Corporate Social Innovation in Comparison with Corporate Social Responsibility: Integration, Development or Replacement?

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Abstract

The purpose of this paper is to provide conceptual insights as to the social dimension of businesses and how it fits into the principles of strategic management of for-profit enterprise. This issue is analyzed with reference to the three paradigms of corporate social responsibility (CSR), social innovation, and corporate social innovation (CSI). Although there have been many studies and a great deal of research on these issues, the qualitative and quantitative analyses done so far have generally analyzed the three paradigms separately, while there has been no analysis of the logical links among them. After identifying CSI as the link in the chain between CSR and social innovation, this paper poses the question of what linkage exists between the two paradigms of CSI and CSR, and in particular of whether CSI integrates, develops, or replaces CSR. In terms of method, the paper is conceptually developed on the basis of the prevailing international literature and secondary data.

Keywords: corporate social responsibility, social innovation, corporate social innovation

1. Introduction

Businesses are increasingly called upon to incorporate the social dimension into the business model, which is to say they have to find product and process solutions with strong social implications. Ever since the paradigm of Corporate Social Responsibility (CSR) established itself as a driver of competitive advantage, we have witnessed enormously growing attention by for-profit enterprises to the repercussions their actions have on the social system understood as a whole.

CSR thus became almost a dogma, a strategic imperative that could no longer be dodged, at the risk of lowering corporate reputation and image in the eyes of consumers and of all other stakeholders as well. Firms thus started carrying out a vast range of social initiatives, and developing great skill in communicating their social behaviour to the outside.

As for the studies, enormous quantities of theoretical and empirical contributions on the subject have been done over the past ten years; we now have a large stock of qualitative and quantitative research and studies.

In parallel, the paradigm of Social Innovation (and, in application to business, that of Corporate Social Innovation) has developed, focusing on every type of idea and solution that can generate social value and thus provide solutions to the many different social problems afflicting the entire world. Social innovation is born from the goal of incentivizing every source and every possible driver of innovation that can be observed not only in terms of technology and the market, but from the social standpoint as well. It is a paradigm involving various types of actors – government, policy makers, public services, businesses, social enterprise, not-for-profit organizations, NGOs, and so on – that can then be studied from a variety perspectives, with different implications in the system of purposes of each of these players.

Applied to the business world, social innovation has generated the paradigm of Corporate Social Innovation (CSI), which consists of seeking innovative solutions to the many environmental and social problems of the entire world – solutions that at the same time generate economic benefits for businesses. CSI thus represents a paradigm that connects to the need to identify forms of sustainable economic development, and thus to the need to find new forms of capitalism that are compatible with safeguarding future generations, the environment, the conditions for an efficient use of resources, and the living conditions of individuals.
The idea of this paper was born from these premises, with the aim of proposing a conceptual systemization of the three paradigms of CSR, social innovation, and CSI, with specific reference to for-profit enterprise. In particular, the aim of this paper is to more deeply examine the linkages among these three paradigms, and provide a response to the two interrelated research questions below:

RQ1: Does the possibility exist of conceptualizing a logical link between CSR and social innovation?

RQ2: What is the logical link between the CSI and CSR paradigms and, in particular, does CSI integrate, develop, or replace CSR?

In light of these analysis objectives the paper develops as follows: first, a conceptual framework is provided that initially highlights the social dimension of businesses (paragraph 2), then the paradigm of corporate social responsibility and its evolution over time (paragraph 3), and lastly the paradigm of social innovation (paragraph 4); secondly, the paper’s central theme – the relationship between the three paradigms of corporate social responsibility, social innovation, and corporate social innovation – is dealt with, providing a response to our research questions (paragraph 5); lastly, the conclusions of the work are summarized, and some indications as to possible directions for future research are provided (paragraph 6).

2. Social Needs and For-profit Entrepreneurship

The consideration of social needs within the context of entrepreneurial activities developed enormously starting from the second half of the 1980s, a time that witnessed a rapid spread of social activities and services to the benefit of disadvantaged people. These social activities and services were initially carried out within the context of social cooperatives, benefitting the cooperative’s members, and then extended their field of action to the benefit of society at large (Defourny and Nyssens, 2012). This development of the social cooperatives gave rise to what was later to be called “social enterprise,” characterized by social ends being pursued in combination with the performance of an economic activity that addresses the market and is managed with business logic (Reis and Clohesy, 2001; Alter, 2007; P. Dacin, T. Dacin, and Matear, 2010; Weber, 2012).

