

# **SOCIAL INNOVATION: USING DESIGN TO GENERATE BUSINESS VALUE THROUGH CORPORATE SOCIAL RESPONSIBILITY**

Steven P. MacGregor<sup>1</sup>, Xavier Espinach<sup>2</sup> and Joan Fontrodona<sup>1</sup>

<sup>1</sup>Center for Business in Society, IESE Business School, Barcelona, Spain

<sup>2</sup>Center CID, University of Girona, Spain

## **ABSTRACT (250 WORDS MAX)**

Corporate Social Responsibility (CSR) is a rapidly growing field in the academic and practitioner domains. Yet criticisms of CSR in its current form have been apparent, often related to the lack of value that it generates in the enterprise. This is especially true of SMEs who often shy away from CSR practices due to the perceived costs. This article discusses a research project that attempts to mainstream CSR in European SMEs. We use the term Social Innovation to highlight the overlap between responsible practice and business value, and use some of the literature from the Design for Society field to build our case. We find the current level of CSR uptake in 60 SMEs across Europe with activities related to employees and the local community most common. A number of barriers are also uncovered while the companies who implement the most CSR are also the most innovative – yet we have still to ascertain if this innovation is a result of CSR.

*Keywords: Corporate Social Responsibility, Design for Society, Social Innovation, SMEs*

## **1 INTRODUCTION**

Corporate Social Responsibility (CSR) is a rapidly growing field in both the academic and practitioner domains. CSR, having re-emerged as a large company defence tactic during the anti-globalisation and anti-capitalist protests of the late 1990s, now has a more positive approach to environmental, community, workforce, and of course marketplace factors. In the saturated marketplace of today there are increasingly less factors to differentiate oneself from the competition. Responsibility is a key differentiation factor that can be sustained in the longer term. Companies who do not take account of the increasing importance of responsibility may not survive, in much the same way as those who fail to innovate. As well as an increasing awareness of corporate practice in the purchase decision of consumers, legislation and supply chain pressures may force companies to act more responsibly. We argue that design may help to ensure the sustainability of a more responsible approach to business, resulting in system level solutions that are at the same time, responsible and profitable.

Building on existing related fields such as sustainable design and Design for Environment the RESPONSE project aims to 'mainstream CSR in SMEs'. The project team involves academic and industrial partners from Glasgow, Barcelona, Girona, Milan and Bilbao, and counts on CSR and design expertise and many years experience working with SMEs. Since 99% of all European enterprises are SMEs which constitute 66% of total employment [1] this is a crucial aim to achieve the critical mass of action required to affect real changes on a global scale.

## **2 BACKGROUND/MOTIVATION**

The RESPONSE project is funded by the European Commission's Directorate General on Enterprise and Industry, a call which forms part of the commissions overall strategy for making Europe a 'pole of excellence in CSR' [2]. The key factor is to make CSR uptake a voluntary process. Instead of the implementation of a tranche of regulatory initiatives the commission aims to create a "political umbrella" for small and medium sized enterprises. To this end they are creating a European Alliance for CSR, which is not a legal instrument to be signed by enterprises but rather a "vehicle for

mobilising the resources and capacities of European enterprises and their stakeholders in the interests of sustainable development, economic growth and job creation."

The key idea in the RESPONSE project is to convince SMEs to implement CSR through demonstrating the link with innovation. If we can help SMEs add value to their business operations at the same time as behaving responsibly on both a social, and environmental level, there remains a real chance of positive change.

The anticipated main output of the research, the CSR:İ<sup>3</sup> model will contain best practices, tools and methods for effective and value-adding implementation of CSR practices. In addition teaching and training materials will be created for implementation in Universities and intermediary agencies who work with SMEs on a direct basis. The teaching material will be incorporated within the design degree courses at the Universities of Strathclyde, Girona and Politecnico de Milan. The research methodology which underpins the project is shown in table 1 below. Interviews with 60 SMEs throughout Europe have been completed, investigating current activities in CSR and innovation and the link between them. Many of these companies are engaged in either the design of products or services. At the present time several business cases are ongoing, testing various elements of developed tools and methods which promote social innovation. The final stage is to scale up these outputs to a larger network throughout Europe, thereby mainstreaming CSR and ensuring the sustainability of project findings beyond the anticipated end date during Autumn 2007. Furthermore, a joint view of CSR and innovation is very much an emerging theme in the literature meaning that research development in the project is exploratory in nature.

Table 1: Industrial research methodology

<b>Industrial studies: stage</b>	Preliminary interviews	Business cases	Sustainable network
<b>Research focus</b>	<u>Descriptive</u> : what do SMEs currently do regarding CSR and innovation?	<u>Prescriptive</u> : How can we improve current practice based on what we know? Experimental testing and evaluation	<u>Prescriptive</u> : scaling up support tools and methods based on previous evaluation stage
<b>Number of companies</b>	60 (12 in each location)	8 (2 in each location)	As many as possible

**2 THE ABC OF CSR**

The rapidly growing field of CSR was initially a tactic used by major corporations aiming to pacify consumers' ethical concerns, with origins in the anti-corporate and anti-globalization protests of the late 1990s. Today, CSR is epitomized as the voluntary ethical behavior of a company towards society, including shareholders and stakeholders, and holding human and employee rights, environmental protection, community involvement, and supplier relations as core values. CSR does not embody a single issue. It doesn't concern green issues, workers, or communities exclusively, as these are all key issues which, working together, may in time form the appropriate solution. A working definition of CSR may be used from the World Business Council for Sustainable Development [3]:

*CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large.*

The following classification (table 2) used by the Copenhagen Business School in recent research on CSR and SMEs [4] is useful in showing the various elements that comprise CSR and actions that all companies may implement to become more responsible.

