

Social Innovation in for-profit business

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The session

- Introduction
- Input I: Workplace Innovation
- Case studies and discussion I
- Input II: Corporate Social Responsibility (CSR)

- Break (15:30 – 16:00)

- Case studies and discussion II
- Input III: The social innovation paradigm?
- Discussion

Introduction

When defining Social Innovation we have to decide...

- whether we prefer a normative or non-normative definition
- whether SI should be separated from business and technological innovation
- whether we should think of SI as a specific form of innovation or as a new innovation paradigm

Two practices in for-profit companies and their connection to social innovation

- Workplace Innovation
- Corporate Social Responsibility
 - Employee-Employer Relations
 - Structures of communication
 - Knowledge management
 - Training programmes
 - Safety and health programmes
 - Diversity management
 - Human resources management systems
 - Social support
 - Political advocacy
 - Philanthropy

Input II: Corporate Social Responsibility (CSR)

Definitions of CSR

- “A concept whereby companies integrate **social and environmental** concerns in their business operations and in their interactions with their **stakeholders** on a **voluntary basis**” (EC Green Paper, 2001, Promoting a European Framework for Corporate Social Responsibility)
- “The voluntary actions that business can take, over and **above compliance with minimum legal requirements**, to address **both its own competitive interests and the interests of wider society**” (UK Government)
- “A company’s commitment to operating in an economically, socially and environmentally **sustainable** manner while balancing the interests of diverse stakeholders” (CSR Asia, social enterprise)

Concepts of CSR I



Archie B. Carroll 1979

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

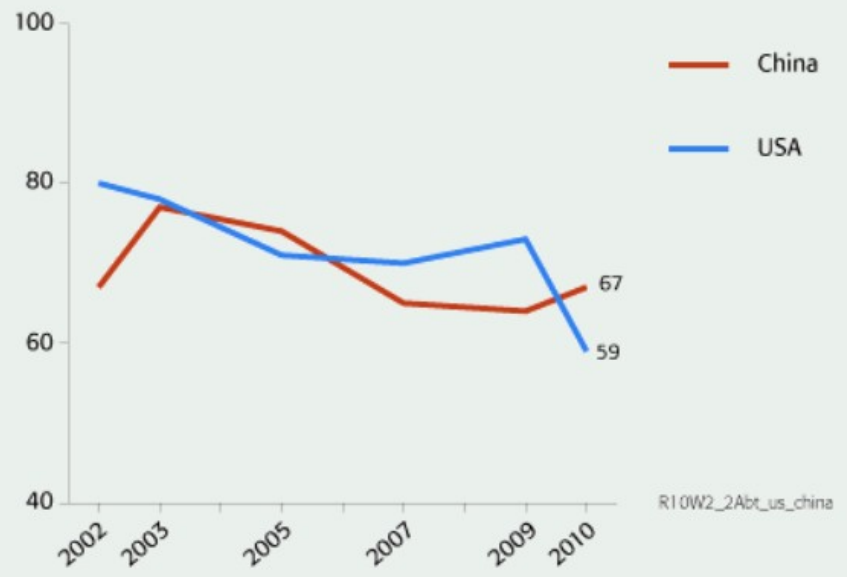
Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.



