*Journal of International Business and Economy* (2015) **16**(2): 97–118 (22 pages)

**Journal of International Business and Economy**

**Yeon W. Lee**

# MOTIVATIONS FOR SOCIAL PARTNERSHIP AND CLUSTER BY MNCS: CONCEPTUAL MODEL USING THE DIAMOND APPROACH

## ABSTRACT

The corporate social responsibility (CSR) is no longer a choice and now firms are increasingly engaging in social initiatives by approaching it strategically. There have been many attempts to foster competitiveness for firms' social engagement and focusing on social partnership and social cluster has been one of the important areas where firms can increase the efficiency in creating shared value. The purpose of this paper is to discuss the multi-sector partnership and cluster. Then, it introduces a new conceptual model for multinational corporations' motivations and benefits in engaging in multi-sector collaboration by incorporating the diamond model. This paper shows that social partnership or cluster can be more synergized and facilitated when understood with the four purposes: efficiency-seeking, solution-seeking, network-seeking, and strategic alliance-seeking.

*Key Words: corporate social responsibility (CSR), creating shared value (CSV), (corporate) social partnership, (corporate) social cluster, diamond model, motivations for multi-sectoral partnership and cluster*

**Yeon W. Lee**
*Graduate School of International Studies, Seoul National University*
*Seoul, Korea*

**Correspondence: Yeon W. Lee**
Graduate School of Internatoinal Studies, Seoul National University, 1 Gwanak-ro, Gwanak-gu, Seoul, Korea
E-mail: yeonlee.snu@gmail.com
Tel: 82-10-3009-3645

# INTRODUCTION

Amidst the growing role of private businesses in conducting social initiatives, the effects of nonprofit organization (NPO) and business alliance have been receiving increasing attention by both practitioners and scholars. Since social problems are too complex and difficult to resolve with restricted business resources in short time, the multinational corporations (MNCs) are more likely to look for NPO-business cooperation when tackling social agendas in the markets abroad. In fact, for larger MNCs, developing an overarching, global social responsibility initiatives that span across multiple sectors and embody social causes in different countries has become a critical corporate agenda. As in Samsung Electronics' recent efforts to establish a global program in social contributions, there has been a growing need to create a central and consistent sustainability program for the MNCs. This is because when effectively developed, the firm's global corporate social responsibility (CSR) programs have the capacity to challenge unsustainable CSR practices and pave the way for model solutions (McDonald, 2014) particularly for the social problems that tend to be universal and large-scaled (*i.e.*, health, education, job, and environment), while at the same time, enabling the firm to build a more recognized social involvement and improve on corporate image globally.

Parallel to the debate on globalization, the central issue around CSR is no longer *whether*, but now *how* (Economist, 2008; Smith, 2003) firms can better engage in social causes. As an important business requisite for corporations in the current era, CSR theories have evolved to include business strategy concepts such as reputation or marketing (Fombrun and Shanley, 1990; Suchman, 1995; Zadek, 2000), business opportunity (Drucker, 1984; Grayson and Hodges, 2004; Moon, 2012; Moon and Lee, 2014), and value creation (Porter and Kramer, 2002, 2006, 2011; Wheeler, Colbert, and Freeman, 2003) that ultimately enhance corporate competitiveness (Bruch and Walter, 2005; Moon, 2012; Moon and Lee, 2014; Porter and Kramer, 2011; Seifert, Morris, and Bartkus, 2003). Also, CSR has now expanded to serve as an important tool for companies, especially when they are entering new emerging markets.

Within various strategic approaches to the firm's global social initiatives, partnership and cooperative efforts between business, government, and NPOs have emerged as critical and strategic route in mobilizing resources for efficient facilitation of social programs. In fact, as Porter and Kramer (2011) put forth as one of the three integral strategies for creating shared value (CSV), developing clusters (*e.g.,* NPO-business or social partnership, social alliance, or social cluster) is indeed an important topic of study in formulating strategy to maximize value creation for sustainability for MNCs.

The importance of examining the role and impact of the partnership for CSR is mainly to tackle the scale of problems that are too large and complex for any one sector to tackle alone (Austin, 2000a; Googins and Rochlin, 2000; Overbeek and Harms, 2011; Waddock, 1988). It has become unrealistic for any one sector to fulfill the task efficiently in a timely manner (McDonald, 2014). Therefore, while maintaining the efficient market mechanism (Kinsley and Clarke, 2009), the next critical step for business would be to examine how partnerships and cooperation can be most effectively utilized to maximize the benefits for all stakeholders.

This paper focuses on this endeavor for social partnership and clusters by first reviewing existing literature on partnership or clusters for creating shared benefits. Then, highlights are drawn to the motivations of cooperation by applying the competitiveness approach – the diamond model. The purpose of this paper is to bridge the gap by paying special attention to how multi-sector collaborations can benefit, and thus serve as the motivation for multinational firms in global business.

## LITERATURE REVIEW

While doing business, firms often cause direct impacts on the social or environmental landscape. Before the 1980s, many of the publicities spotted the negative aspects and accused the firms on their misdemeanors such as corporate fraud, environment pollutions, and labor issues. However, unlike the past, firms are more than ever acknowledging the legal and ethical expectations to rectify the possible negative impacts of business transactions and are actively adopting certain forms of CSR due to the increasing lookout from the society and non-business sector. This has naturally built up firm's relationship and communication with the NPOs, nongovernmental organizations (NGOs), and governments.

On that note, within various types of CSR that involve non-business sectors, there are initiatives that entail engagement with NGOs or NPOs [1] that welcome corporate

[1] NPOs are defined organizations that use its surplus revenues to further achieve its purpose or mission, rather than distributing its surplus income to the organization's shareholders (or equivalents) as profit or dividends (Hansmann, 1980). On the other hand, NGOs are organizations that are not influenced or managed by government nor a conventional for-profit business. Although they are different concepts, NPOs and NGOs are often used synonymously in practice mainly because they are both independently operated from the government, place constraints on redistribution of income,

involvement as a source of additional funds. For NPOs, this change in partnership atmosphere was beneficial since they have been pushed to stretch beyond their traditional sources and modes of funding due to the changing environment and attitude in charity and sponsorship. Government funding for these social organizations has been reduced significantly as a result of political mandates for balanced budgets and a re-thinking of the role and size of government (Berger, Cunningham, and Drumwright, 2004).

