ETHICAL BENCHMARKS FOR INDUSTRY AND COMMERCE: A NEW LANDSCAPE FOR RESPONSIBLE INNOVATION

Malcolm Fisk, Catherine Flick, Adebowale Owoseniç

De Montfort University (United Kingdom)

malcolm.fisk@dmu.ac.uk; cflick@dmu.ac.uk; adebowale.owoseni@dmu.ac.uk

EXTENDED ABSTRACT

This paper addresses a ‘new landscape’ for responsible innovation. It reports on different ethical reference points for industry and commerce. In this context, responsible innovation (and Responsible Research and Innovation, RRI) can be seen as a strand of thinking *and doing* to be found in several ethically-oriented frameworks - including those represented by the United Nations Sustainable Development Goals (SDGs) and several international standards.

Exploration of the new landscape took place within the European Commission funded LIV-IN (Living Innovation) project. This focused on technologies for our lives and our homes in 2030. Published sources, consultations with experts and workshops with a range of consumers and customers informed the project. Such project activity utilised RRI approaches to explore technological futures for the ‘focal’ sectors of smart homes and smart living. This was supplemented by a specific dialogue with CSR consultants about the wider potential contribution of RRI (or elements of it) to industry and commerce in the context of other ethically-oriented frameworks.

Five recognisable frameworks, in addition to RRI, were identified. Some overlap. All six are legitimate in the pursuit of ‘responsible innovation’ and a means by which commercial organisations can benchmark and ‘test’ their ethical credentials. The context for consideration of these frameworks is, however, controversial. It relates to the question of whether their adoption can be seen as a kind of ‘gloss’ or cloak to disguise brutal truths about the adverse environmental or social impacts caused by some commercial activity. In such a context there may be, therefore, sound arguments to favour robust regulations to control the worst commercial excesses. Also relevant is the matter of ‘responsible’ investment and, arguably, the need to rebalance attention from *share*holders towards a wider range of *stake*holders (Hohnen, 2007).

Of the six frameworks, CSR dominates the commercial ethical ‘landscape’. Deloitte (2016) pointed to it as having experienced ‘continued growth’. Tench et al (2018) noted it as well established in industry *throughout* the EU. Does CSR fall into the category of ‘gloss’? The answer, these authors contend, is ‘no’. But they argue that serious action may be necessary to promote ‘responsibility’, possibly with regulatory frameworks, the sharpness of whose teeth is commensurate with the risks and the actuality of any commercial excesses.

The notion of ‘responsibility’ goes back many centuries – linking to ‘religion in general and to Protestantism in particular’ (Pavie et al., 2014). The root of CSR in particular leads to the American Christian, Harold Bowen through his seminal 1953 publication (see Bowen et al., 2013). He affirmed that ‘the profit system is defensible if the amount … and their use are determined with the needs of society in view’. *And whilst claims attributed to CSR in the ensuing decades have varied, most of Bowen’s social goals including ‘justice, freedom and development of the individual person’ still resonate. The environmental element is there, too with* CSR frequently linked with the ‘triple bottom line’ viz. ‘people, planet, profit’ (Hohnen, 2007; Fontaine, 2013). Important also is CSR being ‘voluntary’, enabling this appraisal to make a link to the third and fourth ethically-oriented frameworks – Environmental and Social Governance (ESG); and international standards.

ESG has become more prominent in recent years and may be seen by commercial organisations as more ‘graspable’ than a somewhat daunting *seventeen* SDGs. Delevingne et al. (2020) noted that the ‘pressure on companies to pay attention to ESG continues to mount’. Well over half of over 300 executives and investment professionals agreed ‘that ESG programs create shareholder value’ and ‘strong performance on ESG issues can improve top-line growth, reduce costs, minimize regulatory and legal interventions (and) improve employee productivity’.

The fourth ethical framework is international standards. These are voluntary unless written into law. As signalled above, many commercial organisations seek accreditation to standards as a ‘badge’ of their responsibility. Important examples are the ISO 14000 series for environmental management and, though carrying less authority, the ISO 26000 guideline on social responsibility. Standards are not, however, without their critics - particularly around their predisposition, when dominated by commercial interests, to reinforce a *status quo* that may have ethical shortcomings (Optimat, 2014).

