Corporate Social Innovation

Corporate Social Innovation:

The New Role of Business in Society

By

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For my son, Lucas Dionisio, my inspiration and the driving force behind my constant effort to become a better man.

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FOREWORD

We are living through a radical transformation in the world around us. In a global landscape that is increasingly connected and integrated, businesses face unprecedented challenges, from economic upheavals to environmental crises. Companies now stand at a crossroads, caught in a tug-of-war between the old and the new - clinging to established models of capitalism while grappling with calls for profound change. While capitalism has undeniably driven innovation and prosperity, it has also come under intense scrutiny for its perceived role in exacerbating societal and ecological imbalances. Critics argue that this system prioritizes profit at the expense of communities and the planet, triggering a global crisis of legitimacy for businesses. Having worked in multinational corporations myself, I have long wrestled with the misconceptions surrounding the role of business in society. This discomfort spurred my research and inspired me to work on a theory that demonstrates the powers of business and entrepreneurship, because amidst these critiques, a growing number of individuals and organizations are reimagining the relationship between business and society, seeking solutions that reconcile economic success with social progress.

This book explores the emerging theory of Corporate Social Innovation (CSI), a transformative framework urging businesses to rethink their purpose and practices. CSI moves beyond outdated paradigms and evolves concepts like Corporate Social Responsibility (CSR) and Creating Shared Value (CSV). Most importantly, it challenges the long-standing, and increasingly outdated, debate over whether businesses should focus solely on profit and shareholder value. In today's global and digital economy, the scope of opportunities has expanded dramatically. Companies must now adopt strategies that not only grow their customer base but also ensure the long-term viability of the markets they serve.

CSI represents a bold vision for integrating societal goals into corporate strategy, positioning businesses as catalysts for social progress while achieving sustainable economic success. Far from being a matter of public relations, reputation management, or philanthropy, CSI is a strategic approach to expanding markets and creating shared prosperity. The ideas presented in this book are grounded in rigorous research and enriched with compelling case studies from global corporations and innovative startups. These examples demonstrate that CSI is not just a theoretical construct but a practical and powerful tool for addressing the pressing challenges of our time - climate change, unemployment, and more. By aligning profit with purpose, CSI offers a pathway to a more inclusive, equitable, and sustainable future. While some may view this perspective as overly optimistic or even naïve, the evidence tells a different story.

This foreword invites you to explore how businesses, governments, and communities can collaborate to co-create solutions to the most critical challenges of our era. Whether you are a business leader, policymaker, academic, or engaged citizen, the insights within these pages will inspire you to envision a new role for business—one where innovation, responsibility, and purpose are not merely aspirational but essential drivers of progress.

Are you ready to embark on this journey? Do you believe that business, at its most innovative and intentional, could become the greatest force for good in the 21st century?

Marcelo Dionisio
Rio de Janeiro, Brazil
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INTRODUCTION

Critics often argue that capitalism exacerbates inequality, exploits labor, and prioritizes profit over social and environmental concerns. They highlight issues such as wealth concentration among a small elite, market failures, and environmental degradation as inherent flaws of the system. Some also criticize capitalism for fostering consumerism and commodifying human relationships, especially young people, who deeply distrust the system. Unfortunately, businesses are the ones to blame for this dire situation (Marquis, 2020). According to Porter & Kramer (2011), in recent years, businesses have been viewed as a major cause of social, environmental, and economic problems. Companies are largely perceived to be prospering at the expense of communities, particularly in the context of globalization and the search for new markets with lower wages and weak institutions with lax labor regulations. This has led to historically low levels of legitimacy for businesses.

This perception of capitalism can vary significantly based on cultural and regional factors. For example, in countries with a strong tradition of free-market principles, such as the United States, capitalism may be viewed more favorably. In contrast, in poorer countries or those with a history of socialist or communist ideologies, capitalism may be met with more skepticism or outright opposition. However, as a system, capitalism fosters innovation, economic growth, and individual freedom. Capitalism encourages competition, which leads to efficiency and productivity gains, benefiting society as a whole. In fact, considering the long arc of history, especially the years after the Second World War, no human creation has had a greater positive impact on people. Free-enterprise capitalism has afforded billions the opportunity to earn a livelihood and find meaning by creating value for others. Today, the myriad of opportunities offered by online businesses allows a new generation of entrepreneurs to set up a wide variety of enterprises with relatively low investments, often working from home using just a computer and a smartphone. In just over two hundred years, business and capitalism have transformed the face of the planet and the daily lives of the vast majority of people through extraordinary innovations that have led to more vibrant and fulfilling lives. Contrary to common perception, data shows that the extreme poverty rate has been falling since 1800. Over the past 20 years, extreme poverty has dropped faster than at any other time in world history. In 1997, 42 percent of the populations of both India and China were living in extreme poverty. By 2017, that share had dropped to 12 percent in India, meaning that 270 million fewer people were living in extreme poverty than 20 years earlier. In China, this share dropped to a stunning 0.7 percent over the same period, lifting another half a billion people out of extreme poverty. Meanwhile, Latin America reduced its proportion from 14 percent to 4 percent, lifting another 35 million people out of extreme poverty (Rosling et al., 2018).

