Profit-seeking corporate social responsibility in developing countries: The risk of conflating CSR and R&D

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Abstract

Strategic corporate social responsibility (CSR) has drawn praise for representing the "sweet spot" between communities' needs and firms' resources, capabilities and efforts. But what if the concept is pushed to its limits? A firm can initiate CSR projects not just to help communities, but to directly realize profit from them. In this conceptual paper, we ask how CSR is understood and functions when the intent of CSR projects is to conduct a form of research and development (R&D). The intended innovations are not science-based, but socially oriented; they seek to determine how to profitably meet the needs of poor people in developing countries. We develop our argument from conversations with managers and teaching cases that explain how executives believe CSR helps firms (learn how) to profitably serve new potential customers – whether through developing new markets or new products and services with a social purpose. Using CSR as a form of "living R&D" allows firms to make mistakes and to avoid short-term shareholder pressures. But there are very real risks to what in essence is unregulated experimentation on poor people, and we highlight some of them. Our argument highlights the ways in which such innovation and profit-oriented CSR challenge thinking on both CSR and R&D, and we make practical recommendations for how to ensure that intended beneficiaries are not harmed, but can instead benefit.

Keywords: innovation, profit, corporate social responsibility, CSR, social innovation, living lab, research and development, R&D, community

1. Introduction

Corporate social responsibility (CSR) refers to the responsibility that businesses have "to society and a broader set of stakeholders beyond its shareholders" (Wang, Tong, Takeuchi & George, 2016: 534). The concept of CSR has a long history – as Carroll (2008) suggests going back as far as the 1800s – and has been extensively theorized and studied. While the roots of CSR are more closely connected to corporate philanthropy, there is increasingly evidence that firms derive value from fulfilling their responsibilities to society (Vishvanathan, Van Oosterhout, Heugens, Duran and Van Essen, 2020). The benefits of CSR have been found in elements like improved brand image, innovation, risk reduction and others, and also in direct financial performance (Bansal & Song, 2017). CSR has even been found useful to develop new markets for firms (Singh, Bakshi & Mishra, 2015; Tasavori, Ghauri & Zaefarian, 2016). Yet in all these cases, the value that CSR provides to the firm is conceptualized primarily as a "by-product" of the firm's efforts to meet its obligations to society.

The deliberate use of CSR to generate additional profit streams is still rare or, given that it takes place mainly in developing countries where less research is conducted, perhaps simply not well documented. But using CSR from the outset with a profit motive has important consequences. In this conceptual paper, we explore some of the theoretical and practical implications of stretching the concept of CSR towards an intentional, planned, and organizationally embedded profit-generating activity – essentially, when CSR is treated as a form of research and development (R&D).

Economic activities are often differently organized and conducted in developing compared to developed countries, requiring of firms to innovate by experimenting in markets rather than via R&D, its science-based counterpart (Anderson & Markides, 2007; Zanello, Fu, Mohnen & Ventresca, 2016). But whereas science-based R&D is well understood and supported – both organizationally (e.g. through organizational structures and practices) and nationally (e.g. through tax incentives) – there is little understanding or support available for what we term socially-oriented innovation: When executives in developing countries need experimentation and innovation to identify profitable ways to access and serve underserved poor communities, whether by developing new ways to access markets, or by coming up with products and services that make sense to people in those communities.

We are mindful that managers using CSR as a form of "living R&D" to generate profits could be seen as far-fetched. For this reason, we support our theorizing with evidence that CSR is in fact framed as a vehicle for profit generation, and also some of the issues around such a framing. Many of the cases to which we refer are published teaching cases, suggesting that this practice is seen as worthy of at least dissemination, if not of imitation. We also add some reflections from executives who support the practice.

CSR often assumes particular importance in poor, post-colonial countries that are prone to crises and turbulence (Austin, Dávila & Jones, 2017). In this context, executives link CSR and profits because they want to ensure that CSR is not seen as an optional commitment in the face of multiple legitimate and competing demands. The commitment to CSR is praiseworthy, but it is not well understood what is gained and what is lost when adding an explicit profit-motive to CSR. Our paper attempts to start a discussion around that topic.

In theorizing how CSR is conceptualized as an organizationally recognized means of generating profits, we highlight not only the potential benefits but also the risks of this endeavor. By so doing, we identify important implications for how scholars study CSR, and also make recommendations for practical changes that will allow both multinational corporations and local firms in developing counters to improve their operations there. In particular, we recommend that

R&D-type structures are needed, and that they need to be developed specifically to support and govern socially-oriented innovation.

The paper is structured as follows. In our literature review, we prepare the reader for our argument by reviewing the theoretical work that has been done on different understandings of CSR, particularly highlighting concerns about the benefits communities derive from CSR. We then discuss literature on innovation in emerging economies, the role of CSR in innovation, and finally hone in on known tensions in involving the community in innovation. In our section "what has been happening in the field", we introduce what is known about profit-oriented CSR, primarily drawing on previously-published teaching cases, but also on some insights directly obtained from managers. The theoretical heart of our paper is in the "two key insights" section, where we highlight how managers link CSR and innovation, and then theorize the implications of conceptualizing CSR as a form of R&D. Our discussion deals with the theoretical and practical implications of those two key insights, namely firstly the need for an organizational structure for socially-oriented, community-facing innovation and secondly the need to offer protection for participating parties. We conclude our paper with a call to empirically verify our theoretical insights.

2. Literature review

To set the foundation for our analysis of the limits of strategic CSR in developing countries, we locate potential risks in the "bridging" between the original or perhaps more "common" way of thinking about CSR and new application domains by problematizing that extension. It may be helpful to illustrate our concern about the extension of the CSR concept with reference to work from a completely different discipline: Bridge construction.

