

# Innovation as an Argument for Corporate Social Responsibility

J.J. Asongu<sup>1</sup>

## Abstract

This article looks at the meaning of Corporate Social Responsibility (CSR), as well as the traditional arguments for the practice of CSR. The four traditional arguments are the moral (or ethical) argument, the license-to-operate (or legal) argument, the sustainability argument, and finally the reputation (brand image) argument. While acknowledging that these are solid arguments in support of CSR, the article further argues that another solid reason for pursuing a strategic CSR program is that it could lead to innovation. The article highlights the value chain analysis that DuPont has developed to tackle the climate change problem, showing how it has led to innovations that are not only helping the company, but also addressing the global warming issue at a global level, while also making DuPont's business safer and more profitable in the medium to long term. In conclusion, the article argues that CSR should not just be considered an expense, but rather an investment.

*Keywords:* Corporate Social Responsibility; Innovation; Strategic Management

## Introduction

Policymakers, the general public, and even corporate leaders, agree that companies of all types must also be responsive to the needs of the communities in which they do business. Advocates of Corporate Social Responsibility (CSR) such as Stigson (2002) argue that "it is clear that society expects much more from companies than simply a well-made product or a reliable service at the right price" (p. 24). Not only is society expecting companies to be good corporate citizens, it is also becoming less and less tolerant of companies that fail to address their social responsibilities. CSR can no longer be ignored, especially by

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<sup>1</sup> J.J. Asongu is a consultant with Global Thrust Communications, a strategic management and marketing communications firm. He has published several articles on a broad variety of topics, and currently has four books at various stages of publication – *Socially Responsible Management: Why CSR Is Necessary in Today's Marketplace*; *Strategic Corporate Social Responsibility in Practice*; *The Iraq Quagmire: A Price for Imperial Arrogance* (co-authored with Stephen Lendman); and *War, Politics and Business: A Critique of the Global War on Terror* (editor).

major corporations, and evidence that it has become a hot topic is found in corporate boardrooms around the world. Today, many scholars and analysts are recommending a more strategic approach to the CSR. Some corporate leaders now see CSR as part of their strategic management program, while others see it as a source of innovation (Allen & Husted, 2006). In fact, in the course of pursuing CSR initiatives, some companies have developed very innovative products and services that are beneficial to the company's profitability.

Strategic CSR should be distinguished from charitable donations or the "good works" of corporations and requires the company to balance the needs of all stakeholders with its need to make a profit and reward shareholders adequately. Traditionally, supporters of CSR have used concepts such as moral obligation, sustainability, license-to-operate, and reputation as arguments why CSR is important. They are right, but this article is out to show that "innovation" represents yet another powerful argument. However, it has not yet received the level of attention it deserves. To this end, this study examines this latest argument in support of (CSR) and provides an overview of CSR and how it can help organizations achieve their goals, sometimes in unexpected ways. A critical review of the peer-reviewed and scholarly literature concerning CSR is followed by the case of successful innovative products that were born out of the implementation of CSR. Finally, there is a summary of the research and salient findings in the conclusion.

### **Review of Literature on CSR and Discussion**

There is a vibrant debate about CSR – from those who argue that the whole concept is irrelevant to business (Freeman & Liedtka, 1991), through those who see the relevance, but think it is a bad idea for business (Friedman, 1962), to the vast array of writers who think that CSR is of strategic importance to business. To add to the complexity of the debate, there is still the need for a concrete definition of CSR to emerge from the literature. As if that wasn't enough; CSR has experienced a number of different and contradictory characterizations in recent years that has simply complicated the matter.

Likewise, the term "innovation" has some different connotations that may or may not apply to the types of outcomes under consideration here. In fact, it is possible for a company to become more innovative as an unintended concomitant to a CSR initiative.

From the available literature on corporate responsibility, one can deduce that CSR is the concept that organizations have an obligation to consider the interests of their customers, employees, shareholders, communities, and the environment in all aspects of their operations. For it to be truly CSR, it must go beyond the statutory obligation to comply with legislation (Asongu, 2007a). It is also clear that the concept of CSR is closely linked with the principles of Sustainable Development, which calls on corporations not just to look at profits or dividends when making decisions, but also to consider the immediate and long-term social and environmental consequences of their activities. In this light, the World Business Council for Sustainable Development (WBCSD) has defined CSR as "the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large" (Watts, Holme & Tinto, 1998, p. 3).

