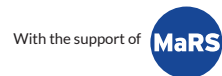




BREAKING THROUGH

HOW CORPORATE SOCIAL INNOVATION
CREATES BUSINESS OPPORTUNITY





BREAKING THROUGH

HOW CORPORATE SOCIAL INNOVATION
CREATES BUSINESS OPPORTUNITY

- 1 Introduction
- 2 The evolving role of business in society
- 6 Corporate Social Innovation in action
- 11 Principles of Corporate Social Innovation
- 15 Why should you pay attention to Corporate Social Innovation?
- 18 What next? Things you can do in your business
- 20 Conclusion

Introduction

We are living through a great transition in how economies operate, markets function and societies thrive. The global economic crisis, high profile collapses of corporate giants, shifting consumer and shareholder expectations, growing competition from Asia and Latin America, and government funding constraints are just some of the drivers of the new reality facing businesses.

According to KPMG International's *Expect the Unexpected: Building business value in a changing world*,¹ businesses will be exposed to hundreds of environmental and social changes over the next 20 years, changes that will create both risks and opportunities in the search for sustainable growth. The report identifies 10 megatrends likely to impact businesses – including resource and water scarcity, population growth and urbanization, and food security.

In Canada, our natural environment, economy and society are confronting challenges such as accelerated climate change, an aging population, and the requirement for substantial investment in infrastructure. New forms of innovation are required to shift progress to overcome these issues and build a new economic operating system that will strengthen Canada's resiliency.

Traditionally, social change has been the almost exclusive domain of not-for-profit organizations and

governments. Today, many business leaders realize the challenges facing our society can adversely impact business. And more broadly, businesses can make a powerful contribution to solutions by providing innovative ways to leverage the power of the private sector.

This report looks at the positive power of business to drive the innovation needed to solve the growing social and environmental challenges facing our planet. Our goal is to provoke a new type of dialogue among Canadian leaders with the hope that it will lead to the design and adoption of the new products, services, processes and business models needed to achieve business, social and environmental success.

The goal of our report is to help business leaders consider corporate social innovation (CSI) as a powerful opportunity to concurrently drive social impact and growth. To illustrate this, we will:

- Identify indicators that illustrate how the business landscape is changing;
- Profile some early CSI activity in Canada and internationally;
- Highlight key principles of CSI; and
- Outline practical next steps to develop a CSI strategy in your business.

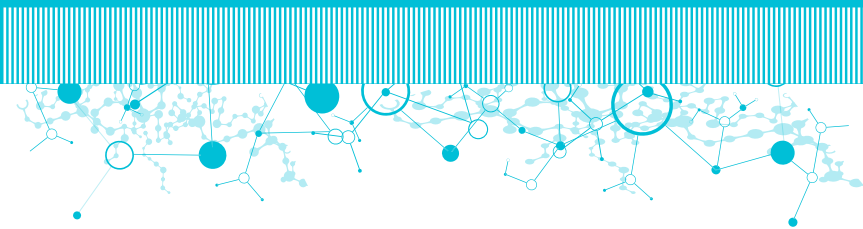


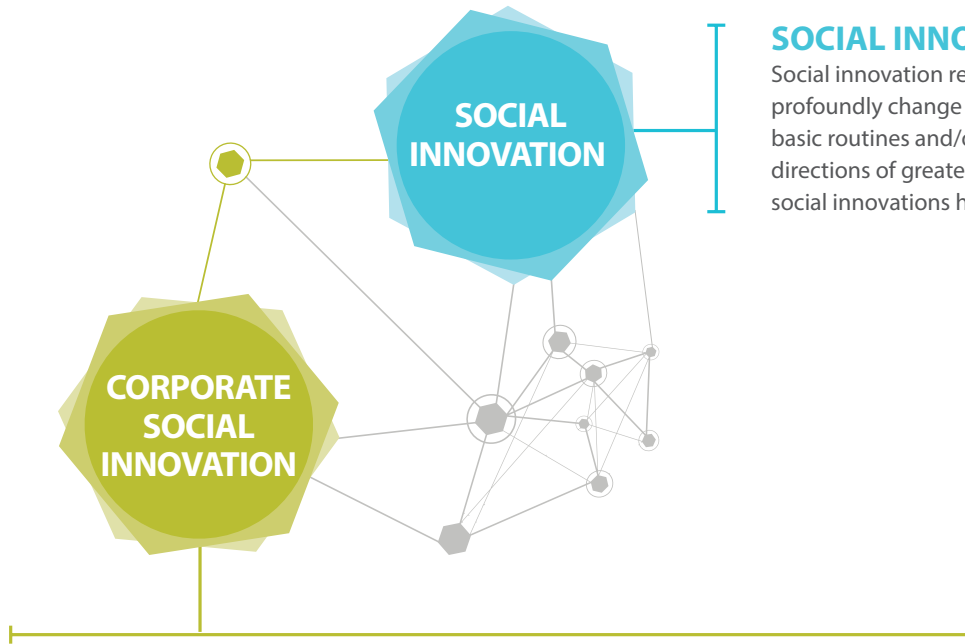
The evolving role of **Business in society**

Over the past two decades, the expectation that businesses will be good corporate citizens has increased to a point where most companies have a corporate social responsibility (CSR) program. CSR has an important role in supporting communities as well as enhancing corporate culture and employee engagement. Encouragingly, a growing number of companies are becoming more strategic with their CSR programs, lending their expertise to issues and organizations closely aligned to their core business to achieve maximum effect for the communities served.

Today, many progressive businesses are looking at the next stage of evolution in CSR by investing in social innovation, a model of innovation squarely focused on addressing the most pressing social and environmental challenges in a way that contributes to the success of the business.

A NOTE ON DEFINITIONS: There are a number of terms used to describe socially oriented activities in businesses: some, for example, equate CSI to strategic CSR, creating what has variously been called “blended value” as defined by Jed Emerson and more recently, by Michael Porter and Mark Kramer, as “shared value” as described in their *Harvard Business Review* article. Whatever terms they use, we encourage business leaders to challenge their own assumptions about what is – or is not – possible, stretching their ambitions in the light of what leading social innovators, entrepreneurs, intrapreneurs and investors are achieving and attempting.





