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Roszkowska-Menkes, Maria

Published in:
Social Responsibility Journal

DOI:
10.1108/SRJ-07-2017-0127

Publication date:
2018

Document Version
Publisher's PDF, also known as Version of record

Integrating strategic CSR and open innovation. Towards a conceptual framework

Maria Teresa Roszkowska-Menkes

Maria Teresa Roszkowska-Menkes is Assistant Professor at Management Theory Department, Warsaw School of Economics, Warsaw, Poland.

Abstract

Purpose – *This conceptual paper aims to investigate the link between open innovation (OI) processes (outside-in, inside-out and coupled) and strategic corporate social responsibility (CSR) focusing on shared value creation. In doing so, it aims at progressing the theory of OI and CSR.*

Design/methodology/approach – *The paper is of theoretical character. It adopts the contribution proposed by CSR (strategic CSR and corporate social innovation) and OI literature and is organized around two research questions: What is the link between strategic CSR and OI processes (outside-in, inside-out and coupled)? How do companies can capture value from their open corporate social innovation processes? Stakeholder theory has been chosen as a theoretical framework for the study.*

Findings – *The paper identifies four themes describing the relationship between strategic CSR and OI: employee engagement, external stakeholder engagement, CSR-driven selective revealing and open approach to corporate social innovation. The analysis of the themes led to the formulation of four propositions serving as building blocks for a conceptual model of open shared value creation process. The model explains bidirectional relationship between strategic CSR and OI processes and presents the mechanisms, in which firm by implementing OI practices to its CSR strategy captures the proportion of value from a value created for its stakeholders.*

Originality/value – *This is one of the first, if not the first, papers discussing the link between CSR and three OI processes.*

Keywords *Corporate social responsibility, Open innovation, Sustainable innovation, Strategic CSR, Creating shared value, Corporate social innovation*

Paper type *Conceptual paper*

Introduction

The basic questions at the heart of corporate social responsibility (CSR), relating to the primary purpose of a firm and its role in the society, are as old as business itself but still cause a lot of controversy (Crane *et al.*, 2008). Over the past six decades, the concept of CSR has attracted a range of criticisms. It has been accused to be an empty promise, a mere response to anti-corporate movement, egoistic exercise (Mullerat, 2010, pp. 443-452) perceived "as an 'add-on' luxury that can be only afforded by the most successful businesses, or as a damage limitation insurance, rather than as a core element of the business strategy" (Freeman and McVea, 2001). Many activities in the area of CSR are accompanied by hypocrisy of firms that use it mostly for short-term image gains (Faust, 2006; Fleming and Jones, 2013; Yunus, 2007; Porter and Kramer, 2006) or as a strategy for avoiding regulation (Mullerat, 2010, pp. 448-449). Even if CSR activities are related to the company's core business and include implementation of elaborated social and environmental management systems with focus on stakeholder dialogue, goal setting and reporting, they are still based on tick-sheet model and limited to incremental changes (Porter and Kramer, 2006) with no attempt to overcome the root causes of irresponsibility located in the business model (Visser, 2012b).

Received 20 July 2017
Revised 18 January 2018
Accepted 30 January 2018

Over the past two decades, there has been a growing number of authors (Burke and Logsdon, 1996; Husted and de Salazar, 2006; Husted and Allen, 2007; Jamali, 2007; Porter and Kramer, 2011; Visser, 2012b) who call for strategic CSR focused on shared value creation and integrated with firm's core business strategy and business model. The strategic approach to CSR is reflected in the definition of the term proposed by the European Commission (COM, 2011) as a concept whereby companies voluntarily integrate social, ethical and environmental concerns into their business operations and core strategy in close cooperation with their stakeholders, with the aim of: maximizing the creation of shared value for their owners/shareholders and for other stakeholders and society at large, and identifying, preventing and mitigating their possible adverse impacts. As such, CSR can be understood as a business contribution towards sustainable development (van Marrewijk, 2003). The key to achieve the needed, strategic corporate sustainability is innovation, particularly social innovation (Visser, 2012a; Osburg, 2013), and, as Osburg (2013) points out, this requires open approach to innovation processes driving constant collaboration between all sectors.