Today, though, many more companies view such CSR initiatives as representing opportunities for more efficient management of their human resources and supply chain to achieve improved competitive advantage. Recent trends suggest that more and more companies are adopting CSR approaches to help ensure efficiency, stimulate innovation, and create continued organizational growth (Stigson, 2002).

In this environment, innovation can be regarded as being the outcome of specific research and development projects that are intended for this purpose. In this context, innovation will also include the serendipitous identification of more efficient methods of doing business or new types of products or services that may not have occurred to a business if it has no CSR initiatives in the first place. While the former approach is well known and virtually ubiquitous among larger

concerns, the latter approach may provide even small- to medium-sized enterprises (SMEs) with a competitive edge by helping them become more responsive to consumer trends.

According to the *Merriam Webster Online Dictionary* (2007), innovation means “the introduction of something new” or “a new idea, method, or device: novelty.” Therefore, perhaps the most interesting – and difficult – part of integrating CSR initiatives to achieve innovation is the very nature of the enterprise itself. After all, innovation implies discovery and history has shown that many of the most important contributions to science and medicine have been accidental. For example, Isaac Newton was not waiting for the apple nor would Charles Goodyear have likely ever discovered vulcanization of rubber if he had not been trying to hurry up and conceal his experiments with rubber in the family kitchen from his wife.

Corporate suggestion boxes may be crammed full of such innovative ideas, methods or devices in virtually every industry, but “new” does not necessarily translate into “profitable,” so there is clearly something more required to make any such innovation sufficiently worthwhile to pursue to achieve improved profitability or otherwise contribute to a company’s bottom line. In some cases, an unexpected or unintended aspect of the innovation may represent the best chances for profitability and these cannot be foreseen of course. From another perspective, it is possible for an organization to achieve an improved bottom line simply by taking advantage of the positive public relations that result from a greener approach to its operations or supply chain management activities as the result of some innovation.

For example, according to Hood (1995), “Within the corporate social-responsibility movement, there is no more important issue than environmentalism. Often, the call for corporate responsibility and the exhortation to ‘save the planet’ from a host of environmental problems seem virtually to be the same thing. The firms most often honored for their responsibility -- such as the Body Shop, Patagonia, and Ben and Jerry's -- usually exhibit some sort of

(highly publicized) commitment to environmental goals" (p. 80). The American public has been responsive to companies that use their innovations for the collective good, then, as long as they are made aware of them and many companies spare no expense to accomplish this, spending far more perhaps on advertising their good deeds than they did on the original innovation. Notwithstanding these misguided corporate tactics, the fact remains that CSR is just good business and if managed properly, can provide a company with a positive return on the any investments made to this end. For example, as Jones and Murrasse (2003) point out, "As environmental pressures continue to increase, companies that improve environmental performance more than their peers are likely to achieve superior financial returns and competitive positioning over the mid to long term. In addition, corporate environmental leaders frequently report achieving enhanced profitability in the short term" (p. 34).

Therefore, by incorporating both intended and potentially unexpected (and unintended) outcomes into a company strategic business plan, the CSR process can serve as a framework in which such innovations can be identified and then exploited to the company's advantage. They take extra care to make preservation of the environment a priority. They reach out to their local communities in ways that go beyond their "product lines" and beyond mere compliance. For instance, in his essay, "Benefits of Environmental Stewardship," Manning (2004) reports that:

Today, more than ever before, the air we breathe and the water we drink are not strictly 'environmental' issues. They're business issues. That's because today, more than any time in our history, business and the environment are inextricably linked. And successful companies know it. They communicate regularly with people and businesses in the neighborhoods they serve to understand and fulfill their needs ... and to avoid taking steps that could be perceived as harming them in any way (p. 9).