SOCIAL INNOVATION

Social innovation refers to initiatives, products or processes that profoundly change the beliefs, behaviours, cultures, power dynamics, basic routines and/or access to resources of any social system in the directions of greater equity, productivity and resilience. Successful social innovations have impact, scale and durability.²

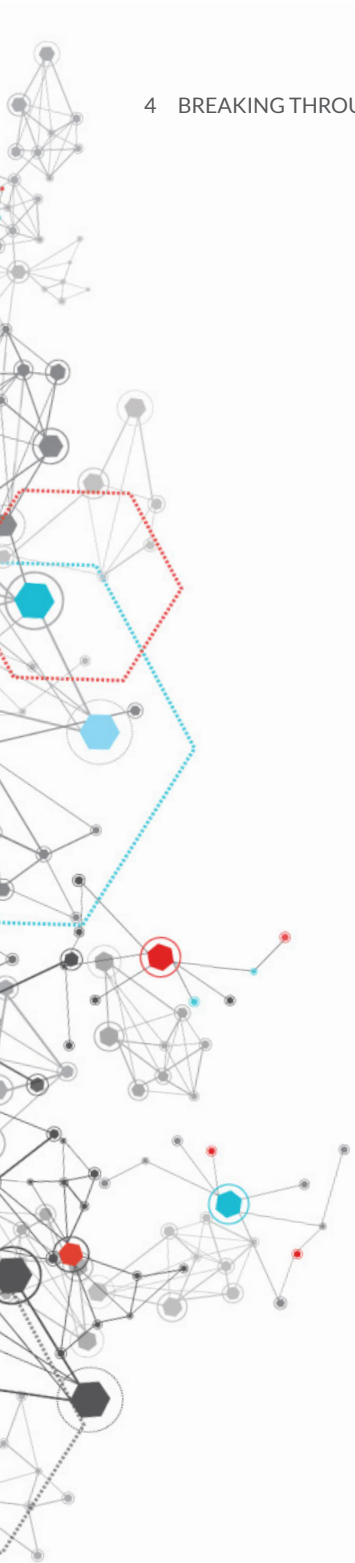
CORPORATE SOCIAL INNOVATION

Progress in social innovation is not limited to the activities of social enterprises, NGOs, and charities, but can also be highly relevant to the mainstream business community. Two examples of how this can be done include opening up new markets for growth by breaking down barriers to improve the standard of living experienced by marginalized populations and transitioning to a zero-footprint supply chain (rather than simply a footprint reduction program) to radically shrink the negative environmental impact of operations.

Simply put, *corporate* social innovation is about fuelling breakthrough changes in how businesses operate so that they can achieve social and environmental value creation alongside financial profit.

Many companies have started adopting this approach, including the organizations profiled in this report. Champions of corporate social innovation (CSI) are working to ensure that this more evolved model becomes a part of the core business strategy and vision.



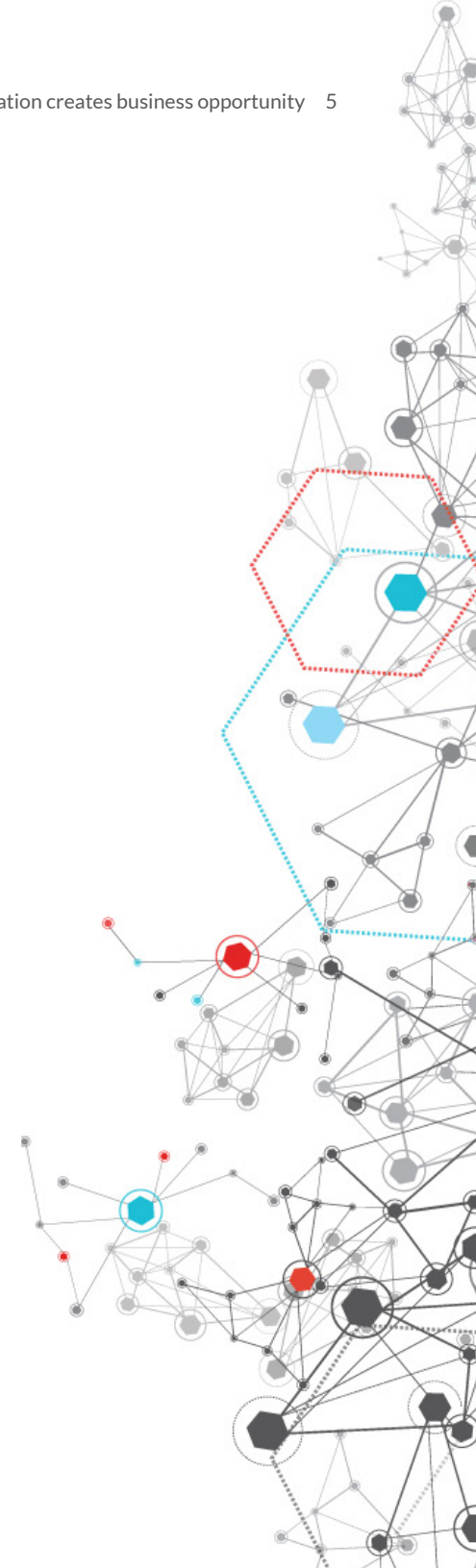


“ What do we mean by **breakthrough**? In contrast to the unnerving prospects of **breakdown**, or a world of **change-as-usual** strategies, the breakthrough trajectory focuses on timely, effective system change. ”

TIME FOR BREAKTHROUGH: 2012's Rio+20 Summit and other recent events have underscored the fact that governments and financial markets remain poorly equipped and motivated to deal with the nature and scale of the systemic crises now facing us. We need breakthrough solutions in the form of new business models and new market rules and incentives. Business leaders will increasingly find that it is in their interest to take an active role in responsible capitalism.

What do we mean by "breakthrough?" In contrast to the unnerving prospects of "breakdown," or a world of "change-as-usual" strategies, the breakthrough trajectory focuses on timely, effective system change. This includes engaging long-term horizons (intergenerational rather than just the next five to 10 years) and considering decisions that go beyond just microeconomics and effect macro-economic level dynamics. Whether the issue is economic, social, environmental or linked to governance, or blurs across a number of these domains, innovators are working to evolve new systems to address areas such as corruption, poverty, and climate change. CSI, when done well, is an example of a breakthrough solution.

