

Innovative CSR: a framework for anchoring corporate social responsibility in the innovation literature

Article (Published Version)

Preuss, Lutz (2011) Innovative CSR: a framework for anchoring corporate social responsibility in the innovation literature. *Journal of Corporate Citizenship*, 42. pp. 17-33. ISSN 1470-5001

This version is available from Sussex Research Online: <http://sro.sussex.ac.uk/id/eprint/63548/>

This document is made available in accordance with publisher policies and may differ from the published version or from the version of record. If you wish to cite this item you are advised to consult the publisher's version. Please see the URL above for details on accessing the published version.

Copyright and reuse:

Sussex Research Online is a digital repository of the research output of the University.

Copyright and all moral rights to the version of the paper presented here belong to the individual author(s) and/or other copyright owners. To the extent reasonable and practicable, the material made available in SRO has been checked for eligibility before being made available.

Copies of full text items generally can be reproduced, displayed or performed and given to third parties in any format or medium for personal research or study, educational, or not-for-profit purposes without prior permission or charge, provided that the authors, title and full bibliographic details are credited, a hyperlink and/or URL is given for the original metadata page and the content is not changed in any way.

Innovative CSR

A Framework for Anchoring Corporate Social Responsibility in the Innovation Literature

Lutz Preuss*

Royal Holloway, University of London, UK

Sketching the evolution of corporate social responsibility (CSR) from decoupled corporate philanthropy through strategic CSR to efforts to mainstream CSR throughout the firm, this paper highlights considerable drawbacks of a narrow view of the business case for CSR. Hence it seeks to provide an alternative that is still linked to key business processes but avoids such a tight coupling. The paper argues that this can be achieved through anchoring CSR in the literature on innovation. A definition of innovative CSR is developed, which is operationalised as the 4Ps of Innovative CSR, a framework that consists of innovation in CSR project content, CSR processes, CSR positioning or CSR paradigm change. The paper proceeds to outline the benefits that approaching CSR from the innovation angle offers. Finally, areas are highlighted where the study of innovation can lead to a better understanding of both the nature of CSR and the challenges involved in managing it.

- Business case
- Corporate social responsibility
- Innovation
- Strategic CSR
- Innovative CSR

Lutz Preuss is Reader in Corporate Social Responsibility at the School of Management of Royal Holloway, University of London, where he is also the Programme Director of the MSc in Sustainability and Management. His research has addressed various aspects of corporate social responsibility, in particular international differences in corporate and stakeholder approaches to CSR.



✉ School of Management, Royal Holloway, University of London, Egham, Surrey TW20 0EX, UK
Lutz.Preuss@rhul.ac.uk

* The author would like to acknowledge the financial support of the German Federal Ministry of Education and Research (grant number 01UT1005) and support of the International Research Network on Social and Environmental Aspects in Business and Management (SEABUS).

DISCUSSIONS OF INNOVATION HARDLY EVER impact on discussions of corporate social responsibility (CSR) and vice versa. This is surprising, given the degree of interdependence between the two areas (MacGregor *et al.* 2010). On the one hand, product innovation and the development of new technologies by business—whether advances in IT, biotechnology or pharmaceuticals—have fundamental implications on the consumption choices, living standards and quality of life of individuals and societies globally (Matten *et al.* 2007). On the other hand, CSR can contribute to innovation. For example, the emphasis on leveraging external sources of new ideas in the concept of Open Innovation (Chesbrough 2003) complements the emphasis on stakeholders in the CSR literature, such as NGOs (den Hond and de Bakker 2007) or local communities (Bowen *et al.* 2010). However, so far there has been little discussion of the overlap between CSR and innovation (Preuss 2010).

CSR is today often approached from a strategic management perspective (Van de Ven and Jeurissen 2005). According to this view, companies can reap significant benefits from differentiating themselves from competitors through their CSR activities (Burke and Logsdon 1996; Porter and Kramer 2006; Husted and Allen 2007). However, the business case for CSR has a number of disadvantages. Consumers are able to support some CSR initiatives but may lack power in the marketplace with regard to others (Carroll and Shabana 2010). Benefits from CSR also seem to be industry-specific, as large, branded manufacturers can reap benefits from addressing environmental and social challenges of their products more easily than capital goods manufacturers or small businesses. Hence this paper advocates an alternative approach that still links CSR to key business processes but avoids the tight coupling that is inherent at least in the narrow view of the business case. Such an alternative conceptualisation is important since there seems to be a gap in many firms between a CSR rhetoric that is framed in terms of opportunities for corporate innovation and sustainable growth and the mind-sets of managers where a risk management approach to CSR dominates (Sloan 2009).

The paper seeks to make a number of contributions to the literature. First, based on generally accepted definitions of innovation and CSR, it develops a definition of innovative CSR. Second, it presents a framework through which innovative CSR can be operationalised. Third, areas are drawn out where a focus on innovation can lead to a better understanding of both the nature and management challenges of CSR. The paper is structured as follows. A brief overview of the CSR literature highlights the evolution of CSR from decoupled corporate philanthropy to strategic CSR that is aligned with major business processes. The paper proceeds to discuss innovation as a potential alternative for a conceptualisation of CSR that is grounded in business processes. Thereafter the framework of innovative CSR is presented, which comprises innovation in CSR project content, processes, positioning and paradigm change. Last, the advantages of an innovation-based approach to CSR are discussed, before the conclusions summarise the argument.

The evolution of CSR: from corporate philanthropy through strategic CSR to mainstreaming CSR

The recent evolution of CSR can be described as having gone through distinct stages (see Carroll 1999, 2008). By the 1960s, corporate philanthropy had become a key mode of CSR, but this engagement was understood in a broad sense and not typically aligned with business strategy (Vogel 2005). Assertions by the non-profit sector of a right to receive cash with no strings attached led to corporate donors selecting causes that were least associated with their line of business (Smith 1994). First-phase CSR hence aimed at 'doing good to do good' and often pursued little more than an indirect link between corporate philanthropy and shareholder interests (Friedman 1970; Vogel 2005). However, over time such CSR initiatives received criticism for being static and not giving sufficient attention to their context (Beaulieu and Pasquero 2003). They were also increasingly criticised for not being integrated into company strategy and operations but remaining bolted on (Weaver *et al.* 1999; Grayson and Hodges 2004).