Therefore, an innovation that could satisfy the needs of the local community represents such an opportunity for using CSR to a company's

advantage, again providing that the otherwise strictly altruistic nature of the enterprise is not lost on the company's consumers and potential consumers. Communication is the key here. According to Manning, companies that use their CSR in this fashion stand to gain across the board:

Are these businesses being philanthropic? Yes and no. They're doing the right thing, to be sure. But they're also doing the smart thing. With more local and investment communities looking beyond earnings to a company's 'triple' bottom line, being socially and environmentally conscious is key to success, even survival, in today's competitive business climate" (Manning, 2004, p. 9).

As noted above, corporate leaders must remain vigilant to recognize opportunities to use innovations to their advantage in terms of its impact on their bottom line. Although the phrase "thinking outside the box" has become somewhat worn, it is entirely appropriate in this case because the "innovation" in question may well be the unexpected or unintended beneficial outcomes of something that is already being done as well as the introduction of some new method, concept or device. In order to answer when opportunity knocks, then, requires a corporate culture that makes such identification a priority. In this regard, Larsen and Peck (2001) report that corporate culture has a direct impact on how individuals make decisions affecting all aspects of managing a corporation, including:

1. Framing questions and policies;
2. Determining the validity of problem-solving approaches;
3. Either facilitating or obstructing proposed solutions; and,
4. Influencing external relationships and internal management approaches.

According to these authors, "Innovative companies are thinking and acting in terms of a 'triple-bottom-line' ethic, which goes well beyond the drive to maximize shareholder value by incorporating environmental quality and social justice considerations into their business decisions. To refuse the challenge implied by the triple-bottom-line is to risk extinction" (Larsen & Peck, 2001, p. 17).

In some cases, the beneficiaries of such innovations may not even be known to the corporate leaders, but will require some careful analysis of the environment in which they are operating. For instance, Allen and Husted (2006) offer a definition of CSR based drawn from the perspective of welfare economics in which corporate social responsibility is defined as a company's obligation to actively respond to the externalities that are created by market action. For this purpose:

Externalities are positive or negative impacts of a firm's production on the utility or production of a third party. For example, a negative externality is created when the firm emits noxious gases that affect the health of its neighbors. A positive externality occurs when a company opens operations in the inner city and its presence drives down crime in the area" (p. 838).

Although the company probably did not intend nor expect its presence to have such an impact, the fact that it did can be used to its advantage in its marketing efforts.

Although corporate leaders today cannot wait for an apple to drop on their collective heads to provide them with the inspiration needed for a particular innovative approach, of course, they can take advantage of unexpected opportunities to use the results of their CSR initiatives in innovative ways. Because innovations can span the entire range of a company's operations, the manner in which CSR initiatives can be used to accomplish them are virtually limitless and are constrained only by the imaginations of the players involved.

Some guidelines provided by Manning can be used to help business leaders recognize opportunities for addressing an existing need or using an unexpected or unintended outcome to their advantage as shown in Table 1 below.

*Table 1: Guidelines for identifying opportunities for using CSR innovations to a company's advantage*

<i>Step</i>	<i>Description/Rationale</i>
Make Environmental Commitment Part of Your Corporate Culture.	One way to "stick to your guns" is to put environmental responsibility right in the "holster." Make it a corporate value ... and publicize that value, both internally and externally, to all who will listen. Most importantly, follow through. Staying true to your environmental ideals is an important way to build solid relationships with communities, customers, investors and regulators. And these relationships can, in turn, give you the respect and credibility you need to successfully negotiate issues that could be important to your company later on. Also, make your Environmental organization an integral, and high-profile, part of your corporation; not a department relegated to a remote operating area. Your environmental performance does, after all, have far-reaching implications that extend beyond the realm of "Environment." And it's becoming more evident as time goes by that green companies not only have a great track record with attracting and retaining customers, they also have a competitive edge when it comes to recruiting and holding on to the best and brightest employees.
Stay 'Ahead of the Curve' with Rules and Regulations.	As most companies realize, laws--particularly environmental laws--are dynamic, not static, and they continue to emerge at an exponential rate. Smart businesses look to stay ahead of the curve by anticipating future regulations ... and by influencing the regulatory process to assure the application of sound science. Many simply go above and beyond compliance as a regular practice. Examples include: exceeding emission requirements; reporting more, not less, to the public; advancing environmental stewardship in your service territory; encouraging employees to volunteer for community environmental projects; and, voluntarily donating legacy sites for open space, rather than development. Besides protecting and preparing yourself for the future, your efforts generally won't go unnoticed ... by