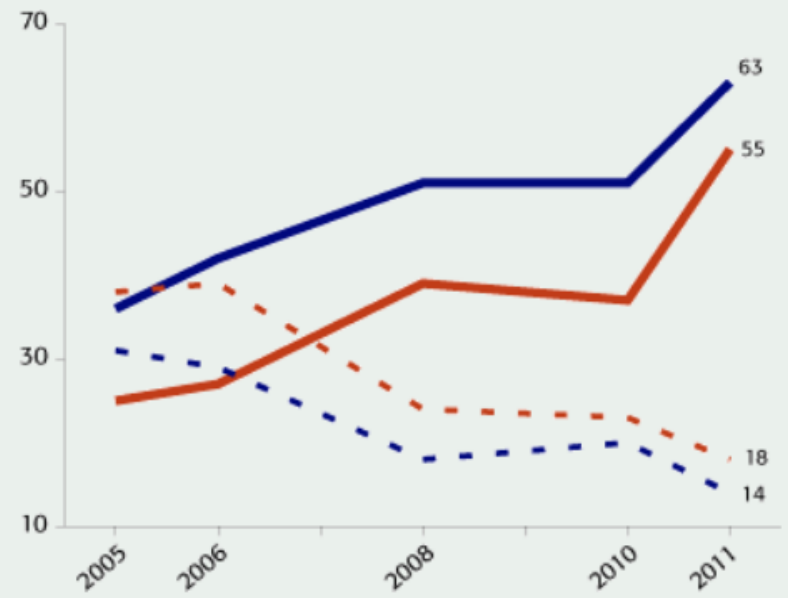
Free Market Economy Is the Best System

"Agree,"* China vs USA, 2002–2010



Respect for Banks

"Respect (4+5)" vs "No Respect (1+2)," UK and USA, 2005–2011

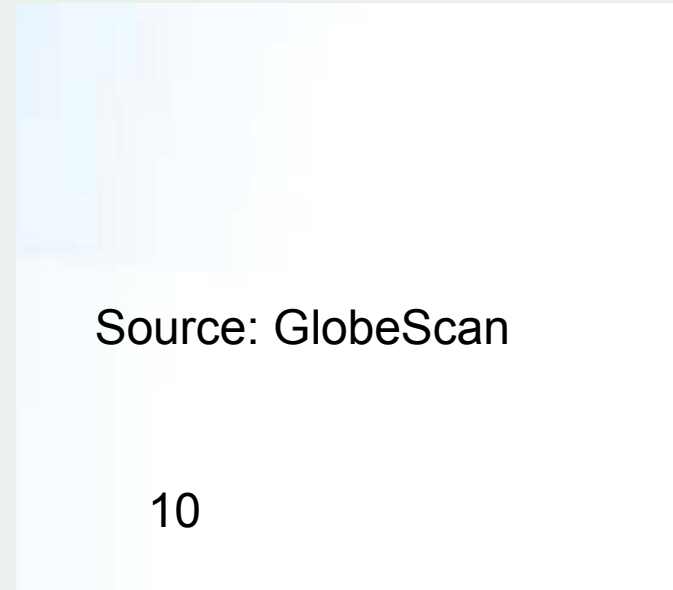


Asked of half of sample in 2007, 2009, and 2010

*"Strongly agree" and "Somewhat agree"



R11W2_7et_UkUs_banking



Source: GlobeScan

Free Market Economy Works Best When Strongly Regulated

"Agree," General Public (n=4,003), Trends: 2002–2005

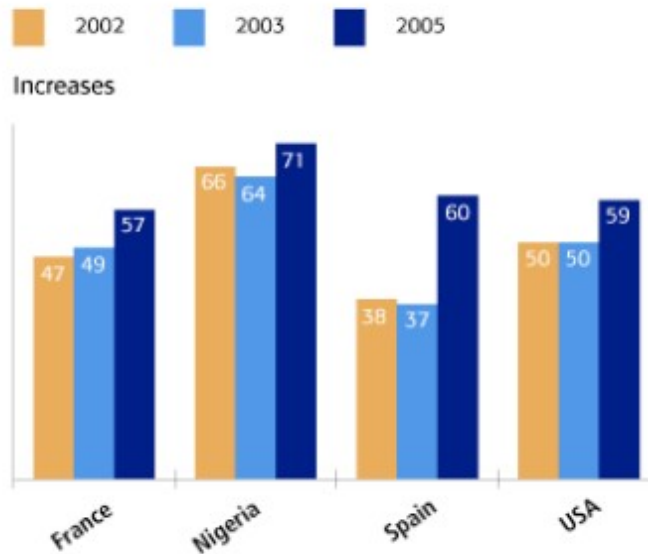


Abbildung 1-7: Wachsende Zustimmung für staatliche Regulierung

Quelle: GlobeScan

- 75% of respondents worldwide asked for stricter government regulation of large companies with regard to environmental protection
 - 74% with regard to protecting employment rights
 - 73% with regard to protecting customer rights
- (GlobeScan 2006b, p. 6-8)