Despite enabling widespread prosperity, free-enterprise capitalism has earned little respect from intellectuals. It is often perceived as exploiting workers, cheating consumers, causing inequality by benefiting the rich but not the poor, homogenizing society, fragmenting communities, and destroying the environment (Mackey & Sisodia, 2014). Entrepreneurs and businesspeople are frequently portrayed as being motivated primarily by selfishness and greed, as depicted in movies like "Wall Street" and "The Wolf of Wall Street," TV shows like "Succession," and documentaries like "The Corporation." A significant part of this problem lies with companies themselves. Some remain trapped in an outdated business model, narrowly focusing on short-term financial results while neglecting customer needs and long-term success (Porter & Kramer, 2011). It is unacceptable that companies, some more than 100 years old and operating in various countries across five continents, overlook the well-being of customers, the environmental impact of their operations, and the economic distress of the communities in which they operate. This narrow conception of capitalism has prevented businesses from harnessing their full potential to connect with society. Therefore, the purpose of businesses, particularly multinational corporations, must be redefined to reshape capitalism and its relationship to society, thus legitimizing them again (Porter & Kramer, 2011). This change has already begun, and this is the focus of this book.

New century, new expectations, and new demands

At the turn of the century, there was a growing societal expectation that businesses, at all levels, should become more socially responsible, balancing their corporate interests with local realities to achieve both economic and social objectives (Husted & Allen, 2011; Snider et al., 2003). Different stakeholders and civil society groups claimed that businesses ought to better align their corporate interests with local social and environmental needs. This led companies to increasingly apply their core competencies to help solve persistent social issues, thereby changing how they relate to their supply chains, communities, and governments while pursuing financial results. This effort has attracted considerable attention in both literature and industry (Brandsen & Honingh, 2016; Dionisio & Vargas, 2022b; Mirvis et al., 2016).

It is concluded that all types of companies, led by multinationals, are expected to rethink the concept of business itself to become one imbued with a social purpose based on a deeper understanding of social value creation, focusing on innovations and a more robust approach to social and environmental problems. They should recognize new and better ways to develop products and serve markets, reconnecting business, and society (Mirvis & Googins, 2017; Prahalad & Hamel, 1990). In this sense, Corporate Social Innovation (CSI) has attracted attention as a field of study and has become relevant in global strategy, as it has the potential to combine business and societal goals. CSI was originally defined as a new paradigm for innovation, involving a partnership between private enterprises and public interests that produces profitable and sustainable change for both sides (Kanter, 1999). This concept could differentiate companies from the competition and create both competitive advantage (organizational outcomes) and shared value (societal outcomes), simultaneously providing economic and social results (Dionisio, 2024; Jayakumar, 2017). This approach leads companies to have a stake in the problem, treating it as they would any other project central to their operations, using their best people and core skills as in any strategic business investment (Kanter, 1999).

The CSI concept could answer the need for businesses to reinvent how they relate to their multiple stakeholders: employees, customers, suppliers, NPOs, communities, governments, and competitors (Ayuso et al., 2011). It responds to demands for greater transparency and the need to develop attributes such as ethics, values, a collaborative environment, purpose, mission, and the ability to innovate as a tool to engage employees, thereby allowing companies to achieve competitive advantage and legitimacy (Ban & Marshall, 2013). The adoption of CSI is already taking place, with a group of prominent local and multinational companies, some new to social innovations and others known for their leadership in corporate social responsibility (CSR), turning their strategic efforts to reduce the existing gap between stakeholder expectations and corporate performance. This occurs in a context of many pressing challenges, such as slow economic growth, increasing wealth gaps, a warming planet, high youth unemployment, and growing concern over the significant social, economic, and environmental costs that may result from the COVID-19 pandemic, in both developed and emerging countries (Dionisio & Vargas, 2022b; Gast et al., 2020; Mirvis & Googins, 2017).

Corporate social innovations (CSI) often involve multi-party collaborations with companies exploring new sources and innovative methods for partnering with social innovators, social enterprises, and governments to co-create sustainable solutions to social issues. These partnerships expand the roles of different actors and address a new set of business opportunities, impacting areas such as education, employment, and public services (Alford, 2014; Voorberg et al., 2015). These partnerships are crucial because, in many cases, companies do not know how to tackle these problems and also face constant scrutiny of their actions and intentions, avoiding accusations of greenwashing or skepticism about the purpose of these actions. These efforts reflect on three areas: the prominence of a generational shift that demands more socially oriented goals from companies, consumers challenging companies to become more socially oriented, and demanding more responsible companies to work for, with the option to participate voluntarily in socially oriented activities (Berger et al., 2004; Dionisio & Vargas, 2022b; Huybrechts et al., 2017).

This book aims to contribute to the social innovation literature by arguing that corporate social innovation (CSI) is the latest and definitive alternative for companies to help solve social problems while achieving economic results through innovative procedures and strategies. Despite the growing interest in this field, the literature is still under-explored and faces challenges in its understanding, given that the concept overlaps with many existing theoretical backgrounds. There are also issues regarding its management, due to sparse literature on institutional mechanisms for integrating social innovation into strategy and operations (Canestrino et al., 2015; Herrera, 2015; M. E. Porter & Kramer, 2006).