Table 2: CSR classification and sample activities (adapted from [4])

Type of CSR activities	Specific activities
Environment related CSR	Procedures & processes that save energy and resources, product lifecycle analyses, dialogue and involvement with stakeholders re. environmental impact.
Stakeholder related CSR	Cooperation with stakeholders on social problems, environmental activities, safeguarding conditions for local enterprises. Communication of CSR activities. Dialogue re. company conduct.
Marketplace related CSR	General ethical business practice, responsible customer relations, product responsibility, dialogue with customers re. company processes and products, use of product labelling schemes.
Supply chain related CSR	Formulation of ethical, social or environmental requirements for suppliers, dialogue with suppliers about cooperation, sharing experience with and upgrading suppliers
Workforce related CSR	Further training, Dialogue and involvement in work processes, Improving the work environment, Social activities, Retention of own employees, Work-life balance, Integration of reduced capacity workers & refugees/immigrants.

The core principles of CSR are not new. Even when the responsibility of industry was viewed as being exclusively economic in nature – from at least the start of the industrial revolution – there were some notable displays of philanthropy, especially in the US. Publications on social responsibility date back to the 1930s, while Milton Friedmans oft-quoted article, 'The Social Responsibility of Business is to Increase its Profits' dates from 1970 [5]. From a European perspective IESE Business School have long been pioneers in the field with 'The Social Responsibilities of Business' published in 1980 [6]. Fontrodona [7] states that "The heightened awareness of social responsibility in recent years has been borne out of business scandals and crisis, but it is here to stay. Much work lies ahead and the process is slow, but there are many reasons to be optimistic." Much of that optimism is attributed to a new social consciousness and the development of tools to support practice and implementation. It is necessary, therefore, to take advantage of this current state of heightened awareness by exploiting the business scandals and protests of the late 1990s and early part of this century in a way that was perhaps not the case from similar protests in the 1960s. Key changes, according to Fontrodona, result from a new reality where, "an increased social conscience is evident, with the public given greater priority, as the effects of globalization take hold. In addition, technology has led to a greater democratization of information, meaning that dissident voices can make themselves heard."

Many related terms exist: Corporate Social Responsibility, social responsibility in business, corporate responsibility, corporate citizenship, sustainability and corporate governance. The US still prefers to talk about business ethics, with the CSR term being more common in Europe. Many in the US still identify the latter term as an overtly anti-business practice imposed by those outside the system, while Europeans seem not to receive the former well, believing it to convey a moralizing tone at odds with the corporate view. Further recent trends have been to move away from this corporate view – especially in the case of SME implementation – leading to the term *Competitive* Social Responsibility, while others have argued that the word social leads to an overly narrow approach, using instead the simpler term Corporate Responsibility or CR. One way of speeding up the process, therefore, must be to move beyond words and into action.

The reasons for companies becoming interested in social responsibility are diverse (see figure 1 below). Risk protection, market positioning, recruitment, political-social relationships – each displaying an inverse relationship between immediate economic impact and degree of commitment. For example, many companies may only engage in short-term socially responsible practice to guard against risks, reaping the short-term economic benefits, say, in an environmentally-pressured project. It is important, however, not to criticize such approaches, but argue that the real value is in long-term implementation tied to core value creation in the enterprise. Doing something rather than nothing should be applauded and encouraged.

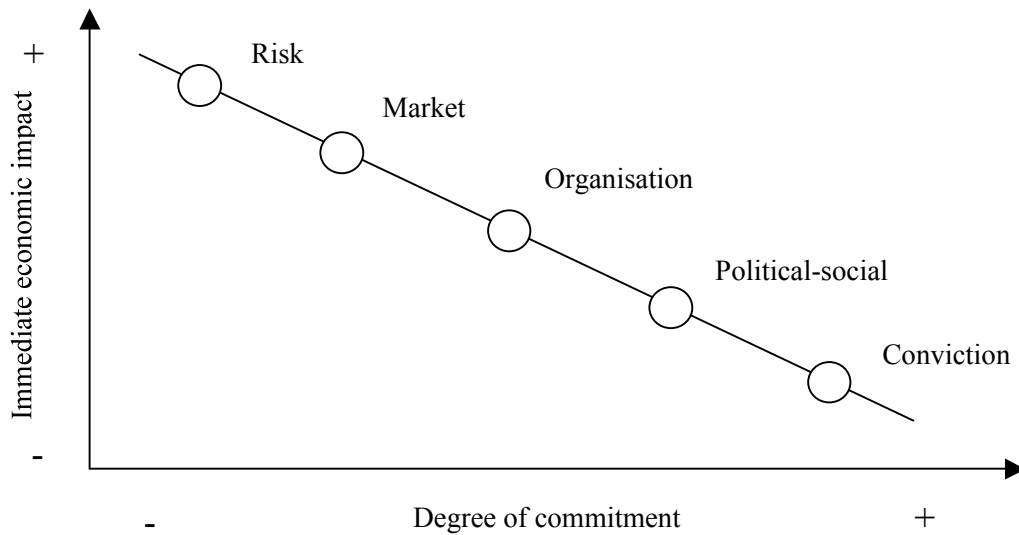


Figure 1: Reasons for CSR (adapted from Fontrodona [7])

### 3 DESIGN AS A LEVER FOR MAINSTREAMING CSR

A working hypothesis of the RESPONSE project is that existing design theory related to sustainability and responsibility may form the basis of constructing the link between innovation and CSR (see figure 2 below).

