Harnessing Social Innovation through Inclusive Thinking

Anh-Dai LU

ABSTRACT
This paper considers the larger context in which social innovation can emerge. Based on the notion of shared value, it suggests that change agents should think beyond boundaries and organizational forms. To resolve common challenges, society’s future leaders across sectors can foster innovativeness by removing behavioral barriers caused by fixed labels and perceptions.

KEYWORDS: Cross-sector Collaboration, Shared Value, Inclusive Growth, Social Entrepreneurship, Integrative Leadership

JEL CLASSIFICATION: Z00

1. INTRODUCTION

To address pressing global challenges, stakeholders across sectors today often join the same platform to collaborate, exchange values and ideas, and combine expertise and resources to pursue positive social change. As a result, boundaries between the nonprofit, government, and business sectors have blurred as the key actors recognized that social change is not the sole responsibility of any one institution, but rather a common objective for all. As cross-sector partnerships grow in scope and complexity, new models of collaboration are emerging in many parts of the world (Jenkins & Gilbert, 2010). In this context, the notion of social innovation as well as the mechanisms by which social change is achieved has been revisited. Phills Jr, Deiglmeier, and Miller (2008) argue that social innovation is about social value creation, regardless of whether the innovation is created by nonprofit, business, or government. Similarly, Porter and Kramer (2011) suggest that shared value creation require new forms of collaboration that cut across profit/nonprofit and private/public boundaries. They point out “a new approach to managing that integrates disciplines” and that is different from the traditional paths followed by leaders in the public and private sectors (Porter & Kramer, 2011, p. 77).

As Dees & Anderson suggest, innovations that cut across sectors “provide fertile intellectual ground, raising important questions about markets, business methods, and the linkage between social and economic issues” (2006, p. 47).

The purpose of this article is to view social innovation in a larger context, in which society’s future leaders can think beyond fixed labels and conventional restrictions or constraints. First, the article reviews the trends in cross-sector collaboration, and the emerging integrative mindset. Second, it examines relevant thinking in the new landscape about social value creation. Finally, the article considers implications of a broader definition of social innovation for society’s future leaders including social entrepreneurs and innovators, and how a shift in their thinking can open up new opportunities to address societal problems.
2. SHIFTING LANDSCAPE: A NEW ERA OF CROSS-SECTOR COLLABORATION

Events in recent years – the global economic crisis, natural disasters, struggles and conflicts in many parts of the world – have brought into focus the fact that we live in a troubled and fragile world, one in which we realize how much we are interdependent.

While many businesses have already been at the forefront in addressing social issues, a new corporate mindset seems to have emerged. CEO participants in the 2010 UN Global Compact-Accenture CEO study recognized the need “to develop a broader sense of what value creation means to society as a whole” – one that moves beyond the sole focus on profits to encompass both positive and negative impacts (Lacy et al., 2010, p. 11). The survey also underscores the fact that businesses understand their power to change the world, but are conscious that they cannot do it by themselves.

Organizational entities in the nonprofit sector also see the benefit in collaborating with businesses. Non-governmental organizations (NGOs) are “broadening their approach from solely lobbying business on high-profile issues to partnering and collaborating with business to achieve specific, local development objectives” (Lacy et al., 2010, p. 25). A McKinsey Quarterly survey on business and society conducted during the recent financial crisis also revealed the willingness of NGOs to work with the business sector on social problems (Bonini, Mendonca, & Rosenthal, 2008). Social alliances between sectors, however, often give rise to problems that are rooted in cultural differences between the sectors. These problems could range from misunderstandings, mismatches of power, to mistrust (Berger, Cunningham, & Drumwright, 2004). Indeed, each sector tends to know more on how it is different from rather than what it has in common with the other and suspicion of the other sectors’ motives is still common (Googins & Rochlin, 2000; Ashley, 2010).

Government entities and development agencies have also been paying more attention to entrepreneurial and innovative approaches that can impact development. These agencies recognize best practices that the private sector has to offer on issues and goals relating to innovation and sustainability. In a speech delivered to students at the Columbia Business School Social Enterprise Conference, Dr. Rajiv Shah, USAID Administrator, called on business students to bring their business talents to the field of development and make a difference in the world (USAID, 2010).

