

Social Innovation: An emerging Practice in Business

Rinku Batrani

Abstract

The global field of social innovation is gathering momentum. All over the world there are organisations and institutions incorporating social innovation into strategies to combat societal problems such as health issues and poverty. Despite thriving practitioner networks and a real commitment from policymakers and foundations to support social innovation, empirical and theoretical knowledge of social innovation remains uneven. Aside from the importance that the term “social innovation” is currently gaining as a model for a new (innovation) policy, its analytical and diagnostic potential to explain social change in terms of a micro foundation of the social realm has been largely underestimated until now. Even though there are many organisations working in this field, much more could be done to bring these networks, organisations and individuals together. This paper briefly provides an overview of the concepts, practices, together with illustrations of Social innovations in CSR by various corporations. Further the paper focuses on need to emphasize not only the technology based innovations but also social innovations which has the ability to create and deliver long term social and economic value.

KEYWORDS: social innovation, CSR(corporate social responsibility, societal problems, technology based innovation

INTRODUCTION

Social Innovation organisations are becoming a major economic, social and political force all over the world, and their role and relation to government and the private sector is being increasingly recognised and valued. While such Social Innovation organisations have come to embrace the language, culture and management practices of business, their origins, mission and raison d'être is different from companies whose primary purpose is to make money.

The management of social innovation organisations is an exciting challenge; one that needs to combine business management practices with an understanding of the functions, drivers and values of these types of organisation. Leaders in the social innovation sector face new challenges and opportunities as their roles in society are evolving due to increased prosperity alongside greater economic uncertainty, social and cultural changes, and new perceptions of the role of government and the private sector. Managers need to understand the role of beyond for profit organisations and the opportunities and challenges this creates for business and society.

The paper is an attempt to gain an insight with the following objectives:

1. To understand the concept of social innovation

2. To understand the need for embedding social innovation by the companies
3. To come up with the elements required to accelerate this trend

Objective 1

Understanding the concept of Social Innovation :

Over the last 20 years, we have seen an explosion in applications of business ideas and practices to **nonprofit** and government works. ⁽²⁾ We have also watched businesses take up the cause of creating social value under the mantle of corporate social responsibility, corporate citizenship, and **socially responsible business**. We have also witnessed the proliferation of terms that juxtapose the word “social” with private sector concepts, producing such new terms as *social entrepreneurship*, *social enterprise*, and *social innovation*.

At a recent Guardian Sustainable Business Quarterly workshop on social innovation heard, there is no commonly accepted definition for social innovation. The World Economic Forum describes it "as the application of innovative, practical, sustainable, business-like approaches that achieve positive social and/or environmental change."(1)

Some see social innovation as developing products to serve society better. Others argue business shouldn't be dabbling in social innovation at all, because market-based approaches are about profits, not people.

Paul Ellingstad, who leads social innovation programmes at IT giant Hewlett-Packard, was one of the speakers at the Guardian workshop. He says social innovation isn't about products, but putting innovative new systems in place so companies can rise to growing social and environmental challenges.

Charmian Love, co-founder and director of sustainability consultancy Volans, who chaired the GSBQ session, said social innovation is a big step up from corporate social responsibility.

It requires a much deeper engagement across the company than CSR. "It's on the agenda of the C-suite [the top-level executives] as well as legal, marketing and human resources,"(1)

A social innovation can be a product, production process, or technology (much like innovation in general), but it can also be a principle, an idea, a piece of legislation, a social movement, an intervention, or some combination of them.

Indeed, many of the best recognized social innovations, such as microfinance, are combinations of a number of these elements.