<i>Step</i>	<i>Description/Rationale</i>
Keep Your Programs, Practices and Products Clean.	<p>the public, press and environmental regulatory agencies.</p> <p>Even businesses in industries that are not inherently clean--transportation, power generation, manufacturing, etc.--can make a positive difference in their communities by running their operations as cleanly and efficiently as possible. Explore and try to utilize the latest technologies available. Make an investment in future efficiency by putting your R &amp; D dollars and muscle to work. Today, more than ever, there are sophisticated technologies coming to market that can turn your ambitions of environmental stewardship into reality. Make sure your product ... and the way you manufacture it ... is as clean as possible. And use it yourself. If you're going to say you're "green," you need to act green. So, if you're promoting natural gas as an alternative transportation fuel, use it in your own fleet. If you're selling recycled paper, use recycled paper. And if you're generating electricity, use clean fuels to do it. Also, no matter what field you're in, get involved in your local communities, and introduce programs and services that can benefit their members. Staying in touch with local customers' needs and concerns--and striving to meet them--is an excellent way to forge positive, long-lasting relationships, and to put yourself in the positive public eye.</p>
In Times of Trouble ... Don't Wait for Community Needs To Become Community Nuisances.	<p>Get out there and address communities' needs and concerns at the start of each project you contemplate. Make it a priority to achieve positive results for everyone, even (or especially) in a difficult situation. For example, if you're considering a development project that might meet with public skepticism or "NIMBY (Not In My Backyard)-ism," don't wait for the yelling to start. Engage the community, and come up with compromises and workable solutions right at the beginning. Be honest about your plans and, if possible, be flexible about how you're going to achieve your goals, with the community's interests always in mind. No news can be good news in</p>

<i>Step</i>	<i>Description/Rationale</i>
Make Environmental Groups Your Friends, Not Foes.	certain circumstances, and being proactive can shield your company from the consequences of bad press that inevitably results from going against the wishes of the community you are trying to serve. Businesses and environmental groups are no longer necessarily on opposite sides of the fence. Many are establishing and maintaining fruitful partnerships that benefit both business and the environment. Businesses that support their local environmental groups may be surprised to find that many groups are just as willing to cooperate with you as you are with them--for the good of the environment and the local community. They can also guide you toward environmentally friendly practices that are not necessarily more difficult, time-consuming or expensive, but which can greatly benefit the local environment. The bottom line is that businesses and environmental groups working together can forge compromises that strike a balance between conservation and development; between philanthropy and profitability, etc.

(Source: Manning, 2004, p. 10.)

Truly inspired innovations may be rare, but even modest gains taken together over time will help a company's bottom line of course. In some cases, there may well be such an innovative concept, method or device that has potentially widespread consumer appeal that results from a company's CSR efforts. Assuming, then, that a company has achieved such an "ah ha!" moment in this quest and has identified an innovative approach through the use of a CSR initiative, there are some important considerations involved that should be taken into account as well.

For example, if something is part of a CSR initiative, it must be therefore also be "socially responsible" by definition and therefore potentially beneficial to a company's bottom line – right? Well, not always. Unfortunately, in their rush to

achieve as much profitability as possible in as short a time as possible from an innovation, some companies run the risk of shooting themselves in the corporate foot because they fail to take into account the long-term implications of their innovation and its potential to back-fire on their bottom-lines.

For example, according to Pietrobelli and Sverrisson (2003), in those cases where an innovation is created and a company is uncertain about its marketability and profitability, it may elect to simply pursue some test marketing campaigns to see what happens rather than seek the formal – and costly – protections offered by a patent that would require much time and would reveal their concepts to their competitors in the process. In these types of situation, these authors suggest that:

It may be wiser to implement quickly any innovation that occurs within a company instead of informing everyone in exchange for protection that may turn out to be of doubtful value. Another reason to abstain from patent protection is that most innovations have a limited lifespan in an economy in which the production and marketing of novelty has become a major driving force (p. 10).