Sibley and Walker's 1977 analysis of bridge failures in the nineteenth and twentieth century shows that bridges tend to fail in roughly thirty year cycles. As time passed from the introduction of a new bridge design and new uses for the new bridges came into the picture, the original designs were extended too much – literally in length – and bridges failed. Sibley and Walker (1977) argue that this is because (perhaps complacent) engineers pushed relatively well-established designs too far. They lost sight of the fundamental assumptions and the limits of their validity made by the engineers who developed the original design some decades earlier.

What we are trying to illustrate with this example is that there could well be risks to extending the notion and associated strategic "uses" of CSR into more and more distant areas. Not keeping the characteristics and goals of the original idea in focus runs the risk of taking the concept a "bridge" too far and causing harm to the people who are supposed to benefit from it.

We therefore begin by laying out the development of understanding about what CSR is and the strategic shift that has taken place in this domain. We focus on innovation as one of the mechanisms that features prominently in the strategic approach to CSR and highlight how CSR's role in innovation has been extended into various domains. We close our review of existing work by highlighting the contributions that have started to problematize this extension and have documented potential risks of extending the "bridge" too far. This foundation will then allow us to develop theory about such extreme span strategic CSR in developing country contexts.

Different understandings of CSR

CSR has a long history as a concept as well as a field of study (Aguinis & Glavas, 2012). Its roots lay in normative arguments about what *should* be the relationship between business and society (Carroll, 1999; 2008; Frederick, 1994; Matten & Moon, 2004). For McWilliams and Siegel (2001) such a responsible relationship is characterized by corporate "actions that appear to further some social good, beyond the interests of the firm and that which is required by law" (p. 117). With the increased popularity of the CSR concept in research and business over the years, the focus of scholarship made a "strategic turn", as Bansal and Song (2017) and Vishwanathan et al (2020) have documented.

With this strategic turn, the justification for business activities related to CSR could be made without a moral argument: if research could document a positive relationship between a company's social performance and its financial performance (and it did, e.g. see early evidence by Orlitzky, Schmidt, & Rynes, 2003), then CSR becomes part of a business strategy and an instrument for innovation, reputation management, human resource development and more (Bansal & Song, 2017). A meta-analysis by Vishvanathan et al (2020) has confirmed specific strategic mechanisms though which CSR impacts firm performance, namely enhancing the firm's reputation, increased reciprocation by stakeholders, mitigating firm risk, and the strengthening of a firm's innovation capacity. This suggests that responsible business activities can offer the much sought after "win-win" relationship between business and society (Du, Bhattacharya, & Sen, 2010; Porter & Kramer, 2006) where both parties benefit.

The strategic view of CSR is influential despite not only viable alternative theories of CSR (Garriga & Melé, 2004; Windsor, 2001) but also despite criticism on conceptual and philosophical grounds (Crane, Palazzo, Spence & Matten, 2014). Perhaps this is because strategic views of CSR avoid potentially controversial debate about the moral legitimacy of society-benefiting activities or the role of business in society. Moreover, because ample research in the context of industrialized economies has found empirical evidence of a wide variety of beneficial outcomes of CSR for the firm (Bansal & Song, 2017; Vishvanathan, et al. 2020), the "win" for the firm seems clear.

Concerns about community benefits from CSR

The roots of CSR as well as much of the normative theorizing about the topic has emphasized the "social good, beyond the interests of the firm" (McWilliams & Siegel, 2001, pg. 117), and the value creation of CSR for society in the context of strategic CSR might be taken as a given. However, research has been emerging questioning the "win" for the community. One way that social good is created alongside benefits to the company is through engagement with a community in the form of social initiatives (Hess, Rogovsky, & Dunfee, 2002). Already in 1999, Moss Kanter pointed out that in those cases, "community needs [become] opportunities to develop ideas and demonstrate business technologies, to find and serve new markets, and to solve long-standing business problems" (Kanter, 1999: 124). But Moss Kanter also acknowledged that positive outcomes for the community might not always materialize if the social initiatives are not done correctly.

The strategic view of CSR, and specifically the notion of a "win-win" for companies and communities takes on added complexity in less developed contexts. In developing economies where the economic infrastructure is inadequate (and sometimes severely so), the uses of CSR expand further (Austin, Dávila & Jones, 2017; Doh, Husted & Marano, 2019). CSR activities serve to provide basic public goods such as education and medical care to support the development of a workforce for the company (Bénabou & Tirole, 2010; De Bettignies & Robinson, 2018). CSR serves to signal legitimacy to domestic and global stakeholders (Darnall & Carmin, 2005; Husted, Montiel & Christmann, 2016;) or reduce negative perceptions of corporate activity (Marano, Tashman & Kostova, 2017). CSR thus plays a critical role in support of the financial viability of the business (Brik, Rettab & Mellahi, 2011; El Ghoul, Guedhami & Kim, 2017).

In summary, whereas strategic CSR in developed country contexts can be supplemental or augmentative to regular business operations, in developing countries it appears to be more of a necessity to the operations of firms. In contexts with inadequate infrastructure and with the presence of multiple barriers to proper business operations, CSR is important because it facilitates firms' operations.

What we want to problematize in this paper is the fact that discussions of CSR tend to highlight the benefits to society that CSR activities should create (thus the "win-win") even though the work in the strategic and instrumental CSR domain rarely addresses the "win" for the community directly and purposefully. Especially in developing countries, there is a pervasive assumption that the provision of social services, of employment opportunities, or access to consumer products are by themselves positive (Prahalad, 2006) because corporations are "stimulating productive activity and consumer markets" (Utting, 2007:710).

