Learning from Mistakes: Innovation Dynamics Following Corporate Social Irresponsibility Incidents in Companies

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Abstract

By employing a longitudinal examination encompassing 168 firms, we obtain empirical validation for our hypotheses, indicating that an increase in corporate social irresponsibility (CSI) incidents resulting in government penalties exhibits a positive correlation with innovation outcomes through new product introductions (NPIs). Additionally, we investigate how factors such as marketing department power, CEO duality, insider CEO and firm size serve as moderators in the relationship between CSI incidents and innovation outcomes. Our findings indicate that the strength of the aforementioned relationship is diminished for firms with insider CEOs and larger sizes, suggesting that the impact of CSI incidents on innovation outcomes is less pronounced in such cases. Conversely, operating with a strong marketing department power and with CEO duality amplifies the connection between CSI incidents and innovation outcomes, implying that the effects are more substantial in those cases. These findings hold crucial implications for academics, CEOs, and investors, and policymakers interested in understanding the entire spectrum of possible outcomes of CSI events that can facilitate organizational learning and innovation outcomes

Subject Areas: *Marketing Strategy, Organizational Learning*

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