

THE SOCIAL ENGAGEMENT AS A SOURCE OF INNOVATION

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Abstract

Innovation, innovation economy, innovation management are all crucial issues in both theory and practice of management. The purpose of this paper is to provide mechanisms for the use of corporate community involvement in public affairs as a source of innovation for both business organizations and in relation to ways of solving social problems and pursuing public purposes. The use of business engagement in social affairs as a source and inspiration for innovation and the mechanisms of responsible use of that business engagement by community and public organizations were analyzed. Companies have discovered that social problems have their economic side and the involvement in solving the problems of the public sector can strongly stimulate their own business processes. The new paradigm for innovation grows in the field of cooperation between private business and public interest, generating positive and permanent changes for both sides. There is a strong need for the cause social responsiveness and increased social sensitivity, not only on the side of the business but also in public organizations.

Keywords: *innovation, change, social responsibility, cause social responsiveness, social engagement.*

1. Introduction

A significant part of the debate on management practice and sciences has been dominated recently by such terms as innovation, innovative economy, innovation management. Not only nowadays but presumably always creativity and innovation have been the crucial factor in building a competitive advantage by individual companies and a society as a whole. Creativity and innovation have been always the engine of economic and civilization acceleration.

Innovation and change are part of everyday life in most contemporary organizations. They are useful for the society and the economy, businesses

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and public institutions. Innovators appear to be those who are able to solve the most demanding problems and issues. Thus it is not surprising that a great deal of organizations constantly seek new sources of inspiration for innovative solutions. They build laboratories where they can develop their capabilities, experiment with new technologies, obtain feedback from the first users of the potential products or gain experience in emerging markets.

At the same time, there appear new possibilities of gaining this type of experience in completely unexpected places. Business social engagement is one of such promising areas. Business cooperation with public and social sectors or taking actions to solve specific social problems may be used as new promising sources of innovation. Such involvement allows to gain knowledge about new markets and even create new markets and develop strong and sustainable relationships on them.

In the paper, we attempt to present the mechanisms of corporate involvement in social and public issues as a source of innovation for both business organizations and in terms of solving social problems and pursuing public purposes. We have analyzed how business organizations may use their involvement in social issues as a source of inspiration for innovative solutions. On the other hand, we tried to examine the possibility of responsible use of the business engagement by social and public organizations.

2. The increasing need for innovation

According to P. Drucker, “Innovation and entrepreneurship are thus needed in society as much as in the economy, in public-service institutions as much as in businesses. It is precisely because innovation and entrepreneurship are not ‘root and branch’ but ‘one step at a time’, a product here, a policy there, a public service yonder; because they are not planned but focused on this opportunity and that need; because they are tentative and will disappear if they do not produce the expected and needed results; because, in other words, they are pragmatic rather than dogmatic and modest rather than grandiose—that they promise to keep any society, economy, industry, public service, or business flexible and self-renewing” (Drucker, 1985, p. 254).

The term ‘innovation’ derives from the Latin word ‘*innovatis*’, which means renewal or creating something new. In Polish, innovation is understood as the introduction of something new, a newly introduced thing, a novelty or a reform” (Tokarski, 1980, p. 307). Innovation has become the subject of scientific interest during the 1940s and the concept of innovation had been introduced to economic literature by J. A. Schumpeter in 1911. Initially, the issue was considered only in terms of macroeconomic analysis. Primarily, the impact of technological progress on economic development was studied. The

analysis of the determinants of these processes at the microeconomic level appeared later (Bielski, 2000, p. 6).

According to Schumpeter the term innovation included a fairly large range of phenomena: the launch of a completely new product or its variety on the market, the introduction of new production methods that have not yet been proven in the field of industry, opening a new market, gaining a new source of raw materials, the initiation of the new organization of industry (Schumpeter, 1960, p. 104).

Schumpeter believed that innovation had to be related not only to the novelty but also to the first use of the novelty. He did not consider the further diffusion of the novelty as an innovation, but only an imitation. He distinguished also between terms 'innovation' and 'invention'. According to Schumpeter, inventions that have not been put into production are not innovations (Niedzielski and Rychlik, 2006, s. 19). The first theories of innovation were focused on their technical properties and their importance to the economy in which the essential role was played by land, production and capital. The knowledge and information, that are crucial for the contemporary society and economy, were appraised as less important factors (Janasz and Koziół, 2007, p. 13).

With the passage of time, not technological but economic aspects of innovation have turned out to be increasingly important. We should mention here the names of such authors as: P.F. Drucker, Ph. Kotler, R.W. Griffin, M.E. Porter and also Polish authors: S. Marciniak, I. K. Hejduk, W. M. Grudzewski, A. Pomykalski and S. Gomułka (Janasz and Koziół, 2007, p. 15).