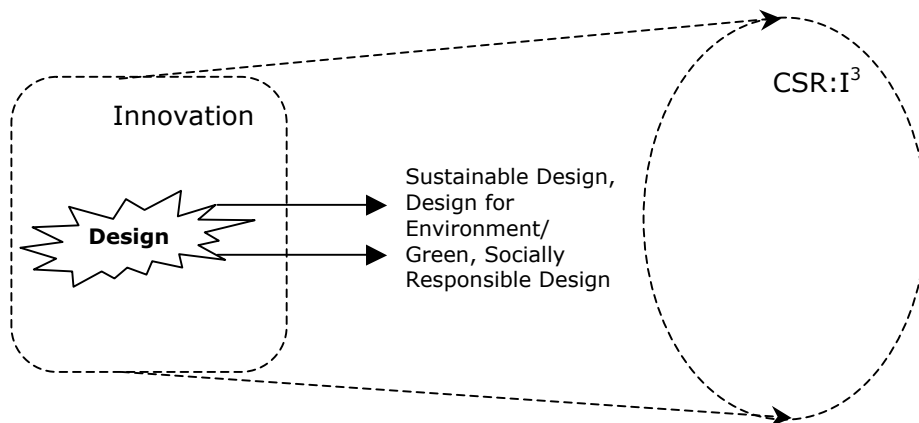


Figure 2: RESPONSE project hypothesis

An understanding of design and innovation and the link between them is therefore also necessary, to help develop the CSR innovation model – termed CSR:I<sup>3</sup>, or Social Innovation in the project. MacGregor [8] discusses the link between design and innovation, citing recent work from the Department of Trade and Industry which also links with concepts including creativity and competitiveness. Bessant, Whyte and Neely [9] link design to innovation by stating that: “Design is the purposive application of creativity to all the activities necessary to bring ideas into use either as product (service) or process innovations.” The DTI [10] also highlight the importance of creativity for increased business performance. They define creativity as “the production of new ideas that are fit for a particular business purpose” and design as a “structured creative process.” The DTI specify that creativity and design, used effectively, are important competitive tools for firms. They detail the work of Swann and Birke [11] showing the link between design, creativity, innovation and productivity. Creativity is shown as the root of business performance with design an important delivery mechanism to transition creativity into innovation and, ultimately, productivity and business performance (see Figure 3 below). Such an understanding of design and creativity within the overall context of innovation is exploited during the project when attempting to model CSR and innovation in SMEs.

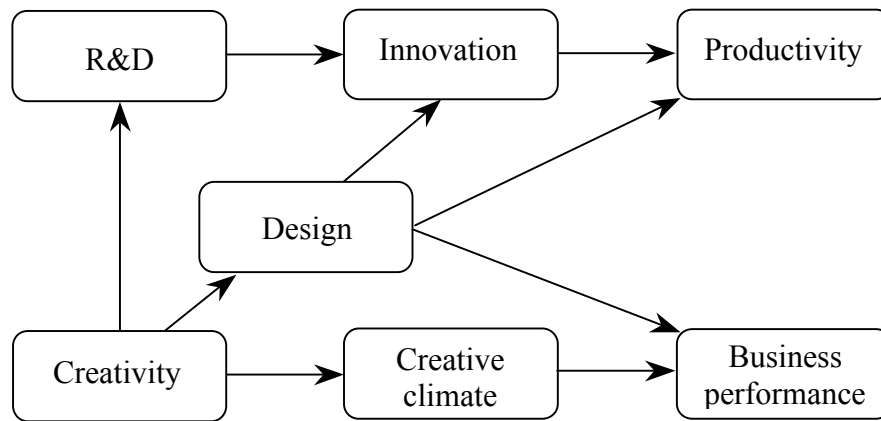


Figure 3: Linking creativity and design to business performance. Adapted from Swann and Birke [11] who note that elements of design are included in R&D (Research & Development).

### 3.1 Towards the right body of knowledge for Design for Society

A relatively new contribution to the design and responsibility literature is Socially Responsible Design (SRD) [12]. Building on existing design areas that overlap with areas of responsibility and sustainability such as Design for Environment, SRD takes an integrative approach to several existing design initiatives. The link with CSR is described as being the part of CSR that has an external focus or that SRD is *CSR in action*. This is compared with the conventional view of CSR including financial reporting, management structures, which, the authors say, have a much more internal focus. A key message is that the understanding and implementation of design is necessary so that companies may include elements of CSR in the production of the products, processes, environments and services which comprise their image in the marketplace. The new model of SRD involves the following 8 areas: government, economic policy, fair trade, ecology, social inclusion, health, education and crime – areas which can be positively addressed through the use of design and which will contribute to a healthier social environment. The authors state that the new model “focuses attention on the products, environments, services and systems that can alleviate real world problems and improve quality of life.”

Yet the roots of SRD, and therefore a strong link between design and society, can be traced back many years. R. Buckminster Fuller was perhaps the first designer to actively address social issues stating that, “making the world's available resources serve one hundred percent of an exploding population can only be accomplished by a boldly accelerated design revolution”. Victor Papanek was a student of the work of Fuller and helped to develop the ‘Social Design’ field [13], creating the foundation for the fields of Design for the Third World, Design for Older People among others, believing that “designers and creative professionals have a responsibility and are able to cause real change in the world through good design.” Social Design thinking therefore, joins developing human and social capital with new products and processes that are profitable. Nigel Whiteley [14] also made an important contribution to the field, advancing the work of Papanek and others to develop areas including inclusive design, ethical manufacture and eco-design and sustainability. The 1980s saw a greater attention to the environment yet only recently has sustainable design taken hold in the mass consciousness – moving beyond environmental issues to address social and economic needs as well. Recent attention to climate change, for example, during high-level discussion at the 2007 World Economic Forum in Davos, may again result in environmental issues leading the way for a more responsible approach by business to society in general.

