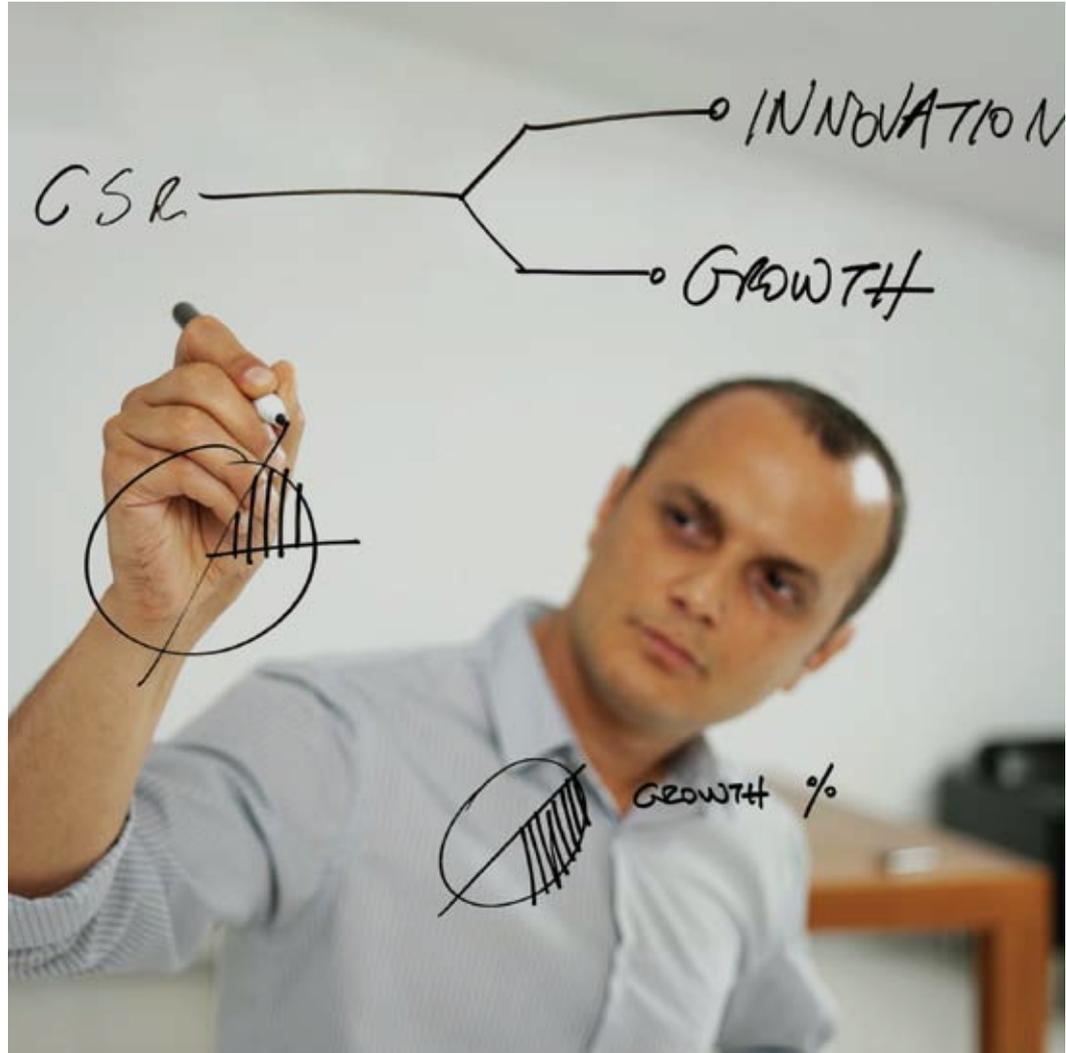


CORPORATE SOCIAL INNOVATION

Jared Tham



CSR has long been perceived as an afterthought in the corporate world. However, perceptions are shifting, and CSR is becoming part of the innovation paradigm of a corporation, creating what is arguably a turning point in the history of the CSR movement.



Jared Tham

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WATERSHED IN CORPORATE RESPONSIBILITY

While there are still companies that continue to question the business case for CSR, other companies which are more forward looking have already seen how an emphasis on creating social value can translate into good business. From this vantage point, such companies are exploring how CSR initiatives can just as likely originate from the logistics or engineering divisions as from the corporate communications or public affairs department.

As a result, innovation in business and corporate social responsibility – previously treated as separate and distinct initiatives – is being implemented in an integrated manner. Simply put, innovation, long recognised as a tool for creating new markets and products, is now being applied to the arena of corporate responsibility, creating what experts call “blue oceans”¹ in the process, which are uncontested market spaces that create new markets and render rivals obsolete. We are witnessing the beginning of a sea change in attitudes towards CSR.

