



## When social innovation makes good business sense

**With the international community galvanised to look for ways to solve the current financial crisis, it appears that other problems have been relegated to the backburner. That could have dire consequences in the long term, especially if the problem is that of climate change, says Rob Routs, Executive Director Downstream, Royal Dutch Shell.**



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“Here we are talking in a middle of a crisis about things that have happened to us over the last seven to eight years. And we’re all bystanders, looking at it while it happened ... The way we want to address issues like this is by crisis, because if we don’t have a crisis we don’t get the attention of the world focused on this kind of stuff to make a change,” says Routs, who was a speaker at the INSEAD Leadership Summit Asia 2008.

He cautions that global warming is unlike a financial crisis, in that it is neither cyclical nor reversible. “Energy demand between now and 2050 is going to grow by a factor of two; there simply is not enough supply to make up for that demand ... As water levels are going to rise, these are not things which you can reverse in two or three years like we would believe you can do in a financial crisis. These are things that are going to take 30 to 50 years to reverse and (by then) you are in a very different position.”

### The green movement

The good news is that more companies are beginning to recognise the perils of this global environmental phenomenon and have begun initiatives to “go green” or be socially innovative to achieve long-term sustainability.



Take PC manufacturer Lenovo, for instance, which sees corporate social responsibility (CSR) as a core part of its value proposition. “We start off with a simple statement: ‘Is the world a better place with Lenovo in it?’” the company’s Chief Information Officer **David Schmoock** says. “This drives a lot of initiatives behind it.”

Lenovo designs its products with the aim of meeting future environmental standards and implements ‘green’ initiatives such as reducing the carbon footprint.

Then there is the matter of the supply chain. “We deal with a lot of vendors and to get through our vendor qualification process, you have to meet certain qualification standards ... Our competition

also embraces this – the HPs, the Dells – it forces the entire supply chain to (raise) the game to the next level ... That has a corresponding effect with the numerous players that we all interact with in our supply chain,” explains Schmoock, also a speaker in the Summit’s social innovation panel.

### Incentivising CSR

**Vinod Sekhar**, President and Chief Executive Officer of The Petra Group of Malaysia, feels the change towards sustainability has to happen sooner rather than later. And he thinks this can be expedited with economic incentives.



“There needs to be a total paradigm shift and it cannot be just an issue of what we’ve always taken as idealistic. I think we seriously need to look at how do we change the mindset of people, employees and companies and then create some sort of programme that recognises the good they do in practical, commercial terms, that then encourages others to move forward within it.”

The Petra Group is 60 per cent owned by the Sekhar Foundation, the company’s charitable arm, which supports a multitude of environmental, educational and children’s causes in Malaysia and the rest of the world. Simply put, Sekhar says his foundation tries to look at making the world a better place and in the process educate as many children as possible.

Preferring to call it ‘social economic innovation,’ Sekhar says he makes no apologies for making a profit. “At Petra, we’re looking at ways where we can make money and where we can make a difference. You can’t do anything that’s going to make a global impact unless it’s economic or it’s commercial. The question is we should be smart enough to be able to do that, and do some good along the way.”

For instance, in terms of biofuel development, Petra partners with the government to procure land for poor families to harvest their crops. They then buy the harvested seeds from these families, put the money back into the central plantation and convert it to bio diesel. In doing so, Petra creates employment and a wealth creation programme for these workers. Being the majority shareholder, Petra makes a profit

at the same time.

### Going the distance

It will be important for companies to make sure that their initiatives are sustainable and stand the test of time, even in the face of great economic upheaval, as the alternatives will be less desirable.

“If you head down a path, it’s very hard for you to back down off the path. You’ve made a statement,” says Lenovo’s Schmoock. “If you start backing away, you take a ‘trust’ hit. People are not going to believe you in the market place, your shareholders, your stakeholder, because you didn’t do what you said you were going to go do. And that’s a big thing because you have to have commitment between the partners.”

“If you take a trust hit, what you have to invest further later on in the cycle to recover outweighs the limited savings you get in the short term.”

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