Yet are we on the right lines in developing an appropriate body of work for Design for Society? Much has changed since the days of Fuller, Papanek and Whiteley. Perhaps clues may be taken from the larger body of work which exists on Business for Society and the content created in response to a more contemporary operating context. Davis [15] states that companies need to be more proactive in their approaches, thoughts detailed by Melé [16] who discusses the stages of company response: from inactive through reactive to interactive and proactive. Reactive approaches are of low value since there is little time to respond to the rapid changes of society (yet with reference to Figure 1 here, reactive

approaches may represent the first step to a more sustainable, proactive approach). Davis grounds his discussion in the fact that there is an implicit “contract” between business and society, with benefits for both sides and therefore the right to consider each sides’ rules and constraints. Designers therefore, in producing the products, services and solutions that society consumes, have a large role to play in fulfilling this contract.

#### **4 MAINSTREAMING CSR IN SMES: DEVELOPING THE RIGHT APPROACH**

Despite the growth in CSR and related fields under the Social Design banner in recent years, practice is still mainly the preserve of large companies and is often tied to notions of sacrifice for small companies. It is therefore tempting to wait for major corporations to lead the way, yet it is important to reduce the reliance on them for mainstreaming responsibility. Traditionally, CSR in this context has been manifested as a defensive response, handled by public relations. Ideally, responsibility should be exhibited as a value-adding lever tied to the core success of an enterprise, not as a departmentalized pacification or defense tool. As stated by Davis [15], "CSR has the potential to shape the strategic context for companies and can exploit longer-term opportunities and issues, although we need a fresh approach." The European Observatory of SMEs [1] states that most small company implementation of CSR is done on an occasional basis, and not tied to business strategy. The real advantages will only be realised once CSR is tied to the core decision-making process at the senior level. Further, growing abilities in creative business strategy offer new opportunities for small business to realize efficiency through collaboration. For instance, powerful networks of SMEs can work together to achieve scale efficiencies, while simultaneously practicing responsibility.

The European Commission continues to drive CSR and SME development. In a recently published expert group report [17] the main themes of interest were: awareness raising (of the basic concept of CSR and its value adding potential), capacity building for intermediary organisations (such as chambers of commerce and other local and regional business associations), CSR tools for SMEs, an understanding of CSR in the supply chain, the business case for CSR, and the link between CSR uptake and regional competitiveness (which takes into account concepts including clusters and networks). The same approach used for CSR in big business cannot simply be scaled down to SMEs, rather a unique approach which takes into account the specific characteristics and requirements of SMEs should be used. One key difference shown in the emerging literature [18] is the importance of social capital – simply the power of ones social network, in this context, where SMEs may exploit the many formal and informal relationships they possess. Conversely, key CSR activities for large companies, such as reporting, are far less relevant.

##### **4.1 The business case for SMEs**

Ideally, responsibility will soon loosen its association to notions of sacrifice. IBM's Global Innovation Outlook 2.0 [19], a worldwide conversation between business leaders, highlights that discussions about the environment don't usually correlate with potential business interests. So they emphasize the value message: "In reality, notions of ecological responsibility and business responsibility are similar. Both reject waste and profligacy; both embrace the notion of responsible stewardship and investment of assets in order to reap greater returns in the long term." Focusing on the economic case, and a link between responsibility and quality, 3M long ago stated that ‘pollution is a defect’ [20] thereby linking care of the environment to the quality slogan of ‘Zero Defects’ and the lean manufacturing goal of zero waste. It follows then, that if we minimise waste or defects, we will gain economically as well as responsibly. One example is energy consumption. Being more responsible with energy usage is sustainable in terms of consumption and therefore expenditure. In short, responsible energy usage equals lower bills.

With a focus on demonstrating the business case through innovation, a deeper understanding of innovation is appropriate. Innovation is not just about money but added value and new solutions. Economic growth is a key metric yet value is measured in other ways also – quality of life, organizational and individual learning, and the development of the social infrastructure – factors which may lead, not to short-term profits, but consistent, steady economic growth in the longer term. The business and wealth creation system is intrinsically linked to many other systems, including customers, suppliers, and communities. By causing damage in these other systems it follows that there will be an effect on the business system – and it isn’t always favourable. Several movements have taken the integration of these systems into account. The triple bottom line and sustainable design

(good for people, profits and planet) have recognized the cause and effect between social, economic and environmental factors.

In a business environment with increasing importance on a company's intangible assets, responsibility is also a powerful force on the brand. An increasing amount of consumers place higher stock on naturally produced produce and processes with less negative effects on the local community, workforce and environment. Intangible knowledge assets may also be positively affected. CEO of Novartis Pharmaceuticals in Switzerland, Daniel Vasella, talks about fostering innovation through linking business objectives with the company's ideals, in order to reach peoples intrinsic motivation [21]. Activities such as drug donation and low business margin research are the manifestation of the company's goal of linking economic value creation with good worldwide corporate citizenship. Vasella states that such activities "have deep meaning for our employees and unleash their energy and enthusiasm. The alignment of objectives, ideals, and values contributes greatly to the motivation and thereby the energy that employees at all levels, including myself, devote to their work."

