

UNIVERSIDAD DEL ROSARIO



Enterprise longevity in Colombian companies

From a perspective of innovation and corporate social responsibility as a strategy

Thesis

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Montpellier-France

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## ABSTRACT

Today the Innovation and the Corporate Social Responsibility are issues that are lately gaining strength within organizations thus those are strategies that promote the enterprise longevity. In Colombia management decision are more focused on the development of platforms that support CSR in socially and ethical practices, because those are necessary to generate strategic reputation, to gain fidelity, credibility and customer loyalty.

The multinational Crepes & Waffles uses a strategy focused on Corporate Social Responsibility which creates value innovation in each dishes, in the customer service and satisfaction of each stakeholders because of this the restaurant builds the distinctive added value in the food industry of Colombia. Otherwise, Procolombia is an organization that promotes the non-traditional exports, foreign investment and nation branding; they also focused on CSR and produces value innovation in its process of helping to Colombian companies through conferences, seminars, counseling, training and others.

**KEYWORDS:** Innovation, Enterprise Longevity, Durability, Corporate Social Responsibility, Strategy, Reputation, Stakeholders and Commitment.

## INTRODUCTION

The way that business has been done over the last centuries has been transformed due to the focus on innovation, quality and efficiency which are involved in Corporate Social Responsibility. Today with the phenomenon of globalization and technological advances like the internet, the competence between the companies increase and in times of economic crisis many firms are fighting to stay in the market. Nevertheless, there are some companies with a good and strong business idea not even could survive in times of turbulence and the have failed and on the other hand there are others that if they could have confronted and survive these times, what they do different? Which is its factor of success?

Nowadays the Corporate Social Responsibility has been slowly positioning in all areas of as a need, thus it provides innovation and competitiveness. This is considerate as a tool in business management. Otherwise, the consumers are aware of the role that play CSR in the market and they have established new parameters for purchasing taking into account the commitment of these with quality, society and the environment. Furthermore, the companies that are innovate in the CSR and in their process can attract more consumers and employees increasing their reputation.

Colombia is a market that has been gaining power shortly thus its economy is one of the five most strong and important economies in Latin America (The Global Competitiveness Report 2015-2016, 2015) In Colombia those concepts have been increasing. The management decisions are more focused on the development of platforms that support CSR in socially and ethical practices, because those are necessary to generate strategic reputation, to gain fidelity, credibility and customer loyalty. Thus the companies can increase their demand and achieve the enterprise longevity (Riano, 2013)

The project of investigation Enterprise Longevity in Colombian companies from a perspective of Innovation and Corporate Social Responsibility as a strategy focuses to evaluate and to observe how two totally different companies because one is in the food industry and the other in the international trade, apply the concept of innovation and CSR likewise to determine the strategies implemented for their durability. Furthermore, the project seeks to recognize the importance role that has the CSR and the Innovation in the enterprise

durability, showing that those tools help to increase the productivity of the employees, attract customers, and overall utility in the stakeholders.

### **General objective**

Documentary from the perspective of Innovation, Research & Development and Corporate Social Responsibility to understand the model of some Colombian's companies which has enabled it last for many years, and create a model with great opportunities for global expansion.

## 1. REVIEW OF THE LITERATURE

### 1.1. Innovation

Innovation is a broad and global concept. The people make the mistake of confusing innovation with invention although they are similar, they have different definitions. On the one hand, innovation is to apply the ideas and on the other hand invention is the conception of the idea. (Trott, 2012)

According to Paul Trott the innovation depends on inventions and inventions need to be attached to commercial activities to contribute to the growth of an organization, it is started with the conception of new ideas or intellectual thoughts. The process of transform this new ideas or thoughts into a tangible new artefact such as a product or a process is an invention where the science and technology play an important role. At this point inventions ought to be mixed with hard work by many different people to adapt them into products that will enhance the performance of the companies attracting new markets and will be more competitive. The next stage is the commercial exploitation that represents innovation. (Trott, 2012)

The following are definitions of innovations from different authors:

Jason Vaughan in his book *Technological Innovation: Perceptions and Definitions*, he defined innovation

A process that includes the generation, development, and implementation of new ideas or behaviors. Further, innovation is conceived as a means of changing an organization, either as a response to changes in the external environment or as a preemptive action to influence the environment. Hence innovation is here broadly defined to encompass a range of types, including new products or services, new process technologies, new organizational structures or administrative systems, or new plans or programs pertaining to organizational members. (Vaughan, 2013)

“Innovation is the multi-stage process whereby organizations transform ideas into new/improved products, service or processes, in order to advance, compete and differentiate themselves successfully in their marketplace” (Vaughan, 2013).

Otherwise, Paul Trott defined it “The management of all the activities involved in the process of idea generation, technology development, manufacturing and marketing of a new or improved product or manufacturing process or equipment” (Trott, 2012).

Both authors agree that the innovation is a process with many steps that requires dedication and commitment from the organizations. Today the firms need the innovation to response to environmental changes for that in many companies innovation is the key of success because they have been in constantly change and they develop product or service with the factor of differentiation from their competences. In others words the success of a company comes or has a strong link with how innovative is the company. In the following table we can observe the world’s most innovative companies and how it is related with their impressive growth and return to their shareholders. (Trott, 2012)

*Table 1: World’s most innovative companies*

<b>Company</b>	<b>Revenue growth 2006-9 (%)</b>	<b>Margin growth 2006-9 (%)</b>
<i>Apple</i>	30	29
<i>Google</i>	31	2
<i>Microsoft</i>	10	-4
<i>IBM</i>	2	11
<i>Toyota</i>	-11	n/a
<i>Amazon</i>	29	6
<i>LG</i>	16	707
<i>BYD</i>	42	-1
<i>General Electric</i>	-1	-25
<i>Sony</i>	-5	n/a

Source: Business Week, 25 February 2010

### 1.1.1. The importance of innovation

Today with the technological advances, globalization the competition between the companies has increased trying to capture more customers and gain more market. For that reason, the corporations must be able to adapt and evolve if they want to survive. Businesses operate with the knowledge that their competitors will inevitably come to the market with product or service that changes the basis of competition. Innovation becomes an important and essential factor to survive for the companies and it has a strong relationship with the revenues and grows of the firms.

