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New perspectives on learning and innovation in cross-sector collaborations☆

Matthew Murphy [a,*], Francois Perrot [b], Miguel Rivera-Santos [c]

[a] ESADE Business School, Spain
[b] Ecole Polytechnique, Department of Economics, 91128 Palaiseau Cedex, France
[c] Babson College, 231 Forest Street, Babson Park, Massachusetts 02457-0310, USA

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ABSTRACT

This study explores whether absorptive capacity, one of the most important concepts in the literature on inter-partner learning and innovation in alliances, can be directly transposed to cross-sector alliances. The results of the analysis suggest that current models of absorptive capacity only imperfectly reflect the learning and innovation dynamics characteristic of cross-sector alliances, due to differences in alliance partners, their goals, and the type of innovations they pursue. This article introduces the concept of relational capacity for Social Innovation, a model better suited to the analysis of learning and innovation in the context of cross-sector alliances, especially those operating at the base of the economic pyramid.

1. Introduction

Absorptive capacity (ACAP), a concept developed by Cohen and Levinthal (1990, p. 128) to explain why some firms learn and innovate more than others, is defined as the "ability to recognize the value of new, external information, assimilate it, and apply it to commercial ends." The alliance literature has extensively applied this concept to explain inter-partner learning dynamics (e.g., Lane & Lubatkin, 1998; Simonin, 2004, among many others).

While ACAP provides important insights to the business-to-business (B2B) alliance literature, no study has explored whether the concept can be directly transposed to cross-sector alliances (henceforth B2N alliances), defined as collaborations between for-profit businesses and non-profit organizations (NPOs). Yet, the literature on B2N alliances suggests that many partners enter these alliances with aims of learning and innovation (London, Rondinelli, & O'Neill, 2005; Selsky & Parker, 2005; Teegen, Doh, & Vachani, 2004; Waddell, 1999). In particular, the base-of-the-pyramid (BOP) and subsistence marketplace literatures suggest that learning from and innovating with non-traditional partners is a necessity in markets characterized by poverty, leading some scholars to argue that BOP innovations are inter-partner co-creations (Sanchez, Ricart, & Rodriguez, 2006; Simanis & Hart, 2008).

At the same time, significant differences between B2B and B2N alliances are likely to impact ACAP. First, partners in B2N alliances have fundamentally different goals, dominant logics, and governance structures (Austin, 2000; Berger, Cunningham, & Drumwright, 2004; Doh & Teegen, 2003; Hardy, Lawrence, & Phillips, 2006; Kanter, 1999; Le Ber & Branzei, 2010; Rondinelli & London, 2003; Waddell & Brown, 1997). Second, the objectives of B2N and B2B alliances are distinct, as cross-sector alliances typically prioritize creation of social value over economic value (Berger et al., 2004; Le Ber & Branzei, 2010; Nelson & Zadek, 2000; Teegen et al., 2004; Waddell & Brown, 1997; Waddock, 1991). This is particularly true at the BOP, where business models tend to explicitly combine social and economic goals (London, Anupindi, & Sheth, 2010; Prahalad, 2005; Simanis & Hart, 2008).

The goal of this paper is to explore whether the concept of ACAP, previously applied in the context of B2B alliances, is directly transposable to B2N alliances, or whether it needs to be adapted to the specificities of these alliances. Thus, this research seeks to answer the following question: *In what ways (if any) does ACAP differ in the context of B2N alliances?* The results of this analysis suggest that models of ACAP developed for B2B alliances imperfectly reflect learning and innovation dynamics characteristic of cross-sector alliances. Therefore, this article introduces the concept of relational capacity for Social Innovation (RCSI), a model better suited to the analysis of learning and innovation in the context of cross-sector alliances, especially those at the BOP. The contributions of this work are threefold. First, the article contributes to the cross-sector partnership literature by proposing a construct that helps to explain inter-partner learning and innovation in B2N alliances. Second, this work contributes to the BOP and subsistence marketplace literatures by providing a framework to better understand processes of co-creation and co-innovation in markets characterized by poverty. Third, this article contributes to the broader

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* Corresponding author at: ESADE Business School, Avda. Torreblanca 59, 08172, Sant Cugat de Valles, Barcelona, Spain.
E-mail addresses: matt.murphy@esade.edu (M. Murphy), francois.perrot@polytechnique.edu (F. Perrot), mrivera@babson.edu (M. Rivera-Santos).

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inter-partner learning and innovation literatures by analyzing the impacts of the type of partners and overall goal of the alliance on learning and innovation.

The sections that follow review the concept of ACAP before exploring differences between B2B and B2N alliances. The paper then develops propositions regarding how these differences impact various dimensions of ACAP in the context of B2N alliances and proposes an alternative model, relational capacity for Social Innovation (RCSI), better suited to this context. Two B2N alliances at the BOP provide illustrations of how the model can be used to analyze learning and innovation in cross-sector alliances at the BOP. The final section concludes by discussing implications and limitations of this research for scholars and practitioners.

2. Absorptive capacity

Developed by Cohen and Levinthal (1990), ACAP refers to a firm's ability to learn from its external environment and leverage new knowledge to improve performance. Linking individual and organizational levels, the concept emphasizes the cumulative and path-dependent nature of learning, and highlights the processes, policies, and procedures that enable learning in an organization. In Cohen and Levinthal's original model, ACAP incorporates three distinct, although related, facets: the firm's ability to recognize the value of new information, its ability to assimilate it into its own knowledge base, and the ability to apply it to commercial ends.

