



## GIVING THOUGHTS

# The New Business of Business: Innovating for a Better World

By Philip Mirvis and Bradley Googins

Businesses today face three interlocking challenges: shareholder demands for growth, employee desire for meaning from work, and rising public expectations that they address social, economic, and environmental challenges. This *Giving Thoughts* article describes how leading firms are tackling these three challenges simultaneously by turning to corporate social innovation (CSI). By investing in new innovation sources and methods, including partnerships with social entrepreneurs and employee “intrapreneurs,” they are generating new products, unlocking markets, and engaging in creative philanthropy—all of which address social challenges while supporting business reputation and growth.

### What Is Corporate Social Innovation?

Innovation is a key driver of business growth and essential to sharpening and sustaining competitive advantage. But as core as innovation has been to the DNA of successful companies, it has not been an integral part of their engagement with society. That is now changing. As this brief illustrates, companies large and small, domestic and multinational, are taking this core competence and applying it to pressing social issues.

These firms are drawing on employee talents and core business assets to co-create innovations with social sector (and other stakeholder) partners. They are engaging in corporate social innovation (CSI), which the authors define as follows:

Corporate social innovation is a strategy that combines a unique set of corporate assets (innovation capacities, marketing skills, managerial acumen, employee engagement, scale, etc.) in collaboration with other sectors and firms to co-create breakthrough solutions to complex economic, social, and environmental issues that bear on the sustainability of both business and society<sup>1</sup>

CSI has developed over the past two decades, building on traditional corporate social responsibility (CSR) activities in ways that embed social impact more directly in corporate strategies, activities, and partnerships. The table below gives an at-a-glance overview of this evolution.

Table 1  
**What Makes CSI Different?**

Traditional CSR	Corporate Social Innovation
Philanthropic Intent	Strategic Intent
Money, Manpower	R&D, Corporate Assets
Employee Volunteerism	Employee Development
Contracted Service Providers	NGO/Government Partners
Social and Eco-Services	Social and Eco-Innovations
Social Good	Sustainable Social Change

## Roots of CSI

The idea of CSI began in the developing world as a way to create new markets to alleviate poverty. In the early 1990s, Grameen Bank, launched in Bangladesh by Nobel Peace Prize winner Mohammed Yunus, introduced micro-credit lending whereby villagers could pool their modest savings and get small loans. The model was emulated by Mexican cement-maker Cemex, which gave customers technical assistance and loans to design, build, and fund improvements in their housing. It was further extended with the path-breaking partnership between Hindustan Lever (Unilever’s business in India) and Project Shakti, whereby the company trained poor women who were members of self-help groups to sell hygienic soap and toothpaste directly to consumers in nearby villages.

But corporate innovation to address social challenges is by no means focused solely on developing countries and base-of-the-pyramid markets. Rather, it is moving into global product portfolios and leading-edge technology. In late 2010, for example, Unilever unveiled its Sustainable Living Plan to, among other aims, reduce the environmental impact of everything it sells by one-half, while doubling its revenues. To engage consumers, Unilever and Walmart partnered in a promotional campaign to save water. Packaging on shampoo and conditioner products informed Walmart customers that families could “save up to \$100 and 3,200 gallons of water per year by turning off the water when you shampoo and condition.”

On the smart technology front, IBM’s Watson computer is treating cancers through cognitive computing. The super-computer has been used at Memorial Sloan Kettering Cancer Center to analyze patient records, medical studies, and clinical-trial results to help physicians make treatment decisions. Specifically, it connects patients’ genomic data with “evidence-based” treatment options and can also match patients with the best available clinical trials.

## What Is Driving CSI?

Businesses today confront three interlocking challenges. First, few large firms produce significant revenue growth, relying instead on cost cutting, reengineering, and industry consolidation mergers to meet profit targets. Second, many companies face increased public and stakeholder expectations to play their part in addressing social, economic, and environmental challenges. Third, they are grappling with a daunting “employee engagement” gap, especially among young people looking for meaning from work. For example, the 2015 Gallup Engagement Index found that the percentage of U.S. workers engaged in their jobs averaged 32 percent. The majority (50.8 percent) of employees were “not engaged,” while another 17.2 percent were “actively disengaged.”<sup>2</sup>

How these challenges, and related business opportunities, are combining to drive CSI, is explored below.

