allows for spontaneous efforts to deliver value beyond the defined partnership scope. Adding to this stream of literature, this paper integrates insights into helpful conditions that the corporate managers may promote to ensure alignment with their economic interests linked to the partnership.

Partner selection and communication

Scholars frequently highlight that partner selection plays an important role (Seitanidi and Crane 2009) since 'lack of goal symmetry may lead to the dismantlement of the partnership, as foreseen initially, with adverse consequences on the delivery schedule' (Samii *et al.* 2002: 1004). However, by the nature of social partnerships, there are often no obvious alternatives to partners such as the host government or the national category associations (Samii *et al.* 2002). Within these limits, the partner selection criteria that scholars have explored

3 Please see Bergeron 2007 for a description of the 'expert CSR communication process' and the 'endorsed CSR communication process'.

Table 1 Managerial implications at the company level: Case examples

	CTA-Toyota	Microsoft
Coordination with the core business	▸ Engagement led and coordinated by the marketing department ▸ Voluntary events with employees and students organised by the company's social committee ▸ Staff involvement takes place mainly outside working hours	▸ A superordinate mission aligns business and social engagement: 'To help people and businesses throughout the world realise their full potential. This drives our business and guides our Corporate Citizenship work' (www.microsoft.com) ▸ The involvement in the EEI was spread across two business units and coordinated by the education industry director
Facilitation of staff commitment	▸ Embedded in the company's leadership conceptions, staff involvement across departments ▸ Staff commitment to the partnership is not formally integrated into reward systems but attracts the recognition of top management (e.g. personal notes of thanks) ▸ Potential internal tensions despite a generally positive employee response: 'Some employees may say: "instead of spending all this money on the school, why don't they spend it on our families or on higher salaries?" . . . So, it is a double-edged sword in that case' (Marketing Director)	▸ Integration of partnering into the organisational culture mainly through building on and promoting values ▸ Participation in the Partnership Broker Accreditation Scheme in order to promote partnering capacity among staff and management ▸ Development of a community of practice within the company to improve the management of partnerships constantly

	CTA-Toyota	Microsoft
Communica-tion	▸ Seeking external (e.g. by press releases) and internal (e.g. by reporting in quarterly company newsletter) visibility ▸ External communication is coordinated with the school principal	▸ To make it easy and rewarding for the field staff to deliver concise stories, an internal website was created where they can 'fill in the blanks' with practical evidence and digital photos. With this tool, once a month, an internal newsletter is created and distributed to a subscription list that includes the field staff's managers. This motivates the field staff to submit content as it highlights their work and gives them a higher profile (McManus and Tennyson 2008)
Controlling	▸ 'There is no simple way to put it on the paper to make clear how this positively affects our bottom line' (Marketing Director) ▸ CTA-Toyota counts press coverage and analyses how effective they are and if they have been received positively by the stakeholders. However, 'you can have press releases about anything that would create comparable benefit for the society' (Marketing Director)	▸ Managing and evaluating ongoing partnerships in line with the criteria: 1. Clear, measurable aims and objectives 2. Transparent and robust decisions 3. Ally with and select suitable partners (Serafin 2010) ▸ CSR head responsible for controlling the impact on public relations and corporate identity

can be categorised under the headings: partners' complementarity (i.e. contribution of non-overlapping resources); commitment (i.e. willingness to make resource contributions and accept short-term sacrifices); and compatibility (i.e. fit between working styles and cultures) (Jamali and Keshishian 2009). Assessing the partner constellation under these three criteria helps evaluate the partners' transformative capacity, intent and experience (Seitanidi *et al.* 2010). For company managers, the assessment of the compatibility criteria includes analysing to what extent the partners' organisational interests may challenge the pursuit of linked business interests and how realistic it is that the partners will find acceptable compromises.

As frequently underlined by current scholars, it is crucial that the partners openly discuss the organisational interests that are linked to partnership engagement (Austin 2000; Samii *et al.* 2002; Zadek 2002; Tennyson 2003; LeBer and Branzei 2010a). For example, the corporate partners may want to foster early and extensive external communication. However, the other partners may prefer a moderate communication about an engagement which, in turn, may hamper the achievement of corporate economic aims such as increased legitimacy (Harley and Warburton 2008). Thus, research shows that an *ex ante* communication strategy that specifies the information to be shared among the partners and with the wider public for the good of the partnership may be helpful (McManus and Tennyson 2008). Additionally, the partners need to take into consideration the line beyond which each of them wants and needs to maintain organisational autonomy (Waddell 2005). Thus, besides the timing and extent of the external communication, the partners have to agree at the outset on the information to be shared to make sure that sensitive organisational information is kept confidential. This seems important since the disclosure of corporate information may run counter to business interests if it allows corporate competitors to obtain valuable competitive insights (Rosenau 1999).

