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SOCIALLY RESPONSIBLE INNOVATION – THEORETICAL CONSIDERATIONS

Summary. This paper refers to the idea of socially responsible innovation - author tries to answer to the question: is there a real opportunity to link - despite a series of contradictions - the idea of innovation and corporate social responsibility in this way, so that companies can become creators and users of socially responsible innovation. In this article, author briefly defines corporate social responsibility and the idea of innovation, and then shows how it is possible to combine these two concepts

Keywords: corporate social responsibility (CSR), innovation, sustainable development, stakeholder theory, socially responsible innovation.

SPOŁECZNIE ODPOWIEDZIALNE INNOWACJE – ROZWAŻANIA TEORETYCZNE

Streszczenie. Artykuł ten poświęcony jest idei społecznie odpowiedzialnych innowacji – autor stara się odpowiedzieć na pytanie, dotyczące tego, czy istnieje realna możliwość połączenia – mimo szeregu sprzeczności – idei innowacyjności oraz społecznej odpowiedzialności biznesu w ten sposób, aby przedsiębiorstwa mogły stać się twórcami oraz użytkownikami społecznie odpowiedzialnych innowacji. W artykule tym autor krótko definiuje społeczną odpowiedzialność biznesu oraz ideę innowacyjności, a następnie wskazuje, w jaki sposób możliwe jest połączenie tych dwóch koncepcji.

Słowa kluczowe: społeczna odpowiedzialność przedsiębiorstw (CSR), innowacje, zrównoważony rozwój, teoria interesariuszy, społecznie odpowiedzialne innowacje.
1. Introduction

Analyzing the latest scientific literature and popular science literature, as well as current trends in the media, we can say that, for several years, there is growing emphasis on the fact that the activities of enterprises were characterized by maximizing innovation and the introduction of corporate social responsibility principles. It is natural that the leaders of both innovation and action in line with the concept of corporate social responsibility are international corporations and large enterprises. This is due to the size of the resources (financial, human, organizational) at the disposal of those undertakings, and thus they can be allocated to activities related to the issues mentioned above. However, due to the specificity of the Polish market, where the size of the SME sector is estimated at 99.8% of all companies operating in Poland and which generates three-quarters of GDP, it seems to be extremely important to draw attention both at the level of innovation and the level of implementation of the CSR concept especially in this sector.

Referring to these two extremely important issues, which unquestionably are: innovation and corporate social responsibility, in this article author will try to answer the question: is there a real opportunity to link - despite a series of contradictions - the idea of innovation and corporate social responsibility in this way, so that companies can become creators and users of socially responsible innovation.

2. Corporate social responsibility in theory and practice

Corporate Social Responsibility, often referred to abbreviation CSR, is a concept which, by definition, should be used as a tool with which enterprises will be able to integrate social, environmental and economic business activities and various interactions with the wide category of stakeholders of the company. It is a multidisciplinary concept, dealt with all kinds of perspectives: moral, ethical, economic and relational. Unfortunately, so far, among business practitioners and the general public, CSR is often identified only with philanthropic actions of enterprises, which manifests itself primarily in financial support directed for different organizations, in particular the third sector organizations. This assumption is wrong, because both theorists and business practitioners, in their statements suggest, that the concept of corporate social responsibility, as a tool used by businesses, should be treated in a strategic manner and very strongly correlated with the core of business organizations. Viewed in this

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way, corporate social responsibility, should be based on three pillars: (1) minimize risk and maximize the chances of success of the company in the long term; (2) ability to conduct business in such a way, as to increase its positive contribution to society, while minimizing the negative effects of its; and (3) the specific manner in which a company on a daily business treats participants in the market process (stakeholders): customers and business partners, employees and the local community. In the current socio-economic situation, still marked by the stigmata of the recent crisis, it seems very difficult to introduce to the organization such changes, which would increase the level of mutual trust of stakeholders, and thereby reducing transaction costs and also to change the paradigm of enterprise risk management; however, it is necessary for these organizations to be able to carry out activities aimed at generating value for stakeholders. The solution to this problem could be the construction of model of organization management, that would be based both, on corporate social responsibility and social capital theory, which seems to be an interesting solution for the introduction of the concept of CSR in the companies.