On the one hand, almost any type of innovation may be eligible for a patent; however, the rationale for seeking the protection for an innovation decreases if the innovation will quickly become obsolete by the introduction of the next generation of one generic technology or another (Pietrobelli & Sverrisson, 2003). Furthermore, the majority of innovations made by small- to medium-sized companies may fail to meet the requirements established by patent law. According to Pietrobelli and Sverrisson, "For this reason, some governments have implemented a special type of patent-like protection which is generally obtainable at lower cost and subject to less stringent requirements than a patent. This is the 'utility model'" (p. 10). These authors also emphasize that the vast majority of patents awarded for innovations today are based on refinements of existing technologies rather than the introduction of entirely new concepts or devices:

Contrary to a common belief, patents are not granted only when a

significant technical development has been achieved. In fact, the largest part of R&D undertaken (by large and small firms) is devoted to the improvement on and further refinement of existing technologies. Though not all types of incremental innovations may be eligible for patent protection, many actually are" (Pietrobelli & Sverrisson, 2003, p. 11).

In this regard, Pietrobelli and Sverrisson report, "The classical argument for a patent to reward effort and creativity presumes an invention marked by considerable originality on the part of the inventor, rather than one that mainly represents taking a speedy path down a trail that was obvious to many. In a number of technologies, however, which we will call 'science based', the efforts of 'inventors' are strongly guided by the evolution of an underlying science" (p. 128). More importantly for the purposes of this analysis, though, because profitable innovations that result as part of the CSR process may be unforeseeable, it is important for a company's leadership to remain vigilant in order to identify opportunities when they do occur. Indeed, Thomas Edison suggested that success is 10 percent inspiration and 90 percent perspiration, but innovation is just plain dumb luck. For example, according to Pietrobelli and Sverrisson (2003), "Inventions 'marked by considerable originality' do not occur frequently, even in highly intensive R&D industries. For instance, while in the pharmaceutical sector only a small number of 'new chemical entities' (i.e. molecules not pre-existing) are developed and patented each year, thousands of patents are applied for and obtained covering processes of manufacture, different crystal forms or formulations, new indications, and other aspects of or modifications to existing pharmaceutical products" (p. 11).

During the period between 1981 and 1991, less than 5 percent of the drugs that were introduced in the United States by the top 25 companies were considered innovative advances in therapeutic techniques; likewise, almost 50 percent of the new drugs approved for use in the U.S. during the 1990s did not provide any substantive clinical improvements (Pietrobelli & Sverrisson, 2003). "In fact, many patents are granted in the United States and other countries for

minor, even trivial developments. In 1999, the United States Patent and Trademark Office granted over 160,000 patents, twice the number registered ten years before. This is the result of loose criteria and excessive flexibility in assessing the degree of non-obviousness, novelty and usefulness of applications, and of shortcomings in the examination procedures" (Pietrobelli & Sverrisson, 2003, p. 11). Given the relatively low standards that are typically applied in the real world, then, SMEs in almost any type of industry could in many cases seek such formal patent protection for an innovation; however, to accomplish this involves the costs of filing, registration and maintenance. Furthermore, if there is litigation required to enforce the patent against infringers or to defend it from validity challenges, a positive outcome in court is never guaranteed and damage claims by competitors may be high and litigation costs may be prohibitive (Pietrobelli & Sverrisson, 2003).

An increasingly popular alternative for protecting innovations that is being used in a number of other countries today is to provide for the registration of utility models, also called "petty patents," which may be useful to protect minor or incremental innovations, particularly in the mechanical field (Pietrobelli & Sverrisson, 2003). The primary differences between these protections and patents, as described by The World Intellectual Property Organization (WIPO), are the following:

1. The requirements for acquiring a utility model are less stringent than for patents. While the requirement of 'novelty' is always to be met, that of 'inventive step' or 'non-obviousness' may be much lower or absent altogether. In practice, protection for utility models is often sought for innovations of a rather incremental character that may not meet the patentability criteria.
2. The term of protection for utility models is shorter than for patents and varies from country to country (usually between seven and ten years without the possibility of extension or renewal).
3. In most countries where utility model protection is available, patent offices

do not examine applications as to substance prior to registration. This means that the registration process is often significantly simpler and faster, taking, on average, six months.