It is important to mention that companies are in a process of change, particularly in learning how to reconcile the existing gap and align perceptions about their goals to reassure all parties involved that management practices what it preaches. From the initial stages of CSI implementation, there must be efforts to systematize, coordinate, and manage innovations, clearing the tensions between differentiation and integration, making the CSI agenda coherent, and moving the company into a transformative stage. This is where CSI becomes a more central part of the business model, with leaders defining new terms and persuading employees to accept them, ensuring consistency between what the company says and what it practices, thus demonstrating a true commitment to social and environmental purposes (Dionisio & de Vargas, 2020). This commitment and broader character of CSI is vital to allow companies to provide solutions to key global problems at both social and environmental levels. There are compelling examples of hybrid logics and organizational models that offer potential for changes at all levels in a more effective way. This is necessary to promote further institutionalization of CSI, which is crucial for the consolidation of the concept, especially considering the increasing demands from stakeholders and society for institutional changes that could influence and facilitate the diffusion of business practices and innovations in corporations.

Research supports that organizations in the same fields engage in mimicry, and this homogenization would support the growth and evolution of CSI as a response to institutional pressures to enhance their legitimacy, reputation, and competitive advantage (Ntim & Soobaroyen, 2013; O'Connor & Gronewold, 2012). This diffusion has a more significant impact when considering the potential of MNCs to influence different markets, especially emerging and developing economies that still suffer from economic recession and persistent social and environmental problems.

How does CSI happen in practice?

The term "Corporate Social Innovation" (CSI) reflects the promotion of social innovations by companies in various forms. It is characterized by the creation of value for both shareholders and society, with initiatives that deliver positive results to both business and society. CSI stands out due to its strategic approach, with projects managed similarly to other corporate initiatives. This involves leveraging a company's full assets and expertise through deeper collaboration across internal functions and external parties (e.g., NGOs, government entities) to co-create solutions for social and environmental needs. CSI aims to generate new sources of revenue, increase market share, attract new customers, and engage and motivate the workforce, thus serving as a competitive advantage.

Studies indicate that various types of firms are already implementing activities that can be considered CSI (Dionisio, 2024; Dionisio & Vargas, 2022b; Mirvis & Googins, 2017), demonstrating benefits for both firms and society. These examples illustrate the diverse forms and origins of CSI. In some cases, CSI results from individual initiatives, such as a Brazilian supermarket chain's project to include people with disabilities (PwD), or it may follow global guidelines, as seen in companies like Essilor and Coca-Cola (Dionisio, 2024; Dionisio & Vargas, 2022b). Company results can be objectively identified through increased market share in areas where CSI projects are implemented, or through enhanced workforce motivation and productivity, often driven by voluntary participation in CSI activities. For society, CSI activities promote employability, generate income, and support victims of violence, with some projects impacting more than 200,000 people in Brazil, for example.

A survey of Brazilian companies participating in the UN Global Compact, the world's largest corporate initiative to align company strategies and operations with societal goals (https://www.pactoglobal.org.br/), found that 53% of companies are developing social impact initiatives beyond legal requirements. Additionally, 80% of respondents considered social innovation (SI) an integral part of their company's vision, strategy, and culture, supporting volunteerism and employee engagement. These findings suggest that there is consistency in companies' practices and a genuine commitment to social purposes. This commitment reinforces the potential of CSI to generate social impact, which is crucial for addressing key social problems in both developed and emerging economies facing ongoing challenges in an increasingly connected world (Dionisio & Vargas, 2022a).

CSI and other social value creation concepts

The concept of Corporate Social Innovation (CSI) is a recent evolution of other constructs, primarily Corporate Social Responsibility (CSR) and Creating Shared Value (CSV). Corporate social responsibility (CSR) has been a relevant topic since the 1950s, marked by Howard R. Bowen's landmark book, Social Responsibilities of the Businessman (1953). Bowen's work is considered foundational in CSR literature, predicated on the belief that large businesses are vital centers of power and decision-making, responsible for the lives of numerous citizens (Carroll, 1999). The concept of CSR evolved as society increasingly called upon companies to address social problems. This concept gained further relevance in the 1990s with globalization's growth and the rise of reputational risks, which exposed multinational corporations (MNCs) to scrutiny of their practices worldwide (Carroll, 2016). Consequently, many companies adopted CSR practices at a minimal level to prevent negative market reactions, minimize externalities, and improve their reputation, leading to long-term competitive advantages (Abebe & Cha, 2018; Kaul & Luo, 2018). This focus on philanthropic or generic initiatives aimed at external pressures and reputation management has been the strongest criticism against CSR. Critics argue that most CSR issues manifest as dilemmas rather than easy choices. Companies must become more sophisticated in understanding local contexts and finding appropriate local solutions rather than applying global models and standards (Visser, 2014). It has been suggested that companies should redirect their corporate foundations and CSR funds, traditionally aimed at charity, to engage employees in CSI and provide venture capital for social enterprises, thus shifting from philanthropy to innovation (Mirvis & Googins, 2018).

