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Creating competitive advantage by institutionalizing corporate social innovation ☆

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ABSTRACT

This study builds on corporate innovation, social innovation, and corporate social innovation literature to develop a preliminary theory. The study then uses case studies to build a framework that describes factors leading to successful corporate social innovation (CSI).The study focuses on social innovations that create social value and competitive advantage. In the framework, three organizational components enhance CSI: strategic alignment, institutional elements, and clarity in intent. Three institutional elements enable CSI processes: stakeholder engagement, operational structures and processes, and organizational culture. Integrating CSI into strategy and operations creates opportunities for co-creation, thereby creating shared value and enhancing competitive advantage. This study concludes by highlighting managerial implications and future research opportunities.

1. Introduction

Innovation heavily influences competitiveness (Mintzberg, 1994), and failure to innovate generally decreases competitiveness (Ferauge, 2012; Herrera, 2007). This research focuses on corporate social innovation (CSI), which resolves social concerns (Phills, Deiglmeier, & Miller, 2008, Fall) and considers shareholder value.

Social innovation is relevant in global strategy because society expects international corporations to be socially responsible (Snider, Hill, & Martin, 2003). Stakeholder and macro-environment assessments are crucial for successful innovation (Ferauge, 2013). Global companies must balance global corporate purpose, reputation, and strategy with local realities (Husted & Allen, 2006).

A company's ability to sense and respond strategically to opportunities and threats enhances competitive advantage (Li & Liu, 2014). Because corporate social responsibility (CSR) involves continually evaluating corporate influences and relationships with stakeholders and the environment, CSR enables management to identify and respond to evolving strategic opportunities and challenges. The corporate challenge is implementing CSR while advancing corporate goals. Implementing CSR, however, can improve corporate social and financial performance (Herrera, 2007). For specific CSR programs, Porter and Kramer (2006) call this double effect shared value. CSR's positive effect on financial performance is a result of greater competitive advantage and reputation (Saeidi, Sofian, Saeidi, Saeidi & Saaeidi, 2015).

The literature on CSI is sparse but growing (Nelson & Jenkins, 2006). CSI provides business sustainability (Eccles & Serafeim, 2013) and increases competitive advantage (Fiorina, 2004; Hana, 2013), but the literature ought to provide a better understanding of how corporations adopt and integrate social innovation into strategy and operations. This study contributes to filling the literature gap by describing organizational components that enhance CSI. The study addresses the following research questions: How do companies implement CSI? How does CSI increase competitive advantage? How do strategy and operations integrate CSI? What institutional mechanisms increase the likelihood of CSI success?

Given the sparse literature on institutional mechanisms for integrating social innovation in strategy and operations, this study first reviews literature and theories to provide a foundation for theory building. The literature review covers CSR, innovation, corporate strategy, and competitive advantage. The literature review focuses on what triggers social innovation, the social innovation process, organizational barriers and enablers of social innovation, and mechanisms that enhance CSI. The review leads to a preliminary framework that uses elements common to business innovation and CSR. The framework's first version is the organizing framework for the 2012 Asian Forum on Corporate Social Responsibility.

Three case studies evaluate and extend the preliminary framework for institutionalizing social innovation. The first case study examines 3M, a company with global recognition for creating competitive

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advantage through innovation. This case study tests and extends the preliminary framework. The second case study examines several individual cases and identifies significant elements influencing successful CSI. Most cases involve partners of the Asian Institute of Management (Ramon V. del Rosario, Sr. Center for Corporate Social Responsibility) and recent nominees for the Center's Asian CSR Awards. All cases provide exhaustive information from company executives, employees, and stakeholders. The third case study examines CSI processes within Intel, which treats innovation as a source of competitive advantage. This case study tests the full framework. The Intel case study uses data from literature and documents, presentations, interviews, CSR program case studies, and site visits. Because of its extensive nature, the second case study does not appear in full in this article. Fig. 3, however, presents a summary of key examples from the second case study. Full details of the 3M and Intel case studies appear later in the article.

2. Theoretical framework

2.1. Defining social innovation

This research adopts the following definition of social innovation: Social innovation is a measureable, replicable initiative that uses a new concept or a new application of an existing concept to create shareholder and social value. Identifying drivers, enablers, and barriers to idea generation, experimentation, and implementation is critical to understanding CSI institutionalization.

