

TOWARD AN INTEGRATED VIEW OF CSR, SOCIAL CAPITAL AND INNOVATION: A THEORY OF SUSTAINED VALUE CREATION

In the current context of global knowledge based economy organizational innovation becomes the key driver for the corporate success in the marketplace and sustained competitive advantage. Drawing upon the Nahapiet and Ghoshal's (1998) work on social capital, intellectual capital and organizational advantage, we argue that CSR practices might create the enabling conditions for organizational innovation via three social capital's dimensions (i.e., *cognitive*, *structural*, and *relational*).

Social Capital dimensions-Innovation link. Cognitive dimension (*shared vision*) facilitates exchange of knowledge among employees and increases their willingness to collaborate; structural dimension (*social interaction*) is critical for access to new information and ideas, while relational dimension (*organizational trust*) increases the speed and credibility of new information, thus enabling and sustaining innovation process over time.

CSR-Shared Vision link. Based on the empirical evidence of positive effects of moral leadership and employees' participation in social alliances on organizational affective commitment and identification, we hypothesize that *moral leadership* and *employees' participation in CSR programs* are significant predictors of *shared vision*.

CSR-Social Interaction link. We use Granovetter's (1983) distinction between strong and weak ties in social network and discuss their respective benefits for a successful social interaction, i.e. heterogeneous individuals (weak ties) collaborate in the pursuit of common purpose (strong ties). Based on this discussion, we hypothesize that *workforce diversity* promoted by CSR labor standards directly contributes to *social interaction*, while *moral leadership* and *employees' participation in CSR programs* are positively related to *social interaction* via *shared vision*.

CSR-Organizational Trust link. Evidence from social psychology suggests that prosocial individuals have a generalized propensity for trust, while proselves are only sensitive to material incentives. Based on the person-organization fit theory, we argue that *ethical climate* is more likely to attract prosocials and thus create conditions for developing trust-based relationships in organizations.

Our hypothesized model consisted of nine latent and two controls variables (R&D, size) has been tested on a sample of 185 companies (from France, Pakistan, and other countries). Innovation has been operationalized as *innovation climate* and *radical innovation*. The PLS-SEM method was applied by using SmartPLS 2.0 software. Measurement scales were assessed for reliability, convergent and discriminant validity; as well for measurement invariance and common method bias.

Our findings provide strong support for the argument that different aspects of CSR dimension, with moral leadership as the key determinant of other CSR practices, contribute to organizational innovation via the mediating role of social capital's dimensions. However, we found more complex patterns of causality for some variables than we expected. For example, workforce diversity contributes to social interaction via ethical climate mediation. Likewise, ethical climate has an indirect effect on organizational trust via social interaction. We also found that there are two distinct paths to radical innovation via (1) organizational trust and (2) innovation climate.

Overall, our perspective suggests that the key to success and growth of modern companies lie in the hands (minds) of business leaders. By promoting workforce diversity, employees' participation in CSR initiatives and ethical work context, moral leaders can create a healthy organizational culture enabling employees' creativity and self-expression to flourish for the benefits of the whole organization and the broader society.

REFERENCES:

- Nahapiet, N., & Ghoshal, S. 1998. Social capital, Intellectual capital and The Organizational Advantage. *Academy of Management Review*; 23: 242-266.
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