

PROMOTING AN INCLUSIVE WORK CULTURE FOR INNOVATIVE CORPORATE RESPONSIBILITY STRATEGIES: A CASE STUDY IN THE LUXURY SECTOR

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ABSTRACT

As the impacts from fast paced globalization become more evident, business firms started to face growing expectations from civil society to address environmental and social issues. Corporate responsibility (CR), which refers to private sector's voluntary initiative to go over-compliance and to tackle its economic, environmental and social responsibilities in an equal and balanced way, emerged as a response to these expectations for increased business regulation.

However, CR initiatives used to focus solemnly on uncoordinated philanthropic activities with no connection with the company's core business, resulting in little significant strategic both for the firm and for society. Nevertheless, CR has the potential to transform markets trends, provide firms with competitive advantage and create meaningful societal impact if carried out strategically. Indeed, the consideration of CR not as a constraint but as a source of innovation and creativity, can lead to the creation of new products, services or business models that aim at solving environmental or social issues, while building a source of competitive advantage. This innovative approach would bring more benefits to the firm and to society than just mere corporate philanthropy.

In this regard, innovative strategies requires the promotion of human capital leading to innovation such as imaginative mindsets and increased learning capabilities, characteristics that emerge in a diverse environment. Diverse environment bring different thinking processes, increased creativity, unconventional knowledge and in particular diversity in gender, namely on

the Board of Directors, is associated with greater innovative performances. But in order to benefit from diversity, companies need to put in place an appropriate organizational culture and management strategy. In this sense, the organizational culture appears as a moderator of the relationship between diversity and organizational performance.

Nevertheless, previous studies on CR responsibility have been mainly theoretical, ignoring variables related to industry, cultural and national context on corporate responsibility. Furthermore, this lack of contextualization also applies to researches on the impacts of diversity on corporate performance, which focused mostly on the composition of upper management level such as boards of directors, ignoring the role of diversity management as an important moderating factor for the success of diversity in a business setting.

The objective of this study is to fill the gaps in previous research by opening up a more realistic understanding of the relationship between diversity and CR, by focusing on a specific industry sector, therefore allowing for consideration of contextual factors such as the business environment and the firm's strategic orientation. Our main research question was to investigate how companies in the luxury sector that invest in innovative corporate responsibility consider and manage diversity. The hypothesis in this research is that diversity can bring innovation, creativity and new perspectives to the firm, if supported with an inclusive corporate culture, and can lead to more innovative corporate responsibility strategy.

The research methodology encompassed a research design that entailed a quantitative and qualitative analysis of the company's CR and diversity strategy. A multiple case study approach was selected in order to allow in-depth studies of individual companies and comparisons between cases. The sample size included seventeen companies selected on the basis of annual revenue, including the more profitable firms in the luxury sector. The data was collected from secondary

data sources publicly available, such annual reports, sustainability and environmental reports and organizational profiles. The data was analyzed on 26 dimensions of CR, in its economic, environmental and social dimension. Each indicator is scaled on three levels: high, medium and low sustainability. In order to evaluate and compare the firm's strategies regarding these indicators, an Index of Corporate Commitment to CR was constructed. The index was analyzed using a cluster matrix analysis for the purpose of identifying common strategic orientation regarding CR as Innovative, Integrative or Philanthropic using a framework proposed by Halme and Laurilla (2009). As for the analysis of the diversity management and organizational culture, data was collected regarding the number and percentage of women on Boards, used as a proxy for diversity on board. Data was also collected for different policies for the promotion and inclusion of diversity (gender, age, ethnic, nationalities, disabilities and sexual orientation), as well as qualitative data on the company's vision and discourse around diversity.

The analysis of the CR performances of the luxury sector revealed a segregation of strategies regarding CR. The first cluster of companies has a CR strategy that can be qualified as Innovative, perceiving sustainability innovation as a source of business advantage and value creation and therefore adopting a strategic point of view, investing in eco-products and engaging in sustainability with consumers. Companies in the second cluster are pursuing an Integrative CR strategy, focusing on preserving brand reputation by conducting business in an ethical manner, minimizing negative operational impacts such as detrimental environmental impacts and managing risks in the supply chain. Finally, companies in the last cluster can be qualified as Philanthropic as their CR strategy is mostly concentrated on compliance and traditional philanthropic activities, such as charity and employee volunteering, with no consideration of environmental impacts. Furthermore, the findings regarding diversity consideration in each of the

above mentioned clusters revealed a strong linkage between the pursuit of innovative CR strategies and diversity promotion, both from a composition and a diversity management perspective. Firstly, companies in the Innovative CR cluster had in average more women both in number and in percentage, than the Integrative and Philanthropic clusters. Secondly, Innovative CR companies perceive diversity as business strength and adopt a pro-active attitude towards diversity promotion, as well as an inclusive organizational culture. Integrative CR companies look at the respect of diversity as part of being an ethical employer; their diversity management focuses on equal opportunity and on the disclosure of diversity composition to stakeholders. In contrast, Philanthropic CR companies do not support diversity beyond legal compliance and their diversity management has been the object of criticism by civil society. Nevertheless, we identified one dissident case that does not confirm our hypothesis revealing that there are several factors that can moderate the relationship between corporate responsibility strategy and diversity promotion. Indeed, we found that it is important to consider external factors that can influence the adoption of innovative CR strategies such as the business environment, national culture and legislation, influence of civil society, as well as internal factors such as the firm's strategic position and sector of activity.

This study evidences that a pro-active approach regarding diversity is beneficial for firms engaged in innovative corporate responsibility. In order to improve our understanding of the relationship between diversity and CR, future research should continue elaborating on case studies, especially in order to carry out longitudinal research to investigate if companies that are innovative became more diverse or if diverse firms became more innovative.

Key words: Corporate responsibility, corporate culture, women on boards of directors, diversity management