To get a sense of how breakthrough is seen by leading innovators you can watch a short - and simple - video on the subject at <http://www.breakthroughcapitalism.com>.





CSI in action

For a process, product or service to be considered a corporate social innovation there must be clear social and business value creation, and it must be a new model that brings something different to the market in terms of design, development and/or deployment.

Featured below are several examples of companies who are activating CSI in their business strategies, and in the process have created new opportunities for their customers and their company:

Novartis: Linking backbone community infrastructure to life-improving products and services

Novartis, a global pharmaceutical company, has developed a for-profit sustainable health initiative, *Arogya Parivar* ("healthy family" in Hindi) designed to improve access to medicines for the 740 million people estimated to be living at the bottom of the pyramid³ in rural India. The innovation here is that Novartis not only provides a basket of approximately 80 affordable products that are tailored to these communities, but that they emphasize patient education and local capacity-building to ensure long term success.

Novartis employs community health educators, usually local women, to raise awareness about diseases and preventive health measures and encourage patients to access formal healthcare providers. Furthermore, a team of health supervisors is employed to act as the sales force, working to ensure that medicines are available in the most remote locations.

Set up in 2007 with small pilot schemes in Uttar Pradesh, the venture has since reached 33,000 villages with a population of 42 million people and became profitable in its third year. Having proven sustainable, the model has been implemented in Kenya and Vietnam, and will be rolled out in Indonesia, Nigeria and Ghana by 2014.



Innovation

Creating a new business model that distributes affordable products to underserved low-income communities and investing in health education for patients to improve the overall health of customers.



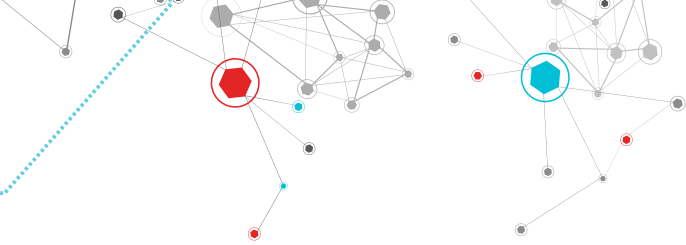
Social Value

Providing access to medicine for those who would not otherwise be able to afford it – and creating local employment. Improving health and disease awareness and prevention.



Business Value

Maintaining the social license to operate and gaining entry into a large, previously untapped market with a profitable business offering.



Grameen Danone Foods Ltd: Financially sustainable social impact innovation via cross sector partnership

The multinational food producer, Danone, working in partnership with Bangladesh’s successful microfinance social business Grameen Bank⁴ (founded by Muhammad Yunus), created Grameen Danone Foods Ltd. to fight malnutrition. Bangladesh has one of the highest child and maternal malnutrition rates in the world with one-third of its people and 45 percent of its children under five suffering from moderate to severe malnutrition.⁵

Combining the expertise of Danone in technical areas such as construction, plant maintenance and yogurt production with Grameen’s knowledge of in rural communities resulted in the production of a fortified yogurt enriched with crucial nutrients for a child’s development at a price that is affordable to the most

in-need. Furthermore, the benefits of this co-venture extend across the value chain: the milk for the yogurt is purchased from micro-farmers, providing direct or indirect income to approximately 1,500 people within a 30km radius around one production plant, while empowering a network of female entrepreneurs, the so-called “Grameen Danone Ladies” to distribute the yogurt door-to door and receive up to an 18 percent margin.

On the environment side, the production plants are locally based and solar energy partly heats the water they use. Danone have also set up a Danone Communities Fund that aims to promote and finance social businesses such as the Grameen Danone plant in Bogra, Northern Bangladesh.



Innovation

Co-venture partnership between a social organizations (Grameen) and a corporation (Danone)



Social Value

Improving nutrition for children⁶ and creating employment in the local community.



Business Value

Experimenting with new ways to do business through direct to consumer distribution systems and new product innovations.



Vancity: Community-based strategies drive profitable, high impact business innovation

Vancity is Canada's largest community credit union, which is a member-owned financial cooperative. Member-led innovation is at the core of Vancity's business model. Although it annually distributes 30 percent of net profits to their members and community organizations, their core focus is on leveraging its assets as a deposit taking and lending organization to drive social change. The foundation is a deep relationship with their members and the community, helping the credit union to understand key social, environmental and economic concerns and how best it can address these needs.

Vancity offers competitive products and services and financial advice to help its members build their own wealth, then uses members' deposits to lend and invest in local businesses and organizations that create positive economic, social and environmental impact. This is combined with lending and investing with advice, advocacy, partnerships and grants.

The result has been the development of deep expertise in key areas of impact, such as social purpose real estate, financial literacy, local, natural and organic food, affordable housing, in the process engaging entrepreneurs and other partners to maximize benefit. With an overall vision of redefining wealth, Vancity has been reaping real benefits. In 2011, Vancity achieved record earnings and its fourth consecutive year of increased net earnings from operations and is gaining a reputation as a leader in values-based banking.



Innovation

The needs identified by members of the community inform and shape lending policies.



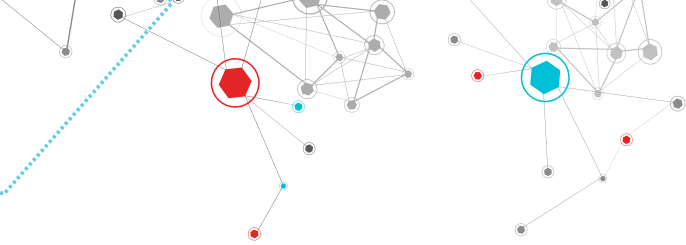
Social Value

Financial products and services are tailored to address the social and environmental needs of the local community.



Business Value

In 2012, net earnings from operations exceeded organizational targets.



Me to We is a Canadian for-profit social purpose business. It strives to build a world where corporate thinking meets social awareness. This innovative company offers socially conscious and environmentally friendly products and life-changing experiences to consumers.

Me to We's key social innovation is its business model, which has social, environmental and financial impacts embedded as the core of its mission while maintaining a profit objective. Unlike traditional businesses, it donates half of their profits to the international charity Free The Children to offset administrative costs, and reinvests the other half to grow the enterprise and social mission. Since 2009, over \$5 million has been donated to Free The Children.⁷

There are several different business lines that engage consumers in social change, including **Me to We Artisans**, which sells handmade accessories and provides a living wage to women in Free The Children communities in Kenya and India, while **Me to We Style** sells sweatshop-free, organic, environmentally-friendly clothing. For every T-shirt purchased, a tree is planted in the developing world.