One attempt to connect business and society is the concept of Creating Shared Value (CSV), developed in response to the crises faced by capitalism and its corporations. CSV presents an appealing vision to address society's pressing challenges and has been embraced by MNCs such as HP, Nestlé, and Novartis (de los Reyes et al., 2017; Porter & Kramer, 2011). However, critics argue that CSV overlooks the tensions between social and economic goals and offers a naïve and shallow notion of the corporation's role in society, lacking a robust managerial framework (Crane et al., 2014). While CSV aims to embed a social mission in corporate culture and develop innovations to help solve social problems, CSI is a broader concept. CSI aims to meet social needs through innovative activities and services involving new ideas, concepts, and relationships in an integrated manner (Canestrino et al., 2015; Michelini & Fiorentino, 2012). In practice, companies often treat their initiatives as both CSR and CSV, including sustainability efforts. However, social innovation is crucial for improving economic growth and social cohesion and can drive the renewal of relationships between civil society and the private and public sectors. Therefore, we believe that CSI is a more comprehensive concept, better suited to promote this change.

New business models and new business practices

CSI is usually associated with incumbent companies, of all types, MNCs or local companies, with the necessity to adopt new practices and adapt its current business models and strategies. Nonetheless, there is a new generation of companies that are born based on a new business model that is configured not only with the quality of goods and services, but also on their ability to affect positively social and environmental change, blurring the boundaries with nonprofit, but generating income to accomplish their mission like a for-profit. These new organizations are led by individuals who carry a new perspective of life and carefully design their products, operating models, brands, and technologies from the ground up with focus on economic results and social value creation. These companies are considered hybrid because they balance social and economic goals. In fact, they put into practice from the beginning the concept of CSI in its strategies, but nevertheless they can be considered a social innovation in itself. They are better represented by social enterprises and B-Corporations.

Social enterprises can be assessed either by the adaptation of commercial concepts and business structures to nonprofit organizations to allow them to find more cost-effective and sustainable ways to continuous address social problems and deliver socially important goods (Dees & Anderson, 2003), or by the initiative of individuals that are willing to create value, but not in the same way as commercial entrepreneurs, they are willing to combine social value creation with the financial viability of their ventures (Estrin et al., 2016). Therefore, social entrepreneurship is broadly understood as the innovative use and combination of resources to pursue social change or address social needs, breaking traditional paradigms, replacing with more equitable systems (Mair & Martí, 2006; Teasdale et al., 2022). Mair & Marti (2006) posit that "In a world that faces many social challenges and with governments that are often unable to provide solutions, motivated social entrepreneurs are often key to improving socially challenging situations" (p. 3), so as a practice, social entrepreneurship became an important pillar in society to complement the roles of the State, private and non-profit sectors (Chandra, 2016).

Another new form of hybrid companies are the certified B-Corporations (B-Corps), for-profit companies that voluntarily meet social and environmental sustainability standards. This certification is supplied by B Lab, a nonprofit organization, founded in 2006, that seeks to drive positive and systematic changes through repurposing the existing capitalist structures and developing innovative solutions to bring positive impact to the society. Nowadays, B Lab has more than 8,000 companies in 215 different locations (https://bcorporation.net/, 2024). To become a certified B Corp, each company must meet rigorous standards and it is legally required to consider the impact of their decisions on their workers, customers, suppliers, community, and the environment, in a community of people using business as a force for good (M. Dionisio, 2020). These new types of organizations and their innovative methods are contributing to spread new and more positive ways to do business, indirectly encouraging the adoption of CSI in the search to address social challenges and employee desire for meaningful work, and public expectations that companies must address social, economic, and environmental challenges. This new generation of managers and entrepreneurs share the same talents necessary for the success of any enterprise, concerning the necessity to innovate, to take risks, and to coordinate resources, only with a broader perspective and realization of the power they have to promote meaningful change.

The investment world is not oblivious of these changes in the corporate domain, and through the dissemination of the concept of ESG – Environmental, Social and Governance – it is steering the financial system to channel funds towards more productive, long-run investments, for corporate ESG compliant companies (Schwab & Zahid, 2020). The size of the impact investing market currently stands at USD 1.164 trillion in assets under management, with evidence that fund managers are moving towards ESG-based investing through sustainable exchange-traded funds (ETFs) and loans dedicated to home energy-efficiency improvement (Dean Hand, Ben Ringel, 2022; Schwab & Zahid, 2020). In 2004 the Report of the Global Compact have presented the definition of ESG based on three factors. Environmental factors consider how a company performs within the natural environment. Social factors examine the relationships with employees, suppliers, customers, and the communities in which firms operates. Governance factors include a company's leadership, executive pay, internal controls, audits, and shareholder rights. These factors are used as a set of standards to assess a company's operations when screening for investments (Aldowaish et al., 2022; The Global Compact, 2004). In an increasingly complex and interconnected world, the importance of actively managing risks and opportunities considering the ESG concept, which is gradually becoming widely accepted, presents a new set of challenges with important consequences for corporations, and growing interest among scholars from all over the world (Li et al., 2021; The Global Compact, 2004).

