Social Innovation
A Guide to Achieving Corporate and Societal Value

Prepared in collaboration with Oliver Wyman

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Reducing inequality and accelerating real, meaningful and widespread inclusive growth are the most urgent challenges of our age. The World Economic Forum recently launched the Global Challenge Initiative on Economic Growth and Social Inclusion to engage all stakeholders – governments, the private sector, experts, civil society leaders and social entrepreneurs – in the design and implementation of scalable solutions. In addition to supportive policy frameworks enacted by governments, private sector action across all industries is indispensable.

What form should that action take? Social innovation – innovative, practical, sustainable, market-based approaches that benefit society, with special focus on the vulnerable — offers an answer. As “the voice of social innovation”, the Schwab Foundation for Social Entrepreneurship has championed the concept and practice of social innovation for the past 15 years. The Schwab Foundation’s global community of founders and chief executives of social enterprises – for-profit and non-profit organizations created with an explicit social mission – demonstrate how such approaches and methodologies can create life-transforming impact.

But what about multinational corporations? Do the tools and approaches of social innovation apply? As this report demonstrates, the answer is a resounding “yes”. Global and regional companies are vital contributors that can take the practice of social innovation – and the enduring social impact it creates – to scale.

As a central effort in the Global Challenge Initiative on Economic Growth and Social Inclusion, the World Economic Forum and the Schwab Foundation offer this report as a “how to guide” for companies to create social and business value. Drawn from a series of workshops and interviews with more than 35 executives from leading companies, and guided by the Forum’s Global Agenda Council on Social Innovation, this guide offers an action framework for companies to embed social innovation within their businesses.

The report begins by articulating the “why:” why social innovation is becoming an increasingly relevant strategy for companies to pursue in today’s shifting business landscape. It then showcases the “what:” what social innovation strategies and business models look like, what the range of opportunities are, and what business benefits companies can derive from pursuing them. Finally, the report drills down into the “how:” how did companies turn intentions into action? How did they identify opportunities aligned with their long-term business strategy? How did they identify partners, design metrics and devise internal structures to deal with “business as unusual”?

The menu of approaches and framework for implementation showcased in this report can serve as an inspiration and a valuable reference for many more companies to embed social innovation practices into their business strategy and operations. We wish to extend our appreciation to the members of the Global Agenda Council on Social Innovation, who have been a great inspiration and support throughout the process, the dozens of executives who shared their time and insights with us, the Apax Foundation for their generous support, our partners at Oliver Wyman for their commitment, and the project lead Manju George, without whom this report would not have been possible.

Jennifer Blanke, Chief Economist, Member of the Executive Committee, World Economic Forum

Katherine Milligan, Head, Schwab Foundation for Social Entrepreneurship
Why social innovation matters to business

The World Economic Forum’s Global Agenda Council on Social Innovation, an advisory body comprised of leading practitioners, thought leaders and academics, defines social innovation as “the application of innovative, practical, sustainable, market-based approaches to benefit society in general, and low-income or underserved populations in particular”. Social innovation means being more strategic, more ambitious and more collaborative in how access and opportunity can be provided for billions of low-income people to participate in the global economy.

Corporate involvement in societal issues is not new, of course. Companies have long deployed a portfolio of tools to exercise their citizenship in society, including corporate governance, corporate philanthropy and corporate social responsibility. What distinguishes social innovation from these traditional approaches is the pursuit of societal challenges in ways that create tangible business benefits. While those methods and approaches can vary, social innovation strategies share certain characteristics:

- They are directly aligned with the company’s innovation agenda and business strategy.
- They leverage a company’s core for-profit assets, such as human capital, value chains, technology or distribution systems.
- Increasingly, they are managed from within a firm’s core operations or business units.

Benefits to the companies include not just financial returns but also improvements to long-term competitiveness, including access to new markets or consumers, strengthened supply chains and talent retention.

Why is social innovation relevant to business?

Restoring trust in business: According to the 2015 Edelman Trust Barometer, public levels of trust in business are at its lowest since 2008. More than half (55%) of chief executive officers who participated in the PWC Annual CEO Survey are concerned about these declining trust levels. Businesses that are able to enhance their net positive contributions to society are more likely to earn the trust of stakeholders and secure their licence to operate in society.

Adapting to resource scarcity and environmental concerns: There is heightened pressure on companies to invest in the resilience of their supply chains and a growing business case to assess their social and environmental footprint, ensure responsible practices and “internalize” negative external impacts. Companies that pursue business models and strategies that invest in the economic prosperity of key stakeholders in its supply chain, including small producers and local communities, are better poised for long-term competitiveness.

Attracting and retaining talent: Tomorrow’s workforce views business success differently than their parents’ generation, and prioritizes long-term sustainability over short-term profit maximization. In the Global Shapers Annual Survey 2015, six in ten millennials indicated that an opportunity to “make a difference in society, my city, or my country” is the top factor they look for in a job. Moreover, considering that an absence of loyalty to employers marks this generation – two out of three respondents in the Deloitte Millennial 2016 survey expect to move to a new employer by 2020 – companies must “stand out” in their efforts to improve employee retention, pride and loyalty, or face significant turnover costs.

Changing performance metrics: A growing number of investors are including social and environmental considerations into their performance metrics and investment decisions. For instance, according to the Global Sustainable Investment Review 2014, the share of sustainable assets within all professionally managed assets globally grew from 21.5% in 2012 to 30.2% in 2014. For the first time, the 2015 Harvard Business Review ranking of the top 100 performing CEOs in the world – a measure aimed at evaluating long-term performance – weighted social and environmental performance at 20% of the overall score. The #1 CEO on the list, Lars Rebien Sørensen of Novo Nordisk, crisply summed up the importance of this shift in measuring success: “In the long term, social and environmental issues become financial issues.”

Search for growth and inclusion at scale: Even as the World Bank reports significant progress in tackling extreme poverty across the world (with less than 10% of the global population estimated to be living on less than $1.9 a day), there are growing concerns on rising income inequality worldwide. As the world searches for solutions at scale to address societal challenges, governments and civil society leaders are calling on business to make key contributions. The recently launched Sustainable Development Goals (SDGs) offers an opportune framework for such contributions. Companies that turn societal challenges, such as unemployment and lack of healthcare services, into opportunities that enhance business growth and long-term competitiveness will be positioned for sustainable success.

"It is society that gives us the right to be active, our licence to operate. A business leader has to think about how to solve the societal challenges of today, because if we don’t solve them, we will not have a business."

Peter Brabeck-Letmathe Chairman of the Board, Nestlé
What are the business benefits to pursuing social innovation?

The previous section identified key drivers for companies to adopt social innovation strategies. This section provides specific company examples to demonstrate the spectrum of social innovation opportunities and the range of business benefits that companies can generate, grouped in four broad clusters:

**Build future markets**
- Design new products and services: BD
- Serve new geographies or customers: Allianz
- Expand sales and distribution: Novo Nordisk
- Explore new sources of talent: SAP
- Build tomorrow’s workforce: Intercorp

**Strengthen supply chains**
- Ensure stable supply and prices of raw materials: Jollibee Foods Corporation
- Increase product quality and price premiums: Nestlé
- Enhance customer engagement: C&A
- Gain market insights and brand recognition: Telefónica
- Generate financial returns: Morgan Stanley

**Invest in talent**
- Serve new geographies or customers: Allianz
- Expand sales and distribution: Novo Nordisk
- Explore new sources of talent: SAP
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**Leverage finance**
- Generate financial returns: Morgan Stanley

Each cluster offers a starting point for companies to look for social innovation opportunities most relevant to them. Specific opportunities will be driven by multiple factors including a company’s operating environment, geographic footprint, product portfolio, supplier base and raw material dependencies, and talent models.

For example, market-facing companies from sectors such as healthcare or consumer goods have embraced business growth through innovations in products, services or distribution channels targeting underserved consumers. Companies heavily reliant on supply chains, including from food, agriculture or textiles, have pursued strategies that secure raw material supply, increase product quality and engage customers, while companies in professional services or IT focus on building future talent pools and enhancing employee loyalty.
Build future markets

As growth slows in developed markets, the “next 4 billion” consumers in emerging economies represent a growth opportunity for local and multinational companies alike. In the short term, the relatively low purchasing power of these consumers makes it harder to achieve profit margins, yet forward-looking companies view their market-building and business development efforts in this segment as a form of “long tail” investment. In doing so, they can gain insights on the unique needs and preferences of these customers, drive awareness and behavioural change, and innovate to make product lines more affordable and relevant.