In summary, image, brand, positively influencing the purchase decision, minimising waste, developing the company's skill base and attracting and retaining the best staff may all be cited as contributions to the business case for CSR. The challenge is to make this business case more robust, and easier to achieve for smaller business.

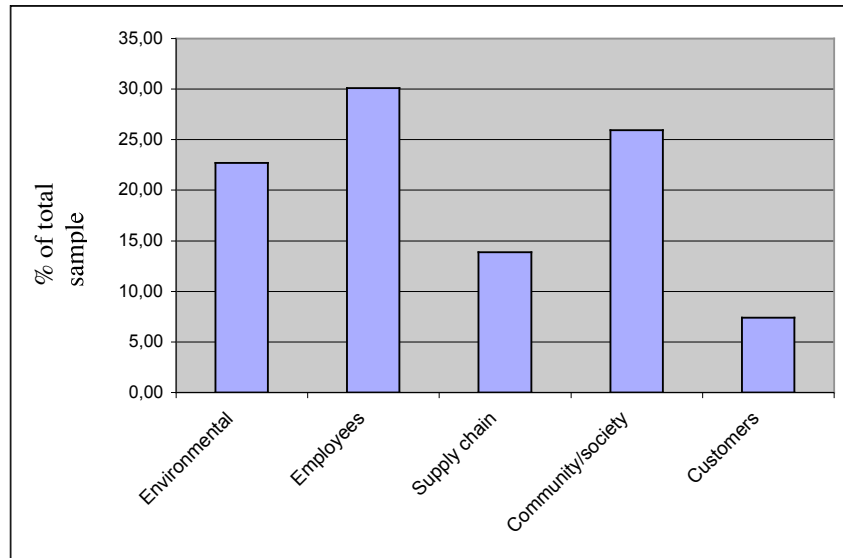
**5 RESULTS: FROM DIAGNOSIS TO PROMOTION**

The main results of preliminary interviews with 60 SMEs enabled the development of a second draft of our CSR:Innovation model (the first version having been created through an examination of the literature). One of the first key tasks was to discover current CSR practice. For interviewing purposes we produced 2 questionnaires – a simple quantitative based questionnaire ‘A’ which uncovered basic activities in innovation and CSR, and a more detailed, qualitative based questionnaire ‘B’ which allowed the interviewer to probe more deeply on the content of part A and serve as a basis for open discussion. Part A also served as a screen to filter only those companies with at least an interest or profile in either CSR or innovation. Table 3 below details the main activities carried out by the project sample, based loosely on the CSR typology detailed in Table 2. The percentage uptake of each CSR type is then shown in Figure 4 which follows.

*Table 3: CSR classification and sample activities*

<b>Environmental</b>	<b>Supply chain/business to business</b>
ISO14001 Waste minimisation, re-use and recycling schemes Reduction in use of harmful chemicals Reduction in atmospheric emissions Use energy from renewable sources Membership of environmental organisations Investment in new technology Environmental reporting Award winning environmental schemes	Open house policy for customers, suppliers and competitors to look around Directors of business associations Seeking to develop long-term partnerships with customers and suppliers Supplier learning schemes Measurement of key performance indicators and feedback to staff, customers and suppliers Winners of industry awards e.g., world class manufacturing or service industry excellence Support and encouragement for suppliers to become more socially responsible Take part in industry best practice programmes ISO9001 Quality standard
<b>Employees</b>	<b>Community/society</b>
Investors in people Flat management structures Creation of good work-life balance and family friendly employment Employee newsletters Social events for staff Employees sent to developing countries to undertake community projects Award winning training and development programmes for employees	Work with local schools on projects e.g., working with children with learning difficulties Donate percentage of profits to charity/donations to local cultural and sporting events Supporting local homeless people Sponsorship of local sports teams Involvement in awards schemes for young people Time banks for employees to work in the community Social auditing Employ people from the local community

<b>Employees (continued)</b> Employment of older and disabled people One to one mentoring of employees 360_ appraisal schemes Higher salaries Idea suggestion schemes	<b>Community/society (continued)</b> Working on community projects in developing countries Work experience placements Award winning community engagement programmes
<b>Customers</b> Design for all Ecodesign Direct relation. Design involvement. Training programmes. Open door day	



*Figure 4: % uptake of CSR activities in project sample*

Responsible activities related to the workforce are evident in nearly one third of the companies sampled. This category is further detailed and discussed below in Figure 5. The next most popular category is involvement with the local community, found in over a quarter of all cases. This is perhaps not surprising as many SMEs are family owned businesses with a long history in the local area or created by entrepreneurs with a guiding set of values. Activities such as employing local workers, making donations to local events and facilities, and partnerships with local schools and universities are commonplace. The lowest categories are the supply chain and customers, indicating that the recent development of concepts including co-innovation has still to take hold in many small companies, yet may represent a currently untapped source of potential growth.



