

PREREQUISITES FOR THE DEVELOPMENT OF INNOVATION IN THE CONTEXT OF THE CONCEPT OF CORPORATE SOCIAL RESPONSIBILITY IN THE BLACK SEA REGION

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Abstract: *The report examines the theoretical connection between innovation and CSR and their opportunities for development in the Northeastern and Southeastern regions of the Republic of Bulgaria. Based on the results of an empirical study among 300 SMEs implementing innovations in our country, opportunities for the development and implementation of innovations in CSR are outlined, which will increase the competitive performance of the Black Sea region.*

Keywords: *Innovation, CSR, Open innovation*

Innovation and Corporate Social Responsibility

Innovation is the ability to create the conditions for finding and identifying better solutions in organizations (Martins and Terblanche, 2003). The concept of innovation involves generating and introducing new combinations of resources to create and add value to and from the organization and help increase stakeholders' well-being and performance (Drucker, 1985; Baldwin and Curley, 2007). Innovation can be found in various forms (product, marketing, process, social), comes from different sources (closed and open innovation) and is associated with other aspects of change (incremental, radical, destructive) (Chesbrough, 2003; MacGregor and Fontrodona 2008; Димитрова, 2017).

Corporate social responsibility is essential for increasing companies' competitiveness, sustainability, and economic advantages. Adopting the concept of CSR, companies are much more successful in risk management, efficiency and effectiveness, maintaining favorable relationships with stakeholders and human resource management.

As early as 1984, Peter Drucker emphasized the enormous potential of transforming social problems into business opportunities, economic benefits, human capital and good public competencies (Prahalad, 2005; Prahalad and Hart, 2002).

From a theoretical point of view, the two-way connection between CSR and innovation is substantiated (Gallego-Álvarez, Prado-Lorenzo, & Garcia-Sánchez, 2011), and the various aspects supporting the implementation of innovation processes are considered (Husted & Allen, 2007; McWilliams & Siegel, 2000).

Business organizations are crucial to transitioning to sustainable strategies and policies to address the socio-economic and environmental challenges facing society. Here, the connection of CSR with innovation is discovered, which provides opportunities to offer real solutions that enhance both brand value and social prosperity. The implementation of CSR by companies has a significant contribution to economic development (McWilliams and Siegel 2000; Gregory et al., 2016) and reflects companies' commitment to responsible management of their actions.



According to various studies, CSR increases competitiveness (Porter and Kramer, 2011), while helping to create shared value (Porter and Kramer 2011). The CSR itself is a source of innovation (Fernández-Feijóo Souto, 2009). CSR supports the implementation of innovation processes (Husted & Allen, 2007; McWilliams & Siegel, 2000). It helps companies maintain a positive reputation (Berliner and Prakash, 2014; Du, Bhattacharya, and Sen 2010).

In the context of CSR initiatives, companies improve relationships with their customers, attract investment, and help retain highly qualified employees who can adequately support the optimization of innovation processes. Empirical research has shown the positive impact of the value created for stakeholders and applied management strategies associated with innovation (Husted and Allen, 2007; Trebucq and Evraert, 2008).

Different research studies (MacGregor and Fontrodona, 2008; Gallego-Alvarez et al., 2011; Graafland and Noorderhaven, 2019) show that the relationship between innovation and CSR practices requires additional in-depth theoretical and empirical research to formulate specific parameters for its measurement and justification of its nature.

In the context of CSR, the implementation of innovations leads to an increase in the overall organizational performance by responding to specific societal needs and current ones that require the implementation of innovations. The presumption of deepening research and explicitly defining the link between CSR and innovation is mentioned.

The balance between the interests of stakeholders and the company contributes to the generation of innovations in search of answers to current societal needs and to anticipate the influences and emerging horizons of expectations and trends. The presumption of their sustainability includes compliance with the principles set out in CSR.

Open Innovation and Innovation Networks

The concept of open innovation is also related to the issues under consideration. The concept is essential in modern conditions, which is the ability of organizations to overcome their limitations and absorb knowledge and technology from their environment (Chesbrough, 2003; 2006). The reason for applying the concept of open innovation is the constant change and dynamics of the business environment and the inability of companies to carry out internal research and development with the same success they would have in using external knowledge.

