Dictionary of Corporate Social Responsibility

CSR, Sustainability, Ethics and Governance
Creative Destruction

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Creative destruction is the translation of the German expression *schoöpferische Zerstörung*. Its intellectual roots can be traced to Marxist and Nietzschean thinking, but its contemporary meaning became popular after Joseph Schumpeter presented it as a driver of entrepreneurial innovation and as an important constituent of his theory of economic change [1]. Schumpeter refers to creative destruction as a dynamic process that “incessantly revolutionizes the economic structure *from within*, incessantly destroying the old one, incessantly creating a new one” [2].

Creative destruction takes place when an entrepreneur *innovates*, e.g. by introducing a novel product or process, by developing a new market, by establishing an original business model, etc. Thus, opportunities are taken and signals not recognized by others are identified. By doing so the entrepreneur *destroys* the *status quo* in the market and gains a temporarily privileged position, which is lost when others imitate the lately introduced novelty or when other entrepreneurs initiate a new round of creative destruction. Entrepreneurs are understood in a wide sense in this context. They can be a person, a group of persons or an organization, regardless of its size and organizational form [3].

Corporate social responsibility (CSR) is often considered a catalyst of creative destruction because of the uncountable and unprecedented opportunities hidden behind the sustainability challenges faced by corporations at any level and in any sector, e.g. reducing the carbon footprint, developing more sustainable products, attending markets at the bottom of the pyramid [4]. From this point of view, CSR becomes a crucial element of competitive strategy and sustainability, being a driver of innovation. In recent years, the emergence of entrepreneurs who explicitly aim at solving societal and environmental harms has resulted in the social entrepreneurship movement. The respective innovations that transcend organizational frontiers and create social benefits are called social innovations.


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