Historically, these social organizations and the private sectors have shared a rather ambiguous relationship. There are many incidents where NGOs acted as the police or watchdogs (Wootliff and Deri, 2001) to governments and businesses. There were frequent stories that tell of how activist groups disrupted corporate meetings or publicized negative contents to expose corporations as the villain to the society, economy, and humanity. Likewise, "partnership" was not the first word that usually came to mind on the topic about business and NPOs/NGOs. Nonetheless, over the past three decades, most relationships between the commercial sector and civil society have been founded on conflict (Heap, 2000).

Despite the apparent tension between these three sectors (business-government-civil society), however, there are a growing number of cases where instead of apportioning blame, these organizations work together to tackle social challenges and take responsibility. These three parties have come together to pool resources, skills, and knowledge to form formidable cross-sector partnerships (McDonald, 2014). Fortunately, both firms and social organizations are recognizing that there are greater opportunity and capacity to render innovative and workable solutions when they work together than when they tackle issues without cooperation. Some of these cross-sector partnerships have received much acclaim for their contributions and are generating positive recognitions and receiving attention among their respective industries and communities. This section will begin by briefly summarizing key research on social partnership and then bring in the cluster approach to this multi-sectoral partnership.

## Social partnership

As the dynamics of the three sectors (government, business, and social organizations) become more interwoven and complex, it becomes necessary to examine the relationship that exists between CSR and multi-sector collaboration. Regardless of the specific rationale

---

practice self-governance, and have voluntary membership (Salamon and Anheier, 1994). This paper also does not draw clear distinction between the two concepts and use them together to imply social organizations that are founded to work toward social causes.

for social investment, there are many businesses forging relationships with NPOs/NGOs and the public sector to help channel their social responsibility agendas. Husted (2003) introduced the three governance structures that facilitate CSR: charitable contributions, in-house projects, and collaboration. In terms of partnership, in-house CSR does not require the assistance of an NPO, while charitable contributions are described as the mechanism to outsource CSR. This is similar to the donor/recipient transaction found in philanthropic relationships (Husted, 2003). Likewise, the syncretic stewardship model (Berger, Cunningham, Drumwright, 2007) complements the use of cross-sector collaboration as a mechanism to enact CSR activities.

According to Pattberg (2004), the concept of partnership refers to four important aspects that apply for local and global co-operations, whether public-private or private-private. First, partnerships have shared goals that are beyond profit-making, thus excluding purely market-related purposes or other private interactions to maximize profit. Second, partnerships can involve actors from different sectors of society; third, they have institutionalized relationships; and fourth, partnerships engage in rule-making and/or implementation, facilitating outcomes that would not be possible in absence of specific partnership (Harding, 1990; Kouwenhoven, 1993; McQuaid, 2000). Scholars have also pointed to the fact that the term partnership represents a policy paradigm (Richter, 2003) based on the assumption of trust, shared benefits, and an underlying win-win situation, concealing the fundamentally different goals and power resources of the actors involved.

In terms of collaboration types, some involve just two partners from different sectors, while others may include all three sectors or even multiple partners from the same sector. Multi-sector collaboration assumes various relationship types summarized by Austin (2000a, 2000b) as philanthropic (such as donations), transactional (such as sponsorships) and integrative (such as social partnerships). Samu and Wymer (2001) suggested that more businesses are beginning to move away from traditional philanthropy and see greater leverage or competitive advantage in alternative forms of relationships with NPOs.

According to Austin (2000a), relationships that have reached an integrative stage begin to merge with the partners' missions, people and activities, resulting in more collective action and organizational integration. Compared to philanthropic and transactional forms, there are improvements in the levels of engagement, strategic value and importance, allocation of resources and breadth of activity (Austin, 2000b). Emphasis on relationships forming around a social purpose that harbor integrative characteristics are labelled "social purpose partnerships" (Austin, 2000b) or "social partnerships" (Waddock, 1988, 1991).

Another similar concept is social alliance which is, according to Berger *et al.* (2004), distinguished from strategic alliances by two main characteristics - first, they involve at least one nonprofit partner and second, non-economic objectives (*i.e.,* objectives that focus on improving social welfare.)

In short, social partnerships and alliances are used synonymously without clear distinction. They are used to address voluntary relationships that occur between organizations from different sectors; nonprofit, private, and public. These active relationships are cooperative and collaborative, forging around the vision or need to resolve a societal issue of mutual concern (McDonald, 2014; Waddock, 1991). Several researchers have presented detailed case-specific research investigating the progress of cross-sector relationships; their inception and progression towards social partnerships (Austin, 2000a, 2000b; McDonald and Young, 2012; Overbeek and Harms, 2011; Seitanidi, 2006).

## Social cluster

In line with this increasing attention on social partnership, there is a growing body of research that link CSR with the cluster approach. According to Porter (1996), a cluster is defined as *a geographic concentration of interconnected companies, suppliers, related industries, and specialized institutions in a particular field… Clusters are alternative way of organizing the value chain and therefore, a cluster of independent and informally linked companies and institutions represents a robust organizational form that offers advantages in efficiency, effectiveness, and flexibility*. In that manner, being part of a cluster allows companies to operate more productively in sourcing inputs; accessing information, technology, and necessary institutions; coordinating with related companies; and measuring and motivating improvement (Porter, 1998; Porter and Kramer, 2002).

