CROSS-SECTOR ALLIANCE LEARNING AND EFFECTIVENESS OF VOLUNTARY CODES OF CORPORATE SOCIAL RESPONSIBILITY

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Abstract: Firms and industries increasingly subscribe to voluntary codes of conduct. These self-regulatory governance systems can be effective in establishing a more sustainable and inclusive global economy. However, these codes can also be largely symbolic, reactive measures to quell public criticism. Cross-sector alliances (between for-profit and nonprofit actors) present a learning platform for infusing participants with greater incentives to be socially responsible. They can provide multinationals new capabilities that allow them to more closely ally social responsibility with economic performance. This paper examines learning facilitators in cross-sector alliances that enrich corporate understanding of stakeholder concerns. It suggests that these organizational learning experiments can translate into globally responsible practices and processes that improve the content and effectiveness of voluntary corporate codes.

Much of the existing literature on inter-organizational learning in alliances and the benefits that accrue from it has focused attention on the business sector (Dussauge, Garrette, and Mitchell 2000; Lane and Lubatkin 1998; Lane, Salk, and Lyles 2001; Lyles and Dhanaraj 2003). There is less research on learning in private public partnerships (PPPs) (Samii, Van Wassenhove, and Bhattacharya 2002) and other cross-sector alliances (Brinkerhoff 2002). While their use seems to be increasing, the extant literature does not consider how to harness these as vehicles for proactive change and learning by corporate participants.

This paper utilizes extant models of collaborative learning and integrates these with literature on the not-for-profit context. We consider alliances between non-governmental organizations (NGOs), and private sector organizations. We use these to extend prior work on voluntary corporate codes of conduct (Sethi, 2002; Sethi 2003) by highlighting how cross-sector collaborations can compel multinationals to adopt or even create voluntary codes of conduct and infuse the firm with the knowledge, know-how and incentives to behave in ways that will make a genuine difference in sustainable development.

Voluntary codes of conduct (VCC) are non-mandatory tools that businesses can utilize to formalize, encourage and guide employee behavior (Bondy, Matten, and Moon 2004). Activist pressure and increasing societal criticism of the impact of globalization on the environment, human rights violations, and substandard labor practices in host countries have led multinationals to participate in a variety of voluntary standards to self-regulate their social conduct (Christmann and Taylor 2002; Radin 2004). The body of literature on VCC suggests that multinational rationale for adopting these voluntary codes varies from mere compliance with governmental pressures (Gunningham 2001) to cooptation of government legislation (Diller 1999), reputation gains (O'Rourke 2003) and, at least sometimes, learning that provides firms with guidelines to modify operating routines and policies (Christmann and Taylor 2002).

Codes of conduct differ widely in their scope, the external economic and socio-political environment in which they operate, and the characteristics of organizations that sponsor them (Sethi 2002). With regard to scope, at one end of the continuum, voluntary codes have very specific requirements such as the International Standards Organization's ISO 14001 which involves corporate audits for certification of firm environment management systems. At the other end of the spectrum, codes such as the United Nation's Global Compact simply list nine environmental, labor and human rights principles that firms should follow (Christmann and Taylor 2002). The external economic and socio-political environment has been found to influence the adoption and evolution of corporate codes of conduct (Sethi 2002). While firms in high-growth industries with lower regulatory pressures tend to proactively adopt and implement codes of conduct for good-will purposes, those in industries that are mature or a focus of high-media attention often adapt such codes reactively (Sethi and Sama 1998). With regard to sponsoring organizations, environmental codes can be created by individual firms, industries, NGOs (e.g., the International Organization for Standardization's ISO 14001), governmental organizations (European Union's Eco-management and Audit scheme) and international organizations such as Organization for Economic Cooperation and Development's (OECD) Guidelines for Multinational Enterprises.

Evidence suggests that joint efforts between businesses, not-for-profit groups representing poverty, human rights organizations, activist and mainstream environmental groups for formulation and governance of codes of conduct in a variety of industries are on the rise (Overdevest, 2004). These multi-sector, multi-stakeholder experiments entail creation of new structures to aid joint decision-making that can help harmonize diverse participant interests. They also represent an important form of cross-sector collaboration with learning potential that could offer multinationals lessons in diffusion of social quality standards. Critics contend that the NGO participation sought is more of the "capture" type which makes adverse selection and free rider issues more pervasive (Sethi 2003). Such groups, at least superficially, resemble industry consortia for technical standards and these have been found to suffer from problems of interia and free-rider effects. Given, the lack of research

on these collaborations, this paper predominantly focuses on the learning potential of cross-sector alliances that are simpler in structure than such consortia and that have been empirically investigated, at least in terms of case studies. These business and NGO collaborations address corporate social priorities related to a variety of issues.

Heightened public awareness in the 1990s saw a rise in "first generation" partnerships of the latter type to address corporate environmental responsibilities. These collaborations progressed from industrial pollution to agricultural pollution that encompasses loss of biodiversity, loss of natural habitats, pollution of off-farm ecosystems and health risks associated with chemical pesticide exposure (Gunningham 2001). Instances of cross-sector alliances that address environmental issues with "win-win" approaches continue to proliferate and are fairly common (Rondinelli and London 2003). In these alliances, environmental improvements endorsed by NGOs that make good business sense allow leverage of partner knowledge and rich information exchange, especially, in multinationals that proactively initiate these partnerships (London, Rondinelli, and O'Neill 2005). Human rights and labor-related partnerships have not flourished to the same extent. Although present, instances of these are few and far between. Illustrations of these and other more pervasive alliances that create economies of scope and scale are provided throughout this paper to enrich understanding of the role cross-sector learning plays in transforming formulation and implementation of these codes.