Social Innovation is Different than Social Entrepreneurship and Social Enterprise:

Let's examine more closely the fields of social entrepreneurship and social enterprise. Much like its parent field of entrepreneurship, social entrepreneurship focuses on the personal qualities of people who start new organizations, and it celebrates traits like

boldness, accountability, resourcefulness, ambition, persistence, and unreasonableness.⁽³⁾ In contrast, the field of social enterprise tends to focus on organizations. Although some pockets of work explore broader issues of managing social purpose organizations, most research on social enterprise focuses on commercial activities, earned income, and for-profit ventures that give financial and operational support to traditional social service programs.⁽⁴⁾

The underlying objective of virtually everyone in the fields of social entrepreneurship and social enterprise is to create *social value*.

Social entrepreneurs are, of course, important because they see new patterns and possibilities for innovation and are willing to bring these new ways of doing things to fruition even when established organizations are unwilling to try them. And enterprises are important because they deliver innovation. But ultimately, innovation is what creates social value. Innovation can emerge in places and from people outside of the scope of social entrepreneurship and social enterprise.

Unlike the terms social entrepreneurship and social enterprise, social innovation transcends sectors, levels of analysis, and methods to discover the processes—the strategies, tactics, and theories of change—that produce lasting impact. Social innovation may indeed involve finding and training more social entrepreneurs. And it may entail supporting the organizations and enterprises they create. But it will certainly require understanding and fostering the conditions that produce solutions to social problems.

Thus, it is essential to distinguish four distinct elements of innovation: First, the *process* of innovating, or generating a novel product or solution, which involves technical, social, and economic factors. Second, the product or invention itself—an outcome that we call *innovation* proper. Third, the *diffusion* or *adoption* of the innovation, through which it comes into broader use. Fourth, the ultimate value created by the innovation. This reasoning gives us the definition of social innovation: *A novel solution to a social problem that is more effective, efficient, sustainable, or just than existing solutions.*⁽⁵⁾

Social innovations are different from ordinary innovations because the world is already amply equipped to produce and disseminate ordinary innovations. It is only when markets fail—in the case of public goods—that social innovation becomes important as a way to meet needs that would not otherwise be met and to create value that would not otherwise be created.⁽⁶⁾

Many innovations tackle social problems or meet social needs, but only for social innovations is the distribution of financial and social value tilted toward society as a whole. This leads us to our complete definition of social innovation: *A novel solution to a social problem that is more effective, efficient, sustainable, or just than existing solutions and for which the value created accrues primarily to society as a whole rather than private individuals.*⁽⁶⁾

Some Illustrations with Novel Social Innovations

1. Consider the example of fair trade, which is often juxtaposed as a moral alternative to “free trade.” Fair trade entails the certification and labeling of coffee, flowers, cotton, and other products. The umbrella organization, Fairtrade Labelling Organizations International (FLO), sets standards for fair pricing, humane labor conditions, direct trade, democratic and transparent organizations, community development, and environmental sustainability. FLO and other fair-trade organizations not only promote these standards, but also enforce them by training and then independently certifying producers and traders. Finally, fair trade educates consumers about the benefits of buying certified fair-trade products.

What’s novel about fair trade is that it works at so many links in the value chain—from farmers to salespeople to consumers. The model not only is novel, but it also creates tremendous social and environmental value by deploying a host of safeguards, including sustainable agricultural techniques, international certification and labeling, child labor prevention, and fair prices. Fair trade also generates significant economic value: Between 1999 and 2005, coffee farmers selling to the U.S. fair-trade market earned approximately \$75 million in additional income, finds TransFair USA. Reasonable and guaranteed wages release farmers from the trap of preharvest predatory lending, help them to afford better health care and better education for their children, improve their financial skills, and foster community solidarity. FLO estimates that in 2007 the fair-trade system directly benefited 1.5 million farmworkers in 58 developing countries in Africa, Asia, and Latin America.