Collaboration and the future of business

It has been established, from a business viewpoint, that firms need a wide range of partners, such as suppliers, government agencies, customers and locals firms, for the development of innovative processes, in order to co-create something new that provides a sustainable solution to social and environmental issues, expanding the roles of different actors to address a new set of business opportunities while impacting areas such as education, employment, and public services (Chierici et al., 2020; M. Dionisio & Vargas, 2022; Melander & Pazirandeh, 2019; Voorberg et al., 2015). Nevertheless, the progress of these cross-collaboration is still a new and developing process, considering that these relationships have been considered adversarial for a long time (Berger et al., 2004). At the same time, there has been a major rethinking of the role and size of the federal governments, where for many, including myself, the time for the ever-bigger national government is coming to an end. Societies should no longer look to the federal government as the main problem solver, therefore collaborative networks appear as a powerful solution to connect different actors and spread the responsibility for societal improvements (J. E. Austin, 2000).

The concept of Corporate social innovation already considers cross-collaborations as one of their pillars as they often involve multi-party alliances with social innovators, social enterprises, and governments (Alford, 2016; M. Dionisio & Vargas, 2022; Mirvis & Googins, 2017). Cross-sector collaborations between NPOs and businesses have increased significantly and is viewed by academics and practitioners as an inescapable and powerful vehicle for implementing and achieving social and economic missions (J. Austin & Seitanidi, 2012). Concerning corporate social innovations, they apply to MNCs entering emerging economies considering their institutional voids and idiosyncratic environments that present formidable challenges in an unfamiliar culture and context, providing legitimacy, and in some cases license to work. They also help small firms engaged in developing innovation, but that lack the resources (i.e. human capital, financial resources and so on) required to engage in innovative projects. Thus collaboration represents a way to overcome restrictions, lack of resources and therefore allows, through a combined effort the achievement of results, that otherwise would not be possible reach (Chierici et al., 2020; Cotterlaz-Rannard et al., 2017; Dahan et al., 2010; Ko, 2012; Mulgan, 2006).

An overview of the book

This book is based on my PhD research which includes literature reviews, various interviews with managers from various levels from companies around the world and a survey in Brazil. Various ideas and concepts have been assessed and presented in international conferences and lectures, complemented by my consulting practice that involves various social enterprises and impact businesses. In order to provide context, I decided to include an introductory chapter discussing the evolution of capitalism, not as a deep or exhaustive analysis, but simply to offer some perspective. My main goal is to demonstrate the importance of the role of business as a factor for social and economic development, instead of the negative and demeaning image companies still carry. This perspective becomes more relevant for emerging economies and its history of institutional voids, where business and entrepreneurship have the power to innovate, generate income and improve the overall state of society.

In Chapter 1, a brief history of the evolution of capitalism and businesses is presented. The goal is to provide a historical perspective, demonstrating that many past criticisms and mistakes have been addressed. This evolution and the resulting changes justify why firms are currently undergoing transformations and why they need to become more socially and environmentally responsible.

Chapter 2 Explains why CSI is an evolution of Corporate Social Responsibility (CSR), recounting the evolution of social value creation concepts that have the potential to transform the business world.

In Chapter 3 the concept of Corporate Social Innovation is detailed and explained.

Chapter 4 shows many examples and cases of CSI in practice around the world, to illustrate many different ways that companies may develop CSI initiatives, where the important goal is to reach both financial and societal results.

Chapters 5 and 6 explores new business models and practices that support the adoption of CSI and reinforces the new trend of firms to combine social/environmental with business goals, that are questioning the traditional ways of doing business, in various segments.

Chapter 7 focus on the importance of collaboration and the different ways firms are partnering to complement its limitations and together be able to achieve impressive results.

Finally in chapter 8 a new CSI spectrum is presented along with a discussion of the future of business, based on the growing adoption of CSI.

CHAPTER 1

A BRIEF HISTORY OF THE EVOLUTION OF CAPITALISM AND BUSINESSES

The Industrial Revolution was the most significant development in human history over the past three centuries. Although Western Europe was an advanced agricultural society with a substantial commercial sector in the 1700s, the advent of new methods and organizations for producing goods brought about profound changes in where people live, how they play, and how they define political issues (Stearns, 2013). The agrarian revolution of the 18th century increased food production and reduced costs, allowing for the growth of the world population and laying the foundation for a growing urban manufacturing workforce. Consequently, a series of industrial revolutions marked the transition from muscle power to mechanical power and significantly augmenting human production (Casson & Casson, 2014; Schwab, 2017). Business historians have long recognized that the first Industrial Revolution was responsible for the growth of international business and imperialism, as well as the subsequent development of mass production and mass marketing (Casson & Casson, 2014).

The Industrial Revolution brought about significant upheavals in human society, the most notable being rapid urbanization. After years of relative stability, the world population began to grow exponentially following the first Industrial Revolution (Figure 1), contributing to urban growth. Cities of all types exploded in Britain in the late 1700s and early 1800s due to burgeoning banking operations, growing port activities, and expanded commercial ventures. The most significant expansion occurred in factory centers, as factories were built near energy sources and large numbers of new workers were drawn into factories and mines. Manchester, Britain's cotton capital, grew from a modest town of 25,000 in 1772 to a metropolis of 367,232 by 1851 (Harari, 2014; Stearns, 2013). This new urban scenario comprised various segments, including factory owners, entrepreneurs, and workers, including children who had traditionally worked in most social groups, assisting their parents on the farm and in the household (Stearns, 2013). Traditionally, the history of business and work has been intertwined, with many of its transformations documented by social radicals to highlight social differences between workers and their patrons. Not forgetting that these differences had existed since medieval times. Business history examines businesses and enterprises in a dynamic process of change. It explores the role of entrepreneurship in economic growth and change, focusing on the relationship between markets and firm organization, as well as on managerial strategies for coping with market changes. The Industrial Revolution marked a rupture with old labor processes and the social organization of work. In this context, understanding the changing world of work requires an examination of how business was organized during the same period and the various strategies developed by managers to meet the demands of the new marketplace (Magnusson, 2014).