In the context of increasing globalization, organizations rely on external knowledge as a source of competitive advantage (Lee, Park, Yoon, & Park, 2010; Popa, Soto Acosta, & Martinez-Conesa, 2017). A study on open innovation in small and medium-sized enterprises (SMEs) is critical (Vanhaverbeke, 2017) because SMEs rely on external expertise to overcome size constraints.

In the context of SMEs, open innovation is evident from studies indicating that companies engaged in open innovation have greater access to ideas, knowledge, and technology in interactions with stakeholders in their ecosystem (Димитрова, 2017). Open innovation projects reduce R&D costs, support risk management, and bring innovation to market faster (Chesbrough, 2010; Xie, Wang, & Zeng, 2018).

The smaller a company is, the more it depends on interactions, so it is essential to focus on all groups of stakeholders in the process of implementing open innovation. Open innovation depends on the effective management of the relationships between those involved in the process (Popa, Soto-Acosta, & Martinez-Conesa, 2017).

Companies that carry out processes related to open innovation are much more open to communication and the creation and maintenance of various relationships; they are engaged with their external stakeholders. They innovate more successfully to meet market trends; customer needs and, in many cases, redefine them.

The theory of innovation networks can also shed light on the possibilities for integrating diverse groups of stakeholders during innovation processes. In many sectors, the locus of innovation is not in themselves but their networks (Ritter & Gemünden, 2003). Innovation networks combine different resources, knowledge and opportunities, which are often not only possible through market transactions. This combination becomes extremely important in the growing complexity of new products and services. In the context of modern conditions, the sources of innovation vary. These include customers, suppliers, different organizations, and interest groups, all of whom could be involved in the innovation process and contribute to value co-creation (Ramaswamy & Gouillart, 2010). To this end, it is necessary to maintain trust between the leading company and other participants in the network (Ramaswamy & Gouillart, 2010).

The diversity of participants - different organizations, communities, and institutions - allows faster identification of the diverse needs and claims of key stakeholder groups, including generating and implementing innovation in the context of CSR.

Empirical Study

For the present study, we consider the innovation initiatives, the implemented partnerships, investments related to innovations, and the availability of innovations in the field of CSR in the different regions of the Republic of Bulgaria. The goal is to recommend developing competitiveness associated with innovation and its link to the Black Sea regions. The sample was compiled based on the number of companies that implement innovations in the Republic of Bulgaria according to NSI data. The surveyed companies' profile is as follows: the number of respondents - 300 companies, the owners or managers of the companies were interviewed according to a pre-prepared survey with closed questions. The survey was conducted in the period March-April 2020. The size of companies is determined according to the European classification - micro enterprises - 159 respondents, small - 92, medium - 32, large - 5. Twelve of the respondents did not answer to which group it belongs the company they run. From the demographic profile, we see that the respondents in the survey are mainly representatives of SMEs. The following areas of activity are presented - production, services, light and processing industry, machine building, energy, science and education, IT, construction, design, engineering.

The general picture shows that the still preferred investment by companies in our country is in material resources - computers and modern equipment - the Northeast and Southeast regions are no exception. Their investment propensity indicators are similar, with the preference for investment in internal research and development being more tangible in the Northeast region.



Fig.1. In which region is the company /organization you work for located? / In the last three years has your company invested in