There has, however, been evidence of various downsides or "losses" for the community, ranging from the relatively mild effect of imperfect sensitivity to local needs and being patronized, to actual dependence and concrete harm (Fox, 2004; Frynas, 2005; Jenkins & Obara, 2006; Muthuri, Chapple, & Moon, 2009; Rajak, 2006; Tencati, Russo & Quaglia, 2008). Therefore, we focus in this paper on what might drive the realization and creation of the "win" not only from the perspective of business, but both sides of the business-society relationship.

Innovation in emerging economies

We focus on the innovation supporting mechanisms in strategic CSR that Vishvanathan et al (2020) have identified, because the strategic contribution of CSR to innovation has been particularly relevant in developing countries, for example for base of the pyramid projects. Previous scholars have highlighted how CSR can contribute to the reduction of the risk of new base of the pyramid initiatives and the development of internal traction for projects (Singh, Bakshi & Mishra, 2015) as well as an increased tolerance for the time period it takes to realize returns for such initiatives (Tasavori, Ghauri & Zaefarian, 2016). Moreover, the use of CSR by Danone has been lauded as a successful means for launching low-cost bottom of the pyramid business models and opening up new markets (Faivre-Tavignot & Dalsace, 2014).

How such innovation through strategically focused CSR activities and projects takes place in less developed contexts is not so clear. Like technological innovation in the context of formal R&D processes, there is also experimentation and uncertainty when innovation takes place to meet social needs, or to find new ways of getting product and service to previously underserved markets. Like its science-based counterpart, such innovation can also result in slower-than-expected returns or even failure. Yet managers who engage in community-facing innovation projects currently do so without the benefit of the innovation-supporting mechanisms offered by formal institutional supporting structures and processes, e.g. for formal R&D projects. Socially-oriented innovation that is conducted via CSR works through different mechanisms and with a different logic.

R&D has over time evolved to be the main vehicle through which firms engage in science-based product and process innovation (Mowery, 2009; Murmann, 2003). R&D laboratories offer clear guidelines and incentives for firms to innovate, for example tax breaks (Hall & Van Reenen, 2000), a "future-oriented" space protected from short-term shareholder expectations (Reilly, Souder & Ranucci, 2016) and recognition of the value of not only exploitation, but also riskier exploration activities (McNamara & Baden-Fuller, 2007). All of these practices have in common that they reflect an understanding that experimentation and risk are inevitable when innovating, but that benefits in the case of eventual success accrue not only to the firm, but can also benefit wider society.

There are no formal organizational structures and mechanisms that can offer tax breaks, differentiate between riskier exploration and less risky exploitation activities, and protect firms from short-term shareholder expectations for innovations that aim to address social issues or make products and services more accessible for poor customers. Yet socially oriented innovations also need such support, and not only because of the inevitable risks of failure. A key distinction between science-based innovation and socially-oriented innovation is that socially oriented innovation almost per definition occurs outside the firm, in wider society more generally, and specifically inside more vulnerable communities. This implies that not only benefits, but potentially also the costs of failure are shared by the community.

The literature on co-creation by especially poor customers and communities is generally positive about the consequences of deepening customers' involvement in the innovation process (e.g. Gemser & Perks, 2015; Hart, Sharma & Halme, 2016; Hooli, Jauhiainen & Lähde, 2016). It has been noted that poor consumers are not keen to innovate, because their limited resources make the cost of failure that much higher for them (Barki & Parente, 2010). But otherwise, very little consideration is given to what happens when firms attempt to develop a new market or innovate around social problems, but fail in that attempt.

The role of CSR in innovation – extending the bridge to innovation that aim to serve a social purpose

We noted earlier that CSR is increasingly seen as not an add-on but rather a strategic element of corporate activity, with support of innovation as one of the core mechanisms through which CSR supports corporate performance (Vishvanathan et al. 2020). However, where the strategic aspects of community-engaging work have been addressed, they have been seen mainly as secondary concerns. Perhaps this reflects the historical evolution of CSR from simple philanthropic giving without much connection to what the business does, to increasingly strategic efforts where community engagement becomes connected directly to corporate strategy in what Hess and colleagues (2002) have called corporate social initiatives.

Kanter (1999) focuses on the strategic relevance of "corporate social innovation" by drawing a parallel between community engagement and innovation. She describes several examples in which companies "view community needs as opportunities to develop ideas and demonstrate business technologies, to find and serve new markets, and to solve long-standing business problems" (1999: 124). Communities and their problems are sources of innovation and inspiration and under the right conditions, both the company and the community can have a win-win outcome. This usually requires extensive innovation in not only products but also business processes and other market supporting infrastructure.

Kanter (1999) acknowledges the challenges that innovating with a community might bring: "Like any R&D project, new-paradigm partnerships require sustained commitment. The inherent uncertainty of innovation – trying something that has never been done before in that particular setting – means that initial project plans are best guesses, not firm forecasts. " (1999:130). Yet who bears the main risk in social initiatives and what each party gets out of this type of innovation project, are not made explicit – not by her, and neither by subsequent scholars. For example, Singh et al. (2015) talk mainly about the risks of new market development for the corporation and how running such projects in the context of CSR can make them less risky because "the non-profit approach of CSR initiatives gives the organization more leverage and flexibility to experiment with developing risky markets such as those at BoP" (2015:365).