Social enterprises operate in many areas, from healthcare to job integration problems, from disability to education and research, from environmental protection to culture and sports, and so on. According to Defourny and Nyssens (2012), social enterprises are “not-for-profit organizations providing goods and services directly related to their explicit aim to benefit the community. They rely on a collective dynamics involving various types of stakeholders in their governing bodies, they place a high value on their autonomy and they bear economic risks linked to their activity.” They differ from traditional not-for-profit organizations in that the activities and the social purposes are carried out within the context of an entrepreneurial organization that operates on the market and makes profits to be reinvested in the activity. Therefore, social enterprises are a form of organization that differs from the commercial enterprise for its focus on social questions (Martin and Osberg, 2007), and from not-for-profit organizations for the increased financial sustainability and innovative activity (Madill, Brouard, and Hebb, 2010).

Therefore, social enterprise, although the most widespread form of social entrepreneurship, is not the only form. In fact, social entrepreneurship is also carried out in other forms, that in each case involve combining social purposes and profit purposes, albeit in different measures and in accordance with a different hierarchy of the system of purposes. Starting from Alter’s schematization (2007) of the forms of entrepreneurship, it is possible to circumscribe and identify the “social entrepreneurship area” that includes both the organizations that primarily pursue social purposes but do so while seeking profits, and those that primarily pursue profit but with a strong social characterization in their behaviour, in their products, or in their processes (Figure 1).

![Figure 1. The social entrepreneurship area](http://lib.ccsenet.org)

Source: Our processing on Alter’s data (2007)
If we exclude the traditional non-profit organizations on the one hand, and traditional for-profit enterprises on the other, the joining of social purposes and entrepreneurial logic may take on a number of different forms, that differ from one another in three main aspects:

1. the organization’s basic mission, which may consist either of pursuing social purposes or of maximizing profit (mission motive versus profit-making motive);
2. the subjects considered by priority the recipients of the organization’s action (stakeholder accountability versus shareholder accountability);
3. the role and allocation of the profit generated by commercial activities of goods or services (income reinvested in social programs or operational costs versus profit redistributed to shareholders).

Moving from left to right, the organizations become increasingly reliant on market revenue, generated by the sale of goods or services, while moving from right to left, the pursuit of social purposes increasingly becomes the element characterizing the organizations’ basic mission. Therefore, the social entrepreneurship area depicted in Figure 1 shows the set of possible organizational configurations (B, C, D, and E) in which economic and social value are created simultaneously but in different doses, thereby excluding those organization in which one or the other is created (A and F).

Focusing now on organizational forms D and E, it may be noted that consideration of social needs by for-profit enterprises has its raison d'être in the conception of enterprise as a cell in an environmental system to which it belongs and that, through its behaviour, the firm itself partially determines.

In fact, today’s firm is increasingly asked to legitimize itself under the dual economic and social profile, and judgment by all its stakeholders is determined with respect to both dimensions of its operation, through the building of corporate reputation and image (Popoli, 2011). For this reason, it may be affirmed that one of the main drivers of competitive advantage which emerges today is the firm’s capacity to be perceived by consumers and stakeholders as socially responsible (Becker-Olsen, Cudmore, and Hill, 2006; Sen and Bhattacharya, 2001).

On these bases, the concept of corporate social responsibility (CSR) – now a dimension of business wholly impossible to escape from – developed.

3. The Traditional CSR Approach and Its Evolution

The meanings that Corporate Social Responsibility (CSR) can assume are numerous and varied (Dahlsrud, 2008), and they concern all aspects of the firm’s activity that produce effects of a social and environmental nature (Whitehouse, 2006): employee working conditions and employment policies; the quality of products and services and the characteristics of the production processes; the publication of reports and all information that is furnished to third parties; relations with political, administrative and social institutions of the community in which the firm operates; the fiscal policies and methods of use of the resources which investors entrust to the firm in the form of shares and bonds; the relations between products, services and production technologies with the external natural environment.