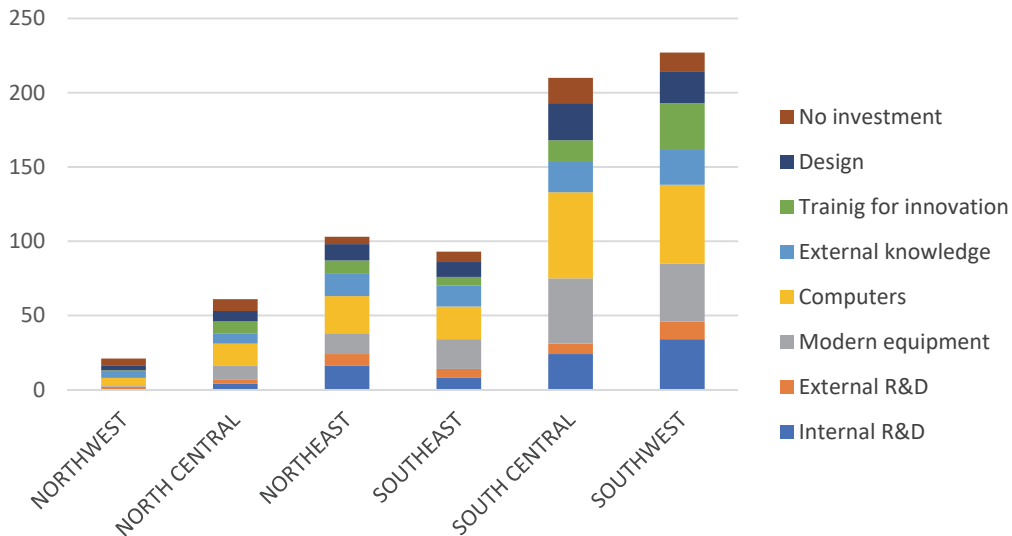
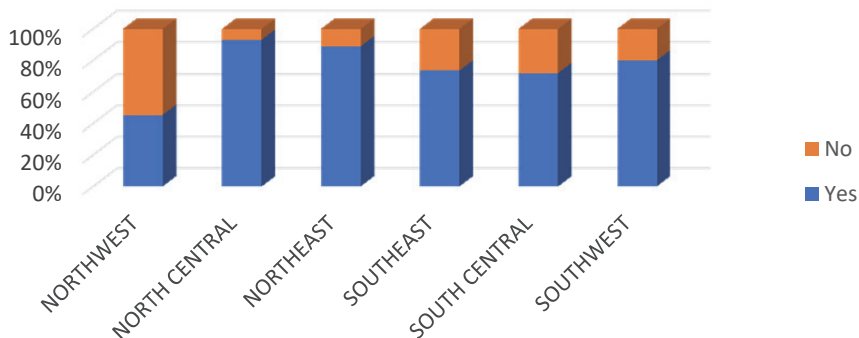
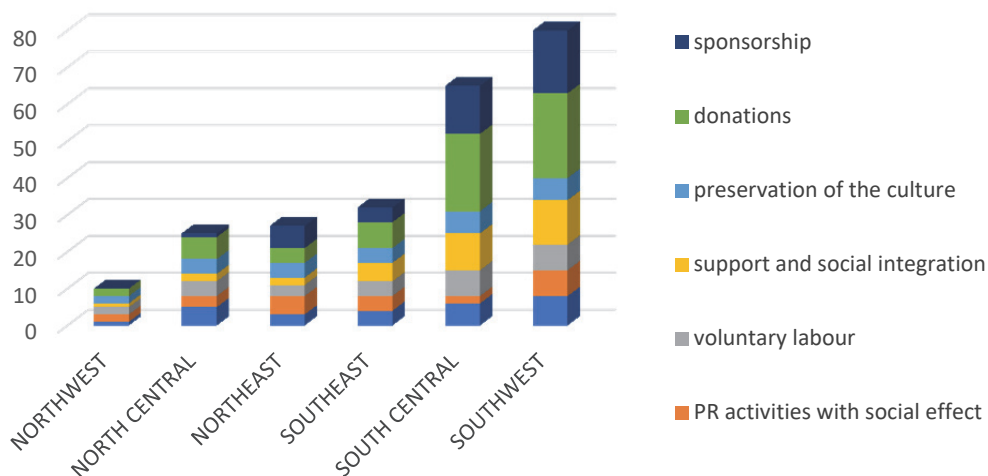


Fig.2. Has innovative products and services have been developed in your company? / In which region is the company /organization you work for located?



