Corporate social innovation: How firms learn to innovate for the greater good ☆

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ABSTRACT

This research explores how companies learn to engage in successful social innovation through the acquisition of tacit knowledge from external parties. The study draws from literature on knowledge transfer, corporate partnerships, and corporate social innovation (CSI) and extends the authors' previous research on corporate social responsibility (CSR) and sustainability-oriented innovation. Observations draw on a five-year longitudinal, multi-company, multinational study of over 70 firms. The research shows that much of the knowledge exchanged in CSI is tacit knowledge that companies develop from shared interactions and experiences. This article describes CSI relationship platforms along two dimensions: 1) distance of engagement from firm value chain, and 2) intensity of investments and interactions. This research relies on inductive methods and aims at pattern definition and theory building rather than theory testing. Specific examples explain CSI processes and provide guidance to managers. The findings have relevance to companies seeking to innovate in the CSR and "shared value" space, to social entrepreneurs, and to researchers interested in these topics.

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1. Introduction

Multinational corporations (MNCs) today confront two challenges. First, the past three decades have produced little significant organic growth and firms have focused on cost cutting, outsourcing, and industry consolidation mergers to meet profit targets. Second, many MNCs face increased public and stakeholder expectations to take a larger role in addressing troubling social, economic, and environmental issues (Mirvis & Googins, 2006; Porter & Kramer, 2011).

To increase growth, MNCs are exploring new innovation sources (e.g., open-innovation, crowd sourcing, employee engagement, co-innovation) and methods (e.g., incubators, design thinking, and contests) (Chesbrough, 2013; Prahalad & Krishnan, 2008). Yet many corporate social responsibility (CSR) programs still emphasize philanthropic funding and programmatic activities and a significant gap remains between stakeholder expectations and corporate social performance. Innovations aimed at the greater good are instead coming from social entrepreneurs, enterprises, and innovators in non-business sectors (Phills, Deiglmeier, & Miller, 2008).

A select set of leading firms seeking to both grow and meet stakeholder expectations are turning to corporate social innovation (CSI). On the commercial side, this has them using social innovation tools to enhance their supply chains, reach socially-conscious and green consumers, and tap markets at the base of the pyramid (BoP). The companies' turn to corporate social innovation also has them supporting and partnering with social innovators and enterprises to bring business solutions to societal needs.

Corporate Social Innovation (CSI) differs from traditional CSR efforts in several respects (Mirvis, Googins, & Kiser, 2012). First, traditional CSR programs result from a philanthropic intent, whereas CSI represents a strategic investment that companies manage more or less like other corporate investments. Second, CSR programs involve contributions of money and manpower, whereas CSI engages a company in societally-relevant R&D and applies the full range of corporate assets to the challenges at hand. Third, traditional CSR programs often have companies contract with nongovernmental organizations (NGOs) or community groups to deliver social services. CSI involves deeper collaboration across functions within a firm and with external parties to co-create something new that provides a sustainable solution to social ills. Finally, whereas CSR can generate goodwill and enhance corporate reputation, CSI also aims to produce new sources of revenue and to generate a more socially relevant innovation system and corporate culture that can be a source of competitive advantage.

This research extends previous research by the authors on CSR, CSI, and innovations for sustainability. Observations build on a longitudinal,

multi-company, multinational study of over 70 firms lasting over five years. They reveal diversity among firms, as firms tackle different social issues, devise different social innovation strategies, join in different partnership configurations, and develop different kinds of social innovations. Across this array, a common theme arises: companies do not have an established play-book for innovating in this space and they (and their partners) must learn together to produce successful innovations.

Expansive literature exists on knowledge transfer and social capital development across firms in networks (Inkpen & Tsang, 2005; Mowery, Oxley, & Silverman, 1996) and as partners in mergers and alliances (Junni, Sarala, & Vaara, 2012; Reus, 2012). The literature also includes volumes on knowledge exchange in R&D (Cummings & Teng, 2003). However, these studies concern mostly business-to-business (B2B) networks and commercial innovation. Companies' social innovation often involves business-to-nonbusiness (B2N) partnering and also aims for social impact.

As this volume transposes Kurt Lewin's injunction that "there is nothing so practical as a good theory" into explorations of how practice can contribute to theory (c.f., Bradbury, Mirvis, Nielsen, & Pasmore, 2008), this study of CSI is in the theory-generating tradition. This article proposes inductive frameworks for understanding how firms learn to produce successful CSI by acquiring, exchanging, and co-creating knowledge, and recommends avenues for future research.