In response to such criticism, a second wave of CSR developed that has at its core a strategic approach (Burke and Logsdon 1996; Van de Ven and Jeurissen 2005; Porter and Kramer 2006). In order to turn into a source of competitive advantage, the basic tenet of strategic management is applied to CSR: A company should manoeuvre itself into a unique position through organising its CSR activities differently from competitors in a way that lowers costs or better serves customer needs (Porter 1985). CSR has increasingly become seen through the lens of the business case: how to generate tangible benefits for both the firm and its key stakeholders through CSR policies, activities and practices (Carroll and Shabana 2010). Second-phase CSR thus aims at 'doing good to do well' (Vogel 2005). This perspective has also been taken up by prominent business voices, such as the World Business Council for Sustainable Development (Holliday *et al.* 2002) or Business in the Community (BITC 2011).

Proponents of a business case for CSR have put forward a number of arguments why a company's CSR can improve its financial performance (Amalric and Hauser 2005; Kurucz *et al.* 2008; Carroll and Shabana 2010):

- ▶ **Competitive advantage.** The firm may be able to adapt to its external context faster or better than competitors
- ▶ **Cost and risk reduction.** By building confidence among stakeholders the company can avoid consumer boycotts, regulatory attention, etc.
- ▶ **Reputation and legitimacy.** The cost of not engaging in CSR may be greater than the cost of the actual CSR activities
- ▶ **Synergistic value creation.** Aligning company and stakeholder interests may open up hitherto unseen commercial opportunities

The business case argument sparked a large body of research into the link between corporate social and financial performance. Some studies reported

a positive link, others a negative one, some an inverted U shape and others again found inconclusive evidence (Ullmann 1985; Griffin and Mahon 1997). Overall, the results of these empirical studies have so far failed to present conclusive evidence for a positive relationship (Margolis and Walsh 2003). Many relatively responsible companies have not been financially successful, while socially responsible investment funds have not systematically performed better than non-socially screened funds either (Vogel 2005). To a significant degree, such inconsistencies have their roots in methodological differences and biases in data interpretation (Carroll and Shabana 2010). However, there seems to be evidence, too, that CSR does at least not harm financial performance (Orlitzky *et al.* 2003).

From a management perspective, attempts to find a universal business case for CSR overlook the fact that the conditions for the success of a strategic approach differ between firms (Barnett 2007). Opportunities for CSR in the firm's own operations may be high (e.g. in the chemical industry) or low (e.g. banking), while the need for interactions with key societal stakeholders may again be high (e.g. tobacco) or low (e.g. capital goods manufacturers). From a stakeholder perspective, an emphasis on tangible benefits from CSR may also lead to accusations of window dressing and actually undermine a company's societal legitimacy rather than increasing it (Utting 2005). From a societal perspective, if all companies rigidly followed the business case, then much societal demand for corporate social and environmental initiatives would remain unmet as these may offer neither close linkage to the firm's strategy nor a clear improvement to its bottom line.

In response to these drawbacks, scholars and practitioners have begun to conceptualise the business case in a broader, more holistic way (Berger *et al.* 2007). Such a broad view includes both economic and non-economic contributions to the bottom line, going beyond the need to identify a direct link to financial performance (Weber 2008). The broad view of the business case has the advantage that it allows the firm to benefit from CSR opportunities that would be below the radar of firms employing a narrow view of the business case (Carroll and Shabana 2010). The broader view of the business case has led to calls for CSR to be mainstreamed (Grayson and Hodges 2004). Arguably indicating a third stage in its evolution, for CSR to be mainstreamed it has to be integrated into corporate policy development, technical tools and performance measurement criteria in such a way that it affects everyday activities and eventually becomes part of the firm's identity (Berger *et al.* 2007). It is the argument of this paper that a conceptualisation of CSR that is based in innovation could make a contribution to these processes.

On the nature of innovation

In a nutshell, Roberts (2007: 36) defines 'Innovation = Invention + Exploitation'. Similarly, for Baumol (2002: 30) innovation consists of 'the recognition of an economically promising opportunity for change and the carrying out of whatever steps are necessary to implement that change' (see also Freeman and Soete 1997). Innovation can comprise gradual or radical changes of the status quo (Murphy and Gouldson 2000; Utterback and Akee 2005; Midttun 2007). It has been conceptualised from a multitude of directions (Lam 2000), such as the role of individual creativity (Amabile *et al.* 1996) or interaction processes within an innovating organisation (Burns and Stalker 1961; Prahalad and Hamel 1990; Van de Ven *et al.* 1999; Christiansen 2000) as well as interactions across organisational boundaries (Pavitt 1984; von Hippel 1988; Garud and Karnøe 2003). At the national level, the various organisations and institutions that interact with each other in the course of innovative activity have furthermore been conceptualised as a national innovation system (Freeman 1994; Balzat and Hanusch 2004).

Although innovation is often conceptualised in terms of changes to the products/services the company offers and to processes of creating and delivering these, innovation can also relate to the firm's market position or business model. Hence Francis and Bessant (2005) present a model of the 4Ps of innovation:

- ▶ P₁ innovation to introduce or improve products
- ▶ P₂ innovation to introduce or improve processes
- ▶ P₃ innovation to define or redefine the positioning of the firm or its products
- ▶ P₄ innovation to define or redefine the dominant paradigm of the firm

Innovation often concerns products (Abernathy *et al.* 1981; Capon *et al.* 1992; Schumpeter 1992; Utterback 1994) or services (de Brentani 1989; Han *et al.* 1998). Such innovation can proceed along several dimensions, such as the modularity of the product or the timing of the innovation (Wheelwright and Clark 1992). Organisational processes are another target for innovation (Burns and Stalker 1961). Process innovation can enable a firm to gain a competitive advantage through increased product variation or lead to cost minimisation (Utterback and Abernathy 1975; Davenport 1993). Both product and process innovation today take place beyond the boundary of the firm in its value chains (Pavitt 1984; Chesbrough 2003). In either case, innovation can be further hampered or enhanced through sense-making and interpretative processes (Dougherty 1992).