Linking this to CSR, Porter and Kramer (2002) attested that firms should seek opportunities in collective action within a cluster and with other partners. It is suggested that pooled philanthropic investment can strengthen a cluster's competitiveness and performance of its constituent companies. Later on, Porter and Kramer (2011) claimed that by building clusters, firms create shared value to improve company productivity, while addressing gaps or failures in the conditions surrounding the cluster. It is argued that, since efforts to enhance infrastructure and institutions in a region require collective action, companies should try to enlist partners to share the cost, win support, and assemble the right skills.

Other studies have extended the notion of CSR enacted through a clustered approach with a variety of rationales for their development. Zadek *et al.* (2003) were among the first to incorporate the notion of corporate responsibility clusters in the form of how different types of social clusters are developed. First, a *challenge clusters* is a social cluster that arises namely with the leadership of the civil society and from antagonistic relations between businesses and NPOs. *Market-making cluster* is the fruit of innovative sustainable business activities and *statutory clusters* are the ones involving public policies which are focused on CSR standards and practices which aim toward competitive advantage. And lastly, *partnership clusters* involve formal, multi-sectoral partnership supporting competitive advantage. According to Zadek *et al.* (2003), these clusters take on a dynamic and evolutionary path.

While geographical proximity, as per Porter and Kramer's (2002) definition, is an important factor for cluster formation, Zadek *et al.* (2003) proposed that CSR clusters might form along global supply chains, hence, raising the possibility of geographically-dispersed clustering. Also, Moon *et al.* (2011) argued that Porter and Kramer's (2002) idea on clusters limits the scope of forming clusters to domestic and does not consider the international dimension (Moon and Jung, 2010). Therefore, Porter and Kramer's (2011) *enabling local cluster development* should be expanded to enabling *local or global* cluster development (Moon *et al.*, 2011)

Regarding cluster formation in developing countries, a similar conclusion was posited by Lund-Thomsen and Nadvi (2010) and Lund-Thomsen and Pillay (2012) who stressed the importance of considering the divergent interests of MNCs in local regions at each end of a global value chain. As such, clusters are interconnected not only by the supply chain but also by the societal issues that require a multi-stakeholder approach. Other studies include CSR cluster that highlight the statutory aspect, with a particular focus on governance (Lund-Thomsen and Nadvi, 2010; Lund-Thomsen and Pillay, 2012; Nadvi, 2008), while others focus predominantly on the benefits (Battaglia *et al.*, 2010; Santos, 2011; von Weltzien Høivik and Shankar, 2011; Zappalà, 2007).

Several common factors resonate within the findings of the articles that link CSR and clusters - they all draw on collective resources with the aim of achieving a common goal. Those joining a cluster may benefit through improvements in stakeholder relations, market share, innovation, expertise, brand equity and exposure, cost reductions, credibility, learning and value creation (Porter and Kramer, 2002; Santos, 2011; von Weltzien Høivik and Shankar, 2011; Zadek *et al.*, 2003; Zappalà, 2007). Opportunities for intra-sector and cross-sector collaboration, particularly for small and medium-sized enterprises (SMEs), form a strong rationale for the formation of CSR clusters (Battaglia *et al.*, 2010; Santos, 2011; von Weltzien Høivik and Shankar, 2011; Zappalà, 2007).

A cluster-based approach towards such large societal problems shares responsibility, investment and accountability (von Weltzien Høivik and Shankar, 2011; Zadek *et al.,* 2003). For SMEs and NPOs that have limited resource and time, pooled sector resources are a viable option to enter large-scale initiatives that have the potential to create greater social impacts (Zappalà, 2007).

## Existing case studies on social partnership or cluster

Although there are not many studies that focus on CSR partnership, some of the important research that conducted case studies on multi-sector alliance for social initiatives are Argenti (2004), Berger, Cunningham, and Drumwright (2006), and Morand and Rayman-Bacchus (2006).

Argenti (2004) analyzed how Starbucks came to work with the activist group that wanted Starbucks to address the tension built around embracing Fair Trade coffee. In order to curb the heated conflict, Starbucks developed a two-year pilot program with a diverse set of partners - Oxfam America, the Oaxacan State Coffee Producers Network (CEPCO), and the Ford Foundation. There were four main goals this partnership sought: (1) increase the supply of high-quality Certified Fair Trade coffee for the United States specialty coffee market from small-farmer cooperatives; (2) improve the skills of small-scale coffee farmers by providing resources and training to implement and standardize post-harvest quality improvement; (3) provide information and support to enable farmers to earn premium prices for their coffee by producing a high-quality product; and (4) enable the farmers to disseminate their learnings to other coffee cooperatives.

One of the popular forms of multi-sector collaboration is the corporate societal marketing (CSM) and Berger *et al.* (2006) analyzed the impact of Timberland initiative on the employees, particularly in order to validate whether the social initiatives carry identity formation. In other words, the effects of CSM initiatives on employees, who are an important internal or "second" audience for marketing communications (Gilly and Wolfinbarger, 1998), were examined. The overarching motivation of this research was that creating positive associations for an organization can be an important source of competitive advantage and CSM was observed as the best tool. For this, the research selected 11 social alliances that compose of 26 organizations (10 companies, 11 NPOs, and 5 consulting firms). Their conclusion was that three interconnected, mutually reinforcing types of identification occurred as a result: intra-organizational identification, inter-organizational identification, and community and relationship building.

Morand and Rayman-Bacchus (2006) carried out a case study of Food Corp, a French food manufacturing MNC. The value of this research lies in their contribution that this study focuses on examining the relationship between subsidiaries and headquarters in the management of CSR, in terms of "think global, act local" rationale. The overall conclusion is that the initiative to launch a CSR policy is taken and enacted exclusively by the headquarters, mainly as an answer to the financial and legal pressure felt to accompany the present widespread interest in CSR. The three major processes in managing CSR initiatives were: the headquarters seek to motivate local actions (1) through reference to the company culture, (2) through directive measures, and (3) by pedagogic action. Although this paper is not intended to bring light on social partnership, the significance of this research is that it shed light on the relationship and CSR assimilation between headquarters and regional subsidiaries. This topic serves as an important topic of research for international business.