Ultimately, Me to We measures its bottom line by the number of lives it changes and the positive social and environmental impact it produces. The organization has been recognized for their leadership with numerous social entrepreneurship awards.

SOCIAL PURPOSE BUSINESSES: Some businesses are created with social change in mind. Known as "social purpose businesses," (among many other things) these are commercial for-profit entities created by entrepreneurs to address social issues, with the core of their operations directed toward maintaining their social purpose, while operating in the market economy.⁸ Business leaders would be advised to pay attention to the early pioneers given the increase in innovative organizations in this space and to glean ideas for differentiation in their own business.



Innovation

A for-profit business model that is focused on co-creating social and economic value. Contributing 50% of profits to Free The Children.



Social Value

Economically empowering women in developing countries by creating a sustainable market for their products, and socially engaging youth and adults in their local and global communities.



Business Value

Attracting highly skilled employees, supporters and recognition as a market pioneer and leader in developing new business models.

“ Of the more than **1000** registered **B Corps** in the world, over **100** are in Canada. ”

NEW INCORPORATION MODELS IN CANADA

Global innovation in incorporation models are helping businesses solve social and environmental problems. These updated corporate frameworks specifically set out to create social value as well as a return to their investors.

These new models have recently arrived in Canada, which recognize businesses that have social as well as profit outcomes. **British Columbia** was the first province to introduce the **Community Contribution Company (C3)** and **Nova Scotia** has also announced legislation to create a **Community Interest Company**, with a number of other provinces set to follow.

For those in other Canadian markets where there is an absence of supportive legislation, other options are emerging. **B Corp Certification**⁹ recognizes traditional for-profit companies that meet enhanced social and environmental performance standards and consider the impact of their operations on the company's broad stakeholder group. They include popular global brands such as **Patagonia** and **Ben & Jerry's Ice Cream**.

Of the more than 1000 registered B Corps in the world, over 100 are in Canada. Canadian B Corps have been included in B Lab's "Best for" lists including: **Bullfrog Power**, **Salt Spring Coffee**, **PeaceWorks Technology Solutions**, **Enviro-Stewards** and **The Sustainability Advantage**.¹⁰

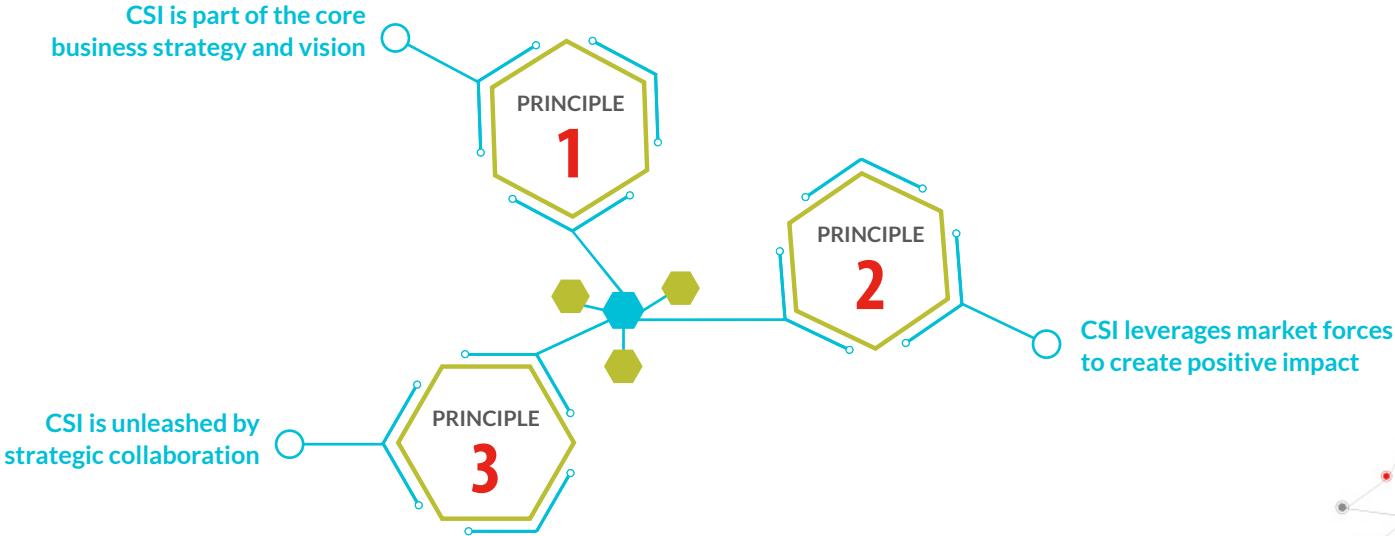


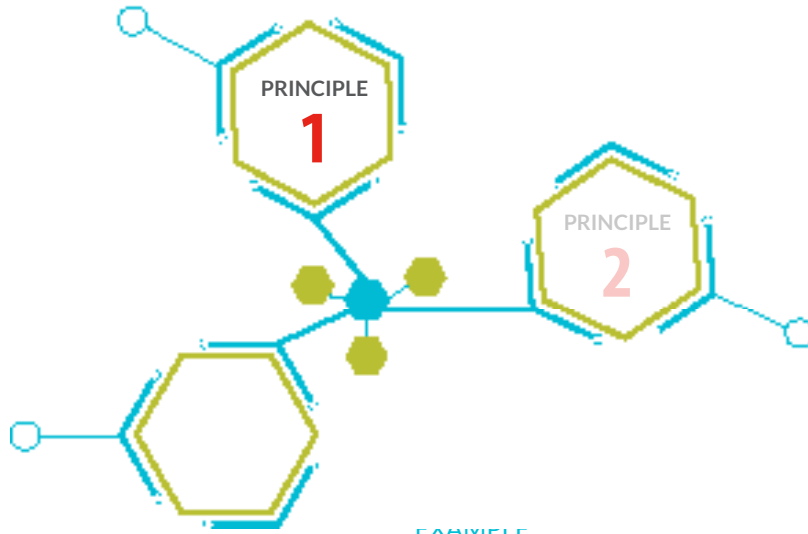
Principles of Corporate Social Innovation

While reviewing examples of businesses that have successfully leveraged CSI-based approaches, three key principles have emerged that differentiate corporate social innovation from more traditional models of CSR:

- Principle 1:** CSI is part of the core business strategy and vision
- Principle 2:** CSI leverages market forces to create positive impact
- Principle 3:** CSI is unleashed by strategic collaboration

Let's look at each of these in turn.