2. In 1998, the Ford Foundation committed \$50 million to expand Self-Help’s program nationally. By mitigating the risk to for-profit banks and demonstrating the creditworthiness of low-income borrowers, Ford’s \$50 million grant became more than \$2 billion in affordable mortgages by 2003. Fannie Mae subsequently committed to repurchasing \$2.5 billion more in loans from Self-Help through 2008. This solution to the problem of low homeownership among poor and minority communities is a market-based solution created by cross-sector partnerships. The program got off the ground because of a relatively small infusion of philanthropic capital. This grant in turn enabled the funds to flow between commercial banks, a nonprofit community development agency, a federally chartered but publicly traded for-profit financial institution, and ultimately, private investors.

3. Exceptional Employee Engagement Program: ClifBar

At Clif Bar, sustainability is embedded in employees’ benefits package, including incentives for actions such as making eco-friendly home improvements and purchasing a fuel-efficient car. Employees are rewarded for such positive behavior and recognized at year-end. Another very impressive campaign: the Greater Good initiative at Burt’s Bees. The successful program empowers employees through trainings in actionable environmental stewardship, social outreach, natural wellness, and leadership. The program supports a company-wide goal to achieve 100% employee engagement in sustainability by 2020.(7)

Hence, we see that social innovation emphasize not only the technology based innovations but also those innovations which create and deliver long term social and economic value.

4. Brigade Simon Boyle Chef Founder Brigade is a social enterprise bistro and bar. Supported by PwC and located in the aforementioned fire station, Brigade attracts PwC employees, PwC clients, and other customers. How is the restaurant Brigade a social organisation? In the UK, there are a few organisations besides Brigade that may not appear to be a social enterprise at first glance but deliver social value to local communities in special ways. In Brigade's case, it provides work experience to people in the community who are at risk of, or have experienced, homelessness to gain qualifications in the food and beverage industry. Brigade provides a six-week programme called Freshlife to more than 500 people a year. In addition to attending workshops related to the restaurant business, up to 150 Freshlife participants gain the chance to work in the busy 'live' kitchen at Brigade and have the opportunity to experience and deliver fine dining. Up to 28 people of the 150 gain an apprenticeship at other establishments through Brigade's introduction, and have the opportunity to receive career advice from PwC mentors on a one-to-one basis. Some 30 people a year have managed to find employment through this Freshlifeprogramme. Simon Boyle, who used to work in the commercial food business, points out why Brigade has been so successful.

Objective 2

Why do companies need Social Innovation :

- *"2012 is a critical point for businesses aiming for innovation."*

This was Volans CEO Charmian Love's message at the start of the learning journey. People have been talking about the importance of addressing social and environmental pressures such as rapid population increase and resource scarcity. The 1960s witnessed a period where business largely denied their wider responsibility to society. Companies considered generating profits as their single largest duty to society. However, after various incidents, priority shifted from denial to compliance with and a greater adherence to laws and regulations. Then, as a result of pressure from NGOs and other stakeholders, this evolved into social responsibility with contributions to local communities, reducing environmental and social burdens voluntarily instead of being forced by regulations.

- A successful social enterprise cannot depend only on its social mission, it also must deliver exceptional products and services. At the end of the day, customers demand quality. Feeling that you're providing a wonderful service is also an essential element in building the participants' sense of dignity and independence."

This is an example to illustrate how and why Unilever shifted towards Social Innovation:

Social innovation is now an integral part of Unilever's business. Unilever's strategic planning process involves imagining the social and environmental situation in 2030 onwards, and building a scenario based on that assumption. From this process, one area that Unilever is focussing on is "the End of Abundance". Gavin Neath, Senior Vice President of Sustainability, described the review process as follows. "What would happen if everything including social

and natural resources related to the business were in short supply? How should the company continue with its business? We search for social innovation opportunities by asking ourselves this question over and over again.” In 2010, Unilever released its future scenario design in the form of its Sustainable Living Plan, expressing the company’s commitment to the following targets:

- (1) to cut the environmental impact of Unilever’s products in half
- (2) to source sustainably all its agricultural supplies
- (3) to improve the health and wellbeing of a billion people worldwide while doubling sales revenue Neath asserted that all of Unilever’s initiatives lead to the achieving of the company’s competitiveness. Unilever aims to enhance its competitiveness in sourcing, market and business development, cost reduction, and customer support by taking early measures to prepare for the future business environment of 2030.(4)

Many Leading corporations are similarly moving from this CSR model to the adoption of social innovation, developing and introducing innovative products, services, or business processes that have social or environmental value. Social innovation is unlike conventional CSR practices such as making donations to not-for-profit organisations , as it is embedded into the main business of the company. In other words, the value generated by social innovation builds on, and may contribute to, a company’s core business.

By embedding social innovation in their products, services and systems companies can avail the following four benefits:

- (1) development of new products and services
- (2) entry into previously untapped markets
- (3) attraction, engagement and inspiration of its employees
- (4) differentiation from competitors

Conventional CSR activities are mostly about providing an opportunity for a company to differentiate its brand from other competitors. However, activities have now expanded to include initiatives such as the entry into developing markets while providing social value or pro bono projects, and other ways to contribute to society based on the strengths of their employees. In some cases, tackling social issues in the field have produced insights that have led to research and development opportunities within the company.

Businesses can leverage its core competencies to have greater social and environmental impact. By aligning social programming with the core business model, there will be a greater social, environmental and business impact. Senior level managers need to drive and support social innovation Senior level managers should not simply agree to projects but must also drive long-term business commitment to social innovation. Intermediary organisations around the world are increasingly

important in connecting different industries and sectors. Governmental, corporate, and civil sectors are still separated by huge divides. Intermediaries can play a crucial role in networking and facilitating learning when translation is needed, bridging the gap between sectors.(6)

Objective 3

Elements required to accelerate the trend of social innovation

The world is struggling with 21st century challenges: poverty, economic decline, global climate change, an exploding population, and more. Enter “social innovation,” a way of thinking that draws upon the expertise, entrepreneurial spirit and commitment of many sectors working together – nonprofit, private, government – with truly unexpected ways of doing business.

- **Franchising is often a promising route for social innovations.** This is one of the findings of the recent study "Mechanismen Sozialer Innovationen I: Entstehung, Entwicklung und Verbreitung" that examines 27 initiatives from the following five areas: educational equality, skills shortage, long-term unemployment, resource consumption, and lifestyle diseases. The study is one result of the three-year research project "Social Innovation in Germany" initiated by the Federal Ministry of Education and Research. The project is carried out by the World Vision Center for Social Innovation at the Institute for Transformation in Business and Society (INIT) of EBS Business School.(7)

"If a social entrepreneurial idea has proved successful, then franchising - in this case social franchising - can be a way to spread the idea and increase the benefits for society", said Dr Susan Müller from the World Vision Center for Social Innovation. The advantage of the approach: The franchisee's local contacts and entrepreneurial energy can be used to reach as many people as possible.

- Another possibility to increase the impact of social innovation is to **institutionalize the idea.** The medical practitioner Frank Hoffmann shows how this can be done: He came up with the idea of using the acutely developed sense of touch of blind women to detect breast cancer in its early stages. In order to institutionalize the approach he founded the social enterprise discovering hands® and developed a nine-month programme to train partially sighted or blind women to become Medical Tactile Examiners (MTEs). After completing training, they are able, in a thirty minute examination, to detect smaller lumps at an early stage, which allows more effective treatment with better chances of recovery. At the same time this has opened up a new employment opportunity for partially sighted or blind women in the primary job market, with MTEs working for gynaecologists as permanent employees or freelance staff. Hoffmann is now actively seeking formal recognition of the MTE programme as primary vocational training.(9)
- The study "Mechanismen Sozialer Innovationen I: Entstehung, Entwicklung und Verbreitung" presents a number of other opportunities. It addresses challenges which are highly relevant in Germany today and will become increasingly important in future for the whole world. The study analyses

different aspects of social innovations. Among others, it examines the **creation of social innovations and distinguishes five founding types: structured start-ups, collective start-ups, start-ups based on a personal experience, opportunity driven start-ups and expert start-ups.** The study also identifies problem-solving mechanisms and dissemination strategies. (9)