2.2. The process of social innovation

This study uses a framework (Fig. 1) that establishes a five-stage process combining CSR implementation and business innovation. The five stages are assessment, design, development, systematization, and institutionalization and scaling up. The first stage of embedding social innovation is the assessment stage (active sensing), which involves continuously and actively gathering information. This active sensing provides employees with triggers for innovative ideas that lay the foundation for the design or ideation stage. Pilots during the development stage then test the design. Results of the pilot systematize the innovation. Finally, institutionalization involves embedding and scaling up across the entire organization.

Fully implementing a social solution can take months, years, or even decades. A disciplined approach to implementing social solutions helps achieve positive, widespread social outcomes (Murray, Caulier-Grice, & Mulgan, 2010).

2.3. Institutionalizing social innovation

Innovation is most powerful when organizational systems and structures can institutionalize this innovation. Organizational structures—both formal and informal—yield innovation benefits for companies (Hana, 2013; Pfitzer, Bockstette, & Stamp, 2013; Tushman & Nadler, 1986).

The framework herein describes the institutionalization of social innovation. The framework has three key components: 1) strategic alignment, 2) institutional elements that enable social innovation, and 3) clarity in intent. Revisions to the framework draw upon inputs from practitioners attending the 2012 Asian Forum on Corporate Social Responsibility. Systematic assessment of the business context helps achieve strategic alignment. Identification of social objectives helps clarify corporate intent. The framework helps companies set social goals consistent with standard CSR outcomes (Herrera, 2011b) (Fig. 2).

2.3.1. Strategic alignment

Significant business innovations can result from integrating environmental and social issues into corporate strategy (Fiorina, 2004). Socially responsible companies systematically integrate market and non-market conditions into strategic planning (Herrera, 2007; Sabir, Kalyar, Ahmed, & Zaidi, 2012). In particular, during the environment analysis and strategic assessment phase of strategic planning, companies should already be considering social and sustainability elements. In addition to reviewing market-related factors, management should review non-market factors through footprint and stakeholder analysis. Non-market factors should also contribute to the environment-sensing and strategic assessment mechanisms that are part of strategy implementation.

The business context consists of stakeholders, the corporate footprint, and general strategic considerations. Analyzing the corporate footprint involves analyzing company operations' economic, environmental, and

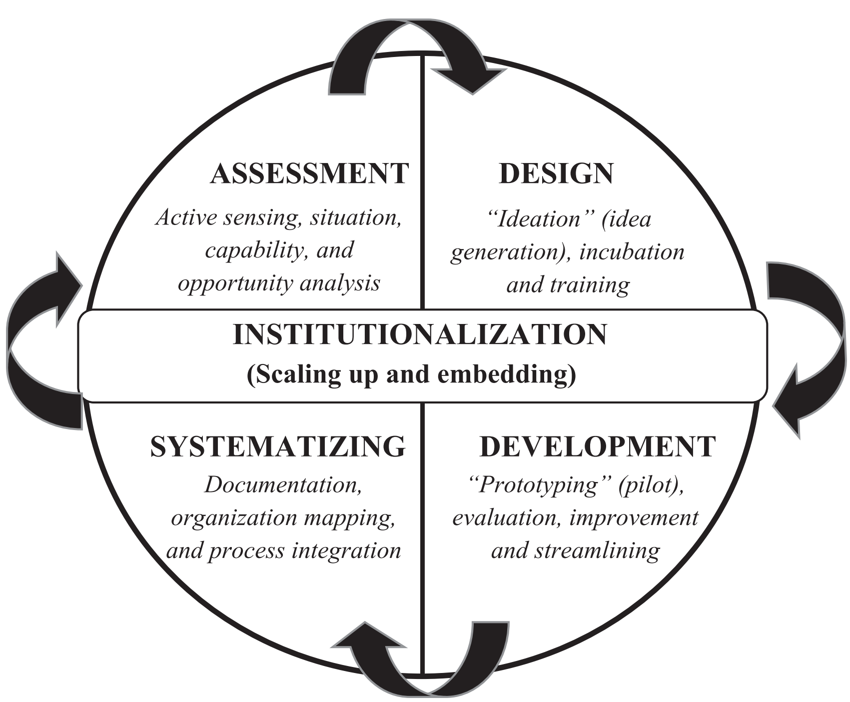

Fig. 1. Social innovation process.