
Putting social innovation on the business agenda



John Elkington’s work advising businesses on sustainable strategies has earned him numerous accolades including the Dean of Corporate Social Responsibility by BusinessWeek in 2004.

INSEAD Knowledge: *Why is social innovation critical to global sustainability?*

Elkington: In 1994, I came up with the concept of the triple bottom line to say to business people: sustainable development is about [what they then called] eco efficiency and how you make money or save money through resource efficiency, better energy management or water management, for instance. That’s an important part of all of this but there’s a much broader agenda. Part of that wider agenda is the social piece and many people in business have been really quite resistant to that, particularly in the U.S. business community.

But I think we are seeing a sea change in all of this and people are increasingly realising that a world of eventually nine to ten billion people by the second half of this century is going to be impossible. It doesn’t matter how much technological innovation we do or how much we change politics

and global governance systems. At some stage we've actually got to get to the point where we don't just change the way people think but the way that they behave, the cultures of which they are a part and it's into that area that social innovation potentially plays.

INSEAD Knowledge: *Social innovation was essentially discretionary spending for budgets as part of their sustainability agendas. Through the downturn, we've seen budgets cut but are we now seeing a pickup in such spending?*

Elkington: I'd be horrified if what we are seeing was discretionary spending budgets coming back to scale because, in a sense, that would be a mistake. Fundamentally this is about business models and about how value is created. The basic proposition with the triple bottom line was that you need to integrate all of this into your value proposition and if you do that effectively, you will be creating multiple streams of value, not simply being involved in trade-offs.

Many companies have engaged in this sort of social innovation and in the sustainability agenda up to now, through public affairs, citizenship, corporate social responsibility (CSR) types of departments and budgets. For example, over the last five years General Electric Company has developed its "ecomagination Challenge" and they've now made US\$70 billion in the first five years. Even for GE, that's relatively serious money and it's part of the company's business core. The real challenge, increasingly, is how do you embed it into the guts of what companies do.

INSEAD Knowledge: *Do you see Wal-Mart as being a leader in this field? Or Marks and Spencer?*

Elkington: Marks and Spencer has always been a retailer with a very strong emphasis on quality and for a growing number of people its sustainability agenda is actually beginning to be seen as a quality agenda for businesses. It's remarkable for a number of reasons and one of them is their attempt to very actively engage the Marks and Spencer consumer. You look behind the label and can look back down the supply chain. I don't think Wal-Mart is going down that same route as yet. They have taken elements of the sustainability agenda but they see their customer base as being much more interested in price and much less interested in some of these broader quality issues. That said, you do see that even in the retail sector you've got some of these giant companies that are coming at it in rather different ways, but

at least now they are coming at it.

INSEAD Knowledge: *Social entrepreneurship still seems to be on the periphery. Do you see it becoming more mainstream?*

Elkington: I think we are in one of those periods where for several reasons you are going to see creative destruction on a scale that is almost unparalleled. The question then is where in the world do you look for clues as to what the new business models, the new mindsets, the new technologies might look like and how they might operate. The answer is very rarely that you would look at the incumbent companies because they are still operating and trying to do it more efficiently with the old models and the old mindsets. Where you tend to look is on the edges of the systems and that's where you'd expect the new solutions to come from.

But over a period of time I would expect to see some of the more thoughtful capitalist institutions and companies starting to adopt some of the mindsets, some of the models that have been pioneered by these innovators and entrepreneurs.

INSEAD Knowledge: *Do you think they are making a difference?*

Elkington: I think they are making a huge difference. There's a guy in India, for instance, called Himanshu Parikh who's provided clean water and sanitation to a million individuals in India and time and again you find these really extraordinary numbers.

However, if they are going to create really effective, really viable, really sustainable infrastructures for the 21st century, they can't do it on their own. They do need help from mainstream companies and investors and increasingly from governments. But governments in many of the most challenged nations also tend to be among the most corrupt and so one of the challenges we all have is how do you address the corruption issue at the same time. Many people put that very much to one side. I think it's fundamental.

INSEAD Knowledge: *Your survey with about 200 social entrepreneurs worldwide revealed the need for a change in mindsets as well as the support from governments and a desire to build partnerships and alliances. Were you surprised by any of those findings and what can be done about changing mindsets?*

Elkington: One of the surprises from the survey was that if we'd asked 200 non-governmental organizations (NGOs) about partnering with businesses, they would still be quite perturbed by the proposition. The entrepreneurs weren't. They really wanted to work with companies and with financial institutions. The problem they often reported was that they didn't know how to do it or they didn't have the experience and that they were very often operating like NGOs and knew they had to professionalise and operate in a slightly more business way

The mindset shift I see starting to happen is that a small number of CEOs and other business and financial institution leaders are starting to realise that these entrepreneurs are very much like the NGOs used to be. The NGOs were the lead indicator of where the challenges and where the issues were going to go. The really big surprise for me was the change in attitude of the business community from when we first put the report out a couple of years ago. It's remarkable how quickly the change has happened and it's partly because they see other companies starting to engage in this space and there's more pressure to do likewise.

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