Social Innovation to Drive Corporate Sustainability

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1 Introduction

The concept of Social Innovation seems to be omnipresent in today's corporate discussions, but deeper reflections indicate that there are significant differences in the way Social Innovation is understood and implemented. While some see it as the next big thing after CSR or CSR 3.0, for others it is simply a new term for CSR. As with most new concepts, this unclear understanding might ultimately hinder the development of a concept that, if applied seriously, might have a significant contribution to improve the way we collaborate, innovate, and ultimately have a positive impact on the world.

Even when the concept is fully embraced, it can often be detected that there is a focus on only the invention, without paying too much attention to the process leading to this result and the societal and business impact. In order to advance Social Innovation concepts, basic and proven principles from Innovation Management need to be taken into account, in addition to the needed but often overrated focus on just the big idea to solve major problems. It thus seems appropriate to have a deeper look at some basics about the Innovation concept and put it in perspective and relation to Sustainable Development.

2 Innovation as Key Driver

Before diving into the field of Social Innovation, it appears needed and helpful to have a look at Innovation in general, as it is the key underlying conceptual framework for Social Innovation. Sometimes, little attention is given to known and proven concepts of Innovation when Social Innovation is discussed.

Based on the works of the Austrian economist Joseph A. Schumpeter, Innovation can be understood as a new combination of production factors (Schumpeter 1982). Thus, Innovation can be understood as the creation and

adoption of something new that creates value for the organization that adopts it (Baldwin and Curley 2007). It can be a specific instrument of entrepreneurship, the act that endows resources with a new capacity to create wealth (Drucker 1985). Contrary to the mere invention, the concepts of Innovation include the process of transforming an idea or an invention into a solution that creates value for stakeholders like customers, shareholders, or societies. Thus, Innovation should not be confused with invention.

Innovation theory has seen constant transformation over the last decades. Focusing on the concept of newness (1950s), Innovation started to be integrated into Management theory (1960s) and focused on the meaning for the demand side (1970s). This was followed by research on Process Innovation (1980s) and Service Innovations (1990s). Finally, over the last decade, we saw a discussion about Open Innovation and, for some years now, a focus on Social Innovation.

2.1   Innovation Concepts

Innovation, as a term, is rather ambivalent and this, as we will see later, is one of the root causes of different understandings of Social Innovation. Based on the work of Schumpeter, Innovation can focus on the types of Innovation (Product, Process, Market), the dimensions (objective or subjective), the scope of change (radical, incremental, reapplied), or how it was created (closed or open Innovation) (Stummer, Guenther and Köck 2010). All of these differentiations are highly relevant to concepts of Social Innovation as well.

Types of Innovation – Product and Service Innovations are certainly a major area to focus on for companies, as these Innovations typically are very visible and shape the reputation of the firm. However, process Innovation (i.e. a new form of production that saves emissions and resources) or market Innovation (i.e. creating new markets for social solutions) is often as important as product Innovations.

Scope of Change – In common understanding, Innovation always needs to be something big and ground-breaking. However, most Innovations are not that. The radical or disruptive Innovation fundamentally changes the markets and daily lives of people. Often, they are closely related to the inventor and bear high opportunities but also high risks. Incremental Innovations rather build on constant improvement of disruptive Innovations; they are more related to the organisation and less to the inventor. In general, they offer a high potential for economic success. A third area to look at is reapplied Innovation. Those are often existing concepts that are successfully implemented in a new area (Baldwin and Curley 2007).