Positional innovation relates to a situation where an established product/service is introduced into a new context (Francis and Bessant 2005). It concerns not so much the functionality of a product but the meaning of the product or market segment to potential customers; it can be seen as a form of brand management that creates product, firm or market identities by way of manipulating various

signals through advertising and marketing (Day and Wensley 1988). Finally, a firm may have the opportunity to change the business model according to which it or its industry work (Chesbrough and Rosenbloom 2002). In doing so, the firm may be able to change the ‘deeply engrained assumptions . . . that influence how we understand the world and how we take action’ (Senge 1990: 8). These insights from the innovation literature are now used to develop a conceptualisation of innovative CSR.

Towards a conceptualisation of innovative CSR

The concept of innovation has certainly been taken up in the CSR literature. Porter and Kramer (2006: 80) argue that ‘CSR can be much more than a cost, a constraint, or a charitable deed—it can be a source of opportunity, innovation, and competitive advantage’. With causality working in the opposite direction, McWilliams and Siegel (2001: 119) write that ‘R&D investment may result in both CSR-related process and product innovations, which are each valued by some consumers’. Discussing the management of social and environmental externalities, Zwetsloot (2003) suggests that continuous improvement and innovation should be one of the basic business principles for CSR. Innovation has furthermore been discussed with regard to various sub-themes in the CSR literature, ranging from product and process design (Hall and Vredenburg 2003; Cooperrider 2010) through organisational design (Griffiths and Petrick 2001; Kelly and White 2009) and industry structure (Sathe and Croke 2010) to corporate engagement with external stakeholders (Wheeler *et al.* 2003; Sloan 2009).

On closer inspection, however, many of these approaches are largely rooted in strategic thinking rather than in innovation. Consider, for example, the argument by Grayson and Hodges (2004: 9) that the ‘driver for successful business is entrepreneurialism, opportunity and the competitive instinct . . . a willingness to look for creativity and innovation from non-traditional areas—including CSR’. They go on to suggest that successful CSR has three dimensions: namely, innovation in products and services, finding unserved markets and building new business models. The argument that successful CSR should aim for innovation in products and services, uncover unserved markets and build new business models makes sense from a strategic point of view—but is this already innovative CSR? By contrast, it is the aim of this paper to develop a conceptualisation of CSR that is squarely based on the innovation literature.

As a starting point, the European Commission (2001: 6) characterises CSR as ‘a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis’. Combining this definition of CSR with the definition of

innovation by Roberts (2007) referred to above, this paper offers the following definition:¹

innovative CSR = design of novel ways of addressing social and environmental concerns + integration of these into business operations and interactions with stakeholders

The definition of innovative CSR can be operationalised by extending Francis and Bessant's (2005) 4Ps of innovation to a framework of innovative CSR. The 4Ps of Innovative CSR are thus:

- ▶ CSR P₁ innovation in CSR project content
- ▶ CSR P₂ innovation in CSR processes
- ▶ CSR P₃ innovation in CSR positioning
- ▶ CSR P₄ innovation in the CSR paradigm

Examples of CSR P₁ innovation in CSR project content are clearly visible on the environmental side. Here manufacturers have replaced heavy metals, solvents or other toxic ingredients (Preuss 2007). Such projects can be handled in a systematic manner through tools such as design for environment (Fiksel 1996; Lenox *et al.* 2008) or sustainable design (Carrano and Thorn 2006). A recent example for CSR project content innovation on the social side is the bottom-of-the-pyramid (BoP) approach. According to this concept, business could become a solution to global poverty through paying attention to the huge unmet demand among the world's poorest consumers (Prahalad and Hammond 2002); although critics argue that real help for the poor comes less from tapping into their purchasing power than through lowering prices or raising income (Karnani 2007).

Examples of CSR P₂ innovation in CSR processes are again not difficult to find. In terms of reducing their environmental impact, manufacturing firms have introduced various schemes to re-use packaging, take their product back at the end of its life or shift transport from road to rail (Preuss 2007). As an example from the social side, betting and gaming group Gala Coral initiated a collaboration with the charity Sue Ryder Care that extends across all its divisions. Part of this collaboration is a joint procurement scheme with the charity.² Mirroring the emphasis in the concept of Open Innovation on external sources of new ideas (Chesbrough 2003), companies increasingly involve external

1 Alternatively, the definition of innovative CSR can utilise the definition of innovation by the OECD as technological or organisational novelties (OECD and Eurostat 1997). Hence Preuss (2010) defines innovative CSR as comprising: (a) **Technological CSR innovation**. The development of novel or improved products or new production processes that offer a superior balance, from a societal point of view, of economic, social and environmental benefits, and/or (b) **Organisational CSR innovation**. Changes to organisational structure, corporate strategy or management techniques that enable the firm to better achieve an integrated economic, social and environmental performance.

2 I am grateful to Dr Colin Morgan, Head of Corporate Responsibility & Internal Communications at Gala Coral Group, for alerting me to this example.

stakeholders in setting their CSR priorities (Wheeler and Sillanpää 1998; Jones and Wicks 1999; Harting *et al.* 2006). Like innovation as such, innovative CSR can also utilise input from value chain members as these usually have experience of working with several customers and with different technologies (Vachon and Klassen 2006; Lee and Klassen 2008).