Principle 1: CSI is a part of the core business strategy and vision

CSI is deliberately embedded in the core business strategy. Businesses taking a CSI approach leverage their market intelligence and unlock the value of their products and services to address key societal and environmental challenges. This is done with full senior management support, visibility and accountability.

As CSI is incorporated into the broader business strategy, it too must generate value for the business. Importantly, the total value created is more than just an increase in revenue – it must also prioritize positive social change.

EXAMPLE.

At **Unilever**, CEO Paul Polman has publicly committed to doubling the company's growth while halving its environmental footprint *and* helping one billion people improve their health and well-being. To do this, the Unilever Sustainable Living Plan has become a core strategy that touches every part of the business operations, from product design, marketing, sourcing, and manufacturing to (perhaps the most critical step) customer engagement.

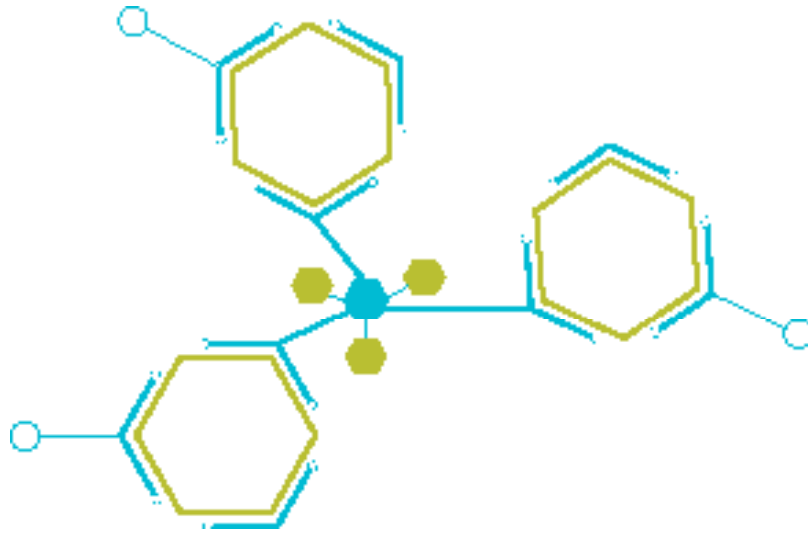
"I agree with Unilever CEO Paul Polman when he recently said in Toronto that we need a model of responsible capitalism that goes beyond CSR. Everyday, we see new businesses emerging that embrace innovations generating social, environmental as well as financial value. That is where corporate social innovation marks the path forward."

Ilse Treurnicht, CEO of MaRS Discovery District

The **Royal Bank of Canada** (RBC) has established the RBC Generator to help finance projects addressing social and environmental challenges. RBC acts as a seed capital investor and has an expectation of profit. This initiative provides a means for RBC to develop expertise in the emerging impact investing arena, while leveraging the strength of its brand to bring legitimacy to this emerging area of practice and business. RBC invests in organizations that focus on water, clean energy and employment issues while providing investees with the opportunity to receive pro bono legal and other business advisory support from RBC partners and networks.

"[At RBC], we believe that addressing core social and environmental issues and providing a financial return are not mutually exclusive. On the contrary, they are becoming more closely linked than ever before. And they are both critical to building long term success."

Gord Nixon, CEO & President of RBC and Chair of MaRS Discovery District



Principle 2: CSI leverages market forces to create positive impact

CSI provides a new lens to view the needs of underserved markets, which can be either domestic or within emerging economies, and an opportunity to serve these unmet needs with new or existing products or services. The focus is on leveraging market-based approaches to help meet basic needs such as nutrition, healthcare and shelter. The solution is rarely offering a successful product in the same way it is traditionally presented to existing customers.

Barriers to access such as affordability, product education, and local customs must be considered and factored into customizing the product. Local employment opportunities often arise to help sustain product awareness, benefits and distribution, which support local economic development.

In the case of the **Grameen–Danone** joint venture, a new consumer segment in Bangladesh was identified: 56 percent of Bangladeshi children under five who suffer from moderate to severe malnutrition. Through innovations in product and packaging design, and distribution channels, Grameen–Danone was able to effectively reach a new market in a meaningful and financially sustainable way.

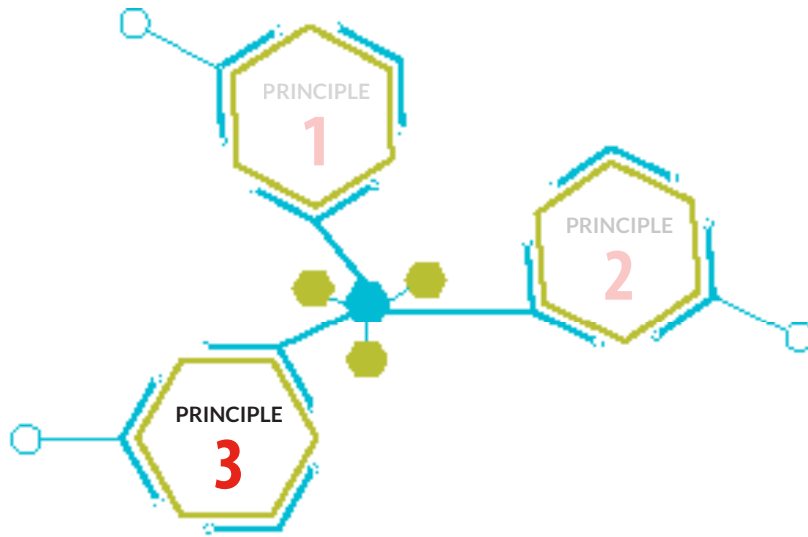
For **Novartis**, commercial operations in India had previously focused more on wealthier urban populations, so huge numbers of people at the base of the pyramid had little hope of receiving vital medicine. The venture created new routes to market by combining input from health educators with alternative distribution strategies to develop new product offerings: for example, some medicines have been made available in smaller packs to reduce unit prices, ensuring that the cost of weekly treatment remains affordable.

