

Success Factors for Corporate Social Innovation

Notes From the Field 1/2018



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“NOTES FROM THE FIELD” IN LESS THAN 100 WORDS

Changing expectations of companies require new solutions.

Corporate Social Innovation is a promising approach for corporations to assume responsibility.

There is still a lot to learn about CSI success patterns.

Success factors for corporate social innovation approaches:

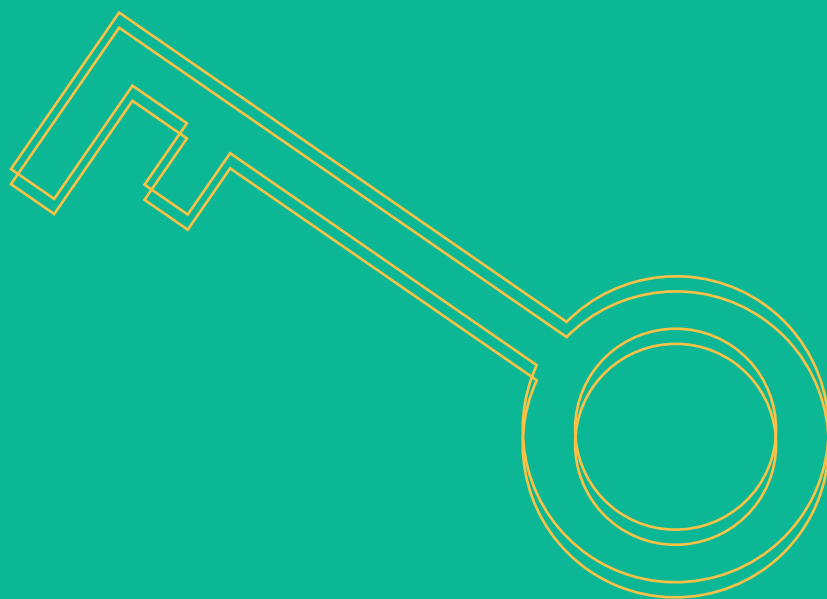
- 1 Involve Top Management – The Internal Lever
- 2 Build Cross-Sector Partnerships – The External Lever
- 3 Mobilize Colleagues – Build a Team of Changemakers
- 4 Integrate CSI into overall strategy
- 5 Define and Measure Societal Impact



These factors are interrelated and success is only possible when a combination of them is implemented together.

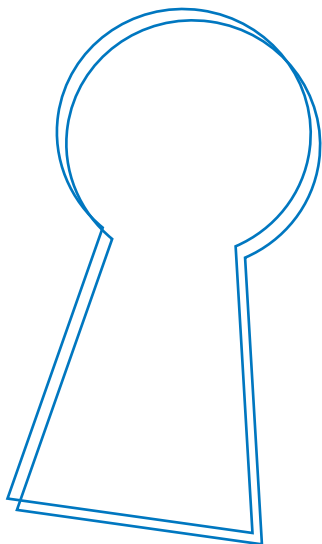
With insights from social innovation professionals, we surveyed existing theories and methods to better understand the key factors in successfully realizing corporate social innovation.

This issue of “Notes from the Field” is a compilation of findings from corporations that have successfully innovated and is intended to help those who are tackling this challenge.



Changing expectations of companies require new solutions

Since the turn of the century, economic developments are marked by political upheaval, financial failures, and continuing distrust of capitalist institutions.(1) This fluctuating business environment is compounded by rising income inequality – despite overall economic growth – risk of exclusion and poverty, worsening climate conditions, and a dramatic change in social dynamics via digital technology.(2) As a result, there is a global call for increased corporate accountability, transparency, and socio-economic responsibility.(3) In other words, corporate social responsibility has moved beyond simply managing corporate reputations, or „greenwashing“, (4) as The Economist coined it, and evolved to combine corporate competencies with societal engagement. The rationale is that if companies draw from their core competencies in their social engagement efforts, they can achieve greater social impact. So far, only a few pioneering companies have managed to achieve both healthy financial returns in addition to finding meaningful solutions to societal challenges. Our analysis of DAX 30 companies revealed that the majority indeed engage in corporate citizenship activities, signalling an awareness of the need to contribute to the societal good.(5) However, only a few companies strategically reshape existing business models or develop new ones to fully leverage their resources and skills for societal good. Consequently, corporate activities focusing primarily on philanthropic funding and programmatic activities often fall short to fully meet stakeholder expectations.