- 1 Societal challenges are prominent on the corporate radar** The world faces a plethora of pressing and potentially destabilizing challenges. Slow economic growth and a growing wealth gap. A warming planet. High youth unemployment in U.S. inner cities, southern Europe, South Africa, and the Middle East. A technology revolution yielding unprecedented connectivity and access to information. With the decreasing power of nation-states to address these matters, and the inability of civil society to do so on its own, business is beginning to engage difficult social, economic, and environmental issues because stakeholders expect it and because such actions are required for its own sustainability. A 2015 global survey of more than 3,000 investors and corporate executives, by MIT Sloan Management Review and The Boston Consulting Group, found that 75 percent of senior executives in investment firms see a company’s sustainability performance as materially important to their investment decisions. Nearly half said they would not invest in a company with a poor sustainability track record.<sup>3</sup>

Venturing into this new territory also brings opportunities. John Browne, former CEO of BP, contends that the ability to “connect” with society is the new frontier of competitive advantage for companies.<sup>4</sup> Many socially innovative companies we studied map a range of social, political, economic, and environmental issues relevant to their business in terms of risks and opportunities. Several regularly consult with a variety of stakeholders to set their social investment and innovation priorities.

- 2 Traditional corporate responses to these challenges are not sufficient**  
Companies have traditionally addressed societal challenges through their charitable giving and corporate social responsibility (CSR) and sustainability initiatives. Now leading firms are taking a more robust approach with moves toward more strategic philanthropy, development of a comprehensive environmental agenda, and experimentation with “shared value” principles in their global supply chains and product development (see What Makes CSI Different?).<sup>5</sup> All these moves require new kinds of innovations and innovation processes.
- 3 Meeting social challenges requires “innovation in innovation”** Many companies have well-developed innovation protocols and innovation teams that can encompass R&D, product and marketing units, and their sales force. But these processes and personnel are oriented to innovation for traditional corporate markets and in line with commercial criteria. Confronting social challenges requires outreach from firms beyond their usual customer base into communities and populations in need. Social value propositions hinge on multiple and often non-financial investment criteria. Novel product, program, or platform ideas must be tailored to local circumstances in design and implementation.
- 4 Employees are eager to be engaged in social innovation** Increasing numbers of young people in the U.S.—where millennials now make up the majority of the workforce—and worldwide, want to do meaningful work. The Deloitte Millennial Survey 2016, covering 7,700 young people in 29 countries, reported that interviewees want businesses to focus more on people (employees, customers, and society), products, and purpose—and less on profits. To creatively address this engagement and retention challenge, some companies provide employees with innovative pro bono service assignments working with local businesses, NGOs, or government agencies to address social challenges. In others, employees advise and mentor social entrepreneurs to accelerate their growth and enhance their capabilities. Other firms sponsor internal innovation contests where employees gain funding for practicable social and eco-innovation ideas.
- 5 Social innovation often involves multi-party collaboration** Companies increasingly collaborate with a wide range of external partners in developing their CSR thinking and agenda. Complex problems call for complex solutions and organizations from different industries and sectors bring unique and essential assets to the work of social change, often pushing firms toward a more radical CSI stance. Firms we have studied often engage external partners early on to refine their understandings of social issues and inform and shape an innovative response.

6 **Social issues are business opportunities** According to management sage Peter Drucker, “Every single social and global issue of our day is a business opportunity in disguise.”<sup>6</sup> And companies are clearly devising social innovations with business as well as societal value in mind. Many promising social innovations, however, cannot generate financial returns equal to typical commercial investments. Hence, socially innovative companies also take account of the relationship and reputational gains to be made from innovation partnerships, and apply a longer-term horizon to expected financial payoffs. Some support their innovations through “blended-finance”—with funding from both the corporate foundation and the business, or from social investors and partners.<sup>7</sup> Most important, the social investment decisions and management are conditioned on producing measurable “social impact.”

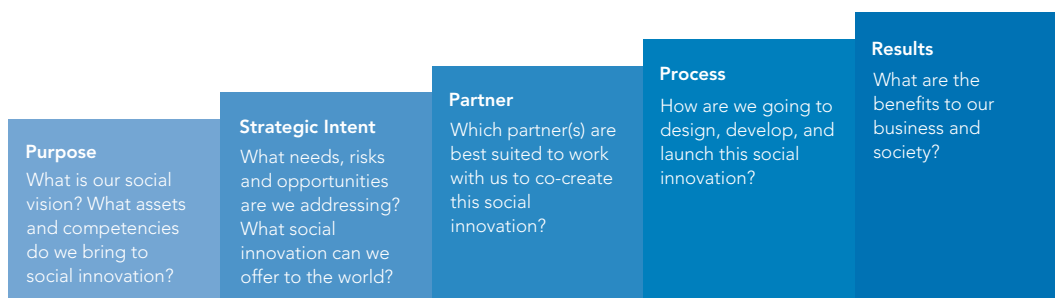
## CSI Building Blocks: Roadmaps for Companies

Companies moving into CSI may have to rethink current business models, or devise entirely new ones; develop new ways of making, selling, and distributing goods and services; and forge new kinds of partnerships. Emerging research documents how top companies meet these challenges. Clayton Christensen and colleagues, for instance, have highlighted how “catalytic” social innovations can enhance health care, education, and community economic development. John Weiser and co-authors demonstrate how a diverse range of companies have developed innovations that create social and economic value in “underserved” markets. And C. K. Prahalad and colleagues have documented how co-created innovations can create value in emerging markets and often be transferred to the developed world.<sup>8</sup> These studies and the practical experience of corporate “early movers” described in this brief suggest at least five key elements to consider and address as companies move into CSI.