Although the success of a company is related to the ability to innovate, also is important the capacity to anticipate to their competitors and to act as quickly as possible. Cristopher Freeman in his famous study of the economics of innovation said that not to innovate is to die, certainly companies that have established themselves as a technical leaders have shown an ability to develop successful new products such as Apple, Microsoft which ones have the ability to adapt their products in the customers' necessities. In the following table we can analyze the market leader in words of innovation in 2011 (Trott, 2012)

*Table 2: Market leader in words of innovation in 2011*

<b>Industry</b>	<b>Market leaders</b>	<b>Innovative product &amp; services</b>
<i>Cell Phones</i>	Nokia	Features and design
<i>Internet</i>	Google	New services
<i>Pharmaceuticals</i>	Pfizer	Impotence
<i>Motor cars</i>	Toyota, BMW	Car design, developments
<i>Computers &amp; Software</i>	Microsoft, Intel, SAP	Hardware, chip technology

Source: Innovation Management and New Product Developments, pg. 15. Paul Trott

It can be analyzed that the market leaders and the most innovative companies are established in countries developed that happens for many reason, one of that is because in these countries the government helps to companies with their projects of innovation but in developing

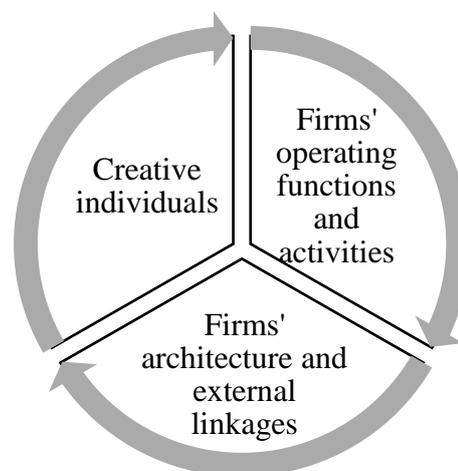
countries sometimes this kind of help can be restricted for different reason such as there are not enough money to invest affecting the innovation country and its economic. (Trott, 2012)

### 1.1.2. Theories of innovation

In order to that the innovation could be related with the economic growth. Schumpeter was the first economist to affirm the importance of new products as stimuli to economic growth. He defined the innovation as a “*creative destruction*” waves that restructure the whole market in favor of those who grasp discontinuities faster, he said “the problem that is usually visualized is how capitalism administers existing structures, whereas the relevant problem is how it creates and destroy them” (Trott, 2012).

Moreover, he said that the innovation is influenced by the way how the firm manages its resources and develops its capabilities. He argued that innovation is a process where playing an important role an economic perspective, a business management, strategy perspective and organizational behavior. That is the reason because some companies have a successful innovation process and others do not. They know to integrate those three factors and pay attention of any kind of changes its have to act as quickly as possible. In the following graph it can be seen how the innovation process according to Schumpeterian is. (Trott, 2012)

*Image 1: Theory of innovation*



Source: Innovation Management and New Product Developments, pg. 9. Paul Trott

Creative individuals made references a scientific technological development inevitably lead to knowledge inputs. Firms' architecture and external linkages are the social changes and market needs lead to demands and opportunities. And Firms' operating functions and activities are when the firms develop knowledge, processes and products. (Trott, 2012)

After that, in the middle of XIX century Marx affirmed this theory and associated both concept (economic growth and innovation) he said a lack of innovation the economic will decline while others authors though the opposite for instance Kondratieff who was unfortunately imprisoned for his view on economic growth theories.

Then, Abernathy and Utterback in 1978 proposed the life cycles of an industries that at the birth of any industrial sector there is radical product innovation which is then followed by radical innovation in production process at that time succeed by widespread incremental innovation that's means that the companies have to be constantly innovating to achieve success. (Trott, 2012)

Later, the economists Harrod and Domar began to analyze the causes of economic growth and they found that one of the most important influences on innovation are research and development (R&D) both being a support for technological advances and innovations. (Trott, 2012)

More recent studies show the importance of satisfying the need of customers in the activities into the new product development process such as, Hamel and Prahalad (1994) and Christensen (2003) suggest that analyzing, observing and listening to your customer might put out technological innovation and may be harmful to long-term business success for that they proposed that firms might be get innovations that are not demanded by their current customers. (Trott, 2012)

Christensen distinguished two kinds of innovation:

- Disruptive that is when providing improvements is greater than those demanded.
- Sustaining innovation that is provided improvements to established products. (Trott, 2012)

### 1.1.3. Models of innovation

Along the years there were born different schools of thoughts about the innovation each of one has different arguments in relation to it. For instance, traditional studies showed that innovation had focused on two schools of thought. The first one was the social deterministic school who's affirmed that innovations were the result of a combination of external factors such as social, demographic, cultural, economics influences. They thought that when these factors were right, innovations would occur. On the other hand, the individualistic school maintained that innovations were the result of unique individual talents and with these capabilities the innovation can be born. (Trott, 2012)

More recent studies showed others school of thought the market-based and the resource-based. These schools were differentiate from the previous because they were already related the word innovation with market, firms and strategy.

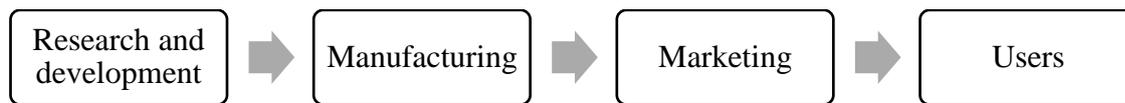
The first one *the market-based* hold that market condition provide and help to the firm to get some innovations activities, in others words that the innovation had a strong link with the market and all factors that occur on it for that reason the firms have an important role because they ought to recognize opportunities in the marketplace and take advantages of its.

Second one *the resource-based* argue that firms should benefit of them resources, capabilities and skills in terms of innovation. That is mean a company ought to analyze its internal environment and take advantages of it. (Trott, 2012) Otherwise, the models of innovation are:

#### 1.1.3.1. *Linear models*

Linear models agree that in the innovation process has two influencing factors for product innovation. On the one hand the "*technology push*" where the scientist make unexpected discovers, the technology helps them to develop new ideas about products or services. For instance some pharmaceutical firms use the model push because firstly they have to research and development what are the products that the market needs, they have to analyze and observe the consumers' necessities. (Trott, 2012)

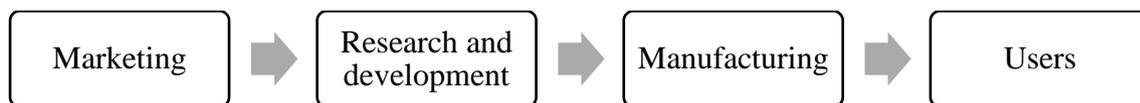
*Image 2: Technology push*



Source: Innovation Management and New Product Developments (pg. 22 Paul Trott)

On the other hand the “*market pull*” where the firms promote the product and intensive the client to consume such as the food industry. The power and influence between market and customer is very high. (Trott, 2012)

*Image 3: Market pull*



Source: Innovation Management and New Product Developments (pg. 22 Paul Trott)

It’s only to be understanding the customer wants that we can identify the innovative opportunities. Then we see if there’s technology that we can bring to bear on the opportunities that exist. Being innovative is relatively easy- the hard part is ensuring your ideas become commercially viable. (Trott, 2012)