Codes of conduct also vary in their content, with narrow codes emphasizing a few elements of corporate social responsibility. In contrast, broader corporate codes cover several elements of social responsibility, namely, employment criteria, environmental, health and safety issues, human rights, labor standards, discrimination, etc. Implementation of human rights elements of voluntary codes of conduct are more controversial (Kolk and van Tulder 2004). Regardless of content, scholars recognize the limits of these codes of conduct in laying the foundation for proactive social behavior in multinationals. Since inter-organizational collaboration can be an effective conduit for knowledge transfer (Hardy, Phillips, and Lawrence 2003), we investigate the generic impact of cross-sector alliances in leading multinationals along the pathway to organizing responsibly globally.

This paper addresses the following research questions: Q1. What is the motivation for multinational learning in cross-sector alliances? Q2. Why should cross-sector alliances be viewed as potential learning platforms? Q3. How does firm learning increase the effectiveness of voluntary codes of conduct that ultimately ensures sustainable development? Q4. How do different blocks of explanatory variables, i.e., alliance-specific, partner-specific and context-specific variables promote the proliferation of a culture and mentality fostering corporate social responsibility throughout the organization?

Theoretical Context

In the business sector, organizational learning provides an important rationale for alliance formation (Kogut 1988). Learning as a primary strategic intent, however, is often questioned (Inkpen 2002; Salk and Simonin 2003). NGO researchers meanwhile suggest that reduced funding, escalating needs, or hostile forces motivate cross-sector alliances (Melaville and Blank 1993). While NGO researchers emphasize reactive rather than the proactive rationales covered by the business sector research, they also point to the comparative advantage offered by fostering participatory learning (Hulme 1994). Furthermore, cross-sector alliances can be particularly important given the nature and scale of public service needs and their ability to address challenges that are difficult to tackle in isolation (Chisholm 1989; Gray 1989). Multinational partnerships with NGOs are viewed by some as superficial attempts to buttress the symbolic facade and abate rising stakeholder pressures (Sethi 2003).

Kolk, van Tulder, and Carlijn (1999) suggest that dialogue between companies and their numerous stakeholders is initiated by codes of conduct. Voluntary codes of conduct define the "baseline expectations or responsibilities to which companies are increasingly expected to adhere by a wide range of stakeholders" (Waddock, Bodwell, and Graves 2002: 138). They may also define a corporation's aspirations of going beyond the minimum requirements of what the law requires or where the next stage of current best practices might be (Sethi 2003). Unfortunately, their potential to influence sustainability and social goals quite often remains unrealized (Sethi 2002). By focusing on cross-sector alliances, we highlight their role in creating new mental models in multinationals which can enable global diffusion of responsible values to ultimately augment the effectiveness of voluntary corporate codes of conduct.

Cross-Sector Alliances

Research on cross-sector alliances indicates that recognition of both the short- and long-term benefits (Rondinelli and London 2003) and accrual of experience working together (Nelson 2002) have led to increased alliances between corporations and nonprofit organizations. In this paper, cross-sector alliances are defined as partnerships between for-profit organizations and not-for-profit organizations such as local and international NGOs. We will occasionally use examples that also include inter-governmental agencies (United Nations), but the presence of governmental actors can add a layer of complexity that we wish to avoid to the extent possible in laying out our basic arguments.

Existing scholarly inquiry on cross-sector alliance learning is largely theoretical or case-based (Ashman 2001). Cross-sector alliances are identified as precursors of increased learning: Sectors can learn from one another while meeting the individual needs of partnering institutions (Sagawa and Segal 2000). Research has focused on *what can be learned* from these alliances. Drucker (1989) asserts that the business

sector can learn to be mission-driven and board-led from the social sector. Likewise, Osborne and Gaebler (1992) assert that the social sector can learn to be more competitive, customer-driven, results- and market-oriented from the business sector.

Before analyzing the impact of sector characteristics and other explanatory variables on these alliances, we first explore multinational intent to learn in the cross-sector alliance context and what can be learned by multinationals in this context.

Motivation to Learn in Cross-Sector Alliances

Pfeffer (1976) visualized organizations as open social systems constantly engaged in transactions with other organizations in their environment. These interactions result in organizational interdependence (Jacobs 1974; Thompson 1967) while simultaneously creating uncertainty. Cross-sector alliances can be seen as one uncertainty reduction strategy. Several researchers (Cyert and March 1963; Thompson 1967) underscore the organizational need to avoid and reduce uncertainty as the basis of these organizational strategies. Essentially, cross-sector alliances are an excellent means of managing firm-specific uncertainty (organizational unfamiliarity with market characteristics) as well as policy uncertainty (induced by diverse political institutions of nations) while providing a strong social underpinning to the extant global market (Nelson 2002).