Companies that successfully pursue social innovation as an opportunity for developing new markets typically innovate in three specific ways. First, they design products and services that respond to the unique needs and behaviours of low-income customers. This can include developing new products and services or adapting existing product lines for their needs (e.g. food brands fortifying existing products with micronutrients to address malnutrition). Second, the products and services must offer strong value for money despite – or because of – low purchasing power, necessitating the design of cost-effective products.

Third, products must be made accessible across large geographies with poor infrastructure, which requires thinking creatively about distribution channels. As demonstrated by Novo Nordisk’s experience, in addition to enhancing the quality of life of low-income customers, such innovations can also present opportunities to promote micro-entrepreneurship and enhance incomes.

Design new products and services: BD (Becton, Dickinson and Company)

In the late 1980s, concern was growing among health workers regarding disease transmission risks from needle-stick injuries in their work environment. Although, BD was the largest producer of needles in the world, the company identified safety-engineered designs as a key area for business growth and social impact. In the 1990s and 2000s, BD invested over $1 billion to redesign its needle-based devices and recapitalize manufacturing in order to transition most of the company’s needle product lines to safety-engineered designs. The company also invested in advocacy, training and an occupational injury surveillance system to raise awareness and encourage safer practices in hospitals.

By 1994, a key safety product category generated $70 million in sales just in the United States. This product eliminated needles entirely for IV access procedures, the highest frequency cause of injuries at the time. Moreover, safety-engineered devices became the single largest source of growth for BD over the last 25 years. Today, these devices generate over $2.6 billion annually in global turnover – a successful strategy that, in many countries, preceded legislation requiring health facilities to use them.

“Focusing strategically on unmet societal needs has enabled BD to identify and pursue new social innovation opportunities to expand our global relevance and growth.”

Vincent Forlenza
Chairman, President and Chief Executive Officer, BD, USA
Serve new geographies or customers: Allianz

In 2003, Bajaj Allianz, a joint venture between Allianz AG and Bajaj Finserv in India, started offering insurance products to a new customer segment: households with incomes between $1.25 and $4 per day. For the consumers, who were not covered by conventional insurance products or government social protection programmes, micro-insurance offers protection against a number of risks, including illness, accidental death and disability, theft, fire, agricultural losses and natural disasters.

In the years that followed, Allianz subsidiaries in Colombia, Indonesia and Africa also developed insurance product lines for this consumer segment. Initially, the Allianz head office in Germany supported each subsidiary with communication and incubation services, but as the local businesses grew, Allianz created a new business unit, Emerging Consumers, tasked with business expansion in existing and new geographies. While still small compared to its traditional business, Allianz has built a profitable micro-insurance business, which offers the long-term opportunity to grow its customers from micro-insurance to conventional businesses. As of June 2015, Allianz had micro-insurance operations in 11 markets, insuring a total of 57.4 million lives.

Expand sales and distribution: Novo Nordisk

Historically, a key obstacle to treating diabetes in Bangladesh has been the availability of insulin. In 2006, the Denmark-based global healthcare company Novo Nordisk undertook a study that found that only 16% of the country’s population (all living in or near the capital of Dhaka) had access to Novo Nordisk products. Its only distributor at the time had just one insulin facility; only 25% of pharmacists in Dhaka stocked insulin; and most doctors and pharmacists lacked proper cooling systems required to keep insulin in stock.

With the study results in hand, Novo Nordisk identified three ways to strengthen its insulin distribution network. First, it switched distributors, increasing the number of distribution points from one central depot in Dhaka to 29 depots across the country. Second, it established a partnership with the Bangladesh Diabetes Association (BADAS) and the World Diabetes Foundation to install proper cooling systems in clinics. More than 310 systems have been installed to date with the aim of reaching 550 clinics by 2017. Third, Novo Nordisk built a local manufacturing facility with Eskayef Bangladesh, a local pharmaceutical company, to produce insulin locally, ensuring a steady supply. These distribution system improvements alone led to a compound annual growth rate in insulin sales of 9.5% in the past decade.
Strengthen supply chains

The previous section highlighted opportunities for consumer-driven social innovation. The experiences of Jollibee, Nestlé and C&A demonstrate how companies can achieve similar outcomes through innovations at the start of the supply chain.

There are three major strategic benefits for social innovation in a corporate supply chain. The first motivation is to ensure the stability of access to raw materials. Many supply chains, particularly those in the agriculture, food and consumer goods industries, are laced with intermediaries, all of whom take a share of the price paid by the consumer. Unless small suppliers can increase productivity or volumes, households may abandon crops that have become unviable, threatening the supply of raw materials. The threat of a global cocoa shortage, for instance, has prompted many global chocolate manufacturers to partner with social enterprises, such as Kennemer Foods in the Philippines, to help cocoa farmers increase crop productivity.

Extreme weather is another driver of supply volatility. Diversification of and investment into a supplier base can create direct and trusted relationships with farmers, which help maintain stability in supplies and prices in the face of extreme weather events, as demonstrated by the Jollibee example.

The second strategic benefit revolves around improving the quality of raw materials, which supports a company’s ability to achieve a price premium while strengthening consumer loyalty. Nespresso is an example of a business model that enables both smallholder farmers and the company to increase crop productivity.

A third motivation is reputation and proactively responding to changing consumer preferences. An increasing number of consumers are willing to pay a premium for products sourced through socially responsible supply chains. The experience of C&A is instructive in how companies can generate a brand premium and customer loyalty through investing in producers.

Ensure stable supply and price of raw materials: Jollibee Foods Corporation

Jollibee Foods Corporation (JFC) runs the largest chain of fast food restaurants in the Philippines and is reliant on a steady supply of raw materials, such as vegetables, cereals and animal produce, at significant quantities and stable prices. However, the agricultural sector in the Philippines is particularly vulnerable to such extreme weather events as typhoons, and when extreme weather reduces crop yields, the price of produce inevitably spikes – exacerbated by middlemen who hike prices exorbitantly.

To mitigate this supply chain risk, in 2009 JFC began sourcing produce directly from smallholder farmers in addition to its traditional intermediary traders. JFC invested a significant amount into partnership building and training to organize the farmers into functioning cooperatives. Buying directly from the farmers has meant that when one area of the country is producing lower yields, JFC can buy from a less affected region. Product quality is assured and prices are more stable as the negotiation relationship is directly between JFC and the farmers.

By 2015, Jollibee had helped over 900 farming families in 27 cooperatives with an increase in income of 200-500%. One-fourth of all vegetable produce sourced by JFC is now purchased directly from the farmer cooperatives.

On the supply side, we benefit from better diversification and hence more stable prices. By having both a few traders and many farmers, we have diversified our set of suppliers and are assured of supply while helping boost the rural economy.

Ysmael Baysa
Chief Financial Officer, Jollibee Foods Corporation, Philippines
Increase product quality and price premiums: Nestlé

As a globally successful brand and reference for high-quality premium coffee, Nespresso, a globally managed business of Nestlé, needs a guaranteed and continued supply of high-quality coffee beans. Nestlé identified a number of growing trends that reduce the attractiveness of coffee farming among farmers and threaten the potential supply of coffee to the company. These trends included low crop productivity, price volatility, lack of insurance and provisions for retirements, and younger generations moving away to other careers.

In 2003, Nespresso responded by creating a unique supply chain model – the Nespresso AAA Sustainable Quality™ Program – that combines the company’s coffee expertise and strict quality criteria and processes with the non-governmental organization (NGO) Rainforest Alliance’s know-how in sustainable farming practices. Nespresso created the AAA Program to ensure its continued supply of high-quality coffee, while preserving the environment and enhancing farmer welfare. The programme builds long-term, direct relationships with farmers and invests in their capacity to continuously improve on the “triple As” – quality, sustainability and productivity.