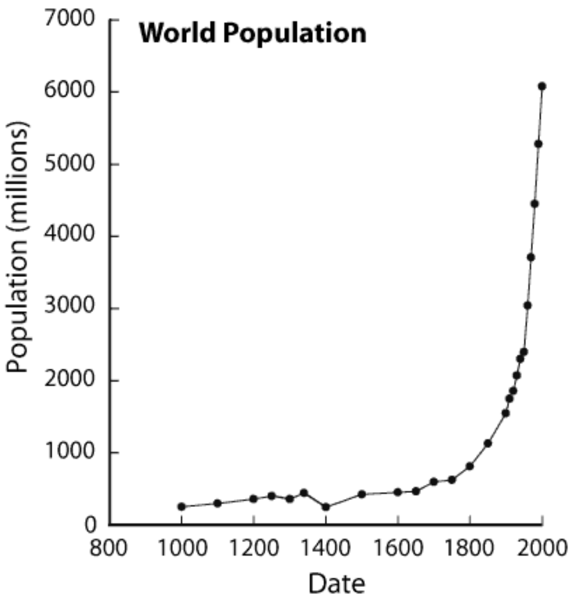

Figure 1: Population growth since 10000 BCE
Source: http://www.subdude-site.com/WebPages_Local/Blog/topics/environment/worldPopGrowth_charts/enviro_worldPopGrowth_charts.htm

In the United States, the situation was much the same. Before 1850, industrial enterprises were very small and usually family affairs. Between 1840 and 1880, the American urban population grew from 11 percent of the total population to 28 percent. From the 1890s onward, enterprises grew too large to be managed by small family groups and began to be administered by full-time professional managers. Hundreds of thousands of people moved from farms to factories. New York city's population grew fourfold while Chicago became ten times its former size. By the outbreak of World War I, scholars and analysts were publishing books and articles on industrial organization, discussing the structure of large-scale enterprises as well as factories and branch offices (Reich, 2007; Chandler, 1962). Both in Europe and the United States, it was a period of significant change. Rapid industrialization impacted family businesses and created a new dynamic in cities, sparking conflict between workers and the perception that business owners were motivated by private greed. Unsurprisingly, many workers found industrial life extremely unpredictable and nerve-wracking. The labor force was pushed to work harder than its preindustrial counterparts, with work hours increasing as employers sought to maximize the use of expensive machinery. Some textile factories drove their workers to work sixteen hours a day, including Saturdays. This situation led to strikes, crises, and the growing influence of socialists, trade unionists, and reformers who called for a redistribution of wealth so that working people could afford to buy the products they produced on farms and in factories. These concepts have endured to the present day (Stearns, 2013; Stone & Kuznick, 2018). The late 1800s marked the emergence of figures and companies that remain emblematic of both the best and worst aspects of capitalism and the rise of large corporations. Notable personalities included J.P. Morgan, whose company evolved into today's Morgan Stanley; Andrew Carnegie, who amassed a fortune as a steel magnate; and John D. Rockefeller, who acquired his first refinery in 1862 and built an empire that led to the formation of companies such as ExxonMobil and Chevron Corporation. This era also witnessed significant inventions, such as the machine devised by Procter & Gamble to produce Ivory soap, and another developed by Diamond Match to manufacture and box matches by the billions (Reich, 2007). This surge in productivity prompted developed countries to seek new markets, affecting regions that were just beginning their industrialization process, thereby making it more challenging—though not impossible—for them to catch up. It was a period characterized by renewed Western influence and a quest for resources from Africa, Asia, and Latin America. Additionally, it marked the onset of production specialization, with small, low-cost industrial sectors being transferred to these regions, leveraging cheap labor and modest technology, often serving as an additional source of export goods to the West. The global impact of the Industrial Revolution intensified, culminating in various international economic crises, most notably the Great Depression of the 1920s and 1930s. The industrialization of conflict emerged on an international scale during the world wars of 1914–

1918 and 1939–1945, challenging the role of capitalism as a force for development and economic growth (Stearns, 2013).