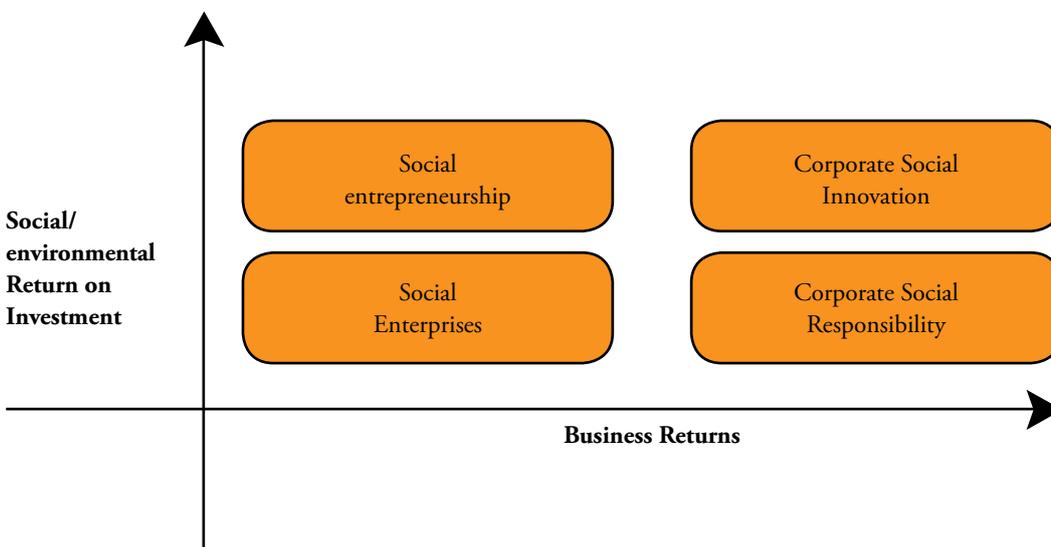
These changes in the corporate sector have been occurring due to the confluence of two factors. First, consumers are more educated, discerning and demanding, as evidenced by the overall rise

in green consumerism, as well as the phenomenon of niche markets such as Fair Trade² beginning to enter the mainstream. Second, governments increasingly wield a compelling combination of persuasion and legislation to coax companies into behaving responsibly. Examples of international strategies that have been employed include the United Nations-sanctioned Clean Development Mechanism, which allows net global greenhouse gas emissions to be reduced by financing emissions reduction projects in developing countries³, as well as the Convention on International Trade in Endangered Species of Wild Fauna and Flora, an inter-government treaty to ensure that international trade in specimens of wild animals and plants does not threaten their survival.⁴

These developments are especially significant in the case of multi-national companies (MNCs), who are leveraging their extensive financial resources, management expertise and global supply chains to find innovative solutions to deep-rooted social and environmental issues.

THE BUSINESS CASE FOR CORPORATE SOCIAL INNOVATION

The benefits of twinning innovation with corporate responsibility are potentially game-changing, as the diagram below shows:





While social enterprises have been torchbearers for social innovation, MNCs who enter into this space can potentially scale both the business returns and social/environmental returns on investment (SROI) in a way that many small and medium-sized social enterprises are simply not yet resourced or designed to do, although their potential to be as dynamic as corporations exists and some have made the leap.

For example, A Better Place is a game-changing social enterprise, with a vision to become a global provider of electric vehicle networks and services. However, while their initial impact in the clean-tech industry was promising, it was also limited. Now, having signed an agreement with an HSBC-led investor consortium for new equity financing of US\$350 million, they are getting the financing to scale their operations at a truly global level.⁵

On the other hand, large corporations can of themselves initiate new enterprises that address social concerns. The new General Electric under CEO Jeffrey Immelt⁶ has an Ecomagination initiative, which is poised to create massive revenues from environmental markets. In a report in *The Economist*, the company stated that it “vows to double its revenues from 17 clean-technology businesses,” taking “such products from \$10 billion in sales in 2004 to \$20 billion by 2010, with more ambitious targets thereafter.”⁷

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In fact, when a corporation signals its undivided commitment towards an ideal – an example being Interface, whose CEO Ray Anderson has pledged to bring his company towards zero environmental footprint⁸ - the public perception of the company shifts from one that is “not doing any evil” (mere reputation management) to “doing well and doing good” (a market leader, both financially and socially).