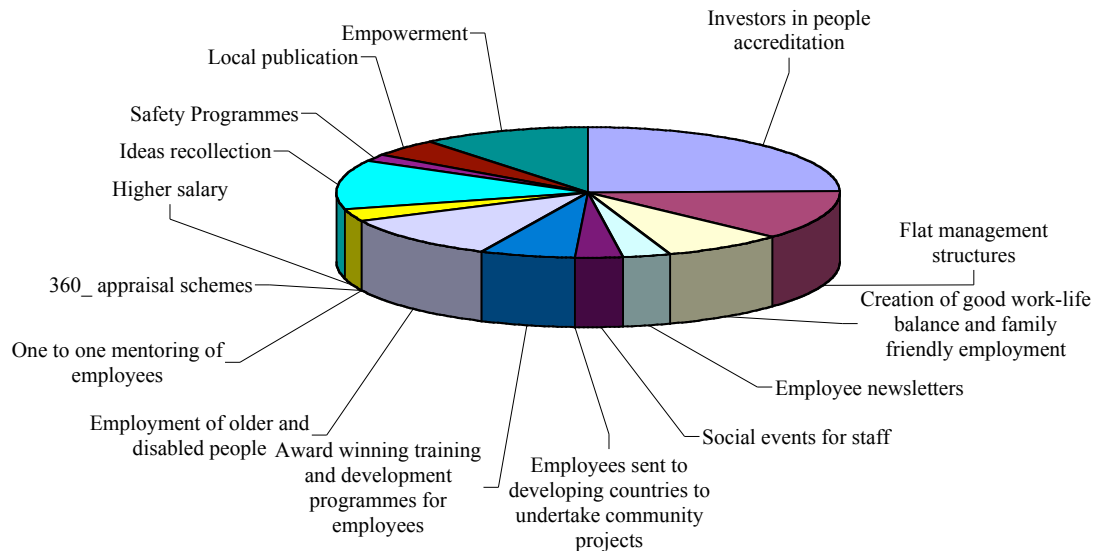


Figure 5: % uptake of CSR initiatives related to employees

One advantage that SMEs may have over larger business is the fact that employees may feel more visible and better valued as part of a smaller workforce. With the right initiatives this may lead to a more multi-skilled, higher motivated workforce with each employee playing a part in value creation. Figure 5 above shows the range of CSR activities related to employees found in the initial interviews. The most common is Investors in People accreditation which involves many of the other activities shown. The key to success however is not to implement a high number of different activities but rather have an integrative view of how each type of initiative adds value. Indeed, many companies have actually been implementing CSR without viewing it as CSR, while others want to know more but lack the knowledge to implement a value-adding strategic approach. In general, the main obstacles to CSR implementation are as follows.

**Lack of knowledge and awareness of CSR:** As there are many definitions it is often confusing and as a result companies undertake practices that are unsustainable – they lack the expertise for effective implementation. Some companies believe CSR is the new fad and something new will replace it. As such they are not willing to invest in CSR as it is a long-term transformation.

**Poor view of cost v benefit:** There is still not a sufficient belief in added value from CSR implementation. This can be partly attributed to a lack of adequate metrics which show the value of various CSR elements.

**People and time pressures:** Daily operational pressures result in a lack of integration of sustainable CSR policy. Part can be attributed to a lack of adequate tools and metrics, part to the lack of knowledge of how to best implement and often *where* to implement within the company.

We are currently addressing such obstacles in the development of our model. There exists 2 separate parts of the model – first, an ‘actor’ model which serves as a mostly diagnostic tool to summarise current CSR and innovation activity, investigating closely the interactions with stakeholders inside and outside the enterprise. Second, a ‘process’ model which extends the actor model across time and serves as a basis for the implementation of CSR throughout innovation. The actor model is currently at a more advanced stage of development and is shown below in Figure 6, applied to an innovative SME from Catalonia.

