Corporate Social Responsibility and Organizations Innovation Strategy

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In investigating the issues related to innovation and CSR, the 4CR multi-dimensional corporate responsibility perspective is reviewed. The research question is from this conceptual model, how can innovation and CSR be, related for innovative organizations? This paper will investigate Lekkerker's theory that there are six types of CSR and innovation, and Doane's contention that in today's business environment, CSR and innovation do not really exist. A new model of CSR, the Corporate Sustainability and Social Responsibility for Innovation and creativity (CSSRIC) Model, is proposed. This model represents a value chain for sustainable, socially responsible, ethical corporate governance emphasizing innovation and creativity.

INTRODUCTION

Is it possible for a company to do well and prosper, while it is doing "good"? Doane asserts that the company which does well doing good is a myth, perpetrated by corporations themselves in a sort of social accountability shell game. (25) Doane's impression of corporate social responsibility and innovation is one which Lekkerkerk fails to support. (1) Lekkerkerk asserts that today's corporate drive is towards the combination of innovation and corporate social responsibility. This paper will investigate Lekkerker's theory that there are six types of CSR and innovation, and Doane's contention that in today's business environment, CSR and innovation do not really exist.

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The research question is investigated utilizing the contexts Lekkerkerk's models of CSR and Doane's theory of the non-existence of true CSR. The background of the study is established, a conceptual framework developed, the literature review is conducted, and the methodology of the study established. Finally, a new model of CSR, the Corporate Sustainability and Social Responsibility for Innovation (CSSR) Model, is proposed.

BACKGROUND OF THE STUDY

As MacGregor pointed out, linking the concept of innovation with the process of corporate social responsibility is not easy. (MacGregor & Fontrodona 4) MacGregor suggests that there is little explicit research that links innovation and corporate social responsibility. Instead, he believes, there is a great deal of implicit evidence that links the two. (MacGregor & Fontrodona 2) He proposes that through the process of scaffolding, one can observe and study the ways that innovation and corporate social responsibility interact. (MacGregor & Fontrodona 4) Through the process of establishing key points of overlap between innovation and responsibility, he asserts, the link between the two becomes clear. (MacGregor & Fontrodona 4) Once the link is firmly established, he suggests, academic dialogue will open and it will be possible for companies to use the information and knowledge gained to develop a plan for practical implementation of corporate social responsibility and innovation. (MacGregor & Fontrodona 4)

Lekkerkerk, however, believes that there are six separate permutations of innovation and corporate social respnsibility interact: (1) starting or strengthening CSR; (2) innovative CSR; (3) a CSR-innovation; (4) innovating using CSR as an added set of critera; (5) to innovate as a corporate and social responsibility; and (6) not to innovate, as part of social and corporate responsibility. (Lekkerkerk 1-2). In the first case, when an organization which has never considered developing corporate social responsibility decides to develop CSR, it is, by definition, an innovation to the company. At the same time, Lekkerkerk suggests, companies that have implemented CSR for legal but not moral reasons, who now decide to pursue CSR for moral basis, are also performing innovation. (Lekkerkerk 1)

In the second case, Lekkerkerk asserts that it is innovative CSR when the companies which have not yet implemented a form of CSR decide to implement it. (Lekkerkerk 1) A CSR innovation, he states, exists when companies are forced to make strategic decisions as they make make decisions that will bring CSR results, but no profit or pay-back benefits. (Lekkerkerk 1) The fourth case, innovating using CSR as an added set of criteria, exists when innovations for the customer are occuring, and CSR is added for additional reinforcement to the customer. (Lekkerkerk 2) When the company innovates as both corporate and social responsibility, it fulfills Lekkerker's fifth case definition. Lekkerker argues that it may be necessary to encourage the innovation of 'open' innovation, where companies share their previously shelved ideas that were socially responsible but fiscal drains. (Lekkerkerk 2) In the sixth and final case, Lekkerker argues that sometimes, not innovating fulfills corporate and social responsibility. He fulfills this argument with the use of the old axiom "if it ain't broke, don't fix it", and the argument that developing better bullets is an example of an innovation that is best left alone. (Lekkerkerk 6)