Sources of Innovation – Closed Innovation processes strongly focus on the Intellectual capacity and property of the organization; inventions and Innovations are developed in-house and then results are shared with external stakeholders. Open Innovation, on the contrary, is "…the use of purposive inflows and outflows of knowledge to accelerate Innovation. With knowledge now widely distributed, companies cannot rely entirely on their own research, but should acquire inventions
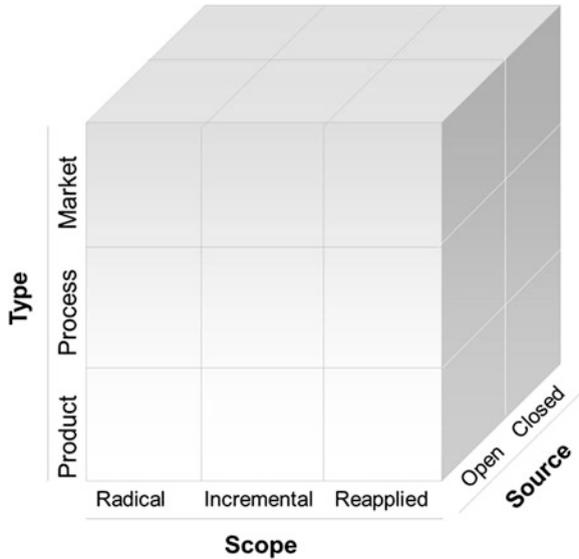
Fig. 1 Dimensions of innovation

or intellectual property from other companies when it advances the business model ..." (Chesbrough 2003).

The above dimensions of Innovation can be grouped into an InnovationCube which is helpful to look at when later discussing possibilities of Social Innovations (Fig. 1).

2.2 Open Innovation Leading to Collaboration

Open Innovation as a source for creating new solutions is a key concept to look at, as it calls for significant stakeholder interaction to achieve the results. While the relevance of Open Innovation for Business is steadily increasing, Open Innovation is a *must* for Social Innovation. Even more than in Business, solving problems today in society requires a constant collaboration between all sectors to determine the most burning problems and approaches to resolve them. There are no serious issues today that can be solved by any of the sectors alone. Figure 2 shows a visualization of closed and open Innovation processes:

The concept of Open Innovation has two different focus directions of knowledge sharing that are offering significant relevance for cross-sectorial collaboration in Social Innovation:
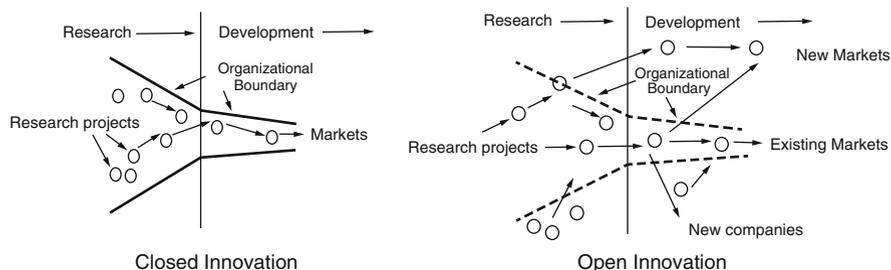
Fig. 2 Closed and open innovation processes (Chesbrough 2003)

Outside-In Processes integrate external knowledge into the Innovation process and thus enhance a company's internal knowledge base through the integration of external stakeholder knowledge. This can be through a loose collaboration or formal agreements.

Inside-Out Processes are focused on the externalization of knowledge, which is far less common than Outside-In. Here, companies can license or provide technology or knowledge to capitalize on potential economic benefits outside the firm. It can also be used to run processes of joint development.

Both directions of Open Innovation require significant collaboration between the stakeholders and, in Social Innovation, also among the different sectors.

2.3 Overcoming the Chasm

The theory of crossing the chasm relates to the difficulties that exist when trying to move a great idea or invention to a scalable and long lasting success (Moore 1999). Originally developed for the HighTech Industry, the concept can be applied to all Innovation processes, as the underlying findings can be generalized: It is not sufficient to invent and have a great idea; the challenge is how to implement it to really have an impact. This is where a lot of great ideas fail ultimately.