Public expectations and public performance rating

Societal Expectations on CSR vs Industry

CSR Performance Ratings

Average of 21 Countries,* General Public ($n=21,713$),
2001–2005

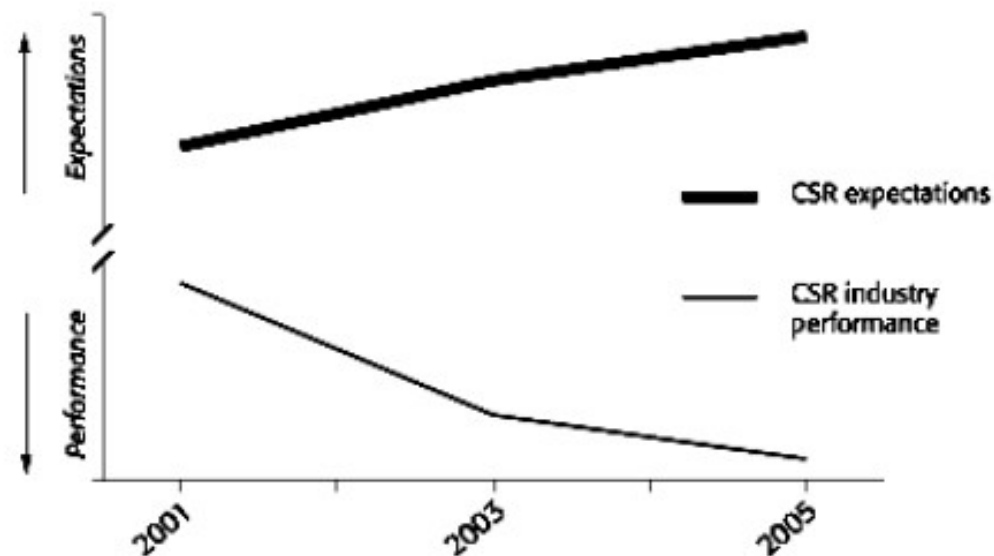


Abbildung 4-3: Diskrepanz zwischen CSR-Erwartungen und CSR-Performance

Quelle: GlobeScan

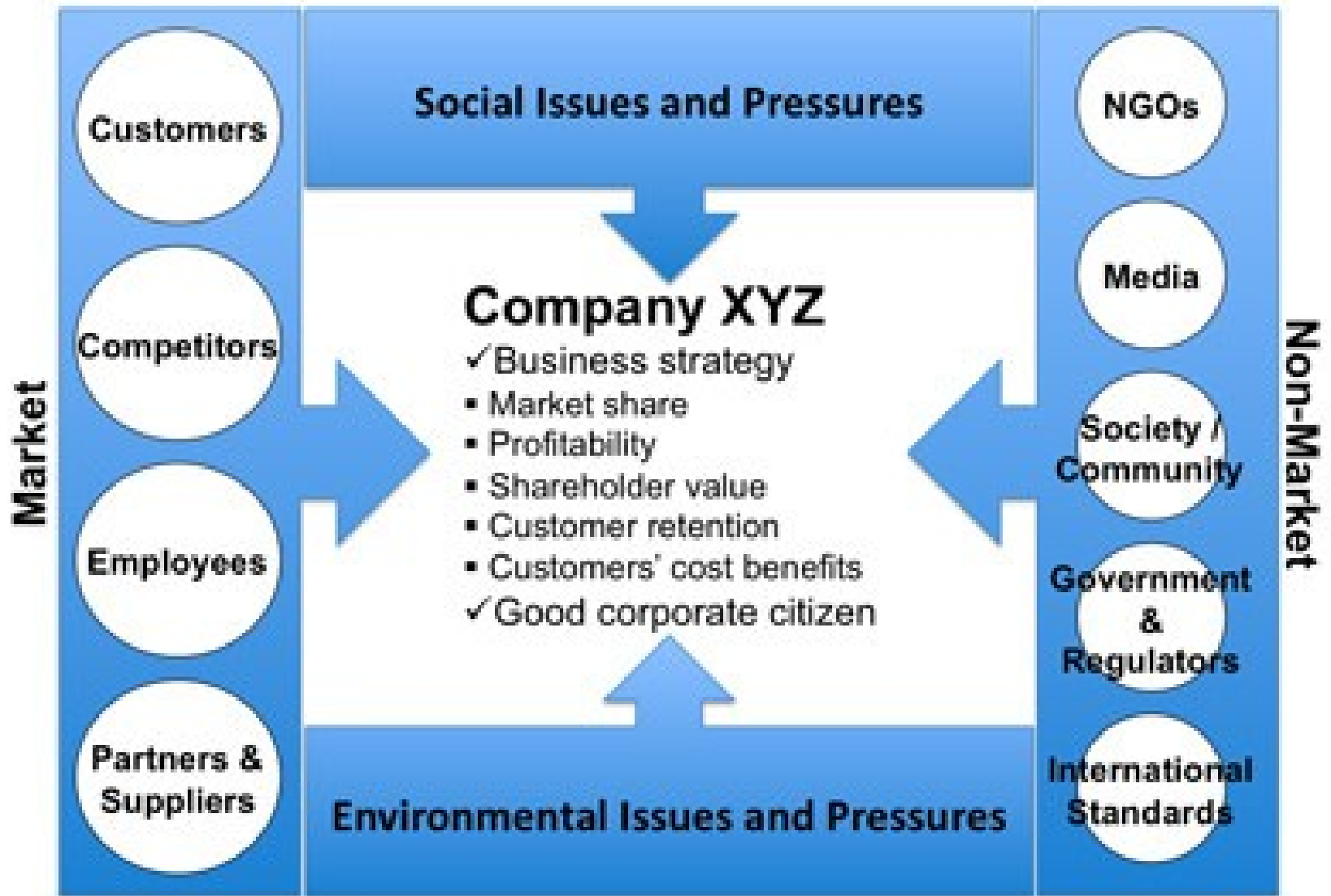
“Responsibility”: Shareholder or Stakeholder orientation?