These elements—Purpose, Strategic Intent, Partnerships, Process, Results—are summarized in the graphic below. To assist companies looking to explore CSI, each element is then described in detail, with case studies, in the following section.

Chart 1

### Building Blocks of Corporate Social Innovation



## Building block 1: The power of purpose

What does it take for a business to drive innovative social change? This research suggests it begins with a compelling corporate vision of a better world, a high-minded and actionable mission, and complementary, inspirational values. These conditions give interested employees a “license to innovate” and enable companies to invest time, money, and talent in societally-relevant R&D which has a longer-term and often more intangible payoff than conventional, strictly commercially-driven innovation programs.<sup>9</sup>

Many companies committed to social innovation reach for a higher purpose. Dow Chemical, for example, states its purpose in this way: “Dow people include some of the world’s best scientists and engineers dedicated to solving global challenges. We focus our innovation engine on delivering new technologies that are good for business and good for the world.”<sup>10</sup> Research has found that top companies use a BHAG—a “big hairy audacious goal”—to bring vision to life and stretch innovators’ thinking.<sup>11</sup> Dow’s BHAG was to achieve, by 2015, three breakthroughs that “will significantly help solve world challenges,” and its R&D team delivered with the following commercial innovations:

- Heart-healthy Omega 9 Oils (derived from canola and sunflower seeds) that have zero trans-fat and the lowest amount of saturated fat among commonly used cooking oils. (To date, their use has eliminated more than one billion pounds of trans- and saturated fat from the North American diet.)
- A reverse osmosis water filter that yields significant purity and energy savings compared to existing technology.
- A new type of structural adhesive for auto frames that improves safety and gas consumption.

Natura, a Brazilian cosmetic company, exemplifies a business that puts its purpose into a value proposition for customers. The company’s mission “bem estar bem” (well-being/being well) guides product innovations that focus on preserving biodiversity and traditional knowledge and culture in Amazonia. Its Ekos products are sustainably sourced and biodegradable, and Natura has established agreements with each of its 2,500 small suppliers to guard against “biopiracy”—the unethical commercialization of the region’s genetic and cultural heritage.

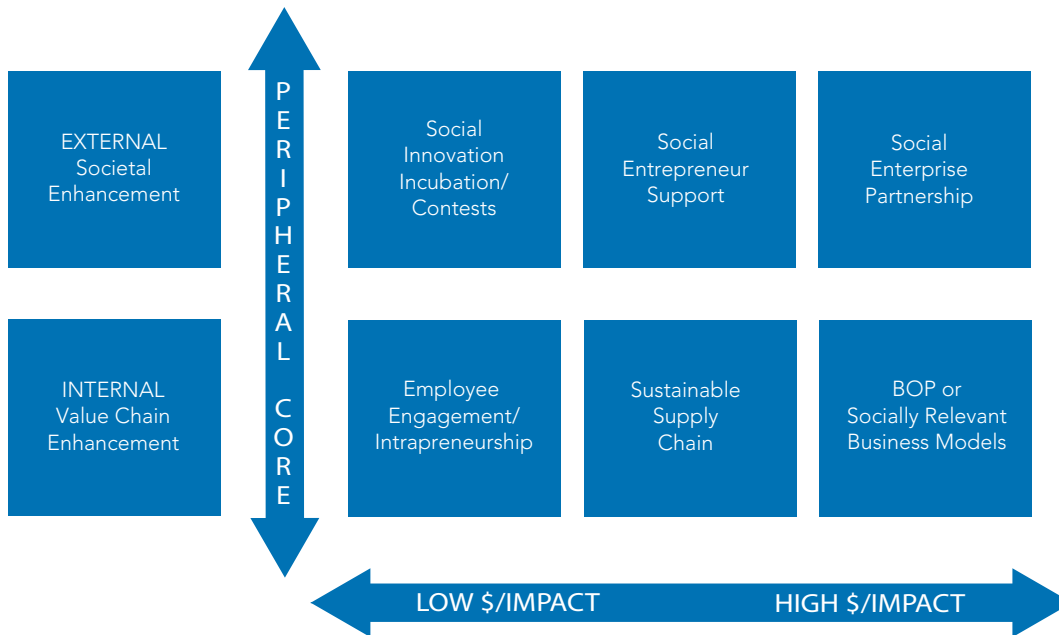
## Building block 2: Strategic intent

Vision, mission, and values set the stage for companies to innovate for social change. Strategic intent translates purpose into direction for innovation.<sup>12</sup> The figure below depicts the intent of corporate social innovations along two dimensions:

1. Centrality to a firm’s value chain (from core business to societal enhancement)
2. Intensity of firm investment and involvement (low to high).