Several of Lekkerker's arguments defining corporate social responsibilty and innovation closely resemble Doane's argument that the marriage of corporate social responsibility and innovation barely exists; yet he utilzes the same arguments to show it does exist that Doane utilizes to show that CSR and innovation does not. An example of this found in Doane's contention that "CSR as a concept simplifies some rather complex arguments and fails to acknowledge that ultimately, trade-offs must be made between the financial health of the company and ethical outcomes. And when they are made, profit undoubtedly wins over principles." (Doane 24)

It seems clear from the analysis of Lekkerker's and Doane's materials that there is a great difference of opinion on what CSR innovation really is. Indeed, it appears that MacGregor is correct when he states that the connection between innovation and corporate social responsibility must be made by scaffolding. The research for this project, then, will be conducted with that contention as a baseline for study.

CONCEPTUAL FRAME AND CONCEPTUAL ANALYSIS

Katsoulakos and Rutherford suggested that since the 1990s, the face of business strategy has changed. Rather than basing a company's business strategy on competition, the development of knowledge based resources led to the conclusion that business strategy based on resource allocation and the effective leverage of those resources was a more efficient form of competition. (Katsoulakos & Rutherford 5) Once understanding of the nature of knowledge as a business strategy has been acquired, it becomes clear that "intangibles" can be part of business strategy and hence business competition. It is then a small leap – a scaffolding – to reach the perception that there may be additional intangibles that may play a part in the competitive nature of business. (MacGregor & Fontrodona 4) If one accepts that advantage-creating resources can result in leveraging that gives the company competitive advantage, then it should be possible, in theory, to leverage corporate social responsibility as a competitive advantage.

Through the process of conceptual analysis, the conclusion can be reached that in order for the company to *maintain* any advantage garnered through corporate social responsibility, the CSR demonstrated by any particular or individual company must grow, change, develop, and evolve. Through the process of scaffolding the conclusion is reached that change, development, and evolution is a product of innovation. The framework for innovation is thus established.

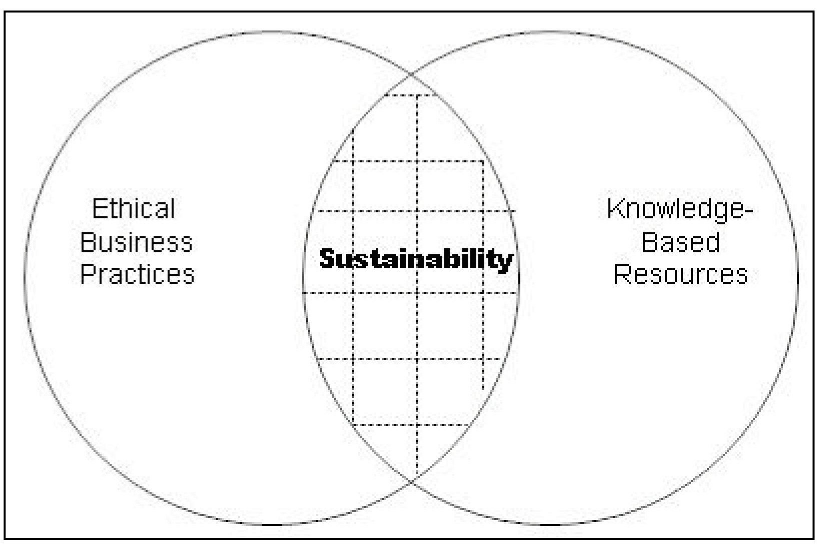
Linton suggested that the future of business lies in the development of a field he terms *ethonomics.* The system of ethonomics allows the focal points of capitalism to remain intact, while developing the economy from an ethical standpoint. (Linton). Although Linton focuses on the concept of sustainability, he suggests that the way to develop the economy ethically is to (1) find the best economic methods to make money for the business; (2) find the best combination of ethics and economy for the industry in which the industry functions; and (3) find the way to make them work together. (Linton) This conceptualization closely resembles Friedman's later works, in which he pointed out that there is one and only one social responsibility of business – to use its resources and engage in *activities designed to increase its profits* so long as it stays within the rules of the game, which is to say, engages in open and free competition *without deception or fraud* [emphasis added] (Friedman 133.)