EXAMPLE:

Canadian real estate developer **Tridel** through their construction arm, **Deltera**, is working with non-profit **Options for Homes** (OFH) to increase the supply of high-quality, affordable housing in the Greater Toronto Area. Since 1994, the Options model, developed by social entrepreneur Michel Labbé, has provided more than 3,700 households with home ownership opportunities at a cost per unit of up to \$70,000 less than other developers.

By co-developing condos, reducing marketing and soft costs, removing OFH's profit margin and eliminating costly amenities, OFH can provide financing that opens up home ownership to households which otherwise could not afford it. The key upside for Tridel is that the partnership expands their business as well as increasing access to affordable housing.





Principle 3: CSI is unleashed by strategic collaboration

Innovations that bring together the expertise of multiple stakeholders, in particular from outside the business, can yield powerful results. The benefits include broader perspectives, consideration of the opportunities and risks and obtaining buy-in throughout the development process.

The **Registered Disability Savings Plan (RDSP)** is an example of a Canadian cross-sector social innovation. The RDSP was designed to reduce poverty, provide long-term financial stability for people with disabilities and encourage contributions without clawing back disability benefits.

It is a tax-free savings account (like a Registered Education Savings Plan) that family members and friends can contribute to. The federal government matches contributions (Disability Savings Grant) and provides a Disability Savings Bond. Available at major Canadian banks and other financial institutions, since its start in 2008, close to 75,000 families have opened RDSP plans with more than \$1 billion in total assets.

The initiative was developed and led by social entrepreneur Al Etmanski and PLAN (Planned Lifetime Advocacy Network), who conducted a series of focus groups with a range of organizations including: financial institutions such as RBC and Vancity, the Canadian Bar Association, Provincial Estate Planning Councils, Credit Union Central, and other representatives from provincial and federal government. In addition to the input and expertise they contributed to the design process, what made this model scale across Canada was their willingness to offer the RDSP as a product and promote it across their networks.



Why should you pay attention to CSI?

There is a growing movement of business leaders, investors, employees and other stakeholders who have a broader vision of the role of business and want to help shift the corporate agenda.

Executive-led movements are increasingly focused on sustainable market development

The number of emerging coalitions, reports and conference agenda items which reference social innovation, or similar concepts, reflects the increasing desire of executives to include the role of business as a driver of social change.

In Canada, the Corporate Knights Council for Clean Capitalism is comprised of the CEOs of Vancity, HP Canada, Teck Resources, Sun Life Financial, Telus, The Co-Operators Group and Mountain Equipment Co-Op. "The aim is to better align policy with corporate sustainability so that superior performance is incented and rewarded," says Nicholas Parker, chairman of Corporate Knights Inc. and co-chair of the Council.¹¹

In June 2013, a new global non-profit founded by Sir Richard Branson and Jochen Zeitz, former CEO of PUMA was launched called the "B Team" which will work to deliver new ways of doing business that prioritizes people and planet alongside profit. The B Team will address three initial Challenges: "The Future of Leadership," "The Future of the Bottom Line" and "The Future of Incentives" to help focus business away from short term gain and to balance the long term benefits for people and planet.¹² Other business leaders who have joined include Arianna Huffington, Ratan Tata and Paul Polman.



“ Mandatory disclosures have also increased sharply, **72 percent** of the 180 policies are mandatory compared to **58 percent** of policies in 2006. ”

Evolving models of corporate reporting

The 2013 edition of “Carrots and Sticks: Sustainability reporting policies worldwide – today’s best practices, tomorrow’s trends” notes an increasing emphasis on a combination of complementary voluntary and mandatory approaches to organizational disclosure. Mandatory disclosures have also increased sharply – of the 45 countries and regions covered by the report, 72 percent of the 180 policies are mandatory compared to 58 percent of policies in 2006.

The report also notes major trends including continued and growing interest in regulation, corporate governance and disclosure requirements; an increase in the number of policies inspired by or based on the report or explain approach; and sustainability reporting which has become a listing requirement on several stock exchanges in non-OECD countries.¹³

Investors and stakeholders are now also looking to companies for greater transparency and accountability. Some public companies, like PUMA, are taking their reporting to a new level with its Environmental and Profit and Loss (EP&L) accounting method. PUMA was the first company to declare a through-the-supply-chain cost on its environmental externalities. They have even taken its EP&L down to a product level, demonstrating to consumers which products are more sustainable by putting a price tag against the environmental damage they do.

Bold actions by global leaders such as Paul Polman, CEO of **Unilever** have a ripple effect in the market. Polman’s shift away from quarterly profit reporting has led to a change in Unilever’s investor mix by reducing the number of Unilever’s shares owned by hedge funds – those often responsible for share price fluctuation – from 15 percent to 5 percent.¹⁴



Employees are seeking careers with purpose

Students on university campuses across the country have a heightened sense of awareness when it comes to social issues and the environment. They are more interested in finding careers that provide a balance of financial success with an opportunity to have a positive impact in the world. The growing number of business courses and programs that are integrating this type of progressive thinking into their programs, such as the Centre for Responsible Leadership at Canada's Queen's School of Business, reflect this demand.

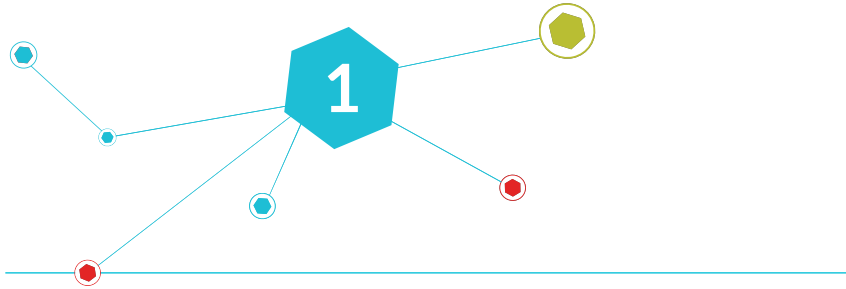
Another example is the MBA Oath. It was started by a group of class of 2009 graduates of Harvard Business School whose mission is to facilitate a widespread movement of MBAs dedicated to the greater good – and who have committed to living out the principles articulated in the oath. The oath is a voluntary pledge for graduating MBAs and current MBAs alike, requiring signatories to create value responsibly and ethically. There are a growing number of MBA programs in Canada that have embraced the MBA Oath as part of their commencement process.