Cross-sector alliances could also be likened to biological symbiotic relationships as they represent mutual dependence between unlike elements. Hawley (1950) contended that since symbiotic species make different demands on the environment they might supplement one another's efforts. In a sense, cross-sector alliances promote coexistence among partners with teaching intentions such as NGOs and inter-governmental agencies (the United Nations) and partners motivated by learning intentions such as private sector participants (both in developed and developing countries). The resource dependence perspective asserts that one consequence of competition and sharing of scarce resources is the development of dependencies of some organizations on others (Aldrich 1979). Based on this perspective, the learning intent of the multinational partner can be explained in terms of the need of these organizations to tap critical resources such as access to suppliers, customers, creditors, government agencies, etc.

Demands from consumers, closer public scrutiny, and growing importance of corporate social responsibility increasingly provide the impetus for greater learning in the multinational partner. For example, a report on cross-sector biodiversity partnerships (PWBLF 2002) suggests that worldwide issues such as biodiversity necessitate a global approach, through partnerships between international NGOs and international businesses. The report contends "a healthy cross-sector partnership is invariably a learning partnership."

The learning intent of partners entering into these alliances can also be explained by alliance partner motives to obtain stability and legitimacy that allow access to resources and ultimately ensure organizational survival (DiMaggio and Powell 1983; DiMaggio 1988; Oliver 1991). Inkpen (2002) identifies the need for legitimacy

as one of five strategic rationales for traditional alliance formation. Oliver (1990) also suggested that firms seek established partners to capitalize on their reputation. Likewise, in his study of business-sector alliances, Stuart (2000) found that alliances can be signals that convey social status and recognition.

Other scholars view collaborations as facilitators of new knowledge creation besides the established view that learning results from the transfer of existing knowledge (Anand and Khanna 2000; Larsson et al. 1998; Kale, Singh, and Perlmutter 2000). For this reason, cross-sector alliances with widely recognized partners such as the United Nations, NGOs (World Wildlife Fund), etc. not only enhance partner credibility but can also facilitate learning and knowledge transfer.

What Can Be Learned in Cross-Sector Alliances?

Fiol and Lyles (1985) visualized the dual manifestation of learning as cognitive and behavioral. Behavioral learning encompasses changes in routines, procedures, processes, actions, and structures while changes in understanding, beliefs, and cognitive maps are subsumed under cognitive learning.

Chen and Li's (1999) argument that behavioral learning in alliances from functionally different organizations (e.g., NGOs, firms and academic institutions) helps new product development for participating organizations was supported in Samii, Van Wassenhove, and Bhattacharya's study (2002). The process learning in this instance included knowledge of supply chains from the academic partner and social responsibility from the NGO partner. Samii, Van Wassenhove, and Bhattacharya propose that partnership concept learning (learning the goals of the cooperation model) goes hand-in-hand with behavioral learning. Therefore, partners that embrace new working procedures and understand the criticality of operation with a common set of values can "give cross-sector alliances a higher chance of beating the odds."

While Rondinelli and London (2003) observe that multiple cross-organizational partnerships cannot substitute for effective internal operations, in this paper we argue that cross-sector alliances can complement and enhance organizational operations to provide an impetus for learning as alternative operational practices are introduced. Accordingly, in the subsequent sections, we look at the emergence of voluntary codes of conduct, existing efforts to enhance their credibility and the potential for cross-sector learning to contribute to their effectiveness.

Emergence and Effectiveness of Voluntary Codes of Conduct (VCC)

Scholars underscore the criticality of creating generally acceptable codes of conduct (Sethi 2002; Waddock, Bodwell, and Graves 2002) given the rapidly increasing number of the world's largest businesses that engage in some form of social and environmental performance reporting. More recent research suggests that codes of conduct are becoming widely adopted instruments that encourage adherence to a set of principles that aim at preventing corporate misconduct (Harris 2004).

The literature on voluntary codes of conduct takes a skeptical stance toward voluntary codes as currently promulgated by multinationals, since they are deemed to lack specific content. Besides being deficient in public reporting of compliance audits, they also tend to lack attention to stakeholder rights. Corporations also reveal a severe disconnect between their social aspirations and design of organizational structures to implement codes of conduct (Sethi 1999). Despite these flaws, others note that just by embracing voluntary corporate codes, multinationals signal at least an intention to behave responsibly (Wriston 2003). Some acknowledge that the process of code development and implementation requires the lead company to create new systems and procedures, management structures, and training protocols at a significant expense (Sethi 2003). Other scholars remark that the ability of corporate codes to systemize procedures around the world (Radin 2004) allows multinationals to contain costs associated with dealing with disparate government regulations in the many countries where they operate. In a way, codes characterize a shift from factory-centered regulation to supply chain and brand regulation focusing on multiple actors in the production chain (O'Rourke 2003).

Disclosure and consistent reporting are identified as pre-requisites for improving the credibility of these codes. Reporting not only augments the influence of changing market morality but also increases firm reputation and competitive advantage. Waddock, Bodwell, and Graves (2002) indicate that the key to the success of voluntary codes of conduct is improvement through indicators that measure responsibility. Initiatives such as the SA 8000 administered by the Social Accountability International are patterned on international standards namely, the International Standard Organization's ISO 9000 and ISO 14000 (O'Rourke 2003). Other schemes such as Global Reporting Initiative (GRI) and AA 1000 standards are issued by the Institute of Social and Ethical Accountability (ISEA).