As introduced in this literature review section, there has been attempts to focus on social partnership and cluster by bringing in social responsibility concepts into topics of multi-sector partnership. Although there are much more potential that lies ahead in this line of research, one of the critical questions that must be first addressed is *why* social partnership and cluster are formulated, and particularly, for what purposes. As seen in the existing literature on social partnership and clusters, the research on this topic is yet insufficient and lacks a clear, dominant consensus. Since social initiatives by firms, especially the MNCs, entail broad spectrum of analysis that may be approached differently by industry type, product type, business value chain activities (and this further broadens when engaging non-economic or non-business approaches such as politics, civil society relations), the next important step in research is to organize in more specific how these multi-sector alliances create greater value and synergy. Thus, understanding the motivations for the MNCs in forming social partnership and clusters is the next imperative that must be addressed because it then allows effective strategy formulation for the participants in increasing the benefits.

## SOCIAL PARTNERSHIP AND CLUSTER MOTIVATIONS BY MNCS

In order to devise a systematic tool or model, this paper incorporated the diamond model (Porter, 1990) in creating a new framework that summarizes the core motivations for social partnership and cluster. Although this framework was first and mainly developed to assess national competitiveness, the usefulness of this model at different units of study (*i.e.,* nation, industry, firm, individual, non-economic actors) has been proven by earlier studies. For instance, Moon, Rugman and Verbeke (1998) contributed to the studies of international business by incorporating internationalization factor to the diamond model that only focused on domestic factors in assessing national competitiveness. Also, Dunning (2003) used the diamond model to derive the impacts of foreign direct investment (FDI), and Moon (2007) utilized the model in classifying different FDI motivations. Similarly, Kuah and Day (2005) applied the diamond model in analyzing the financial cluster in Singapore. Also, (Curran, 2001; Harzing and Giroud, 2014) used the model to measuring the competitiveness of academia. As seen in the high applicability of the model, the analytic power of the diamond model has been tested in diverse fields and units in capturing the competitive advantage in the most holistic way.

To briefly introduce the diamond model, it suggests that national competitive advantage depends on four determinants, represented as a diamond; namely, factor conditions, demand conditions, related and supporting industries, and the firm's strategy, structure, and rivalry. The complete model includes two additional constructs. Chance events (*i.e.,* technological discontinuities, global shifts or political decisions by foreign governments) matter because they create discontinuities that allow shifts in competitive position (Porter, 1990). Government is crucial because it can shape all four determinants. The four determinants and two additional constructs interact as a system, with identified hierarchies amongst factors. For instance, Porter distinguishes between basic factors (natural resources, climate, location and demographics), and advanced factors (communications infrastructure, sophisticated skills, research facilities). Eventually, advanced factors become more important to competitive advantage, as they are not factors for which supply depends upon exogenous factors, and thereby result from investments by individuals, companies, and governments and serve as more critical factors that render greater output - thus, productivity.

Based on theories and research on existing social partnership and clusters, this paper is focused on classifying the benefits of multi-sector collaboration in creating shared value. The following section draws upon how firms can seek benefits by engaging in collaboration with other actors in the society through utilizing the four endogenous factors that measure competitiveness.

## Factor conditions: Efficiency-seeking

One of the biggest hindrance for firms to actively pursue social initiatives is due to the costs that are associated with them. Whether in the form of financial or physical resources, tangible or intangible resources, the social causes require sums of investments without a promise on immediate return. To start with, factor conditions (FC) refer to the resources such as human, physical, knowledge, and capital along with the infrastructure the company has. For most firms, the immediate loss in the factor conditions can be discouraging and demotivating reasons behind social initiatives, and this can be solved with the partnership with the other sectors mainly for the two reasons.

When firms decide to start a social contribution program in the foreign market, the problem apart from cost comes regarding staffing. Similar to the issue of expatriation of employees, contemplating on how to manage the social programs is a critical and integral question. Whether to send a separate team of experts or to find local expertise on the given issue is the difficult questions. Also, the size, duration, and organizational structure and governance of the staffing for social programs are another key area that need special attention from the executives. Most fundamentally, coordinating a team on the social issue are rather difficult particularly because the social issues at stake are new sets of questions for businesses in which they have never taken such role until very recently. In other words, the social problems and creating solutions especially in foreign communities are extremely challenging and sensitive topics for business-oriented MNCs to tackle alone. In that sense, partnering with the government or NGO/NPOs becomes much more efficient because then, the decisions narrow down to simpler decisions. If businesses were to go through the process of searching, hiring, coordinating, operating, and managing new teams on social problems, anybody can easily guess the challenge in terms of time, cost, energy, and strategy. Therefore, social partnership allows *cost reduction* by allowing the firms to remain more focused on experienced business issues.

Along with the possibility of reducing cost, the second benefit is that it allows *scale and scope of influence* from the firms' social initiatives. By partnering with other sectors, including other private companies, the social partnership or clusters allow the participants to enjoy from the greater size and extent of the social programs. Compared to doing it individually, partnership extends the boundaries not only in terms of publicity and recognition, but in terms of scale and scope of activities. By sharing the burden, cost, or risk of those inclusive activities, all participants can be engaged without allocating greater resources if no partnership existed. In other words, whereas partnership allows reduced cost and risks, it also means that the effects can be more maximized with the combined resources. It can also mean that larger pool of resources can be garnered toward single social tasks and increase the possibility of achieving positive results. Since many issues include wide-spectrum of social areas that have high correlation, partnership allows the participants to enjoy the benefits of pooled resources – increasing the scale and scope of influence.

In short, the first factor in the diamond model relates to the resources, and when applied to the social partnership and clusters, it signifies the efficiency in utilizing and coordinating resources of the firm.