But this is not just a concern for Generation Y (those born between 1980 and 2000). **Me to We's** unique model attracts not only idealistic university graduates, but also experienced, highly regarded professionals – corporate executives who have elected to transition from their more traditional roles at a reduced salary (or even as volunteers) because they are attracted to the enhanced sense of purpose in the company's mission.

“ Students are more interested in finding careers that provide a balance of financial success with an opportunity to have a positive impact in the world. ”



What next? Things you can do in your business

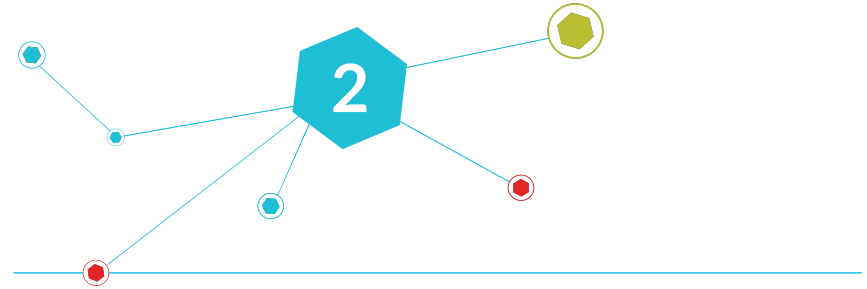


Enable a culture of innovation

Find innovative ways to harness employees' creativity, passion, and energy in a way that addresses social needs while developing business opportunities.

A number of organizations have developed programs to engage employees in developing new business ideas. **IBM** has used "jams" since 2001 to involve its 300,000+ employees around the world in exploration and problem-solving, with established thought leaders and practitioners as part of the mix as well as the general crowd.

By enabling a culture of innovation, employees can often come up with ideas that can benefit your business.¹⁵ Social intrapreneurs are a rising breed of corporate changemakers who operate in this spirit. They work to develop and promote practical solutions to social or environmental challenges and take on the role of a social entrepreneur inside a major organization. At their best, they also have a remarkable ability to inspire others, build coalitions and find people across the organization with the expertise and clout to help realize their vision.



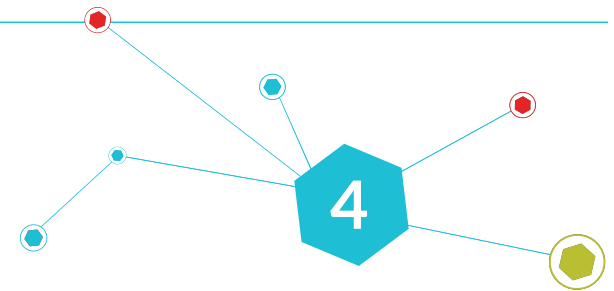
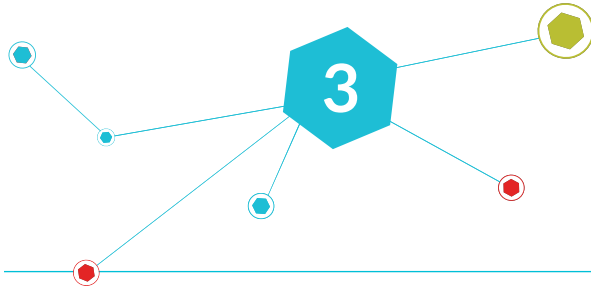
Align compensation and incentive structures

Explore how both internal and external incentives can be aligned with your business strategy to accommodate economic, environmental and social objectives – and the relevant metrics. **Intel** is a company that has pioneered in this area, linking compensation of the CEO, top executives and also the bonuses of non-executive and non-managerial employees to the company's achievement of sustainability goals.¹⁶

Consider how you measure your success and impact

Assessing social value is rapidly shifting from quantifying inputs and outputs to measuring outcomes and impact, which is an inherently more complex process. The way companies are communicating this information is also changing, with a push towards fuller integration with traditional financial information. Many executive dashboards are now incorporating key performance indicators (KPIs) as well as using visual maps which show both the interconnectivity of relationships and where each actor in the system potentially has the most positive impact.

One useful starting-point is to create a scorecard to track your corporation's current initiatives by their social, environmental and financial impact, and ensure feedback loops are put into place to allow for direction changes when initiatives fail to perform. A leading example is **Johnson & Johnson** with its Earthwards program, where each product made by the company is evaluated (and continually reviewed) against a scorecard of seven indices including environmental impact, positive social impact or benefit, and product innovation.



Work with partners to view your business through a new lens

As noted in the previous section, employees and investors are important stakeholders who can support the success of expansion into this area. Other external stakeholders to engage include:

- **SOCIAL ENTREPRENEURS** – Like traditional entrepreneurs, social entrepreneurs are pursuing new market-based opportunities, the difference being that their course involves a social purpose. Collaborative partnerships with social entrepreneurs can provide a portal for new ideas and strengthen important skill sets and capabilities required for future leadership.

Take Allianz, a German financial services company. In 2009, it built Social OPEX, a unique leadership development program that helps to prepare employees for complex challenges in the future while helping social entrepreneurs tackle critical operational issues related to scale. As part of the process, Allianz employees are paired with social entrepreneurs for a five-day intensive workshop and participate in a mandatory two-day training session that prepares employees for their assigned projects. Their work together highlights best practices regarding organizations that are starting to integrate environmental and social elements into the core DNA of their business.¹⁷

- **CUSTOMERS** – As seen in the Vancity example, working closely with customers can reveal critical insights that allow a corporate social innovation to effectively reach the market and create impact for society and business. Other companies, such as GE with their **Healthymagination Challenge**, are proactively encouraging their customers to contribute to the development of new products and services via crowd-sourcing platforms. GE Healthymagination Challenge attracted 514 ideas that can potentially advance breast cancer early detection and diagnostics. GE selected five winning teams which each received investment to accelerate the development of the innovations.
- **INDUSTRY ACTORS FROM ACROSS THE SYSTEM** – Greater impact can be achieved by working across an industry. For example, in response to Greenpeace's "Detox" campaign, a consortium was established in 2011 amongst competitive apparel and footwear brands and retailers (including adidas, C&A, Esprit, G-STAR RAW, Hennes & Mauritz (H&M), Inditex, Jack Wolfskin, Levi Strauss & Co., Li-Ning, M&S, New Balance, NIKE, Inc., PUMA and PVH) to co-evolve a roadmap towards "Zero Discharge of Hazardous Chemicals" across their supply chains in China.¹⁸ Today this program is actively working to lead the industry towards zero discharge of hazardous chemicals by 2020.¹⁹

Conclusion

In different parts of the world, business leaders are beginning to experiment with new business models for a number of different reasons, though most of them link to the fact that tomorrow's markets will be very different from today's. New ethical, social and environmental concerns and expectations will powerfully shape the ways in which key stakeholders – among them consumers, customers, employees and investors – engage with business.