Open innovation (OI) is defined "as a distributed innovation process based on purposively managed knowledge flows across organizational boundaries, using pecuniary and non-pecuniary mechanisms in line with the organization's business models" (Chesbrough and Bogers, 2014). As a concept, OI explains dramatic changes of conditions under which companies innovate. The ever-increasing pace of technological development and technological convergence are reasons for shortening innovation life cycles, rising complexity of products and escalating R&D costs. The phenomenon is reinforced by the advent of ICT, increasing power of consumers and exploding heterogeneity of their demands (Franke and von Hippel, 2003). What is more, because of the high mobility of skilled workers, locking intellectual capital within the walls of one organization is practically impossible (Chesbrough, 2003a). As the sources of knowledge are widely distributed in the economy, the central challenge in innovation management is to find ways how to access them (Lakhani and Panetta, 2007). These challenges have opened up an extremely fertile field of research that, not until recently, have focused mostly on for-profit sector and private benefits of innovation (Chesbrough and Di Minin, 2014).

However, in recent years, increasing number of not-for-profit organizations, such as NGOs, government agencies, universities and research centers have realized potential social benefits stemming from OI (Vanhaverbeke *et al.*, 2014). Recently, some authors examined the role of OI in social innovation processes. For instance, Chalmers (2011) argues that by embracing the open paradigm both within the internal organizational structure of socially innovative firms and in the knowledge searching activities in which such organizations engage many common barriers to social innovation can be overcome. Successful social innovation requires stakeholder acceptance and cooperation (Herrera, 2015a). It does not have fixed boundaries, but it happens at the boundaries between sectors and organizations (Murray *et al.*, 2010). Chesbrough and Di Minin (2014) view OI as an enabler for community participation and scaling the operations of social innovators. Open social innovation is characterized by a porous organizational structure, committed investment in developing absorptive capacity, the involvement of multiple stakeholders, including the user, and a systematic focus on reducing the risk involved with innovation through broad knowledge sourcing activities. Other suggests that access to unique knowledge and experience of users is a precondition for social entrepreneurs to create more accurate solutions that can address the actual problems and increase chances for innovation diffusion (Svensson and Bengtsson, 2010; Rønning and Knutagard, 2015, p. 31). OI is simply a must for social innovation (Osburg, 2013). Therefore, it is not surprising that there is a growing number of companies that has recognized OI potential for enhancing their socially innovative efforts and shifting their CSR activities to a strategic mode (Mirvis *et al.*, 2016). For example, while GE and Unilever focus their crowdsourcing initiatives on sourcing for sustainable technologies, Nike joined with NASA, USAID and the Department of State to form LAUNCH – a multi-stakeholder platform that focuses on a collective work on solutions for positive systems change. As Nike's representative points out, "to thrive in a world where resources are constrained, where people and governments and systems are fully connected, where sustainability is an imperative, not a choice, where transparency is requisite, (...) we need innovation. Disruptive, radical, jaw-dropping innovation. Innovation we cannot imagine. That kind of innovation is not going to come only from within. It will require the best of what we've got, along with unlikely partnerships, collaborations and open innovation" (Nike, 2011).

Yet, the relation between CSR and OI concept has been scarcely explored in the literature. The aim of this paper is to fill the identified gap and to progress the theory of OI and CSR through linking OI processes, value creation and capture mechanisms with strategic CSR and shared value creation. The paper is of theoretical character. It adopts the contribution proposed by CSR (strategic CSR and corporate social innovation) and OI literature. Its goal is to address following research questions:

RQ1. What is the link between strategic CSR and OI processes (outside-in, inside-out and coupled)?

RQ2. How do companies can capture value from their open corporate social innovation processes?

As both OI and CSR are rather concepts not coherent theories, there is a need to use a supportive theory as a framework for this study. Both CSR and OI concepts are constructed around notions such as cooperation and stakeholder dialogue. In the past couple of decades, stakeholder theory has become one of the most common framework for research in the field of CSR in general and strategic CSR in particular (Pedersen, 2006). Using this perspective is also useful in analyzing OI processes, as they relate to relationships and partnerships between organizations and external stakeholder groups.

The remainder of the paper is organized as follows. The first section addresses the concept of OI with focus on three OI processes. The concept of CSR from the stakeholder theory perspective is introduced in the second section followed by the discussion on strategic CSR and its relation to innovation. The prepositions describing links between OI processes and strategic CSR are presented in Section 3. The next section illustrates the conceptual model of open shared value creation. Final remarks are presented in the Conclusion section.