However, not only the corporation but also the community is exposed to potential risks. In the context of emerging economies, the risks are potentially much more wide-ranging and severe (Muthuri et al. 2009; Frynas, 2005; Rajak, 2006; Fox, 2004, Jenkins and Obara 2006, Tencati et al, 2008). Particularly if the innovation activities include the integration of communities into the supply chain as either co-inventors, entrepreneurs, employees, or suppliers, as has been documented in various cases (Altman, Rego & Ross, 2009; Hahn, 2009; Dolan & Scott, 2009; Singh et al., 2015), the exposure of the community to the risks associated with innovation takes on additional significance. Yet such sharing has been in general encouraged as a poverty alleviation strategy and desirable outcome (London, Anupindi & Sheth, 2010; Simanis & Hart, 2009).

The tensions of involving the community in innovation

Innovation within the community to profitably address a social issue or to develop a new market has certain key characteristics that pose challenges for corporations. The innovation happens visibly and directly involves communities, creating real risks. This includes the potential costs of a reputational disaster on the heels of an innovation failure that spills over and damages the reputation of the organization more generally. Beyond the risk of damage to the organization, risk of damage to the community in which such socially-oriented innovation takes place also comes into direct tension with the hoped-for aims of all CSR, whether it is conceptualized normatively or strategically.

This tension between the desired positive outcome and risk of negative community outcomes is particularly pronounced in developing economies because a critical part of innovation in that context is the creation of supportive structures in addition to creating customers. To develop such supportive structures, the participation of the community is essential. In that sense the community is being innovated "with" and even "on", rather than "for", i.e. it is not simply the recipient of the innovation. Instead, communities become living laboratories.

3. What has been happening in the field

Our interest in the use of CSR to support profit generation dates from a 2008 practitioner workshop about the base of the pyramid at the Gordon Institute of Business Science (GIBS) in South Africa. Several participating executives explained that base of the pyramid markets are too underdeveloped and uncertain for such initiatives to work without extensive experimentation. Although they were from very different industries – food and beverages, financial services, mobile technologies and more – they all explained that a much greater depth of experimentation was needed than was generally acknowledged, and moreover, that organization structures were poorly equipped to accommodate the time and uncertainty required for such socially-oriented innovation. The executives shared views and strategies, and one option that was mentioned more than once and quite warmly received was the use of CSR projects to support the development of base of the pyramid markets.

Over the course of the next number of years, the notion of the "base of the pyramid" largely faded away. But although base of the pyramid mentions became less frequent, the notion of CSR and how it could support the development of new markets in poor communities continued to be mentioned. Evidence of how firms were using CSR to integrate business and social goals were seen mainly in teaching cases (Barnard & Marks, 2014; Faivre-Tavignot & Dalsace, 2014; Hawarden & Barnard, 2010). But for at least some firms and some scholars, the notion of CSR and innovation to profitably reach previously underserved markets were linked.

A review of the cases shows recurring patterns of thought. For example, the teaching case on Microsoft South Africa (Barnard & Marks, 2014) explained how the subsidiary, operating in an environment with about 30% unemployment, developed "Biz4Afrika", a web-based support service for micro and small businesses as one of its CSR (termed "citizenship") initiatives.

Biz4Afrika served almost a thousand small businesses in a network that brought together 42 supporting companies, including the largest bank and mobile network operator in South Africa. The initiative included free online tools, a directory of participating businesses, an online marketplace, a discussion board and live events. Biz4Afrika also offered participants basic Microsoft offerings, with the hope that businesses would upgrade within the Microsoft stable when it became financially viable.

Danone's belief that "societal initiatives should be integrated in the business to have a positive economic impact" (p. 6) was communicated in a case that examined Danone's strategic response to the 2008 Global Financial Crisis (Faivre-Tavignot & Dalsace, 2014). A more detailed assessment of a Danone initiative was provided in the case on the South African subsidiary's Danimal yoghurt (Hawarden & Barnard, 2010). The product development represented best practice in multinational enterprises: Researchers at Danone South Africa worked with R&D in the parent and a local university to add nutrients that were found often deficient in poor children. Given that very few people had access to electricity, a search within the multinational network helped find (from India) a yoghurt culture that could survive a month without refrigeration.

There was also extensive innovation aimed at accessing a new market. The project was distributed outside schools by a network of more and less informal traders ("Danimamas" and "Daniladies"), with GPS coordinates used to ensure that traders were spread far apart enough to earn a living from the sales of the yoghurt. The hope was that children would stay and indeed become increasingly lucrative Danone customers into adulthood.

As we reflected on the various cases, it struck us how committed the executives seemed to improving the economic conditions of poor people. The executives also did not seem to see business and social initiatives as standing in tension any way. In fact, the opposite was true: they seemed to regard the profit generated from market-developing CSR initiatives as useful in ensuring their sustainability. For example, Microsoft South Africa's head of Citizenship (CSR) explained:

> *And in my view, with that kind of space, whatever we do, we must have a vested interest. It must be something that you can't survive without – because most people who invest in things easily pull out when things don't work out. In this case for us, if it doesn't work, we'll make it work because we have a vested interest.* (Barnard & Marks, 2014:10)

We are making a theoretical argument in this paper. But because of both the novelty and the implications of what we are theorizing, we wanted to sense-check our argument with executives. How did executives, living and working in countries with extensive poverty, so easily integrate – equate, even – corporate social responsibility and profit goals? Only one executive was willing to be quoted. The CEO of a Namibian diversified agro-processing firm that was already supporting street traders who were using its flour to make baked goods by providing training on baking and on managing a small business. The CEO explained:

> *There is always pressure on a company to have CSI [corporate social investment], but I believe you can only have it if we are also making money out of it. Otherwise it is not*

sustainable. What I am trying to say is don't give someone fish, rather teach him how to fish. There must be a bonus in it for us. Like what we are doing is, we will train bakers, take street vendors and we will teach them how to make fat cakes or whatever. The reason is they can start a small business and learn how manage their finances. If they start that business, then we can sell our products.