Following this foundational study, numerous scholars have applied the concept of ACAP, especially in the alliance literature. However, as established by a recent literature review, few studies have attempted to extend or refine the construct (Lane, Koka, & Pathak, 2006). Todorova and Durisin (2007) propose a model describing the components and processes comprising a firm's ACAP (Fig. 1). It places abilities to recognize the value of, acquire, assimilate, transform, and exploit external knowledge at the core of ACAP. The model also recognizes the importance of the type and source of knowledge as antecedents. Power relationships, social integration mechanisms, and regimes of appropriability are introduced as contingent factors and moderators of the relationship between knowledge, ACAP, and performance. As such, the model provides a detailed and comprehensive description of processes that build a firm's ACAP in general and in B2B alliances. However, significant differences between B2B and B2N alliances may impact ACAP. The next section explores these differences.

3. Cross-sector alliances and social innovation

Cross-sector alliances cover a wide range of inter-organizational relationships along a continuum from conflict-resolution to integrative alliances in which partners combine competencies and resources in a process of systematic learning with the goal of creating social value (Austin, 2000; Murphy & Arenas, 2011). In particular, B2N alliances at the Base of the Pyramid (BOP) and in subsistence marketplaces, defined as markets where consumers barely have sufficient resources for day-to-day living (Viswanathan, Sridharan, & Ritchie, 2010), typically require innovations combining both social and economic goals. Thus, two important and related aspects characterize cross-sector partnerships, especially at the BOP: the combination of for-profit and nonprofit partners, and the combination of social and economic goals.

The cross-sector nature of partners has significant implications for B2N alliances. Most importantly, partners in B2N alliances have much less in common than partners in B2B alliances. They tend to share less in terms of organizational culture (Austin, 2000; Berger et al., 2004; Waddell & Brown, 1997), missions (Kanter, 1999; Rondinelli & London, 2003; Waddell & Brown, 1997), views about what constitutes performance and social value (Hardy et al., 2006; Le Ber & Branzei, 2010), mindsets and professional language (Austin, 2000; Lucea, 2007), compensation practices (Preston, 1989; Weisbrod, 1983), organizational structures (Berger et al., 2004), governance structures (Doh & Teegen, 2003; Leete, 2000; Rondinelli & London, 2003), and, most importantly, organizational goals (Anheier & Ben-Ner, 2003). As a consequence, B2N alliances exhibit considerably different governance structures and pursue different objectives than B2B alliances both in developed countries (Rivera-Santos & Rufín, 2011) and at the BOP (Rivera-Santos & Rufín, 2010).

The combination of social and economic goals is the second major aspect differentiating B2N from B2B alliances. While B2B alliances typically have objectives related to creating greater economic value for their partners (Lane & Lubatkin, 1998), cross-sector alliances tend to have objectives prioritizing creation of social value through social innovation (Berger et al., 2004; Le Ber & Branzei, 2010; Nelson & Zadek, 2000; Waddell & Brown, 1997; Waddock, 1991). Social innovation is “a novel solution to a social problem that is more effective, efficient, sustainable, or just than existing solutions and for which the value created accrues primarily to society as a whole rather than to private individuals” (Phills, Deiglmeier, & Miller, 2008: 36). Social innovations thus contrast with business innovations, which are the multi-stage process whereby organizations transform ideas into new/improved products, services or

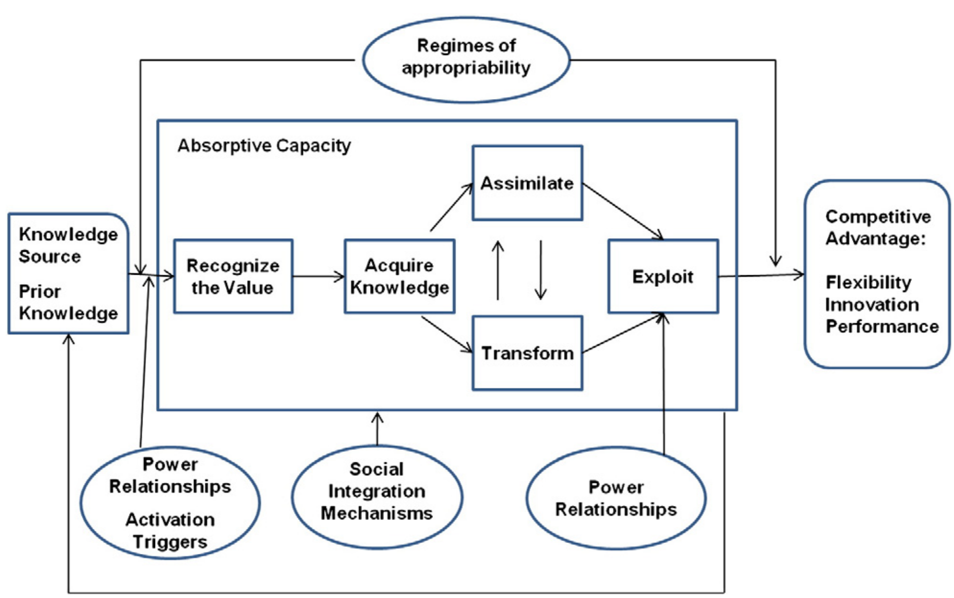

Fig. 1. A refined model of absorptive capacity.
Adapted from Todorova & Durisin, 2007.