Strategic corporate social responsibility from the stakeholder theory perspective

In the past couple of decades, stakeholder theory has become one of the most common theoretical frameworks for CSR studies (Pedersen, 2006). Matten *et al.* (2003) see stakeholder theory as a necessary process in the operationalization of CSR and as a complimentary body of literature. The stakeholder theory assumes that the managers must formulate and implement strategies that satisfy all and only those groups who have a stake in the company's operations (Freeman and McVea, 2001). Stakeholder is defined as any group or individual, who can affect and/or is affected by (even potentially – Mitchell *et al.*, 1997) the company (Freeman and Reed, 1983).

Traditionally, stakeholders were seen as subjects to be managed (Andriof and Waddock, 2002). In recent years, however, this entirely firm-centric view has given place to a more of a network-oriented model, based on complex interdependent relations between individuals and organizations (Neville and Bulent, 2006; Rowley, 1997). Modern approach to stakeholder management is based on interaction. "Stakeholder engagement is understood as practices the organization undertakes to involve stakeholders in a positive manner in organizational activities" (Greenwood, 2007). It is seen as an essential element of CSR (Dahlsrud, 2008; van Marrewijk, 2003; van Marrewijk and Were, 2003; Waddock *et al.*, 2002) and, as argued further, open innovation.

The origins of the stakeholder theory are instrumental and strategic (Freeman, 1999). The aim was to create an alternative (to shareholder perspective) approach to strategic management that would help managers to deal with tremendous change that is going on in the business environment, where long-term success requires finding balance between stakeholders expectations (Freeman, 2001). Stakeholder management is a strategic management process, which implies that interests of key stakeholders should be integrated with the company's basic goals (Freeman and McVea, 2001).

In light of the rising criticism of CSR, a growing number of authors call for strategic approach to CSR (Husted and Allen, 2007; Vilanova *et al.*, 2008). Lantos (2002) identifies three types of CSR:

1. *ethical* – fulfillment of a firm's economic responsibilities, legal responsibilities and ethical responsibilities;
2. *altruistic* – fulfillment of an organization's philanthropic responsibilities, going beyond preventing possible harm, regardless of whether this will benefit the business itself; and
3. *strategic* – fulfillment of those philanthropic responsibilities which will benefit the firm through positive publicity, goodwill and also, as proved by some recent studies, innovation, cost reduction, increased effectiveness, best employee retention or increased attractiveness in the eyes of investors (Hancock, 2005; Nidumolu *et al.*, 2009; Kanter, 1999; Porter and Kramer, 2011; Renneboog *et al.*, 2008).

Author argues that while the first type of CSR is morally mandatory, altruistic approach is paradoxically unethical, as by having negative influence on corporate performance, it infringes shareholders' rights.

The separation of social and environmental corporate activities from the core strategy "has resulted in CSR being seen as 'add-on' luxury that can be only afforded by the most successful business, or as a damage limitation insurance" (Freeman and McVea, 2001). Meanwhile, as Porter and Kramer (2002) argue, the distinction between social and business goals is a false dichotomy. In fact in a world of open, knowledge-based competition, these two elements form a symbiotic relation (Perrini *et al.*, 2006, p. 6; Porter and Kramer, 2006). Building on the resource-based view, Hart (1995) argues that corporate environmental responsibility fosters the development of unique resources and competences that might be the source of its competitive advantage (Barney, 1991). Russo and Fouts (1997) tested Hart's hypothesis on 243 companies, proving that higher environmental standards translate to better financial performance (ROA), especially in high-growth industries. Some authors argue that CSR based on stakeholder management and linked to the core business strategy enables firms to develop rare, hard to imitate and valued by customers resources, such as ethical awareness, ability to manage social and environmental issues (Litz, 1996; Husted and Allen, 2007), enhanced reputation and more productive employees (McWilliams and Siegel, 2011) and relational resources (i.e. external knowledge and complementary resources, so valued by OI scholars and practitioners) (Dyer and Singh, 1998). Additionally, an attempt at linking social and environmental activities with long-term strategic goals offers prospects of greater credibility and value added, as a company can impact its stakeholders in more meaningful ways by tapping its unique capabilities and tailoring to the local context (Jamali, 2007).