▷ Efficiency-seeking:
- Decreasing cost and risk of firm's resources
- Increasing scale and scope of the social activities

### Demand conditions: Solution-seeking

In the national or firm's competitiveness context, the demand conditions (DC) in the diamond model refers to the condition of the home market that can help companies create a competitive advantage. It was studied that when sophisticated home market buyers pressure firms to innovate faster and to create more advanced products than those of competitors, the firm will develop its capability to satisfy the level of the market (Porter, 1990). Regarding DC for social partnership, this plays the role of directly shaping the social activities of the firms in foreign markets by creating solutions in two ways.

First of all, the social partnership allows all participants to focus on key areas that are related to the firms' business. When the government, both local and national, NPOs/NGOs, and businesses in the same or supporting field work together to solve social challenges, they are able to accumulate more *in-depth knowledge*. Particularly, when the multi-sector approaches a certain issue rigorously by interacting with the immediate stakeholders of the business area, there will be higher chance of gaining first-hand market or social knowledge. Working closely to resolve the conflict facing the direct or indirect consumers in the field, businesses will encounter more complicated but sophisticated knowledge that can be turned into new opportunity for product or technology. Set of problems in the value chain processes or the final products will be addressed. However, when the multi-sector cooperates in finding solution together, the firms will be able to garner industry or sector-specific knowledge and know-how. Particularly because non-business sectors have better access and conditions to directly engage with the stakeholders, these will work as the firm's knowledge resource and competitive advantage in the long run.

Once the firm accumulates key knowledge and know-how by working with the other sectors, the social partnership or cluster allows the firm to develop social contribution programs that fit the consumers and the market. As in Moon (2007), in which firms that learn from the market were able to create more appropriate product, this works simultaneously in the *social programs* as well. Most importantly, the social programs may not only benefit the society, but also bring business opportunity. Seeking after solutions, there will be multiple stakeholders including suppliers, distributors, or affiliations that affect firms' competitiveness. Therefore, once an efficient social program is implemented, the firm is able to gain from well-functioning, well-coordinated, and influential social program that may serve to strengthen business brand power and brand loyalty (Blomqvist and Posner, 2004; Johnson, 2010; Raghavan and Gunewardene, 2015). This is more so in modern business where there are increasing number of cases where CSR activities play a role in shaping brand or company image (*i.e.*, Nestlé's rural development programs).

Once again, the second factor that is associated with the market or the society brings the two specific motivations for firms to engage in partnership or cluster with the non-business sectors.

▷ Solution-seeking:
- Garnering industry/sector-specific social knowledge and know-how
- Developing social contribution programs fit for the market

## Related and supporting industries: Network-seeking

The third factor in the diamond model is the related and supporting industries (RS). This factor, in the original application in the home market, is important in providing cost-effective inputs and allowing upgrade in process to facilitate greater innovation and spillover effects. Strong RS allow the sector to grow in synergy, thereby creating more value. In respect to social partnership or cluster, RS hint at the expanding network of the participants both locally and globally through the two communication routes.

To start, the social partnership and clusters help in *establishing a local base* for business activities and social initiatives by allowing stronger and amicable relationship with the government and local community. Collaborating not only for economic or business purposes, the firms are more likely to gain trust with even the other non-collaborators in the community. This ultimately helps the firms to gain more opportunity and access to business and social initiatives through strengthened network in the local market. Particularly in developing countries where the government needs much more business involvement in raising community development, the firms that already proved to work well with local stakeholders and bring business dynamics have better chance of gaining favor and support (not necessary in the form of favoritism or corruption). Not only government, but the local community that has been opened to the firm's social involvement is more likely to become reliable customers and employees.

This same logic will stretch to *global-base of network* for the MNCs and thereby increase the business opportunities and social initiatives through MNC's affiliations and trustworthy global, social organizations and community. An important merit of MNCs is that they have broad spread of corporate affiliation and local subsidiaries across the world. A successful social initiative program in one region may serve as the prototype and be applied to other regions with little modifications fit for local situation. There is no better channel than working with the firm's affiliates. Especially when other participants in the partnership or cluster are also linked to this global network, the output is more synergistic. Eventually, the global recognition of the firm's social engagement will help in scaling the social initiatives and create greater value and competitive advantage in the long run.

In that essence, the third endogenous factor of the diamond model that highlights the benefit from connection to other related or supporting sectors, is the network-seeking motivation that benefits social partnership and clusters for MNCs.

▷ Network-seeking:
- Establishing a *local*-base for both business opportunities and social initiatives (through government and local community)
- Stretching the *global*-base for both business opportunities and social initiatives (through MNC's affiliations and global community)

## Firm strategy, structure, and rivalry: Strategic alliance-seeking

The final endogenous factor in the diamond model is the firm strategy, structure, and rivalry (SSR). According to Porter (1990), this fourth determinant of competitiveness is about the way companies are created and operated by setting particular goals and strategies. Also, the presence and structure of rivalry impacts on the firm and industries, thereby gearing the firm or the nation to take on a certain governance structure and execute strategy. When this determining factor is linked to social partnership and clusters, the most vivid effect is the formation of strategic alliance among the participants, notably in the two following ways.

The first driver of social partnership or clusters by the MNC in terms of strategy is whether the decision for social involvement is at the stake of business, not government or other NPOs/NGOs. Today, as more and more governments are raising the bar on the firm's social responsibility, there are times when social contribution is not a choice but a must - even setting strict and specific guideline and minimum conditions before market entry. This limits the *autonomy of businesses*, and apart from the business opportunity in that region, it raises the barrier in free market dynamism. Therefore, given similar conditions and market potential, MNCs are more likely to invest in social programs where such mandatory measures are low or left to the firms' decision.