Perhaps the best known example of a CSR P₃ innovation in CSR positioning is the transformation of Shell after the Brent Spar and Niger Delta crises of the mid-1990s (Livesey 2001; Zyglidopoulos 2002). As a consequence of the two external shocks, the formerly inward-looking corporation became one of the CSR leaders as it institutionalised novel modes of governance and stakeholder engagement as well as changing its material practices by embracing renewable energies (de Wit *et al.* 2006; Backer 2008). In other cases the impetus for change has come from internal sources. For example, at illycaffè it was the arrival of a new CEO, the grandson of the company founder, which led to a reorientation of company values. An early mover among large coffee firms, the company began addressing social and environmental externalities in its relationship with coffee growers well ahead of larger competitors, such as Lavazza, Nestlé or Starbucks (Perrini and Russo 2009).

CSR P₄ innovation in the CSR paradigm is by its very nature more difficult to identify. An example is the role of AT&T and the AT&T Foundation in the transition from the CSR approach of add-on corporate philanthropy to the business-case-driven one. In the mid-1980s, the AT&T Foundation pioneered a form of philanthropy that tied foundation initiatives to specific business functions. For example, it established a family care fund, governed by a union-management committee, to support employee-led efforts to establish day care in their communities. As a result, not only the availability of day care facilities and the quality of care they provided improved, but the initiative also became a model for resolving union management disputes (Smith 1994). In contrast to the examples of Shell and illycaffè above, here the company managed to change not only its own positioning within the CSR movement but also our understanding of what CSR should be; hence the AT&T case is an example not just of innovation in positioning but also of a paradigmatic one.

An emphasis on innovative CSR does not mean that questions of efficiency and effectiveness have lost their place. As for any type of investment, proponents of CSR projects need to convince their superiors and peers that their projects create value for the organisation. However as was pointed out above, the link between corporate social and financial performance may not be easily established. In line with other forms of investment—such as investments into brand management (Kerin and Sethuraman 1998; Ohnemus and Jenster 2007) or indeed R&D (Freeman and Soete 1997)—returns from CSR investments are often of an intangible nature. In the light of this situation, the innovative CSR approach seeks to persuade managers that they could cast their net wider when searching for suitable CSR projects. For example, a bank may consider supporting an educational project for children. Since it is highly unlikely that it will employ a significant number of project benefactors, this is probably not an example of a strategic approach to CSR but it may generate benefits in terms of

employee satisfaction. The CSR manager can now use this insight to probe how else CSR can lead to improved employee satisfaction. In other words, innovative CSR stresses a wider conceptualisation of benefits the company can reap than just immediate economic ones. The next section now explains in more detail what the benefits are of conceptualising CSR from an innovation perspective.

Benefits of innovative CSR

Approaching CSR from a starting point in innovation has a number of advantages at firm, industry and society levels. From a company's point of view, a major benefit of innovative CSR lies in the fact that innovation in the field of CSR may be easier to undertake than other forms of innovation. In view of the generally risky nature of innovation, innovative CSR can provide an experimenting ground where the risks are relatively controlled (MacGregor *et al.* 2010). If the innovative CSR project succeeds, the company will have improved its legitimacy with society, and perhaps the project could also become a crystallisation point for other forms of innovation. Innovative CSR furthermore points to the opportunities for knowledge generation and learning that an emphasis on innovation can bring to CSR (Preuss and Córdoba-Pachon 2009).

At industry level, innovative CSR could be useful to convince managers in firms and sectors that see little tangible benefit in CSR. For a consumer electronics firm such as IBM the environmental and social impacts of its products provide ample opportunity for a strategic approach to CSR. However, this does not apply to the same degree to banks, capital goods firms or property management firms, all of which play an equally large if not greater role in modern national economies. In advocating strategic CSR, Porter and Kramer (2006) recommend that a credit card company—but not a utility company—should give philanthropic support for a dance company as the former's business is concentrated in the entertainment and hospitality cluster, whereas the latter's business has no such link. However, from the perspective of innovative CSR either company could support the dance company as long as this is a novel project for the firm. In other words, innovative CSR may highlight different rationales for undertaking CSR that apply in different sectors.

Related to this are societal benefits. In the example above, the CSR project of supporting the dance company is not aligned to the core strategy of the utility firm. On a closer look, it is hardly related to that of the credit card firm either; this firm might generate closer alignment through a micro-finance scheme, for example. In fact, dance is unrelated to the strategy of most firms. If all firms religiously followed the strategic CSR argument, then societal welfare might actually decrease. By contrast, the starting point for innovative CSR lies not in the tangible benefits of strategic CSR (Kurucz *et al.* 2008; Weber 2008); rather the status quo of the firm's CSR activities would determine which product, process, positioning or paradigmatic CSR innovation it could tackle. By offering

a different rationale for engaging in CSR from the narrow business case one, innovative CSR thus stresses a wider range of benefits than just immediate economic benefits that accrue to the company. Furthermore, as CSR is now potentially taken up by a greater number of firms, societal welfare should increase, too. In this way innovative CSR could make a significant contribution to the mainstreaming of CSR.

Lessons for CSR from innovation

Linking CSR more closely to the innovation literature offers opportunities to learn from that body of literature in terms of both managing and understanding CSR. In terms of the former, managers charged with the implementation of CSR could learn from the diffusion of innovation (MacGregor *et al.* 2010). Here, Rogers (1995) pointed to a bell curve of innovation diffusion of innovators, early adopters, early majority, late majority and laggards. This model finds its pendant in CSR studies that distinguish between proactive and reactive firms, with reactive ones only adopting a new CSR trend once they see that the innovation of the more proactive companies has become accepted. The move beyond early adopters to the early majority is a particular challenge in innovation (Rogers 1995), and the same seems to apply to CSR.

Making sense of CSR from a starting point in innovation also helps managers and scholars understand why ‘the prevailing approaches to CSR are so fragmented and so disconnected from business and strategy’ (Porter and Kramer 2006: 80). For innovation scholars this is of little surprise. They have long known that the early part of the development of a new technology is characterised by an idiosyncratic coexistence of competing projects, but as understanding develops, standards emerge and innovation advances more incrementally (Dosi 1988). The emergence of CSR standards, such as ISO 26000 or the GRI (Global Reporting Initiative) guidelines, seems to indicate that CSR might evolve along similar lines. In the words of the GRI, its aim is to offer ‘a globally shared framework of concepts, consistent language, and metrics’ (GRI 2006: 2).