### ***1.1.3.2. Simultaneous coupling model***

The simultaneous coupling model is similar with the linear model because both affirm that innovation is a combination of three main factors: manufacturing, research and development (R&D) and marketing. Nevertheless the linear model exposed it as a process and explains where innovation was born and the simultaneous model proposes that innovation is the result of simultaneous coupling of knowledge and does not have an initial point. (Trott, 2012)

### 1.1.3.3. *Architectural innovation*

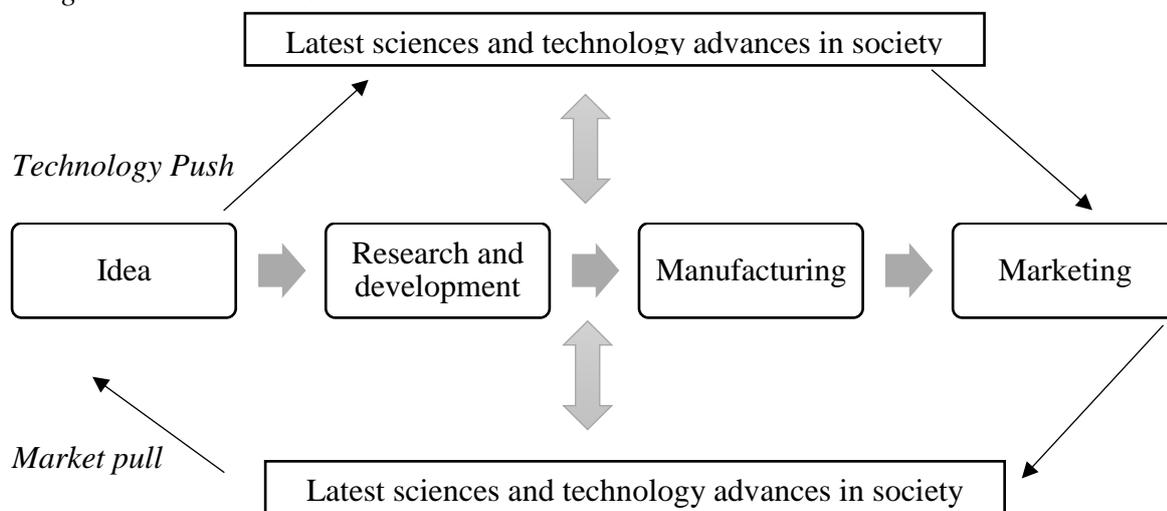
The architectural innovation model was proposed by Henderson and Clark (1990), they suggested two dimension of technological knowledge: knowledge of the component and knowledge of the linkage between them which was called architectural knowledge. “They defined architecture as innovation that changes the architecture of a product without changing its components”. In addition to that they proposed that the firms will be benefice in their innovation if they use their existing knowledge and resources to leverage the whole process. (Trott, 2012)

### 1.1.3.4. *Innovation life cycle and dominant designs*

According to Abernathy ad Utterback (1978) there were three different phases in an innovation’s life cycle: fluid, transitional and specific. They considered innovation as a life cycle where the technological changes and product innovation are the beginning, then the emergence of competition and manufacturing improvements. (Trott, 2012)

### 1.1.3.5. *Interactive model*

Image 4: *Interactive model*



Source: Innovation Management and New Product Developments (pg. 24 Paul Trott)

The interactive model linked both linear models the technology push and the market pull. According to the previous graphic the innovation occurs as the result of the interaction of the marketplace, the science base and the organization's skills. It does not have an initial point like the simultaneous model. In this model external and internal factors are influenced the process of innovation in a company for that reason the communication became an important and fundamental skill in it. (Trott, 2012)

#### **1.1.4. Innovation as a Strategy of longevity**

Many companies innovate in their products making them different from the competence adding them value, nevertheless innovate does not mean only in the product. Companies also can innovate in their process, in their design or culture organization that affect in a positive way the perspective that have the customers about the company.

“Strategy innovation is the process of finding a way to "change the rules of the game" so that your company's products, competencies, process, and assets provide you with a competitive advantage in the marketplace” (Johnston, 2003).

Strategy innovation allows defining a new business where small, agile and quick is the only way to provide customers with value (Johnston, 2003)

## **1.2. Corporate Social Responsibility (CSR)**

According to World Business Council for Sustainable Development, Corporate Social Responsibility (CSR) is the commitment by organizations' to “behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society” (WBCSD, 2015). In other words CSR is a methodology whereby companies integrate environmental con social context into whole company from their operations to their interaction with stakeholders, and relate to show their commitment with the society (Newell, 2014)

The Corporate Social Responsibility (CSR) has become an issue relevant in most of the companies, promoting the positive social and environmental change. Carroll has created the CSR pyramid, including in it four aspects: philanthropy, ethical, legal and economy responsibilities. He affirms “corporate social responsibility involves the conduct of a business so that is economically profitable, law abiding, ethical and socially supportive.” (Dudovskiy, 2012) The idea is that the companies engage with CSR and make actions related to the four aspects included in Carroll’s pyramid. However, many organizations don’t fulfill all of them.

Otherwise, the International Standard Organization (ISO) as consequence of many business problems in 2001 decided to establish The Guide ISO 26000 with the purpose to standardize the norms and procedures of CSR in the whole organizations. This Guide has seven key factors that the organization has to take into account if it wants to implement the CSR (ISO, 2008)

1. Human rights aspects
2. Labor practices and decent work
3. Fair operating practices
4. Development and community involvement
5. Customers and users
6. Environmental aspects
7. Corporate governance

“ISO 26000 will add value to existing initiatives for social responsibility by providing harmonized, globally relevant guidance based on international consensus among expert representatives of the main stakeholder groups and so encourage the implementation of best practice in social responsibility worldwide.” (ISO, 2008)

### **1.2.1. Corporate Social Responsibility as a Strategy of longevity**

In the business case of Angel Rodrigo Velez Bedoya “Strategic Learning For durability: Latin American Research Review Cases” where he analyzed the process of different companies from Latin America. He argues that the one of key of the durability is the responsibility and ethic as a strategy of sustainable potential growth. (Velez, 2005)

Moreover, CSR is a methodology that today almost all companies have applied because it shows their engagement with the community and with the future generations. CSR makes that the companies have a good reputation for that reason unfortunately some companies take advantage of this to improve their performance never mind social responsibility. (Gottschalk, 2011).

According to Hugo Rivera in his study of Enterprise Longevity in which he analyzes different cases of longevity and its relationship the social responsibility. He noticed that the companies that implement the CSR, their employees have more commitment with the company increasing their productivity. (Rivera, 2008) Furthermore, these are companies where the employee feels happy and motivates with his job, and this happiness is reflects in the way they serve their clients. If the consumer has a great experience, he will recommend the company and the company will growth and longevity along years.