All these standards develop best practices and evaluation techniques to improve the comparability and credibility of firm stakeholder management strategies and social performance (Waddock, Bodwell, and Graves 2002). Nevertheless, some scholars question the role of quantifiable measures in developing responsible corporate behavior (Harris 2004). These scholars contend that an overemphasis on measurement might encourage unthinking and mechanical behavior in organizations. Controversy continues to surround other issues relating to who should design, implement, monitor, and report compliance of corporate codes (Sethi 2003).

Hess, Rogovsky, and Dunfee (2002) suggest that competitors will respond to one another in a race to adopt codes of conduct to boost their reputations. Overdevest's (2004) case study that assesses codes of conduct in the forestry industry illustrates the role of internal and external peer-pressure in diffusing codes of conduct when industry-wide systemic schemes are utilized. In the forestry industry, enhanced visibility of the benefits to be derived from this approach along with reputation effects have resulted in long-term organizational commitment to these initiatives. Unfortunately, in other industries, such approaches can also lead to the free rider problem where often companies claim to follow similar practices without actually

doing so thereby creating loss of reputation for the companies that actually comply with their codes (Sethi 2002).

A variety of factors utilized by actors participating in industry-wide cooperation make these efforts less desirable. This is because their primary goal is to restrain societal expectations of what codes do rather than to use them to broaden corporate domain of activities (Sethi 2002). Such initiatives alone, then, are not a panacea for increased corporate social responsibility. For codes of conduct to be effective at the industry population level, in fact, mechanisms e.g., provable accountability of performance, market recognition, etc., must be in place that allow partners to minimize the free rider problem (Sethi 2002).

Contribution of Cross-Sector Alliances to the Effectiveness of Voluntary Codes of Conduct

A comprehensive view of organizations from diverse sectors reveals that they belong to different organization sets, each embedded within its own web of inter-organizational relationships. Each sector has a taken-for-granted image which acts as an external source of resistance to intra-organizational change (Granovetter 1985; Hannan and Freeman 1984; Schumpeter 1934). Nelson and Winter (1982) note that changes in organizational routines might involve disruptive modification of ties or linkages between the organization and its environment. Cross-sector alliances can provide exposure to other mindsets and experience that provide the basis for revolutionary or evolutionary changes in how firms manage corporate social responsibility.

Ashman (2001) ascribes the new skills learned by alliance partners to coordination of joint activities, communication with strikingly different cultures and the negotiation of differences. These skills can help shape the structure of codes of conduct such that their implementation and evaluation are utilized as learning opportunities rather than pretexts for annual exposure of faults (Harris 2004). In a way, learning from cross-sector alliances can serve as a critical ingredient that reinforces reflective decision-making and effective implementation of codes such that it aids corporate ethical development. Based on the above logic, primarily in industries with systems that minimize the free rider problem, it is proposed that:

> Proposition 1: Overall standards of corporate conduct reflected in the quality and effectiveness of voluntary codes of conduct will be higher in firms that develop new competencies and capabilities via cross-sector alliances than those that do not.

Learning Facilitators that Enhance Effectiveness of Voluntary Codes of Conduct

In this section, we investigate learning facilitators in cross-sector alliances that enhance socially responsible behavior in multinationals with a focus on

alliance-specific factors. Among the alliance specific factors discussed here are: (a) alliance type (b) alliance goals (c) alliance size and (d) the role of linking-pin organizations.

Alliance Type

Research on cross-sector alliances suggests that these inter-organizational relationships form for different purposes. This stream of literature distinguishes between two main types of alliances: proactive (opportunity driven, positive responses) and reactive (threat driven, more aversive/rigid responses) (London, Rondinelli, and O'Neill 2005). These alliances represent variability in firm response to environmental and stakeholder pressures (Sharma and Vredenburg 1998). In industries with diffuse stakeholder pressures, firms that seek to strategically differentiate themselves engage in proactive alliances e.g., the alliance between Starbucks, a leading specialty coffee company, and the environmental nonprofit Conservation International (Austin and Reavis 2002). On the other hand, intense public criticism and impending regulatory pressures in the extractive and energy production industries drive reactive alliances as seen between DuPont and the nonprofit World Resources Institute to improve the environmental performance of polymers (London, Rondinelli, and O'Neill 2004).

Despite their diverse individual objectives, both NGOs and the private sector work together in proactive collaborations to meet the goals of common stakeholder communities. Just as in the traditional alliance literature, the conduciveness to learning, learning issues as well as learning outcomes is substantially different in these two types of cross-sector collaborations. It is important to point out that proactive alliances allow for greater exposure to partner cultures, structures, processes, etc. This increased partner exposure in proactive alliances provides an increased opportunity for organizational learning.

Since proactive alliances do not require widespread issue selling to organizational actors they are able to support efficient information transfer within and across partners. An examination of the proactive alliance between Norm Thompson Outfitters and The Alliance for Environmental Innovation to identify, test and implement environmental improvements in the apparel manufacturer's catalog paper practices generally supports this line of reasoning (London, Rondinelli, and O'Neill 2004). Threat-driven reactive alliances, on the other hand, require comparatively greater effort to build legitimacy within the organization and trust between partners compared with proactive alliances. This dynamic was similarly discernible in the reactive alliance between Mead Westvaco, a global manufacturer of paper and the nonprofit The Nature Conservancy (London, Rondinelli, and O'Neill 2005).