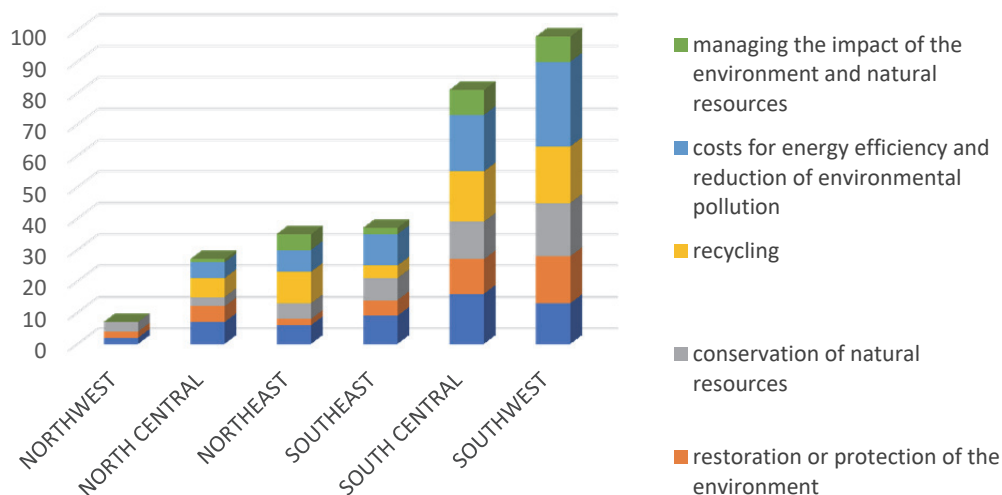
Predominant in both priority regions for the current study are the companies that implement innovative products and services, and the Northeast region is among the leaders in this indicator.

Fig.3. If you apply the concept of CSR in your company, in what area is it? / In which region is the company /organization you work for located?



The graph shows that the surveyed companies from the Northeast and Southeast regions adhere to CSR principles in their activities.

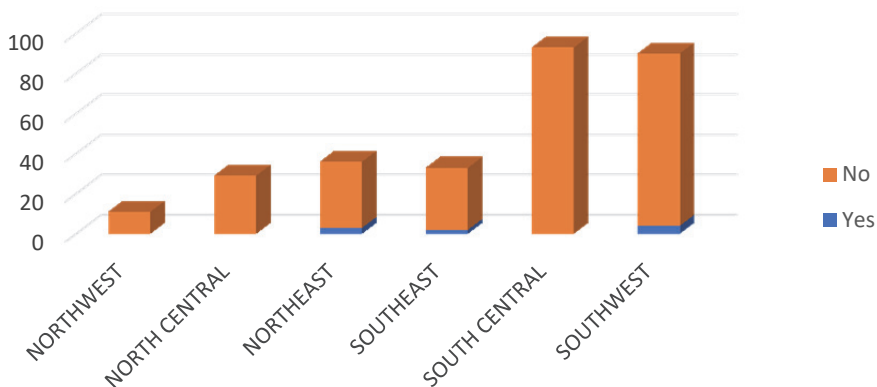
Fig.4. If you apply the concept of CSR in your company, in what area is it?/ In which region is the company /organization you work for located?





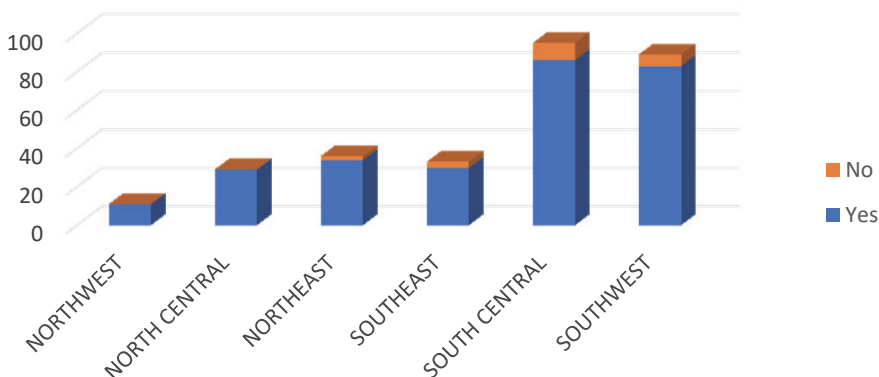
The data from this chart again show that the surveyed companies adhere to the good practices related to the concept of CSR. In the Northeast region, the emphasis on recycling is lower compared to the Northeast and in the overall picture. In the Northeast region, little attention is paid to restoring and protecting the environment. In both areas, the impact of products and processes on the environment and natural resources is less well managed.