Carson pointed out that Friedman's feelings of social responsibility and ethical behavior ran quite deep.…a corporate executive is an employee of the owners of the business. He has direct responsibility to his employers. That responsibility is to conduct the business in accordance with their desires, which generally will be to make as much money as possible while conforming to the basic rules of society, both those embodied in law and those embodied in ethical custom (Carson 51).

Earlier, it was stated that business strategy based on resource allocation and the effective leverage of those resources was a more efficient form of competition. (Katsoulakos & Rutherford 5) If the goal is to be competitive – and none of the theorists deny that competition is part of business – then it seems that business must be ethical, driven by profit, based partly on intangibles, and able to develop knowledge based resources.

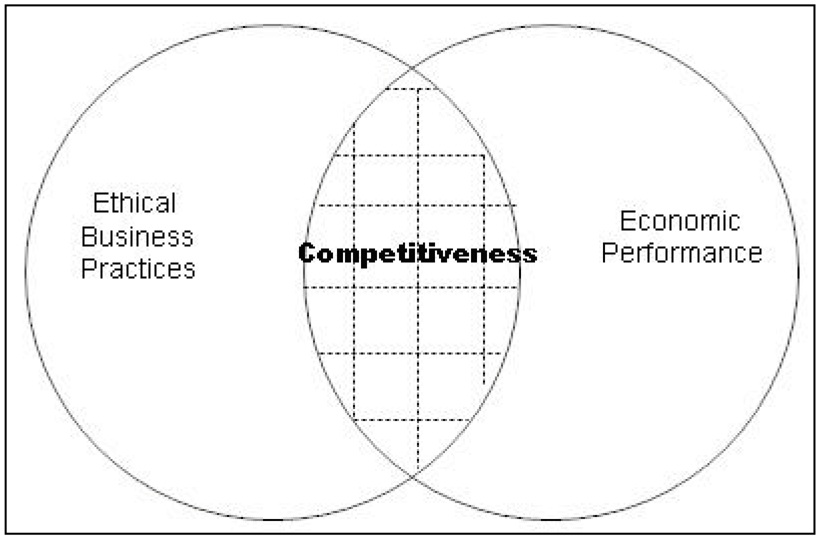
The intersection of ethical business and knowledge based resources is illustrated below.

FIGURE 1
INTERSECTION OF ETHICS AND KNOWLEDGE BASED RESOURCES



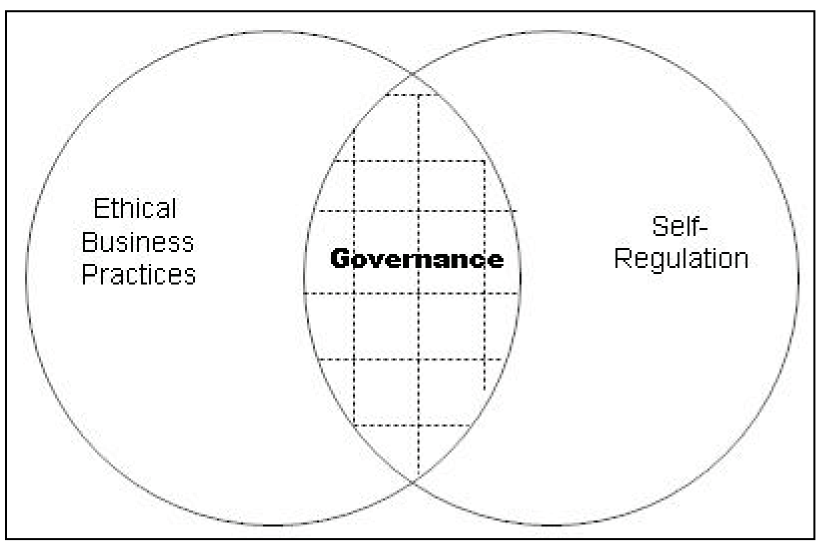
A similar illustration could be developed for the intersection of economic performance and ethics.