Farmers are offered training, financing and technical assistance through a network of over 300 dedicated agronomists. Price premiums, which are 30-40% above coffee market price and 10-15% above market price for similar quality coffees, are also paid. Investments are made in post-harvesting infrastructures. By December 2014, the programme was serving over 63,000 farmers in 11 countries, covering 280,000 hectares of coffee farms.

In addition to increasing the quality of coffee, the programme increases farmers’ incomes, yields and sustainability. Between 2009 and 2011, a survey of Colombian farms demonstrated 22.6% better social conditions, 41% better economic conditions and 52% better environmental conditions than non-AAA farms.

Enhance customer engagement: C&A

Cotton is the main fibre used for over 60% of C&A’s products. In 2004, C&A made a commitment to steadily increase the use of sustainably grown cotton in its product lines. The company saw this as an opportunity to improve the sustainability of cotton production practices among farmers in its supply chain while at the same time enhance its customer engagement and brand equity.

In 2009, in partnership with Textile Exchange and the Shell Foundation, C&A created CottonConnect, a social enterprise that supports farmers and retailers to increase the production and use of sustainable cotton. In 2014, C&A was the largest purchaser of organic cotton globally and one of the largest retailers of organic cotton apparel through its Bio Cotton range of products. This range constitutes roughly 40% of its overall cotton product sales and the company has the 2020 goal of achieving 100% sustainable cotton in all its cotton products. While C&A chose to price its sustainable cotton collections the same as its regular collections, organic cotton products sell faster and price markdowns are lower, which creates a higher gross margin for the company.

For farmers, the benefits include lower costs of production, reduced reliance on traditional intermediaries, and crops with higher resilience to climate change. However, to increase the number of participating farmers, financial incentives need to be created that compensate for the short-term loss of yield during the transition period as well as investments that further enhance crop productivity, such as high-performing organic seeds. The C&A Foundation works closely with the company and in collaboration with NGOs and governments to address some of these larger challenges.
Invest in talent

Increasing levels of diversity in the workforce can present a significant social innovation opportunity. Seeking a more diverse workforce both increases the size of the recruiting pool and can introduce new capabilities into an organization. Many companies have realized the opportunity this can bring – according to the “2011 Fostering Innovation Through a Diverse Workforce survey” by Forbes, 85% of companies agree talent diversification results in more innovative product generation ideas.

SAP is one example of a company that has tapped into talent pools traditionally considered unemployable, thereby increasing the diversity of its internal talent. Firms have recognized that “new” talent pools (other examples might be immigrants, the long-term unemployed and the disabled) can bring new strengths and perspectives to their team. However, to successfully tap into these groups, firms need to assess how existing hiring approaches and work procedures will need to be adapted.

As the Intercorp example shows, other companies have focused on increasing the availability of “employable” talent in their operating markets either through youth vocational skill training or through primary and secondary education. Firms have approached the issue by seeking for allies who share the same mission and are willing to enter into partnerships. Governments or educational institutions – or even competitors – are often willing to co-invest or bring in their expertise and teaching infrastructure. At the same time, companies can play an active role by (co-)designing the curricula, bringing in their practical experiences and ensuring a targeted skill development that matches the demands of business.

Explore new sources of talent: SAP

The growing demand for IT skills and the strong belief that innovation comes from incorporating diverse perspectives caused SAP to rethink the way the company defines talent. It realized that there is a significant and traditionally untapped talent pool composed of individuals with Autism Spectrum Disorder (ASD) who could bring a different perspective to problem-solving. Autistic employees have a unique skill set that delivers business value. Adults with ASD have an unemployment rate of close to 80% in spite of having strong academic credentials, experience and/or marketable skills.

In 2013, SAP committed to hire 700 people with autism by 2020, equivalent to 1% of the company’s workforce. Like many other companies, recruiting processes for most positions at SAP were once designed to favour those with strong communication skills and team-player capabilities. But as people with autism rarely bring these skills, the company was missing an opportunity to bring on board exceptional talent that could bring strong business, science and technology capabilities to the organization.

SAP then tailored its recruiting approach to hire autistic people for jobs where they could make use of their strengths. In the beginning, the company hired people within the areas

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Innovation comes from the edges and from incorporating diverse perspectives. SAP Autism at Work enables us to leverage the perspectives and abilities that people with autism bring to the workplace.

Anka Wittenberg
Chief Diversity and Inclusion Officer, SAP SE, Germany
of quality assurance and software testing. From those early days, the programme has expanded from technical-oriented roles into other functional areas that include human resources, IT, compliance, procurement and finance.

**Build tomorrow’s workforce: Intercorp**

According to the Manpower Group’s 2015 Talent Shortage Survey, Peru is among the countries facing the most serious employment shortages, with 68% of employers reporting difficulty filling open positions, largely due to poor-quality education opportunities. With this challenge in mind, in 2011 Intercorp invested in Innova schools, technical institutes (IDAT and IPAE) and a university (UTP) to offer a world-class education at an affordable price to children and young people from lower-middle-income households. More than 19,000 students attend Innova schools and 41,000 are enrolled in the vocational institutes and universities, with plans to triple the number by 2025.

By investing in Peru’s education system, Intercorp will benefit from more skilled workers ready to join its workforce. As both Peru and Intercorp are experiencing particular difficulties in filling positions that require a science or engineering background, 22 of the 32 university career paths have been designed to focus on those subjects. At present, Intercorp already benefits as a shareholder with a fully profitable educational platform. However, the main benefits will materialize once the first classes from the Innova schools have graduated from Intercorp University or completed their vocational programmes.
Leverage finance

Finance can be a key tool for a company to engage in social innovation. Companies such as Telefónica have helped grow social enterprises by managing impact investment funds or incubators. In addition to generating financial returns, such investments can offer a pipeline of ideas to support a company’s innovation agenda and can become future partners, or even future customers.

To benefit the most from its impact investments, a company should invest in start-ups that are strongly aligned with the company’s business strategy or operating in adjacent markets. As Morgan Stanley’s case also illustrates, targeted investments into social entrepreneurs can generate new business opportunities for the company.

Gain market insights and brand recognition: Telefónica

In 2013, Telefónica Open Future, a division of the Spanish multinational telecommunications company Telefónica, partnered with the Government of the United Kingdom to support the growth of socially innovative start-up ventures. Through Wayra UnLtd, the country’s first accelerator facility for digital technology social ventures, the partnership offered seed funding, coaching and mentoring, and access to Telefónica Open Future’s global network of more than 600 start-ups and 60 partnerships across 17 countries.

Ventures supported by the facility are working on innovative mobile or digital solutions that serve the company’s existing and future customer base. They include Roadio, which created mobile technology to improve the way people learn to drive, and WeFarm, a peer-to-peer platform that offers vital information on farming practices to over 43,000 farmers in some parts of Latin America, where Telefónica has significant business operations.

Wayra UnLtd’s social ventures raised $12.5 million in third-party investment. Its successful financial performance placed the accelerator programme at the top of rankings by the Social Incubator Fund, a UK Government facility that supports social incubators and accelerators in the country.

“Increasingly, companies are leveraging their financial capital and core competencies to help ambitious social ventures to grow and scale.”

Nicholas O’Donohoe
Senior Adviser, Blended Finance, Bill & Melinda Gates Foundation, USA
2015, Wayra UK partnered with Merck Sharp & Dohme, a global healthcare company, to launch Velocity Health, an accelerator that supports start-ups that are designing preventative healthcare delivery models.

The acceleration Telefónica provides to the social ventures has created measurable social outcomes. At the same time, the company benefits from new ideas, market insights, brand recognition and consumer engagement.

**Generate financial returns: Morgan Stanley**

Since the early 1990s, Morgan Stanley’s Asia Private Equity business (MSPE) has made investments in a number of fast-growing businesses in the Asia-Pacific region, including those focused on inclusive finance. MSPE’s investment into CreditEase in 2011, a peer-to-peer (P2P) lending facilitator in China, is an example.

CreditEase is a national leader in China’s microfinance industry. In 2006, the company pioneered the P2P lending model in the country, introducing credit products to the vastly underbanked middle class and rural consumers. Previously, these consumers relied on informal channels for credit, as the traditional products offered by banks were suitable only for high- and middle-income consumers.