The fifth ethical framework, also voluntary in nature, carries considerable international ‘weight’ by virtue of being promoted by the United Nations. It is that of the SDGs – including both environmental and social ‘goals’ - with these increasingly used as reference points for responsible behaviour around governance, investment and innovation. Their relevance to particular industry and commercial sectors is, naturally, varied but almost all can be used to gauge activities. A direct link between SDGs and ESG was made by Douma et al. (2017) in setting out six principles of investment in a responsible investment blueprint that aligns ‘with the broader sustainable objectives of society as currently defined by the SDGs’.

The sixth ethical framework is that of EU Directive 2014/95 (Non-Financial Reporting Directive). Having been adopted by Member States, it carries legal force. It applies to public-interest companies with over 500 employees, requiring them to report annually on policies and practices for environmental protection; social responsibility and the treatment of employees; respect for human rights; anti-corruption and bribery; and diversity on company boards. Other Directives, as noted by Martinuzzi et al. (2011), are also relevant such as for the recycling of waste from electrical and electronic equipment.

These six ethically-oriented frameworks represent the backdrop for consideration of the ‘transferability of RRI’ in the world of commerce. The listing below indicates the RRI elements that appear to lend themselves to such transfer and may add value to ethical frameworks noted above. At least two (co-creation; and early, anticipatory approaches to innovation) are RRI elements that are often held as uppermost among its merits and are noted as having particular relevance to industry (Martinuzzi et al., 2018).

- Wider Stakeholder Agenda: Re-enforcing the move from shareholder to stakeholder perspectives - including responsibility for future generations.
- Integrity in Management: Helping ensure maintenance of an appropriate ethos - echoed in policies, practices and behaviours (e.g. around equality and safeguards against discrimination or disadvantage).
- Dynamism of the Innovation Process: Re-enforcing the importance of anticipatory and reflexive approaches that are alert to (and mitigate or avoid) risk.
- Incorporation of Co-creation in Design and Innovation: Providing a route to better products and services, albeit allowing for issues of commercial confidentiality to be taken into account.

- Openness and Interoperability: Recognising that stakeholders are not served by vendor lock-ins and any diminution in their choices.
- Maintenance of Privacy and Confidentiality: Specifically relevant to commercial activity online and calling for the safeguarding of customer or consumer data.

These elements, it is contended, may offer a means whereby there is lasting value for industry and commerce that derives from RRI. That value lies, however, in RRI being a contributor to 'responsible innovation' and, through the elements indicated above, providing an input to the ethically-oriented five other frameworks that are noted – all of which carry greater prominence and several having wider scope.

KEYWORDS: Responsibility, Ethics, Stakeholders Industry.

REFERENCES

Bowen, HR., Gond, J-P., Bowen, PG., & Geoffrey, P. (2013). Social Responsibilities of the Businessman. Iowa City: University of Iowa Press.

Delevingne, L., Gründler, A., & Kane, S. (2020). The ESG Premium: New Perspectives on Value and Performance, Strategy & Corporate Finance and Sustainability Practices. McKinsey & Company.

Deloitte. (2016). CSR Managers Survey 2015 in Central Europe: How CSR has Influenced Central European Societies and Economies. Deloitte Poland.

Douma, K., Scott, L., & Bulzomi, A. (2017). The SDG Investment Case. UNEP Finance Initiative / UN Global Compact.

Fontaine, M. (2013). Corporate Social Responsibility: The New Bottom Line? *International Journal of Business and Social Studies 4*(4), 110-119.

Hohnen, P. (2007). Corporate Social Responsibility: An Implementation Guide for Business. Winnipeg: International Institute for Sustainable Development.

Martinuzzi, A., Kudlak, R., Faber, C., & Wiman, A. (2011). CSR Activities and the Impacts of the ICT Sector. Working Papers No.5. Vienna: Wirtschafts Universität Wien.

Martinuzzi, A., Blok. V., Brem, A., & Stahl, B. (2018). Responsible Research and Innovation in Industry – Challenges, Insights and Perspectives. *Sustainability* 10(702). http://doi.org/10.3390/su10030702

Optimat. (2014). Research Study on the Benefits of Linking Innovation and Standardization for CEN/CENELEC. East Kilbride.

Pavie, X., Scholten, V., & Carthy, D. (2014). Responsible Innovation: From Concept to Practice. Singapore: World Scientific Publishing.

Tench, R., Jones, B., & Sun, W., Eds. (2018). The Critical State of Corporate Social Responsibility in Europe. Bingley: Emerald Publishing.