The company also raised and processed chicken, and decided to expand their corporate social initiative project to develop a new market. Most of the tertiary products of chicken (parts like hearts, gizzards, heads etc.) are sold for industrial processing, e.g. for pet food. But the company could earn a higher margin on those products if it could sell to it to end-users. In neighboring South Africa, a popular snack in poor communities is "walkie-talkies", i.e. fried chicken feet and heads. Walkie-talkies are prepared in various ways, almost always by street traders, and are well-known as a cheap source of protein.

The company went to South Africa to gather recipes from some of the most popular traders with the aim of teaching local entrepreneurs how to prepare the snack. Although the initiative was in its early stages and there was no guarantee that it would eventually succeed, the CEO's explanation of "win-win" was consistent with what we were obtaining from various other data sources. The CEO explained:

We took these guys from the street and took them to the training center where we gave the recipes and training on how to prepare these products – because they are quite cheap products – and finances. And then we let them go back to where they are from, and then they can start a small business for themselves. Yes, we try and create wealth on that side. And their wealth is through the purchase of our products.

Other executives informally and off the record shared their insights. Some were from large advanced multinationals, comparable to Microsoft and Danone. Others worked for emerging market multinationals or even fully local firms. They expressed remarkably similar views about why they were using CSR to support experimentation in poor communities with the aim of developing new profit streams, motives we will unpack in the next section. They typically explained that they were not yet confident enough about the positive outcomes of profit-oriented CSR projects to openly talk about the process.

We are presenting a conceptual paper where our primary building blocks are prior literature. But we believe that the conceptual linkages we make are strengthened by the diverse evidence from over a long period of time.

4. Two key insights

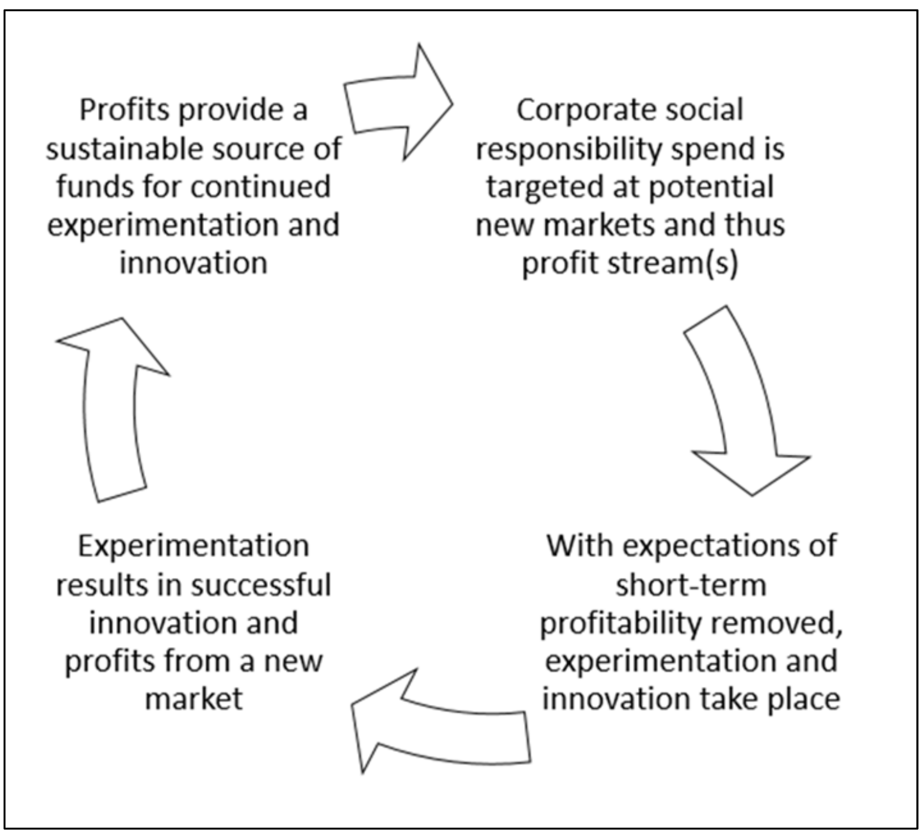
The initial trigger for our research was the question why executives in developing countries were linking CSR with profit-seeking experimentation. As we engaged in greater detail with that question, a second question arose: was it a good idea to conflate such very different concepts? As we grappled with these questions, we developed two key insights.

How managers link CSR and innovation

Three concepts repeatedly recurred in all the examples (whether teaching cases or interviews) we encountered. First, business goals and profitability were a central preoccupation. Second, the continued benefit to the community (often referred to as the "sustainability" of CSR initiatives) was mentioned in all the cases. Finally, notions of piloting, experimentation and innovation were consistently present. By examining how those concepts were linked to each other, we could develop a model of the intended (virtuous) relationship between CSR and innovation. We present that model, and then critically examine the assumptions that underpin it.

Figure 1 demonstrates how the interrelationships seem to be understood. The first step is typically to target CSR spend on a community with the explicit intent of experimenting to identify or gather more information around a possible new profit stream. The major reason for using CSR to support such innovation is because the CSR designation removes expectations of profitability.

