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Key Finding

Firms can improve their own performance by empowering other actors to collectively build market-supporting institutions.

Business Application

Firms can create sustainable value and secure a competitive advantage by empowering public and non-profit partners to tackle socioeconomic and regulatory issues that affect their business operations.

Cross-sector partnerships (CSPs) are alliances between firms, non-profit and public sector actors. They can generate innovative solutions to complex, large-scale socioeconomic problems that affect multiple organisations across different sectors of society. Examples include labour and capital market failures caused by unequal access to education, lack of transport and other physical infrastructure, or limited access to healthcare. However, partners' divergent emphasis on public versus private value creation often undermines the success of CSPs.

My work explains the conditions under which CSPs can create value for participating firms and for society as a whole. I show that firms can benefit from fading into the background rather than raising a banner and taking up the leadership of a joint initiative. They can do this by investing in the capacity of other actors to engage with issues of mutual concern and foster cross-sector ecosystems to bring diverse sources of knowledge, resources and expertise to bear on those issues. However, CSPs are not always the optimal solution. When responding to natural disasters, for example, partnerships are key to greater corporate financial contributions in less institutionally developed countries; but when firms have a local presence in more developed institutional settings, this effect is reversed. Cross-sector partnerships also have implications for the firm's employees. For example, a firm can learn about emerging markets and foster shifts towards a pro-social corporate identity when its employees collaborate with non-profit peers in emerging markets – but only if the firm promotes an internal sense of professional recognition for these collaborations.

Although the need for CSPs and the benefits they bring are most salient in emerging market contexts, they could also have a lasting impact in many other instances where institutional failures occur. Examples include underserved geographies and populations in more economically developed countries, and nascent industries that push the boundaries of existing regulatory and physical infrastructure (e.g. the sharing economy, driverless cars, artificial intelligence).

Read more: *Maximizing Partnerships: How Employee Learning Impacts the Organization*, Knowledge@Wharton, 22 October, 2015.
Creating Optimal Partnerships to Tackle Socio-economic Problems, Knowledge@Wharton, 21 April, 2016.

How Partnerships Drive Health Care Innovation in Africa, Knowledge@Wharton, 18 August, 2016.

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Research interests: cooperative strategy, cross-sector partnerships, non-market strategy, emerging markets, stakeholder engagement.