- One of the enabling factor for enhancing social innovation is the **presence of social intrapreneurs within companies.** They have the capacity to engage in new actions and ways of thinking beyond the existing business framework.
- **Governments** could begin by making it easier for innovation entities – social enterprises, social purpose businesses, revenue-generating non-profits and innovation entities within larger organizations – to have the flexibility they need to succeed.
- **Social innovators** need to continue drawing outside the lines without being placed in government-approved buckets that do not accurately capture the type of work they do.
- Practitioners can begin to talk about social innovation in terms of metrics, such as **community engagement and sustainability,** and
- the media and academics can spend less time glorifying organisations for merely associating with "innovation" and praise real efforts toward testing new financial model and learning sharing between organisations.(10)
- **Cooperate with pioneering social entrepreneurs.**To reach full partnership potential, private sector employees and social entrepreneurs should be encouraged to share their knowledge and communicate deeply with each other. As with the case of MyBnk, social enterprises can be innovative partners for meeting existing business needs. It was also pointed out that it was important to make sure the corporate culture and vision are a good match between organisations.
- **Build networks** within and outside the company.It is crucial to have supportive internal networks and the commitment of senior management. In addition, an innovative ecosystem should be built around the company, involving social entrepreneurs and other catalysts for social innovation.
- Secure dedicated spaces to facilitate social innovation.Corporations should establish or utilize **unique innovation spaces to facilitate learning, co-creation.**(11)

Conclusion:

“As governments search for guidance and inspiration on how to scale cost-effective solutions to social problems, social innovation has taken centre stage.”(12)

The world needs more social innovation—and so all who aspire to solve the world’s most vexing problems—entrepreneurs, leaders, managers, activists, and change agents—regardless of whether they come from the world of business, government, or nonprofits, must shed old patterns of isolation, paternalism, and antagonism and strive to understand, embrace, and leverage cross-sector dynamics to find new ways of creating social value.

REFERENCES:

1. <http://www.theguardian.com/sustainable-business/blog/social-innovation-business-force-for-good>
2. James C. Collins, *Good to Great and the Social Sectors: A Monograph to Accompany Good to Great*, 1st ed., Boulder, Colo.: Jim Collins, 2005; Mark Harrison Moore, *Creating Public Value: Strategic Management in Government*, Cambridge, Mass.: Harvard University Press, 1995;
3. Skoll Foundation, “Background on Social Entrepreneurship,” <http://www.skoll.org/aboutsocialentrepreneurship/index.asp>
4. See von Hippel, *The Sources of Innovation*; and John E. Ettl, William P. Bridges, and Robert D. O’Keefe, “Organization Strategy and Structural Differences for Radical Versus Incremental Innovation,” *Management Science*, 30, no. 6, 1984.
5. David Vogel, *The Market for Virtue: The Potential and Limits of Corporate Social Responsibility*, Washington, D.C.: Brookings Institution Press, 2005: 28.
6. Clayton M. Christensen et al., “Disruptive Innovation for Social Change,” *Harvard Business Review*, 84, no. 12, 2006: 96.
7. <http://www.governing.com/blogs/bfc/social-enterprise-job-creation-menkiti-group-bull-city-forward.html>
8. <http://www.weforum.org/content/global-agenda-council-social-innovation-2012-2014>
9. <http://www.ebs-init.de/>
10. <http://www.theguardian.com/social-enterprise-network/2013/may/14/social-innovation-singapore-south-korea-taiwan>
11. www.britishcouncil.or.jp
12. Schwab Foundation for Social Entrepreneurship, “What is a Social Entrepreneur?” <http://www.schwabfound.org/definition.htm>