Due to the specific areas covered by the concept of corporate social responsibility (social, economic and environmental dimensions), this idea is strongly linked to issues of sustainability and the concept of TBL (Tripple Bottom Line), which also causes that different authors often use these terms interchangeably. Noteworthy is also a reference of CSR to the stakeholder theory, through which most often it is explained and defined. In this perspective, the fundamental reason of existence and operation of the company is to generate profit and economic efficiency, which are the main functions that society has imposed on such organizations. However, apart from these basics, there are also other obligations to which companies are obliged to fulfill, and that could be described as social. There are three approaches of organization, to implement the idea of corporate social responsibility; they are:

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5 Ibidem, s. 13.
6 Laszlo Ch.: Firma zrównoważonego rozwoju, Studio Emka, Warszawa 2008, p. 35.
7 Social capital is not new nor in the social sciences or in management sciences that have long drawn attention to the importance of this resource for the development of both local communities and business organizations. Note, however, that the level of the main factor creating social capital, which is trust, in the conditions of Polish society and the Polish market is so low that the use of the concept of social capital in the business, can be unhesitatingly regarded as an innovative approach.
9 Laszlo Ch.: Firma zrównoważonego rozwoju, op. cit., p. 34.
10 Stakeholder theory is a concept that according to the rules of organization and management, as well as business ethics, strongly emphasizes the importance of morals and values in business activities. As a precursor to this theory, it is believed Edward R. Freeman, who described it in his book Strategic Management: A stakeholder approach. Freeman suggests in his book that in opposition to the traditional approach, in business the company is involved more significant individuals, such as employees, customers, suppliers, sponsors, local community, local governments and authorities at government level, political parties, unions and associations - sales and professional. For more information on stakeholder theory you can look on: Freeman E.R.: Strategic Management: A stakeholder approach, Pitman, Boston 1984; Miles S.: Stakeholders Definitions: Profusion and Confusion, EIASM 1st interdisciplinary conference on stakeholder, resources and value creation, IESE Business School, University of Navarra, Barcelona 2011.
strategic, reactive and creative types\(^{11}\). Creative type is the most complete formulation of the issue, which draws attention to the conditions for the application of CSR in the enterprise - it should be the idea of a positive impact on the environment and society, strongly linked with the basic strategy of the organization\(^{12}\). This view is directly connected with the change of the paradigm of understanding of CSR - moving away from the model of A. B. Carroll *After profit obligation* and the shift to Y. Ch. Kang and D. J. Wood *Before profit obligation* model\(^{13}\).

Summing up the previous considerations, it should be noted that the concept of corporate social responsibility of organization poses in front of it one main goal, which is to generate value for both economic and social. CSR can be defined by reference to the stakeholders theory, as an effective business management process, which by identifying the needs and expectations of stakeholders of the venture, affords the opportunity to increase its competitiveness, the possibility of its sustainable development and income-generating opportunities in both economic and social\(^{14}\). It should be remembered that whereas Y. Ch. Kang and D. J. Wood model, the strategy of the company, which should be recognized CSR should assume actions aimed at the target and profit, and not solely on profit\(^{15}\). With so understood definition of corporate social responsibility, in which the role of manager in modern organizations is to skillfully balancing the interests of various stakeholder groups undertaking in such a way, that there will be a possibility to generate a value of economic, social and for the environment.

## 3. Determinants and dimensions of innovation

The idea of innovation in economics and social sciences, is understood in many different ways, which is related to the relatively short period of research on this concept and the multitude of theoretical approaches. The word itself, comes from the Latin *innovare*, which is translated as *creating something new* or a *renewal*. Referring to the etymology of this word, it


\(^{12}\) In contrast to the type of creative, strategic type is strongly associated with the strategy of marketing and public relations of the company, which could be misinterpreted as image-only activity. While the reactive type is focused solely on the intensification of defense at the time of an emergency. See: Pyszka A.: CSR jako narzędzie pobudzania przedsiębiorstwa do poszukiwania innowacyjnego modelu działania, [in:] Współczesne Zarządzanie, Nr 4, 2011, p. 98-108.