Firms that are able to infuse their decision-making with learning from proactive cross-sector alliances can be expected to better understand social issues and sustain integration of this newly acquired vision of responsible practice into overall corporate strategy (Gunningham 2001). This should be greater in firms from high-growth industries that are more willing to adopt and implement these codes. Other

research shows that firms that follow proactive environmental strategies are more effective at self regulation compared with those that adopt defensive strategies (Christmann and Taylor 2002). The above discussion suggests that particularly in high-growth industries:

> Proposition 2: Proactive firm engagement in cross-sector alliances with learning potential will be associated with higher levels of diffusion and integration of codes of conduct into corporate culture.

Alliance Goals

Vollman and Cordon (1998) suggest similarities between cross-sector alliances and those between customers and suppliers. Both require participants to clearly define problems and opportunities if they hope to achieve mutually beneficial outcomes from the collaboration. Similarly, reports of NGO-private sector alliances indicate that the relative newness of these alliances and the resultant limitedness of experience with partners necessitate the need for setting formal goals to keep the alliances on track. Collaborations characterized by shared partner commitment to social value generation with clarity in problem definition and solution identification can significantly increase both alliance viability and assimilation of socially responsible behavior. These arguments agree with findings in business-to-business alliances that show that formal goals and business plans are associated with higher learning (Lyles and Salk 1996).

Cross-sector alliances with clearly delineated social goals represent a unique avenue for managers to promote an organizational culture that encourages an increased awareness of social issues (Austin and Reavis 2002) that are important to workers and key stakeholders. In addition, cross-sector alliances initiated by United Nations agencies also provide an opportunity to advance harmony with core UN principles related to human rights, labor standards and environmental stewardship among partners (Samii, Van Wassenhove, and Bhattacharya 2002). Increased corporate awareness of these issues could manifest in more viable and pragmatic voluntary codes of conduct. Further, progress from such efforts is perceptible in corporations where decision maker's alter code content and integrate codes into organizational operating procedures.

For example, the goal of harmonizing environmental preservation with economic usage which drove the collaboration between Georgia Pacific, one of the world's largest forest products companies and the international conservation organization and owner of nature preserves in the United States, The Nature Conservancy led to joint management of forested wetlands in North Carolina (Austin 2000). This allowed for certain areas to remain undeveloped and lumbering with environmentally low-impact techniques at other sites. Clearly delineated social goals also led to the institutionalization of human resource policies that tie individual bonus to performance on the company's eleven-point environmental strategy (Austin 2000).

Similarly, the collaboration between the human rights nonprofit, Amnesty International and its multinational business partner, British Petroleum illustrates how one international business that faced a significant challenge in maintaining its high internal ethical standards when operating in conflict-ridden countries with weak institutional environments leveraged its nonprofit partner's expertise to embed voluntary human rights codes into organizational legal documents to protect both the communities impacted by its Baku-Tbilisi-Ceyhan Pipeline project and its own reputation (Dimitroff 2004).

Lack of diffusion and integration of codes of conduct into the organizational culture is identified as an important factor that hampers the effectiveness of these codes (Sethi 2003). Firms in mature and intensely competitive industries that face greater external scrutiny are more likely to reap benefits from clearly specified goals that can increase their proclivity to create organizational processes that incorporate good corporate conduct into their culture (Sethi and Sama 1998). External macro-economics and internal micro-economics impose limitations on diffusion of corporate codes, which means that setting clear social goals for cross-sector alliances should positively impact the success of learning for codes of conduct in firms from all different industry contexts: mature, high-growth and intensely competitive. Therefore, more generally:

> Proposition 3: Firms that formally specify clear social goals will show a higher positive association between engaging in cross-sector alliances and the diffusion and integration of codes of conduct into corporate culture compared with those that do not.

Alliance Size

Traditional alliance literature primarily deals with dyadic relationships. By contrast, in cross-sector alliances, there often may be three or more partners, due to the need for diversity in objectives, line of business and expertise, in general. At the same time, if legitimacy is the primary goal, multiple cross-sector partner involvement may be directly related to positive outcome (Brown and Ashman 1996). Samii, Van Wassenhove, and Bhattacharya (2002) contend that the need for a critical, diversified and complementary mass of experience, vision and opinion to meet alliance objectives must be the key decisive force in the number of partner's decision. Up to a threshold level, the greater the number of partners that contribute in terms of open discussions on best practices, costs, risks, and expertise related to socially responsible behavior, the greater the likelihood that corporations progress along the learning curve to becoming more socially responsible.