Corporate Social Innovation (CSI) is a promising approach for corporations to assume responsibility

While traditional philanthropic activities often focus on short-term donations or sponsoring activities, corporate social innovation focuses on the skill-set, services, and products within a company.⁽⁶⁾ This combination of corporate interest and societal impact makes CSI a promising solution to increased corporate responsibility. If well executed, CSI combines both, the benefits of business development (e.g. access to new or lost client segments or fostering innovation), and the benefits of corporate social responsibility activities (e.g. higher degree of employee engagement, stronger license to operate, strengthened reputation, and credibility).⁽⁷⁾

Nonetheless, while we witness a steady interest in corporate innovation programmes that account for the creation of societal value (e.g. fellowship programs for social entrepreneurs), we find that CSI is still perceived as an add-on rather than a well-integrated means for product or service innovation. As a result, even though innovation has been at the very core of businesses all along, social innovations are only slowly emerging in corporate-wide strategic plans.

Still a lot to learn about CSI success patterns

We observed that CSI is an evolving field of practice, and as of yet has not attracted a substantial theoretical analysis. In practice, the lack of coherent and common success patterns hampers the development and distribution of corporate social innovation. We aim to lay the groundwork for a practically-oriented theory of success for CSI by providing guidance to executives to implement corporate social innovation approaches in their company.

What we can learn from existing innovation theory and pioneers in corporate social innovation?

To understand the factors that allow for the successful implementation of corporate social innovation, we reviewed existing literature on business innovation and social innovation as well as asked pioneering CSI executives to share their experiences and thoughts.

Ultimately, we arrived at the following success factors:

1 **Involve Top Management – The Internal Lever**

Social innovations are often understood as bottom-up processes initiated and advanced by employees independent of position or rank. This notion is rooted in the innovation process, where all ideas are equally valued. But because CSR activities are often criticised for not contributing to the bottom line, their value is often questioned by employees. Consequently, top-management should clearly commit to CSI, lead by example, and work to shift negative mind-sets. One CSI champion told us that „having a decider on board, who will advocate for SI in the respective company, is absolutely crucial.“ This can eventually nurture an environment of social innovation and give a green light for program directors to access company-wide knowledge and resources.

2 **Build Cross-Sector Partnerships – The External Lever**

In addition to the involvement of top-management, establishing cross-sector partnerships are considered equally important by CSI professionals. Whereas in business the firm is the key driver of innovation, in the social context, innovation is likelier to emerge from a combination of various actors, linking public sector, social enterprises, and other non-profits with businesses. Pioneering cases in Europe support this notion (For examples, see our [“Base of the Pyramid”](#) study). When issue-specific knowledge from a public or civic organisation is combined with corporate resources and business know-how, the result is effective, robust solutions. According to one director in charge of social innovation at a large international company, the strategic partnerships with civic sector organisations contribute expertise and data as well as access to a potential target group that a company alone would not be able to access. In short, cross-sector partnerships enable smart CSI design.

3 Mobilize Colleagues – Build a Team of Changemakers

Another crucial aspect of social innovation is employee commitment to social innovation approaches. While top-management can help to advance CSI by request, it is important to select a motivated team around a common vision to actually create an internal movement for change. The majority of respondents consider enlisting colleagues very important. One respondent stated that it is of major importance to “be [...] inspired [and raise] awareness among employees about the Social Innovation approaches and potentials [as] the first step [that we should] not underestimate.” It is helpful to set up a network that aims to connect motivated employees with diverse strengths while simultaneously setting up structures that allow these collaborations to flourish. For those who want to delve into this topic, there is a growing body of literature broaching the issue of engagement and social intrapreneurs.(8)

While there is awareness concerning the importance of the three factors mentioned above, other remaining factors we came across during our research were considered slightly less important, but nonetheless relevant.