Figure 1: How executives explain a virtuous cycle between CSR and innovation



When a firm targets potential new markets under the umbrella of CSR, the firm gains a "living lab" in which it can experiment until it is relatively certain that it can profitably enter a previously non-served market, whether via a new way of accessing the market or via a new product/service that be sold to the market. The model then suggests that when the firm starts realizing profits from those offerings, those profits can in turn be earmarked for similar future CSR-type projects. In effect, the firm uses CSR to (below the radar) subsidize new offerings while it tries to identify the feasibility and size of a new market, how sales can best be realized, and so on.

Several assumptions of the virtuous cycle implied in the model are not born out in the literature on innovation (Cooper, 2019), and mark major fault lines in the model. First, innovations fail, and can fail quite late in the life of an innovation. It is at this juncture – the bottom arrow on the model – that the distribution of the costs and benefits of the innovation become particularly important, a point to which we will return.

Having generated increased profits from a previously un- or underserved market, there is a sense that there will be further investment of CSR into similar such markets. This is another assumption in the model. That increased profits from a new market are available for reinvestment into the community reflects the logic of R&D, rather than of CSR. Successful R&D projects tend to result in further funding for subsequent, similar projects, whereas CSR decisions are rarely taken on the basis of the possible returns to the firm.

However, this assumption talks not so much to the innovation process as to how managers experience CSR. At the heart of managers' comments is a concern for how to ensure the sustainability of (funds available to) CSR. Exploring this concern, where it originates and how consequential it is, is not the focus on this paper, although it is an important area for future research.

The conflation of CSR with R&D

A common thread across the CSR projects we looked at as well as connections drawn in some existing literature (see for example Kantor, 1999) is that CSR might be considered a substitute for the functions and structures that formal R&D laboratories can offer more traditional product innovation. This includes protection from immediate shareholder and return expectations, understanding that timelines could be unpredictable, the flexibility to undertake more or less risky innovation projects with different likelihoods of success, and indeed the understanding that initiatives can fail.

In that sense, just as CSR on a community level can help fill institutional voids, on an organizational level, labeling a project as CSR can fill internal 'voids' related to processes, expectations and resources that can support innovation that is not science-based but that involves users. This is exactly what Singh et al. (2015) refer to when they explained about the "risky" base of the pyramid markets that "the non-profit approach of CSR initiatives gives the organization more leverage and flexibility to experiment" (2015:365). It seems that initiating a project under the CSR banner is a useful strategy that signals the legitimacy of the innovation to internal stakeholders (management, shareholders, investors, etc.).

However, this may be taking things a "bridge too far", as we mentioned in our introduction. Despite apparent structural and functional similarities, using CSR as a stand-in for formal R&D structures can obscure important differences. This can in turn contribute to a problematic distribution of benefits and costs. In order to bring out the crucial differences more clearly, Table 1 summarizes the perceived similarities and differences between CSR and R&D.

Table 1: Perceived similarities and differences between CSR and R&D

	CSR	**R&D**
Benefit to firm	Secondary	Primary
Benefit to community	Primary	Secondary
Tax or other financial benefits	Some	Yes
Expectation of profits	None	Delayed
Protection from short-term shareholder expectations	Not considered	Yes
Tolerance for failure	Not considered	Yes
Protection of participating parties	No	Yes

Upon first glance, the direct comparison is jarring: CSR and R&D are two firm activities with very different origins, functions and underlying philosophies. Our point is precisely that firms seem to be conflating these two very different activities, and moreover, that there are clear explanations for why that is happening. The benefit of recognizing and making explicit that managers might be using CSR as a way to replicate the functions of formal R&D structures in order to support community-facing innovation is that it can draw our attention to areas that have not yet been discussed when CSR is used in this way.

In particular, the tolerance for failure and protection of participating parties is usually not considered in the context of CSR. This is probably because the default assumption is that CSR is beneficial to those involved. In institutionalized R&D processes, there is much greater understanding that the process may fail, and concern that the user deserves protection as the research process unfolds. For example, there are processes and regulations in the context of R&D to protect vulnerable research participants such as human subjects in medical research. In contrast, there is seldom consideration of those vulnerabilities in the case of experimentation within a community when the community is a recipient of CSR programs for which beneficial outcomes are assumed

This is key. A "postscript" to the well-publicized and lauded Danimal case in South Africa (Ismail, Kleyn & Ansell, 2012) makes for chilling reading. In 2010, the champion for Danimal had left Danone, and the project was discontinued. This created major problems in the impoverished communities where people had earned a living selling Danimal yoghurt. To continue earning some form of income, some traders continued to sell wares outside schools. Because they had to source different projects to sell, some started selling less healthy snacks. Others obtained other Danone yoghurts at regular retailers for reselling to their customers. The regular retailers were far away and stock was bought infrequently – Ismail, Kleyn and Ansell (2012) report seeing yoghurt containers past their expiration dates.

There is no evidence on what happened next. Indeed, one of the characteristics of vulnerable communities is their "invisibility" (Méndez, Flores-Haro & Zucker, 2020). But those yoghurts had not been designed to survive outside a cold chain, and customers included not only children, but also babies and people with HIV/AIDS (Hawarden & Barnard, 2010). It is highly likely that some customers adversely responded to consuming the post-expiry date yoghurt.

CSR provides no structure or expectation about how to protect the user from failure, should it occur. While managers might think and worry about the sustainability of their efforts (understood as their ability to continue providing the offering to the community), experimenting with different ways of delivering services and products to poor communities, like any other form of experimentation, is virtually by definition likely to sometimes fail. Indeed, as we reflected on the reticence of some executives to speak to us about their CSR projects, typically because those projects had "not yet" succeeded, it struck us that executives were likely grappling with these very issues.