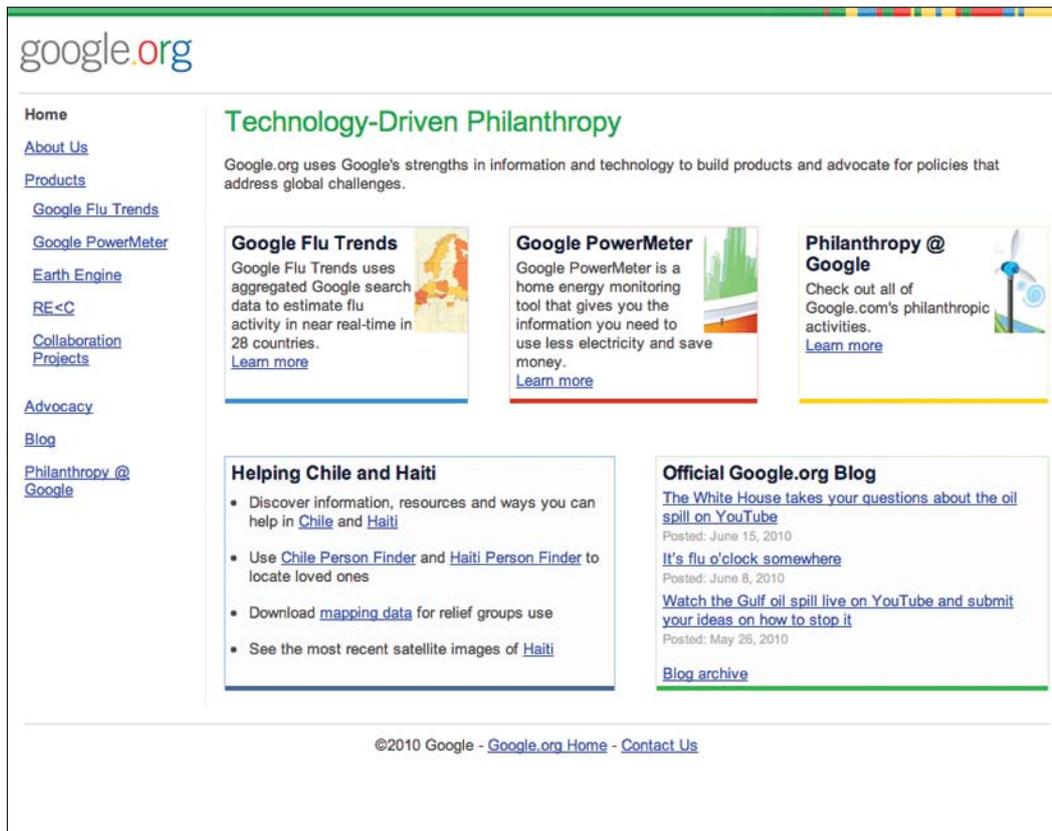
CHARTING A NEW COURSE

But how can large MNCs be motivated to engage in corporate social innovation? Often, the answer lies in visionary individuals within a company who can foresee trends that assure the corporation’s survival.

This could start as the initiative of a social intrapreneur⁹, as exemplified by Citigroup’s Global Director of Microfinance Bob Annibale, who pioneered their microfinance programme¹⁰ from within. There could be an enlightened CEO, such as Virgin’s Richard Branson, who has pledged all the profits from his air and rail ventures over the next decade to investments in clean technologies such as bio-fuels.¹¹

Here then, are five examples of companies that are at the vanguard of corporate social innovation:

1. For-profit philanthropy with Google.org



In 2004, when Google founders Larry Page and Sergey Brin wrote to prospective shareholders about their vision for the company, they outlined a commitment to contribute significant resources, including 1% of Google's equity and profits in some form, as well as employee time, to address some of the world's most urgent problems.¹² That commitment eventually culminated in the creation of Google.org.

As part of the gigantic Google machine, it is not a corporate foundation to which profits are simply channelled, but a proper "department" within

Google that is able to leverage on the talents of fellow Googlers.¹³ By foregoing charity tax status, it is able to utilise a mixture of grants and equity in order to carry out its mission.¹⁴

Among some of Google.org's more ambitious projects is RE<C, which is about making renewable energy (RE) cheaper than coal-fired power (C) which today is the predominant source of electricity worldwide and a significant contributor to global warming.¹⁵

2. Streamlining disaster logistics with DHL



Despite decades of experience, disaster relief efforts continue to be burdened by logistic problems because most of the aid that is air-flown gets held up at bottlenecks at airports. DHL, in partnership with the United Nations Development Programme, took the initiative to build a global network of Disaster Response Teams, whose mission is to reduce congestion at airports receiving unsolicited humanitarian relief goods in the aftermath of major natural disasters.