Chart 2

**Strategic Intent of Corporate Social Innovation**



**CORE BUSINESS: VALUE CHAIN ENHANCEMENT**

Many corporate social innovations center on firms’ value chains—encompassing employee engagement, innovations in sourcing or supply chains, and development of new business models aimed at base-of-the-pyramid (BoP) or socially conscious consumers.

**Employee intrapreneurship** There is growing interest in and more exemplars of social “intrapreneurship” in leading companies.<sup>13</sup> For example, to activate its guiding value of “innovate every day,” Ericsson runs a grassroots Collaborative Idea Management Program that enables employees to propose innovative ideas in every region and layer of the company. Over 300 Electronic IdeaBoxes have to date cumulated more than 16,000 ideas and comments from over 10,000 users. These inputs are vetted, rated, and enhanced by company experts and coaches and bundled into innovations that win internal funding and support.

In rural Kenya, as one example, a network of employees launched a community power project that uses “off-the-grid” base stations, powered by wind and/or solar power, to share excess power among nearby communities. The base stations power mobile phone charging (which drives network usage) and in larger scale deployment can electrify street lights, clinics, and schools for an entire community. To help bring promising innovations to market, Ericsson recently added Innova boxes to the program, providing internal venture capital funding. This allows employee groups to develop ideas into prototypes and ultimately launch them in the marketplace.

**Sustainable supply chain** By 2025, the world will have 8.1 billion people to feed.<sup>14</sup> To ensure a sustainable and secure supply of food, and to support the productivity and wellbeing of farmers, many companies are innovating in their supply chains and securing certifications of sustainable sourcing, fair trade, and adherence to ISO standards. Such firms range from global farm-to-food giants like Nestlé, Danone, Unilever, and Starbucks to regional innovators like Double A and Charoen Pokphand in Thailand, Jollibee Foods in the Philippines, and Haigh's Chocolates in Australia.

FrieslandCampina, a Dutch dairy cooperative with markets worldwide receives milk supplies from over 19,000-member dairy farms in Western Europe and from thousands of smallholder farms in Asia, Africa, and Eastern Europe. With local partners, the company has organized the farmers into networks or cooperatives and provided training, consultation, and tools to improve milk hygiene, stock breeding and feed, and water use. Dutch dairy farmers also share their dairy knowledge and expertise with smallholder suppliers.

**BoP business models** Social innovation also helps big business to successfully tap new markets in low-income countries. For example, SC Johnson, the world's leading maker of insect control products, partnered with USAID and the Borlaug Institute of Texas A&M to work with Rwandan farmers and their communities to sustainably farm the plants that supply a key ingredient, pyrethrum. To develop and market anti-malaria products in a culturally compatible format, SC Johnson's innovation team learned firsthand from rural communities that they wanted affordable and multifunctional protection products.

Accordingly, SC Johnson developed a bundle of insect control products, ranging from repellents to home cleaning sprays, in refillable formats. They marketed these products through clubs of seven or more homemakers, who also participated in group coaching sessions around home and family-care best practices.

#### EXTERNAL IMPACT: SOCIETAL ENHANCEMENT

There are also many examples of businesses aiming social innovation squarely at solving societal problems in areas of economic development, climate change, ecosystems, education, health care, and human rights, where innovation features and benefits accrue to both business and society. Here, too, employees were active in the game.

**Pro bono global service** Multinational companies including SAP, John Deere, FedEx, BD, and others operate global service programs where employees travel to emerging markets and work hand-in-hand with local management in small businesses or social enterprises to help to address economic, social, and environmental challenges. Since 2008, IBM has sent more than 2,400 employees on 800 projects to 34 countries for one-month service learning assignments through its Corporate Service Corps. In Tanzania, IBM teams collaborated with the innovation NGO KickStart to develop modular e-training courses in marketing, sales, and supply chain management for local entrepreneurs. This engaged IBMers in socially-oriented R&D. Pfizer's pioneering Global Health Fellows program loans employees to NGOs to address local health care needs in Asia and Africa. At Dow Corning, a team of 10 employees, supported via email by engineers and scientists back home, went to Bangalore, India, to develop more energy-efficient cook stoves for street vendors and introduce renewable energy products for rural housing with partners



including the international development NGO and the Indian Institute of Science. Innovations included using stabilized mud blocks as a low-carbon emission alternative in building affordable homes.<sup>15</sup>

**Supporting social entrepreneurs** Supporting social entrepreneurs and their enterprises is an innovative and increasingly popular form of corporate philanthropy. Companies act like social venture capitalists, vetting entrepreneurs and their ideas, offering financial support and guidance to the most promising ones, and monitoring progress and early returns. The aim is to produce social impact and, as a social enterprise accelerates, to create jobs. Often, corporate employees provide pro-bono mentoring to social entrepreneurs, thereby sharpening their own coaching and project management skills, developing new relationships and innovation partners and expanding the “social capital” of their companies.