Scholars in the business ethics stream identify leadership, learning processes and human resource management as the three key means to foster ethical awareness and augment managers understanding of various ethical frameworks (Buller and McEvoy 1999). They maintain that learning from effective dialogue with key stakeholders can especially advance specificity of code content and integration of codes into corporate culture. In fact, to make these codes more effective it is suggested

that corporate decision makers explore new ways to develop socially responsible thinking (Sethi 2002). However, as discussed earlier, opportunity-driven proactive alliance partners will be better able to exploit the expertise made available by the cross-sector alliance educational platform compared with threat-driven reactive alliance partners. In addition, social response in firms from high-growth industries is anticipatory, and they are more willing cooperators in changing their conduct (Sethi 1979), which makes them likely participants in proactive alliances. Especially in high growth industries:

> Proposition 4: For firms engaging in proactive cross-sector alliances, a greater number of partners will be positively associated with firms' diffusion and integration of codes of conduct into corporate culture. Such predictions can not be made for those that engage in reactive cross-sector alliances.

It should be noted that while the business ethics literature cited above leads to such a prediction, the more general literature on alliances generally supports a negative relationship between the number of partners and learning (Lyles and Salk 1996).

Role of Linking-Pin Organizations

Other alliance-specific factors that need to be considered include the role of linking-pin organizations. Aldrich (1979) traces the role of linking-pin organizations in integrating diverse networks to their extensive and overlapping network ties. He suggests that these organizations serve as communication channels, providers of general services besides serving as models to be imitated. In addition, intermediaries play a critical role in helping cross-sector partners develop shared goals and mutual understanding (Ashman 2001). In essence, these bridges between sectors facilitate the recognition of common problems and shared interests in problem solving. Armed with their understanding of both sectors, intermediaries are in a good position to translate and shape emerging ideas. These intermediary functions can be performed by linking-pin organizations: specialized organizations that broker these alliance relationships.

In an innovative, multi-sector partnership model, United Nations Industrial Development Organization (UNIDO) was the critical linking-pin organization that leveraged its core competencies and neutral position to integrate and respond effectively to the needs of stakeholders as diverse as governments, donors, national institutions, private and social sectors (Samii, Van Wassenhove, and Bhattacharya 2002). Management of the initiative as well as the enhanced interaction between multiple partners was seamlessly accomplished by the linking-pin organization. The synergy created by the multiple cross-organizational exchanges of ideas (Buller and McEvoy 1999) led to the adoption of innovative solutions as reflected in a greater integration of codes into the organizational culture of corporate partners. As a consequence, not only does the presence of linking-pin organizations facilitate appropriate linkages and learning by partners but ultimately also impacts the articulation, and implementation of corporate codes of conduct.

The influence of market-based factors suggests that linking-pin organizations might be more advantageous for cross-sector alliances that involve firms from industries that are mature or the focus of high-media attention. Scholars suggests that firms from these industry contexts are extremely risk-averse since their products and services create a high level of public anxiety which makes it unlikely that they will seek opportunities to experiment with novel social approaches (Sethi and Sama 1998). Similarly, in firms from intensely competitive and entrepreneurial environments where ethical behavior is driven by the personal vision of the entrepreneur, firm behavior can range from highly ethical to unethical (Sethi 1998). In both these contexts, the role of linking-pin organizations becomes increasingly important to help partners navigate the cultural divide to ensure more proactive social responses instead of adopting trouble-shooting approaches to meet societal expectations. Particularly, in mature industries and intensely competitive entrepreneurial industries:

> Proposition 5: The involvement of linking-pin organizations in firms' cross-sector alliances will positively influence learning that can enhance diffusion and integration of codes of conduct into corporate culture. In the non-mature industry context, this association might not hold or be negative.

Partner-Specific Factors

Social Capital of Partners

This section examines the impact of one partner-specific factor, social capital, on cross-sector learning and its influence on the effectiveness of corporate codes. Research related to cross-sector cooperation briefly underscores the catalytic role of social capital in facilitating cooperation between partners who have shared traditionally unequal and adversarial relationships (Pinney 1999; Waddell 2000). Paybacks from social capital in this context include its ability to allow for increased recognition of partner interdependence, to alter partner perceptions related to the cross-sector engagement, and to lend to efficient maneuvering through bureaucratic hurdles (Kalegaonkar and Brown 2000). Since the traditional alliance literature highlights that knowledge acquisition is predominantly a social process (Kogut and Zander 1992), social capital may be critical for learning and long-term success of cross-sector alliances.

Social network theory suggests that actors who are centrally located possess unique social capital that gives them access to certain actors and resources (Tsai 2000). Waddock (1988) notes that the authorizing and legitimizing functions of top management makes this form of social capital critical to the success of these alliances. Case studies reveal that while mission connect is a key driver, inter-personal relationships between the Chief Executive Officers (CEOs) of partner firms are the glue that bind cross-sector alliance partners (Austin 2000).

Other research in the boundary spanner literature highlights the critical role that individuals and groups play in channeling knowledge flows and influencing learning (Tushman 1977). In terms of social capital accumulation, then, positive interactions of a large number of functionally dispersed boundary spanners at different hierarchical levels with alliance partner members should greatly influence social capital at the organizational level (Kostova and Roth 2003). Increased availability of social capital as a public good in alliances characterized by complex interdependence promotes increased transparency and knowledge transfer between partners.

Successful cross-sector alliances entail creation of new intra and inter-organizational knowledge structures to facilitate information flow among partner organizations. In a sense, this organizational form lays the foundation for improved communication channels within the organization that can enhance the accumulation of social capital. This represents one of the 'multiplier effects' of cross-sector alliances whereby organizational structures and processes created for the initiative translate into changes that catalyze social responsibility throughout the organization and at all levels of corporate hierarchy (Kalegaonkar and Brown 2000). Other research also suggests that sustainability of these alliances requires that relationship connections within the corporate partner extend beyond the Corporate Social Responsibility division to permeate several levels of the organization (Salk and Arya 2005).