Mostly, different personalities are required to work on an Innovation during the early phases and then later on scaling and mainstreaming the solution. The Chasm simply is the point in a typical lifecycle curve where a lot of great ideas fail for various reasons: Either the customer doesn't see the value, the resources are not sufficient to scale, competitive solutions were not considered, etc. Especially in the area of Social Innovation, that is often dominated by passionate and enthusiastic Social Entrepreneurs who *burn* for their solutions, little attention is given to the next steps – how to implement, how to find needed resources, and how to build a network of collaborating organizations that help to scale (Fig. 3).
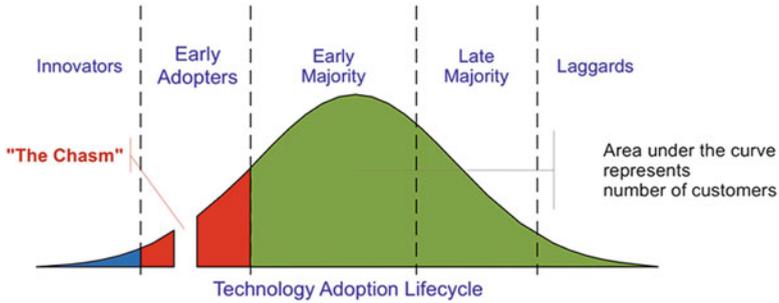
Fig. 3 The chasm in a typical lifecycle curve (Moore 1999)

3 Expanding to Social Innovation

3.1 The Concept of Social Innovation

Adding the Social element to Innovation brings us then to Social Innovation concepts. Social in this sense is understood as a focused direction of Innovation (MacGregor and Fontrodona 2008). It usually implies a normative approach that something positive is created for the society. The EU Commission defines Social Innovation as "...Innovations that are both social in their ends and in their means. Social Innovations are new ideas (products, services and models) that simultaneously meet social needs (more effectively than alternatives) and create new social relationships or collaborations" (EU-Commission 2012a).

For the European Business School (EBS), Social Innovations are "... new solutions that address societal challenges in a way that is contextual, targeted, and promotes common welfare" (European Business School (EBS) 2012). The INSEAD Social Innovation Centre defines Social Innovation as the "... introduction of new business models and market-based mechanisms that deliver sustainable economic, environmental and social prosperity" (INSEAD 2012).

Within this understanding, Social Innovation is the applied theory of Innovation where a normative Social component is added (Fig. 4).

Wanting to do good is not enough. Social Innovation needs to be a process that is driven by Innovation and adds a goal and value system to it to create Sustainability.

3.2 Social Innovation and CSR

Following the thinking that Social Innovation ultimately is an Innovation Concept that adds a social value and goal system to the process, it becomes clear that Social Innovation is not *the next CSR*. As Googins (2013) points out very clearly,
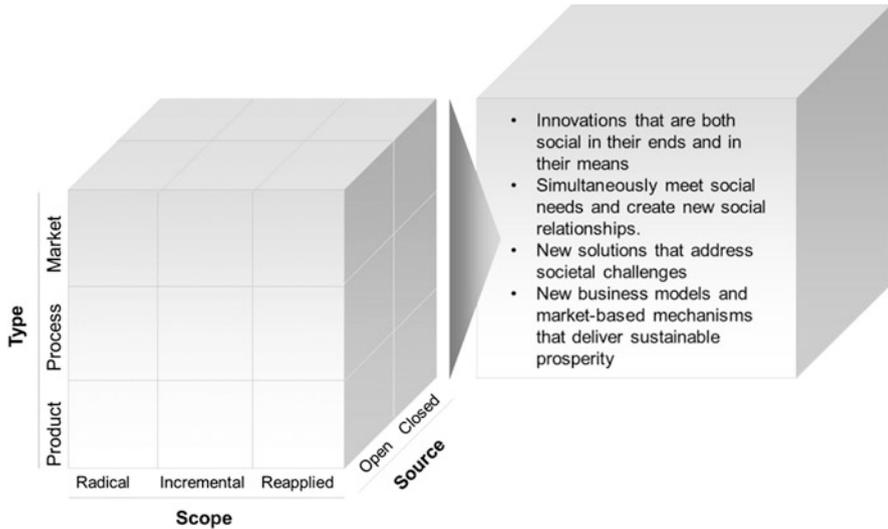
Innovations that are both social in their ends and in their means