Indeed, what is striking is how similar the evolution of new industries in the 1950s and 1960s was to that of the 1880s and 1890s, despite the rapid technological changes in the later period being much greater than before World War II (Chandler, 1990). Additionally, the number of subsidiaries established abroad by American companies after 1948 increased substantially. As European industries recovered from the war of the 1940s, they too looked to foreign markets. Not surprisingly, enterprises with strong organizational capabilities before the war, primarily German firms, soon regained their prewar positions both at home and abroad (Chandler, 1990). Many companies actually benefited from the war. A notable example is Coca-Cola, which before 1942 had established a strong presence only in Canada, Cuba, and Germany, with barely a toehold elsewhere. After the Pearl Harbor attack, Robert Woodruff, the CEO at the time, issued an order stating, "We will see that every man in uniform gets a bottle of Coca-Cola for five cents, wherever he is and whatever it costs our company." This act was a mix of genuine patriotism, shrewd business sense, and an eye for publicity. As a result, by 1950, Coca-Cola was available in approximately 120 countries, marking a postwar marketing explosion that established a significant global presence (Pendergrast, 2013). The postwar period also witnessed new industrial revolutions in medium-sized nations and city-states along the Pacific Rim. South Korea's industrialization propelled the nation to unprecedented economic levels, making it a growing force in industrial exports such as automobiles, electrical appliances, and ships, and elevating it to the tenth largest economy in the world by 2006. Taiwan emerged as another center of Pacific Rim industrialization. The city-states of Hong Kong and Singapore joined this Pacific Rim's industrial network, alongside Japan, the senior member, which had become the world's second-largest economy. Other parts of the world were also growing and seeking their place in this new global landscape. The new state of Israel established itself as an industrial economy with a strong commercial agricultural sector. South Africa emerged as the only substantially industrialized economy on the African continent. In South America, Brazil, Venezuela, and Argentina experienced rapid growth as they endeavored to catch up with established industrial centers. This movement represented the greatest organizational innovation associated with the contemporary phase of the world economy, centered on the development of multinational corporations and the consolidation of globalization (Stearns, 2013). The industrialization of the world's labor, akin to the industrialization of technology and business, became one of the most prominent features of contemporary world history.

While this period was marked by overall positive outcomes, such as market expansion, the creation of new products and technologies, and improvements in social benefits and comfort, it was also characterized by excesses, greed, exploitation, and the creation of externalities. These issues were particularly pronounced in developing economies with weaker regulations and institutional voids. Factories in one area might now produce smoke that affected forests hundreds of miles away. Industrial accidents and oil spills might similarly pour across regional boundaries. In some countries subcontractors producing men's clothing for some stylish American brands had workers in sweatshops compelled to labor eleven hours a day, seven days a week, for a salary of $1.50 an hour. This era signified a turning point where, due to their rapid growth, multinationals began to be viewed as major contributors to social, environmental, and economic problems. Companies were widely perceived as prospering at the expense of the broader community (Porter & Kramer, 2011; Stearns, 2013).

The century defined as "a time of great triumph and great tragedy" (Sanchez, 2024, p. 1) ends with even more significant changes. From the independence of the last colonies after the end of the Second World War, such as India (1947), Tunisia (1956), and Ivory Coast (1960), to the end of authoritarian regimes in Portugal and Spain in the seventies, the end of military regimes in South America, and finally the fall of the Berlin Wall in 1989, events that have had a dramatic effect on countries, economic systems, and their citizens. There was the introduction of many market-oriented economies with the abrupt removal of price and currency controls, elimination of state subsidies, trade liberalization, and privatization of state-owned enterprises (Puffer et al., 2016). From 1990, a global diffusion of technology and capitalist institutions allowed GDP to grow significantly, and technological developments in medicine and the improved average standard of living rose from a global average of about thirty years to sixty-seven years, and to more than seventy-five years in several developed countries. As capitalism expands, corporations continuously seek new opportunities for trade and gain through heavy innovation and diversification of products and services, in the unceasing pursuit of new market niches. In this quest for innovation, the frontiers of science and technology have advanced to new fields of knowledge and inquiry. Improved global communications and increased mobility, along with new and varied organizational forms, promote new work relationships and business models, with a greater focus on a long-run tendency in capitalist economic systems. This is driven by powerful economic forces both caused by and causing the widening of markets, leading to new perspectives for firms, citizens, and society. The very fact that countries are at different levels of development and are experiencing different rates of growth means that variety will be preserved. Capitalism is by far the most innovative economic system in human history, and there is a chance that some of these problems—such as global warming—could be alleviated by technological developments (Hodgson, 2015). I recognize that a fundamental change in values will be necessary in order to ensure that the new millennium evolves to be a time of peace, with widespread adoption of economies of scale, rapid technological development, massive increases in productivity, and growing average personal incomes. Capitalism's own history shows that political and other institutions are also crucial, and political developments will have major effects. International cooperation to extend global institutions for economic order and human development is vital (Hodgson, 2015; Sanchez, 2024).

This chapter does not aim to be exhaustive in its analysis and presentation of the facts surrounding such a complex subject matter. Instead, it intends to offer a historical perspective on the many changes, particularly during the 20th century, that have completely transformed the world we live in. It is important to put things into perspective and recognize that the world has never been a fair place. There have always been inequalities, wars, and quests for power with devastating impacts on different populations. Additionally, it is crucial to understand that capitalism, and consequently firms, have grown and expanded amid these changes, focusing on their own interests. They evolved from family businesses to large corporations, employing thousands of people and generating revenues larger than the GDP of many countries, not to mention the many innovations of products and services that completely altered habits and offered new opportunities around the world. Although it is clear that there have been many negative impacts and externalities, we are reaching a point where such behavior, especially from firms, is no longer accepted. While workers have much more power and enjoy improved relationships with firms, managers are realizing that companies have the potential to improve living standards if they want to continuously grow and maintain their consumer base. This would allow them to keep innovating and reaching a broader range of consumers. Consumers also have a more active role, especially in developed economies, changing consumer patterns and demanding that firms be more responsible and ethical. This idea is the seed that enables the creation and development of the concept of corporate social innovation. As posit by Richter et al. (2023): "Today, there is no longer one corporate social responsibility only, no longer a unique purpose to be pursued, and the Friedman doctrine—for which business social responsibility is just that of using the company's resources and engaging in activities designed to increase its profits while respecting the rules of the game —is no longer applicable. This occurs not because of its lack of intrinsic logical soundness, but for the simple reason that the (existing) rules of the game imposed on corporations and their directors cannot ensure the protection of the fundamental values and interests of whole society by themselves. Hence, in this situation, it seemed natural to restore corporate responsibility to pursue general, common, collective interests and values" (p. 215).