## 2. METHODOLOGY

The research methodology was based on the study of cases of two Colombian companies that have achieved a great success and national/international recognition: Crepes & Waffles and Procolombia. In addition, the methodology was focused on the steps to research business cases proposed by Oscar Villarreal Larrinaga (2010) in his paper *“El Estudio de Casos como Metodología de Investigación Científica en Dirección y Economía de la Empresa - Una Aplicación a la Internacionalización”* (The case study as Methodology for Scientific Research in Management and Business Economics, an application for Internationalization)

These are the steps used in this Project of Research:

- I. Identify and define the objective and the research question:** It determined what it wanted to investigate about the Colombian companies and it had chosen as case studies Crepes & Waffles and Procolombia.

- II. Main concepts and review of the literature:** It determined and it specifies the main concepts necessary for research and the theoretical framework by reviewing the concept of innovation and corporate social responsibility and its importance in enterprise longevity.
  
- III. Methods and research resources:** It was taken as reference the research previously of Crepes & Waffles by Vivian Milena Riaño Mosquera (2013) and an interview (2015) with an employee of Procolombia.
  
- IV. Process of collecting the information:** Also, it used multiples formats as secondary sources such as magazines, newspapers, books-online, video of interviews on YouTube, thesis based on enterprise longevity and websites of the companies that were evaluated.
  
- V. Analysis of the information and the cases:** With the information collected, each case was analyzed showing the relationship between innovation and corporate social responsibility since a perspective of enterprise longevity. To finish it was given conclusions for Colombian companies.

### **2.1. Descriptions of the Companies**

Colombia stands out for its economy size and its level of economic development having the number 62 over 144 in the rank of Global Competitiveness Report (GCP 2015). Otherwise it has a low performance was related with innovation and technology, Colombia got a score of 3.65 in innovation and sophistication factors. (GCP, 2015)

Colombia rises in the rankings for the second consecutive year, gaining five places to rank 61st thanks largely to an impressive amelioration in financial market development (up 45 places to 25th). The country's performance is relatively stable across other pillars, with slight improvements on most dimensions compared to last year, including business sophistication (59th) and health and education, albeit at a low position (97th). Colombia benefits from a

relatively large market size (36th) and good macroeconomic results (32nd) by regional standards. Nonetheless, further improvement in the quality of the education system, especially in math and science (117th), is crucial to deliver the capacity to innovate (93rd) and diversify the economy. Other areas for improvement are the country's institutional framework, especially public institutions (125th), with corruption (126th) and security (134th) remaining dire. Structural reforms to foster competition (127th) and improve infrastructure, specifically the overall quality of transport (98th), would further enhance competitiveness. (The Global Competitiveness Report 2015-2016, 2015)

The Colombians companies have a lower range to innovate but according to the survey Development and Innovation which covers 6.172 firms in the country this number has been increased. This study classified the companies into six groups: radical innovative, incremental innovative, innovative organizational and commercial, technologically appropriate without innovation and not innovative. The criteria for classifying a company as a radical innovator in this survey is that the company should have developed a new product or have invested in patents and licenses (do not have to have developed a radical innovation in terms defined in the literature) Nevertheless in 2004 only 8.3% of the firms were classified like radical innovative (Vega, 2007). In 2014 it increased until 19.3% (DANE, 2013)

To conclude, Colombia is a country that has been growing both economically and in business and competitiveness. In addition, the Colombians companies know that they have to innovate to compete with other companies for that reason they decide to improve their quality of service and this is done through programs of Social Responsibility which in the recent years, it has had a strong influence in the consumers and in the companies.

### **2.1.1. Crepes & Waffles**

Crepes & Waffles was established in 1980 by Beatriz Fernandez y Eduardo Macia in a small place located in Bogota-Colombia in a busy street. It was very famous because Crepes & Waffles offered crepes and ice cream from different flavors to their customers. Today, they have more than 4.500 employees, 90 restaurants and 72 ice-cream shops. They are in nine countries: Brazil, Chile, Colombia, Ecuador, Spain, Mexico, Panama, Peru and Venezuela (Crepes & Waffles, web).

The success of this Company is amazing and the big question is how could they survive and persist in the market if Beatriz and Eduardo did not any kind of Business Plan or Marketing Studies at the beginning. Otherwise in the 80s year the crepes were not a common and famous food in Colombia so how they managed to capture the Colombian's people and what was their perdurability strategy? (Crepes & Waffles, web).

### **2.1.2. Procolombia**

Procolombia was established in November 1992 with the name Proexport and it the organization in charge of commercially promoting exportations, international tourism and foreign investment in Colombia. Law 7 of 1991 regulates foreign trade from the country and creates the Ministry of Foreign Trade and the Foreign Trade Bank among other entities. It also provides authorizations and other provisions upon which the creation of Procolombia occurs during the following year. (PROCOLOMBIA, s.f.)

PROCOLOMBIA began in November 1991 as a trust with public resources and a private administrative regime, according to the guidelines established in decree 2505 of 1991. It was incorporated through the execution of a Commercial Trust Contract between the States; represented by Bancoldex, and the Foreign Trade Colombian Trust Fund. Known as Fiducoldex a subsidiary of Bancoldex. The resources with which this trust was created correspond to goods received by the former Proexport and 25% of the shares of Bancoldex. (PROCOLOMBIA, s.f.)

#### **Vision:**

In 2014 we will continue to be the model organization in Latin America for the promotion of exports, international tourism and foreign direct investment, for which we will continue tailoring services to the needs of our customers in Colombia and in international markets. We will focus our strengths on generating employment and reducing informality, promoting the diversification of markets and products through knowledge and innovation, and we will leverage national and international partnerships to create synergies that help achieve its targets. (Procolombia, 2013)

### **3. FIELDS AND RESULT**

#### **3.1. Crepes & Waffles**

The case of Crepes & Waffles generates admiration and, especially many questions oriented to knowing the secret of its success, which after 30 years of its creation Crepes & Waffles continues growing, to the point of turning into the company more selling and profitable of the gastronomic sector of Colombia in 2010, with approximately 8,714,000 USD in its operational profit. (Interview, 2011)

Crepes & Waffles does some actions of Corporate Social Responsibility (CSR) and these strategies have become in a value innovation where its stakeholders made an important role. Approximately more than 95% of its employees are women whose 60% of them are head of the family generally of lower strata (Crepes & Waffles, web).