- Simultaneously meet social needs and create new social relationships.
- New solutions that address societal challenges
- New business models and market-based mechanisms that deliver sustainable prosperity

Fig. 4 Adding social component to innovation

Innovation has always been in the DNA of firms, but it has never been an integral part of CSR. The traditional role of CSR supported and supports business in areas like Licence to Operate and basic Citizenship duties with all of its subcomponents. While this has worked well in the past, it might not be sufficient in a more and more complex future of today's world (Googins 2013).

We have seen over the last years a significant loss of trust in Business, which is nowadays often seen as part of the problem, rather than the solution to social problems. However, with a decrease in power and resources of the public sector in many countries, business is increasingly asked to contribute to solving burning social issues, which goes far beyond traditional CSR, even for the leading companies in this area.

The implications for the private sector seem obvious: A deeper contribution through its own operations to sustainable development calls for innovative Business solutions that go beyond the traditional goal of profit maximization. Thus, firms will be increasingly asked to root Social Innovation into the Innovation process and, with this, into the core business operations.

3.3 Social Innovation and Corporate Sustainability

Sustainability is usually defined as the capacity to endure from an environmental, economic, and social dimension. Contrary to common thinking that sustainability is closely linked mainly to ecologically focused *Sustainable Development* as defined by the Brundtland Commission (1987), it is highly important to understand

Sustainability in its holistic sense to link it to Social Innovation and make it relevant. Thus, Corporate Sustainability creates long term stakeholder value, not only by becoming *green*, but considering all ecological, social, and economic aspects of Business operations while, at the same time, upleveling communication through full transparency.

The definition given by the Brundtland Commission (1987) on Sustainable Development that …*meets the needs of the present without compromising the ability of future generations to meet their own needs* can easily be applied to businesses that thrive to stay around for the next decades. To concretise this approach, Elkington (1997) developed the Triple Bottom Line approach for company reporting, by assuming business goals are long-term inseparable from the surrounding environments and societies (in a short term, this might be possible, however).

Assuming the willingness of business to endure by meeting the challenges in the areas of the Triple Bottom Line, new innovative approaches are needed that go far beyond the traditional CSR concepts. Social Innovation could be the best known approach today to achieve the needed Corporate Sustainability.

4   The State of Social Innovation

The picture of how widely Social Innovation concepts are disseminated today is rather unclear, despite a lot of public focus and communication. Social Innovation is not yet mainstream, partially because of a lack of clarity for a majority of firms.

As Wikipedia notes: "The term has overlapping meanings. It can be used to refer to social processes of Innovation, such as open source methods and techniques. Alternatively, it refers to Innovations which have a social purpose – like microcredit or distance learning. The concept can also be related to social entrepreneurship (entrepreneurship is not necessarily innovative, but it can be a means of Innovation) and it also overlaps with Innovation in public policy and governance. Social Innovation can take place within government, the for-profit sector, the nonprofit sector (also known as the third sector), or in the spaces between them" (Wikipedia 2012).

As a result, only a few companies like Intel or HP have engaged in serious efforts to uplevel Social Innovation by linking it closely to the Business side. For example, HP has a Global Social Innovation group where the focus is to use Innovation to make a positive difference in the world. Intel has a similar Innovation approach with significant focus on the social impact of Business solutions (i.e. the World Ahead Program) to make it a more sustainable company.

In Academia, especially the leading (Business) Schools, have created Centres for Social Innovation over the last years. Examples are the European Business School (EBS) in Germany, INSEAD in France, and Stanford in the US. Leading research on this topic is nowadays done in most Business schools and a strong collaboration between universities and leading companies in this area, like Intel or IBM, is

underway. However, at the vast majority of Higher Education Institutions in Europe, Social Innovation is not yet a significant research focus.

