



## “Good” Companies Launch More New Products

For those leaders still trying to make the business case for sustainability, here's something to tell senior management: CSR will help your company generate more new products than your competitors.

Xueming Luo, from the University of Texas, and Shuili Du from the Simmons School of Management wondered if CSR had any impact on the inventiveness and creativity of a company. If CSR did have a positive influence on inventiveness, those firms pursuing CSR as a business strategy should be benefiting not just from more customers and a better reputation, but also from more new products and sales.

The researchers investigated their idea by measuring the number of new products released each year by 128 firms and comparing that number to each firm's position on a CSR index.

### CSR Spurs New Products

Companies in the top third of the CSR index were four times as inventive as companies in the bottom third – releasing on average 47 new products a year compared to just 12 products. The researchers theorize that CSR gives companies access to a wider body of knowledge through better relations with customers, suppliers and other stakeholders. By keeping up to date on customer preferences and the latest technological advances, socially responsible companies can tailor their products accordingly and keep one step ahead of competitors.

### CSR + Competition = More New Products

In highly competitive industries, such as air travel and automotive manufacturing, CSR investments generate even greater returns in terms of new products. The authors speculate that competition energizes organizational learning, allowing firms to use information from their knowledge base more effectively.

### CSR + R&D = Inventions

The authors also found companies that pursued CSR activities and spent more on research and development (R&D) than industry peers gained further advantage. These socially responsible, innovation-focused firms were more likely to launch first-of-a-kind innovations as opposed to just incremental improvements of existing products.

For example, Boeing's 787 Dreamliner uses 20 percent less fuel than its predecessors thanks to a novel weight-reducing design that uses composite materials instead of

traditional aluminium. Another first-of-a-kind invention resulting from simultaneous investments in R&D and CSR is Toyota's Prius – the world's first gasoline-electric hybrid car to be mass produced.

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### Key Takeaways

- *Get Outsiders Generating New Product Ideas for You:* Skanska, a Swedish construction and development firm, runs a yearly “Supply Chain Green Solution Award”. Suppliers are asked to submit ideas that reduce costs and the environmental impact of Skanska's products. This simultaneously improves supply chain relations and the environmental impact of the business while providing new ideas and products.
- *Coordinate CSR and R&D with Corporate Goals:* In 2007, up-market British retailer Marks & Spencer launched “Plan A”, an initiative to become the world's most sustainable retailer. To help meet their audacious goal, Marks & Spencer focused their research and development on business activities that had a high environmental impact, such as its haulage operations. The result was a new “tear-drop”-shaped trailer able to carry 16 percent more load while using 10 percent less fuel and producing 10 percent fewer carbon emissions. In addition to saving money and reducing the company's environmental impact, the distinct-looking trailers were highly visible on British roads, helping bolster Marks & Spencer's reputation.

### Research Methods

The researchers examined 128 firms from all major sectors, from 2001 to 2004, investigating the relationship between CSR (using an outside index) and the number of products launched per year. They determined causality with statistical regressions by controlling for factors such as company size, financial leverage and market stability.