Through the investment partnership with MSPE, CreditEase was able to access Morgan Stanley’s global platforms, including the Institute for Sustainable Investing, and collaborate with the company’s risk management, asset management and investment banking operations. By December 2015, CreditEase had over 40,000 employees across 232 cities and 96 rural areas in China, serving several million borrowers. Investing in CreditEase’s growth has been a financially attractive proposition for Morgan Stanley, too – CreditEase’s online P2P lending unit, Yirendai, successfully listed its shares on the New York Stock Exchange in December 2015.
Making social innovation work inside a company is not easy. Where do you start? How do you identify a specific opportunity and design a business model around it? How do you build capacity from the ground up, test approaches, measure outcomes and refine models? How can you get initiatives to scale?

Drawing from interviews with over 30 companies, this section outlines the key steps to build socially innovative businesses. The four steps – identify, design, learn and scale – are analogous to traditional business development processes and thus will be familiar. However, when they are applied to a social innovation opportunity, important differences often emerge.

In the “identify” step, for example, interview subjects highlighted the critical importance of tapping into a wide network to unearth strategic opportunities – including social entrepreneurs and civil society organizations. In the “design” step, executives emphasized that existing structures can create significant inertia – therefore social innovation initiatives often benefit from separate structures, such as incubators and ring-fenced funding. Once an idea has been demonstrated as viable and has started to scale in one market or business unit, companies are faced with the question of how to scale or replicate this success in other markets. As several of the cases in the “scale” section demonstrate, a centre of excellence that is tasked with knowledge transfer and replication can significantly aid and accelerate the scaling process.
A social innovation journey starts with unearthing opportunities with the potential to contribute to a company’s strategic objectives. These ideas may come from numerous sources within the company – employees, the leadership, and from front-line business operations. Significantly, ideas can also be generated from beyond the company, including supply chain partners, civil society actors and other key stakeholders in operating markets.

The differing experiences of three companies that identified major social innovation opportunities aligned with business strategy and capabilities are shared below. MasterCard’s experience shows how senior leadership can highlight social innovation opportunities within a company’s vision for the future. Centrica provides a good illustration of engaging mid-level employees in identifying and pursuing such opportunities. The SABMiller case demonstrates the value of empowering and supporting front-line teams to spot opportunities in their local markets as they emerge.

Mobilize teams around a leadership vision

Senior leadership has an important role to play in igniting social innovation. They can outline a long-term vision for how this can support a company’s business strategy and set goals that incentivize business units to generate and pursue opportunities.

Ajay Banga, the Chief Executive Officer of MasterCard, has made financial inclusion a top corporate priority, outlining a vision of connecting people to formal financial services as a key lever for the company’s future market. With 85% of the world’s retail transactions undertaken in cash, and with MasterCard’s existing capabilities in digital payments, providing access to formal financial services presents an enormous opportunity for business growth.

To incentivize business development in financial inclusion, leadership included related targets within the company’s 10 strategic objectives. At the same time, a public commitment to connect an additional 500 million people, including millions of small merchants, to the formal financial system by 2020 was made. As a result, teams around the company started identifying new opportunities to use existing business capabilities to serve new customer segments.

One new customer segment was government. For example, the Egyptian Government and Central Bank have prioritized financial inclusion as a pressing issue due to the ongoing political unrest, as even those with access to formal banking were not able to use the services regularly. MasterCard worked with Etisalat and the Central Bank to develop a mobile banking platform offering bill payments, money transfers, e-commerce and loan facilities. The solution now enables financial inclusion through a national identification card with a digital signature to over 60 million Egyptians.

A second new segment was international aid organizations. MasterCard worked with organizations like Mercy Corps, Save the Children, World Vision, the International Rescue Committee and others to create the MasterCard Aid Network, an end-to-end, non-financial service that makes the distribution of humanitarian aid safe, simple and smart using Europay, MasterCard, Visa (EMV) chip technology. The network is now active in areas of civil unrest such as Yemen and after natural disasters, such as when Typhoon Haiyan struck the Philippines.

Given the ambitious scope of the leadership’s vision, MasterCard teams are tasked not only with identifying opportunities that build on existing capabilities but also with developing totally new products. For example, with grant funding from the Bill & Melinda Gates Foundation, MasterCard launched the Lab for Financial Inclusion in Nairobi, Kenya in 2015. Though the returns for entirely new product lines are much more difficult to anticipate, if successful, the company is hoping these innovations could make a significant contribution to the company’s financial inclusion objectives.

Co-create with your future leaders

Employees can be a vital source of socially innovative ideas. Companies can engage employees in idea generation through development programmes, competitions, awards or intrapreneurship workshops.

In 2011, the Chief Executive Officer of Centrica was acutely aware of the external pressures on energy companies and the macro trends affecting their business in the long term. Subsequently, he issued a challenge to the high-potential professionals selected for an internal talent development programme: how can Centrica take its efforts beyond traditional corporate social responsibility initiatives to open up new sources of innovation and creativity and take the brand to the next level?

Through a year-long development programme, four teams worked on this question. They were immersed in different business models for social innovation, spoke at length with charities and social entrepreneurs, and visited several sites and initiatives that successfully move social and financial value together. Out of that immersive experience, the teams generated several proposals to present to the chief executive officer and leadership team. The winning proposal was to set
up Ignite, an impact investment fund, which was the United Kingdom’s first corporate impact fund investing in energy enterprises pursuing financial value and social change.

In 2012, Centrica launched Ignite and set up an investment panel including two Executive Committee members. To manage the fund’s operations, an internal team with corporate strategy and mergers and acquisitions experience was recruited. By 2015, the £10 million fund had made 11 investments and was providing pre-investment support to nine additional enterprises. The team collaborates with Centrica business units, and high-potential managers are often seconded to the fund or the investee companies, or serve on their executive boards.

“Ignite helps us to make a contribution to society, keeping us abreast of ideas and developments, encouraging innovation and giving our people an insight into how to manage a real business from the beginning.”

Iain Conn
Chief Executive Officer, Centrica

Perhaps most significantly, the fund has become a source of strategic foresight and market intelligence for Centrica.

“Traditionally we looked at macro trends and sought external consulting advice to think through our strategy,” said Julia Rebholz, Head of Ignite. “The fund complements this macro advice by helping us to understand these trends better from an entrepreneurial, bottom-up perspective. How can the right investments address those macro scenarios? Where should we be taking small steps on things that could be scaled for the future? It gives us a different lens as well as relationships with venture capital, private equity and impact investment funds, which we didn’t have previously.

Empower the front lines

Business units and local teams interact closely with consumers, communities and other societal stakeholders in their day-to-day work. If empowered, they can become successful “intrapreneurs” who can spot high-potential social innovation opportunities relevant to day-to-day business.

Historically at SABMiller, innovation is driven at the country level, allowing teams to respond to local contexts and challenges. Geography can be a useful dimension for identifying social opportunities in a global company. A prime example is the “localization” of the brewing company’s supply chain in Africa, which began in Uganda in 2002 when a conversation between the regional Managing Director and Uganda’s Finance Minister unearthed a mutually beneficial opportunity: local sourcing of grains for brewing operations.

Such an initiative was attractive to SABMiller for several reasons. Sourcing more affordable raw materials locally helped reduce reliance on barley imports from Europe, thereby reducing costs. Sales growth was challenging in a static market, but creating a local supply chain and offering farmers an assured market helped strengthen the company’s relationship with local communities and created significant economic opportunities for the smallholder farmers themselves. Perhaps most importantly, such an initiative would build trust and a track record of partnership with the government, which was looking for ways to promote the inclusion and economic development of Ugandan farmers.

The SABMiller team and the Ministry of Agriculture jointly evaluated a number of Ugandan crops as brewing ingredients, with a local variant of sorghum proving the most viable. The company worked on modifying the brewing process in order to replace malted barley with sorghum, and the resulting new product – Eagle Lager – became highly successful, now accounting for over 50% of the sales of SABMiller’s Ugandan subsidiary, Nile Breweries. Given the local production, Nile Breweries also benefited from an excise rate of 30% for Eagle instead of the 60% levied on beer brewed from imported ingredients, reducing the retail price and offering a high-quality, affordable alternative to unregulated and dangerous illicitly produced local brews.

