



THE INITIATIVES OF CORPORATE SOCIAL RESPONSIBILITY AS SOURCES OF INNOVATIONS

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Abstract. The authors of the article analyze the importance of innovation in gaining competitiveness of company. The innovation in business is understood as a broad, continuous, systematic activity that takes place throughout the company. Different types of innovation open new possibilities for companies and contribute to the attainment of competitiveness of companies. By emphasize the importance of creating different types of innovation the article treats of socially responsible initiatives as sources of innovations. The paper deals with the development of socially responsible innovations in Lithuanian companies. Companies in Lithuania innovate in socially responsible way, but for more streamlined development of socially responsible innovations require the better advertence and competence of business representatives. Researched the socially responsible initiatives as sources of different types of innovation, the authors found that an active development of socially responsible initiatives positively influences the creating of business innovations and increases competitiveness of company in the global economy.

Keywords: innovation, effectiveness, competitiveness, socially responsible initiatives, corporate social responsibility, Lithuanian companies.

JEL Classification: M14, O31

SOCIALINĖS ĮMONIŲ ATSAKOMYBĖS INICIATYVOS KAIP INOVACIJŲ ŠALTINIAI

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Santrauka. Straipsnyje nagrinėjama inovacijų svarba įmonių konkurencingumui. Inovacija versle suprantama kaip plati, nuolatinė ir sisteminga įmonės vykdoma veikla. Įvairių rūšių inovacijų diegimas atveria naujų galimybių įmonėms ir didina jų konkurencingumą globalioje rinkoje. Pabrėžiant įvairių rūšių inovacijų diegimo svarbą, nagrinėjamos socialiai atsakingos iniciatyvos kaip inovacijų šaltiniai, apžvelgiama, kaip socialiai atsakingos iniciatyvos įgyvendinamos Lietuvos įmonėse. Socialiai atsakingos inovacijos jau diegiamos Lietuvos įmonėse, bet sklandesnei įmonių socialinės atsakomybės inovacijų sklaidai reikalingas didesnis verslininkų dėmesys ir kompetencija. Ištyrę nagrinėjamą socialiai atsakingų iniciatyvų kaip inovacijų šaltinių klausimą autoriai nustatė, kad veikli socialiai atsakingų iniciatyvų plėtra teigiamai veikia verslo novatoriškumą ir didina įmonių konkurencingumą globalioje ekonomikoje.

Reikšminiai žodžiai: socialinė įmonių atsakomybė, inovacijos, efektyvumas, konkurencingumas, socialiai atsakingos iniciatyvos, Lietuvos įmonės.

Introduction

The changing global business environment is characterized by growing competition and has forced companies to find new ways of competing in the integrated global economy. In order to remain competitive, companies are facing increased pressure to be more inventive so that they can react quickly to consumer demands. Companies' competitiveness refers to their ability to produce high quality goods and services in an efficient and innovative way and by that to outpace their competitors. Companies can gain competitiveness through offering their products and services at lower prices than competitors, or through offering products and services at comparable cost but in unique quality creating a greater buyer value. Product, service or business model innovation is a key source of competitiveness at company level.

The implementation of initiatives of corporate social responsibility promotes companies in their desire to enter into additional commitments to improve their business practices and to introduce innovative human resource management technologies in their operations, to use natural resources conserving technologies, human health-friendly materials and manufacturing processes, to harmonize working relations and actively participate in social dialogue, considering the positions expressed by the stakeholders and the public expectations. The implementation of corporate social responsibility (CSR) contributes to business innovativeness and competitiveness.

The problem and novelty of the study. The premise of the study is that socially responsible initiatives are the sources of different types of innovation. Innovation in all aspects of business is the creation of new value for consumers and for company and contribute to competitiveness of company in global economy.

While the CSR initiatives as the sources of innovations in different business aspects and socially responsible innovations of Lithuanian companies have received a little attention in the literature, this study is significant and topical in term of novelty.

The object of the study is socially responsible initiatives.

The aim of the study is to explore socially responsible initiatives as sources of innovations.

The tasks of the study are:

1. To investigate the importance of innovation in gaining competitiveness of company.
2. To analyze the influence of initiatives of corporate social responsibility in creating innovations.
3. To analyze the development of socially responsible innovations in Lithuanian companies.

The methods of the study are systematic, logical and comparative analysis of scientific literature, synthesis.

1. The importance of innovation in gaining competitiveness of company

The development and implementation of innovation is very important for companies in all industries to survive in global and competitive markets. Fuglsang and Sørensen (2011) described innovation as development of a new product or service so as to gain acceptance in the company, in the market or in society. As stated in the Summaries of EU Legislation on Innovation and the Lisbon strategy (2003), innovation – “the successful production, assimilation and exploitation of novelty in the economic and social spheres”. In these days innovation is no longer equated only with high – technology and new products, but is coming to be understood as a broad, continuous, systematic activity that takes place throughout the company. Sawhney *et al.* (2006) presented 12 types of innovation (see Fig. 1).