Shareholder orientation: The societal responsibility of companies is fulfilled through the generation of profits and the production of goods and services for society

“The social responsibility of business is to increase its profits” (Milton Friedman 1970)

Stakeholder orientation: The shareholders are not the only group with legitimate interests in the company’s activities

“A stakeholder is any group or individual who can affect, or is affected by, the achievement of the organization’s objectives.” (Freeman 1984: 46)



<http://amrjournal.blogspot.co.at/2010/06/malaysian-banks-debt-recovery-ethics.html>

The value chain



Critical issues I

“CSR is a completely inadequate response to the sometimes devastating impact that multinational companies can have in an ever-more globalised world – and that it is actually used to mask that impact.”

“CSR is a catch-all term increasingly used by business in their general desire to confine corporate responsibility to self-regulation. Its basic argument is that CSR shows how committed corporations already are to behaving responsibly and that introducing mandatory regulation could destroy this good will.”

Christian Aid “Behind the mask. Unmasking CSR”, 2004, p. 2, p. 5

Critical Issues II

Neo-Liberal critique

“Most advocates of CSR have apparently failed to grasp this most basic and necessary insight of the entire discipline. Through the action of Smith's invisible hand, the private search for profit does advance the public interest.” (The Economist 2005, p.15)

“CSR is nonetheless far more often invoked as a rationale for anti-competitive practices than as a reason to bolster competition. Incumbent firms or professions seem to find it easier to comply with burdensome regulations if they know that those rules are deterring new entrants.” (The Economist 2005, p.16):

Instruments of CSR

Inner area:

Problems: Exit Option, informal bargaining, locational competition, etc.
Social clauses (as a part of trade contracts), Standards and regulations (ILO), new standards in financial accounting, etc.

Mid area:

Codes of conduct (model or operational, single companies or multi-stakeholders initiatives) with or without monitoring, internal/external monitoring, sanctions/no sanctions (SA 8000), CSR rating systems, framework initiatives (“global compact”), seals of quality (“fair trade”), awards (TRIGOS), sustainability reporting, etc.

External area:

Capital market initiatives (“ethical investment”), foundations, philanthropy, social programmes and projects

Institution

- „**Social order or pattern**“, „standardized interaction sequence“: Language, marriage, traffic laws, etc.
- „Institutions [...] **owe their survival to relatively self-activating social processes.**“
- „When departures from the pattern are counteracted in a regulated fashion [...] by some set of **rewards and sanctions.**“
- „Their persistence is **not dependent upon recurrent collective mobilization**, mobilization repetitively reengineered and reactivated in order to secure the reproduction of the pattern.“

