



April 27, 2022

Corporate Social Responsibility (CSR) Fosters Technological Innovation: Study

By The CSR Journal

According to a recent report published by the American Accounting Association, companies who take corporate social responsibility (CSR) seriously have an advantage when it comes to producing breakthrough technologies. Given the importance of innovation to long-term prosperity, the study lends credence to the notion that businesses might prosper by doing good.

“CSR has been a topic of significant discussion in the business community for decades, with some arguing that CSR can hurt a company’s bottom line,” says Yonghong Jia, co-author of the study and an associate professor of accounting at Iowa State University. “We wanted to get a deeper understanding of how CSR can benefit a company by examining whether CSR can influence a company’s technological innovation.”

The researchers did this by looking at publicly available data from 2,403 companies. They evaluated each company’s CSR performance using CSR ratings from an impartial source. The researchers looked at each company’s patents and the number of times each patent was cited by other patents, which serves as a proxy for estimating the extent to which a patent has a market value. To investigate the extent to which CSR and tech innovation were associated, the researchers employed complicated models to account for confounding variables.

“Simply put, companies that were more engaged in CSR efforts had stronger performance in the field of technological innovation,” Jia says.

However, there certain characteristics that amplified CSR’s impact on tech innovation.

Engaged Board and Leadership

According to the authors of the study, when a company’s board of directors is involved, CSR efforts have a greater impact on technological innovation. The same is true when a company has a stronger CEO; when a company has a higher-paid staff and competes in an area that needs more technical competence; and when a company competes in various business sectors.

Companies in CSR or Green Sectors

The researchers also found that the internal capabilities in a company that relates to CSR and foster innovation lead to innovations in areas beyond social or environmental issues.

“For example, the CSR effect was not just about improving innovation for ‘green industries,” says Jia.

“The takeaway for the business community is that CSR provides a tangible benefit – because innovation gives firms a sustainable competitive advantage that can provide long-term value creation and support future growth,” Jia says. “That benefits shareholders.”

Relationship between CSR and Profitability

According to the authors, this research contributes to our understanding of the link between CSR and profitability. It’s becoming increasingly crucial to grasp these relationships as accounting moves forward with integrated reporting that better reflects the full of a company.

“Corporate Social Responsibility and Technological Innovation” is the title of the paper published in the *Journal of Management Accounting Research*. Xinghua Gao, an assistant professor of accounting at Washington State University, and Boysie Billings, a professor of accounting at Wayne State University, collaborated on it.