Subsequently, SABMiller businesses in other parts of Africa replicated the model using locally sourced sorghum, maize and cassava; today, local sourcing is a key part of SABMiller’s Africa growth strategy. To continue to incentivize and motivate business units, the company visibly showcases such activities through corporate recognitions, including the Mackay Awards, which highlight initiatives that grow the business while having social and environmental benefits. In addition, the Executive Committee and the Corporate Affairs team are mandated to ensure that regional teams are globally connected to enable successful innovations to be replicated across markets.

Key questions

- Where are the key opportunities for us to be more innovative and socially inclusive?
- Can social innovation help manage risks that will affect our business?
- How can we use existing assets and capabilities to solve societal challenges?
- Can we engage and collaborate with our key stakeholders – customers, suppliers, distributors, retailers, governments, NGOs – to create greater financial and social value?
- How can we embed the social innovation agenda into the strategic vision? Can we communicate this better to our employees?
- How can we mobilize the creativity and entrepreneurship of our business teams to identify and pursue opportunities? Can we use existing structures and processes (e.g. company-wide goals, talent development programmes, innovation budgets, competitions, corporate awards) to encourage our people to identify more social innovation ideas?
Design

Companies need a robust yet flexible design process to convert ideas into feasible concepts, prototypes or business models. Social innovation opportunities almost invariably demand collaborations with external stakeholders and business models that differ from business as usual. They will also often take longer to get to market and to reach profitability. Hence, opportunities may need design and incubation support that sits outside of established structures. However, a balance must be struck – going too far outside of existing processes can make it harder for managers to endorse and execute, hindering implementation.

The three examples below illustrate how companies have managed this balancing act as they have designed social innovation business cases. The experience of Philips highlights the need to be cognizant of barriers that existing structures may create. The Barclays example shares insights on providing the catalysing incubatory support while still ensuring relevance to front-line businesses. The Royal DSM experience shows how multiple teams from across an organization need to be involved in a change management process to make this happen.

Focus on the real problem being solved

Internal structures that work well in a “business-as-usual” scenario may not be sufficiently equipped to incubate socially innovative ideas. As a result, ideas can get stuck within a large company. Hence, practitioners have often found it useful to either refine existing structures or create new ones.

In 2013, Philips noticed that its Africa sales teams were generating numerous inclusive innovation ideas aimed at marginalized communities – including LED lights with solar panels and medical devices for low-resource settings – yet none of them were making it through to implementation. The ideas were getting stuck in the company’s internal structures and information flows of its conventional product development process. In the standard process, the sales divisions identify ideas and then request the manufacturing divisions or business units to develop new products. The business units then evaluate the ideas and decide if they are fit for production. In the socially innovative cases, the business units were checking with their existing retailers to see if they would stock such products, who, of course, responded that they would be of no interest to their existing high-end customers.

Philips realized that its socially innovative ideas were facing internal barriers to scale. Given it targeted a new and unfamiliar segment of customers, it reasoned, it would take new internal structures and business models to serve them. Thus the Philips Africa Innovation Hub was created in 2014 as an internal collaboration between Philips Africa and the global R&D and strategy teams. Unlike many incubators housed within R&D departments or business units, the Africa Innovation Hub is located in Nairobi and hierarchically sits inside the sales organization to be as close to customers and market insights as possible.

Using ring-fenced funding provided by the Philips Executive Committee, ideas are incubated through a highly structured, stage-gated process. The stages include a pre-seed phase focused on scouting, exploration and market research; a seed (validation) phase that generates clarity on product specifications and costs; an alpha phase where the business model is tested through pilots and limited sales; and a beta phase that generates significant sales. After each phase, the “social intrapreneurs” working on each idea pitch to an Innovation Board, comprised of senior executives from the regional market, research and business units. If successful, the idea moves to the next stage with replenished funding. Once the concepts reach the beta phase, they are expected to be transferred to the business units as profitable businesses.

such a structured process intentionally allows for significant trial and error: if a concept doesn’t work in the alpha phase, it can go back to the seed phase and create a new plan. This new structure, which relies on close collaboration between the sales teams and the Innovation Lab, now helps Philips to successfully reach new customer segments. In 2014, the company went to market with a “pay-as-you-go” model that rents out LED lights to low-income households for a daily fee (helping customers who struggle with a large upfront payment), and in 2015 Philips announced the first in a series of medical devices and solutions for low-resource settings, specifically for community care.
Offer patient funding and incubation support

In comparison with opportunities that are more familiar to business, socially innovative ideas often need more time to get to market and reach profitability. Companies can support their scoping and implementation by offering dedicated financial resources and targeting lower financial performance thresholds in the short term.

In 2012, Barclays launched the Social Innovation Facility to catalyse social innovation across the company’s business units. The company made a number of design choices to ensure that the Facility encourages experimentation balanced with prudence and business relevance. First, it ring-fenced £25 million for the first three years of the Facility’s operations, allowing it to create excitement within business units, build a pipeline of ideas, and make flexible, longer-term investment decisions. Second, it created a formal application process that recognizes ideas can be at different stages of conceptualization and product development. Ideas that are in the early “discovery” phase go through a shorter, more agile application process and receive lower amounts of funding than those that are closer to establishing their business case. Third, it established strong governance and elaborated clear criteria to ensure rigour in the evaluation process. A diverse Governing Council of senior Barclays leaders sets the strategy and oversees the investment decisions, with each investment idea evaluated against four criteria: commercial attractiveness, ability to generate social impact, alignment with company strategy and ability to scale into a successful business.

“We take prudent risks, but risks nonetheless so that we are really planting some seeds of innovative ideas. And if we fail, we fail fast.

Diane Eshleman
Managing Director and Global Head, Citizenship and Reputation,
Barclays

Integral to the design of the Social Innovation Facility is the principle of co-investment. The business unit that generated the idea and requested funding from the Facility is expected to co-invest and is ultimately responsible for its implementation. Such a requirement ensures that the ownership of each initiative being funded lies with the business units themselves. To ensure ownership beyond the initial funding, the Facility evaluates ideas based on performance metrics that are closely aligned with each business unit’s view of success rather than on set standardized hurdle rates. Its rationale for maintaining such flexibility is that it will maximize the chances that the idea will be supported and scaled after the funding from the Facility ceases.

Once an idea is selected, the Facility signs a formal contract with the business unit in question and releases its share of the funding in tranches linked to the achievement of key milestones agreed at the time of the initial investment. By the end of 2015, the Facility had funded over 35 proposals across its business units and operating regions. As with any innovation facility that is prepared to experiment with early-stage ideas, some of the propositions did not get off the ground or were stopped early, many evolved and pivoted as the development cycle progressed, and some are now successfully integrated into business units and launched into the market.

The long-term nature of social innovation propositions means that many of the investments are still in development, being incubated with partners or tested through a pilot phase. In Uganda, Barclays is leveraging the Social Innovation Facility to partner with civil society organizations Grameen Foundation and Care International to develop innovative technologies and mobile-based financial products that are relevant and accessible to disadvantaged communities.

Engage a cross-functional change management team

An effective change management process is often a key ingredient to make social innovation successful. Collaboration between internal champions with executive authority and functional expertise is important to drive ideas forward.

Since its founding in 1902, Royal DSM has continuously transformed itself – from coal mining to chemicals to a global science-based company active in health, nutrition and materials. Innovation and sustainability were identified as key business drivers in its latest transformation and, starting in 2005, DSM’s Board led a number of internal change initiatives to embed these two core values across all its businesses. The Board members themselves assumed key roles in the change management process as Chairs or Sponsors of internal and external initiatives.

All DSM businesses were assigned a Sustainability Champion to drive change from within business units, ensure compliance with corporate policies and report on progress. Internal communication and training efforts – including the creation of an intranet focused on sustainability and innovation that offered regular webinars and training programmes to staff members – accelerated the adoption of these values internally.

Two new teams were created at the middle management level to support business units: the DSM Innovation Center focused on creating radically new innovations and enhancing the innovation performance of existing businesses and products, and the Corporate Sustainable Development department that drives the sustainability agenda by promulgating policies, setting company-wide targets and monitoring progress.

