

Corporate Social Innovation

A note on early lessons

Social Innovation has until relatively recently been the sole domain of a small group of PublicSector agencies, Social Entrepreneurs, and charitable bodies. Over the course of the last 5 years corporates have become increasingly interested in establishing a “licence to operate and profit” will demonstrating that their ability to innovate can address societal needs. As public opinion shifts from an acceptance of negative externalities - be it around carbon or labour exploitation to one that demands net positive externalities as part of a corporates licence to operate in a locality, region or country, corporations must find ways to create shared value for both society and their businesses.

This is easier said than done. For although large companies have access to today's most promising talent, technology, knowledge, capital and networks and a theoretical commitment to innovation, in practice, deeply engrained processes, centralised and technocratic innovation cultures and free-cashflow centred incentive systems and business units tend to stifle innovations that threaten the status quo.

Nonetheless some have made progress despite these major barriers and have managed to go beyond tired consultancy thinking and inappropriate CSR. We talked with executives at BMW, Renault, Unilever, B&Q, Vodafone, Danone, Cisco, NIKE and RBS and picked up a few practical pointers.

Context:

- A. Strong brands with clear identities find it easier to manage this transition because they are closer to being able to articulate social meaning internally.
- B. Marketing driven initiatives are perceived and received as little more than an informal tax-change requires adoption at the innovation core of a corporate value engine.
- C. Recognise that contrary to common beliefs, good innovation ideas increase but so sometimes does the resistance to change the deeper you go down an organization due to insecurity, incentive systems and properly managed focus and specialization.
- D. Most successful transitions have built on core capacities and/or competencies whilst manifesting significant differentiation from sector competitors - we are in the field discovery phase of the innovation cycle as opposed to the optimisation/ effectiveness phase.
- E. Finally, this is a long game and needs deep and structural transition, many of the corporates we spoke with thought they were no more than half way through a 7-10 years transition.

Strategies:

CEO leadership with corporate political backing is insufficient, this transformation requires real meaningful intervention into the corporate institutional architecture.

1. Restate corporate purpose focused on meeting societal needs. For example, rather than producing sportswear, producing a healthier society; rather than making food, enabling nutrition; rather than producing cars enabling mobility, rather than producing ERP software, optimising use of the world's resources. Defining your business around a societal purpose fundamentally alters the DNA of the business.

2. Build your future near but discrete. Social Innovation driven business models are disruptive to the status quo and almost always induce corporate antibodies, they should be cultured separately from existing corporate entity but with proximity to Headquarters and existing R&D labs

3. Success requires board leadership and sponsorship - the CEO alone is not enough he/she will need a minimum of 2 board members actively sponsoring the position.

3. Build a team Mix with a blend of young and old, internal and external, male and female but most importantly recruiting talent which has proven its entrepreneurial appetite and capability - have they made stuff happen?.

4. Go deeper into the innovation cycle iteratively. Teams need to recognise all board cover is time limited and plan real early wins to buy time limited immunity from the prevailing internal culture. The innovation cycle should start shallow and rapid and iteratively go deeper and longer with every innovation cycle win.

5. Embed Social impact into the deep metrics and protocols of the organisation.

Comprehending at a conceptual level the need to integrate and link the corporate innovation cycle to public good and societal benefit is relatively easy but communicating that understanding and embedding its deep integration into the DNA, its targets, risk registers, protocols, processes and everyday behaviours of organisation is the real work.

6. Be Data Driven: Corporate Social Innovation cannot be anchored by emotive words, such as "poverty" or "sustainability" alone. Rather, it should aim to address a data-defined need, such as "increasing the yields and incomes of smallholders in our supply chain by 200% in five years". A well-researched and data-driven needs target allows a company and all relevant employee, contractors and supply chain providers to craft a clear business case, manage behaviours and measure progress continuously.

7. Shift your reward, recognition and reward systems. Social Innovation requires a managed transition in the reward, recognition and incentive systems of a corporate from the technical focus of lighter, faster, stronger towards its performative societal value. This is however often resisted by an incumbent technical innovation culture which is unfortunately reinforced by governmental reward, recognition and incentive systems from patents to innovation tax credits etc which over emphasise technical and technology driven innovation.

8. Business Resilience: Corporate Social Innovation needs corporates to publicly & transparently link their bottom line performance and the resilience of their Bottom Line to

strategic Societal and Environmental Risks as basis of building a shared understanding with all key stakeholders.

9. Comprehend your direct field of impact: Corporates need to look beyond their own corporate walls in terms of defining their field of impact to include the economic, social & environmental development of their supply chain and their customers and even their sector competitors.

10. Create Public Accountability and build citizen powered cover for your board: make your strategy social & open in such a way that team leading can be held publicly accountable but also protected from minority stakeholder interest and deviation.

11. Introduce Annual “Futureshift audits” at a business unit by business unit level for building comprehension as to their vulnerability/resilience to market shifts and in consequence their appetite for the adoption of change.

Corporates Social Innovation has formidable capacity to drive beneficial societal change, at a scale which can be barely imagined. We are at an early stage but the signs are encouraging.

The Young Foundation
22 January 2014