2. Theoretical framework

2.1. Organizational knowledge

Knowledge creates new capabilities and transforms organizations (Zollo & Winter, 2002). External sources are critical to acquire knowledge significantly different from what exists in a firm (Cohen & Levinthal, 1990). Through alliances and partnerships, firms can access, exchange, and co-develop knowledge and technologies (Argote & Ingram, 2000).

The literature includes many frameworks on forms of knowledge creation and transfer within and across organizations (Botha, Kourie, & Snyman, 2014; Nonaka, 1994). Most frameworks address distinctions between explicit and tacit knowledge, with the former being codified knowledge that is accessible in forms, manuals, and software programs. Tacit knowledge, however, is not-yet codified, and may be held within a person, or experientially produced in action. Experts classify tacit knowledge into technical (techniques, processes, and methods) and cognitive forms (values, beliefs, and ideas). In social innovation, organizations exchange both forms (Mulgan, 2006).

2.1.1. Knowledge for social innovation

Four types of knowledge are germane to corporate social innovation. First, companies need knowledge about the local conditions in their supply chain or in a market they seek to enter. Non-business partners often have that knowledge ("know-what") and can work with business partners to conduct indigenous research (Hart & London, 2005). Second, companies need to understand how to produce and implement social innovations in an unfamiliar culture and context and how to work with partners. Companies typically develop this capability ("know-how") experientially, through the co-creation of social innovations with partners and/or users (Herrera, 2015a). Third, companies need legitimacy with and connections to local interests and users. Partner organizations can facilitate engagement with local communities and non-traditional customers (Austin, 2000) and provide access to interests beyond the usual corporate reach (Worley & Mirvis, 2013). This association highlights the importance of social ties ("know-who") in knowledge acquisition and transfer. Finally, many firms engaged in CSI explicitly seek to address significant social, economic, and environmental problems. Innovative efforts built on corporate commitment to social purpose ("know why") have an added boost of motivation that

can yield perseverance and resilience that organizations need for a deeper knowledge exchange and co-creation.

2.1.2. Knowledge acquisition processes

Organizations either acquire or create new knowledge (Nahapiet & Ghoshal, 1998; Seidler-de Alwis & Hartman, 2008). The SECI framework – socialization, externalization, combination, and internalization – outlines key steps in knowledge exchange (Nonaka, Toyama, & Konno, 2000). This research uses four general stages of exchange in collaborative ventures: initiation, acquisition, transformation, and assimilation. At each stage, organizations can exchange knowledge using an explicit, structured, and planned process, or through more organic, serendipitous, and implicit methods.

2.2. Gaps in the literature

An emerging body of practice-oriented literature describes how companies engage in CSI. Christensen, Baumann, Ruggles, and Sadtler (2006) show how "catalytic" innovation models apply to health care, education, and community economic development. Weiser, Kahane, Rochlin, and Landis (2004) demonstrate how companies develop innovations for underserved markets. Prahalad and Ramaswamy (2004) document how co-created innovations create value in BoP markets and are transferable to the developed world. Research also covers "collaborative innovation" for sustainability (Albareda & Bree, 2015) and how institutionalizing firm-specific CSI capabilities creates competitive advantage (Herrera, 2015b).

The literature includes less information about how companies "learn" to produce social innovations through knowledge exchange with partners in CSI. While some studies point to various learning enablers in cross-sector partnerships (Arya & Salk, 2006; Murphy, Perrot, & Rivera-Santos, 2012), the literature gives scant attention to types of knowledge exchanged. In addition, since tacit knowledge is "context specific" and companies need experience for its understanding, research can help identify how different kinds of innovations and partnerships arrangements might influence both the content and process of knowledge exchange. This article addresses the following research questions: What are different contexts for knowledge exchange in CSI? What kinds of knowledge exchange happen in CSI? What facilitates the exchange of knowledge in the initiation, acquisition, transformation, and assimilation phases of CSI? How might this differ in planned versus unplanned knowledge exchange?

3. Method

The sample of firms studied for the illustrative case studies results from the authors' research networks, encompassing over 70 companies worldwide, many well known for their leadership in the CSR and CSI spaces. The longitudinal study examines the full scope of the companies' CSI activities (>20 companies) or specific social innovations (>50 companies). The findings and case material comes from personal interviews, field observations, and selected reports, articles, and blogs. Research methods are inductive and aimed towards pattern definition and theory building rather than theory testing.

4. Illustrative case studies and observations

The study classifies the cases along two dimensions: 1) distance of engagement from the core of the business—from value chain to societal enhancement, and 2) intensity of firm investment and involvement—from low to high (see Fig. 1).

4.1. Knowledge transfer—value chain enhancement

A considerable amount of corporate social innovation centers on firms' value chains. This encompasses sourcing or supply chain, and