According to „*Oslo Manual – Proposed Guidelines for Collecting and Interpreting Technological Innovation Data*”, the crucial problem is proper understanding of the innovation processes and its economic impact. An innovation is the implementation of a new or significantly improved product, process, marketing method, or a new organizational method in business practices, workplace organization or business relations (OECD, 2005). Thus, innovation is any change, provided that it is the novelty at least for the organization applying it.

Drucker (1985) argued that managers have to learn to practice systematic innovation. He claimed that entrepreneurs should not wait until 'the Muse kisses them' and gives them a "bright idea". Successful managers go to work and try to create value and to make a contribution. They aim high; the improvement of what already exists and just modifying it is not enough for them. "They try to create new and different values and new and different satisfactions, to convert a 'material' into a 'resource', or to combine existing resources in a new and more productive configuration" (Drucker, 1985, p. 34).

Gary Hamel and Bill Breen (2008) go further and talk about management as an aging technology in terms of the need for management innovation. According to them, we need to renew the management. In the past half-century we have experienced radical changes in almost every area of life – from technology to geopolitics. Compared to them, the practice of management seems to be developing at a turtle's pace. A manager of the 1960s, suddenly placed in the former position, would undoubtedly be amazed at the flexibility of logistics chains or all day technical service. However, after the initial shock, he would not have any problem with the management of corporate life. Most management rituals practically do not differ from those before generation or two (Hamel and Breen, 2008, p. 18).

They provide several examples of such innovations: knowledge management in General Electric, new tools for rational capital allocation in DuPont, intangible values management in Procter&Gamble, methods and tools to use abilities and ideas of every employee in Toyota or the construction of Visa as a global virtual consortium (Hamel and Breen, 2008, pp. 38-41)

Thus, the question is how to create a management innovation in terms of public and social problems. We need innovations that would make public and social organizations gain new opportunities to compete, new opportunities for a more rational allocation of resources, new opportunities for cooperation and co-creating value with their stakeholders.

3. The role and nature of social responsibility

Today, companies are constantly searching for new opportunities to compete. It is increasingly difficult to differentiate themselves from competitors only by the offer in the long term. Competitors quickly imitate the changes that have been positively received by the market. Corporate Social Responsibility is one of the possibilities to differentiate themselves in the market today.

Until the First World War the owners and shareholders administered their own businesses and all social activities were dependent on their decision. Since that time there have been significant changes in the perception and understanding of social responsibility by theorists, managers, public servants and public opinion (Rybak, 2004, p. 15).

The concept of corporate social responsibility (CSR) was first formulated in 1899 in "*The Gospel of Wealth*" by the American steel magnate Andrew Carnegie (Rybak, 2004, p. 15; Post et al., 1996, pp. 41-43). According to him, CSR is based on the implementation of two principles: charity and stewardship. Both of them are rooted in the Bible. We can then assume that the beginning of the practical implementation of the CSR principles goes back to the early history of society.

Managers should maintain and develop beneficial relationships with all groups that are linked with activities or results of the organization's activities. This idea is in line with the declaration of the director of one of the U.S. companies, who claimed that "every citizen is a stakeholder of the enterprise, no matter whether he shares in it or not, whether he is employed or not, whether he buys its products if he does not. The fact that he lives in American society makes him a stakeholder" (Post et al., 1996, p. 43). This statement, though formulated in relation to American business, is fully adequate to the whole society. Every citizen is part of the state and society, and has the right to the equal access to all its goods.

According to A. B. Carroll and A. K. Buchholtz: „The concept of business responsibility that prevailed in the United States during most of our history was fashioned after the traditional, or classical, economic model. Adam Smith's concept of 'invisible hand' was its major point of departure. The classical view held that a society could best determine its needs and wants through the marketplace. (...) Thus, the 'invisible hand' of the market transforms self-interest into societal interest" (Carroll and Buchholtz, 2003, p. 31).

In the classical economic model no additional external impact is required in order to protect the public interest. Business organizations work for the benefit of society by taking care of their own business. Czy chodziło Ci o: organizacje dbające o własny interes, działają z korzyścią dla społeczeństwa

The invisible hand of the market, claimed by Adam Smith, transforms the self-interest of enterprises in social benefits. Unfortunately, although the market works well in regulating what kind and how many products are needed, it is not able to provide completely honest and ethical operation of enterprises.

According to Drucker, „social responsibility of managers require such proceedings that all being actually in the public interest has become the company's own interest" (Drucker, 1998/1954, p. 418). He understood that "it is (...) clear – though it may sound contradictory – that the more management can use the traditions, values, and beliefs of a society, the more it will accomplish" (Drucker, 1986, p. 20). However, he also understood that managers are responsible for the social impact of its enterprise, stating: "When social responsibilities are being discussed these days, however, the emphasis is quite different. It is on what business should or might *do* to tackle and solve problems of society" (Drucker, 1986, p. 220).