Software company SAP runs an innovation accelerator for entrepreneurs that are set to scale. SAP technology, workshops applying design thinking, and mentorship by SAP employees are cornerstones of the model, which also offers access to impact investors. One beneficiary was Tiago, a 27 year-old Brazilian entrepreneur who created a global online retail business that provides a sales channel for Brazil’s 8.5 million artisans, many of whom live below the poverty line. After working with SAP mentors and analytics, he now provides improved tools and training for artisans to better articulate their products online.

**Social enterprise partnerships** Accenture Development Partnerships (ADP) has undertaken more than 600 projects in 55 countries where its professionals, at 50 percent salary reduction, partner for up to six months with NGOs to bring business solutions to humanitarian problems. For example, ADP worked with NGO consortium NetHope to launch and staff the first global IT help desk for international NGOs. In 2013, the partners conducted a study of technology use in developing markets. They found, for instance, that although mobile technology featured in many development success stories, simpler text-based applications were more practical for rural workers who don’t own smart phones. Of the joint R&D project, NetHope’s Lauren Woodman and Accenture’s Jessica Long wrote:

“It’s no longer good enough to arrive in developing countries and proclaim to have all the answers. We need to refine our solutions by researching local markets, learning lessons from trial and error, and welcoming feedback and possibilities from those on the ground.”<sup>16</sup>

### Building block 3: Partnerships across sectors

To innovatively address society’s pressing needs requires a diverse set of interests, competencies, and skills. Few firms have the appropriate mix of staff, resources, and know-how to operate in this space on their own and in any case may lack the legitimacy with local communities to do so. On this count, a study by Austin and colleagues finds NGOs to be far more knowledgeable about social needs and more effective at planning

social action than businesses.<sup>17</sup> Partnering with NGOs can also give a company a broader “license to operate” in society. According to GlobeScan, some 85 percent of the public reports that its respect for a company would go up if it partnered with a charity or NGO.<sup>18</sup>

What makes partnering so relevant for corporate social innovators?

- First, firms need knowledge about, say, local conditions in their supply chain or in a market they seek to enter. Non-business partners often have that knowledge and can work with business partners to study the situation at hand.
- Second, companies need to understand how to produce and implement social innovations in an unfamiliar culture and context. They can develop this capability experientially, through the co-creation of social innovations with partners and/or users.
- Third, companies may need legitimacy with, and connections to, local interests and users. Partner organizations can facilitate engagement with local communities and non-traditional customers and provide access to stakeholders beyond the usual corporate reach.

Partnerships between business and government are relatively common in Latin America, Africa, and Asia and growing in the U.S. where friction between the sectors has traditionally been the norm. For example, the California-based outdoor clothing maker Patagonia teamed up with the U.S. Fish and Wildlife Service and the National Aquatic Nuisance Species Task Force to help raise public awareness about the threat of “aquatic hitchhikers”—harmful plants, animals, and other organisms that can “hitch a ride” on clothing, boats, and other water-based equipment. These invasive species reduce game fish populations, foul pristine waters, and ruin recreational equipment.

Partnering between and among businesses is also increasing in the social and environmental arenas. There are, for example, multibusiness initiatives regarding climate change (alliances for carbon trading and energy conservation), natural resources (partnerships around fish, water and agriculture as well as food), human rights (codes of conduct for supply chain management and fair labor practices), as well as collaborations concerning access to medicines and education. Motivations for businesses to work together range from self-protection to leveling the playing field to preserving natural resource stocks. Increasingly, they also aim at innovation. Starbucks, for instance, recently invited competitors to a “Cup Summit” to explore coffee cup recycling approaches. The industry, along with the Foodservice Packaging Association, has launched initiatives to increase cup recyclability and partnered with waste management firms to increase volume, making recycling more economically viable.

More complex societal challenges beckon partnerships across sectors. There are many rosters of “best practices” in forming and managing such partnerships—drawn from both practical experience and comparative research.<sup>19</sup> Key barriers to collaborating include the absence of compatible goals, a lack of executive leadership, and lack of experience to draw upon when entering this arena.

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## Benefits of effective multi-organizational partnerships

- Increase trust and reduce transaction costs between parties
- Spread the costs and risks of investment and innovation
- Help common interests to enlarge and conflicting parties to cooperate
- Increase communication flows and produce joint learning
- Combine resources and diverse expertise to address complex problems
- Open new market opportunities and produce socio-technical and cultural innovations
- Forge relationships that transcend the perspective of a single organization and address multiple stakeholders' interests.