Chapter 2

From CSR to CSI: Evolution of Social Oriented Businesses

The concept that organizations bear responsibilities beyond their economic objectives is well-established. Carroll (1999) analyzed and compared the key contributions of various scholars, including Howard Bowen, Keith Davis, Clarence Walton, William Frederick, Donna Wood, and others, from 1950 through the mid-1990s. During this period, there was a growing concern about the influence of organizations on the lives of numerous individuals and the communities in which they operated. As this issue gained prominence, it became evident that there was no consensus on the subject. Carroll (1974) stated, "The debate over whether business has a responsibility to society is a continuing one and the literature is replete with arguments both for and against the assumption of such an obligation" (p. 76).

This discussion emphasizes the concepts and practices that have characterized the post-World War II era. Much of the literature on Corporate Social Responsibility (CSR) originated in the United States but quickly spread worldwide. However, in its preliminary stages, several authors opposed the concept. Theodore Levitt warned of the dangers of social responsibility, asserting that businesses have only two responsibilities: to operate honestly and to seek material gain. The most prominent critic of social responsibility was economist Milton Friedman, who argued that social issues are not the concern of businesspeople and that these problems should be addressed by the free market (Carroll, 2016). Amid this debate, Carroll (1979) introduced what is considered the most well-known model of CSR (Visser, 2011) – the CSR Pyramid (Figure 2). Carroll defined CSR as "corporate social responsibility encompasses the economic, legal, ethical, and discretionary (philanthropic) expectations that society has of organizations at a given point in time" (Carroll 1979, 1991).

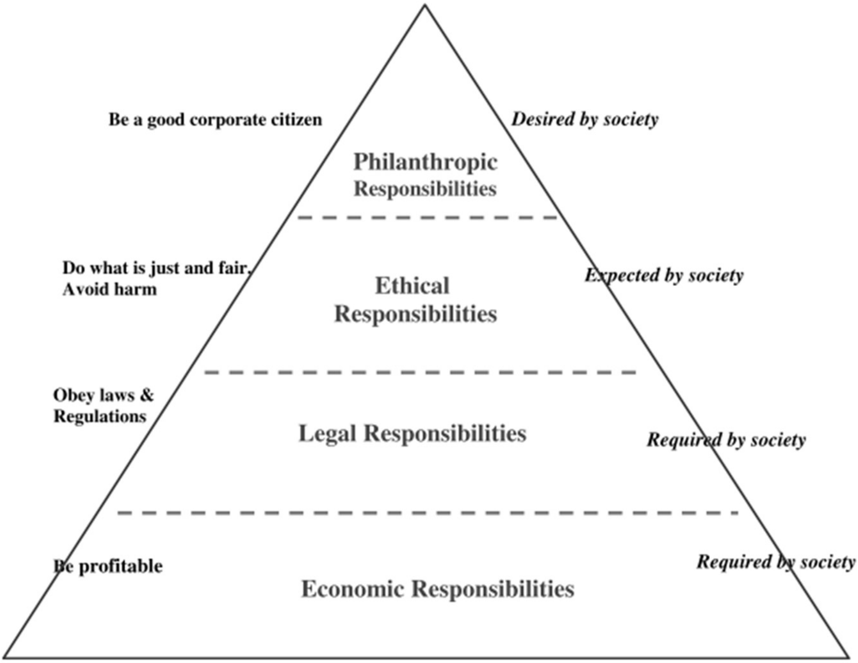

Figure 2: CSR Pyramid (Carroll 2016)

This set of four responsibilities provides a comprehensive framework that clearly defines the nature of a business's obligations to the society it is a part of. The economic responsibilities are fundamental for the continuity and growth of businesses. Society expects organizations to sustain themselves by being profitable, incentivizing owners or shareholders to invest, and maintaining sufficient resources to continue operations. These entities are also expected to adhere to the established rules that govern business operations, including laws and regulations that ensure fair practices as created by lawmakers at federal, state, and local levels. Compliance with these laws and regulations is a prerequisite for operation. Over time, society has recognized that while these normative expectations are essential, they are not sufficient on their own. Society also expects businesses to operate ethically, meaning they must adhere to activities, norms, standards, and practices that, although not legally mandated, are expected by the community. Lastly, corporate philanthropy encompasses voluntary actions that the public anticipates from businesses. These activities, while not required by law or ethical standards, reflect a business's desire to engage in