4. Utility models are much cheaper to obtain and to maintain.
5. In some countries, utility model protection can only be obtained for certain fields of technology and only for products but not for processes (Pietrobelli & Sverrisson, 2003).

Currently, this type of protection for innovations is provided by Australia, Argentina, Armenia, Austria, Belarus, Belgium, Bulgaria, China, Colombia, Costa Rica, Czech Republic, Denmark, Estonia, Ethiopia, Finland, France, Georgia, Germany, Greece, Guatemala, Hungary, Ireland, Italy, Japan, Kazakhstan, Kenya, Kyrgyzstan, Malaysia, Mexico, Netherlands, members of the African Organization of Intellectual Property (OAPI), Peru, Philippines, Poland, Portugal, Republic of Korea, Republic of Moldova, Russian Federation, Slovakia, Spain, Tajikistan, Trinidad & Tobago, Turkey, Ukraine, Uruguay and Uzbekistan (Pietrobelli & Sverrisson, 2003).

More importantly, perhaps, this rush to market may have some “innovative” consequences that were also unintended and unexpected that work to the company’s disadvantage. For example, in his book, *Ethics and Corporate Social Responsibility: Why Giants Fall*, Sims (2003) reports that, “The reward system created by a leader indicates what is prized and expected in the organization. This view is in line with a basic management doctrine, namely: You get what you measure and pay for” (p. 137). Therefore, in order to stimulate innovation, some companies consistently pay extremely high bonuses to the employees responsible for innovations, but this approach may only provide short-term benefits without taking into account the long-term implications of such innovations (Sims, 2003). Indeed, as Jones and Murrasse (2003) emphasize, “Although the corporate social responsibility movement was growing during the economic expansion of the 1990s, it seems there is less reason to place faith in the ability of the corporate sector to uphold principled values and make

meaningful contributions to society, given the Enron fiasco and the rash of corporate accountability scandals that characterized the early years of the twenty-first century" (p. xii).

### **Innovation and CSR: The Case of DuPont**

Companies that have sustainable policies tend to be technological leaders, as they seek imaginative new methods for reducing pollution and increasing efficiency. In many cases, these companies are able to come out with new, innovative products that out-pace most of their competitors. In order to better understand how major companies have been able to successfully innovate as a result of their commitment to sustainable development and corporate responsibility let us look at the case of the Delaware-based DuPont.

DuPont, a science and technology materials production company with a global reach, was ranked top last year by the Coalition for Environmentally Responsible Economies (CERES) in their ranking of global organizations' climate strategies. DuPont bases its business model on innovation driven by science and technology and because of this the company's response to climate change and the direction that its innovation is taking is instructive. According to their website, the company's "vision is to be the world's most dynamic science company, creating sustainable solutions essential to a better, safer and healthier life for people everywhere" (DuPont, 2007).

The company was at the frontline of the worldwide move to reduce the production of chlorofluorocarbons (CFCs) in the early 1990s. This was in reaction to the evidence that CFCs were contributing seriously to the rapidly-depleting ozone layer around the planet. The success of this reduction effort is often cited as the strongest example that international action between governments and business can tackle global environmental problems. In 1991, the company began to catalogue its greenhouse gas (GHG) emissions, and identify possible point source reductions in different GHGs across its operations.

DuPont began by investing \$50 million to retrofit facilities in Texas, Canada, the UK, and Singapore in order to reduce the nitrous oxide emissions

from nylon production. Nitrous oxide has 310 times the potency of carbon dioxide (CO<sub>2</sub>), one of the main GHGs so process changes at some facilities allowed the company to reduce GHG emissions by around 55 percent.