Once the partnership or cluster is established and is well-functioning, it than serves as a *strategic and differentiated channel* for further sustainable practice. Similar to other strategic alliances (defined as an agreement between two or more parties to pursue a set of agreed upon objectives needed while remaining independent organizations) in business, the participants in the social partnership and cluster are likely to behave like strategic alliances overtime (Berger *et al.*, 2004; 2006). By joining together to pursue mutual benefits, their partnership and clustering will eventually form a unique set of practices both in business strategy formulation and social agenda resolution, and this will disallow other firms from joining. However, since there are also more chances of cooperation than competition in social activities, the longer-time trajectory of social partnership and cluster may display different output.

The fourth determining factor, SSR, is associated with how the partnership or cluster works as the benefit in conducting strategy and business approach by meeting the social needs through finding business opportunities. Strategic alliance-seeking comes as the final motivation for MNCs to pursue in that regard.

▷ Strategic alliance-seeking:
- Favoring business-led social initiatives
- Gaining strategic and differentiated channels for sustainable practice

## DISCUSSION

Moon (2011) introduced a two by two matrix that delineates different types of firms according to their level of value creation in business and society. Companies are classified into four types of firms – smart, good, selfish, and bad – by demonstrating how firms that create both social and business values are smart; firms with more value creation for society are good; firms that create higher business value but lower social value are considered selfish; and bad companies bring about neither values. The overall message is that firms should not stop at being simply good-natured, philanthropic corporate citizens, but must try to become smart companies by generating values for both business and society.

Then, how can a firm raise shared value? Porter and Kramer (2011) introduced the three integral strategies [2] of explaining how firms can create shared value in both business and society. Although this was a seminal work in business and society construct, it was soon countered by Moon *et al.* (2011) and Moon (2012) in which one critical factor was added and the three strategies were modified by embracing internationalization and adding a fourth factor – core competence [3].

This paper has focused on the collaboration and cluster element in these two earlier frameworks. Overall, the purpose of this study was to fill the gap in business literature by classifying the different motivations for MNCs to engage in social partnership and clusters. Due to the insufficient research on this topic, the paper utilized the diamond model to explain how competitiveness can be derived through multi-sector collaboration for shared value. Table 1 summarizes the motivations and benefits for each determinant. The backbone of this type of conceptual modeling on motivations has been derived by earlier works that dealt with FDI motivations that included concepts such as natural resources-seeking, market-seeking, efficiency-seeking, and strategic asset-seeking (Dunning, 1993). This effort was further improved by Moon (2007) who added the elements from the perspective of developing countries by bringing in the imbalance theory (Moon and Roehl, 2001). Here, further elements such as market-learning, regulation-bypassing, labor-management relations, and strategic locations were introduced to explain why developing country MNCs go abroad (Moon, 2007; Yin, 2015).

This paper introduced the four motivations by thoroughly understanding the diamond model. The wordings were derived after the earlier attempts that categorized the motives behind firms' business practices. The general problem with this topic has been circled on

[2] The three strategies are: (1) reconceiving products and markets, (2) redefining productivity in the value chain, (3) enabling local cluster development (Porter and Kramer, 2011).

[3] The four strategies are: (1) overcoming problems in the value chain, (2) helping the related social segment, (3) collaborating with other organizations for better result, (4) focusing on core competence (modified from Moon, 2011; 2012; Moon and Lee, 2014).

the measurement of assessing the benefits of social contributions by firms. Even within the shared value approach, analyzing the social and business values have been difficult and challenging in the business academia. Nonetheless, the efforts to observe the benefits should continue by utilizing proven models and theories in business, as this paper has shown. The limitation of this study is that the four motivations and two specific benefits are hard to measure, although they clearly represent the foreseen accomplishments in social policy and cluster. For further studies, this motivational approach to multi-sector collaboration can be applied to MNCs to assess whether they are fully grasping the benefits of collaboration and creating synergy.

**Table 1. Motivations and benefits for social partnership and cluster by MNCs**

| Factors | Motivations | Specific Benefits |
|---|---|---|
| FC | Efficiency-seeking | - Decreasing cost and risk of firm's resources<br>- Increasing scale and scope of social activities |
| DC | Solution-seeking | - Garnering industry/sector-specific social knowledge and know-how<br>- Developing social contribution programs for the market |
| RS | Network-seeking | - Establishing a local-base for both business opportunities and social initiatives (through government and local community)<br>- Stretching the global-base for both business opportunities and social initiatives (through MNC's affiliations and global community) |
| SSR | Strategic alliance -seeking | -Favoring business-led social initiatives<br>-Gaining strategic and differentiated channels for sustainable practice |

## CONCLUSION

The attention on CSR and firm's strategic approach to social initiatives has been receiving much awareness and recognition in both academia and practice. Also, with the growing role of the civil society in the modern era, the dynamics between the social organizations, private sector, and the public sector have become more tense and significant at both domestic and global arenas than ever. While the relationship among these multiple sectors has been ambiguous and conflicting, more voices are being raised on emphasizing the usefulness of collaboration and partnership, even to the extent of developing social clusters to raise the performance of business involvement and lower the cost.

Although different terms have been used throughout the paper, the concepts - social partnership, clusters, collaboration, cooperation, alliance – have been used to describe the collaborative efforts of the different actors for creating shared value. The purpose of this paper was to contribute to the academic research by classifying the motivations and benefits of establishing multi-sector collaborations. In order to show the comprehensiveness, the diamond model was utilized to analyze all of the actors in social responsibility architecture. The introducing the new conceptual model to categorize the motives behind social partnership and alliance.

To summarize, the MNCs should engage in social partnership and cluster for: efficiency-seeking, solution-seeking, network-seeking, and strategic alliance-seeking purposes. Social partnership allows *cost reduction* by allowing the firms to remain more focused on experienced business issues. Along with the possibility of reducing cost, the second benefit is that it allows *scale and scope of influence* from the firms' social initiatives. By partnering with other sectors, including other private companies, the social partnership or clusters allow the participants to enjoy from the greater size and extent of the social programs. In terms of solution-seeking motivations, when the government, both local and national, NPOs/NGOs, and businesses in the same or supporting field work together to solve social challenges, they are able to accumulate more *in-depth knowledge*. Seeking after solutions, there will be multiple stakeholders including suppliers, distributors, or affiliations that affect firms' competitiveness. Therefore, once an efficient social program is implemented, the firm is able to gain from well-functioning, well-coordinated, and influential social program that may serve to strengthen business.