Crepes & Waffles gives them opportunities to overcome and helps them to achieve these goals by providing those tools which allow them to supply basic needs such as health, housing. In addition, Crepes & Waffles provides courses and training in the Academy of Arts “SER”. This Academy was founded with the main objective to collaborate with the integral development of employees (Riano, 2013)

The Academy is a motivational system that contributes to improve the productivity and effectiveness of the employees affecting by a positive way the customers’ perception and strengthening ties with its stakeholders (Riano, 2013)

##### **3.1.1. Expansion of the company**

In the year 1994 Beatriz Fernandez with her husband Eduardo Macia decided to create an external board of directors because they did not want that the company was depending completely on them. They always wanted that their firm will last for that reason they researched 5 professional people with a global vision (Crepes & Waffles, web).

*Table 3: Opening year of the most significant restaurants of Crepes & Waffles*

<b>Year</b>	<b>Restaurant</b>
1980	The creation of Crepes & Waffles
1983	Second restaurant in Bogota
1984	First restaurant in Cartagena
1994	First restaurant in Medellin
1995	First restaurant in Ecuador
1997	First restaurant in Panama
1998	First restaurant in Barranquilla
1999	First restaurant in Venezuela
2000	First restaurant in Madrid
2000	First restaurant in Spain
2000	First restaurant in Mexico
2007	First restaurant in Peru
2009	First restaurant in Sao Paulo - Brazil
2012	First restaurant in Chile

Source; Crepes & Waffles, web page

In the table3 can be seen how the international process of Crepes & Waffles was, it was started in 1990 with Ecuador. At the beginning of the century XXI the company decided to explore other continent and expand its market share for that reason they decided to establish a new restaurant in Spain. One of the reason that they chose Spain to enter to the European market was because it is the country that has more similarities with Latin America. (Crepes & Waffles, web).

Otherwise, in the table 4 can be observed the number of restaurant and ice-cream shops of Crepes & Waffles in the world. In total they have 89 restaurants and 72 ice-cream shops. In addition to that, it can be analyzed that the most important of the company is its restaurants because is not traditional and is different from others than its Ice-cream Shops. (Crepes & Waffles, web).

*Table 4: Number of restaurants and ice-cream shops of Crepes & Waffles in the world*

<b>Location</b>	<b>Restaurants</b>	<b>Ice-cream Shops</b>
<i>Brazil</i>	2	1
<i>Chile</i>	1	
<i>Colombia</i>	66	64
<i>Ecuador</i>	5	5
<i>Spain</i>	2	
<i>Mexico</i>	5	
<i>Panama</i>	3	
<i>Peru</i>	4	1
<i>Venezuela</i>	1	

Source: Crepes & Waffles, web page

Crepes & Waffles changes its menu according each country. They know each market have different necessities for that it is vital to depth study to give appropriate answers to their interest. Their key of success is the innovation in their menu and the most important is to offer a good service to the clients.

### **3.1.2. Academy of Arts “S.E.R”**

Crepes & Waffles has an Academy of Arts which calls S.E.R that means Service, Evolution and Revolution. The principal objective of the Academy is to satisfy the internal consumers by courses such as capacitation and art with the purpose to send positive message to the employees improving the quality of staff and of the product.

We are art, an art that transform food into love and joy. An art that nourishes the soul and body that captivates taste and conquers hearts. Our staff teaches us to be strong every day. They are warriors; brave fighters, dedicated and responsible people who face situations of much adversity. Especially with a giant heart that gives love to everything they do; they serve joy, laughter, life. That is the reason why the human quality of Crepes & Waffles is equal to the quality of our products. (Waffles, s.f.)

The philosophy of the Academy of Arts S.E.R bases on the employees and their thought. Crepes & Waffles knows the importance to maintain its employees happy in their work. The firm motivates them and they seek the employee will give his heart to the company but not fulfill 6 hours, that they feel Crepes & Waffles like their second home.

Below is one of the talks given in the Academy:

For one second give you the opportunity to be aware. Look at your around, what do you see? How you see the person that is next to you? Do you have any kind of prejudice about him? Do you see how he dresses? Do you care about that? ... Most of us choose to be blind to the truth, we prefer our differences divide us and we do not see the important things in the life. We are: love, consciousness and union. (Interview, 2013)

To sum up, the Academy S.E.R of Crepes & Waffles helps to provide better quality of life and training the employees achieving with this socially responsible. The company has a commitment with its employees and with the society.

### **3.1.3. Functioning of the academy**

The Academy works once day per week, each session has approximately 70 employees so that at the end of the year they have received all their workers. In addition to that, Eduardo Macia said that all employees participate in a day called “The Day Tune”, where they go to a natural park to relax and play funny games like obstacle course (Riano, 2013)

The Academy has 8 class-rooms to do different activities such as yoga and dance. Also, it has a library with book related with personal growth. Furthermore, Crepes & Waffles offers capacitation and classes to expand awareness and knowledge of its employees. Moreover, the company gives scholarship of 50% to finish the high school and to the universities studies.

The Academy of SER is a real example or innovation and Corporate Social Responsibility and innovation where the productivity and future profit are affected. The fidelity that the company creates by its employees allows that they are involved in the strategy “Blue Ocean” like innovation strategy.

### 3.2. Procolombia

Procolombia is a government entity that promotes non-traditional exports that are these exports with value-added, foreign investment and the country brand. Procolombia has presence in 30 countries through its 26 commercial offices has made it possible to identify opportunities in a greater number of niches and markets. (PROCOLOMBIA, s.f.)

Procolombia had been in charge of managing financial instruments or services for exportations. Its objective is providing nonfinancial services or instruments for exportations and promoting the export culture.

In 1994, the Advisory Committee of PROCOLOMBIA adopted the strategic guidelines that remained until 1998 and in general terms were the foundation over which the future policies of the entity would lie. In 1998 the Strategic Exportation Plan was established as a result of a consensus and the commitment between the foreign trade system and all of the public entities related to the sector and the private sector. This lead to a State policy around internationalization which was coherent, coordinated and with clear action commitments from the national and regional Government and the corporate sector. (PROCOLOMBIA, s.f.)

Furthermore Procolombia has a specialize system where can find information about the imports and exports in Colombia, it program is very specific because it shows the companies, the products and the financial statement of each firm.

It has services to importers for instance; Colombian export directory, commercial information, business contacts in Colombia, trade missions in Colombia, trade missions in other countries and export service. According to these services, Procolombia offers a complex system with information about import and export enterprises, also it shows which are the products that Colombia export and import and where. With this data the potential exports can take a better decision and see with whose companies he ought to compete (PROCOLOMBIA, s.f.).

In addition, Procolombia helps to their clients to reduce the trade risk when they want to export some products because it offers an export service Zeiky, it is an information center where gives information and advice in international trade. Another services are market intelligence, it show real and actual information about the international markets and their opportunities; information on transport and logistics to improve the competitiveness, gives information about the cost of transportation and their reduction; international physical

distribution system, Employment program, quality assurance program and another. (PROCOLOMBIA, s.f.)