The multi-tiered diverse teams created by Starbucks to manage its cross-sector collaboration with Conservation International illustrate how a model developed to manage the alliance supported evolution of a mindset (Sosnowchick 2000) amenable to promoting effectiveness of corporate codes. This model demonstrates recognition by corporations that neither top-down initiatives nor establishing isolated units with the specific charter of promoting socially responsible issues are effective solutions. Rather, greater investments in converting private (individual) social capital to public (organizational) social capital by involvement of line managers in socially responsible decisions can promote institutionalization of corporate social responsibility (Salk and Arya 2005). This is important in all types of market environments, but, particularly, in entrepreneurial corporations where ethical behavior is driven solely by CEO personal vision. Hence:

> Proposition 6: Firms with greater social capital across hierarchical levels within
> and between cross-sector alliance partners will positively influence learning
> that can enhance diffusion and integration of codes of conduct into corporate
> culture compared with firms with lower social capital.

Prior Cross-Sector Alliance Management Experience

According to the organization learning literature, prior learning facilitates the learning and application of new, related knowledge (Cohen and Levinthal 1989, 1994). However, when firms differ in their ability to recognize the value of new information, assimilate and apply it, more generally, it can be argued that there are differences between partner's absorptive capacities (Cohen and Levinthal 1990).

Considering the experiential nature of learning, Barkema, Shenkar, Vermeulen, and Bell (1997) maintain that only prior experience that is related can incrementally increase organizational absorptive capacity.

The complexity of public service needs demand cooperation among diverse actors, each with their own perspectives, resources and comparative advantages (Brown and Ashman 1996). Yet, to successfully manage these cross-sector alliances, management must aim at striking a fine balance between its ability to leverage extant competencies acquired from within-sector alliance management while developing skills that consider the cultural and structural differences between cross-sector alliance partners (Rondinelli and London 2003).

Simonin (2000) traces a firm's competence at effectively entering and benefiting from traditional alliances to its collaborative know-how. He asserts that collaborative know-how is an organization-wide capability developed by a careful assessment of the success and failure of the firm's prior collaborations. Existing studies on traditional alliances have found that interacting with other firms through alliances allow companies to change their ideas and establish their identity (Nooteboom 1992). Cross-sector alliance research shows that this platform fosters corporate respect for the nonprofit partner's skills, helps the corporate partner establish a repository of goodwill with nonprofits, and augments partner confidence that ultimately enhances partner capability to manage these complex relationships (Austin 2000; Gunningham 2001).

For example, Starbucks' prior experience with nonprofits such as the Cooperative for American Relief to Everywhere (CARE) to mount development projects in coffee growing countries and with The Environmental Defense Fund to develop an environmentally friendly cup significantly expedited the agreement process with its next nonprofit partner, Conservation International (Austin and Reavis 2002). The authors note that changes in organizational attitudes and processes along with the skills developed in identifying potential synergies with cross-sector partners accelerated the negotiation and approval process for the new initiative compared with prior initiatives. For this reason, management that realizes the need to unlearn skills honed in same-sector alliances and develop other skills to handle the complexities of cross-sector alliances can effectively facilitate learning in these alliances that can positively influence the effectiveness of corporate codes. This capability is important for corporate partners in all types of external economic environments. However, this capability should considerably benefit firms in high-growth industries with high sensitivity to societal perceptions that collaborate proactively. More generally:

> Proposition 7: There will be a significant positive association between a firm's level of cross-sector alliance experience and the degree of learning that should in turn positively enhance diffusion and integration of codes of conduct into corporate culture.

Context-Specific Variables: Alliance Goals and State Strategy

Traditionally, larger businesses have worked to manage relationships with governments. Nevertheless, NGOs have been identified as formidable new actors who can significantly alter the dynamics of business-government relationships (Doh 2003). NGOs also increasingly utilize businesses to achieve their purposes, including shaping government policies when governments are unwilling or unable to give them what they want (Pearce 2003). This has affected alignment between business and NGO goals and led to an upsurge in their collaboration. NGOs play a paradoxical role: highlighting the shortcomings of business and government actions in terms of social, ethical, and environmental responsibility to influence both government and corporate policy. At the same time, they cooperate with companies and governments to similarly manipulate government policy approaches and corporate social priorities (Pearce 2003).

Particularly in the global environment, the role of the state is complex and continues to remain unclear. Sagawa and Segal (2000) suggest that governments, civic leaders, and ordinary citizens can all encourage partnerships between business and social sector organizations. They further suggest that the government in its role as regulator is responsible for policies that can inhibit or encourage cross-sector partnerships. Legal limitations enforced by the government can create barriers between partners and limit opportunities for both. For example, relaxation of anti-trust laws by the US government made it possible for automotive firms to work with one another and with NGOs in developing alternative fuel vehicles (Doh 2003).