For network-seeking motivations, the social partnership and clusters help in *establishing a local base* for business activities and social initiatives by allowing stronger and amicable relationship with the government and local community. This furthers when MNCs engage the *global affiliates* and social organizations to maintain and maximize network effects. Lastly, for strategic alliance-seeking motivations, MNCs are more likely to invest in social programs where such mandatory measures are low or left to the firms' decision. Also, once the partnership or cluster is established and is well-functioning, it than serves as a strategic and differentiated channel for further sustainable practice.

This paper introduced the new conceptual model to explain *why* and for what the MNCs should engage in social partnership and cluster. The next step in research would be to apply this framework to specific firm or multi-sector alliance to test its usefulness and foster the development of social partnership and cluster for maximum shared value.

## REFERENCES

Argenti, P. 2004. Collaborating with activists. *California Management of Review* 47 (1): 91-116.

Austin, J. E. 2000a. Strategic collaboration between nonprofits and businesses. *Nonprofit and Voluntary Sector Quarterly* 29 (1): 69-97.

Austin, J. E. 2000b. *The collaboration challenge: How nonprofits and businesses succeed through strategic alliances.* San Francisco, CA: Wiley and Sons.

Battaglia, M., L. Bianchi, M. Frey, and F. Iraldo. 2010. An innovative model to promote CSR among SMEs operating in industrial clusters: Evidence from an EU project. *Corporate Social Responsibility and Environmental Management* 17 (3): 133-141.

Berger, I. E., P. H. Cunningham, and M. E. Drumwright. 2004. Social alliances: Company/nonprofit collaboration. *California Management Review* 47 (1): 58-90.

Berger, I. E., P. H. Cunningham, and M. E. Drumwright. 2007. Mainstreaming corporate social responsibility: Developing markets for virtue. *California Management Review* 49 (4): 132-157.

Blomqvist, K. H. and S. Posner. 2004. Three strategies for integrating CSR with brand marketing. *Market Leader* (Summer): 33-36.

Bruch, H. and F. Walter. 2005. The keys to rethinking corporate philanthropy. *MIT Sloan Management Review* 47: 48–56.

Curran, P. K. 2001. Competition in UK higher education: Applying Porter's diamond model to geography departments. *Studies in Higher Education* 26 (2): 223-251.

Drucker, P. F. 1984. The new meaning of corporate social responsibility. *California Management Review* 26: 53–63.

Dunning, J. H. 2003. The role of foreign direct investment in upgrading China's competitiveness. *Journal of International Business and Economy* 4 (1): 1-13.

Economist. 2008. *The next question: Does CSR work?* January 17.

Fombrun, C. and M. Shanley. 1990. What's in a name? Reputation building and corporate strategy. *Academy of Management Journal* 33 (2): 233-258.

Gilly, M. C. and M. Wolfinbarger. 1998. Advertising's internal audience. *The Journal of Marketing* 61 (January-February): 69-88.

Googins, B. K. and S. A. Rochlin. 2000. Creating the partnership society: Understanding the rhetoric and reality of cross-sectoral partnerships. *Business and Society Review* 105 (1): 127-144.

Grayson, D. and A. Hodges. 2004. *Corporate social opportunity! Seven steps to make corporate social responsibility work for your business.* Sheffield, UK: Greenleaf Publishing.

Hansmann, H. B. 1980. The role of nonprofit enterprise. *The Yale Law Journal* 89 (5): 835-901.

Harding, A. 1990. Public-private partnerships in urban regeneration. In M. Campbell, editor, *Local economic policy*. London: Cassell.

Harzing, A. W. and A. Giroud. 2014. The competitive advantage of nations: An application to academia. *Journal of Informetrics* 8 (1): 29-42.

Heap, S. 2000. *NGOs engaging with business: A world of difference and a difference to the world.* The International Non-governmental Organisation Training and Research Centre (INTRAC). New York: Oxford University Press.

Husted, B. W. 2003. Governance choice for corporate social responsibility: To contribute, collaborate or internalize?, *Long Range Planning* 36 (5): 481-498.

Johnson, E. 2010. Does your company need a CSR brand?. Available at http://www.worksdesign.com/doc/on-csr-brands.pdf. Accessed December 08, 2015.

Kinsley, M. and C. Clarke. 2009. *Creative capitalism: A conversation with Bill Gates, Warren Buffett, and other economic leaders.* Great Britain: Simon & Schuster.

Kouwenhoven, V. 1993. The rise of the public private partnership: A model for management of public-private cooperation. In J. Kooiman, editor, *Modern governance: New government-society interactions*. London: Sage Publication.

Kuah, A. and J. Day. 2005. Revisiting the Porter diamond: Applying importance performance matrix to the Singaporean financial cluster. University of Bradford. School of Management. *Working Paper Series* 5: 1-22.

Lund-Thomsen, P. and K. Nadvi. 2010. Clusters, chains and compliance: Corporate social responsibility and governance in football manufacturing in South Asia. *Journal of Business Ethics* 93 (2): 201-222.

Lund-Thomsen, P. and R. G. Pillay. 2012. CSR in industrial clusters: An overview of the literature. *Corporate Governance* 12 (4): 568-578.

McDonald, S. 2014. Social responsibility clusters arising from social partnerships. *Social Responsibility Journal* 10 (2): 331-347.

McDonald, S. and S. Young. 2012. Cross-sector collaboration shaping corporate social responsibility best practice within the mining industry. *Journal of Cleaner Production* 37: 54-67.