Strategic CSR aims at creating shared value, i.e. generating virtual social change and gaining competitive advantage at same time (Porter and Kramer, 2006). There are three mutually reinforcing mechanisms of shared value creation (Porter and Kramer, 2011):

1. *improving competitive context* – CSR is seen here as a social investment or strategic philanthropy that improves access to production factors (e.g. highly qualified employees) or increases demand (e.g. by increasing the market or its "quality") (Porter and Kramer, 2002).

2. *redefining productivity in value chain* – CSR helps to reduce internal costs inflicted by externalities connected with poor management of natural resources, waste or health and safety in the workplace (Porter and Kramer, 2006).

3. *reconceiving product and markets* – CSR broadens a firm's perspective and enables to identify unmet social needs, usually residing on the markets periphery (Lettice and Parekh, 2010). In this sense, it creates opportunities for product and business model innovation (Porter and Kramer, 2011; Prahalad, 2006).

Strategic CSR and shared value creation requires continuous learning (Vilanova *et al.*, 2008; Zwetsloot, 2003) and innovation (de Bakker, 2012; Visser, 2012a, 2012b). Macgregor and Fontrodona (2008) argue that CSR and innovativeness are mutually reinforcing and form a virtuous circle. They see CSR as an innovation process driven from one side by values and from the other by economic value. Companies seeking to both grow and meet stakeholder expectations are turning to corporate social innovation. On the one hand, they harness social innovation to enhance their supply chains, reach socially conscious and green consumers and tap markets at the base of the pyramid. On the other, they support and partner with social innovators and enterprises to bring business solutions to societal needs (Mirvis *et al.*, 2016). Social innovation is perceived as a key force driving the shift from *ad hoc* philanthropic programs to authentic corporate sustainability strategies that could match the scale and urgency of the global problems (Osburg, 2013).

Corporate social innovation can be defined as a process of developing and implementation of new ideas (products, service, processes and business models) that simultaneously address social issues and generate value to the company (Kanter, 1999). To identify and tackle the root causes of their present irresponsibility and meaningfully contribute to sustainable development, while achieving integration with economic goals, companies need to revolutionize their processes, products and services (Visser and Kymal, 2014), and radically innovate their business models (Tukker *et al.*, 2008; Schaltegger *et al.*, 2012; Boons and Lüdeke-Freund, 2013; Yang *et al.*, 2017).

Open innovation processes

The phenomena of OI encompasses three processes defined by Gassmann and Enkel (2004, see also Dahlander and Gann, 2010). First – the outside-in (or inbound) process relates to external knowledge sourcing (on pecuniary or non-pecuniary basis). This process has raised the most interest of both academics (West and Bogers, 2014; Chesbrough and Bogers, 2014; Huizingh, 2011) and practitioners (Chesbrough and Crowther, 2006; West *et al.*, 2014) so far. Managers tend to prefer inbound OI, as it helps to reduce costs of the innovation activity, increases access to external knowledge and in the same time enables protection of company's own intellectual capital. The acquisition of external knowledge is a key factor in achieving innovation performance (Laursen and Salter, 2006), success in a competitive market (Conner and Prahalad, 1996; Hamel, 1991), value creation and competitive advantage (Teece, 2007). Sources of knowledge for innovation are widely distributed in the economy – among universities (Laursen and Salter, 2004), suppliers, competitors, corporate R&D centers (Enkel *et al.*, 2009) and even single users (von Hippel, 2005).

The second process called inside-out (or outbound) focuses on the externalizing of the company's knowledge and innovation. The aim is to bring to the market ideas that do not fit firm's current business model and that in closed innovation paradigm were usually placed "on a shelf" (Chesbrough, 2003a). Inside-out OI enables companies to bring ideas to the market faster than they would through internal development by internal corporate venturing (including spinouts) (Maine, 2008; Chesbrough, 2000, 2003b), generate additional revenues by licensing IP and/or multiplying technology by transferring ideas to other companies (Gassmann and Enkel, 2004). Organizations engage in inside-out OI activities also for non-pecuniary motives. For example Henkel (2006) found that open-source software companies freely reveal about half of the code they have developed to gain community's support in the improvement and maintenance process of their products. Another motive for selective revealing maybe shifting the *locus* of competition (Tapscott and Williams, 2006).

