

CSR & Innovation

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Linking two business buzz-words like this can be seen as an innovation in itself in the Schumpeterian definition of an innovation as 'a new combination'.

When I am looking at organizations I see that most of them want to survive. To do so they supply something valuable to customers who are paying a price for the combination of product and service the organization offers them. To this end organizations manage a 'primary process', which is usually part of a supply chain in which other organizations participate. Their offer will however not remain attractive forever; it is hard to find an organization that supplies exactly the same products & services, produced in the same way as it did, let's say, five to ten years ago. So there must be another process which is responsible for changing the organization, its products, services, structure, HRM-procedures, processes, etcetera and adapt these to the changed needs and wants. This auto-transformation process of an organization is usually labelled the 'innovation process'. After this brief but broad definition of innovation I can now turn to the six different combinations of innovation and CSR I found.

Starting or strengthening CSR as an innovation

For an organization that never showed serious interest in CSR and hopefully just obeyed the law, implementing CSR is obviously a new element to be combined with almost all of the existing elements. So by definition it is an innovation, a new combination. Because CSR touches every aspect of doing business it may be labelled a breakthrough innovation for this company. These are risky as failure rates as high as 80% for these innovations show.

Innovative CSR

When half of the companies embraced CSR and implemented it, I think there may be some laggards that find new ways of implementing CSR in their corporate behaviour. Time will tell what innovative CSR-projects come up.

A CSR-innovation

Innovations are developed and implemented to add value for consumers. Suppose an innovation that brings CSR-benefits only (and no enhanced functionality, reduced price, improved quality or the like) then there will not be a pay-back of the cost of implementation. This will present an interesting case of strategic decision making in a commercial enterprise. Experience with investing in environmentally more friendly technologies, made necessary by regulations, shows that they appeared to be economically sound projects after all.

Innovating using CSR as an added set of criteria

When looking at the history of competition it appeared that in the 1960's competition was based on price; low cost was best. As soon as many competitors learned how to make cheap products a new competitive advantage was found in the 1970's in supplying quality at low cost. In the 1980's

companies had to learn to optimise price, quality and flexibility. And since the 1990's innovation is the way to make a difference, by supplying the product & service that offers customers just what they wanted but were never aware of wanting it until you came up with it. Some may say that CSR is the challenge of the 2000-2010 period, others may see it as just an additional set of criteria to judge ideas and innovation project proposals. It almost goes without saying that implementing CSR leads to new questions and challenges for the people responsible for the innovation process. If customers value fair trade how can we make sure we treat suppliers fair? If users and governments express concerns about energy consumption how can we redesign our products performance to meet tighter demands.

To innovate as a (corporate & social) responsibility

You may have heard the rumour that producers of light bulbs like Philips and Osram hide a bulb in their vaults that lasts forever instead of the average 1,000 hours. Bringing this innovation to their market would certainly harm the interest of these companies, although it may seem a good idea with environmental advantages (and hence be socially responsible behaviour of the corporation). It may very well be that companies possess knowledge that can benefit society but remains on the shelf because it can't be turned into a profitable business under their present business models. The idea of 'open' innovation may present a solution to this problem. It encourages companies to open up their vaults of unused patents and find others willing to develop this knowledge into a viable business using a different business model.

Not to innovate as a (corporate and social) responsibility

Because there are two sides to any coin (and an edge) innovations may be seen as unwanted, unnecessary too. At the simplest level 'if it ain't broke, don't fix it' may legitimize a decision not to change a product for the sake of change only. Many car owners fear the day their model is replaced by a 'new' one and the worth of their old ones goes down. Somewhat more complicated is the situation in which some researcher finds a new electromagnetic principle to 'fire' bullets and projectiles. Should this idea be funded (if we don't, someone else will!) or stopped (our CSR-policy forces us to shelve this without even publish it).

These six combinations show that innovation and CSR may be related in several ways and provide several opportunities for innovative organisations to become more corporate and socially responsible.

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