Institutional dynamics and intentional institutional change

		Intention for institutional change	
		existing	non-existing
Institutional dynamics	Weak	Change is a matter of power distribution	Institutional balance
	Medium	Change is a matter of guidance & governance	Unconscious Change
	Strong	Revolution	Escalation

Institutional aspects	Material (Actor-Network-Theory)	Instrumental (Economic institutionalism)	Constitutive (Neo-Institutionalism)	Prescriptive (Max Weber)	Cognitive (Lifeworld analysis)
Structures and rules	Material structures	Instrumental rules – If you want A, you should do B (causal means-end relation)	Constitutive rules – If you play game A then B applies	Prescriptive rules – In situation A you should do B (no causal means-end-relation)	Cognitive orientations
Recognition	Institutions build up resistance through material structures	Institutions are recognised because they are useful and effective	Institutions are recognised because the “game” is recognised	Institutions are recognised because they are valued as being „good“ and „right“	Institutions are “recognised” because they are effective as unquestioned, taken-for-granted routines
Motivation	Motivation is to avoid material resistance	Motivation is based on the expectation of positive consequences of action and the avoidance of negative consequences of	Motivation is to „stay in the game“	Motivation is based on the high valuation of the institution ist he	No explicit motivation, actors follow implicit orientations
	Material resistance	Breaking the rules means not to realise the „end“	The recognition of constitutional rules is sometimes protected through	Breaking the rules means to derivate from recognised norms and values,	-

Innovation, Institutionalisation and De-institutionalisation

- Social innovation is ultimately aimed at creating and/or transforming institutions (rule guided practices)
- Often this change has to be accompanied by the de-institutionalisation of former institutions
- This necessity of de-institutionalisation is often overlooked in the discussion of social innovation
- To understand innovation we need to understand institutions and the processes of institutionalisation and de-institutionalisation

The social innovation paradigm?

A working definition of innovation...

- Innovation consists in the **creation of “new” products, services and practices**
- Innovation is **intentional** and implemented by a group of **agents** (individuals, groups, organisations)
- Innovation by definition creates **intended advantages** for certain social groups which might be accompanied by intended and unintended **disadvantages** for other groups (resource transfer from one group to another)
- Innovation has different “dimensions”: **input, output, income, outcome, impact, process**

- **Innovation is related to human needs, problems and values** that are formulated and evaluated in the context of **disputes, power struggles and consensus finding**
- The **distribution of resources** (economic, cultural and social capital) and the **power relations between different social groups** influence the process of innovation at all stages
- Innovation is a process which encompasses several “stages”: **invention, initiation, development, implementation (market entry and/or institutionalisation)**

- Innovation is however **not necessarily a linear process** (feedback loops, chaotic processes, complex networks, parallel activities)
- Market entry and/or institutionalisation builds on processes of **resonance, recognition and diffusion**

What does „social“ mean?

- All innovations are **social processes of interaction and communication**: “Social” is not a criteria that would allow to differentiate social innovation from technological innovation without further explanation...
- „Social“ does not mean that the innovation is necessarily good for everyone
- The “social” in social innovation could mean **an intensified awareness of the societal context of innovation**:
 - How and by whom are needs, problems and values voiced, defined, promoted, advocated, etc?
 - How are stakeholders involved in the process?
 - What are the outcomes and impacts for society and the environment?

Social innovation...

- is in this understanding a **new paradigm for innovation management, research and assessment** rather than being a distinct form of innovation in itself.
- **should not be restricted to “purely social” activities which only include direct human-to-human interaction** and should not be isolated from technological and economic innovation per se.
- **should comprise the many “hybrid” forms of innovation that include human interaction as well as human-technology interaction** (e.g. assistive technologies), combine different business models (e.g. social entrepreneurship) or create new cross-sector cooperation (e.g. public-private partnerships).

Aspects of the social innovation paradigm

- Combination of different societal logics
- Contextual thinking
- Combination of different means to create and transform institutions (and to de-institutionalise institutions)
- Integration (instead of further differentiation)
- Self-organisation
- Process-orientation
- Participation
- Recognition
- Institutionalised “free spaces”
- Experimental approach
- Broad evaluation of impacts

Related concepts

- Social experimentation
- Social impact assessment
- Social return on investment
- Social entrepreneurship
- Social innovation incubators
- Sustainable development
- Technological impact assessment

Thank you for your participation!

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