Once we can reframe community-facing, socially-oriented innovation in the context of CSR and highlight the similarities to R&D, we can also identify which aspects of such CSR innovation activities need more attention. For example, how to "abandon" a community should failure occur needs much more study, especially in the light of evidence of the more damaging dimensions and impacts of CSR (Fox, 2004; Frynas, 2005; Jenkins & Obara, 2006; Muthuri, Chapple, & Moon, 2009; Rajak, 2006; Schneider, 2020; Tencati, Russo & Quaglia, 2008).

Programs can create dependencies in the community, and this leaves communities to their own devices and arguably in a worse position when CSR projects end, a surprisingly under-researched phenomenon. But whatever the specifics of what happens, when we think of R&D, the premise is exactly the opposite: failure of one project does not lead to the closure of the R&D laboratory. Instead, the whole organizational structure surrounding R&D creates the necessary financial buffers so that R&D activity can continue.

5. Discussion

More inclusive markets are good for society. As business grapples with issues of greater sustainability, equity and access, codified in the Sustainable Development Goals (Mio, Panfilo & Blundo, 2020; Van Zanten & Van Tulder, 2018), there is increasingly recognition that it is important to find ways to allow currently disconnected communities to more fully participate in the economy. Easier access to a greater range of goods and services is good not only in the abstract "for society", but specifically for those individuals who are currently economically excluded and suffering from a "poverty premium" (Finney & Davies, 2020).

Some managers seek to respond to these social needs, but find their organizations ill-designed to support their efforts. Those managers engage in "intrapreneurial bricolage" (Halme, Lindeman & Linna, 2012), "corporate social entrepreneurship" (Tasavori, Ghauri & Zaefarian, 2016) or simply repurposed corporate social responsibility initiatives (Singh, Bakshi & Mishra, 2015) so that they can develop the necessary knowledge of how those markets function.

We are not doubting the positive and pro-social intent of these managers. Instead, our concern is about the wisdom of stretching CSR from a normative to a strategic (but still largely business-supporting) use into the core business domain of developing markets and generating profits.

Our work is theoretical, and where we refer to empirical cases, our engagement is impressionistic and anecdotal. We see the gathering of more systematic evidence as an essential next step. We can already identify multiple areas for future research emerging from our work. In addition to further and more systematic research on how CSR is used to support experimentation in new markets, our work also suggests that both constituent elements – CSR and socially oriented innovation and experimentation – need further scrutiny.

In the next section, we discuss the implications of our argument, and outline core themes for future research.

The need for an organizational structure for community-facing experimentation and innovation

From the perspective of the firm, using CSR for a use for which it was not initially intended is inefficient. Most people in developing countries have limited spending power, and the fundamental argument in serving these markets is that margins are small, but volumes are substantial (Prahalad, 2006). Organizations are most likely to generate a return on their investment in such markets if they can scale – likely with some adaptation – across similar markets. Thus is it key that multinationals develop ways to, at least internally, share insights about emerging markets. But when initiatives are framed (or disguised) as CSR projects, projects are only covertly shared. This means that organizations can develop the needed practices and procedures only on a piecemeal basis. They cannot develop or deepen organizational expertise in serving these markets, because they cannot disseminate learnings from one context to another. All of this prevents scaling.

We want to suggest that both firms and society will be better served by extending the current organizational mechanisms underpinning R&D to include not just science-based experimentation and innovation, but also community-facing, social innovation. Initiatives that are not science-based but that nonetheless represent innovations that can benefit both the firm and the community deserve protection, especially given the increasing importance of sustainable development goals.

From a regulatory perspective, firms that seek to innovate underserved markets should be able to claim similar tax or other financial benefits than R&D projects currently receive. There is no reason why fiscal incentives are offered only to innovation that results in technological advances: Developing ways to profitably serve new and previously underserved communities, and offering goods or services that matter for those communities also have the potential to be of wider societal benefit, and are thus deserving of fiscal support.

From the perspective of shareholders, there should be organizational mechanisms allowing firms protection from short-term shareholder expectations. Much can be learned from the practices of formal R&D, for example how letters to shareholders are used to manage expectations around innovation.

Another key consideration is around increased tolerance for failure. In the case of R&D, a failed project does not lead to the closure of the R&D laboratory. Rather, organizational structures create the necessary financial and reputational buffers for R&D activity to continue. In contrast, there is currently no structure or expectation about managing failed experiments when the experimentation was community-facing. This creates an organizational vacuum that is currently, at least by some organizations, filled through appropriating CSR projects to support socially-oriented experimentation. But neither how firms can modify and proceed with innovation with a strong social orientation (e.g. the development of new markets for poor communities), nor how to protect users from failure, should it occur, has received much attention in organizations.

Exiting a community in case of the failure of an innovation experiment needs particular attention. Failed CSR projects in developing country communities result in long-lasting damaged relationships, broken trust, and reluctance to risk any community resources and goodwill in the future. The risks of such projects are thus real, and they must be appropriately managed. For firms this requires firstly acknowledging the need for strategic tolerance in case of failed community-facing experimentation and innovation. A second critical step is about the need to develop strategies to respond to such failure. This introduces our second main concern.

Protection for participating parties

Current formal R&D processes have detailed protocols in place to protect participating parties. In medical research, informed consent is required from participants, and when new treatments prove to be harmful or particularly effective, there are clearly documented required remedies and courses of action. Experimentation to develop new markets or to profitably address social issues also involves human participants, but the field has done very little to reflect on the failure to protect participants where customers are involved in the delivery or development of goods and services.