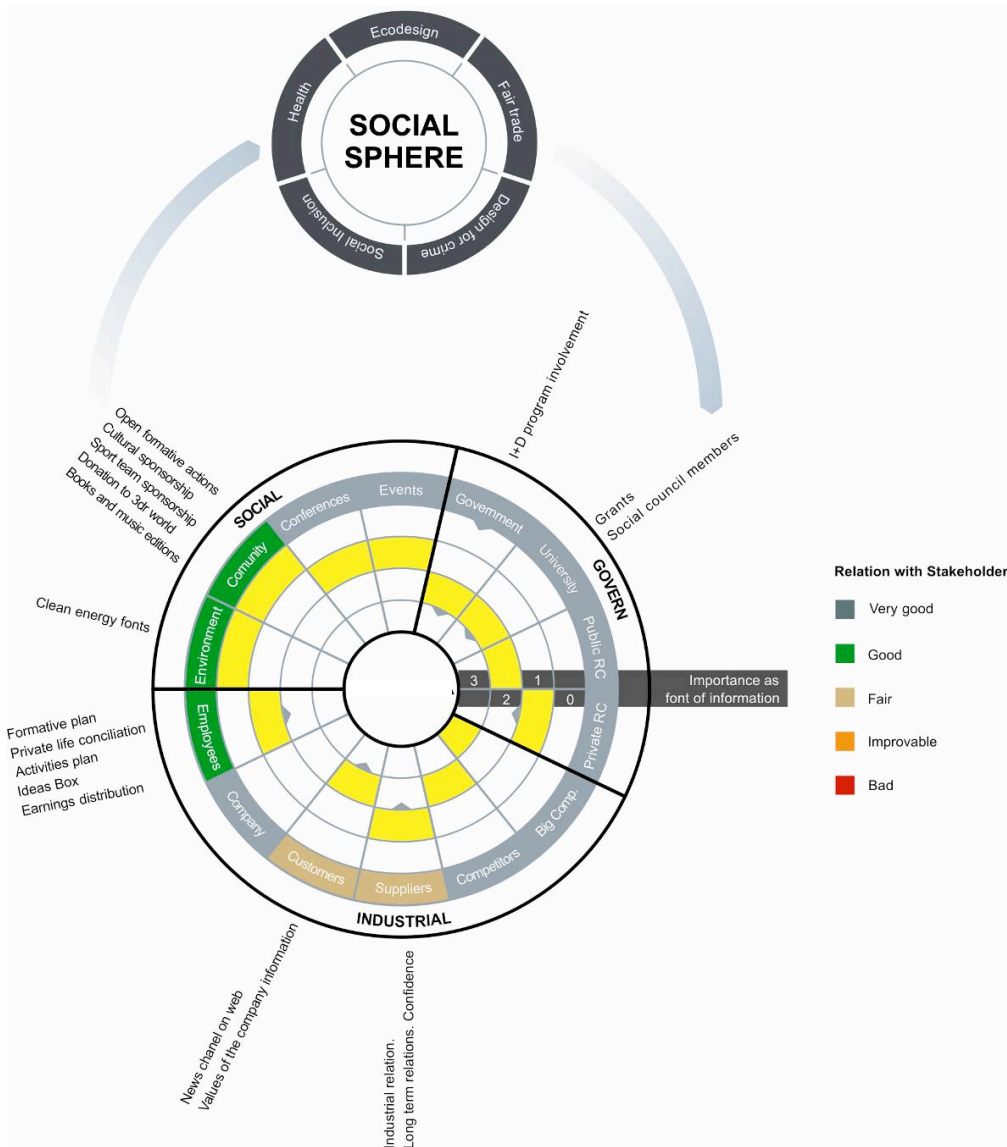


Figure 6: Diagnostic tool for evaluating current CSR: Innovation activity

The social sphere details the focus of the SME, in terms of its market offerings that may provide a competitive advantage. The stakeholder sphere (below the social sphere) details the relationships with the main stakeholders and the criticality of each of them in the pursuit of the company's competitive advantage. Annotations show the main activities carried out by each company which connect CSR and innovation. In Figure 6 the SME analysed has no current attention to any of the social 'targets.' In the stakeholder sphere the company is seen to place high importance on multinationals, (the sector in which they operate is dominated by a large American company), University, and public research centres, as well as other companies in the supply chain. They operate in a highly knowledge intensive industry, necessitating the involvement of such 'knowledge partners' and the company also possesses formal R&D agreements to help protect their investment. The model may help to identify current gaps in their 'social innovation strategy', yet a view of the company culture, strategy and organisation, and how these elements connect to the model above, is lacking. This is currently under development.

## 6 CONCLUSIONS AND FUTURE DEVELOPMENT

The model as it stands is a mostly diagnostic tool and further development will move towards promotion and implementation. What we have found to date is that the companies who have been most proactive in their CSR activities are also the best performing companies in their sectors. At this stage, we cannot say for sure that implementing more CSR will lead to more success, or that it would happen every time, yet it is a positive working correlation that will be fully evaluated before the end of

the project. It could be that more CSR leads to a more successful or innovative enterprise, or that once companies achieve a certain degree of success, they start to implement more responsible actions as a way of say, ‘putting something back.’

We have found that the current uptake of CSR in European SMEs (at least in our sample) is good. However, the focus should be on integrating the different activities and tying them to the company strategy – this being the only way to generate real value. In general, many SMEs are eager to learn more about CSR, yet lack knowledge and become disillusioned with the poor results afforded by one-off isolated initiatives. Yet there are several model firms, pro-active in their CSR, and also highly innovative. CSR for SMEs isn’t easy, yet innovation is even harder. For those aiming for added value CSR could present a portal to a more innovative enterprise. For true mainstreaming of CSR, motivation should be closely examined. Many SMEs will be guided by founding values that are not centred solely on monetary reward, yet of the some 23 million SMEs in Europe, showing how they can be more innovative, and therefore add value to their enterprise, will increase the chances of mainstreaming CSR.

The role of design for this mainstreaming process will be re-visited in the coming weeks as model development will move towards the temporal, implementation view. This will be connected to an improved social sphere, which is in essence, the social result of the design process. This design process is shown below in Figure 7 – the first draft process model created in the project.

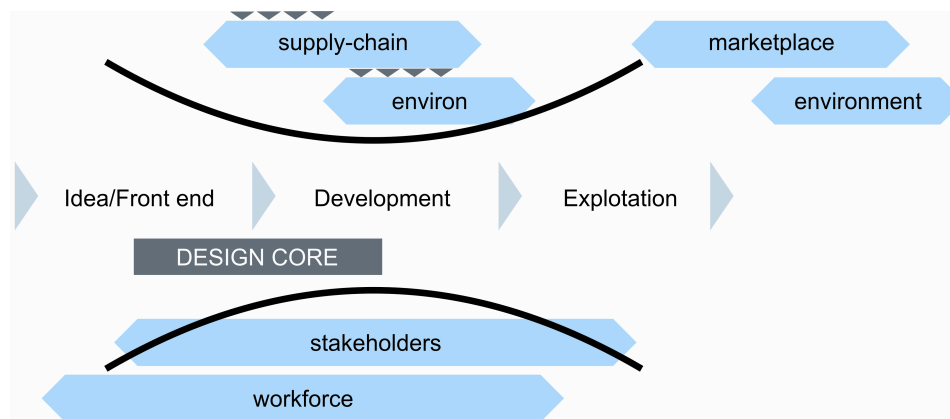


Figure 7: Innovation funnel with CSR activities

The design core shown in the actor model is shown as the shaded design core which extends part of the way through the innovation funnel. CSR activities are shown in boxes surrounding the innovation funnel. Each activity type is representative of the classification used earlier (table 2) and is used for illustrative purposes only. It is a first, basic means of showing how CSR activities could map to the innovation process. Possible future tasks include the identification of actions that may be completed on the short, medium and long term – in order to facilitate mainstreaming – as well as their impact.