It is important to mention that Procolombia gives a high quality in his services and helps the clients in the best way, it has many services where the client can surfing and get advantage of that. This services and programs reduce the level of risk and gives information about what is best option, the best market to introduce the product. (PROCOLOMBIA, s.f.)

### **3.2.1. How is the process in Procolombia?**

The company that wants to internationalize and export their products must first approach the appropriate office. Procolombia has a regional offices throughout the country and each has different specialties according to the region for instance the offices in Cartagena are more focused in tourism, Bogota in investment; and it has international offices like in United States, Canada, etc. (PROCOLOMBIA, s.f.)

After with the help of a Procolombia advisor, they will be able to validate the product or service that the company wishes to export and the potential market. Then of the validate process, Procolombia makes an export plan which is the strategy that will be implemented with the company to help it to penetrate the target market through participation in fairs, own brand development and others. (PROCOLOMBIA, s.f.)

## **4. DISCUSSION**

The discussion was based on both cases studies Crepes & Waffles and Procolombia and how those are related with the topic Innovation and Corporate Social Responsibility. These companies are different between them because each one is from different industry. Crepes & Waffles is a restaurant and Procolombia is a non-profit organization that helps small and medium Colombians' companies to explore other countries and gives them an export plan.

## 4.1. Crepes & Waffles

Crepes & Waffles has a vertical differentiation because the company focuses in the quality in its food. They innovate constantly their menu and in the different classes that offer to their employees. According to that, the company has had a huge growth with only 30 years in the market compared with other Colombia companies.

### 4.1.1. Corporate Social Responsibility (CSR) in Crepes & Waffles

The longevity in Crepes & Waffles relates to its programs of CSR. The company motivates its employees with different activities that it offers in its Academy. To analyze how the CSR works in Crepes & Waffles, it can be analyzed the seven factors mentioned previously (Riano, 2013)

- I. Human rights and aspects:** Every organization has a responsibility to respect the rights humans and promote them. In Crepes & Waffles there is a policy related with human quality. Although there is not a document of human right, the human rights are in the history of the company and it is transmitted by generation to generation (Riano, 2013). According to an interview of Eduardo Macia (co-founder of C&W), he indicated that it has been necessary to educate managers of C&W with leadership courses preventing attitudes of violation of human rights.
  
- II. Labor practices:** Since 1999 Crepes & Waffles made a big investment in technology to facilitate the work, which helped them significantly in growth. The company acquired a display system called Aloha, which is located inside the restaurant and it is used to send order efficiently. (Riano, 2013).

Moreover, the employees have seniority benefits for instance after a year of work the employee has the privilege to have private medicine. Another benefit is the Academy SER, which was a big investment of the company. The main motivation is that employees grow and have better quality of life.

In the process of choosing their suppliers, the company personally visits each supplier to ensure that all practices are rights. Likewise ensure the quality of their products from the beginning of the supply chain until to the final consumers. For this reason, they have a close relationship with their suppliers making them part of the company.

- III. Fair operating practices:** The Art Culture of Crepes & Waffles is the main axis of all business development beyond serving food. Art is become by the whole organization the main factors of longevity. (Riano, 2013)
  
- IV. Development and community involvement:** Although one of the priorities of the company is not to be a sponsor of social works, Crepes & Waffles supports and has offered its patronage to various cultural events such as “The International Music Festival” and “XIII Festival Iberoamerican theater in Bogota 2012” (Riano, 2013)
  
- V. Customers and users:** The communication that has Crepes & Waffles with its customer is at the point of sale. At the moment when the customer enters to the restaurant, the employee has to ensure that he will have a great experience. In this moment the quality, friendly atmospheres, style and color in its dishes have a fundamental role because those are the factors that make the difference with other restaurants ensuring to a future visit. Furthermore, Crepes & Waffles is a company that has been characterized by not advertising, all they do is marketing voice to voice, which means the consumers have a nice experience for that reason they recommend other people to go to Crepes & Waffles.
  
- VI. Environmental aspects:** Although the company recently started with preventive measures to protect the environment, today they have a person in charge of create friendly measures to reduce pollution in the environment. The company is commitment with the community and with future generations. Some of their actions are given in the manufacturing materials of individuals.

The organic wastes are sold to feed pigs. In the pipelines was installed a system to minimize the environmental impact. As for recycling, the company recycles rainwater and has capacitors that save energy.

**VII. Corporate governance:** The main strategies of CSR in Crepes & Waffles are focused on personnel policies and these are: the creation of the academy SER, psychological counseling for the employees to resolve their internal conflicts, economic activity of the company where not necessary hire is highly qualifies staff. Another objective is to democratize their gastronomy looking for the same experience in all their restaurants because the company has restaurants in different social strata of the country (Riano, 2013).

#### 4.1.2. Value Innovation in Crepes & Waffles

Crepes & Waffles does not have direct competitors for that reason is possible to mention that they have a “Blue Ocean” strategy. In addition to that, for analyze the innovation process of Crepes & Waffles is important to understand their main actions and strategies. According with the book “Blue Ocean strategy” by W.Chan Kim and Renée Mauborgne (2005), nowadays the companies that are in the blue ocean do not have competitors for that reason they use a different strategy which calls “*Value innovation*”.

Companies that break away from the competition pay little heed to matching or beating rivals or carving out a favorable competitive position. Their aim was not to outperform competitors. It was to offer a quantum leap in value that made the competition irrelevant. The focus on innovating at value, not positioning against competitors, drives companies to challenge all the factors an industry competes on and to not assume that just because the competition is doing something means it is connected to buyer value. (INSEAD, 2015)

According to W.Chan Kim and Renée Mauborgne in their book and the case study of Crepes & Waffles by Vivian Milena Riano, to understand how the value innovation works or functions in a company is important to define and analyze “the scheme of four actions” in which evaluates if the company create value and eliminate some unnecessary cost. (Riano, 2013)

Table 5: The scheme of four actions

<b>Menu</b>	<b>Remove</b>	<b>Decrease</b>	<b>Increase</b>	<b>Create</b>
Design dishes				X
Product presentation				X
Quality and taste		X		
Variety				X
Combos on the menu	X			
Promotions	X			
Souvenir purchases	X			

<b>Investments in local</b>	<b>Remove</b>	<b>Decrease</b>	<b>Increase</b>	<b>Create</b>
Design, decoration		X		
Kitchen		X		
Children's entertainment areas	X			
Cleanroom		X		
Places for workers				X

<b>Employees</b>	<b>Remove</b>	<b>Decrease</b>	<b>Increase</b>	<b>Create</b>
Training				X
Wage			X	
Benefits		X		
Uniform				X
Hygiene places				X
Places for workers		X		