This technological innovation was matched by innovation in management and strategy. Unlike other companies, notably ExxonMobil, that has been fighting against regulation, DuPont proactively established several external emissions trading programs, including the Chicago Climate Exchange, the U.K. Emissions Trading Scheme, and Canada's emerging trading system. Interesting, DuPont's active participating in establishing these schemes has helped it generate cash flow (from selling emission quotas) to offset against the cost of implementing the emissions reduction schemes. It also provides tangible examples to DuPont's managers of the financial value recouped by investing in GHG reductions. The company also believes that by taking this proactive approach, it has also helped them developed tools, information, and strategies that have become necessary for maintaining a competitive advantage in an emerging emissions marketplace.

The challenges posed by climate change are being faced head-on by DuPont, thanks to its innovations. The company has achieved a 67 percent reduction in GHG emissions since 1990, partly thanks to a nine percent reduction in energy use, at the same time as achieving a 35 percent increase in production tonnages. In addition, three percent of energy the company uses is now generated from renewable sources. DuPont has also made significant efficiency savings – \$2 billion through increased energy efficiency and \$10-15 million annually through use of renewable energy.

According to UK-based CSR consultancy, Article 13, DuPont's innovations in the field of climate change now present the company with an opportunity:

DuPont is starting to realize new commercial opportunities through factoring in climate change considerations throughout its business – what the company calls its "climate and the value chain" work. With energy prices continuing to rise, and climate change routinely at the top of the political agenda, DuPont have recognized the growing market for technology that reduces climate impacts (Article 13, 2006).



As an example of such innovations, Article 13 cites Tyvek, a DuPont product used in the construction industry as a protective material that provides sufficient insulation so that houses do not need to be built with roof ventilation systems. This product is now widely used in the construction industry because it lowers heating costs and translates into about 10 percent energy savings for the end user each month. Products like Tyvek from DuPont can effect a much bigger reduction in energy use through their application, than the company could have achieved through its own direct operations. Other areas of DuPont's involvement include the auto industry, where it is involved with electronic systems for hybrid vehicles and lightweight auto components that reduce fuel consumption in conventional vehicles; and the commercialization of hydrogen fuel cell technology for Taiwan's electric scooter market.

Innovation at DuPont is also being driven by climate change targets. While the company continues to innovate in its own processes, and in the products it develops and sells, it is aiming for a 65 percent GHG reduction from 1990 levels by 2010. And in spite of its ambitious growth projections, it plans to hold energy use constant at 1990 levels. In order to achieve the sourcing of 10 percent of the energy used by DuPont globally from renewable sources, it is purchasing 170 million kWh per year of renewable energy certificates generated by projects that produce electricity from biomass and landfill gas. It currently sources two percent of its renewable energy from conventional hydropower, and is exploring other direct sources of renewable energy that could be cost competitive with fossil fuels.

As a global company, DuPont wants to achieve energy reduction across all their operations. It is also using its expertise in science and technology research and production to explore the potential for "clean development mechanism" projects, which are part of the Kyoto protocol's framework for reducing emissions by assisting developing economies to achieve sustainable development goals through avoiding the energy intensive and polluting paths that northern and western economies have followed (Article 13, 2006). The company also intends

to help develop a global emissions trading system.

### **Conclusion**

This paper shows that CSR has assumed new importance and relevance to a company's profitability in recent years. A number of win-win outcomes were identified in the literature review wherein more and more companies are recognizing that their CSR initiatives represent opportunities for improving their profitability through various community-based programs that respond to local needs, while others are also finding ways to use what there are already doing to gain a CSR-related advantage over their competitors. The research also showed that the key to success in using any type of innovation to a company's advantage from the CSR perspective is to communicate with local municipal authorities, the press and most importantly, the general public that stands to benefit from such initiatives. It is well and proper that more companies are engaging in CSR-related activities today, of course, but those that advertise the fact are reaping the benefits in terms of improved profitability as well.