4 Integrate CSI into overall strategy

What strikes us as a surprising finding is a disagreement among our interviewees concerning the importance of ‘integration of corporate social innovation into the overall corporate strategy.’ While some argue that innovation should not necessarily be closely integrated into the company’s governance or structure (for instance many companies run rather independent innovation hubs), we find that independent of the degree of governance integration, it is crucial to align CSI activities with the company’s core business activities. Or to say it in the words of a CSI pioneer, „A success factor for effectively realizing social innovation in a company is to find strategic solutions along the expertise and resources within the company“. A core argument for proponents in favour of integrating CSI into the overall strategy relates to economic viability. Many executives report that if an approach is not clearly integrated into a company’s strategy, hence merely an add-on, initiatives will be easily abandoned during budget cuts.

5 Define and Measure Societal Impact

Despite the fact that corporate social innovation typically aims at both business and societal benefit, the CSI pioneers we asked consider the definition and measurement of social impact more important than the definition and measurement of business impact. This was a surprise as corporate social innovation aims for both business and societal return without prioritizing one over the other. In general, we know from companies advancing CSI that impact measurement (of both, business and societal returns) can become a challenge when not set up properly from the beginning. While it might not be a priority at the start of an initiative, eventually top-management and further stakeholders will ask for these important numbers.

Conclusion

In conclusion, there are certainly some factors that should be considered to successfully implement corporate social innovation approaches. While the involvement of top management, cross-sector partnerships, and employee engagement are of major importance, we also find that the integration of CSI into the overall company strategy as well as the definition and measurement of impact are considered relevant factors for success. Of course, these factors are interrelated and success is only possible when a combination of these factors are implemented together. Overall, with the growing interest in CSI, in the future we will be able to examine and learn from an increasing number of successful cases. Until then, we have offered a guideline that provides some crucial insights to developing a corporate social innovation approach.



THE CHALLENGE OF CORPORATE SOCIAL INNOVATION

We would like to encourage entrepreneurs to tackle the challenge of Corporate Social Innovation. We want to create a basis for a practice-oriented theory of success for CSI by supporting executives in the implementation of corporate social innovation approaches in their companies. If you are interested in finding out about how you can integrate CSI into your overall strategy, we look forward to hearing from you. Beyond Philanthropy has already supported a variety of clients in reshaping their strategic approaches.

If you would like to learn more about inclusive business, have a look at our study “Value²”: <https://de.beyondphilanthropy.eu/ideen/themen/mehrwert>

You can find our study “FROM GOOD INTENTIONS TO REAL RESULTS. Corporate Citizenship of Germany’s DAX 30 Companies” at: <https://www.beyondphilanthropy.eu/corporate-citizenship-benchmark>

1: Harary A. et al. (2017): “2017 Edelman Trust Barometer – Global Report”

2: Beyond Philanthropy (2017): “Value² - Social Innovation for Business and Society”; <http://www.un.org/sustainabledevelopment/sustainable-development-goals/> ;

Hartmund Rosa (2005): “Acceleration”, in: Suhrkamp Verlag

3: United Nations (2015): Sustainable Development Goals; <http://www.un.org/sustainabledevelopment/sustainable-development-goals/>

4: Economist (2012): “Good business; nice beaches”; <http://www.economist.com/node/2155539> (accessed: 12.12.2017)

5: Beyond Philanthropy & goetzpartners (2017): “From Good Intentions to Real Results”

6: Mulgan G. (2007): “Social Innovation – What it is, Why it matters and How it can be accelerated”

7: Beyond Philanthropy (2017): “Value² - Social Innovation for Business and Society”

8: Grayson et al. (2011): “Social Intrapreneurs —An Extra Force For Sustainability”

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Marten joined the Beyond Philanthropy team as an intern in September 2017. His responsibilities include research and analyses on a wide range of topics. During his internship, he is given a comprehensive insight into the work of Beyond Philanthropy, particularly on social innovation. Prior to joining us, Marten has gained experience in the development of innovative CSR approaches for Daimler. Furthermore, he worked for the business ethics chair at the University of Bayreuth on stakeholder management.

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