3. TOWARDS SHARED VALUE

With values and practices merging between sectors, the new landscape seems to reveal a more outward-looking perspective on meeting societal needs. This broader form of collaboration has the potential of maximizing value for all stakeholder groups, and therefore, society at large. Porter and Kramer (2011) suggest that business can connect economic and societal progress by thinking beyond social responsibility. Shared value is created when businesses address societal needs and challenges in the process of creating economic value. Likewise, Meyer and Kirby (2012, p. 9) suggest that innovation should replace competition as the core of capitalism and that competition should “move over to allow for collaboration.”

The notion of shared value can help businesses unlock innovation that serves new needs and expands markets. For example, as a food company, Kraft Foods participates in the fight against hunger and malnutrition by developing products with essential nutrients at affordable prices for base of the pyramid (BOP) markets in many parts of the world. In 2009, over 14 percent of its revenue in developing countries came from these products (Kraft Foods, 2010). In another example, the Coca-Cola Company created an alternative approach to distributing products in areas where a lack of infrastructure made traditional distribution methods difficult or impossible. Manual Distribution Centers were created to distribute smaller amounts of product to small retail outlets in densely populated urban areas utilizing bicycles and pushcarts. Currently being implemented in some 25 emerging markets, this distribution model has contributed to Coca-Cola’s sales and volume growth in
Japan Social Innovation Journal, Vol. 3, No. 1, 2013

East Africa and at the same time created new entrepreneurship and employment opportunities for local communities (Nelson, Ishikawa, & Geaneotes, 2009).

Many initiatives indeed reflect the fact that social innovation often reaches its greatest potential when entities from different sectors come together to work on the problem. For example, the Ripple Effect project, which aims at providing safe drinking water for poor communities in India and Kenya, brings together Acumen Fund, IDEO, local companies, and NGOs. The project is funded by the Gates Foundation and integrates Acumen’s social enterprise experience with IDEO’s human-centered design thinking. As a result of this collaboration, about 500 families have access to safe drinking water and the average distance to fetch water is reduced to 300 meters compared to the previous 2-3 kilometers (Joseph, 2009; Ripple Effect, 2011). As a success story, Ripple Effect underlines the importance of applying breakthrough ideas to address societal problems, no matter where those ideas come from. The founders of Water.org, who themselves are in the business of getting communities access to clean water, suggest that “orthogonal thinking,” or the willingness to inject fresh thinking into problem solving in an unexpected way, is the essence of social innovation (White & Damon, 2011).

4. IMPLICATIONS FOR SOCIAL CHANGE LEADERS

In the new context, social change agents have to keep in mind a broader definition of social innovation. Phills Jr et al. (2008) defines social innovation as “a novel solution to a social problem that is more effective, efficient and sustainable, or just than existing solutions and for which the value created accrues primarily to society as a whole rather than private individuals.” The focus here is on the innovation itself – or “the mechanisms that result in positive social change” - not the individual or the organizational form responsible for the innovation. They argue that since the innovation is what creates social value, the concept of social innovation should not be limited to the scope of social entrepreneurship but rather should be expanded to include businesses and governments. As stated by Greg Dees, co-founder of the Center for the Advancement of Social Enterprise at Duke University’s Fuqua School of Business, social entrepreneurship should be thought of as “a problem solving mechanism,” regardless of which sector the solution comes from (Clinton & Dees, 2009). Similarly, the term “social entrepreneur” has been used by many organizations to describe “innovators pursuing social change,” and to embrace the school of thought that social entrepreneurship is mainly about innovations that create social impact (Dees & Anderson, 2006). In fact, social entrepreneurs are considered “shared value pioneers” particularly because they are not constrained by the traditional business mindset (Porter & Kramer, 2011).