can be made distinguish between the two approaches in the idea of innovation. The first of these is a radical approach, and envisages the introduction of a completely new quality, up to a total negation of existing realities. The second approach, less radical, envisages the introduction of a new quality through renewal, reconstruction or adaptation of existing solutions. A precursor to consideration of the concept of innovation in modern economics and the social sciences was J. A. Schumpeter, who, in the early twentieth century (1912), described the six planes of its occurrence; These are: (1) introduction of new products and improving existing ones, (2) the use of new or improved products and methods, (3) finding new markets, (4) a new method of sale and purchase, (5) the use of new raw materials and intermediates and (6) the introduction of a new organization of production. It should be noted that for J. A. Schumpeter innovation can become only once. The dissemination of innovative solutions is a completely separate process, that J. A. Schumpeter called an imitation. Moreover, similarly as before, this prominent economist demarcates the concept of innovation and invention, due to the fact that many of the ideas, models and prototypes was never adopted and did not enter into production or other use, and thus - never happened to be innovation itself. Classical definition of innovation, which is presented above, is a very narrow approach in terms of sources of innovation, limiting them only to human ingenuity and entrepreneurship. Another classic economics – P.F. Drucker – believes that the determinants of innovation may be located both inside and outside the organization, which significantly broadens the spectrum of understanding innovation. In more practical terms, to which European scientists, researchers but above all – entrepreneurs should refer, it is more appropriate to use the definition of innovation which was signed for the first time in Oslo Manual, and which says that innovation is the implementation of a new or significantly revised service or product, process, method, as well as new or significantly changed work organization, workplace or relationship with stakeholders. Moreover, according to this definition, a minimum requirement for innovation is that these solutions must be new to this particular organization, which gives the ability to adapt solutions already used in other organizations and still recognize them as innovative. There are also given four dimensions in which innovation can occur. These are: (1) product innovation, (2) process innovation, (3)
marketing innovation, and (4) organizational innovation\textsuperscript{22}; but it is important for the innovative solutions to translate into economic success of the organization\textsuperscript{23}.

4. Socially responsible innovation – are they possible?

There had been already shown the way in which we should define the concept of corporate social responsibility and innovation, so we can move to deliberations on whether these two concepts are possible to connect for creating socially responsible innovation. Unfortunately, the combination of these two ideas contains a number of contradictions. They result, inter alia, with: the need for continually usage of CSR objectives in the core business of the company or in a situation of need for creating breakthrough innovations, risky, but promising great benefits; the expectations for the use of tools of corporate social responsibility that should benefit for customers and other stakeholders of the company, opposed to long period of return from the introduction by innovative solutions; the ability to generate savings through the use of innovation in CSR, and the continuing weakness of demand for traditional products and services; as well as the dilemma of creating innovative solutions and applying social responsibility in PR of organization, and concealing developed innovative solutions to make money on obsolete products and services\textsuperscript{24}.

One of the ideas for solving these problems is the use of \textit{open innovation model} to ensure the free flow of intellectual capital inside and outside of the organization, while allowing to control of emerging innovations and increase the chances to preserve its market position\textsuperscript{25}. According to H. W. Chesbrough and A. R. Garman, the creators of the concept of open innovation, as a result of various crises and disturbances in the functioning of the corporation there is a loss of many valuable innovations. That situation occur because of funding only those innovations which guarantee a quick profit. Such a short-sighted strategy eventually leads to a reduction business activity to core areas, preventing its further development. The solution to this problem is the concept of open innovation, which allows the free, two-way flow of intellectual property and people between the company and its environment.

There can be two types of open innovations. First one is the outside-in open innovation, which means that the company is taking skillful people and bright ideas from the outside; second one is the inside-out open innovation, which takes place when a part of resources or

\textsuperscript{22} Ibidem, p. 47-52.
\textsuperscript{24} Pyszka A.: CSR jako narzędzie pobudzania przedsiębiorstwa…, op. cit., p. 102-103.
projects are placed outside the organization, which brings profits from licenses etc., and in time it is taken over as a spin-off.