Another area where the innovation literature could help manage CSR concerns the question of whether a company can engage in too much CSR (McWilliams and Siegel 2001). The innovation literature, too, inquired whether there can be an excessive rate of innovation (De Bijl and Goyalb 1995; Kessler and Chakrabarti 1996). As an example, in the second half of the 1990s Netscape engaged in a strategy of rapid product development to compete with Microsoft. However, for Netscape’s corporate customers the frequent moves reduced trust in the company’s future strategic plans (Yoffie and Cusumano 1999). This case echoes voices in the CSR literature that suggest that there may be an ‘optimum’ rate of CSR. Bowman and Haire (1975) found a medium level of CSR activity to be more closely associated with high profitability than either little or

much activity.³ Barnett and Salomon (2006) suggest that socially responsible investment (SRI) funds that employ many social screens improve their financial performance through filtering out worse managed and less stable firms, while SRI funds that employ few social screens benefit from increased diversification; SRI funds that are 'stuck in the middle' in terms of the number of applied screens seem to perform worst.

A focus on innovation can also help our understanding of CSR as a social phenomenon. Mirroring Schumpeter's (1992) emphasis on innovation as the engine of economic growth, this concerns, for example, the role of discontinuities in the evolution of CSR (Midttun 2007). At organisational level, the cases of Shell or illycaffè show how discontinuities act as drivers of CSR. However, new technologies or new organisational routines may also be perceived as a threat to organisational members or the operations of their firm; hence internal cultures and pressures may redirect efforts towards incremental projects with lower risk and more immediate reward (McDermott and O'Connor 2002). In a similar vein, CSR research too should identify circumstances under which employees perceive proposed CSR initiatives as a threat rather than an opportunity.

From a societal perspective, some forms of 'creative destruction' (Schumpeter 1992) are certainly desirable, in particular technological change to reduce the environmental impact of a technology while maintaining its benefits. In the ecological modernisation literature such types of innovation have given rise to the hope that increased resource intensity can help square the circle of environmental damage and inter- and intra-generational justice (Lovins *et al.* 1998; Mol and Sonnenfeld 2000). However, the notion of 'creative destruction' also carries connotations that sit uneasily with an interpretation of CSR as socially embedded transformation that is mediated through consultation with stakeholders (Midttun 2007). While these questions cannot be settled within the confines of this paper, the benefits of learning how neighbouring bodies of the literature have dealt with similar questions should nonetheless be visible.

Conclusions

This paper started with the observation that discussions of CSR and innovation rarely seem to cross-fertilise each other, despite the fact that both subjects are increasingly being seen as complements to corporate competitiveness (MacGregor *et al.* 2010). The paper then proceeded to explore innovation as a basis for an alternative conceptualisation of CSR to one based on the business case. There are good arguments for a strategic approach to CSR; in contrast to the stand-alone nature of corporate philanthropy, CSR initiatives that are integrated

3 In common with many studies into the link between corporate social and financial performance, the paper by Bowman and Haire (1975) is not without methodological problems. In particular, the authors measured the proportion of lines of prose in the annual report devoted to CSR to gauge a company's social performance.

into company strategy and operations can generate both societal and corporate benefits (Weaver *et al.* 1999; Grayson and Hodges 2004; Porter and Kramer 2006). However, empirical evidence regarding the business case for CSR has remained inconclusive (Griffin and Mahon 1997; Orlitzky *et al.* 2003; Vogel 2005). Furthermore, a narrow interpretation of the business case overlooks the fact that the conditions for the success of strategic CSR differ widely between firms (Barnett 2007). Hence the search has started for broader conceptualisations of CSR that allow for non-economic contributions to the bottom line without losing sight of economic ones (Berger *et al.* 2007; Weber 2008).

As one contribution to such efforts, this paper developed the concept of innovative CSR as consisting of the 4Ps of Innovative CSR: namely, CSR P₁ innovation in CSR project content; CSR P₂ innovation in CSR processes; CSR P₃ innovation in CSR positioning; and CSR P₄ innovation in the CSR paradigm. CSR in this sense may risk being less connected to company strategy and operations than it would be under the narrow business case; although the focus on innovation in relation the technological, organisational, positional or paradigmatic status quo of the firm should still ensure that CSR remains coupled to key business processes. In this vein, innovative CSR could make a contribution to efforts to mainstream CSR, where CSR becomes woven into everyday activities and eventually becomes part of the firm's identity (Berger *et al.* 2007).

In this sense, the purpose of presenting the concept of innovative CSR has been to argue for a more flexible business response to social and environmental challenges than the narrow view of the business case allows for. As Vogel (2005) observed: 'Corporations pursue a wide variety of strategies . . . CSR is no different; firms have chosen and will continue to choose different levels of corporate responsibility, depending upon the risks and opportunities they face.' Opportunities for engaging with social and environmental issues are plentiful for firms in some industries but less so in others; equally, opportunities for engaging with key societal stakeholders may or may not be widespread. Following this logic, innovative CSR stresses a wider conceptualisation of benefits the company can reap than just immediate economic ones. Through offering a rationale for engaging in CSR that is different from the narrow business case, innovative CSR may hence engage a wider range of firms with the CSR agenda.

References

- Abernathy, W.J., K.B. Clark and A.M. Kantrow (1981) 'The New Industrial Competition', *Harvard Business Review* 59.5: 68-81.
- Amabile, T.M., R. Conti, H. Coon, J. Lazenby and M. Herron (1996) 'Assessing the Work Environment for Creativity', *Academy of Management Journal* 39.5: 1,154-84.
- Amalric, F., and J. Hauser (2005) 'Economic Drivers of Corporate Responsibility Activities', *Journal of Corporate Citizenship* 20: 27-38.