McQuaid, R. W. 2000. The theory of partnership. Why have partnerships? In S. P. Osborne, editor, *Public-private partnerships: Theory and practice in international perspective*. London, New York: Routledge.

Moon, H. C. 2007. Outward foreign direct investment by enterprises from the Republic of Korea. In UNCTAD, editor, *Global players from emerging markets: Strengthen enterprise competitiveness through outward investment.* New York & Geneva: United Nations.

Moon, H. C. 2012. *Good to smart.* Seoul: Rainmaker. (in Korean)

Moon, H.C., J. Parc., S. Yim., and N. Park. 2011. An extension of Porter and Kramer's creating shared value (CSV): Reorienting strategies and seeking international cooperation. *Journal of International and Area Studies* 18 (2): 49-64.

Moon, H. C. and J. S. Jung. 2010, Northeast Asian cluster through business and cultural cooperation. *Journal of Korea Trade* 14 (2): 29-53.

Moon, H. C. and T. W. Roehl. 2001. Unconventional foreign direct investment and the imbalance theory. *International Business Review* 10: 197-215.

Moon, H. C. and Y. W. Lee. 2014. Corporate social responsibility: Peter Drucker, Michael Porter and beyond. *Journal of Creativity and Innovation* 7 (2): 45-74.

Morand, M. and L. Rayman-Bacchus. 2006. Think global, act local: Corporate social responsibility management in multinational companies. *Social Responsibility Journal* 2 (3/4): 261-272.

Nadvi, K. 2008. Global standards, global governance and the organisation of global value chains. *Journal of Economic Geography* 8 (3): 323-343.

Overbeek, G. and B. Harms. 2011. From sponsor to partner: NGO– business alliances that support nature conservation in the Netherlands. *Journal of Integrative Environmental Sciences* 8 (4):253-266.

Pattberg, P. 2004. The institutionalisation of private governance: Conceptualising an emerging trend in global environmental politics. *Global Governance Working Paper* 9: 1-34.

Porter, M. E. 1990. *The competitive advantage of nations*. New York: Free Press.

Porter, M. E. 1996. Competitive advantage, agglomeration economies, and regional policy. *International Regional Science Review* 19 (1-2): 85-90.

Porter, M. E. 1998. Cluster and the new economics of competition. *Harvard Business Review* 76 (6): 77-93.

Porter, M. E. and M. R. Kramer. 1999. Philanthropy's new agenda: Creating value. *Harvard Business Review* 77: 121-131.

Porter, M. E. and M. R. Kramer. 2002. The competitive advantage of corporate philanthropy. *Harvard Business Review* 80: 56–69.

Porter, M. E. and M. R. Kramer. 2006. Strategy and society: The link between competitive advantage and corporate social responsibility. *Harvard Business Review* 84:78–92.

Porter, M. E. and M. R. Kramer. 2011. Creating shared value. *Harvard Business Review* 89 (1/2): 62-77.

Raghavan, L. and R. Gunewardene. 2015. Branding and CSR go together. *Business-standard*, September 20, 2015. Available at http://www.business-standard.com/article/management/branding-and-csr-go-together-115092000722_1.html. Accessed November 30, 2015.

Richter, J. 2003. *We the peoples or we the corporations?* Geneva: IBFAN-GIFA.

Salamon, L. and H. Anheier. 1994. *The emerging nonprofit sector: An overview*. Manchester: Manchester University Press.

Samu, S. and W. W. Wymer. 2001. Nonprofit-business alliance model formation and outcomes. *Journal of Nonprofit and Public Sector Marketing* 9 (1/2): 45-61.

Santos, M. 2011. CSR in SMEs: Strategies, practices, motivations and obstacles. *Social Responsibility Journal* 7 (3): 490-508.

Seifert, B., S. A. Morris., and B. R. Bartkus. 2003. Comparing big givers and small givers: Financial correlates of corporate philanthropy. *Journal of Business Ethics* 45: 195–211.

Seitanidi, M. M. 2006. *Partnerships between nonprofit organisations and businesses in the UK, a critical* examination *of partnerships*. PhD thesis, International Centre for Corporate Social Responsibility (ICCSR). Nottingham: University of Nottingham.

Smith, C. N. 2003. Corporate social responsibility: Not whether, but how? *Center for Marketing Working Paper* No. 03-701: 1- 37.

Suchman, M. C. 1995. Managing legitimacy: Strategic and institutional approaches. *Academy of Management Review* 20 (3): 571-610.

von Weltzien Høivik, H. and D. Shankar. 2011. How can SMEs in a cluster respond to global demands for corporate responsibility? *Journal of Business Ethics* 101 (2): 175-195.

Waddock, S. A. 1988. Building successful social partnerships. *Sloan Management Review* 29 (4): 17-23.

Waddock, S. A. 1991. A typology of social partnership organizations. *Administration and Society* 22 (4): 480-515.

Wheeler, C., B. Colbert., and R. E. Freeman. 2003. Focusing on value: Reconciling corporate social responsibility, sustainability and a stakeholder approach in a network world. *Journal of General Management* 28 (3): 1–28.

Wootliff, J. and C. Deri. 2001. NGOs: The new super brands. *Corporate Reputation Review* 4 (2): 157-164.

Zadek, S. 2000. Doing good and doing well: Making the business case for corporate citizenship. *Research Report* 1282-00-RR. New York: The Conference Board.

Zadek, S., J. Sabapathy., H. Døssing., and T. Swift. 2003. *Responsible competitiveness: Corporate responsibility clusters in action.* AccountAbility and Copenhagen Centre, London. http://www.accountability.org/images/content/1/0/107/CR%20Clusters%20-%20Full%20Report.pdf. Accessed November 21, 2015.

Zappalà, G. 2007. Corporate partnerships–investing in community: Engaging corporates, the Smith family. Available at www.thesmithfamily.com.au/webdata/resources/fi85th_birthday_Corporate_Partnerships.pdf. Accessed December 2, 2015.