In his work on industry self-regulation efforts, Hemphill (2004) proposes a mixed system of public-private regulation. He contends that domestic regulatory systems that complement global initiatives can be truly effective. In Thailand, the governmental agency responsible for labor and social welfare established training programs for its own and industry staff to improve the competitiveness of the garment industry. The trained staff assists local producers to comply with codes of conduct patterned on international labor standards (Kaufman et al. 2004). Yet, when host countries are unwilling or unable to enforce environmental, safety and labor laws, cross-sector learning can help multinationals shape and implement corporate codes that boost commitment to sustainable corporate practices within their supply and distribution chain.

Governments, in some instances, play a role in promoting cross-sector learning. On other occasions, they may espouse goals that work at cross purposes with the stated and desirable social goals of cross-sector alliances and voluntary codes of conduct.[1] The extent to which government goals are aligned with standard voluntary codes of conduct will impact the ability of cross-sector alliance learning to translate into effective self regulation that trickles down the corporate value chain. Therefore, it is proposed that:

> Proposition 8: The extent to which states' policies in those nations that are objects of voluntary codes of conduct are aligned with the proposed standards,

the greater the degree to which learning from cross-sector alliances will tend
to result in diffusion and integration of codes of conduct into corporate sup-
ply chains.

Just as our arguments suggest that learning from cross-sector alliances enhances the
social performance of business-sector partners, other research could investigate the
role that these initiatives play in aligning state goals when they are in opposition.
Such research can provide critical insights into the impact of cross-sector alliances
on maximizing the potential of voluntary codes of conduct for establishing a more
sustainable and inclusive global economy.

Discussion and Implications for Future Research

The global marketplace displays mounting complexity and mobility of sup-
ply chains which strain state regulation. Voluntary codes of conduct signify new
governance systems that seek to tackle this challenge by filling gaps in traditional
government regulation. The primary objective of this paper is to link the cross-sector
alliance stream of literature with the literature on voluntary codes of conduct. We
begin to fill an important gap in the VCC literature by investigating how the spillover
from cross-sector collaborations has the potential to motivate and strengthen multi-
national efforts to implement self regulatory systems. Since 80 percent of Fortune
500 companies have written environmental charters and many subscribe to one or
more voluntary codes of conduct (Maxwell et al. 1997), the relationships proposed
in this paper can be empirically studied utilizing a sample of these multinationals
that participate in cross-sector partnerships. We also hope to motivate additional
research that investigates other important multinational cross-sector collaborations
responsible for standard setting, governance and measurement. Such inquiries
should provide important insights to help firms increase social responsibility and
effectiveness of their voluntary corporate codes. The following are some other areas
for further research.

To the extent that cross-sector alliances tend to be shorter, fixed duration ar-
rangements (Rondinelli and London 2003), whether and how this use of time affects
learning and multinational ability to promote values globally is a vital area for
future investigation. For the corporate partner, learning tends to be concentrated in
particular parts of the organization (especially, the project level) while in NGOs it
is concentrated at the field level (Edwards 1997). This highlights the importance
of social capital accumulation and development of collaborative capabilities to
ensure that cross-sector learning can translate into consistent global practices and
processes. Our analysis suggests the need to better understand how various intra
and inter-organizational architectures put in place for cross-sector alliances might
enhance employee capacity to learn and leverage acquired knowledge.

Recent conceptual work by Salk and Arya (2005) recommends multi-tiered,
multi-functional teaming strategies within multinationals, coupled with strategies
for building high employee involvement in social initiatives across geographies,

levels of hierarchy and businesses. They develop an argument for why such approaches should be effective to build social capital that can facilitate firm social performance. The authors' stress multinational role in maximizing learning from these initiatives by laying the appropriate groundwork in the form of operating systems that allow corporate social responsibility personnel and other employees to develop social responsibility skills. Although an important step in this direction, empirical research that addresses this domain of firm activity will significantly contribute to this undeveloped aspect of firm responsiveness to social issues ensuring the effectiveness of corporate codes.

Another gap suggested by this paper is the investigation of country-of-origin and country-of-operation effects on cross-sector learning and social performance of partners. Kolk and van Tulder (2004) report that Japanese multinationals are less likely to adopt formal corporate codes compared with US and European multinationals. Similarly, a web-based study of codes of conduct shows that UK multinationals listed many more codes indicating the importance of self-regulation that supports a trend to shrink governmental control over corporations (Bondy, Matten, and Moon 2004), while Canadian companies with high levels of social capital with external groups tend to focus their codes on workplace issues, donations and community participation. We discussed the importance of a social ethic pervading the culture of the for-profit partner. However, this might be more pervasive and easier to cultivate in, for example, Swedish firms, than in US firms. It remains to be explored how the national or cultural contexts of home and host country influence the effectiveness of efforts to create higher social standards and motivations to promote global integration of these in the for-profit partner's operations.

This paper suggests the importance of alignment of government policies with standard codes of conduct for cross-sector learning to improve corporate social performance. Other research suggests that such alignment might be more important in certain types of industry-structures and competitive conditions (Sethi and Sama 1998). It might also be important when consumers particularly value social responsiveness and look to governments as important vehicles for establishing and enforcing standards. This is an empirical question that needs further investigation. Finally, empirical work comparing firms with prior cross-sector experience with those lacking this experience should help to clarify firm collaborative capabilities critical for learning in this context.

Notes

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