Source: Chris Worley and Philip H. Mirvis (Eds) *Organizing for Sustainability: Building Networks & Partnerships v3*. (New York: Emerald) 2013.

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### Building block 4: Innovation processes

Naturally, different design processes feature in different kinds of innovations. In their large scale eco-innovations, companies like GE, Dow, Ericsson, and others invest in basic research and engineering to develop “disruptive” technologies that open new markets and promote sustainable development, for example by enhancing natural resource productivity. Similarly, in developing new food recipes and product ingredients, Pepsi, P&G, Unilever, and others draw on chemistry, biology, and the other life sciences to do well in their business while providing more nutritional and ecologically sustainable products. Other kinds of innovation involve co-creation with users who might operate as both producers and consumers.

Socially innovative companies engage in “indigenous” research in communities, draw ideas “outside-in” through open innovation platforms and contests, and/or apply “lean” principles to ensure their innovation processes are cost-effective. Many co-create social innovations with external partners—including community groups, NGOs, government agencies, and even other businesses. Examples of process formats, described below, include:

- Employee innovation contests
- Social innovation incubators
- Big data applications
- Eco-innovation
- Open innovation
- Reverse innovation.

**Employee innovation contests** Ferrovial, a Spanish multinational that operates urban and services infrastructure, has sought to engage employees worldwide through an innovation contest. The program, titled “zuritanken” (a combination of the Swahili term

“nzuri,” meaning “good,” and the Swedish term “tanken,” or “idea,”) invites staff to offer solutions to challenges in the company’s strategic business areas. The winning idea at the inaugural innovation contest was a walkway that harnesses kinetic energy generated by footsteps and converts it into electricity. The product, Floor Power, is now installed at Heathrow Airport, which Ferrovial manages.

**Social innovation incubators** Barclays Social Innovation Facility is an internal accelerator for the multinational banking company to develop commercial finance solutions to social and environmental challenges. Launched with a £25 million financial commitment in 2012, the Barclays Accelerator provides a physical site and co-working environment for innovative employees and companies. Employees within Barclays develop their ideas in a three-day intrapreneur lab, then receive three months of internal mentoring before pitching their innovations to senior executives. Projects launched include a credit card aimed at millennials that “rounds up” the charge at bank expense and donates the added funds to social purposes, loans with reduced credit charges for consumers who otherwise wouldn’t qualify for such rates, and a suite of impact investing products. Barclays also hosts a 13-week innovation accelerator for fin-tech startups, run in partnership with Techstars.

**Big data applications** Danone’s Nutriplanet group, drawing on nutritional, epidemiological, socio-economic, and cultural data has analyzed the habits and health issues of populations in 52 countries to inform product development. After studying the diets of Brazil’s youth, for example, Danone reformulated a bestselling cheese by reducing sugar and adding vitamins. In Bangladesh, children eat 600,000 servings a week of Danone’s Shokti-Doi, a targeted nutrient-rich yogurt. R&D also extends into packaging. In Senegal, Danone developed a carton composed of local grain and a little milk that can be stored at room temperature.

**Eco-innovation** Ray Anderson, the late head of Interface Carpets, transformed his industry through the innovation of carpet tiles. Interface’s subsequent innovations include using plastics and polymers rather than petroleum-based materials for carpet backing. This enables carpets to be recycled and produce less waste. The company has also used biomimicry in design to produce carpet tiles with natural leaf patterns that can be laid out in any order, with no time or materials wasted lining the tiles up and matching seams. The tiles are also taped together, rather than glued down, avoiding use of toxic chemicals.

**Open innovation** Innovation in business has moved beyond in-house R&D and product development to enable open innovation and co-creation with myriad parties.<sup>20</sup> P&G’s open innovation platform, Connect + Develop, is a prime example. It has linked the company with German ingredients-maker Symrise (to develop a natural honey cough drop with Vicks) and with U.S. technology partner Ecolabs (to create a refillable anti-static dryer block for its Bounce laundry products brand). Through the platform, P&G also collaborated with Brazilian packaging supplier Braskem to turn sustainably harvested sugarcane into a high-density, 100 percent recyclable, polyethylene plastic used in Pantene shampoos. Beyond business to business collaborations, the company has partnered with universities, government agencies and NGOs. For example, the Safe Drinking Water Alliance helps bring P&G’s water purification system PUR to those in need.

**Reverse innovation** Finally, there are intriguing examples of “reverse innovation”—where innovations from emerging markets migrate back to the more developed world.<sup>21</sup> P&G grew its market share in Brazil by having employees live in and observe low-income households. Insights gained from their experiences led P&G to create an affordable, environmentally-friendly, and hands-friendly detergent for hand washing clothes. Success in Brazil led to Tide Basic in the U.S., targeted to households without washing machines and urbanites that hand wash and line dry their upmarket garments. In another case, GE now sells small, low-priced handheld electrocardiogram devices and portable PC-based ultrasound machines in the U.S. that were developed originally for India and China.