The last process links two latter by concentrating on collaborative partnerships with organizations and individuals who possess complementary assets. It encompasses co-creation within partner networks. By performing coupled OI activities, a company decides to share its intellectual capital and gains, in return, access to partners' complementary knowledge. The process stimulates bi- or multilateral knowledge transfers and mutual learning. It may be organized around different forms of partnerships, starting from dyadic alliances or joint ventures, through centralized networks and ending with peer-to-peer networks of organization and individuals (e.g. open-source communities). Nieto and Santamaria (2007) suggested that technological collaborative networks are crucial for achieving a higher degree of product innovation novelty and that partners' diversity has positive impact on the innovation outcome. Partnerships enable companies to capture new business opportunities that arise with the technology convergence and rapid shift of many industry borders (Gassmann, 2006). By working collaboratively, partners share risk, pool complementary competencies and realize synergies.

Companies acting within OI paradigm combine both internal and external ideas in to a particular architecture defined by their business model (Chesbrough, 2003a). The business model uses internal and external knowledge to create value and define internal mechanisms to capture some proportion of that value for the firm.

Integrating strategic corporate social responsibility and open innovation

Based on the literature review, four themes explaining the link between strategic CSR and OI has been identified. The next section presents each of the themes in detail.

Employee engagement

Strategic CSR requires responsible behavior to be embedded in company's DNA and in its core operations. Employees form a crucial stakeholder in this process – they need to learn what CSR means and how it can be achieved in their everyday behavior (Nijhof *et al.*, 2005). Employees bridge the gap between the company's CSR goals and the realization of those goals (Azada and Rochte, 2013). Additionally, employees are arguably the most important contributor to CSR activities adding credibility to CSR initiatives (ter Hoeven and Verhoeven, 2013). The level of their engagement and ownership is critical to the success of CSR efforts. Employee engagement is defined as "the simultaneous employment and expression of a person's 'preferred self' in task behaviors that promote connections to work and to others, personal presence, and active full role performances" (Kahn, 1990)

It is therefore not surprising that more and more firms are lately devoting significant time and resources in support of the active participation of their employees in CSR initiatives (Peterson, 2004). Increasing number of companies and researchers view employee engagement in CSR as a "strategic imperative" (Bhattacharya *et al.*, 2008). The managerial implications are for the corporate leaders to recognize the critical role of employees in CSR initiatives and accordingly involve them from policy conception to implementation (Inyang *et al.*, 2011). Employees need to be involved in the CSR goal-setting process, for example, via working groups or consultations. At the operational level, personnel can be engaged for instance through volunteering, *pro bono* activities or employee development programs encompassing some social attributes. Co-creation and employer–employee dialogue is viewed as a crucial process for supporting sustainable organizational development (Aggerholm *et al.*, 2011, ISO, 2013).

Thus, one may argue that strategic CSR influences the creation of an open, trust- and dialogue-based organizational culture. Findings reveal a positive and significant impact of strategic CSR on emotional intelligence and employee engagement (Gul *et al.*, 2015). The former is believed to facilitate creativity in the workplace and innovation (Carmeli *et al.*, 2014; Ramy *et al.*, 2014). The latter has been argued to have a positive impact on organization's innovative work behavior (Kyoung Park *et al.*, 2013; De Spiegelaere *et al.*, 2012). Specifically, in respect to corporate social innovation, dialogue and engagement raises employees' awareness on social and environmental issues, broadens their perspective and stimulates creativity. If employees can make links between the issues that matter to them, their community, the planet and the business – with a clear understanding of what this means for their own work – then they will be motivated to address sustainability concerns (WBCSD, 2010). Additionally, the literature delivers evidence that employee involvement increases company's absorptive capacity (Rangus and Slavec, 2017), i.e. its ability to identify, assimilate and exploit knowledge gained from external sources (Cohen and Levinthal, 1990). Firm-level absorptive capacity depends on the absorptive capacity of employees, which can be boosted by internal openness – ideas and knowledge exchange within the organization (Golightly *et al.*, 2012), so much promoted by strategic CSR. Zahra and George (2002) argue that informal and formal mechanisms that promote exchanging ideas and employee interaction facilitate creative action and free flow of information increasing the efficiency of knowledge assimilation and transformation capabilities. It has been found that openness and collaborative culture are positively related to learning behavior (Tsai, 2015).

In light of these findings, the following proposition is proposed:

P1. Strategic CSR promotes open culture within the organization and increases engagement and innovativeness of employees. Thus, it increases a company's absorptive capacity relevant to corporate social innovation.