Another issue is the application of business management in the process of two-way spiral model of innovation and CSR. This model assumes that there are two types of possible connections between the idea of corporate social responsibility and innovation. The first of these is when innovations are driven by CSR, the second, when CSR is driven by innovation. The simplest method of explaining the relationship between these two types of interactions is to highlight the outcome of actions taken by organizations: if the result of innovation is a product or service, the existence of which is conditional upon a social or environmental goal – it is referred as innovation driven by CSR (CSR-driven innovation). But if innovation has been applied during the manufacturing process of the product or service in such a way as to make it more socially responsible, taking into account the needs and expectations of all stakeholders of the organization, it is referred to as innovation-driven CSR. In the first case, we can say by using the ordinary language, that the idea is to do good things, in the second case is to do things in the right way. Combining these two types of interactions, we obtain virtuous circle of innovation and CSR, through which it is possible to do good things in the right way. In this model innovations implemented by organizations are a function of corporate social responsibility, and CSR is a function of innovation.

Reviewing the literature on the subject, there can be found just a few descriptions of corporate social responsibility driven by innovation, while there is a well-developed literature on innovation driven by CSR. We can distinguish here four approaches to this issue: (1) Corporate Social Innovation (CSI), (2) Bottom of the Pyramid Innovation (BOPI), (3) Eco-innovation, and (4) social entrepreneurship.

The idea of social innovation was proposed in 1999 r. by R. M. Kanter, and the key issue that was mentioned in this concept is the possibility (or it should be said: necessity) of use by the company the identified social problems to discover unmet needs that exist in society, which on one hand will help solve these social problems, and on the other hand, will open up entirely new markets and opportunities for businesses.

Bottom of the Pyramid Innovation, is a concept that refers to the low-income market. Its premise is that you should focus on low-income communities and give them valuable market that will solve at least some of their problems. One of the most interesting assumptions of this concept is to establish a poverty premium, therefore a situation in which people with worse financial status must pay for essential products and services more than others (with better socio-economic position) using the services and products available on the same market. With

26 Ibidem, s. 52-53.
the BOP concept, it can be made a redesign of products and services and their way of the distribution, to put an end to this premium. Although this concept was initially addressed mainly to large corporations, it is now being started to use also in the SME sector and the third sector.

Another plane on which there can be made a relationship between CSR and innovation are eco-innovations. This kind of socially responsible innovation is the easiest to describe and observe – those are all of these innovative products and services aimed at eliminating environmental problems. There are some examples that enterprise can be successful in driving the ecological innovation profitably, but it require to not to follow current customer demands but, to create a future markets.

Last but not least approach is shot from the perspective of social entrepreneurship. This type can be described as a sustainable use of opportunities for the creation of public goods. Entrepreneurship like this appears on the market most often after a period of significant disparities that prevailed in this market. This is the time of arise of a social enterprises (social economy entities), which combine features of both market organizations and third sector organizations.

After the brief review of the types of corporate social responsibility driven by innovation, it must be highlighted that the bi-directional system of CSR-driven innovations and innovation-driven CSR must be treated as a process, which should be still repeated. Company cannot use the bi-directional system only once and then leave it, because by definition – being responsible and being innovative is based on constant usage of this virtuous circle of CSR and innovation.

5. Summary

Summarizing the considerations of above, it must be said that despite significant contradictions which exist between the concepts which were shown above, it is possible to combine these two ideas - corporate social responsibility and innovation – and create socially responsible innovation. However, it should be remembered, that to do so, it is still a great need to introduce significant changes in the organization. Starting with the change of

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mentality and increase of the level of confidence of stakeholders by initiating the use of open innovation model, and further by introducing the concept of enterprise management based on model of virtuous circle of innovation and CSR. It should be emphasized that this bi-directional system should be treated as a process that must be constantly repeated.

Bibliography

Omówienie

Analizując najnowszą literaturę naukową oraz popularno-naukową, a także współczesne trendy pojawiające się w mediach, można powiedzieć, że już od kilku lat rośnie nacisk na to, aby działania przedsiębiorstw cechowały się dążeniem do jak największej innowacyjności oraz wprowadzania założeń społecznej odpowiedzialności przedsiębiorstw. W związku z tym autor stara się odpowiedzieć na pytanie dotyczące tego czy istnieje realna możliwość połączenia – mimo szeregu sprzeczności – idei innowacyjności oraz społecznej odpowiedzialności biznesu w ten sposób, aby przedsiębiorstwa mogły stać się twórcami oraz użytkownikami społecznie odpowiedzialnych innowacji. W artykule tym autor krótko definiuje społeczną odpowiedzialność biznesu oraz ideę innowacyjności, a następnie wskazuje na to w jaki sposób możliwe jest połączenie tych dwóch koncepcji.