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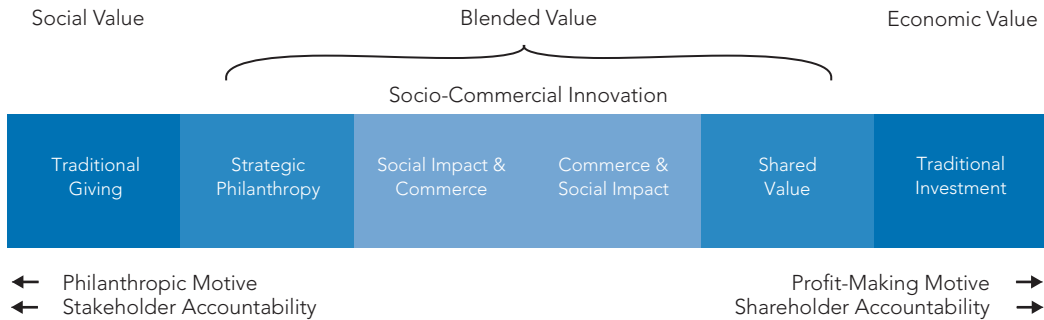
## Lessons from Social Innovation Labs

Below are four innovation processes that are especially relevant to CSI:

- **Whole systems perspective** This takes a holistic view on the design of actions or artifacts, including their sourcing, production, and uses. It is an approach being applied in the design of green buildings, product innovations or the corporation itself. The Cradle-to-Cradle® philosophy exemplifies a whole-systems perspective,<sup>22</sup> which Nike has adopted in its “Considered Design” approach to innovation. The company says: “This evolution requires us to innovate faster, more radically, more disruptively inside of Nike and throughout our whole ecosystem. It is a top-to-bottom, bottom-to-top, inside-out, and outside-in innovation.”<sup>23</sup>
- **Hybrid thinking** Designer Dev Patnaik makes a case for “hybrid thinking” in design, which he defines as the “conscious blending of different fields of thought to discover and develop opportunities previously unseen under the status quo.”<sup>24</sup> Scientific logic is integral to design thinking, hence criteria such as functionality and utility are of prime concern in commercial creations. At the same time, he argues, creativity and empathy are needed to match innovation features to people’s emotions and circumstances.
- **Participatory innovation processes** Successful multi-party partnerships often benefit from an early regimen of trust-building exercises, “rules of engagement”, and facilitation in developing teamwork. For example, participants in Babson University’s Food Solutions Lab, an incubator for innovation in food production and services, are also introduced to a program called “Entrepreneurship of All Kinds™” that supports “a radical shift from adversarial, zero-sum thinking to alliance-focused, abundance thinking”.<sup>25</sup> Well-known design and innovation firms like IDEO and Jump also employ tools that assist in empathic design and rapid-prototyping.
- **Positive intent** Some companies draw on positive psychology and its practical application to develop and launch innovations in the social sphere. Novo Nordisk’s Unite for Diabetes initiative brought together other companies and diabetes associations, leading to a UN General Assembly resolution that designated November 14 World Diabetes Day. On a broader front, the search for “positive deviance”, pioneered by Jerry and Monique Sternin, has led innovators to design new practices based on the successes of individuals and communities that have overcome social challenges and disadvantages.<sup>26</sup>

Chart 3

### Corporate Social Innovation Spectrum



### Building block 5: Measuring results

Considerations of the financial returns on CSI hinge very much on a company’s intent when investing in this arena and how it funds the effort. Is it more interested in, and motivated by, benefits to the business or to society? This research suggests a broad spectrum stretching from an emphasis on commercial returns to companies whose intent is more or less philanthropic. At one end of the spectrum are Dow, GE, and other major multinationals making big commercial plays with their eco-innovations. Likewise, IBM’s efforts to smarten cities, Unilever’s embrace of cause marketing to sell “inner beauty” through Dove Soap, and many “fair trade” certified products and services are social innovations that aim for competitive financial returns. The social and ecological benefits are important to these companies but they are also a sales feature (see also Returns on CSI, below).

At the other end of the scale are corporate social investments made from more philanthropic motivations. The Shell Foundation, for instance, uses an “enterprise-based” approach that combines venture funding, market principles, and “business thinking, models and disciplines” to help entrepreneurs and small enterprises create commercially viable business models. Such strategic social investments can yield reputational benefits, enhance companies’ license to operate, open doors to future business and, in the case of BoP markets, reward global firms with brand recognition and a loyal customer base that will grow in spending power. But few of these approaches would meet typical hurdle rates for commercial corporate investment. How then do companies justify these investments beyond, say, a well-intentioned effort to do good by fostering innovation? Laura Aisle, former director of corporate citizenship at Dow Corning, helped start the company’s Citizen Service Corps whose volunteers work with the global NGO Asoka to develop affordable housing and with the Indian NGO Sustaintech on solar cook stoves for street vendors. She makes the investment case in this way: “We go back to the beginning: insight for innovation. As a specialty materials supplier...we had no way of understanding a market for which we had no experience, and no way to gain experience, save [by] going there.”<sup>27</sup>

The graphic above shows the spectrum of CSI motivation for companies, with blended value approaches the most impactful in terms of driving socio-commercial innovation.

