



Innovativeness and its impact on implementation of social responsibility practices: comparing U.S. firms with global competitors

Authors: Xiaou Han, Eric Hansen, Rebecca Hamner, Nadine Orozco, Rajat Panwar

Description: Investigation of the relationship between innovativeness and corporate social responsibility (CSR) in the global forest sector

Methods: Mail survey

Data Source: 87 CEOs and top executives at 58 companies from PricewaterhouseCoopers top 100 Global Forest, Paper and Packaging companies

Key Findings:

- There are no regional differences regarding market orientation, learning orientation, innovativeness and CSR implementation.
- CSR implementation had a positive impact on return on capital employed (ROCE) in Asian companies, but the impact was insignificant in European or North American companies.
- Innovativeness is not significantly related to CSR as a whole, but positively associated with several categories of CSR activities.
- Learning is more closely related to innovativeness, while marketing is more closely related to CSR.

Key Concepts

The following provides definitions of each topic included in this study: **Market orientation** – A market oriented organization is driven by the desire to create superior value for customers and thereby gain sustainable competitive advantage. **Learning orientation** – Learning orientation refers to “organization-wide activity of creating and using knowledge to enhance competitive advantage. **Innovativeness** – The willingness and ability to adopt, imitate or implement new technologies, processes, and ideas and commercialize them in order to offer new, unique products. **Corporate social responsibility** – A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders, on a voluntary basis. **Performance** – Return on Capital Employed (ROCE) was used as an indicator of company performance. ROCE is calculated as net income before unusual items, minority interest, and interest expense, on an after tax basis, divided by average total assets less average non-interest bearing current liabilities.

Introduction

According to past research, market orientation and learning orientation are positively related to innovativeness. Also, innovativeness, learning and marketing play an essential role connecting corporate social responsibility (CSR) and company performance. This study focuses on understanding the relationships among market orientation, learning orientation, innovativeness, firm performance and CSR (Figure 1). We also compare U.S. firms with global competitors in terms of each topic.



Figure 1: Study Framework

Methods

Data for this study was collected through a mail survey of the PricewaterhouseCoopers top 100 Global Forest, Paper and Packaging companies. In each company, we sought responses from the CEO, a top marketing executive and a top CSR executive. We received responses from 87 individuals from 58 of the 100 companies (adjusted individual response rate: 31.5%)

Results

Responding companies are divided into five groups according to region (Figure 2). Among the 58 companies that responded, 90% were located in U.S., Canada, Europe and Asia. The other 10% were in Oceania, Africa and Latin America.

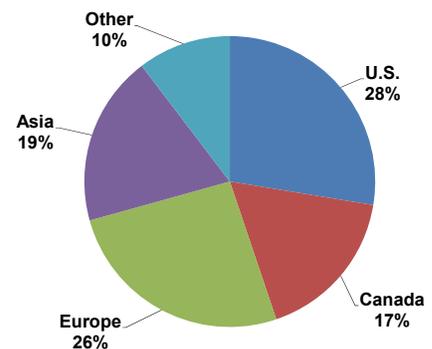


Figure 2: Regional Distribution of Responding Companies

Previous research suggests that business practices vary by region. For example, CSR implementation differs among regions (Vidal and Kozak 2010). However, results of this study indicate no difference among regions regarding business market orientation, learning orientation, innovativeness and CSR (Figure 3). Globalization has an increasing impact on multinational companies, possibly creating quite similar external environments for the companies in this study, helping to explain the lack of differences among regions.

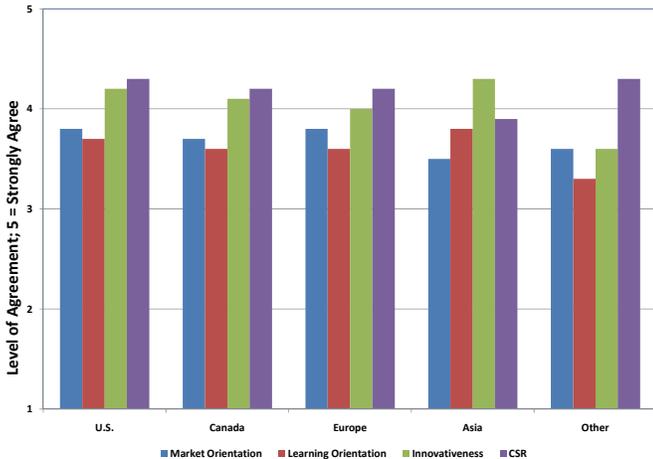


Figure 3: Perceived Level of Companies Possessing Each Concept

The impact of CSR on ROCE was found to be significantly positive in Asia but not in the U.S., Canada and Europe. We speculate that implementation of CSR practices is more developed in North America and Europe and may be to some extent “saturated” already and therefore no longer impacts financial performance, whereas Asian companies are less advanced in this area and implementing CSR activities still provides differentiation in the marketplace. However, it should be noted that CSR practices in North America and Europe are at this point considered “saturated” only in terms of meeting the current societal demand of CSR. Such demand will keep evolving in the future and companies must keep up.

We also found that innovativeness is not significantly related to CSR as a whole but, when breaking CSR into its seven categories, two CSR activity categories are associated with innovativeness: “leadership, vision and values” and “community activities” (Table 1). Compared to the other five categories of CSR activities, “leadership, vision and values” and “community activities” are less clearly defined.

Firm activities related with the environment, employees and marketplace have been widely discussed in society and required by established regulations. Most of them are already largely addressed or have become a legal responsibility. There may be “less” opportunity for firms to be innova-

Table 1: CSR Categories

- 1) Leadership, Vision & Values
- 2) Marketplace Activities
- 3) Workforce Activities
- 4) Supply Chain Activities
- 5) Stakeholder Engagement
- 6) Community Activities
- 7) Environmental Activities

tive in these types of CSR activities, therefore innovativeness is not relevant to their level of implementation. On the contrary, “leadership, vision and values” and “community activities” are less well defined by either society or legislators. There is more possibility and flexibility for the firms to be “innovative” in these areas.

When it comes to the impact of market orientation and learning on innovativeness and CSR, learning is more directly related to innovativeness while market orientation is more directly related to CSR. Because innovativeness involves doing something new, it requires significant learning. However, the fact that CSR is primarily driven by the market could indicate that CSR implementation in the sample companies is still at a relatively early stage, since companies just follow the market trend instead of doing it proactively.

Managerial Implications

Results show that CSR has no significant impact on ROCE in U.S. companies. However, efforts are still needed for these companies to maintain and keep developing a higher level of CSR implementation. In other words, the U.S. companies will have to continuously work on CSR implementation to keep it above the “saturation point”.

Innovativeness has an impact on the CSR categories “leadership, vision and value” and “community activities” while not on others. As suggested earlier, companies have more opportunity to be innovative in these areas since they are less clearly defined and not strictly regulated. Also, companies should think of the other categories more strategically and proactively. Although many of them are implemented on a relatively higher level and become legal responsibilities, companies can always be innovative in these areas and extend CSR implementation beyond legal responsibilities.

Literature Cited

Vidal, N. and R. Kozak. 2008. Corporate responsibility practices in the forestry sector. *Journal of Corporate Citizenship*. 31: 59-75.



Forest Business Solutions
 Mission: Develop professionals in forest products marketing and business and facilitate forest industry competitiveness through education and research.
 119 Richardson Hall, Corvallis, OR 97330, USA
 Phone: 1-541-737-4240 Fax: 1-541-737-3385
 E-mail: Eric.Hansen2@oregonstate.edu