- Backer, L. (2008) 'Narrating Organisational Identities by Way of Evolutionary Tales: Talking Shell from an Oil to an Energy Company', *Scandinavian Journal of Management* 24.1: 33-43.
- Balzat, M., and H. Hanusch (2004) 'Recent Trends in the Research on National Innovation Systems', *Journal of Evolutionary Economics* 14.2: 197-210.
- Barnett, M.L. (2007) 'Stakeholder Influence Capacity and the Variability of Financial Returns to Corporate Social Responsibility', *Academy of Management Review* 32.3: 794-816.
- and R.M. Salomon (2006) 'Beyond Dichotomy: The Curvilinear Relationship between Social Responsibility and Financial Performance', *Strategic Management Journal* 27.11: 1,101-22.
- Baumol, W.J. (2002) *The Free-Market Innovation Machine: Analyzing the Growth Miracle of Capitalism* (Princeton, NJ: Princeton University Press).
- Beaulieu, S., and J. Pasquero (2003) 'Reintroducing Stakeholder Dynamics in Stakeholder Thinking: A Negotiated Order Perspective', in J. Andriof, S. Waddock, B. Husted and S. Sutherland Rahman (eds.), *Unfolding Stakeholder Thinking: Theory, Responsibility and Engagement* (Sheffield, UK: Greenleaf Publishing): 101-18.
- Berger, I.E., P. Cunningham and M.E. Drumwright (2007) 'Mainstreaming Corporate Social Responsibility: Developing Markets for Virtue', *California Management Review* 49.4: 132-57.
- BITC (2011) *The Business Case for Being a Responsible Business* (London: Business in the Community; Cranfield: Doughty Centre for Corporate Responsibility, University of Cranfield).
- Bowen, F., A. Newenham-Kahindi and I. Herremans (2010) 'When Suits Meet Roots: The Antecedents and Consequences of Community Engagement Strategy', *Journal of Business Ethics* 95.2: 297-318.
- Bowman, E.H., and M. Haire (1975) 'A Strategic Posture toward Corporate Social Responsibility', *California Management Review* 18.2: 49-58.
- Burke, L., and J.M. Logsdon (1996) 'How Corporate Social Responsibility Pays Off', *Long Range Planning* 29.4: 495-502.
- Burns, T., and G.M. Stalker (1961) *The Management of Innovation* (London: Tavistock Publishing).
- Capon, N., J.U. Farley, D.R. Lehmann and J.M. Hulbert (1992) 'Profiles of Product Innovators among Large US Manufacturers', *Management Science* 38.2: 157-69.
- Carrano, A.L., and B.K. Thorn (2006) 'A Multidisciplinary Approach to Sustainable Product and Process Design', *Journal of Manufacturing Systems* 24.3: 209-14.
- Carroll, A.B. (1999) 'Corporate Social Responsibility: Evolution of a Definitional Construct', *Business and Society* 38: 268-95.
- (2008) 'A History of Corporate Social Responsibility: Concepts and Practices', in A. Crane, A. McWilliams, D. Matten, J. Moon and D.S. Siegel (eds.), *The Oxford Handbook of Corporate Social Responsibility* (Oxford, UK: Oxford University Press): 19-46.
- and K.M. Shabana (2010) 'The Business Case for Corporate Social Responsibility: A Review of Concepts, Research and Practice', *International Journal of Management Reviews* 12.1: 85-105.
- Chesbrough, H.W. (2003) *Open Innovation: The New Imperative for Creating and Profiting from Technology* (Boston, MA: Harvard Business School Press).
- and R.S. Rosenbloom (2002) 'The Role of the Business Model in Capturing Value from Innovation: Evidence from Xerox Corporation's Technology Spinoff Companies', *Industrial and Corporate Change* 11.3: 529-55.
- Christiansen, J.A. (2000) *Building the Innovative Organization* (Basingstoke, UK: Macmillan).
- Cooperrider, D. (2010) 'Managing-as-Designing in an Era of Massive Innovation', *Journal of Corporate Citizenship* 37: 24-33.

- Davenport, T.H. (1993) *Process Innovation: Reengineering Work through Information Technology* (Boston, MA: Harvard Business School Press).
- Day, G.S., and R. Wensley (1988) 'Assessing Advantage: A Framework for Diagnosing Competitive Superiority', *Journal of Marketing* 52.2: 1-20.
- De Bijl, P.W.J., and S. Goyalb (1995) 'Technological Change in Markets with Network Externalities', *International Journal of Industrial Organization* 13.3: 307-25.
- De Brentani, U. (1989) 'Success and Failure in New Industrial Services', *Journal of Product Innovation Management* 6.4: 239-58.
- De Wit, M., M. Wade and E. Schouten (2006) 'Hardwiring and Softwiring Corporate Responsibility: A Vital Combination', *Corporate Governance: The International Journal of Business in Society* 6.4: 491-505.
- Den Hond, F., and F. de Bakker (2007) 'Ideologically Motivated Activism: How Activist Groups Influence Corporate Social Change Initiatives', *Academy of Management Review* 32.3: 901-24.
- Dosi, G. (1988) 'Sources, Procedures, and Microeconomic Effects of Innovation', *Journal of Economic Literature* 26.3: 1,120-71.
- Dougherty, D. (1992) 'Interpretive Barriers to Successful Product Innovation in Large Firms', *Organization Science* 3.2: 179-202.
- European Commission (2001) *Green Paper Promoting a European Framework for Corporate Social Responsibility* (Brussels: European Commission; eur-lex.europa.eu/LexUriServ/site/en/com/2001/com2001_0366en01.pdf, accessed 25 July 2011).
- Fiksel, J. (1996) *Design for Environment: Creating Eco-efficient Products and Processes* (New York: McGraw-Hill).
- Francis, D., and J. Bessant (2005) 'Targeting Innovation and Implications for Capability Development', *Technovation* 25.3: 171-83.
- Freeman, C. (1994) 'Continental, National and Sub-national Innovation Systems: Complementarity and Economic Growth', *Research Policy* 31.2: 191-211.
- and L. Soete (1997) *The Economics of Industrial Innovation* (Cambridge, MA: MIT Press, 3rd edn).
- Friedman, M. (1970) 'The Social Responsibility of Business is to Increase its Profits', *New York Times Magazine*, 13 September 1970: 32-33, 122-26.
- Garud, R., and P. Karnøe (2003) 'Bricolage versus Breakthrough: Distributed and Embedded Agency in Technology Entrepreneurship', *Research Policy* 32.2: 277-300.
- Grayson, D., and A. Hodges (2004) *Corporate Social Opportunity! Seven Steps to Make Corporate Social Responsibility Work for your Business* (Sheffield, UK: Greenleaf Publishing).
- GRI (2006) *Sustainability Reporting Guidelines: Version 3.0* (Amsterdam: Global Reporting Initiative).
- Griffin, J., and J. Mahon (1997) 'The Corporate Social Performance and Corporate Financial Performance Debate: Twenty Five Years of Incomparable Research', *Business and Society* 36.1: 5-31.
- Griffiths, A., and J.A. Petrick (2001) 'Corporate Architectures for Sustainability', *International Journal of Operations and Production Management* 21.12: 1,573-85.
- Hall, J., and H. Vredenburg (2003) 'The Challenges of Innovating for Sustainable Development', *MIT Sloan Management Review* 45.1: 61-68.
- Han, J.K., N. Kim and R.K. Srivastava (1998) 'Market Orientation and Organizational Performance: Is Innovation a Missing Link?', *Journal of Marketing* 62.4: 30-45.
- Harting, T.R., S.S. Harmeling and S. Venkataraman (2006) 'Innovative Stakeholder Relations: When "Ethics Pays" (and When it Doesn't)', *Business Ethics Quarterly* 16.1: 43-68.
- Holliday, C.O., S. Schmidheiny and P. Watts (2002) *Walking the Talk: The Business Case for Sustainable Development* (Sheffield, UK: Greenleaf Publishing).
- Husted, B.W., and D.B. Allen (2007) 'Strategic Corporate Social Responsibility and Value Creation among Large Firms', *Long Range Planning* 40.6: 594-610.

