

# Chapter 89

## The Ethical Dimension of Innovation

**Leticia Antunes Nogueira**  
Aalborg University, Denmark

**Tadeu Fernando Nogueira**  
Aalborg University, Denmark

### ABSTRACT

*The view of innovation as a positive concept has been deeply rooted in business and academic cultures ever since Schumpeter coined the concept of creative destruction. Even though there is a large body of literature on innovation studies, limited attention has been given to its ethical dimension. In this chapter, the ethical implications of innovations are illustrated with a case study of “destructive creation” in the food industry, and upon which an argumentative analysis is conducted. The main message of this chapter is that innovations have an inherent ethical dimension and that quality innovations depend on systematic consideration of this dimension in the innovation process.*

### INTRODUCTION

*New practices arise constantly in business for which our moral rules do not clearly give us answers. (De George, 1999: 51)*

Innovation has its place in a number of different contexts, from high technological developments to everyday activities. The innovation debate has gained both momentum and importance, and given its interdisciplinary nature, it takes place in different corporate and academic circles. The current economic paradigm has relied increasingly upon the learning economy (Lundvall,

2004), in which managing knowledge is essential for innovation to flourish (Lundvall & Nielsen, 2007). In the learning economy, different agents have access to much more information than ever before, becoming more selective and demanding. As a result, competition has become fiercer and it frequently takes place at a technological level. Even though innovation in the form of a product or service is what has gained most attention in the innovation debate, other types too have increased in importance. These other types can basically be classified in three other categories: process, position and paradigm (Tidd & Bessant, 2009). In light of the widespread importance that inno-

DOI: 10.4018/978-1-4666-7357-1.ch089

vation has achieved, the purpose of this chapter is to promote the discussion of innovations under an ethical point of view.

Because of the paradigm brought by the learning economy, innovations are, more often than not, seen in a positive manner. On a macro perspective, innovation is commonly associated with economic growth and development. On a micro perspective, it is associated with superior financial performance and competitive advantage. When not seen in a positive light, innovation is then studied in a neutral way, mostly quantifying its occurrence and developing metrics to assess it. In this sense, innovation is seen as an end in itself. In spite of the importance and advances brought by this kind of study, they offer very little about the quality of an innovation, or the purpose it serves in society.

Interestingly enough, even though there is a positive bias towards innovation, the concept is limited to the newness of a subject, and does not carry an intrinsic moral element, as defined by Fagerberg:

*Invention is the first occurrence of an idea for a new product or process, while innovation is the first attempt to carry it out into practice. (Fagerberg, 2005: 4)*

Perhaps one of the main assumptions behind such positive perception on innovation is that, it is unlikely that anything achieves such a definite state that it does not require any further development. In other words, there is always room for change. And change, as such, ought to conduct to some kind of improvement. The first part of this assumption (there is always room for change) sounds very reasonable and does not seem to cause any disputes. However, the second part (it ought to conduct to some kind of improvement) is open to debate, given that cases of innovations that have taken a wrong turn do not fall short. Examples are the financial derivatives that led to the 2008

financial crisis, and the planned obsolescence of what were once durable goods (Soete, 2011).

Relatively recent events call attention to the destructive power of innovation, for instance the diffusion of genetically modified organisms and its many implications on health, economics, manipulation of life amongst others. Surely, innovation is indeed supposed to disrupt the status quo, or as phrased by Schumpeter, promote a 'creative destruction'. Nonetheless, it is argued that more attention is needed to the destructive portion of Schumpeter's term, as innovations cause adverse impacts of different natures to different actors. Such impacts ought to be balanced against its positive impacts, taking into account the values underlying social and economic relations. One might argue that innovation, however, is risky and uncertain by nature. Therefore, it is simply not possible to know in advance all of its implications and who could be adversely impacted by it. Yet, there is always room for adjustments through the developmental course of an innovation. Therefore, if some of its collateral effects are unavoidable, they should then be properly mitigated by the ones responsible for it, through accountability mechanisms.

There are still other nuances to the discussion of the positive and negative outcomes of innovations. One of them refers to the purpose versus practical applications of innovations. It refers to inventions that carried a certain purpose, but turned out to be employed in alternative unanticipated ways, e.g. when the airplane, invented by Alberto Santos-Dumont<sup>1</sup>, started being used for military purposes. Another nuance to this discussion concerns the perspective of different stakeholders and their power relations. Take, for instance, the development of agricultural machinery and the following displacement of field-workers. Although this technological development faced resistance from the workforce, it is usually perceived as positive because it created jobs, even though it eliminated others at the same time. Now, on the

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