corporate SOCIAL INNOVATION

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Introduction

• Islands in the sun...

• Corporate Social Innovation (CSI)
  – Theories and trends

• CSI in the Caribbean
  – Policies and practices

• Conclusions
  – Challenges and directions

• Questions?
Islands in the Sun...

- I³ Study: Islands, Innovation, and Institutions (Peterson, 1995; 2001, 2006; 2010)

- Islands and Island development
  - Viability and vulnerability
  - Volatility and vitality

- Institutions and Innovation
  - Governance and Sustainable Development
  - Institutional Framework for Sustainable Development? (UN RIO+20, 2012)
  - Core institutional capabilities for societal innovation in Caribbean island states?
The Arguments

- **Economics**: formal and informal institutions are crucial to understanding economic performance (North, 1990).

- **Political science**: the density and scope of citizenship are the foundations for the widespread dissemination of information and social trust, thereby creating the conditions underpinning effective governance and economic development (Putnam, 1993).

- **Sociology**: the state of societal development is dependent on both the capacity of its public institutions and the nature of state-society relations (Evans, 1995).

- **Business**: there is competitive advantage to corporate philanthropy, and (corporate) strategy and society need to be in alignment for sustainable growth (Porter & Kramer, 2002)
The Evidence

- The importance of institutions for sustainable development of island states (Brautigam & Woolcock, 2001; Briguglio et al., 2008; Sutton, 2008; UNESCO, 2011; World Bank, 2000).

- All other factors being equal, institutional capabilities are the prime factor for societal innovation and island resilience (Peterson, 2010)
  - The *formal and informal (voluntary) rules and relationships* that influence, contextualize and mediate governance and sustainable development in Caribbean island states

- Growing compelling evidence of the *positive relationship between corporate social performance and corporate financial performance* (Cochran, 2007; Carroll & Shabana, 2010; Porter, 2011; Waddock & Graves, 1997; Wu, 2006).
“Over 70% of CEOs agree that CSR creates value…”
(McKinsey, 2009)

“Make sure everything is done ethically… Within reason, of course”
# International Rankings

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<td>The Coca-Cola Company</td>
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<td>LVMH Group</td>
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<td>Roche</td>
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Global Sustainability Scorecard

Food

- Average number of menu items per market containing at least 1/2 serving of fruits or vegetables: Up from 9.9 in 2000.
- By March 2012, fruit will be included in every Happy Meal served in US and Latin American restaurants.

People

- 28.1% of Worldwide Top Management (VP & Up) are Women. Up from 28.4% in 2006.
- 50% of Company-Owned Restaurant Managers are Women. Up from 48.2% in 2008.
- We’ve been training and developing our employees for 50 years at our 7 Hamburger Universities.
- The average restaurant manager completes the equivalent of more than one semester of college in the U.S. from Hamburger University.
- Credits from HU can be transferred to many public and private schools toward a two or four year degree.
- 96% of company-owned restaurants have certified managers.
- 99% of fish globally, are sourced from Marine Stewardship Council Certified Fisheries.
- And 99% of wild caught fish comes from fisheries with favorable sustainability ratings.

Giving

- $170 million raised since 2002
- McDonald's supports Ronald McDonald House Charities in multiple ways.
- Countries all around the world have helped raise money during McHappy Day and Give a Hand events.
Beyond Definition

• There are over 370 definitions of “Corporate Social …..”
  – Corporate Social Responsibility (CSR)
  – Corporate Social Responsiveness (CSR)
  – Corporate Social Performance (CSP)
  – Corporate Social Investment (CSI)
  – Corporate Citizenship (CC)
  – ....

• Core elements
  1. Stakeholder *relationships* (Shareholders, Employees, Community, Government, NGO)
  2. Environmental *responsibility*
  3. Community *revitalization*
Concept in Evolution

- **CSI 1.0** – Social Consciousness and Advocacy
  - Civic rights, Community responsiveness
  - Philanthropy, Charity

- **CSI 2.0** – Ethics and Governance
  - Financial, Environmental, and Consumer scandals
  - Transparency and Disclosure (Compliance)

- **CSI 3.0** – Social innovation and sustainability
  - New Business Models, “Shared Value”
  - Social Entrepreneurship
  - Eco-preneurship, Green communities
The State of CSI in the Caribbean

- CSI policies and practices in
  - Aruba - Jamaica
  - Barbados - St Lucia
  - Cayman Islands - Trinidad & Tobago
General CSI Trends