FIGURE 2
INTERSECTION OF ETHICS AND ECONOMIC PERFORMANCE



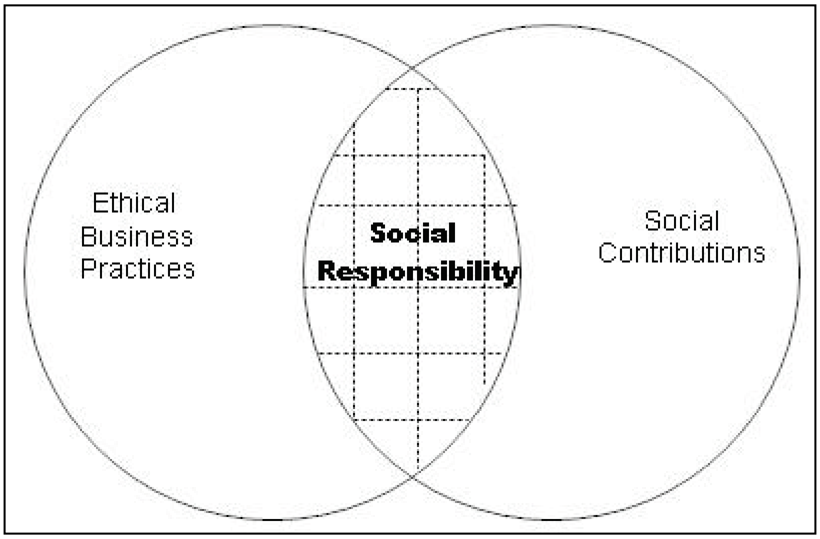
As ethical business practice intersects with self-regulation, demanded by Linton and Friedman, a new form of control develops.

FIGURE 3
INTERSECTION OF ETHICS AND SELF-REGULATION



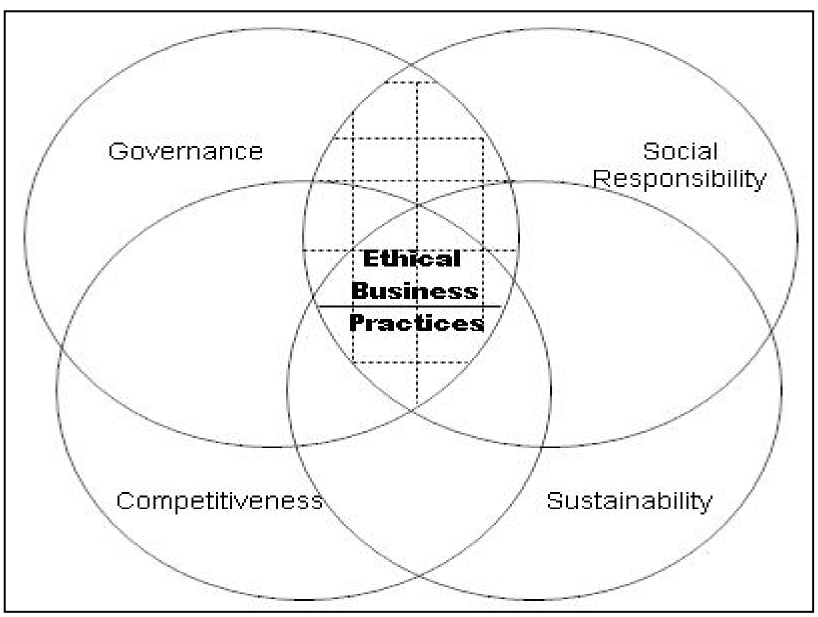
Finally, ethical business practice intersects with social contributions in a model of Lekkerkerk's fifth and sixth permutations of CSR.

FIGURE 4
INTERSECTION OF ETHICS AND SOCIAL CONTRIBUTIONS



The result of the intersection of the maps represents the juncture of competitiveness, of governance, of social responsibility, and of sustainability.

FIGURE 5
INTERSECTION OF GOVERNANCE, SOCIAL RESPONSIBILITY, COMPETITIVENESS AND SUSTAINABILITY



That intersection, ethical business practices, is the cornerstone of what has been defined as the 4CR, or 4 Corporate Responsibility, taxonomy or framework. (INLECOM Ltd).