At the political level, some scattered activities in about half of the European countries can be observed. In Germany, the Federal Ministry of Education and Research (BMBF) has confirmed, in 2011, its funding support for a 2-year basic research project that looks into "Social Innovation in Germany". The project is carried out jointly by the World Vision Institute and its university partner, the European Business School, who, for this purpose, have collaborated to create the Centre for Social Innovation and Social Entrepreneurship.

At EU levels, the Directorate General (DG) Enterprise and Industry is leading the Social Innovation efforts, clearly linking it to Enterprise Innovation and the Europe 2020 Agenda (DG Enterprise and Industry 2012). Among others, a "Social Innovation Europe" (SIE) initiative was created in 2011 with three aims: Research and Publication of reports and recommendations, hosting an online exchange platform, and hosting one to two events in Europe per year. At the end of 2012, a European Social Innovation Competition was launched by Commissioner Barroso to showcase current successes and motivate more Social Innovation in Europe.

The current challenges for Social Innovation can be seen in these two areas: "Social Innovation is *Little known as a concept:* many social Innovations take place without them being known under that term, causing problems when asking for evidence in surveys and interviews" (EU-Commission 2012b). "The second issue is the *cross-cutting nature* of social Innovation. Social Innovation is not a specific sector; it is not an easily defined activity. Statisticians have yet to develop an agreed approach, and so we lack reliable measures of spending on social Innovation and indicators of its scale of activity" (EU-Commission 2012b).

5   Moving to Corporate Sustainability Through Social Innovation

Despite the many challenges outlined earlier, there is solid evidence in public discussion today that Social Innovation will be key for companies in the coming decade to achieve the needed Corporate Sustainability. However, a lot still has to be done:

Management buy-in will be critical in order to fully embrace the relevance of Social Innovation for the Business as a whole. If Social Innovation is considered to be the next CSR 3.0, the concept will remain within the CSR Departments and not get the needed attention from company leaders. The huge risk is that Social Innovation becomes a new buzzword that people think will go away in few years. Academia can play a leading role in that respect to drive the concept forward and make it last.

CSR Managers need to become Change Agents in leading the company towards transformation. This is a massive change from today, where most CSR

departments are add-ons or only slowly moving to align with the business. Speaking in Innovation terms – this is a radical Innovation on its own. CSR Managers today need to be the drivers helping companies to realize the potential of Social Innovation for a sustainable company future.

Social Innovation needs to link more strongly to Corporate Innovation Initiatives and ultimately become the driver of it. As of today, most Social Innovation discussion focusses on doing-good-for-society. While this is a noble cause, it fails to tackle the core essence of Social Innovation – which is still Innovation. The *Social* component is adding a *triple-bottom-line* thinking to already established Innovation Strategies within the firms.

Crossing the Chasm will be a key challenge in achieving Corporate Sustainability through Social Innovation. A lot of initiatives and strategies driven by companies have a noble and honest background, but they will not lead to the needed results (both for Business and Society) if the scaling and diffusion is missing. The concept from Innovation theory of *how to cross the chasm* to reach a significant target audience is completely missing from today's discussion on Social Innovation. However, it is critically important for firms to become sustainable companies. As cynical as it sounds – doing good is not enough. It has to be scaled and put on a lasting level to become truly sustainable.

Building coalitions and cross-sectorial partnerships is more and more getting into the focus of business, for all the good reasons. Social Innovation depends on all sectors collaborating. By increasing the focus on Open Innovation, a close collaboration of knowledge sharing inside and outside the firm is crucial for success. Apart from Governments, private firms, and various NGO's, it is mainly the Social Entrepreneur who can become a strategic partner for the private sector by creating shared value.

To conclude, Social Innovation is closer to the core Business of what is generally thought of and the key for companies to achieve Corporate Sustainability and thus meet the needs of triple bottom line reporting. It is not the new CSR and it offers huge potential for the future. The companies who will fully embrace Corporate Sustainability through driving Social Innovations will be the ones leading the next decades. We are only at the very beginning now.

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