The varying nature of stakeholders’ expectations in the context of the firm’s social responsibility creates a complex framework of multidimensional social responsibility factors, which are linked to economic, environmental and social issues. According to the stakeholder theory (Carroll, 1989; Clarkson, 1995; Donaldson and Dunfee, 1994; Frederick, Davis, and Post, 1992; Freeman and Reed, 1993; Jawahar and McLaughlin, 2001), the firm can no longer be considered apart from the expectations that its stakeholders have as to economic and financial performance, and the social behaviour and impact that the firm’s action has on society and on the natural environment. And since, over time, the demand for social responsibility aimed at firms by stakeholders has gradually increased, firms have understood that social responsibility has become a driver of competitive advantage, since it makes it possible for all the stakeholders to receive certain important “intangible resources” like consensus, trust, and reputation; they have also understood that social responsibility, even when it is translated into increased costs, pays over the long term (Murray and Vogel, 1997; Sen and Bhattacharya, 2001). Therefore, with ever greater conviction, over time firms have engaged in ever more socially responsible conduct, and have included in the business’s purposes respect for some important conditions, such as: do no harm to the environment; disclose financial performance honestly; treat employees fairly; turn a profit, pay taxes; communicate social and environmental commitment with honesty; use “responsibly-produced” raw materials; offer consumers the best value for their money.

In an initial phase of CSR being established, the main reason that led firms to seek consensus and trust through CSR practices was, in our opinion, that of showing they respected certain social and environmental constraints upon their action, driven by their strong concern over being in fact considered socially irresponsible. Respect for
these constraints was initially seen as a factor increasing costs – a factor that was accepted because it was necessary.

Later, the concept of CSR evolved due to the considerably increased “CSR demand” by stakeholders, connected with the whole world’s growing awareness of the need to build conditions for a sustainable development and to find solutions for the many economic and social problems afflicting the entire global community. Therefore, new and pressing issues were formulated by the civil and political world, and these were also inevitably aimed at the world of businesses and at the logic of capitalistic systems (Balmer and Greyser, 2006; Dawkins and Lewis, 2003; Whitehouse, 2006). In particular, this new CSR demand consists of the fact that firms are being asked to take a “proactive” approach to social and environmental problems, and not to limit themselves to a stance of self-defence, or of mere compliance with rules and regulations. From this perspective, it is no longer enough for firms to engage in behaviour that causes no harm to society and the environment (treat employees equally, pay taxes, don’t damage the environment; use raw materials responsibly, etc.); they are increasingly required to act proactively to make a contribution towards improving living conditions and social well-being. The new expectations in CSR thus regard actions aimed at improving environmental conditions, reducing poverty, resolving social problems, achieving economic stability, reducing human rights abuses, improving the educational expectations in the home community, and so on.

We find this evolution of the concept of CSR effectively described by Porter and Kramer (2006: p. 80), who state 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”; they add that “the success of the company and the success of the community become mutually reinforcing. Typically, the more closely tied a social issue is to the company’s business, the greater the opportunity to leverage the firm’s resources and capabilities, and benefit society” (p. 89). Moreover, as pointed out by Maignan and Ferrel (2004: p. 7), stakeholder’s expectations entail “concern not only for issues that affect their own welfare, but also for issues that do not affect them directly.”

4. The Social Innovation Paradigm: “AMore Creative Capitalism”

Over the past decade, the paradigm of social innovation has been assertively maintained in the political and economic debate, especially in the Western world, and has seen increasing attention from scholars as well, with a proliferation of both theoretical and empirical research and analysis. The assumption for the spread of social innovation lies within the limits of the economic development model founded upon blind faith in technical progress and globalization, and in the consequent need to place the issue of sustainable development at the centre of politics and of economic activities (Murray, Caulier-Grice, and Mulgan, 2010).

Social innovation is a concept that presents a considerable evocative strength that revolves around social needs and the solutions that can be adopted to deal with them. In particular, social innovation is connected to the social needs necessary for individuals, like health, education, work, justice, and so on; it deals with problems that governments around the world appear unable to tackle with effective solutions, such as for example climate change, worldwide epidemics, chronic diseases, inequalities between countries, adolescents’ difficult transition to adulthood, the dubious effectiveness of penal models, etc. Mulgan (2006); it places humankind at the centre of the debate over the concept of sustainable development; it requires technology and the economy to confront social needs, by orienting innovative processes towards results with a strong social dimension; it encourages individuals, groups, and political, social, and economic institutions to seek “new ideas that work in meeting social goals” (Mulgan, Tucker, Ali, and Sander, 2007), also through the integration and coordination of the resources that various subjects can put into play when producing a social innovation.