External stakeholder engagement

Partnering with external stakeholders, including business and social partners, public institutions, consumers, media and universities, is a crucial element of strategic CSR (Dahlsrud, 2008; van Marrewijk, 2003; van Marrewijk and Were, 2003; Waddock *et al.*, 2002; Greenwood, 2007). First, stakeholder engagement may be initiated as a part of CSR strategy development process. Second, CSR leaders use numerous tools to conduct continuous stakeholder dialogue on a regular basis, just to name few: stakeholder workshops or panels, public consultations, individual meetings between top executives and key stakeholders, conferences and membership industry associations, customer boards, social media (i.e. blogs, social networking websites and interactive corporate platforms) and crowdsourcing.

Strategic CSR, as based on stakeholder engagement, is expected to enhance a company's willingness and ability to access and use external knowledge, share its intellectual capital and engage in partnerships with stakeholders (Luo and Du, 2014). Incorporating the shared value perspective to CSR activities fosters creation of broad and deep stakeholder networks. The association with stakeholders will expose the firm to a wider breadth and more external knowledge (Scholten and van der Duin, 2015; Vermeulen and Barkema, 2002). Wide networks are essential for identification of unmet social needs that, as many authors (Lettice and Parekh, 2010; Prahalad, 2006; Tidd and Bessant, 2011) argue, usually reside on the market periphery.

CSR programs help deepen a firm's current relationship ties, as it has been proven that they have the potential to increase the intent of stakeholders to commit personal resources (including knowledge) to the benefit of the company (Sen *et al.*, 2006).

Socially responsible firms are more likely to enjoy greater trust (Orlitzky *et al.*, 2003), higher levels of satisfaction and loyalty among various stakeholders, including customers, employees, investors, business partners and communities (Du *et al.*, 2011; Surroca *et al.*, 2009). As it has been described in the relevant literature, trust and the transfer of knowledge are linked – trust enhances the transfer of know-how (Kale *et al.*, 2000) and tacit knowledge (Choi and Lee, 1997) across organizations and between individuals (Bouty, 2000). Thus it is proposed:

> *P2*. Strategic CSR spurs creation of broad trust-based relationship networks and widens firm's access to external knowledge. Thus, it fosters outside-in and coupled OI processes.

Corporate social responsibility-driven selective revealing

As a part of their CSR strategy, companies share some of their knowledge and innovation with stakeholders on non-pecuniary bases, for example, through *pro bono* initiatives, intellectual property donations or open-source projects for social good. Such philanthropic initiatives, designed in a strategic manner, may improve a firm's competitive context, by increasing a company's market size and fostering the development of clusters (Porter and Kramer, 2002).

Gould (2012) argues that stakeholder theory can assist with reconciliation of OI risks related to the misappropriation of developed innovation or inadvertent leakage of company's intellectual capital. When integrated with stakeholder engagement, OI processes can be understood to generate benefits beyond the acquisition of external knowledge such as dialogue and relationship building. The strategic approach to CSR delivers a new perspective to the selective knowledge revealing and expands the previous list of rationales for non-pecuniary outbound OI processes (Henkel, 2006; Tapscott and Williams, 2006). Thus, it is proposed:

> *P3*. Strategic CSR provides firms with rationales for selective revealing of their knowledge. Thus, it fosters inside-out OI processes.

Open approach to corporate social innovation

In many companies, CSR is still limited to short-term community involvement actions (Freeman and McVea, 2001). CSR activities are often conducted in the separation from the core strategy and do not cover the whole value chain. Thus, strategic CSR, understood as a source of innovation and competitive advantage, requires a shift in the fundamental approach to business, including a search for coalitions and co-operation. To obtain better results from an environmental and social strategy, firms need complementary assets (Christmann, 2000). OI broadens and deepens a firm's knowledge search activity and allows to better address stakeholder's expectations, and thus supports socially responsible innovation and shared value creation.