- Jones, T.M., and A.C. Wicks (1999) 'Convergent Stakeholder Theory', *Academy of Management Review* 24.2: 206-21.
- Karnani, A. (2007) 'The Mirage of Marketing to the Bottom of the Pyramid: How the Private Sector can Help Alleviate Poverty', *California Management Review* 49.4: 90-111.
- Kelly, M., and A.L. White (2009) 'From Corporate Responsibility to Corporate Design: Rethinking the Purpose of the Corporation', *Journal of Corporate Citizenship* 33: 23-27.
- Kerin, R.A., and R. Sethuraman (1998) 'Exploring the Brand Value–Shareholder Value Nexus for Consumer Goods Companies', *Journal of the Academy of Marketing Science* 26.4: 260-73.
- Kessler, E.H., and A.K. Chakrabarti (1996) 'Innovation Speed: A Conceptual Model of Context, Antecedents, and Outcomes', *Academy of Management Review* 21.4: 1,143-91.
- Kurucz, E., B. Colbert and D. Wheeler (2008) 'The Business Case for Corporate Social Responsibility', in A. Crane, A. McWilliams, D. Matten, J. Moon and D.S. Siegel (eds.), *The Oxford Handbook of Corporate Social Responsibility* (Oxford, UK: Oxford University Press): 83-112.
- Lam, A. (2000) 'Tacit Knowledge, Organizational Learning and Societal Institutions: An Integrated Framework', *Organization Studies* 21.3: 487-513.
- Lee, S.Y., and R.D. Klassen (2008) 'Drivers and Enablers that Foster Environmental Management Capabilities in Small- and Medium-Sized Suppliers in Supply Chains', *Production and Operations Management* 17.6: 573-86.
- Lenox, M., A. King and J. Ehrenfeld (2008) 'An Assessment of Design-for-Environment Practices in Leading US Electronics Firms', *Interfaces* 30.3: 83-94.
- Livesey, S.M. (2001) 'Eco-identity as Discursive Struggle: Royal Dutch/Shell, Brent Spar and Nigeria', *Journal of Business Communication* 38: 58-91.
- Lovins, L.H., E. von Weizsäcker and A.B. Lovins (1998) *Factor Four: Doubling Wealth, Halving Resource Use* (London: Earthscan).
- MacGregor, S.P., J. Fontradona and J. Hernandez (2010) 'Towards a Sustainable Innovation Model for Small Enterprises', in C. Louche, S.O. Idowu and W.L. Filho (eds.), *Innovative CSR: From Risk Management to Value Creation* (Sheffield, UK: Greenleaf Publishing): 305-30.
- Margolis, J.D., and J.P. Walsh (2003) 'Misery Loves Companies: Rethinking Social Initiatives by Business', *Administrative Science Quarterly* 48.2: 268-305.
- Matten, D., A. Crane and J. Moon (2007) 'Corporate Responsibility for Innovation: A Citizenship Framework', in G. Hanekamp (eds.), *Business Ethics of Innovation* (Berlin: Springer): 63-87.
- McDermott, C.M., and G.C. O'Connor (2002) 'Managing Radical Innovation: An Overview of Emergent Strategy Issues', *Journal of Product Innovation Management* 19.6: 424-38.
- McWilliams, A., and D. Siegel (2001) 'Corporate Social Responsibility: A Theory of the Firm Perspective', *Academy of Management Review* 26.1: 117-27.
- Middtun, A. (2007) 'Corporate Responsibility from a Resource and Knowledge Perspective. Towards a Dynamic Reinterpretation of C(S)R: Are Corporate Responsibility and Innovation Comparative or Contradictory?', *Corporate Governance: The International Journal of Business in Society* 7.4: 401-13.
- Mol, A.P.J., and D.A. Sonnenfeld (2000) *Ecological Modernisation around the World: Perspectives and Critical Debates* (London: Frank Cass).
- Murphy, J., and A. Gouldson (2000) 'Environmental Policy and Industrial Innovation: Integrating Environment and Economy through Ecological Modernisation', *Geoforum* 31: 33-44.
- OECD and Eurostat (1997) *Oslo Manual. Proposed Guidelines for Collecting and Interpreting Technological Innovation Data* (Paris: Organisation for Economic Cooperation and Development).