Phills, Deiglmier, and Miller (2008) define social innovation as: “A novel solution to a social problem that is more effective, efficient, sustainable, or just than existing solutions for which the value created accrues primarily to society as a whole rather than private individuals.”

As for the agents of social innovation, in addition to regarding all those organizations whose primary purposes are social (Mulgan, 2006), they may consist of any individual, group, organization, or network that combines a given social or environmental mission with innovation (Segran, 2009). Therefore, an innovative idea may spring from individuals, from social movements, from markets, or from governments, and it is thus not a field of exploration limited to social enterprises, governments, or the voluntary sector. “Social innovation” puts itself forward precisely as the paradigm inspiring government policies, behaviours of civil society, markets, and the economic world.

As for the role of businesses and of economic institutions, Bill Gates, the founder of Microsoft, in his commencement speech at Harvard in June 2007, stressed the need to promote a “more creative capitalism” that modified the market’s way of working, through approaches generating profits while at the same time meeting the
needs of the poorer populations and, in general countering the world’s iniquities and injustices. To face these large-scale problems, solutions based entirely on government grants, subsidy or charitable donations are not enough; long-term solutions originating from the market must be found. From this perspective, it is necessary to explore all the possibilities for being able to join the business’s needs to social and environmental needs. For-profit enterprises can play a major role in this direction, representing a possible source of innovative approaches in the field of fair trade and social inclusion, in upgrading local territories, and in the field of healthcare, culture, and environmental protection (Bosma and Levie, 2010).

5. CSR, Social Innovation and CSI: A Conceptual Framework of Their Relationships

The conceptual framework built through the separate examination of the paradigms of corporate social responsibility, social innovation, and corporate social innovation allows us at this point to develop our considerations with regard to the connections that exist between them, and to provide a response to our research questions.

As to whether it is possible to conceptualize the link between CSR and social innovation, we answer in the affirmative, holding that it may be seen in the context of the CSI paradigm, which may in our opinion be considered as the “contextualization of social innovation to the activity of businesses.” Indeed, it is based on the assumption of being able to combine the search for innovative solutions to deal with social and environmental problems with the growth of businesses’ competitive potential and their prospects for profit (Cescau, 2007; Drucker, 1984; J. G. Stead and W. E. Stead, 2014). In other words, corporate social innovation causes CSR to evolve towards a far more incisive role than in the past in helping to improve the economic, social, organizational, political, and cultural conditions of the external environment it works in. As we see it, the concept of corporate social innovation takes substance in the “application of the paradigm of social innovation in the business sphere,” stimulating firms in rethinking their innovation processes, whether in new products, processes, business approaches or managerial cultures, towards solutions that have positive social impacts (Borzaga and Bodini, 2014; Cajaiba-Santana, 2014; Baker and Mehmood, 2015; Phillips, Lee, Ghoebadian, O’Regan, and James, 2015).

Therefore, CSI is the terrain for innovation that makes it possible to achieve a social/competitive synthesis (Collis, Montgomery, Invernizzi, and Molteni, 2012), in which social value and economic value are created at the same time. Firms are thus in a condition of being able to increase their innovative capacity and augment their business by exploiting new markets and new needs in order to achieve economic success. Social questions thus do not remain at the margins of their business, and no longer generate costs for the firm, but become central elements of the business and generators of profit opportunities; they no longer stand apart from or worsen the goal of maximizing profits, but become an integral part of the goal of maximizing profits; in concrete terms, it is a matter of making social innovation a profit driver.

To conclude, as to our first question – “Does the possibility exist of conceptualizing a logical link between CSR and social innovation?” – we believe that the response lies in the meaning of the CSI paradigm, which is to say the search for social innovation solutions in accordance with and in the context of the business logic of maximizing profit.