Ayuso *et al.* (2011) and Holmes and Smart (2009) prove that cooperation with external stakeholders (outside-in OI) is a valuable source for innovation that contributes to the welfare of the social and natural environment. While partnering with external stakeholders, a company gains access to knowledge resources that can stimulate its innovativeness (Laursen and Salter, 2006). Corporate social innovation is a more complex process than traditional market-driven innovation, as it addresses multifaceted social problems and has to consider a wide range of stakeholders and their often contradictory demands. Given its complexity and ambiguity, corporate social innovation requires stakeholder engagement (Herrera, 2015b), the use of nontraditional market information and complimentary knowledge sharing (Blowfield *et al.*, 2007; Moore and Westley, 2011). It involves deeper collaboration across functions within a firm and with external parties to co-create sustainable solutions to social problems (Mirvis *et al.*, 2016).

Also, inside-out OI can positively influence CSR strategy implementation. Open and free knowledge sharing fosters strong, deep and trust-based relationships with external partners (Alexy *et al.*, 2013), which are viewed as essential element of strategic CSR (Dahlsrud, 2008; van Marrewijk, 2003; van Marrewijk and Werre, 2003; Waddock *et al.*, 2002) and, in light of the stakeholder theory, a crucial factor in the firm's survival (Freeman, 2010). Thus:

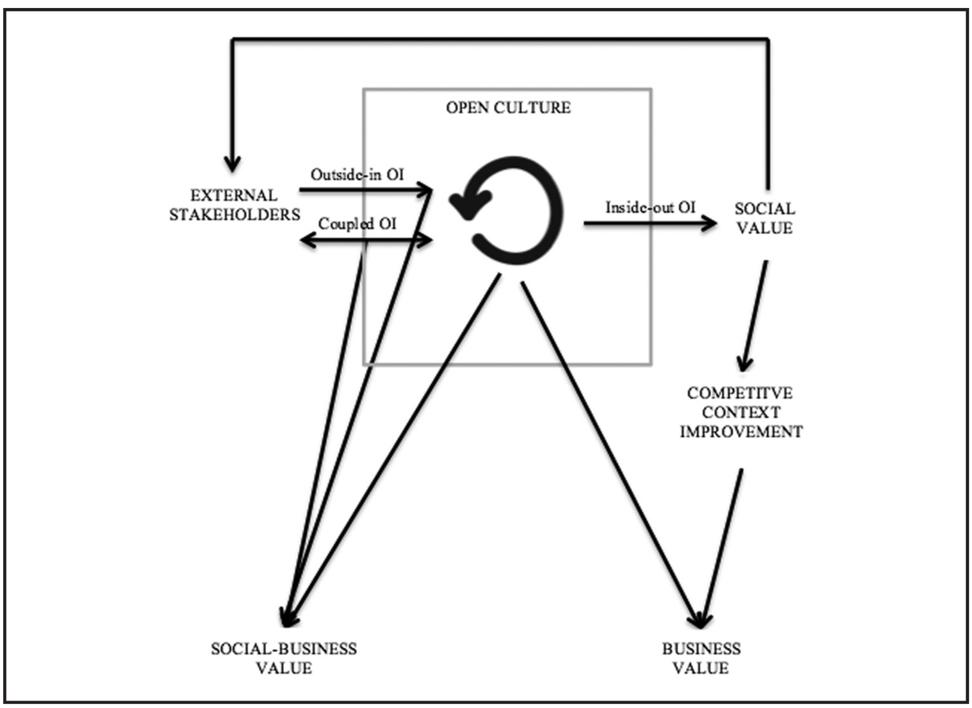
P4. OI processes support strategic CSR goals.

Open shared value creation model

The presented discussion allows to derive a model (Figure 1) explaining the relationship between CSR activities focused on shared value and OI processes. The model presents mechanisms, in which a firm captures value from the value created as a result of open corporate social innovation process.

First, by implementing inbound OI, firm derives information, ideas or ready-made solutions concerning social and environmental needs from external environment. This knowledge is then combined with internal resources of intellectual capital. The development of the latter is stimulated not only by R&D investment (as suggested by Cohen and Levinthal, 1990; Luo and Du, 2014) but also by CSR strategies that focus on the creation of open organizational culture. Access to this CSR-specific external knowledge fosters creation of product and/or process innovation that addresses identified stakeholders' needs and simultaneously generates business value. Company may gain access to previously unnoticed market

Figure 1



niches, generate revenues from new or improved products or cost savings from process innovation. Thus, the process leads to social-business value creation through redefining productivity in value chain (Porter and Kramer, 2006) or reconceiving products and markets (Porter and Kramer, 2011). Social-business value may also arise as a result of coupled OI process based on mutual knowledge exchange within partnership between firm and its stakeholders.