Robert Bauer put it in the similar way: "Corporate social responsibility is seriously considering the impact of the company's actions on society" (Carroll and Buchholtz, 2003, p. 34). Similarly CSR was defined by Davis and Blomstrom: "Social responsibility is the obligation of decision makers to take actions which protect and improve the welfare of society as a whole

along with their own interest” (Carroll and Buchholtz, 2003, p. 35). Trying to resolve what social responsibility is, it clearly comes along as a duty to care for the social welfare, especially if there was a risk that it will be affected by the negative consequences of the business activity.

The most interesting approach to social responsibility, in terms of the paper, was presented in 1971 by the Committee for Economic Development. They used “a ‘three concentric circles’ approach to depicting CSR. The inner circle included basic economic functions – growth, products, jobs. The intermediate circle suggested that the economic functions must be exercised with a sensitive awareness of changing social values and priorities. The outer circle outlined newly emerging and still amorphous responsibilities that business should assume to become more actively involved in improving the social environment” (Carroll, 1991, p. 40). The most useful for our research seems to be the outer circle that represents newly emerging areas of social responsibility and engagement. They are associated with business involvement in improving the social enterprise environment.

4. The search for new sources of innovation

Nowadays, organizations more or less constantly seek new sources of creativity, inspiration and innovation. Sometimes the influences are completely unexpected. An example is the engagement in cooperation with non-governmental sector or undertaking initiatives to solve significant social problems. In some cases the social engagement is caused by *movement of the heart* but in others it is a component of a business strategy and designed to bring expected benefits. Improving company image, increasing confidence and motivation, raising the level of organizational culture and increasing customer loyalty, which were mentioned in the earlier part of the paper, are the most common business expectations in terms of the social engagement.

We can also observe increasingly more complex motives and forms of the corporate social responsibility development. Some of them are strongly linked with the search for new sources of inspiration and innovation. According to R. M. Kanter: „Winning in business today demands innovation. Companies that innovate reap all the advantages of a first mover. They acquire a deep knowledge of new markets and develop strong relationships within them. Innovators also build a reputation of being able to solve the most challenging problems. That is why corporations spend billions of dollars each year trying to identify opportunities for innovation – unsolved problems or unmet needs, things that don’t fit or don’t work” (Kanter, 2003, p. 190).

To identify these new abilities for innovation, corporations build research and learning laboratories where they can extend their capabilities, experiment

with new technologies and products, get feedback from early users or gain experience working with emerging markets. Today several organizations are looking for such inspirations in completely unexpected places as the social sector, public schools, welfare-to-work programs, the inner city (Kanter, 2003, pp. 190-191).

These companies, according to Kanter, have discovered that social problems are also economic problems, whether it is the problem of finding qualified workers or the search for new markets in neglected parts of cities. „They have learned that applying their energies to solving the chronic problems of the social sector powerfully stimulates their own business development. Today’s better-educated children are tomorrow’s knowledge workers. Lower unemployment in the inner city means higher consumption in the inner city” (Kanter, 2003, p. 191). Kanter calls this phenomenon *a new paradigm for innovation*, which is based on a partnership between private enterprises and public interest that is beneficial for both sides (Kanter, 2003, p. 191).

Porter and Kramer write about creating shared value that means the connections between societal and economic progress (Porter and Kramer, 2011). They said that “it is true that economic and social objectives have long been seen as distinct and often competing. But this is a false dichotomy; it represents an increasingly obsolete perspective in a world of open, knowledge-based competition. Companies do not function in isolation from the society around them. In fact, their ability to compete depends heavily on the circumstances of the locations where they operate” (Porter and Kramer, 2003, p. 32).

According to Kanter, this new paradigm for innovation has long been needed. There are at least two reasons for this. Traditional corporate engagement only scratches the surface, rarely touching the fundamental issues. And second, corporations often just give money, while beneficiaries do not need charity but change and transformation (Kanter, 2003, p. 191).

Financial support and donations as the most typical form of business engagement constitute a barrier to the increased efficiency of business partnerships created to solve the most challenging public problems. Public and social organizations expecting only financial support are losing many potential possibilities of effective and long-term cooperation. An entrepreneur, activated by visible effects of the public cooperation, may want to continue to engage in further projects and motivate others by his example. Limiting the relationship to passive waiting for financial support, it may be difficult to involve donors in projects for the common good.

Treating business as a source of charity is not in the interest of society. It is obviously intelligible that certain social groups, such as the needy, are looking for help in all ways. Notwithstanding, the introduction of comprehensive

solutions for companies' commitment to cooperation should be based on proposals beneficial both from society point of view and the business sector.

Encouraging corporations to actions that will be beneficial for their stakeholders/beneficiaries, but will contribute to the deterioration of the economic situation of the donors as well is not effective in the long term. And it also may contribute to the slowdown of economic growth. It is therefore necessary to consider the creation of comprehensive proposals for the development of business partnership for solving public problems. Such a partnership should be based on professional management and strategy consistent with the social and economic development objectives.