Changes were made at an operational level as well, to track compliance and provide the innovation and sustainability teams with the metrics required to make informed decisions. An existing department focused on operational excellence was given an expanded mandate to measure the social and environmental impacts of all DSM products throughout their life cycles, while the audit department conducts regular sustainability audits not only within DSM but on key partners

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Changes were made at an operational level as well, to track compliance and provide the innovation and sustainability teams with the metrics required to make informed decisions. An existing department focused on operational excellence was given an expanded mandate to measure the social and environmental impacts of all DSM products throughout their life cycles, while the audit department conducts regular sustainability audits not only within DSM but on key partners
and suppliers in its value chain. Since 2010, all business units report progress on sustainability targets on a quarterly basis. These efforts have helped the company to create a portfolio of competitive products: 95% of the new products in DSM’s innovation pipeline meet or exceed the sustainability thresholds set by the company.

Key questions

– Have we spent enough time to understand the new stakeholders we are trying to serve? Can we serve them through existing capabilities and business models?

– Are existing structures blocking socially innovative ideas from progressing? What new structures could we create to support the design process?

– What can we do to incubate more socially innovative ideas (e.g. ring-fenced funding, longer incubation times)?

– How do we ensure incubations remain relevant to our business and have the ownership of business teams (e.g. co-funding from business, evaluation of incubations with metrics relevant to the main business, ensuring managers are involved in the evaluation)?

– Which teams and expertise in house need to be involved in the design and change management process?

– If we cannot implement a feasible business model with existing structures and capabilities, are there partners we can collaborate with?
Learn

Field testing and rapid prototyping are essential, as are an open mindset and willingness to rethink assumptions in the face of contradictory information; learning loops baked into the development process from the outset; and tailored yet flexible metrics to track performance and measure outcomes. Only if what is learned is measured can it be communicated and adjusted accordingly.

Embrace experimentation

Companies can test a portfolio of new ideas in small pilots. These can then be regularly reassessed, with some being halted and others scaled up as outcomes become clear.

In 2014, Marks and Spencer (M&S) launched its Global Community Programme (GCP) to make its supply chains more resilient to threats posed by climate change and an increasingly competitive supply landscape, especially in emerging markets. The GCP introduced a more robust and standardized approach to evaluate the company’s growing portfolio of programmes that create business and social benefits in its supply chains. M&S uses results from the GCP evaluations to scale interventions that make stronger contributions to supply chain resilience and to stop those that do not compare as well.

For example, M&S initiated multiple pilots in Kenya along with its suppliers to reduce absenteeism among its employees. The pilots were designed to address the causes of absenteeism, including inadequate sanitation, livelihoods and security in the informal settlements where the employees lived. Two pilots were managed in parallel, a health training using peer facilitators at work and a three-day leadership course in both work and community settlements. Qualitative and quantitative assessments performed before and after the pilots evaluated the costs and benefits as well as the capability of partners to manage the programmes at scale. The leadership course showed better results: reduced absenteeism, increased productivity and leadership abilities and improvements in sanitation and security through stronger involvement by communities. The supplier saw a better business case and was willing to invest in scaling it up. On the other hand, the health intervention showed weaker results and required ongoing support from third parties, thus making it too costly for the supplier to finance it on its own.

Such experimentation helps M&S to understand the root causes of its supply chain risks better and to make smart investments in the most sustainable and scalable solutions. Lessons captured from earlier pilots, including the ones that were less successful or were stopped, make the design of the subsequent pilots faster and more effective.

Marks & Spencer provides an example of the value of rapid experimentation to identify the winners and kill the losers. RB serves as a reminder of how important it is to challenge assumptions and use learnings to improve the offering. The Pearson case illustrates just how ambitious a company can be in adopting outcome-based measurement and metrics.

Create robust learning loops

It is important to avoid pilot fatigue. We’ve been working very hard to get visibility of all the global community programmes in the supply chain and focusing on the ones that drive the biggest social impact and greater supply chain resilience so we can scale them and stop the others.

Louise Nicholls
Head, Responsible Sourcing, Packaging & Plan A, Marks and Spencer

The team responsible for GCP includes senior business representatives from across the company to ensure that the chosen programmes align with the business strategy and deliver tangible benefits to business and communities. Collaboration with its suppliers from around the world adds additional rigour – the team engages them through its supplier website, supplier conferences and other meetings. These platforms offer an opportunity for M&S to “sense check” pilot ideas with suppliers, gather best practices and evaluate the applicability of ideas across its global supply chains.

In 2013, RB, formerly known as Reckitt Benckiser, launched the Save a Child a Minute programme to eliminate diarrhoea, a leading cause of malnutrition and child mortality in emerging markets. The programme was based around two innovative and low-priced hygiene products that support the prevention of diarrhoea: a multipurpose soap bar that can be used by families for cleaning and washing hands, and a toilet powder to make the use of pit latrines more hygienic.
We gained a number of insights that we can apply to other parts of our business. Working with emerging market consumers made us investigate ingredient combinations that are far more cost effective and far more beneficial to the environment.

Patty O’Hayer
Director, Global External Relations, RB

RB launched a number of pilots in communities in Pakistan, Nigeria and India, three of the top six countries with the highest incident rate of diarrhea-driven child mortality. A “learning mindset” and collaboration with a wide range of stakeholders were critical to ensure effective product design and meaningful social outcomes. The Government Affairs and Policy team at RB worked closely with business units and organized brainstorming workshops with NGOs, local communities, suppliers and other social innovators to develop new products. Hygienists – often women recruited from local communities – played critical roles both during and after the pilots, including signing up women from rural households, educating them on hygienic practices, selling the RB products and tracking incidents of diarrhea on a weekly basis. A third party evaluator carried out surveys before and after to independently measure impacts.

RB gathered a number of insights on product preferences, behaviour change and viable business models through this process. Some lessons learned challenged its existing assumptions, and the team therefore had to go back to the drawing board a number of times. For instance, an initial assumption was that affordability would be the most important consideration for low-income consumers – but fragrance turned out to be just as important to promote penetration and use because it connected to consumers’ emotions and aspirations in their purchasing decision.

A second lesson revolved around how to incentivize behaviour change – while soap was prevalent in most households, many families were not using it regularly enough. Building on this insight, RB revised the behaviour change programme to include incentives such as recognition and awards for healthy and clean households that promoted healthy competition and hence an increase in soap usage.

Define and measure performance

To effectively monitor performance and refine results, a company requires clearly defined business and social outcomes. Whenever possible, the Key Performance Indicators should be kept simple, while measuring both business and social performance.

In 2013, Pearson, the world’s largest education company, adopted “efficacy” as a key organizational focus towards achieving its long-term mission and business success. The company’s approach to efficacy brings greater emphasis on measuring the impact of its products and services on learner outcomes, and using those results to improve existing products and inform the development of new ones. Embedding efficacy into existing processes – including, most notably, the product development process – is critical. All existing and new products are required to fulfill specific efficacy and research criteria at each stage of the product life cycle. For example, product teams are required to define and prioritize intended learner outcomes; to measure whether the use of the product delivers those learning outcomes; and to integrate those lessons into their product roadmaps.

To fulfill this requirement, product teams are responsible for identifying geographies where they will conduct efficacy evaluations and research studies to measure their product’s efficacy, and mobilizing key research partners who will be involved in this evaluation. To help product team members master these new skills, they are supported by a number of designated efficacy and research leaders who aid in the execution and assurance of outputs.

Senior leadership has formally endorsed efficacy as being central to the company’s growth and impact plan, as it continues to be refined by a central unit, the Office of the Chief Education Adviser. To hold themselves accountable for results, they have made several significant changes. The CEO and the Executive Team’s performance evaluation now includes an Efficacy Performance Indicator, and efficacy reporting dashboards are provided to the Executive Team on a monthly basis to enable them to make evidence-informed decisions. Moreover, Pearson has committed to externally reporting on the efficacy of some of its portfolio by 2018, in a rigorous and audited fashion.

Early examples already show the value that efficacy has in supporting business success. For instance, the efficacy activities conducted with Pearson’s Wall Street English team generated multiple opportunities worldwide to improve the student learning experience, which led to meaningful improvements in centre design and content delivery. Such outcome-based, evidence-informed decision-making is embraced by the senior leadership as an obligation to the company’s customers and learners, while enabling company growth.