The initiative has since evolved into GARD (Get Airports Ready for Disaster), and is a crucial programme in streamlining disaster logistics worldwide. Two pilot projects have already been successfully completed at the Indonesian airports of Makassar and Palu in August 2009.

Using the train-the-trainer approach, the small GARD team trains airport employees and also produces a detailed report called the Airport Surge Capacity Assessment to understand the surge capacity of an airport and makes recommendations on how to handle relief operations when disasters occur.¹⁶

3. Making recycling fun with Volkswagen

The screenshot shows the homepage of **Thefuntheory.com**, an initiative of Volkswagen. The site's mission statement reads: "This site is dedicated to the thought that something as simple as fun is the easiest way to change people's behaviour for the better. Be it for yourself, for the environment, or for something entirely different, the only thing that matters is that it's change for the better."

The page features a navigation bar with links: Home > Fun theory award > Show award entries > Jury >. A Swedish flag is visible in the top right corner.

On the left side, there is a Facebook widget with the text "Like this on facebook" and a "Click here" button. Below it is a "THE WINNER" section with the text "See the winner to the right. The finalists are published below." and a "BOTTLE BANK ARCADE" section with the text "Check out how Volkswagen proved the fun theory."

The main content area displays two video clips:

- The Fun Theory award winner - The Speed Camera Lottery**: A video showing a speed camera sign that says "25 MPH" with a play button in the center. The video title is "The Fun Theory award winner - The Speed Camera Lottery" and the date is "2009-11-12 15:47 - 0 Comments". The description reads: "Idea: Rewarding Speed Limit Signs - Submitted by Kevin Richardson (USA). Can we get more people to obey the speed limit by making it fun to do? The idea here is capture on camera the people who keep to the speed limit. They would have their photos taken and registration numbers recorded and entered into a lottery. Winners would receive cash prizes and be notified by post. Better still, the winning pot would come from the people who were caught speeding." The video player shows a duration of 0:00 / 0:54.
- Scratch Mat**: A video showing a person in an orange jacket using a scratch mat on a staircase. The video title is "Scratch Mat" and the date is "2009-12-15 22:26 - 0 Comments". The description reads: "Most people enter a building without cleaning their shoes, often resulting in dirt all over the floor. Could this nuisance be removed by making the activity fun to do? We think so. Submitted by Felix Möller and Daniel Westhof - Germany." The video player shows a duration of 0:00 / 2:50.

At the bottom of the page, there is a "next" button and a copyright notice: "© Volkswagen 2009 | info@thefuntheory.com".

While there is no shortage of information in the public domain on how to recycle, little thought has been given to how creativity might play a role in encouraging recycling practices. In response to the dearth of innovative approaches, Volkswagen and advertising agency DDB Stockholm set up a website called The Fun Theory. In essence, everyday acts in public spaces that are wasteful or performed unconsciously are transformed into creative, tactile experiences – a strategy that has helped to change behaviour.¹⁷

In snappy 2-minute video clips, The Fun Theory shows, for example, how turning a simple staircase at a local train station into a giant piano with

music-making steps can motivate people to use the stairs instead of the escalator. Another clip shows how turning a garbage bin for recycling glass bottles into an arcade game can dramatically increase the rate of recycling.

Capitalising on the chain reaction effect of videos on YouTube and blogs, the innovators behind this project set up a competition to encourage similar creative practices. Apart from the project's effects on overall behaviour in public spaces, the campaign had the added effect of bringing greater positive attention to the Volkswagen brand name.

4. Social business in Grameen Danone



Grameen Danone

Grameen and Group Danone went into a joint venture to create a yoghurt fortified with micro-nutrients to decrease malnutrition for the children of Bangladesh. The yoghurt is produced with solar and bio-gas energy and is served in environmentally-friendly packaging. The first plant started production in late 2006. The 10-year plan is to establish 50+ plants, create several hundred distribution jobs and self-degradable packaging.

Grameen and Group Danone went into a 50-50 joint venture to create a yogurt fortified with micro-nutrients to decrease malnutrition for the children of Bangladesh. The yogurt is produced with solar and bio-gas energy and is served in environmentally friendly packaging.¹⁸ Muhammad Yunus, founder of Grameen, called this joint venture a “social business”- a pioneering model for a more humane form of capitalism.