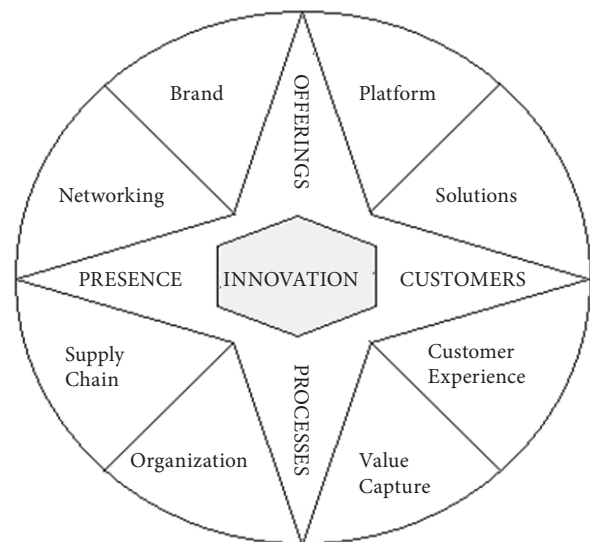


Fig. 1. Types of innovation (adapted from Sawhney *et al.* 2006)

Moore (2005) has argued that the case for different types of innovation focus along the life of the business cycle. According to Fey and Birkinshaw (2005), innovations occur primarily through new combinations of resources, ideas and technology, a fertile innovation environment relies on a constant inflow of knowledge from other places. The ability to accumulate new ideas of stakeholders and produce innovative product using the advanced technologies becomes the dominant source of competitiveness in knowledge society.

Once, Friedman stated that “there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits” (Horriagan 2010). Profits are important, but the main goal of a business should be to produce innovative new products and services. The developing of new products and services will generate growth of business and employment. As Christensen and

Raynor (2003) mentioned, many of the new products people use today did not displace existing products; rather, they created new markets by solving numerous problems of consumers that previously went unsolved. Innovation is a major reason for such increased productivity and economic growth as well as the enabling of a host of completely new industries (Helpman 2010). Innovations increase effectiveness and competitiveness of companies. Innovations influence competitiveness directly by price wars and offensive strategies and indirectly through motivation of employees and all factors of company's activity and sometimes through governmental policy. The innovation resulted in a wealth of new products and enviable success in the marketplace (Navickas, Kontautiene 2012). According to Liao and Chuang (2006), those companies that faster become innovative develop their position in the market faster. If company assures innovations faster than their competitors, that postulates for creating a new segment of the market because that innovation is not available for the competitors of the company at that time. Thereby innovations also increase the size of the segment of company's market as effectiveness of operations' performance. The innovation is not a genial thought, but it is intensive work, which has to be organized so that it would become the component of every company's unit and every level of management system (Sedziuviene, Vveinhardt 2010).

Many studies have shown that innovations initiate the economic growth. The development of innovation is increasing markedly in the global knowledge based economy and it gives a promise for creating high productivity and better standards of living. The innovations have created millions of jobs, generated hundreds of billions in revenue, and improved people's lives by creating useful products and services. The social good is well served through innovations in business. Innovations are extremely important for economies as they anticipate the frontiers of knowledge and the possibility of integrating and adapting external technologies tendencies. Although less – advanced countries can still improve their productivity by adopting existing technologies or making incremental improvements in other areas, for those that have reached the innovation stage of development – companies from advanced economies must design and develop superior products and processes to maintain a competitiveness. This progression requires an environment that is conducive to innovative activity, supported by both the public and the private sectors. Innovations require financial and highly skilled human resources as an input and lead to more efficient technologies, having the potential to link environmental protection and competitiveness.

2. The influence of initiatives of corporate social responsibility in creating innovations

In the globalized economy corporate social responsibility is often claimed as a unique proposition of business to

gain and sustain competitiveness. According to “European Competitiveness report 2008”, strategic approach to CSR is increasingly important to the competitiveness of companies (European Commission 2009). It can bring benefits in terms of risk management, cost savings, access to capital, customer relationships, human resource management, and innovation capacity. “CSR gradually becomes a concurrent part of modern companies' activity, which stimulates a number of factors: an alternation of consumers' wishes and demand, changes of suppliers' attitudes and requirements, pressure on legislators and principles, new expectations of employees, changing scale of social values” (Juscus, Snieska 2008). CSR is a long-term effect of improving company profits. There is a positive relationship between social and financial performance, especially when attention is drawn to the growing importance of intangible assets such as reputation and business innovation. This becomes a factor that ensures the market value and competitiveness.