Fig.5. Do you implement innovations related to CSR?/ In which region is the company /organization you work for located?



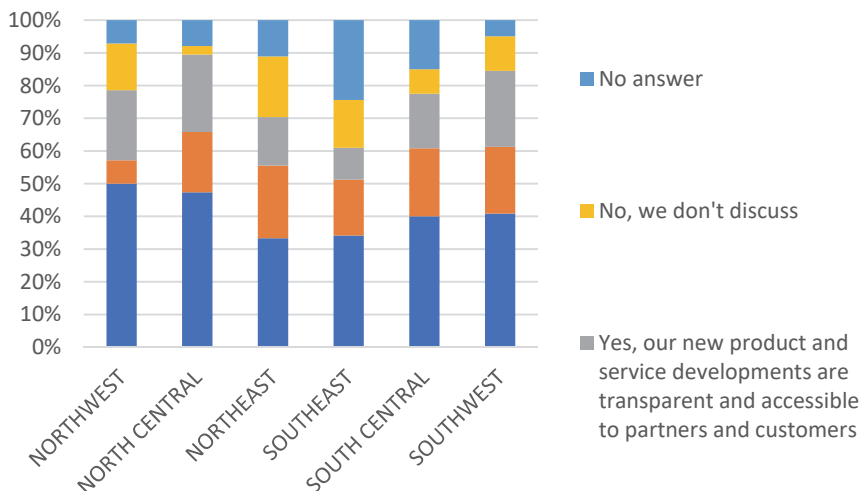
The research results show that the companies carrying out innovations in our country do not have much in the context of CSR. Although insignificant, in the regions we studied, there are some.

Fig.6. In the last three years has your company-maintained partnerships with other companies, organizations? / In which region is the company /organization you work for located?



Most respondents in the survey are partnerships with other companies, various organizations, institutions and clients.

Fig.7. Do you consult your partners when creating new products/services?/ In which region is the company /organization you work for located?



Respondents from the Northeast and Southeast regions are open to the processes of co-creation of value, offering transparency in discussing the parameters of the offered goods and services with their partners and clients.

Discussion

For the respondents from the priority regions for the research and the others, it is necessary to be aware of the importance of intangible resources. The intangibles increase the competitive performance of companies and focus on investments in external knowledge, external research, and training in innovation, which will help improve the competencies and skills of employees and all participants in innovation processes. Mentioned will lead to more innovations to support the overall successful performance of competitors in the industry.

The existence of established partnerships and open communication with customers and partners will support the dynamic presence of innovation networks, which will encourage the increase of the innovation potential of their participants. It is essential to implement and operate partnerships between businesses and organizations of different nature - research, non-governmental organizations, universities, and professional associations. In this way, it will realize more innovations, but the innovation potential of the participants will be increased. Last but not least, the gap between the training offered by higher education institutions and business requirements will be minimized.

The realization of innovations in CSR is essential for increasing the competitive advantage. Among the respondents in the survey, they are still very insignificant. The respondent companies from the Black Sea region have good practices related to the concept of CSR. With the help of communication, it is essential to realize the reciprocal nature of the company-society relationship – solving current social problems, and meeting the needs of critical stakeholders, will generate profit.



In the context of CSR, examples of innovation are found in investing in "green" products and services, as well as in resource-efficient techniques that reduce the impact on the environment - such as the circular economy and the principles of environmental management. Ecological companies are driven by minimizing footprints in various efficient and effective solutions, such as waste management and green products, when creating product and process innovations and innovative services.

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