Like a conventional business, Grameen Danone must recover its full costs from operations. Yet, like a non-profit, it is driven by a cause rather than by profit. If all goes well, investors will receive only a token 1 percent annual dividend, with all other profits being ploughed back into the business. The venture’s primary aim is to create social benefits for those whose lives the company touches.¹⁹

5. Demystifying supply chains with Patagonia

The screenshot shows the 'The Footprint Chronicles' interface for the R2 Jacket. At the top, there are navigation tabs: 'CHOOSE A PRODUCT', 'DIGGING DEEPER', and 'JOIN THE DISCUSSION'. Below these is a world map with a dotted line indicating the supply chain path. A row of small images shows various stages of the supply chain. Below the map, the 'R2 Jacket' is displayed with a 'View Details' link for Men's and Women's. Three columns of text provide insights: 'The Good' (technical fabric, recycled content), 'The Bad' (polyester is oil-based), and 'What We Think' (commitment to recycled content). A footer contains contact information and the Patagonia logo.

Patagonia's The Footprint Chronicles²⁰ is an interactive micro-site that allows visitors to track the impact of specific Patagonia products from design to delivery. Traditionally, information about supply chain management has been a jealously-guarded industry secret and many companies continue to maintain a veil of secrecy about their operations.

Patagonia's move is ground-breaking for many reasons. First, the site shows visitors the entire supply chain of a product, from the dietary conditions of goats on a Mongolian farm to the point at which their products are on store shelves. Patagonia also publishes data on the Carbon Footprint of each of its products and provides information on where the products fall short of being ethically or environmentally friendly.

THE FUTURE OF CORPORATE SOCIAL INNOVATION

While current trends show many MNCs gradually shifting into the social innovation space, their sheer size and structure pose immense challenges in changing their current course. While it is possible for a cruise liner to eventually make a 180° turn, a decision must first be taken to do so. Similarly, a change in corporate mindset will need to happen first. Even so, a turnaround may be (initially) financially prohibitive and much determination is required to stay the course. As always, leadership is key.

¹ W. Chan Kim and Renée Mauborgne, *Blue Ocean Strategy: How to Create Uncontested Market Space and Make the Competition Irrelevant* (Harvard Business School Press, 2005). "Blue oceans" are uncontested market spaces which create new markets and render rivals obsolete.

² Anna Hutchens, *Changing Big Business. The Globalisation of the Fair Trade Movement* (Edward Elgar Publishing Ltd, 2009).

³ UNFCCC Clean Development Mechanism, <http://cdm.unfccc.int/about/index.html>

⁴ Convention on International Trade in Endangered Species of Wild Fauna and Flora, <http://www.cites.org/eng/disc/what.shtml>.

- ⁵ Better Place, “Better Place secures \$350 million series B round led by HSBC Group,” press release, January 25, 2010. <http://preview.tinyurl.com/betterplacesecures350>.
- ⁶ Pamela Hartigan & John Elkington, *The Power of Unreasonable People*, (Harvard Business Press, 2008), 188-189.
- ⁷ “The Greening of General Electric,” *Economist*, December 10, 2005.
- ⁸ Interface, Achieving Mission Zero. <http://www.interfaceglobal.com/Company/Mission-Vision.aspx>.
- ⁹ The Social Intrapreneur: A Field Guide for Corporate Changemakers, (SustainAbility, 2008).
- ¹⁰ Citi Microfinance, <http://www.citi.com/citi/microfinance>.
- ¹¹ Copenhagen Climate Council, <http://www.copenhagenclimatecouncil.com/about-us/councillors/sir-richard-branson.html>.
- ¹² Letter from the Founders, “An Owner’s Manual” for Google’s Shareholders. http://investor.google.com/ipo_letter.html.
- ¹³ Definition of “Googler”: <http://en.wikipedia.org/wiki/Googler>.
- ¹⁴ Dana Brakman Reiser, For-Profit Philanthropy, Brooklyn Law School. http://works.bepress.com/cgi/viewcontent.cgi?article=1013&context=dana_brakman_reiser.
- ¹⁵ Develop Renewable Energy Cheaper Than Coal, Google.org. <http://www.google.org/rec.html>.
- ¹⁶ “DHL and UNDP start pilot programme for a more effective disaster relief, press release, August 13, 2009. <http://www.pressreleasepoint.com/dhl-and-undp-start-pilot-initiative-more-effective-disaster-relief>.
- ¹⁷ The Fun Theory, <http://www.thefuntheory.com>.
- ¹⁸ Yunus Centre, <http://www.muhammadyunus.org/Social-Business/grameen-danone/>.
- ¹⁹ Majorie Kelly, “Not Just For Profit,” *strategy + business*, Issue 54, Spring 2009, 4.
- ²⁰ The Footprint Chronicles, <http://www.patagonia.com/web/eu/footprint/index.jsp>.