



Innovation for impact: Business innovation for inclusive growth[☆]



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ABSTRACT

The research uses a literature review and case studies to build a framework that describes factors leading to successful innovation for impact (I4I): innovation that enhances corporate performance and creates significant, lasting social impact. Five organizational elements influence I4I: strategic alignment, responsible purpose, institutional drivers, stakeholder engagement, and business model management. Six institutional drivers influence I4I: values, leadership, culture, strategy, structure, and policies. Firms can achieve lasting social impact by targeting systemic factors using the ecology for inclusive growth. Stakeholder engagement increases opportunities for co-creation and enables business-model innovation through knowledge gathering and creation. Strengthening and aligning organizational elements increases the likelihood of I4I, improving corporate performance and enhancing business landscape. Institutionalizing I4I creates an engine for business-model innovation, a powerful source of competitive advantage.

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1. Introduction

Innovation drives competitiveness (Ferauge, 2012; Herrera, 2007; Mintzberg, 1994) and is a mechanism for creating new market spaces (Herrera, 2015). This research focuses on innovation for impact (I4I), a form of corporate social innovation (CSI) that aims at creating significant social impact.

I4I involves breakthrough changes in how businesses operate, providing a lens for understanding and addressing underserved markets, and leveraging approaches focusing on the market to address social concerns (Birchall, Carnegie, Draimin, Elkington, & Love, 2014).

I4I is relevant to companies because stakeholders expect companies to address market changes responsibly and sustainably (Porter & Kramer, 2011; Smith, Drumwright, & Gentile, 2010), and innovation aiming to achieve social value improves competitive advantage (Herrera, 2015).

A systematic approach to innovation clarifies intent, and guides innovation strategy and practice. Active stakeholder engagement increases knowledge sharing, and leads to co-creation opportunities, increasing the likelihood of companies responding to market opportunities early and successfully (Herrera, 2015).

Literature on collaborative forms of innovation and the creation of significant social impact is particularly sparse and should include descriptions of how companies engage in collaborative innovation aiming at achieving business value and social impact. This research contributes to filling the literature gap by describing organizational elements that drive successful I4I.

This study has two research questions: What institutional mechanisms drive I4I? How are socially responsible companies using stakeholder engagement to drive I4I?

This research reviews innovation, CSI, responsible innovation, corporate social responsibility (CSR), stakeholder engagement, co-creation, and inclusive growth literature and theories to provide a foundation for theory building. Three case studies evaluate and extend the preliminary framework for institutionalizing I4I: Phinma Corporation, China Mobile, and Filip + Inna.

Information gathering includes a review of literature and documents and site visits, with over 30 interview respondents per firm. Respondents comprise managers, employees, partners, and other stakeholders. Owing to space constraints, this article describes only a selection of I4I initiatives.

2. Theoretical framework

2.1. Innovation for impact (I4I): definition and stages

This research defines I4I as a specific form of CSI that creates significant and lasting impact by addressing systemic factors underpinning social challenges. By contrast, responsible innovation focuses

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on creating shareholder value while addressing social concerns. Successful I4I results in enhanced social and shareholder value.

CSI, hence I4I, has five stages: assessment, design or ideation, development, systematizing, and institutionalization (Herrera, 2015).

2.2. The ecology for inclusive growth (IG)

This research uses the ecology of IG to illustrate a systemic approach with a clarifying intent. This research adopts a definition for IG patterned after the World Bank’s definition of social inclusion (The World Bank, 2007).

IG aims for economic growth and equitable outcomes through providing access to resources and promoting equality of opportunity. IG treats individuals as active partners rather than as passive beneficiaries.

A systemic approach to IG assumes current levels of equity to be the natural equilibrium resulting from the current ecosystem for economic participation. The framework includes four building blocks for IG: legal and regulatory environment that provides a legal basis for rights, responsibilities, and entitlements; guaranteed basic services; institutionalized safety nets; and access to capacity building (Fig. 1).

Within this ecosystem, shared core values and beliefs, and the actions of individuals and multiple institutional actors affect the resulting equilibrium.

I4I aimed at enhancing the ecosystem for IG has the potential for lasting social impact, and for enhancing corporate business landscape by improving general levels of economic equilibrium.

2.3. Institutionalizing I4I: organizational elements

Five organizational elements affect successful institutionalization of I4I: strategic alignment, responsible purpose, institutional drivers, stakeholder engagement, and business model management (Fig. 2).