<b>Publicity</b>	<b>Remove</b>	<b>Decrease</b>	<b>Increase</b>	<b>Create</b>
Promotions	X			
Quality			X	
Corporate social responsibility				X
Television/Radio/Internet	X			
Voice to voice				X

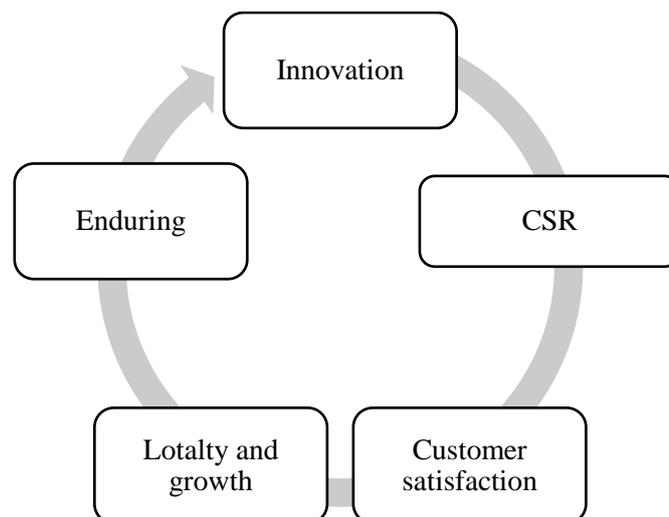
Source: Case study (Vivian Milena RIANO), Crepes & Waffles

It can be concluded that Crepes & Waffles reduce cost when eliminate several aspects like publicity by television or radio, souvenirs, combos, children's entertainment areas, etc. At the same time they increase the value of the consumer because the restaurant offers a great experience in its installations with a sophisticated environment, artistic presentation of dishes, variety in the menu and exclusively female attention. (Riano, 2013)

#### 4.1.3. Enduring success

The following diagram shows the importance of innovation in the enduring of the company and of the Corporate Social Responsibility. This is a cycle that never ends where in it develop new opportunities, innovates in the way of doing business and it is directly related to the quality of products and services. The employees productivity which is affected by the innovation of its facilities and the customer satisfaction, they are factors that contributing to business enduring. (Riano, 2013)

*Image 5: Enduring Success*



Source: Case study (Vivian Milena RIANO), Crepes & Waffles

#### 4.1.4. Relationship between innovation and longevity

As mention Paul Trott in his book Innovation Management and New Product Development, today the innovation has an important role in the companies to last. The innovation “The management of all the activities involved in the process of idea generation, technology development, manufacturing and marketing of a new or improved product or manufacturing process or equipment” (Trott, 2012). Crepes & Waffles characterizes to be a different restaurant where the clients feel comfortable at the time to eat or to pass a wonderful moment.

The value innovation in Crepes & Waffles can be reflected in several ways:

5. Presenting simple dishes inexpensive by a creative and sophisticated way, creating the feeling of greatest pleasure and satisfaction to their consumer.
6. In the attention and services in their points of sales. In this case the value innovation comes in the feeling of satisfaction that the consumer has when he knows that the company is helping that single mothers have a job opportunity.
7. With daily thoughtful messages to employees that help them to affront the different circumstances along the day, improving customer service and productivity.
8. Moreover, the company created a new way of publicity voice to voice in the social networks where the customers write their great experience at the restaurant.

#### 4.1.5 Model of innovation

According to the models of innovation proposed by Paul Trott, it can be analyzed and defined that the restaurant Crepes & Waffles use the model “*The interactive model*” Which Trott explained it that this model linked both linear models the technology push and the market pull. According to the previous graphic the innovation occurs as the result of the interaction of the marketplace, the science base and the organization’s skills. It does not have an initial point like the simultaneous model. In this model external and internal factors are influenced the process of innovation in a company for that reason the communication became an important and fundamental skill in it. Also, the generation of ideas is shown to depend on

inputs by 3 essential components: needs of the marketplace, organizational capabilities and the science and technology base.

Crepes & Waffles is a company that searches the necessities of the society and the marketplace. They innovate in their all process, both internal and external environments because they have an Academy where the employees feel good and can develop like person, this kind of motivation can be reflected in the way that they serve to the customers. In addition to that, they focus on their innovate dishes. According to that, the firm does not have a linear model of innovation and they do not have an initial point, its process is a cycle that never ends.

## **4.2 Procolombia**

Procolombia contributes to sustainable growth of the country, through the promotion of exportations, the international tourism and the foreign direct investment. "In pursuit of its mission, it voluntarily adheres to and implements the sustainability model under Standard ISO 26000 on Social Responsibility, and similarly, it shares best practices with its target audience with regard to sustainability in the organization" (Procolombia, 2013).

### **4.2.1 Corporate Social Responsibility (CSR) in Procolombia**

The longevity and success in Procolombia are related to its programs of CSR. Although it is true that Procolombia does not have competitors because it is an organization that works with the Government, they have to respond to the requirements and necessities of the consumers. In addition they have a big responsibility and commitment with the Colombian companies, community and country.

To analyze how the CSR works in Procolombia, it can be analyzed the some of the factors mentioned previously that work in this company:

- I. **Human rights aspects:** Procolombia has a commitment with community and with the nation. Because they want to promote country brand through advertising or billboards which are aimed to show the beauty that has Colombia as a country explaining the reason that the investors have to have to invest in a country like Colombia. In addition Procolombia encourages various human rights issues such as nondiscrimination, freedom of association, combating child labor and forced labor. (Procolombia, 2013)
  
- II. **Labor practices and decent work:** Labor practices, understood as the employment, development, compensation and protection of human talent, are the most relevant issues for the organization, followed by issues related to the behavior of Procolombia in society, in the fight against corruption and unfair competition. Similarly there are issues related to how customers and users are served, as well as the information provided to them. (Procolombia, 2013)
  
- III. **Fair operating practices:** Procolombia has international partnerships to ensure and facilitates the process of internationalize for the Colombian companies. Procolombia plays the role as intermediary.

Furthermore, Procolombia has alliances with Andean Community (CAN) where it has led the creation of joint activities for trade between countries that comprise it (Procolombia, 2013). With the Pacific Alliance, it works promoting agencies that form part of this alliance, to raise and empower trade integration between members' countries, also it defines strategies to reach potential markets, especially the Asian markets (Procolombia, 2013). Another alliance is with RedIbero, the Latin American Network of Organization Promoting External Trade.

Otherwise, Procolombia has a national and regional partnership to promote non-traditional exports, foreign direct investment and internal tourism such as: Presidency of the Republic of Colombia, Ministry of Commerce, Industry and Tourism, Ministry of Finance, Ministry of Information and Communications Technology, Ministry of Culture, Ministry of Agriculture, National Planning Department, National Tax and Customs Department, National Learning Service, National Tourism Fund, Provincial governments and others. (Procolombia, 2013).