Key questions

- Which ideas are ready to be tested in the field through pilots?
- How should we define the success and failure of pilots? What metrics should we use to assess the social and commercial success of pilots?
- Are we conscious of our key assumptions going into pilots? How can we ensure feedback that stress-tests our assumptions?
- What structures and processes can help us to maximize learning from pilots? Who should we collaborate with to enhance learning and access to insights?
- How do we ensure a rigorous and evidence-based approach to decide which pilots to take forward and which to stop?
- How do we embed social performance metrics into our existing performance management systems?
In some ways, getting started is the easy part. Often where things get stuck is in scaling successful prototypes or pilots across business units or regional offices. Unless the value to the firm is transformational in the longer term, however, such efforts will always be viewed as little more than side projects or “good-hearted efforts”. And transformational value is ultimately about scale.

Most of the examples showcased in this report are relatively new undertakings. The proliferation of corporate social innovation in recent years is good news and is surely a trend that will only accelerate in the decade following the launch of the Sustainable Development Goals. However, it also means most companies are still feeling their way when it comes to achieving meaningful increases in their efforts and interventions.

The examples in this section offer useful guidance. Cisco’s experience demonstrates how to build for growth from the start, while continually reassessing design elements along the way. The Novartis case illustrates the value of explicitly mandating someone to extract lessons from one market and facilitate adoption by other markets. Finally, the ITC example proves that pursuing social innovation is far more valuable than a “one-off” effort and, if harnessed to its full potential, can be a continuous source of business value.

Leverage technology for growth

Companies should assess their business models on a regular basis and make adjustments as needed to set them up for growth. This includes making continuous upgrades to products, processes or internal structures as well as changing external partners if necessary.

To contribute to society and continue growing its business, Cisco’s leadership realized the world needed more people who understand networking technology and can participate in its future benefits. Launched in 1997, Cisco’s Networking Academy programme teaches students IT and career-building skills. In so doing, the company helps fill a pressing IT skills gap across industries while building the capacity for its future workforce; today, graduates of the programme are an important source of talent for Cisco’s businesses as well as for the company’s customers and partners.

Networking Academy was able to grow rapidly, sharing content with a worldwide network of academies, instructors and students.

Students and instructors worldwide are connected to the same standardized materials online, enabling a consistent experience of instruction, learning and skills building. Over 146 million online student assessments have been administered to date, providing the company with the aggregate data required to adapt and improve its curricula and instructor training to the evolving needs of students and employers.

Over the years, Cisco has continually invested in the Networking Academy learning platform, its global network of 20,000 instructors, and its Facebook community of 900,000 active users, to ensure students are prepared for industry-recognized certifications, entry level IT jobs and the digital economy. The market relevance of the skills gained is underscored by nearly a decade of student exit surveys from 2005 through 2014, during which time 1.3 million students, or 42% of the total, reported the Networking Academy training directly contributed to their getting a new job. “Graduates definitely stand out in our interview process,” said Jonathan Walker, Manager of Cisco Services. “They have all the basics in technical skills, but they also bring an enthusiasm for the technology that sets them apart from other candidates.”

Create a centre of excellence to support growth

Establishing a centre of excellence can help companies identify and share best practices and centralize tasks that support growth, such as establishing partnerships and measuring results.

In 2007, the Swiss-based multinational pharmaceutical company, Novartis, started its Healthy Family programme in India. After three years, the programme, which provides health education and affordable medicines to rural villagers, became profitable and has since been rolled out in 17 Indian states.
and three other countries: Kenya, Vietnam and Indonesia. Further markets are expected to follow.

The Healthy Family programme was initiated by the Executive Committee and corporate strategy team, but today it is managed by the Sandoz generics division, since most of the products sold through the programme come from Sandoz. The Group Corporate Responsibility (CR) team acts as a key adviser to the Sandoz team and reporting lines reinforce this structure. The head of the Healthy Family programme has a dotted-line reporting relationship into the global head of CR, in addition to the hard-line reporting relationship into Sandoz.

“A central team like our corporate responsibility team can support the business in achieving success. It also helps from an internal and an external communication perspective to spread the message that this is the right thing to do.”

Charlie Hough
Vice-President and Global Head, Strategy, Corporate Responsibility, Novartis

The CR team provides multiple types of support to Sandoz. The first is as a clearinghouse of best practices. The CR team visits operations in the countries at least 3-4 times a year, collects best practices to share lessons across divisions and at headquarters, and facilitates regular exchanges between the country programme directors. Second, the CR team has specific expertise in impact measurement and thus conducts the social impact assessment of every Healthy Family programme. Third, it assesses new markets for expansion by analysing their health systems and population densities, and then helps to tailor the programme to local market conditions, especially government relations. Finally, it acts as a sounding board to test new ideas and facilitate partnerships between the Sandoz team and external stakeholders, such as health NGOs and investors in health infrastructure in the programme’s operating geographies.

Novartis built on the success of the Healthy Family programme to launch the “Novartis Access” initiative in 2015. This initiative’s portfolio of 15 patented and off-patent medicines focused on cardiovascular disease, respiratory disease, breast cancer and diabetes will be made available in 30 low- and low-middle-income countries over the coming years at an average factory price of $1 per month per treatment.

“Social innovation need not be a one-off project or initiative within a company. Supported by an entrepreneurial mindset, it can be a constantly evolving process that generates new sources of social value while supporting a company’s business growth and market competitiveness.”

Since 1999, the diversified conglomerate ITC in India has continuously found ways to create business value through social innovation. Initially ITC was looking to expand its agricultural exports business, which was uncompetitive due to downstream costs in the supply chain. After a thorough evaluation of how to most effectively intervene in the supply chain, ITC discovered that the mandi (physical auction platforms) where farmers brought their produce and sold to intermediaries were in need of disruption. In 2000, ITC implemented e-Choupal, a technology-enabled portal that discloses ITC’s purchase price right alongside mandi prices. Farmers can check these prices at any of e-Choupal’s 6,500 rural internet kiosks, and those who choose to sell to ITC get their produce quality checked by the kiosk manager and deliver the produce directly to ITC’s nearest warehouse.

Higher price transparency and lower handling and commission fees increase the farmers’ margins by over 25% on average and, in the 15 years since its implementation, ITC has directly reached 4 million farmers across 40,000 villages and has grown its export sales by more than 600% to $600 million annually.

As exports grew, ITC started exploring new businesses that build on e-Choupal’s strengths. In 2002, the company launched its packaged foods business, which grew to $1 billion in revenues by 2015. Despite being a late entrant in the market, its flagship brand of wheat flour, Aashirvaad, became a market leader within 18 months of its launch. e-Choupal was key to Aashirvaad’s success, as it allows ITC to aggregate produce by crop variety and quality to create customized flour mixtures – a valuable feature in the Indian market where consumer preferences for taste vary significantly across regions. Farmer incomes increased significantly as a result – both because those who grew superior-quality wheat for the first time were receiving a price premium, and because e-Choupal sent direct market signals to farmers about which varieties to start planting to get a better harvest price. In addition, the e-Choupal ecosystem trained farmers and installed large watershed projects, raising farm productivity and incomes.

“Social innovation can create enduring value to all the stakeholders by continuously reconceiving the past and reimagining the future, as ITC e-Choupal has demonstrated. We call this a “forever start-up mind set.”

Sivakumar Surampudi
Group Head, Agri and Information Technology Businesses, ITC Limited
In hindsight, ITC views the business opportunities that emerged out of these initial efforts to re-engineer its value chain as “e-Choupal Version 1.0”. Subsequently, the company launched versions 2.0 and 3.0, each time adding new revenue streams. Version 2.0 reconceptualized e-Choupal as a platform that channels sales of agricultural inputs and other services to farmers, while Version 3.0 offers the e-Choupal ecosystem to external partners for a fee. ITC is now developing Version 4.0, focused on adapting e-Choupal to emerging concepts such as the “sharing economy”.

The continuous evolution of the e-Choupal platform is supported by a project management methodology internally branded as “Roll Out, Fix It, Scale Up”. Once the company has 60-70% clarity on a new business model, it is rolled out live, refined with input from multiple stakeholders and scaled up.