The increasing business focus on CSR is based primarily on the ability of corporate social responsibility to influence on the efficiency of companies, on sales increase, on the image improvement, on the staff moral education (Fiori, Donato, Izzo 2007). Corporate social responsibility does not mean that the company should abandon its primary economic objective – to make a profit. It does not mean that socially responsible companies can be more profitable than those that are less responsible. Social responsibility demands that companies have coordinate the benefits and the achieving of them. As Carroll (1999) says, the economic responsibility of companies is to achieve a profit and it is the basis of all other responsibilities (Pruskus 2003).

According to the new European Commission's definition (2011) corporate social responsibility is “the responsibility of enterprises for their impacts on society”. To fully meet their corporate social responsibility, companies should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders, with the aim of maximizing the creation of shared value for their owners/ shareholders and for their other stakeholders and society at large... To maximize the creation of shared value, companies are encouraged to adopt a long-term, strategic approach to CSR, and to explore the opportunities for developing innovative products, services and business models that contribute to societal wellbeing and lead to higher quality and more productive jobs (European Commission 2011).

“Spreading CSR conception impels to ensure the implementation of needs and goals of all groups concerned” (Dagiliene 2010). This in turn helps to create an environment in which companies can innovate and grow. As Little (2006) stated, CSR initiatives can lead to innovation through the use of social, environmental or sustainability drivers to

create new ways of working, new products, services, processes and new market space. That has led many companies to redefining their business models. More importantly it is believed that innovation can be communicated and transferred to other companies through the supply chain creating a virtuous circle.



Fig. 2. CSR initiatives for innovation

Some corporate leaders now see CSR as part of their strategic management program, while others see it as a source of innovation (Husted, Allen 2006). According to Ubius and Alas (2012), corporate social responsibility predicts innovation climate. A study on CSR actions in Europe based on 545 business solutions and 140 networking activities has shown that future priority areas to be addressed by European companies are “mainstreaming CSR” and “innovation and entrepreneurship” (CSR Europe 2006).

CSR initiatives can be sources of different types of innovation (see Fig. 2). CSR has the potential to deliver competitiveness by creating a platform and sources for innovation and thus further lead to attracting consumer interest and employees, enhancing the competitiveness of companies.

3. The development of socially responsible innovations in Lithuanian companies

Innovation is broadly seen as important element of competitiveness, infixed in the organizational structures, processes, products and services within the company. The ability to accumulate new ideas and produce innovative product using the advanced technologies becomes the dominant source of competitiveness of Lithuanian companies. According to Arbaciauskas *et al.* (2010), company perfor-

mance – be it in the production or service sector – can substantially be turned more sustainable in terms of environmental, economical and social performance through technical and organizational innovations.

As Giedraitis and Rasteniene (2009) stated, “Lithuania has certain real advantages compared to larger economies in terms of innovation. First, Lithuania’s industries are still in a relatively nascent stage. Twenty years after the collapse of the Soviet Union, its industries are specializing and adapting to a global marketplace faster than the industries of such “old Europe” countries as Germany. This is a case of the so-called “second place advantage,” where a newly opened economy can learn from the mistakes and consequently “out innovate” them, since they have no new infrastructure to need to replace”. Lithuanian companies use all possible contacts to gain information about the new technologies and innovations. Top level leaders are perfectly aware of the importance of scientific research and are the initiators of innovation within their companies, but bringing about innovation and change in some companies is still retard by the existing management style and the organization culture, which discourages creativity and initiativeness.

It is sometimes maintained that is a high cost to operate responsibly and it may adversely affect company’s profitability, but the implementation of social responsibility principles does not necessarily cost for company more expensive, by contraries, a professional practice of socially responsible business can improve corporate profitability.

Socially responsible companies in Lithuania view CSR initiatives as opportunities for more efficient management of their human resources and supply chain to achieve competitiveness. More and more companies are adopting CSR approaches to ensure efficiency and stimulate innovation. Lithuanian socially responsible companies not only do business in a socially responsible way, but also they innovate in a socially responsible way (see Table).

Lithuanian companies motivated by competitiveness actively innovate in socially responsible way in different aspects of business to enhance their market positions. Some companies indicate that if consumers were more demanding, then they would more likely show social and environmental responsiveness. It does not only concern sustainability, safety and health, but also values such as accountability, transparency, privacy and more general ethical and social concerns.

Socially responsible companies have already done much to improve the social and environmental consequences of their activities, but for more streamlined development of socially responsible innovations it is advisably to increase the awareness and the competence of business representatives, government which encourages companies to integrate CSR initiatives into business practice.