**IV. Development and community involvement:** Procolombia offers seminars and conferences with expert to share knowledge and expertise. In addition it is a sponsor of social advertisements that promote the foreign investment and also foreign companies invest in the Colombia market.

Otherwise, Procolombia has an alignment with Standard ISO 26000 on Social Responsibility since 2011 and in 2006 the company got the certification under standard ISO 9001. They started their certification process in 2002, seeking to be a benchmark for Colombian entrepreneurs (Procolombia, 2013).

**V. Customers and users:** Procolombia provides value added to its customer and look to meet their needs. The customer-oriented service has seven steps: (Procolombia, 2013).

Work in partnership with companies, to ensure that they take business opportunities that are jointly developed turn into exports. They oriented these companies and advise them what the best option to take is.

- Development and monitoring of business opportunities.
- Target-based organization.
- Evaluation of its employees, focused on meeting targets.
- Compensation and incentives program linked to performance.
- Expansion of market coverage low cost.
- Coordinating with the embassies and other diplomatic offices of Colombia around the world.

There more, Procolombia offers a free study online where the company that is interested in export his products, look how is the behavior of the customer according to his market. For example a company can search if it is a good idea sell swimsuit in Spain and what is the best option to enter in this market.

**VI. Environmental aspects:** Procolombia does not have many practices that affect the environment and the community for that reason the company does not give too much important to this factor. Nevertheless, all the companies that Procolombia

helps, they must to have a commitment to the environmental conservation and its products should not affect this.

**VII. Corporate governance:** Procolombia has four vice-presidencies: Vice Presidency of Exports, Vice Presidency of Investment, Vice Presidency of Tourism, and Vice Presidency of Planning. In the last one there is an areas called Cooperation and Agreements where alliances is made with other entities such as the CBI to rethink processes, improve what is not doing well and innovate. In those vice-presidencies is very important to keep the raison to be of the company and its main strategy. (Procolombia, 2013).

Moreover, Procolombia has a Corporate Governance Code to engage with their employees and clients. This Code contains the principles and policies that govern the conduct and actions of directors, employees. The corporate vales that the company promotes are: loyalty, integrity and transparency, competence, disclosure of information to stakeholders and social responsibility.

#### **4.2.2 Relationship between innovation and longevity**

Procolombia is a unique company in Colombia, it does not have competitors and its principals objectives are promote non-traditional exports, national brand and foreign investment. The company offers to its customers the participation in fairs where they can show their products and attract potential clients, stands.

Furthermore, Procolombia has a CRM which means Costumer Relation Management to facility the work and increase the communication inside the offices and between the different offices international and regional. CRM is a communication tool where workers can see what is happen in every office. This gives greater credibility to the worker.

In addition, Procolombia holds up various activities to promote tourism in Colombia, for instance in Cartagena they support a project which is to help drivers learn to speak English to facilitate communication with foreigners (Interview, 2015)

In 2013, Procolombia was recognized in the “FDI’s IPA Innovation Awards” by the Financial Times for its contribution to improving investment climate in the country through the Investment Attraction Facilitation System. “The selection criteria are based on innovative practices from promotion agencies, which contribute to increased competitiveness with value added in providing services to entrepreneurs. We stood out among 55 investment promotion agencies” (Procolombia, 2013).

## 5 CONCLUSION

Today the Colombian market is taking forces thus to its growth in the economy. Also the Colombians companies are growing and gaining strength in various local and international markets (GCP, 2015). The Colombian companies know that even though their market is not the best in technology innovation, they attract customers through innovation in Corporate Social Responsibility offering the best service to its customers, giving them the best expertise and creating a loyalty from them.

After this revision of Innovation and Corporate Social Responsibility and seeing how it helped in the success of Crepes & Waffles. The company is committed to its employees, their safety and well-being because they give the opportunity to work people with low incomes as single mothers or people who for some reason were unable to finish their studies and they hire them to clean, wash dishes, waiters and others.

In addition, Crepes & Waffles makes its workers feel like they are at home and it gives them benefits to motivate them and thus offer customers the attention they deserve. The Academy S.E.R is place where the employees can grow professionally and personally, they can have courses and acquire more knowledge. In presenting its decorated plates, having a history of occurrence recipe Waffles and make people aware of CSR practicing company. The restaurant generates innovation in value and differentiation in its products and to take care of every detail customer experience, Crepes & Waffles is recorded in the mind of each client as a restaurant that reflects respect and concern for consumer satisfaction.

Moreover, the governance of the company makes Crepes & Waffles as a pioneer in Colombia in the hiring and training staff. Thanks to the application of the CSR can be concluded that the reputation of the company is because CSR policies developed by management by hiring of vulnerable groups, the fidelity and quality of workers is due to CSR policies developed by management with the Academy of SER, and the CSR is immersed in value innovation being a factor determinant of the longevity of Crepes & Waffles.

On the other hand, Innovation and Corporate Social Responsibility helped in the success, recognition and credibility of Procolombia. Procolombia is a company that promotes non-traditional export, foreign investment and country brand. The company has a responsibility with each firm that wants to export or sell its product in the foreign market.

Although Crepes & Waffles and Procolombia are very different companies because one of these is focused on the food industry and the other in the international trade, both use Corporate Social Responsibility as innovation for longevity. Both companies are committed to Colombian society and its development. On the one hand, one offers work to people most needed, and on the other hand the other company helps other Colombian companies to be recognized in foreign markets and to internationalize. These actions help the country's economy and increase the social welfare. Furthermore, the attitude adopted when the organizations face CSR is proactive attitude, which means the companies (Crepes & Waffles and Procolombia) try to anticipate their strategies in the field of CSR, they seek a superior strategy.

It is clear to see that this doctrine can only be implemented thanks to the willingness of the working team in the organization. There are only so many efforts that the top management can do to make the firm succeed just from their overlooking positions, which is why they try to influence the quality of the job of their staff and cheer them to work to their full potential. On the other hand, it is also key that the personnel is empowered to take decisions in order to set out situations in which they have the tacit knowledge to deal with.

To conclude, when push comes to shove, it is not the financial and material assets that the company has what makes for a great competitive advantage that will be sustainable over time. Yes, they are helpful, and it is true that money can get you places without a lot of effort. Nonetheless, to implement innovation and Corporate Social Responsibility, what matters is the heart of the company, the most important asset a firm can have: their people. It is their interaction with the tools that the company provide and with the customers, the feedback they can have after having a more 'hands-on' job than the administrative positions and how encouraged they feel to step through the front door of the company what will help the company to, hopefully, change not only their customers' lives but also the lives of all those who are involved within the organization, of the communities in which they operate, and of society at large.

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