


Chapter 3


Resilient and Sustainable Organizations: Leveraging CSR and Innovation for Competitive Advantage

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ABSTRACT

Sustainable business practices, driven by Corporate Social Responsibility (CSR) and innovation, are vital in addressing societal and environmental challenges. While their importance is recognized, the interplay between CSR and innovation in enhancing organizational performance remains underexplored. This study examines how CSR integration and sustainable innovation jointly influence performance across sectors and roles. A quantitative survey of 166 respondents employed regression and correlation analyses. Results reveal significant positive correlations between CSR, innovation, and sustainability outcomes, with service sectors surpassing manufacturing. Senior management emphasizes CSR and innovation more than other roles, highlighting the need for alignment. Practical implications include sector-specific strategies, stronger leadership engagement, and tailored policies. The study advances stakeholder theory and dynamic capabilities, offering actionable insights for organizations navigating sustainability in evolving global landscapes.

1. INTRODUCTION AND SIGNIFICANCE OF THE STUDY

In the last few years, there has been a growing trend toward sustainable business practices and social entrepreneurship as strategies for confronting some global socio-environmental problems (Ayyoob & Sajeev, 2024c). Not only the above-mentioned initiatives would reaffirm the integrity of organizations in translating their words into action, but aligning ESG frameworks with SDGs also makes organizations

DOI: 10.4018/979-8-3373-0608-7.ch003

more committed to -and beyond- inclusion, responsibility and impact in their practices (Ayyoob & Sajeev, 2024b). Diversity, equity, and inclusion, particularly among employees, play critical roles in promoting sustainability business objectives and creating culture in the organizations (Ayyoob & Sajeev, 2024a). From the last couple of years, however, awareness about environmental and social issues has been growing and the demands for sustainability have also changed. Increasingly, all types of stakeholders such as customers, governments, and investors are expected to pressurize firms into adopting business operations that respond to profitability and overall contribution to society and the environment (Chen et al., 2023).

The business focus has undergone a fundamental change that reflects the changing face of CSR and innovation as major drivers toward a sustainable organizational-performance future. Meaningful interaction among CSR, innovation, and organizational resilience has emerged as central for long-run survival for firms competing in a dynamic global economy characterized by fast-changing technology, growing competition, and increasing demands for sustainability. Demonstrating CSR into an organizational framework becomes a step toward value creation beyond that of profit generated from social and environmental responsibilities. It is acknowledged that CSR strengthens the resilience of an organization by enabling an organization to have adaptive responses during uncertainty and adversity (Abbassi & Ghormli, 2023). Stakeholder inclusivity, ethical behavior, and environmental responsibility in CSR practices have been shown to provide higher customer loyalty, employee satisfaction, and reputation (Wahyuni et al., 2024). Progressive-responsive innovation in sustainability practices also enables the organizations to address market needs, regulatory demands, and societal expectations in a more accommodating manner.

Through innovative approaches such as the introduction of green technologies and by procuring process improvements, organizations are able not only to reduce their footprint on the environment but also to increase operational performance (Olaleye et al., 2024). As such aspects become obvious to the public, “CSR” and “innovation” are hardly understood in conjunction, particularly on how they contribute to sustainable performance. One of the essential challenges of organizations is achieving the balancing act between short-term financial goals and long-term sustainability aspirations. Material-consumption-intensive sectors, for example, manufacturing, tend to struggle with initial costs of undertaking sustainable practices that may discourage the realization of early profitability (Umana et al., 2024). Meanwhile, service industries have shown stronger capacity to integrate sustainability into operating strategies, exemplified by improved levels of CSR involvement and adoption of innovation. This difference inspires significant questions surrounding contextual drivers in sustainability practices by sector. In addition, organizational positions have a critical function in influencing perceptions and enactment of CSR and innovation. Strategic initiatives are usually spearheaded by senior management, while middle and operational management concentrate on implementation, resulting in possible misalignments that undermine unified sustainability efforts (Low & Cheah, 2024).

This research problem statement springs from these pressing issues. Although CSR and innovation have been recognized in the literature for making unique contributions towards organizational resilience and sustainability, how these two aspects interrelate requires further clarification. Further, very little could be said about the nature of the influence of the industry-specific characteristics and functions of an organization on the way CSR and innovation form part of sustainable business models. Filling in these gaps would be a significant step towards arming organizations with tools for managing the complications of sustainability amidst an ever-challenging global market context.

This study, therefore, proposes to attempt to answer various research questions.

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