Table. Examples of socially responsible innovations of Lithuanian companies

Company	Socially responsible innovations	Benefits of socially responsible innovations	Sources
UAB “PakMarkas”	Creating social complexes: cooperation between business and non-governmental organizations	Clear communication and effective way of solving conflicts between business and non-governmental organizations, better management of business risks	http://www.pakmarkas.com/pakmarkas_acknowledged_as_environmental_enterprise_of_the_year_2011/
UAB “Ecoconon”	Green technology development: construction of houses of straw panels, solar houses	Efficient use of the energy, increased competitiveness of the manufactured production in many export markets	http://www.ecococon.lt/en/panel_houses
UAB “DuMedu”	Eco product development: organic bread, pies, cookies, biscuits made from natural raw stuff without synthetic additives and preservatives	Consumer confidence and the maintenance of competitiveness in the market	http://www.dumedu.lt
UAB “Marijampolės pieno konservai”	Environment friendly food packaging: eco design of tin can	The decrease of manufacturing , recycling and transportation stages, increased competitiveness of the manufactured production in many export markets	http://www.spin-project.eu/index.php?node_id=Environment-friendly-food-packaging--ecode;58.250&lang_id=1
AB LESTO	Paper-less operation: the implementation an electronic document management system (DocLogix)	Reduction of natural resources use, reduced pollution	http://www.lesto.lt/lt/Sitemap
UAB “Bionovus”	Returnable wastes: the use of construction waste	Reduced pollution, collection of wooden packaging and recycling	http://www.bionovus.lt
UAB “Baldai Jums”	Waste material collection: a modern system of wood waste use	Noticeably reduced pollution, saving of raw materials	http://www.undp.lt/uploads/Publications%20LT/ISA%20medienos%20apdirbimo%20ir%20baldu%20gamybos%20sektoriuje.pdf
IĮ “Bremena”	Engineering work with attention for surroundings: installation of modern economical indoor heating, ventilation, air-conditioning, water supply and sewage systems	Saving of raw materials and energy resources	http://www.bremena.lt/tinklapis.php?mid=8

Continued Table

Company	Socially responsible innovations	Benefits of socially responsible innovations	Sources
UAB "Švityrys-Utenos alus"	Waste recycling: the set up of Eco stops – a special garbage sorting centers	Noticeably reduced pollution: almost 2 500 cubic meters of garbage during the four months in 2011 was shipped out of six Eco stops garbage sorting centers	http://www.utenosalus.lt/
AB YIT "Kausta"	Periodical check for safety: the founded occupational safety and health service	Skilled workforce and high quality of work and impeccable reputation	http://yitbustas.lt/bendrinama_visiems/2011m_SA_ataskaita.pdf
UAB "RIMI Lietuva"	Anti corruption activities: a transparent pay policy, transparent tenders (public procurement)	The favorable public opinion, qualified and motivated employees, loyal consumers, and increased trust from investors and financial institutions	http://www.baltojibanga.lt/our-mission.html
UAB "Veikmė"	Eco-compatible buildings: energy-wise houses	The saving of energy sources, reduction of expenditure, good reputation of company, new methods of construction attractive to clients, increased trust of investors and financial institutions	http://www.veikme.lt/apie_mus/8
AB "Nordic Sugar Kėdainiai"	Training programs: retraining courses, offer additional training	Reduction in costs (e. g. smaller employee turnover, and increased employee performance).	http://www.undp.lt/uploads/Publications%20LT/ISA%20diegimas%20Lietuvos%20maisto%20pramoneje.pdf
AB "Kraft Foods Lietuva"	Focusing on the social dimension segments of market: responsible marketing: the change of food and beverage advertising to children under the age of twelve	The growing trust of company's consumers (parents) and loyalty to the company, better management of business risks	http://www.undp.lt/uploads/Publications%20LT/ISA%20diegimas%20Lietuvos%20maisto%20pramoneje.pdf

Conclusions

1. The innovations occur through new combinations of resources, ideas, technology and create high productivity and better standards of living. The innovation is a broad, continuous and systematic activity and can take place on any dimension of a business system. The development of new products, services, technology and segments in the market generate the competitiveness of the company and the growth of the business in common.
2. The initiatives of corporate social responsibility are the sources for developing innovative products, services and business models. CSR initiatives can lead to innovations through the integrating social, environmental, ethical, human rights and consumer concerns to companies' activities. It is very important that those innovations can be communicated and transferred to other companies by creating a virtuous circle. Socially responsible initiatives development is stimulated by wishes and demands of all stakeholder groups.
3. More and more Lithuanian companies implement socially responsible initiatives in companies' performance. Lithuania's industries are in a relatively growing stage. Socially responsible companies in Lithuania view CSR initiatives as opportunities for innovations and implement different types of socially responsible innovations. In some companies the process of integration of CSR initiatives is still going slowly by the existing management style and the organization culture. For more well-run development of socially responsible innovations need the awareness and the competence of business representatives and all groups of stakeholders.

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