Partnership design

Although the partnership design is not exclusively in the hands of the business partner, the latter can nevertheless foster certain design characteristics to facilitate interest alignment and the realisation of both social and economic interests. Overall, structural arrangements need to foster accountability to guarantee coordination and adequate contributions while leaving sufficient autonomy for partners to find appropriate, sustainable and cost-effective ways to comply with the shared partnership expectation (Wood and Gray 1991; Huxham 2000; Waddell 2005). Thus, the partners need to specify the areas of shared accountability and the performance targets for which each partner can be held responsible. Nevertheless, defined agreements should leave each partner the freedom to choose the method with which it thinks it can best achieve the set goals (Altenburg 2005); here, for example, this involves consideration of the company's constraints and linked economic interests. Box 2 illustrates the managerial implications at the partnership level in the CTA-Toyota and Microsoft cases.

Box 2 Managerial implications for the partnership design: Case examples

CTA-Toyota

The company signed an agreement with the overarching principles, objective and limitation of the partnership, as well as the expected contributions and responsibilities (Probst *et al.* 2010). However, 'flexibility is one reason why we stick to that initiative. We can adapt it to our own schedule . . . So this doesn't take us out of breath, out of time, or out of ideas' (Marketing Director)

Microsoft

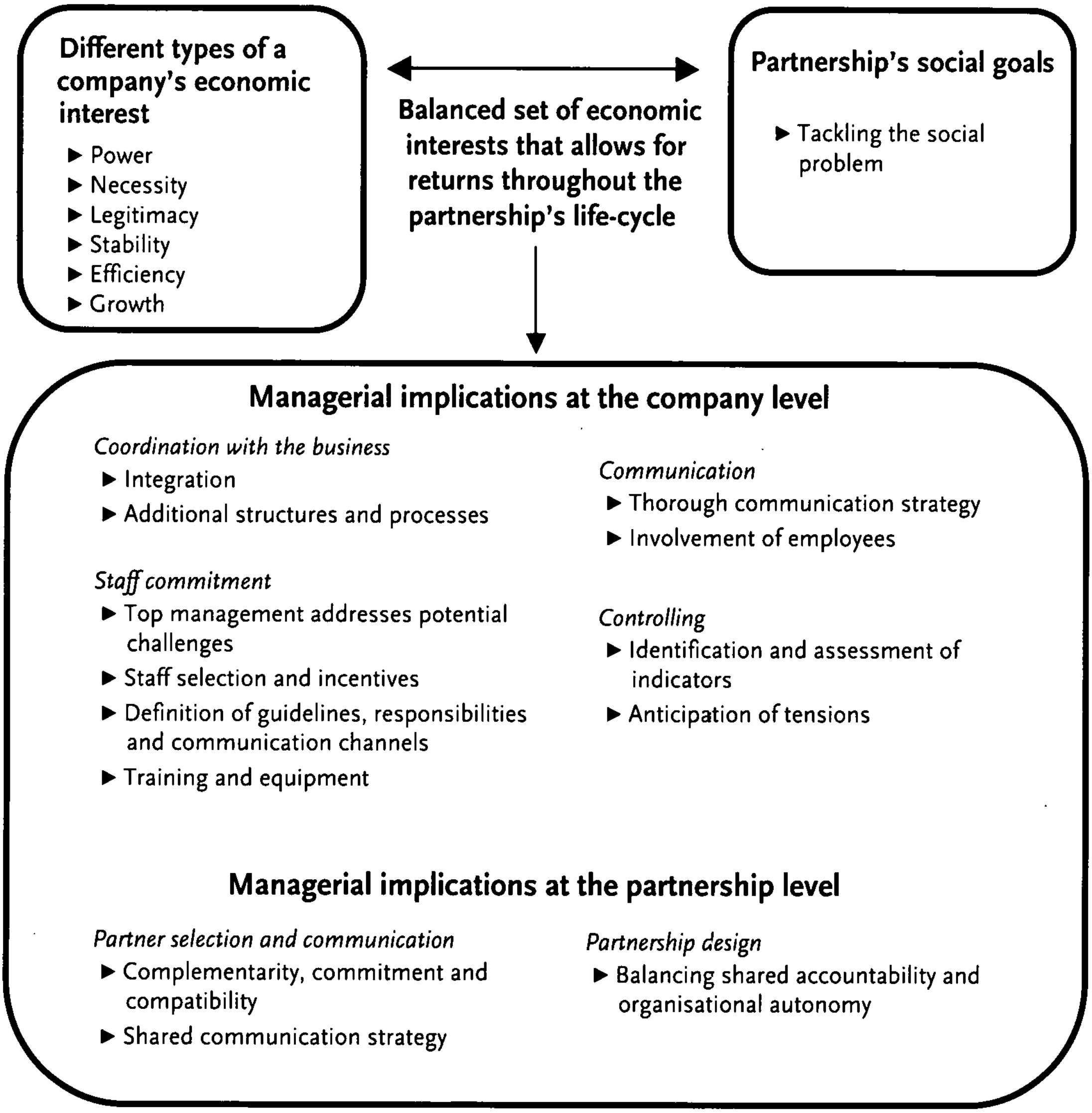
In the EEI, the companies involved were welcome to suggest the contributions they deemed the most suitable, such as training in the use of new technology, and that also enabled the realisation of economic benefits. Agreements then backed these suggestions. In view of the EEI's broad scope, the partners designed parallel workstreams with specified ownership structures in line with each partner's expertise (www.eei.gov.eg). Within a workstream, the structure left room for manoeuvre to experiment with how to achieve the defined objectives.