In the field of services marketing (although mainly in the context of developed markets), there is increasingly concern about what has been termed the "dark side" of customer co-creation strategies (Heidenreich, Wittkowski, Handrich & Falk, 2015; Wei, Ang & Anaza, 2019). Most of those scholars examine the likelihood of a customer remaining brand loyal, but in the case of developing countries, the potential dark side is much more concerning.

For example, in poor communities, there is a risk of people losing access to basics like food if purchases on a failed innovation displace purchases of basic goods. Given the struggle that poor people have in being seen and heard (Méndez, Flores-Haro & Zucker, 2020), their problems may never be addressed. The desire of executives to do good focuses their attention on the positive win-win areas of their work in the community. This is already evident in very early thinking about the connection between CSR and innovation, e.g. Kanter (1999). But we are arguing that there must be formal safeguards for when possible customers are, as is the case with many innovations that seek to serve a social purpose, experimented "with" – and even "on" – rather than innovated "for".

Where communities become "living laboratories" where the lines between customers, human subjects and co-innovators blur, companies must develop appropriate safeguards. The protection of participating parties is seldom considered in the context of CSR, precisely because the default assumption is that CSR is beneficial to those involved. In institutionalized R&D innovation processes, there is much greater understanding that the process may fail, and concern that the user deserves protection.

Although our work focuses on emerging markets, our concern about involving users without their informed consent has implications more broadly. One example of a failure to protect the community thrust into the role of co-innovator was in the collision between a cyclist and a self-driving car being tested by Uber in an actual community. In reflecting on the cyclist's death, Marshall, writing for Wired (2018) put it quite pointedly:

> *When I walk outside my office, down to the busy, honk-filled four-lane road that runs by it, I'm immediately part of a wide-scale science experiment. A lot of us are, here in San Francisco, in metro Phoenix, Arizona, in Pittsburgh, Pennsylvania. We didn't sign any forms or cast any votes, but here we are, in a living lab for self-driving tech.*

We concur with his assessment of the basic challenge: There needs to be a space for experimenting and creating benefits for the future, but this space needs to be created based on a careful assessment and awareness of the risks to which communities are exposed.

The debate about the correct balance between the risks and rewards of experimentation under the umbrella of CSR is extremely complex. Assumptions that CSR will be beneficial to the community, as well as different narratives about the rules of engagement for CSR mean that it is hard to develop proper protocols and procedures. Thus potential market participants struggle to voice the ways they would or would not like to participate in community-facing social experimentation. Yet this does not diminish the need to develop such protocols. Indeed, this is one arena where CSR generally – even if conducted without any profit motive – can benefit from borrowing from already-existing mechanisms that are designed to protect users.

At a basic level, safeguards could include requiring evidence that a set of fairly fundamental issues were considered before a project was launched, e.g. the potential benefits but also risks to a community, the estimated time needed to refine the approach, cost and breakeven points during the pilot and post-pilot phase, and scale-up as well as decommissioning costs. Effort should also be taken to represent the likely views of the users. Indeed, we suggest that there is a need to introduce a radical transparency into interactions with communities across all CSR projects, also when they are not serving a profit generation purpose. Laying out "what's in it for me" – for both firms and community members – is needed not only to increase the success of socially-oriented experimentation and innovation, where that is taking place, but also to signal respect for the autonomy and dignity of societal members in all CSR initiatives.

6. Implications and conclusion

Using CSR as a mechanism to support innovation is not (yet) a widespread phenomenon. But it is a persistent one, with the earliest examples found in this research dating back 15 years. Moreover, the cases from Southern Africa documented in this paper are quite similar to those documented by Singh, Bakshi and Mishra (2015) in India, even though managers in the two locations were unlikely to have been in contact with each other. Additional research is needed to clarify how widespread these practices are, and also whether there are systematic differences and similarities between homegrown firms from these quite different emerging markets, and also between emerging market firms and their counterparts from advanced economies.

It does however appear that managers in very different geographies are using CSR in ways for which it was not necessarily intended – in essence, as a form of social R&D. As we have shown, although there are clear similarities in the thinking behind CSR and R&D, there are also important differences.

In particular, when firms engage in socially-oriented innovation, they do not operate inside the boundaries of the firm, but engage with potential customers. Moreover, when they use CSR to help them identify and access new potential customer groups, and to develop ways to profitably serve them, they engage with potential customers who are members of often quite vulnerable beneficiary communities. It is wise to have safeguards in place to govern those relationships. This could legitimize and initiate the development of organizational measures to support community-facing experimentation and innovation, similar to how R&D supports technology-based experimentation and innovation. It should also include reflection and safeguards about the intended beneficiaries of these projects.

Although executives may wish their customers only the best, we show that not only the benefits of innovation with a strong social orientation, but also the costs are borne by both the firm and the often quite-vulnerable individual potential beneficiaries/customers. Finding ways to encourage socially oriented experimentation and innovation in communities, but in such a way that participating community members are adequately protected, are important avenues of further practical and theoretical investigation.

We believe that taking experimentation and innovation out of the CSR shadow will not only improve the effectiveness of innovations that aim to serve a social purpose, but can also benefit increasingly instrumental CSR initiatives. Although CSR *per se* has not been the focus on this paper, it may be useful to introduce a radical transparency into interactions with communities generally. By focusing on an economically vulnerable emerging market context, our paper raises important questions about how to conceptualize CSR initiatives so that they are indeed pro-social and responsible.

7. References

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