The focus on DuPont revealed in details the relationship between innovation and CSR. DuPont's commitment to social responsibility is evident this statement by Paul Tebo, DuPont's Vice President for Safety, Health & Environment: "The company's major stretch goal for global operations is to achieve zero injuries, illnesses, incidents, wastes and emissions" (Article 13, 2006). There are two lessons that DuPont's progress highlight. Firstly, a global company that wants to achieve sustainable development needs to tackle the issue at all levels of corporation – from the executive level to the business unit and site level. A top only corporate strategy or national policy will not be enough to realize the desired changes, and the benefits those changes can bring. Secondly, there are opportunities to be had from taking responsibility to tackle climate change, even if they may lie outside of what a company has traditionally considered its core business areas. According to Article 13 (2006), "DuPont's analysis of its value chain in terms of climate change impacts is a model that others could follow." The value chain analysis that DuPont developed is not only

helping them tackle climate change in their business, but it is also helping to address the global warming issue at a global level, while also making DuPont's business safer and more profitable in the medium to long term.

It is clear from the foregoing that innovation should be considered a valid argument for CSR, along the lines of the four traditional arguments for social responsibility – moral, reputation, license-to-operate, and sustainability. In addition to the innovation argument, I have provided three other arguments in a series of articles published in the *Journal of Business and Public Policy* (JBPP). These other arguments include: (1) The "shared value argument" developed by Porter and Kramer (2006); (2) The "marketing argument" advanced in an article entitled "The Legitimacy of Strategic Corporate Social Responsibility as a Marketing Tool" (Asongu, 2007a); and (3) The "shareholder power argument" advanced in "Shareowner Action Strategy: From Conflict to Collaboration" (Asongu, 2007b). These "new arguments" are intended to bring the total number of arguments for justifying CSR to eight.

All these arguments are intended to highlight the fact that strategic CSR can bring both short and long term financial benefits to a socially responsible company. Those responsible for CSR programs in various companies must perceive social responsibility as not being mere charity or philanthropy – it should be approached from a strategic perspective (Asongu, 2007a). The benefits that can accrue from a properly implemented strategic CSR program entails classifying such a program as an investment for the company, not an expense.

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Corporate Social Responsibility (CSR) and innovation are common keywords in management research and practice. Both of them are understood in different ways. To discover the boundaries of CSR and innovation, this paper sheds light on the traditional view of CSR, with a focus on its (CSR) integration into the corporate strategy and its linkages to innovation.Â Therefore, we articulate the argument of Corporate Social Responsibility (CSR) as an indirect compensation for transfer mispricing. Our aim is not to present CSR as solution to transfer mispricing. An analytical approach is based on a content analysis of the existing literature with emphasis on a case study.

**Arguments Against Corporate Social Responsibility.** Skeptics often claim that businesses should focus on profits and let the government or nonprofit organizations deal with social and environmental issues. Milton Friedman claimed that free markets, rather than companies, should decide what is best for the world. He believes that Adam Smith's "invisible hand" will do all the work to make everything better. Another argument is that companies are meant to create products or provide services rather than handle welfare activities.Â Finally, being socially responsible damage a company in the global marketplace. Cleaning up the environment, ensuring product safety, and donating money or time for welfare issues all raise company costs.

**CSR Digest: Corporate Social Responsibility (CSR) across the Value Chains as a Ne Form of Risk Management.** **Writer Bio.** Based in London, Maria Kielmas worked in earthquake engineering and international petroleum exploration before entering journalism in 1986. She has written for the "Financial Times," "Barron's," "Christian Science Monitor," and "Rheinischer Merkur" as well as specialist publications on the energy and financial industries and the European, Middle Eastern, African, Asian and Latin American regions. She has a Bachelor of Science in phy Corporate responsibility or sustainability is therefore a prominent fea-ture of the business and society literature, addressing topics of business ethics, corporate social performance, global corporate citizenship, and stakeholder management. Management education can be an important source of new ideas about shifting toward an integrated rather than fractured knowledge economy, but this means also that the role and meaning of socially responsible leader-ship needs to be updated.Â â€¢ A systematic search of the academic and professional literature on leadership and CSR, as well as a keyword search using CSR syn-onyms (e.g., sustainability, corporate citizenship, corporate sustainability, ethical leadership, corporate governance, and corporate social performance).