Interest alignment and partnership success

The existing literature's conclusion that 'reconciling individual interests is often too difficult for many collaborative endeavors' (Thomson and Perry 2006: 27) shows the importance as well as the challenge of interest alignment. In the absence of interest alignment, conflicts of interest may occur inside the company, affecting the company's commitment, and may simultaneously occur between the partners (Berger *et al.* 2006; Le Ber and Branzei 2010a). These conflicts threaten to undermine the partnership's performance (Rosenau 1999) and the achievement of the social and related organisational goals. Focusing on the company perspective and the notion of strategic CSR, this paper shows that potential tensions between social and economic interests in cross-sector partnerships can be narrowed with conscious management. Building on a literature review, the paper integrates practical insights into a framework for aligning a company's economic interests and the partnership's social goal, which is illustrated in Figure 2.

This paper contributes to the discourse of interest alignment in cross-sector partnerships in two ways. First, it analyses what the required reciprocal nature of interests (Seitanidi *et al.* 2010) means in the case of the business partner by specifying the relationship between a company's economic objectives and the partnership's social goal. In this regard, the paper emphasises that, for a sustained interest alignment, it seems important that companies build on a set of economic interests that motivates their engagement: economic interests, the realisation of which is dependent on the partnership's positive impact on

Figure 2 Elements of a sustained alignment of a company's economic interests and the partnership's social goals



the social problem, are crucial to sustain a company's commitment, while economic interests linked to necessity and increased legitimacy can play an important role in tiding the company commitment over the difficult time until a positive impact on the social problem becomes tangible. Thus, the fact that different economic interests materialise in a staggered way may be used to sustain incentives throughout the partnership implementation phase.

Second, the paper stresses that corporate managers need to actively remove obstacles for interest alignment and prepare the company to mitigate the risks involved in a partnership engagement (Harley and Warburton 2008). Indeed, sustainable interest alignment requires a successful operational coordination, communication and ongoing controlling at the company level. This is of particular relevance in light of empirical findings showing that the strategy and the active management and controlling of the corporate partnership activities are often not fully planned and thought through (Kolk *et al.* 2008; Jamali and Keshishian 2009). Adding to the valuable literature on managing interest alignment at the partnership level through relational processes (Le Ber and Branzei 2010a, b), this paper summarises how a conscious partner selection (e.g. Seitanidi and Crane 2009), communication strategy (e.g. Morsing *et al.* 2008), and balancing accountability and autonomy (e.g. Altenburg 2005) can further promote alignment.

Relating back to the discourse of the relationship between a company's CSR activities and its financial performance, this paper indicates that the extent to which an engagement can benefit both economic and social interests may depend largely on how the engagement is managed (Margolis and Walsh 2003). In this regard, we hope that the insights help company managers improve interest alignment and mobilise levers to realise both economic and social interests through their partnership engagement. In view of the rising number of social cross-sector partnerships (The Partnerships Resource Centre 2011) and the increased role these partnerships play in executing a company's CSR activities, more systematic approaches to interest alignment seem crucial for them to realise their full potential.

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