## The Many Returns on CSI: Examples from the Frontline

**New markets** IBM uses CSI to establish a footprint in new markets by developing a track record with local stakeholders (including government officials and NGOs) through programs such as a toolkit for small and medium enterprises (SMEs). The SME toolkit provides free web-based resources on business management for enterprises in developing economies, in partnership with the International Finance Corporation of the World Bank and with partners such as India's ICICI Bank, Banco Real in Brazil, and Dun & Bradstreet in Singapore. IBM's 30 SME toolkit sites in 16 languages also plant the seeds for users to become potential future customers.

**New customers** To help market products and services geared toward customers above the age of 60, Telefónica has developed a training program in collaboration with elder associations to address the target's population's "knowledge barrier". The company offers a free training course, taught by retired people to their peers, about how to use new telecommunications technologies and their benefits. The program helps meet a social need for understanding modern technology, while helping the company build a customer base in an underpenetrated market.

**Retail branding** Coca-Cola is using improved environmental practices to drive marketing to retailers. The company's eKOfreshment branded coolers, vending machines, and soda fountains, designed for retail locations, eliminate the use of HFCs (hydrofluorocarbons)—gases with high global warming potential—in refrigeration systems. They also reduce energy consumption by using a sophisticated energy management device developed by Coca-Cola. Together, these innovations increase energy efficiency by up to 35 percent over traditional models. The company highlights the benefits—especially financial savings from energy efficiency—to retailers. In return for providing more efficient equipment, Coca-Cola asks for prime space in retail outlets.

## Conclusion

Innovation is active, creative, and aimed at breakthroughs. This is what society needs in the face of tough and intractable social and environmental problems. And it is what business needs to reestablish trust and to reinvigorate its leaders, employees, and relationships with many stakeholders. Successful innovation can dramatically improve what currently exists or create something new that is significant and useful. This requires new voices, new ideas, new processes, and renewed passion. It represents a confluence of ideas and interests where employees are engaged in new, fulfilling ways and social entrepreneurs become partners with businesses looking to create greater societal impact.

## Seven Starter Steps

While the roadmap outlined above is broad and ambitious, creating a culture of CSI at a company requires a gradual metamorphosis. Here is a starter list of what a company might do to begin embedding CSI across the organization and its value chain:

- 1 **Enact a social vision** Start with a noble social vision for the company and align it with organizational values. Then bring the vision to life through purposeful engagement with society and its needs and challenges.
- 2 **Bring employees to the center of the effort** Successful companies are soliciting and rewarding employees for social and environmental innovation. They are also using societal engagements to develop a next generation of socially-conscious leaders.
- 3 **Nurture social intrapreneurship** Transform employees into social intrapreneurs that mimic social entrepreneurs' approach through internal innovation labs or contests.
- 4 **Engage a broad spectrum of interests using connective technology and social media** Socially innovative companies run incubators and accelerators for scaling the societal impact of innovative NGOs. They sponsor social innovation challenges for college students and host "hackathons" to engage the public in product development.
- 5 **Reset CSR to innovation** The Shell Foundation used to be the philanthropic arm of the parent corporation. Now it funds and develops commercially viable business models that can achieve sustainable social impact.
- 6 **Focus on social impact** Corporate social innovations are designed to produce social and business value. Nearly all the companies described in this report assess the impact of their social innovation. A few have monetized impact and calibrated a social return-on-investment SROI.
- 7 **Join hands with social entrepreneurs** Finally, speed up movement toward CSI by working directly with social innovators and entrepreneurs. Get your employees engaged as coaches and mentors to them.

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## Methodology

The ideas and company examples in this article, unless otherwise stated, are drawn from desk research and in-person and phone interviews conducted by the authors. We visited 70 companies, large and small, domestic and multinational, in 25 countries, to explore the nature and practice of the growing trend we define as corporate social innovation. Interviews were conducted from 2012 through 2016.

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**Philip H. Mirvis** is an organizational psychologist whose studies and private practice concern large-scale organizational change, characteristics of the workforce and workplace, and business leadership in society. An advisor to companies and NGOs on five continents, he has authored 12 books including *The Cynical Americans* (social trends), *Building the Competitive Workforce* (human capital investments), *Joining Forces* (human dynamics of mergers), *To the Desert and Back* (business transformation), and *Beyond Good Company: Next Generation Corporate Citizenship* (with Bradley Googins).

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