- Not a priority (to participate)
- Lack of awareness and understanding
- Image focused (reputation)
- Community sponsorship/donations
- Ad-hoc, unstructured, reactive
- Lack of strategic relationship management with key stakeholders
- Except for disaster management, environmental responsibility not seen as a key priority
General CSI Traits

- Structured funding
- CEO leadership
- National Goals Alignment
- Explicit CSI

Bar chart showing the percentage distribution of CSI traits.
Stakeholder Relations

- **NGOs**: Close involvement - Some involvement - No involvement
- **Government**: Close involvement - Some involvement - No involvement
- **Community**: Close involvement - Some involvement - No involvement
- **Employees**: Close involvement - Some involvement - No involvement
- **Customers**: Close involvement - Some involvement - No involvement
- **Shareholders**: Close involvement - Some involvement - No involvement
Employee Relations

- Health insurance
- Pension plan
- Contributions plan
- Collective bargaining agreements
- Consideration of diversity
- Maternity benefits
- Conflict resolution

%100
0
25
50
75
100

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Environmental Responsibility

- Disaster management (Climate)
- Energy efficiency (Costs)
- Reduce negative impacts (Pollution)
- Conservation (Biodiversity)
- Env. Mgt. Systems
Conclusions

Do Caribbean companies INNOVATE to develop new products, services, and business models, while simultaneously being conscious AND PRO-ACTIVE in solving local/regional challenges related to SOCIETY...?
Conclusions
Conclusions

- CSI is integral to business success
- CSI is essential for a country’s sustainable development
- CSI (2.0 and 3.0) is lagging in the Caribbean
- CSI needs *nurturing* in island economies that are dominated by SMEs
- ...“to stretch inward, and reach outward”...
  (Nettleford, 1995)
Conclusions

• Integrate with strategy
  – Define unique value propositions
  – Leverage core competencies

• Innovate business model
  – Supplies, processes, products, services
  – Value chain and network

• Involve stakeholders
  – Business (employees, customers)
  – Non-business → Government and NGOs!
CSI Mapping & Management

Customer
“To achieve our vision, how should we appear to our customers?”

Vision and Strategy
“To satisfy our shareholders and customers, what business processes must we excel at?”

Learning and Growth
“To achieve our vision, how will we sustain our ability to change and improve?”

Financial
“To succeed financially, how should we appear to our shareholders?”

Internal Business Processes
“To satisfy our shareholders and customers, what business processes must we excel at?”

Support Activities

Firm infrastructure
(e.g., financing, planning, investor relations)

Human Resource Management
(e.g., recruiting, training, compensation systems)

Technology Development
(e.g., product design, testing, process design, material research, market research)

Marketing & Sales
(e.g., sales, pricing, advertising, customer relationship management)

After Sales Service
(e.g., installation, customer support, complaint resolution, repair)

“Best Product”

Product Leadership

Operational Excellence
“Best Total Cost”

Operational Competence

- Relationships with universities
- Ethical research practices (e.g., animal testing, GMOs)
- Product safety
- Conservation of raw materials
- Recycling

- Financial reporting practices
- Government practices
- Transparency
- Use of lobbying

- Education & job training
- Safe working conditions
- Diversity & discrimination
- Health care & other benefits
- Compensation policies
- Layoff policies

- Procurement & supply chain practices (e.g., bribery, child labor, conflict diamonds, pricing to farmers)
- Uses of particular inputs (e.g., animal fur)
- Utilization of natural resources
Macro Perspective on CSI

Human capital
- Health and primary education
- Higher education and training
- Social cohesion

Market conditions
- Labor market efficiency
- Financial market development
- Market size
- Goods market efficiency

Technology and innovation
- Technological readiness
- Business sophistication
- Innovation

Policy environment and enabling conditions
- Institutions
- Infrastructure
- Macroeconomic environment
- Environmental policy

Physical environment
- Resource efficiency
- Management of renewable resources
- Environmental degradation

Sustainable Competitiveness
- Natural Capital: Availability & Depletion
  - Water
  - Biosphere
  - Agricultural resources
  - Mineral/fossil resources
  - Depletion of land & resources

- Resource Intensity & Efficiency
  - Energy efficiency
  - Material intensity
  - Water efficiency
  - GHG intensity
  - Waste intensity

- Sustainable Innovation
  - School performance
  - R&D capability
  - Investments
  - Business environment
  - Corruption

- Social Cohesion
  - Health & health care
  - Equality
  - Public services
  - Crime
  - Freedom
"This really is an innovative approach, but I'm afraid we can't consider it. It's never been done before."
thank YOU

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