Social innovation is also referred to as “a principle, an idea, a piece of legislation, a social movement, an intervention, or some combination of them” (Phills Jr et al., 2008). This expanded view is particularly important because progress in social innovation must focus on the outcome: scaling of the solution, social impact maximization, replication of the work, etc. In that respect, new solutions can indeed emerge from any sector, and the challenge for social innovators therefore is to align various individual actions with social interests.

4.1 Collaborative Approaches

Napolitano (2010) at Booz & Company refers to initiatives of reaching out across sectors to tackle issues of mutual importance as megacommunity; an approach that acknowledges that certain societal problems can only be solved when diverse stakeholders combine their capabilities and points of view. Public organizations also recognize that in an age of collaborative governance, the “steering of society” is accomplished by the public, private, and civil sectors working together (Morse, 2008, p. 80). In situations where power is distributed across a number of organizations, integrative leaders need to understand the social and political contexts, and to share a vision with other stakeholders (Jones & Barry, 2011; Silvia & McGuire, 2010).

Without question, all three sectors will have to adopt more effective and more collaborative
approaches to resolve common challenges in the future. There has to be more investment in understanding overlapping areas of interests between public and private sectors, and how they create opportunities for collaboration (the Global Compact Lead, 2011). For relationships to develop, there must be shifts in perceptions of each actor, particularly in the context of most developing countries where there is “substantial animosity” between key stakeholders (Valente, 2010, p. 67). A common mistake in any sector would be to adopt a “not invented-here mind-set” that keeps fresh ideas from being considered (Carter, 2011). In fact, by merging ideologies, social innovators can open up new opportunities to engage people on a large scale for a cause. (PRODUCT) RED, for example, was able to contribute $190 MM to the Global Fund to fight HIV/AIDS by getting companies such as Apple, Starbucks, and SAP to link their brands to the (RED) brand. 1

4.2 New Business Models

The private sector is increasingly being recognized for its contributing role to economic growth, and particularly for its innovations that improve the quality of people’s lives (Ashley, 2010). Businesses are now being called to lift people out of poverty where they do business by including poor communities into the value chains as producers/partners, employees, and consumers (UNDP, 2010). Many companies today conduct business in such ways that benefit both their core business and the communities of which they are a part. Global trends such as the rise in power of emerging and developing economies will continue to influence to a great extent the development of new business models and the types of disruptive innovation required in these new growth markets.

When Grameen Danone Foods was created in 2007, it was considered the first “consciously designed multinational social business with the potential to act as a potential change agent for the world” (Yunus, 2007, pp. 19-20). Its founders, Franck Riboud of Groupe Danone and Muhammad Yunus of the Grameen Bank wanted to bring affordable nutrition to Bangladeshi children and at the same time, create jobs for the local community. Many years after its creation, Grameen Danone is still adjusting its business model to adapt to new circumstances. Its lessons learned, however, are very clear: “use the help from allies wherever you may find them, including how unlikely they are” (Yunus, 2010, p. 52). In his new book Building Social Business, Yunus reveals that while the two founding organizations are highly different, they are compatible because of their shared values and complementary business skills. Danone brought its managerial capabilities to the venture and Grameen’s network helped connect with the poor communities in Bangladesh (Yunus, 2010). While inclusive business models, such as the example of Grameen Danone, have received much attention, to date, few have gained significant scale and reached their full potential (Gradl & Jenkins, 2011). These models, however, have gained importance particularly in the context of emerging markets in which companies are challenged to develop innovative business models that include the poor at various points in the value chain. By making growth inclusive, these business models can expand opportunities for the poor in commercially viable and scalable way. 2

5. CONCLUSION

In a new landscape in which value creation is redefined, the future sees a critical need for a collaborative mindset. Opportunities in social innovation are found in collaborative networks of players from all sectors. Positive social change often requires combining multiple approaches and disciplines. Ultimately, the focus should be on the vehicle through which social innovation can effectively emerge. The challenge for society now is to remove barriers to change in future leaders that are often associated with limited perspective.

1 See http://www.joinred.com/
2 See UNDP report at http://www.growinginclusivemarkets.org/mdgreport/
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