- Ohnemus, L., and P.V. Jenster (2007) 'Corporate Brand Thrust and Financial Performance', *International Studies of Management and Organization* 37.4: 84-107.
- Orlitzky, M., F.L. Schmidt and S.L. Rynes (2003) 'Corporate Social and Financial Performance: A Meta-Analysis', *Organisation Studies* 24.3: 403-41.
- Pavitt, K. (1984) 'Sectoral Patterns of Technological Change: Towards a Taxonomy and Theory', *Research Policy* 13.6: 343-73.
- Perrini, F., and A. Russo (2009) 'illycaffè: Value Creation through Responsible Supplier Relationships', in N.C. Smith and G. Lenssen (eds.), *Mainstreaming Corporate Responsibility* (Chichester, UK: John Wiley).
- Porter, M.E. (1985) *Competitive Advantage: Creating and Sustaining Superior Performance* (New York: Free Press).
- and M.R. Kramer (2006) 'Strategy and Society: The Link between Competitive Advantage and Corporate Social Responsibility', *Harvard Business Review* 84.12: 78-92.
- Prahalad, C.K., and G. Hamel (1990) 'The Core Competence of the Corporation', *Harvard Business Review* 68.3: 79-91.
- and A. Hammond (2002) 'Serving the World's Poor, Profitably', *Harvard Business Review* 80.9: 48-57.
- Preuss, L. (2007) 'The Contribution of Purchasing and Supply Management to Ecological Innovation', *International Journal of Innovation Management* 11.4: 515-37.
- (2010) 'Barriers to Innovative CSR: The Impacts of Organisational Learning, Organisational Structure and the Social Embeddedness of the Firm', in C. Louche, S.O. Idowu and W.L. Filho (eds.), *Innovative CSR: From Risk Management to Value Creation* (Sheffield, UK: Greenleaf Publishing): 331-51.
- and J.-R. Córdoba-Pachon (2009) 'A Knowledge Management Perspective of Corporate Social Responsibility', *Corporate Governance: The International Journal of Business in Society* 9.4: 517-27.
- Roberts, E.B. (2007) 'Managing Invention and Innovation', *Research Technology Management* 50.1: 35-54.
- Rogers, E.M. (1995) *Diffusion of Innovations* (New York: Free Press, 4th edn).
- Sathe, V., and M. Crooke (2010) 'Sustainable Industry Creation', *Journal of Corporate Citizenship* 37: 69-88.
- Schumpeter, J.A. (1992) *Capitalism, Socialism and Democracy* (London: Routledge).
- Senge, P.M. (1990) *The Fifth Discipline: The Art and Practice of the Learning Organization* (New York: Currency Doubleday).
- Sloan, P. (2009) 'Redefining Stakeholder Engagement: From Control to Collaboration', *Journal of Corporate Citizenship* 36: 25-40.
- Smith, C. (1994) 'The New Corporate Philanthropy', *Harvard Business Review* 72.3: 105-16.
- Ullmann, A.A. (1985) 'Data in Search of a Theory: A Critical Examination of the Relationships among Social Performance, Social Disclosure, and Economic Performance of US Firms', *Academy of Management Review* 10.3: 540-57.
- Utterback, J.M. (1994) *Mastering the Dynamics of Innovation: How Companies Can Seize Opportunities in the Face of Technological Change* (Boston, MA: Harvard Business School Press).
- and W.J. Abernathy (1975) 'A Dynamic Model of Process and Product Innovation', *Omega* 3.6: 639-56.
- and H.J. Acee (2005) 'Disruptive Technologies: An Expanded View', *International Journal of Innovation Management* 9.1: 1-17.
- Utting, P. (2005) 'Corporate Responsibility and the Movement of Business', *Development in Practice* 15.3-4: 375-88.
- Vachon, S., and R.D. Klassen (2006) 'Green Project Partnership in the Supply Chain: The Case of the Package Printing Industry', *Journal of Cleaner Production* 14.6-7: 661-71.

- Van de Ven, A.H., D.E. Polley, R. Garud and S. Venkataraman (1999) *The Innovation Journey* (New York: Oxford University Press).
- Van de Ven, B., and R. Jeurissen (2005) 'Competing Responsibly', *Business Ethics Quarterly* 15.2: 299-317.
- Vogel, D. (2005) 'Is There a Market for Virtue? The Business Case for Corporate Social Responsibility', *California Management Review* 47.4: 19-45.
- Von Hippel, E. (1988) *The Sources of Innovation* (New York: Oxford University Press).
- Weaver, G.R., L.K. Trevino and P.L. Cochran (1999) 'Integrated and Decoupled Corporate Social Performance: Management Commitments, External Pressures, and Corporate Ethics Practices', *Academy of Management Journal* 42.5: 539-52.
- Weber, M. (2008) 'The Business Case for Corporate Social Responsibility: A Company-Level Measurement Approach for CSR', *European Management Journal* 26.4: 247-61.
- Wheeler, D., and M. Sillanpää (1998) 'Including the Stakeholders: The Business Case', *Long Range Planning* 31.2: 201-10.
- , 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.
- Wheelwright, S.C., and K.B. Clark (1992) *Revolutionizing Product Development: Quantum Leaps in Speed, Efficiency and Quality* (New York: Free Press).
- Yoffie, D.B., and M.A. Cusumano (1999) 'Judo Strategy: The Competitive Dynamics of Internet Time', *Harvard Business Review* 77.1: 70-81.
- Zwetsloot, G.I.J.M. (2003) 'From Management Systems to Corporate Social Responsibility', *Journal of Business Ethics* 44.2: 201-207.
- Zyglidopoulos, S.C. (2002) 'The Social and Environmental Responsibilities of Multinationals: Evidence from the Brent Spar Case', *Journal of Business Ethics* 36.1-2: 141-51.