2.3.1. Strategic alignment

Stakeholder and macro-environment understanding are important for innovation (Ferauge, 2013). Alignment of strategy with the business context, both market and non-market, helps institutionalize CSI (Herrera, 2015).

Analyzing contextual differences is possible by understanding the layers of influence using the Hexagon framework (Herrera, 2011): fundamental influences, institutional dynamics, and business landscape. Analysis of the business landscape enables strategic alignment and clarity of intent, both of which are critical for institutionalizing CSI (Herrera, 2015).

2.3.2. Responsible purpose

Clarity in purpose and goals, supportive structures, and stakeholder engagement support responsible innovation (Pfitzer, Bockstette, & Stamp, 2013). Clearly articulated purpose concerning social impact enhances CSI (Herrera, 2015). Aiming I4I towards systemic factors, such as the building blocks for IG, helps create lasting impact.

2.3.3. Institutional drivers

Institutional drivers are implicit and explicit, reflecting the importance of key internal capabilities, both formal, (explicit) and less formal (implicit) elements of institutionalization (Googins, Mirvis, & Rochlin, 2007; Herrera, 2011).

Six drivers form a governance frame (Hexastar) for embedding and institutionalizing I4I into the business. Explicit drivers—strategy, structure, and policies comprising standard operating procedures—directly influence processes. Implicit drivers—values, corporate culture, and leadership—primarily affect employee and stakeholder propensities (comprising innovation, risk-taking, collaboration, openness to change, and social consciousness) (Fig. 2).

2.3.3.1. Strategy. Innovation, CSR, CSI, and I4I’s importance for companies are apparent in how these elements fully integrate in corporate strategy.

2.3.3.2. Structure. Structure is a critical element of governance mechanisms (Herrera, 2011; Googins et al., 2007). The level at which key decision-making and commitments take place and the level of delegation of certain activities affect the likelihood and success of I4I.

2.3.3.3. Policy and standards. Policy and standards cover mechanisms for implementation, issues management, stakeholder engagement, and ensuring transparency through monitoring and evaluation of

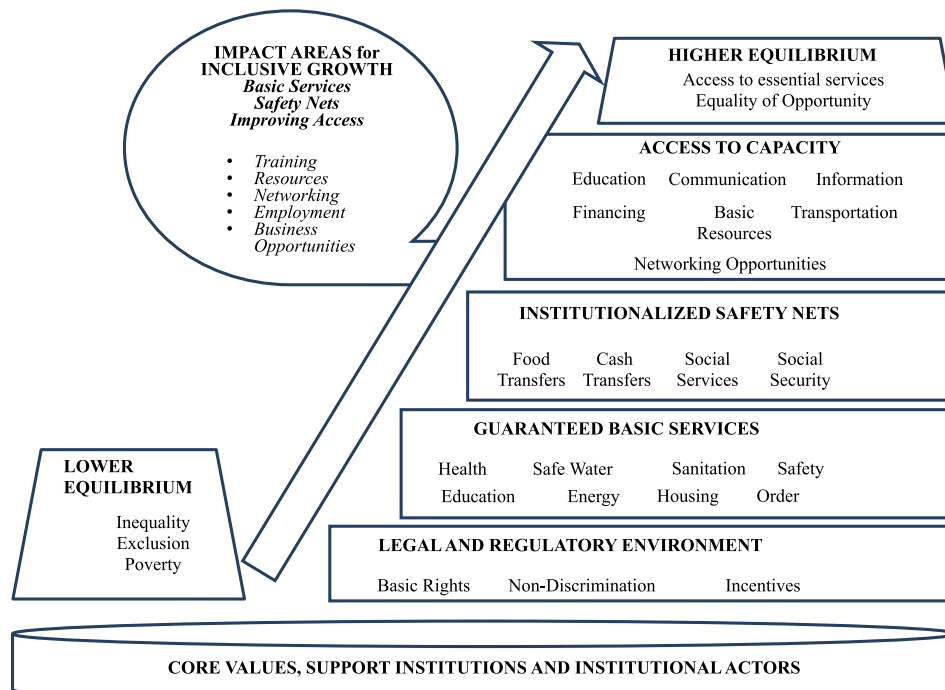


Fig. 1. Ecology for inclusive growth: building blocks.

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