As for the link that exists between CSI and CSR, it is first of all to be stressed that CSI may be considered a development of CSR, in that it confirms the overarching of the traditional CSR approach of philanthropy, or a “logic of giving” (Cescau, 2007; Franz, 2010; McManus, 2008; Mulgan et al., 2007; Schorr, 2009). Moreover, while CSR is a concept in which firms are taking responsibility for their impact on society, CSI extends these one-sided actions to include both-side actions, since it can be understood as co-creation of value for business and society together with the emergence of new opportunities for cross-fertilization between commercial and social efforts (Groot and Dankbaar, 2014; Drucker, 2014).

While in the traditional CSR approach society benefits from the actions taken by firms, in CSI collaborative actions are taken by both sides to the benefit of both firms and society. While in CSR the beneficiaries of a given action are not tasked with achieving anything, or with achieving something that may provide self-help, in CSI the beneficiaries are called upon to take on a role of partnership and to take part in some way in carrying out social innovation; in CSI, they are thus not passive subjects receiving an action inspired by principles of charity and philanthropy, but they become players in the social innovation process. Therefore, in the CSI paradigm, there is a collaborative, synergistic effort between the firm and society, for the creation of “shared value” (Porter and Kramer, 2011).

The difference between CSR and CSI also regards the type of benefits that are produced for firms. While in the CSR approach the benefits are mainly indirect, and in particular linked to improving corporate image and
reputation, in CSI the benefits are direct in nature, in that the firm exploits opportunities linked to social needs in order to develop the business through economic returns. Moreover, based on the collaborative and partnership relationship, the firm is able to gain more in-depth insight into the stakeholders’ needs and expectations, and also benefits from the possibility of relying on the creativity, knowledge, and the innovative capacity that the stakeholders possess. CSI thus becomes the terrain for activating a multitude of innovation drivers, such as von Hippel’s (2007) lead user approach, the open innovation approach by Chesbrough (2006), the open creativity approach (Steiner, 2009), society-driven innovation, stakeholder-driven innovation, and customer-driven innovation.

In conclusion, as to our second research question – “What is the logical link between the CSI and CSR paradigms and, in particular, does CSI supplement, develop, or replace CSR?” –we believe that although CSI may be considered an evolution of CSR, it remains significantly different from CSR from a number of standpoints. Therefore, in our opinion, the two paradigms represent two different modes on the basis of which the social dimension of business may be configured.

6. Conclusion and Future Research

In this paper, we have set ourselves the objective of providing a deeper conceptual examination of the social dimension of business, through the analysis of the paradigms of CSR, social innovation, and CSI. In particular, our interest was focused first on the existing link between CSR and social innovation, and then on that existing between CSR and CSI, the latter defined by us as the “contextualization of social innovation to businesses.”

We thus formulated two related research questions that regarded the links between the three paradigms, and we reached the conclusion that, in the first place, CSR and social innovation are summed up in the paradigm of CSI and, in the second place, that CSR and CSI are two different ways in which the social dimension of businesses is manifested. In particular, even though CSI may be considered an evolution of CSR, there are many differences between the two paradigms.

In the first place, CSR and CSI are conceptually different, since the element that qualifies CSI, and that instead remains outside CSR, is the social connotation of the firm’s business; in the second place, the benefits for the firm, connected with the pursuit of social goals – direct in CSI, and indirect in CSR – are different; in the third place, the way of pursuing social goals – through individual action in CSR, and action coordinated with other parties in CSI – is different; lastly, the approach that identifies what the activities, services, or processes with social relevance must be – “demand pull” in CSR, and “social innovation push” in CSI – is different. In sum, these are two paradigms that characterize in a different way the socially responsible action of for-profit enterprises – paradigms that, in our opinion, must be maintained conceptually distinct.

To conclude, the deeper conceptual examinations provided here are only a start on a path of comparative analysis among the three paradigms of CSR, social innovation, and CSI, and open many future directions of research. In the first place, it would be highly useful to investigate empirically what this paper analyzes only from the conceptual standpoint; secondly, it might be of help to analyze the three paradigms in different cultural settings, whose differences of meaning, if any, might furnish new starting points for reflection; lastly, it would also be interesting to apply the type of analysis proposed in this paper to specific economic sectors, with the aim of investigating whether there are any differences in the meanings of the three paradigms and in their relationships.

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