We have presented and discussed several important concepts for our research, CSR, Social Design, innovation and SMEs, and attempted to uncover the key relationships between them for a practical uptake of Social Innovation. Much of our work at present exists on linking CSR to SMEs – in line with the mainstreaming aim of the project. In the coming months we hope to provide more evidence of design as an important driver in the mainstreaming process and social innovation in general. Some of the main elements of Social Design, an understanding of the link between design and innovation, and the larger body of work available on Business for Society have been touched on, and will help us to achieve the main aim of the research – to mainstream CSR in SMEs. Findings in this domain may be re-applied to facilitate the improvement of the Social Innovation field in general.

Each of us, as consumers, has an important part to play in maintaining balance in the production-consumption network, and CSR in general. Given their dual role designers have an even greater responsibility, and the opportunity to drive the new era of Social Innovation.

## REFERENCES

- [1] Observatory of European SMEs 2003, *Main results from the 2003 Observatory of European SMEs*. Available at:

- [http://ec.europa.eu/enterprise/enterprise\\_policy/analysis/doc/smes\\_observatory\\_2003\\_report8\\_en.pdf](http://ec.europa.eu/enterprise/enterprise_policy/analysis/doc/smes_observatory_2003_report8_en.pdf). Last accessed 8 June 2007.
- [2] Commission of the European Communities, *Implementing the Partnership for Growth and Jobs: Making Europe a Pole of Excellence in CSR*, March 2005. Available at: [http://eur-lex.europa.eu/LexUriServ/site/en/com/2006/com2006\\_0136en01.pdf](http://eur-lex.europa.eu/LexUriServ/site/en/com/2006/com2006_0136en01.pdf). Last accessed 8 June 2007.
- [3] World Business Council on Sustainable Development (WBCSD), *Stakeholder Dialogue on CSR*, The Netherlands, September 6-8, 1998.
- [4] People & Profit Phase 2 project report, *Mapping of CSR activities among small and medium-sized enterprises*, Copenhagen Business School, October 2005.
- [5] Friedman, M. *The Social Responsibility of Business is to Increase Its Profits*, The New York Times Magazine, September 13, 1970.
- [6] Gallo, M.A., *Responsabilidades sociales de la empresa*, Eunsa:Pamplona, 1980 (in Spanish).
- [7] Fontrodona, J. *Turning Words into Action*, IESE Alumni Magazine, January – March 2006.
- [8] MacGregor S. P., Modeling work processes and examining failure in virtual design organizations, In *Higher Creativity for Virtual Teams: Developing Platforms for Co-Creation*, S. P. MacGregor & Teresa Torres-Coronas (eds.), 2007, Idea Group, Hershey:PA.
- [9] Bessant, J., Whyte, J., & Neely, A., *DTI Think Piece Management of creativity and design within the firm*. Advanced Institute for Management (AIM) and Imperial College, 2005.
- [10] DTI. *Economics paper No. 15. Creativity, design and business performance*. Department of Trade & Industry, UK, 2005.
- [11] Swann, P., & Birke, D. *How do Creativity and Design Enhance Business Performance? A framework for interpreting the Evidence*. DTI Think Piece, University of Nottingham Business School, 2005.
- [12] Davey, C.L., Wootton, A.B., Thomas, A., Cooper, R. and Press, M., Design for the Surreal World?: A New Model of Socially Responsible Design, *In conference proceedings for the European Academy of Design*, 29-31 March, 2005, Bremen, Germany.
- [13] Papanek, V. *Design for the Real World: Human Ecology and Social Change* (2<sup>nd</sup> ed), 1985, Thames and Hudson: London.
- [14] Whiteley, N. *Design for Society*. Reaktion Books: London, 1993.
- [15] Davis, I. *The biggest contract*, The Economist, May 26, 2005.
- [16] Melé, D. *Corporate Social Performance*, IESE Technical Note (TDN-114-E), May 1996, Last edited 22<sup>nd</sup> November 2001.
- [17] Report of the Expert Group on CSR and SMEs, *Opportunity and Responsibility: How to help more small businesses to integrate social and environmental issues into what they do*, European Commission – Directorate General for Enterprise and Industry. 2007.
- [18] Fuller, T. and Tian, Y., *Social and Symbolic Capital and Responsible Entrepreneurship: An Empirical Investigation of SME Narratives*, Journal of Business Ethics, 67(3):287-304.
- [19] IBM. *Global Innovation Outlook 2.0 (GIO\_2.0)*, 2006. Available at: [http://domino.research.ibm.com/comm/www\\_innovate.nsf/pages/world.gio.html](http://domino.research.ibm.com/comm/www_innovate.nsf/pages/world.gio.html). Last accessed 8 June 2007.
- [20] George, S. and Weimerskirch, A. *Total Quality Management, Strategies and Techniques Proven at Today's Most Successful Companies*. Wiley, 1994.
- [21] Vasella, D., Inspiring Innovation, *Harvard Business Review*, Aug2002, 80(8):39-49.

Contact: Dr. S.P. MacGregor  
 IESE Business School  
 Center for Business in Society  
 Avenida Pearson, 21  
 08034 Barcelona  
 Spain  
 (+34) 93 253 4200  
 (+34) 93 253 4343  
 smacgregor@iese.edu  
<http://www.iese.edu/cbs/>