Second, strategic approach to CSR provides rationales for selective revealing. In this perspective, inside-out OI process is viewed as a social investment that leads to social value creation. This in turn strengthens the firm's competitive context for example by extending the market, strengthening company's image and increasing the access to highly skilled employees and reliable suppliers. Such initiatives create conditions for business value generation in the future.

Third, and finally, CSR strategy enables company to build wide, deep and trust-based relationships with stakeholders. This process can be additionally reinforced by outbound OI, as it has been proven in the literature, selective revealing instigates trust and fosters in-depth cooperation (Alexy *et al.*, 2013). As a result, stakeholders are more willing to share knowledge and partner with the company and that stimulates inbound and coupled OI processes. In this way, CSR and OI form a virtuous circle of shared valued creation.

The following table (see Table I) summarizes the findings and illustrates value creation and capture (or in other words shared value creation) mechanism within open corporate social innovation processes.

Conclusions and directions for future research

Initially, OI concept addressed challenges related with the new competitive landscape that put instant pressure on companies to innovate and search for new sources of advantages. Increasing organization's innovativeness (Laursen and Salter, 2006), this new paradigm has great business potential, but it also opens tremendous opportunities for shared value creation. This study shows that OI inherently corresponds with the strategic approach to CSR and that the concepts are mutually related. On the one hand, OI processes support firm's sustainability efforts and integration of its social, environmental and economic goals. Acquisition of knowledge from external stakeholders and co-operation with third parties increases the chances for corporate social innovation that would create widespread, meaningful and sustained social impact, and, in the same time, drive company's competitive advantage, providing strong business case for sustainability. On the other hand, strategic approach to CSR with its focus on stakeholder engagement creates open organizational culture and environment conducive to developing OI strategies. It involves employee engagement, increasing their awareness and sensitivity to social issues, as well as external stakeholder dialogue and collaboration, fostering knowledge transfers and outside-in OI processes. It also provides rationales for knowledge sharing and non-pecuniary inside-out OI.

Table I Shared value creation within open corporate social innovation

OI process	*Value created*	*Value captured*
Outside-in	Social and environment issues addressed with innovation	Revenues/ cost cuts/ new markets
Inside-out	Social investment	Competitive context improvement
Coupled	Social and environment issues addressed with innovation	Revenues/ cost cuts/ new markets

The paper is of theoretical character, and its main limitation is the lack of any empirical investigation. However, it opens new promising field of research that could contribute to enhancing understanding of both CSR and OI. It is hoped that the four developed propositions and the proposed conceptual model provide springboard for further research. In particular, further research could focus on:

- Developing a measure of absorptive capacity for social innovation in companies and exploring its relation with strategic CSR. As absorptive capacity is a complex construct of encompassing knowledge acquisition, assimilation, transformation and exploitation (Zahra and George, 2002) and, especially in regard to social innovation, does not necessary relate to technology development, simple, but often used R&D proxies (such as patents, R&D expenditure and R&D personnel) are not sufficient indicators (Flatten *et al.*, 2011). Literature provides a number of multidimensional frameworks (just to name few Gluch *et al.*, 2009; Flatten *et al.*, 2011; Kotabe *et al.*, 2011; Ketata *et al.*, 2015) that can serve as the basis for the corporate social innovation related measure.
- Testing the propositions in different organizational, cultural and institutional settings, as both CSR and OI are highly context dependent (Huizingh, 2011; Rivoli and Waddock, 2011).
- Qualitative investigation into governance mechanisms, especially in regard to management of conflicting interests, used in multi-stakeholder networks involved in corporate social innovation processes.
- Studies on key success and failure factors for corporate open shared value creation. The literature would benefit from further exploration on strategic capabilities required for managing OI processes concentrated on corporate social innovation, as well as external determinants of success.

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About the author

Maria Teresa Roszkowska-Menkes - Assistant Professor, Department of Management Theory, Warsaw School of Economics. Specializes in OI and CSR, in particular with regard to sustainability innovation and business models. Lecturer at postgraduate courses in corporate communications and product management. Business trainer in the area of CSR, PR and innovation management. Former promotion coordinator in Responsible Business Forum – the largest Polish NGO providing in-depth focus on the CSR concept. Maria Teresa Roszkowska-Menkes can be contacted at: maria.roszkowska-menkes@sgh.waw.pl