LITERATURE REVIEW

Katsoulakos and Katsoulacos refer to the 4CR approach as the "*stakeholder oriented integrative strategic management framework* linking the main strategic management theories across *value, responsiveness and responsibility* dimensions." (T. Katsoulakos & Katsoulacos 2). The 4CR approach represents the development of an approach to corporate responsibility which combines the needs of the organization, the community, and governing agencies in a blend of self-governance, pursuit of profit, and social and ethical responsibilities. The 4CR approach accomodates a number of theories, including (1) that of the industrial organization or evironmental approaches; (2) the resource based view; (3) business networking and relations; (4) knowledge-based view of the firm; (5) corporate sustainability and the corporation's responsibility; and (6) the approaches of the stakeholder. (Katsoulakos & Katsoulacos 4). In the 4CR approach, then, all of the theorists that have already been discussed, except for Doane, are represented.

Midttun, however, argues that any model of corporate social responsibility needs to have an orientation that is more nearly one of corporate responsibility oriented public governance, integrated with a traditional regulatory approach. (Midttun 1) Although Midttun gives a number of examples of governmental initiatives into corporate social responsibility, the mere existence of these initiatives does not provide empirical proof they should exist. Midttun reports that some of the most well-known government initiatives into the provision of corporate social responsibility "guidance" include (1) OECD guidelines for the operations of multinational corporation; (2) Global Compact of the UN; (3) environmental legislation on national levels; (4) investments by financial institutions, when they are socially responsible investments; and (5) sustainable development and human rights campaigns by non-governmental organizations. (Midttun 2,3).

Midttun's argument that sustainable human rights campaigns by non-governmental organizations constitutes an example of governmental initiative into corporate social responsibility is difficult to comprehend. The argument might be made instead that it more nearly resembles an initiative of corporate social responsibility into the realm of governmental initiatives. In 1993, Levi Strauss pulled its business out of China, a very lucrative market both for sales and as a source of cheap labor. China, Strauss reported, had too many human rights violations for the company to consider doing business there. (Makower 278) In addition, Levi Strauss characterizes itself as being *thoughtful.* The company rethought their position in 1998 and reopened business in China. This time, Levi Strauss dictated rules to the Chinese.

Makower points out, however, that it is not enough to do "good deeds" or be socially responsible. Instead, he advocates for establishing a company vision that encompasses the company's goals and visions. The vision must go beyond merely making money. (Makower 13). Further, the vision must provide a guideline for achieving the vision. (Makower 15). Makower insists that the company must also establish visions related to social responsibilty. (Makower 21). The vision must be codified into policy, and policy must support practice. (Makower 181) Makower also points out that there is some level of negative financial impact to companies which have exemplary social policies; it takes money to hire good employees, provide adequate benefits, and invest in customers, employees, and the community. (Makower 262). A company that has developed the trust of employees and the community is more likely to be able to survive. (Makower 216).

Doane has argued that CSR will never be effective because "there is often a wide chasm between what's good for a company and what's good for soicety as a whole." (Doane 25). I argue that this is no longer true. General Mills cereal once paid $100 a ton to have oat hulls from Cheerios transported to the landfill. Though the creative process, however, they developed a use for the hulls. An innovative plan to use hulls as fuel to heat their buildings evolved into a plan to sell any unused hulls to other companies. Because the hulls provide clean burn, they are highly desired in the industrial world. (Borden et al., 2007, Slide 1) General Mills now *makes* more than $100 a ton when they sell the hulls; when one considers the fuel savings from the hulls they burn, the savings is even higher. Similar innovations have paid Wal-Mart, Dell, Texas Instruments, Unilever, and Sun Microsystems (Borden et al.)

Doane's final conclusion is that CSR is nothing more than a placebo. (Doane 29). The evidence presented in the literature review suggests that CSR is a significant contribution to business, and that it will contribute to sustainability, responsibility, and governance of the corporate world simply by virtue of its level of competitiveness.