In practice, the above problems are not completely solved. According to the results of comparative studies carried out in Poland, Hungary and Slovakia by Responsible Business Forum (2005)¹, Polish companies most definitely comment on the absence of proper government policies to encourage investment in activities in the field of social responsibility. They often indicated a lack of legislation, and even the negative impact of government policies on investments in activities of a social nature (in comparison with other countries).

In such areas as education, health, safety, labor market, communication, long-term structural changes are needed. Short-term provisional changes to solve only the current financial problems are not sufficient. What is needed is the partnership with business that can completely transform the approach to solving specific public problems, such as the involvement of local businesses that would fundamentally change the operation of local schools, give new career prospects for their graduates, and even change the entire local environment. Observing differences between learning foreign languages in private language schools and public schools, or communication with patients in private and public health centers, it is clear that such changes are possible and necessary.

The chance is that the local entrepreneurs do not remain indifferent to how public issues are dealt with in their local communities. They begin to understand that social engagement can be a sort of experimental training ground for exploration and testing innovations. Kanter even speaks of a certain evolution of social responsibility into social innovation. (Kanter, 2003, pp. 189-213). Traditionally, opportunities for cooperation with the public and social sectors were perceived very narrowly by business companies. Currently, we observe the increasing business awareness and consequently the higher expectations for the cooperation undertaken. Companies are viewing community needs as opportunities to develop new ideas, present their technologies, solutions and

¹ The report of the research conducted in the last quarter of 2004 and the first quarter of 2005 on the sample of 154 companies from Poland, 150 from Hungary and 150 from Slovakia, selected from a group of 500 companies with the highest turnover and/or number of employees.

products, find and create new markets, and even create new business solutions. Social business engagement is no longer charity and is increasingly becoming a strategic investment as a testing ground for research and development (Kanter, 2003, pp. 189-190).

The greater public involvement is also required to achieve the success of such a shared value partnership. It is related to social responsibility of public organizations. As long as public organizations pursue only the objectives assigned to them even in the most honest and legal way, it is difficult to talk about their absolute social responsibility. The social responsibility in line with the idea of CSR appears only when they are looking for new solutions and possibilities for action beyond the daily routine duties.

Social responsibility is not charity. Charity is the easiest form of social commitment both for donor and beneficiaries. It is easier for a computer company to give a school new computers than to help change the functioning of the school using these computers to create new prospects for students. The real and fundamental change in this case also requires a significant and active commitment of the school. This additional commitment to public issues and leadership roles adopted by companies in social problem solving may be called CSR2 – *Cause Social Responsiveness*. CSR2 is understood as being sensitive and ready to respond actively to social needs (social cause).

In the designation '*Cause Social Responsiveness*' compared to '*Corporate Social Responsibility*', it is important that the object of responsibility is not a corporation as before but an important social cause. Social responsibility is no longer focused on the organization and its interests but on social problems and solving issues. The use of the term *responsiveness* instead of *responsibility* is equally significant. It shows social responsibility not as a feature of the organization but an activity undertaken in response to a social cause. The use of the term *responsiveness* is to highlight the action-oriented side of social responsibility concept in place of the ideological premises. This greater emphasis on responsiveness has been already proposed in management literature (Carroll and Buchholtz, 2003, p. 46-47). However, the responsiveness was related to the organization, not the social cause.

5. Conclusion

The purpose of the paper was to present the use of mechanisms of social business engagement in public issues as a source of innovation that produces profitable and sustainable change for both sides.

Today and in the past, innovative factors in the development of enterprises and society have been the driving force of economic and civilization acceleration. Innovations are the basis for building competitive advantage and creating new

markets for enterprises. This implies a strong pressure on managers to search for new sources of innovation. It may motivate them to greater involvement and social responsibility. Companies discovered that social problems are also economic problems and they have learned that applying their activities to solving the problems of the social sector may stimulate their own business development.

The new paradigm for innovation grows in the field of cooperation between private business and the public interest, generating beneficial and lasting changes for both parties. Thus, there is the strong need for sustainable response to social problems and the search for new solutions for public purposes. We call it the cause social responsiveness, which requires increased social sensitivity not only from the business but also public organizations.

In such areas as education, health, safety, welfare-to-work programs, social communication, there are necessary fundamental and sustainable changes not only scratching the surface by short-term financial help to solve current budget problems.

We need the business partnerships that would be able to completely transform the today approach to solving crucial public problems. The new paradigm for innovation is the chance that local entrepreneurs will not be indifferent to how they are dealt with public issues in their local communities. Companies begin to comprehend that their social engagement may be used as a kind of experimental training ground for exploration and testing innovations.

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