### Key questions

- Is the business model ready to be replicated to new contexts? What elements should we **review and adapt regularly** to keep it relevant over time?
- Does technology **play a role** in our scaling process?
- Which team at the headquarters is best placed to coordinate the roll-out and to function as the **centre of excellence** to share lessons and best practices? What **roles and tasks** should be assigned to the centre of excellence?
- Can we **find new sources of value** in an already successful social innovation initiative?
Nearly every corporate executive interviewed for this report emphasized the importance of partnerships. Successful partnerships are two-way streets: while a company has a lot to offer a partner in terms of its geographic reach, human capital, technology and distribution infrastructure, it has much to gain as well. Ensuring inclusive practices, measuring social impact, designing for low-income customer segments: these aspects can fall outside the comfort zone of many corporates, yet such expertise does exist in social enterprises, civil society organizations and other actors who have established trusted relationships with underserved populations and have built business models that effectively serve these markets.

Partnership, then, is about establishing strong and clearly defined relationships with other entities that bring in complementary assets, resources, skills and expertise. Partnering with the right people decreases the likelihood of “reinventing the wheel” and repeating mistakes others have previously made. Partners should provide market intelligence and specialized expertise that don’t exist inside the company to maximize the chances of designing an appropriate and scalable solution. The examples below illustrate how select companies have leveraged partnerships across the four steps of their social innovation journey.

“We serve over 50 million emerging consumers today, made possible by partnerships with microfinance institutions, post offices, retail stores, and telecom and consumer goods companies.”

Martin Hintz
Emerging Consumers Business, Allianz
<table>
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<th>Purpose</th>
<th>Examples</th>
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<tr>
<td><strong>Step 1: IDENTIFY</strong></td>
<td><strong>Collaborate with those who understand local social needs:</strong> Telenor and UNICEF collaborate globally to jointly identify opportunities where innovative mobile solutions can help children in all markets where Telenor operates. For example, UNICEF’s awareness of low birth registrations in Pakistan allowed Telenor to develop a simple SMS-based solution to report birth counts.</td>
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<td><strong>Co-identify opportunities:</strong> Veolia set up incubators in France and Mexico to identify and scale start-ups working on socially innovative ideas in the water and waste management sectors. The ideas supported are locally relevant and generate benefits for both Veolia and its long-term clients, such as local municipalities. For instance, a start-up supported by Veolia in Mexico is working on a technological solution to recover wasted water, an important contribution in a locality that is affected by water scarcity. Veolia draws on its expertise and operational capabilities to offer coaching to the start-ups and co-designs business processes through an “open innovation” approach.</td>
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<td><strong>Step 2: DESIGN</strong></td>
<td><strong>Co-design locally relevant products and services:</strong> Merck developed a novel, reliable, easy to use method to help with the clinical management of HIV patients in partnership with the University of Yaoundé in Cameroon. As the company had not previously designed a product specifically for Africa, it decided to partner with the University of Yaoundé as a local expert to jointly develop a product suitable for the African market. The company took prototype devices to Cameroon over a two-year period, and tested the devices together with its partner until the system could withstand extreme heat and humidity, was compatible with variable power systems, and was impeccably easy to use – four product specifications that Merck’s product developers had not had to worry about before.</td>
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<td><strong>Bring together complementary capabilities and resources:</strong> Osram’s off-grid lighting project in Kenya was designed to rely on the respective strengths of the six partners involved. Osram developed the concept and provided the products and technology; the Global Nature Fund contributed project management and training; Siemens Stiftung and the European Union provided financial support; and Light for Life and Thames Electrical provided the implementation on-site.</td>
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<td><strong>Identify synergies across value chains:</strong> Coles’ supermarket chain joined forces with the social enterprise SecondBite to rescue fresh food that would otherwise have gone to waste and create healthy nutritious meals for disadvantaged Australians. When SecondBite picks up this food from its 570 supermarkets, Coles saves on transport costs and landfill disposal fees, while SecondBite benefits from a steady supply of food that it delivers to an extensive network of community organizations to convert into meals.</td>
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<td><strong>Step 3: LEARN</strong></td>
<td><strong>Leverage experts to measure outcomes:</strong> Novartis set up an affordable health programme, Novartis Access, with the objective of providing 15 patented and generic medicines that treat four non-communicable diseases, including diabetes and cancer, in low- and middle-income countries. To track improvements in health outcomes over time, Novartis partnered with Boston University to establish and collect the impact metrics and insights gathered in the pilot phase to guide future expansion. Pilot countries include Kenya, Ethiopia and Vietnam, with plans to roll out Novartis Access to 30 countries in the coming years.</td>
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<td><strong>Use technology to get feedback:</strong> Anglo American forged a number of partnerships to measure its “social license to operate” among mining communities in Australia and South Africa. Using a measurement model developed by the Commonwealth Scientific Industrial Research Organisation (CSIRO) and an SMS-based technology platform offered by Vodafone, the company surveys local stakeholders to understand levels of trust, identify underlying causes and measure the impacts of its existing socio-economic development programmes. Real-time inputs generated through the surveys inform the company’s future decisions and programmes.</td>
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<td><strong>Step 4: SCALE</strong></td>
<td><strong>Adapt partnerships as you scale:</strong> From 1997 to 2015, Cisco grew from 37 networking academies in the United States to 9,500 academies in over 170 countries. In addition to leveraging the power of the internet, Cisco relied heavily on partnerships to grow rapidly. The company works with governments, educational institutions and community-based organizations around the world that are responsible for finding classroom space and teachers, attracting students and purchasing laboratory supplies for the classroom. As it grew, the number of its partners across the world grew. Providing opportunities for academy partners and instructors to connect, collaborate and learn from each other has been critical to the programme’s growth and sustainability, while partnerships with non-traditional institutions such as prisons have also provided new opportunities for IT skills development for underserved populations.</td>
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<td><strong>Partner with peers on shared interests:</strong> Many companies share the same interests or are exposed to similar business risks. Nestlé and M&amp;S, for example, both identified addressing the looming cocoa shortage as a strategic priority. By becoming members of the industry coalition “World Cocoa Foundation,” both companies can collaborate with others to foster a sustainable cocoa economy by improving production practices across the industry.</td>
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Conclusion

Corporate executives interviewed for this report span a diverse set of experiences: while some of them enjoy the strong support of the chief executive officer and board and thus “have the wind at their back”, many others face an uphill battle to secure resources and visibility. While the long-term opportunities are enormous, social innovation opportunities are not yet comparable to traditional business opportunities in the short term, and most of the case studies profiled in this report are still relatively nascent.

Yet without exception, interview subjects reported a range of strong business benefits as a return on investment – everything from increased employee retention and productivity to more trusted relationships with governments in key markets, to brand exposure in future customer segments. In light of the preferences of the millennial generation and the growing expectations among other stakeholders for the private sector to become more deeply involved in solving pressing social challenges, the business case for embracing social innovation will only get stronger.

This report has focused on opportunities for companies to engage in social innovation. While individual firms will be the key lever in implementing initiatives, other stakeholders could help social innovation to achieve real scale. Governments can create the right incentives, including through fiscal and public policy or by offering catalytic funding to help new entrants take initial steps. Networks can bring together companies and other social innovators, invest in their knowledge and capacities and promote a common language and collective action. Investors can play an important role by taking a longer-term view and asking questions of their boards.

This report also offers a menu of social innovation opportunities for companies to consider based on their specific industry dynamics, risks and corporate assets. It is hoped that the range of examples offer stimulating food for thought and the detailed case studies in the “how” section provide practical guidance and suggestions on where to get started and how to achieve success at scale.
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The Schwab Foundation for Social Entrepreneurship provides unparalleled platforms at the regional and global level to highlight and advance leading models of sustainable social innovation. It identifies a select community of social entrepreneurs and engages it in shaping global, regional and industry agendas that improve the state of the world in close collaboration with the other stakeholders of the World Economic Forum.

The World Economic Forum, committed to improving the state of the world, is the International Organization for Public-Private Cooperation. The Forum engages the foremost political, business and other leaders of society to shape global, regional and industry agendas.