METHODOLOGY

The World Commission on Environment and Development stated that:

> Humanity has the ability to make development sustainable – to ensure that it meets the needs of the present without compromising the ability of future generations to meet their own needs. The concept of sustainable development does imply limits – *not absolute limits but limitations imposed by the present state of technology and social organization* on environmental resources and by the ability of the biosphere to absorb the effects of human activities. But technology and social organization can be both managed and improved to make way for a new era of economic growth. [Emphasis author's] (World Commission on Environment and Development 1987 8).

It is the meaning of this passage which guides the search for a method of enhancing corporate social responsibility and innovation. This is not a quantitative study; there are no studies of the numbers of organizations participating in various activities. Instead, this study explores conceptual models of innovation and corporate social responsibility. Qualitative methodology is ideal for the study as the goal of qualitative methodology is to place understanding in the context of culture (Marshall and Rossman). No hypothesis is utilized in the study, because the study endeavors to explore the subject of corporate social responsibility. The study may assist in the development of hypotheses for future studies, however.

The reasoning process used in the investigation is that of inductive reasoning. Inductive reasoning is used to generate observations and theories. A small observation may be used to help surmise a theory, without proving it. Though some inductive studies are used to prove theories, more commonly they are used to develop observations and construct theories. (Shuttleworth). Qualitative, inductive studies are ways of determining meaning and describing phenomenon. (Eldabi et al. 66). It is for these reasons that a qualitative inductive methodology of study was chosen.

Once the subect of corporate responsibilty was investigated using the research question *How can innovation and CSR be related for innovative organization*? a new model of corporate responsibility was proposed.

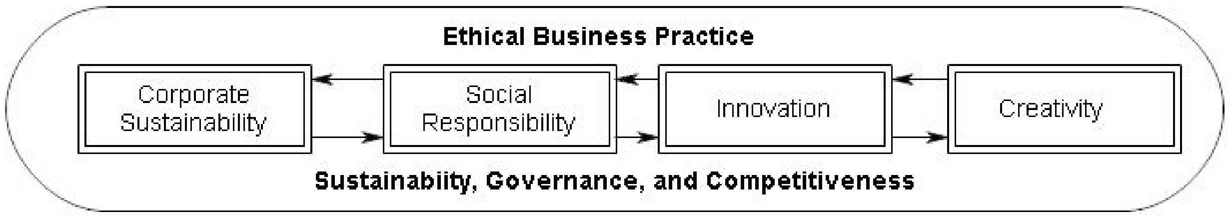
RECOMMENDATION FOR ANEW MODEL OF CORPORATE SOCIAL RESPONSIBILITY

New technology cannot develop without innovation. (Kotter 216) It is impossible for business to progress without the utilization of new technology and new programs of business. In order to remain competitive in the global market, businesses must progress. Innovation becomes a requirement, rather than a luxury. Companies which do not fund research and development will not have an adequate product development cycle.

Innovation can be an unbelieveable source of growth and development within a business, and it can literally disrupt an industry; a truly successful product innovation may even disrupt facets of society. (Jolly 63). There are individuals alive today who witnessed the birth of the television, color television, transistor radios….Pong, Atari, and the Wii. (Media Management Group) These individuals have seen the development of colored cereals with marshmallow stars, pre-seasoned steaks, and freeze-dried chili. Though the moral or ethical value of some of these products will vary depending on the perspective of the user, there is no doubt that they, like the personal computer, have (1) changed society and (2) been developed through the process of innovation. (Mowery 156)

The proposed model of corporate social responsibility, Corporate Sustainability and Social Responsibility for Innovation and Creativity (CSSRIC), is an adaptation of the original corporate social responsibility models dicussed earlier in this paper.

FIGURE 6
INTERSECTION OF GOVERNANCE, SOCIAL RESPONSIBILITY



The proposed model represents a value chain for sustainable, socially responsible, ethical corporate governance emphasizing innovation and creativity. The proposed model suggests that it is no longer enough to recognize Corporate Social Responsibility without understanding the importance of Sustainabilty, Innovation, and Creativity in the process of ethically competing in the business world today.

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