As a result, a growing number of business leaders are beginning to form creative partnerships with social innovators and entrepreneurs. In the process, they hope to identify and learn from emerging approaches to value creation. The ultimate promise of these trends is that the incremental approaches that have been characteristic of corporate citizenship and social responsibility initiatives will be powerfully enhanced by new solutions that have a much better chance of being replicable and scalable.

It is time to break through to business mindsets, strategies and business models fit for the 21st century. Even the most ambitious and optimistic business leaders know that they cannot do this on their own. In this context, the emerging discipline of Corporate Social Innovation offers new perspectives, new models and new tools for addressing some of the greatest challenges of our time.

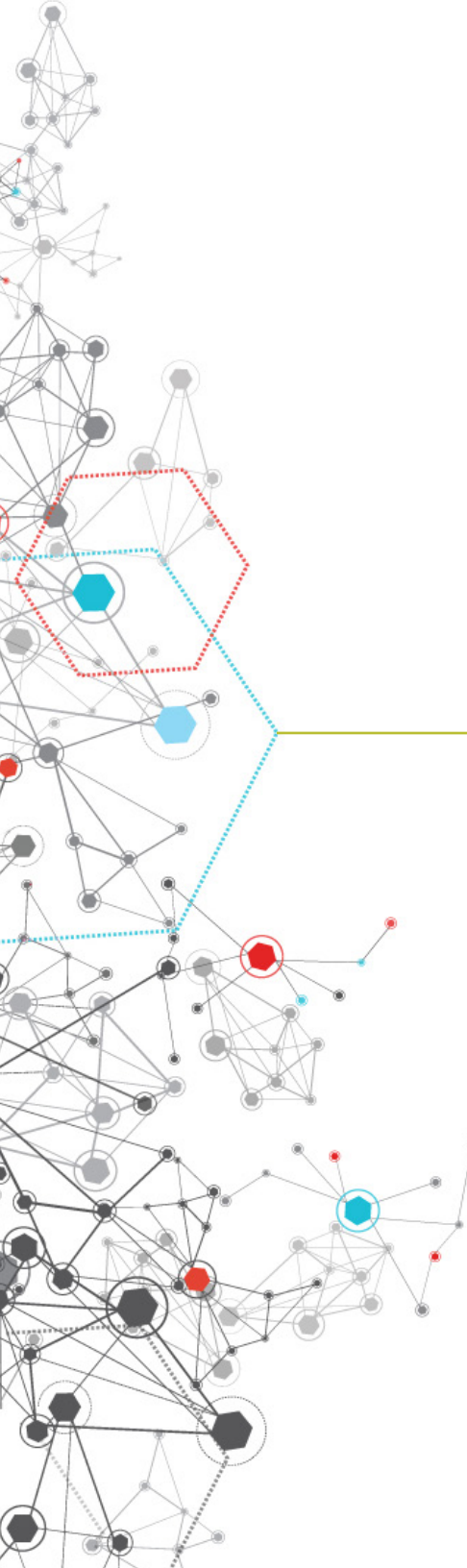
**Our concluding question is this:
what can we do together that
we could not do alone?**



Notes

- ¹ <http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/Documents/building-business-value.pdf>
- ² <http://www.sigeneration.ca/home/resources/primer/>
- ³ <http://www.globalissues.org/article/26/poverty-facts-and-stats>
- ⁴ http://www.grameen-info.org/index.php?option=com_content&task=view&id=19&Itemid=114.
- ⁵ <http://www.grameencreativelab.com/live-examples/grameen-danone-foods-ltd.html>
- ⁶ Early studies at John Hopkins University demonstrate that this initiative has a very positive impact on the physical and cognitive development of children
- ⁷ <http://www.metowe.com/wp-content/external/flipbook/me-to-we-2012-annual-report/#/8/>
- ⁸ <http://impactinvesting.marsdd.com/knowledge-hub/resources/mobilizing-private-capital-for-public-good/>
- ⁹ <http://impactinvesting.marsdd.com/strategic-initiatives/benefit-corporation-b-corp-hub/>
- ¹⁰ Volans, a partner on this project, was the second registered B-Corp in the UK
- ¹¹ <http://www.corporateknights.com/article/corporate-knights-launches-council-clean-capitalism>
- ¹² <http://bteam.org/>
- ¹³ <http://www.globalreporting.org/resourcelibrary/Carrots-and-Sticks.pdf>
- ¹⁴ <http://www.guardian.co.uk/sustainable-business/paul-polman-unilever-sustainable-living-plan>
- ¹⁵ <http://www.sustainability.com/library/the-social-intrapreneur>
- ¹⁶ <http://www.greenbiz.com/blog/2012/04/26/why-its-time-link-compensation-sustainability>
- ¹⁷ <http://blogs.hbr.org/2013/02/what-social-entrepreneurs-can/>
- ¹⁸ www.roadmaptozero.com
- ¹⁹ <http://www.roadmaptozero.com/about-zdhc.php>





This report presented by KPMG, SiG, and Volans with the support of the MaRS Discovery District. Authors:



Tania Carnegie
Leader, Impact Ventures
KPMG



Tim Draimin
Executive Director
Social Innovation Generation, National



Amy Birchall
Acting Managing Director,
Volans
John Elkington
Founding Partner & Executive
Chairman, Volans
Charmian Love
Co-Founder & Director, Volans



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2014 KPMG LLP, a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. 5441

The KPMG name, logo and "cutting through complexity" are registered trademarks or trademarks of KPMG International.