Helping Business Help Society: Overcoming Barriers to Corporate Social Innovation

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Abstract

This special issue intends to help corporations do better at doing good. I have brought together ten articles from leading business scholars that, from a variety of perspectives, recognize the challenges of corporate efforts to be more socially responsible and offer insights on how to overcome these challenges. In this introductory essay, I provide an overview of each of these papers, showing how they link together to provide insights into the struggles and successes of businesses seeking to better serve society. Thereafter, I take stock of what we now know about how to improve the relationship between business and society, recognizing that though we know much about aspects of this relationship, we have much work to do in developing comprehensive strategies for consistent and sustained social performance. I close with ideas that can drive theory and practice forward from here.

> *It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of light, it was the season of darkness, it was the spring of hope, it was the winter of despair.*
>
> \- Charles Dickens, *A Tale of Two Cities*

Corporations are the best, and corporations are the worst. They can provide meaningful and rewarding careers for their employees, construct safe and efficient housing and transportation for their communities, invent and distribute life-saving pharmaceuticals for the ill, and vastly improve quality of life in many other significant ways. They can also pay poverty wages, destroy ecosystems, and push unaffordable and addictive drugs, to name some of the vices. Overall, corporations can drive society's advancement, and they can hasten its demise.

But corporations need not be conundrums. They can advance their interests without harming society. Better yet: they can do well for themselves while doing good for society. Corporate success can be tied to social progress. What's good for America can be good for GM!

Nowadays, corporations commonly recognize that doing good for society is indeed good for business. Yet firms still have difficulty doing good on a consistent and comprehensive basis. Even as corporate titans such as those affiliated with the Business Roundtable publicly tout their obligations to society and open declare that fulfilling these obligations benefits business, many societal problems are worsening and most corporations could do more to resolve them.

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Overview of Papers in Special Issue

Ted Baker and Erin Powell kick off this special issue with a reality check, arguing that "meaning well and thinking good thoughts are nice, but not enough." Social initiatives foster goodwill in many ways, but this goodwill does not lessen inherent managerial challenges. Effective leadership of social initiatives still requires careful planning and implementation to manage troublesome team dynamics. They offer specific lessons learned on how to do so.

Effective leadership of social initiatives also requires selecting the right things to do in the first place. Firms spend billions of dollars each year on social initiatives, but as Alokparna Monga explains, if they choose the wrong initiatives, these good acts can backfire. If a firm's social initiatives are at odds with its brand, it can lose standing with consumers, despite doing good things. Thus, firms must carefully choose their CSR programs, and they must convincingly communicate their CSR-brand fit to consumers. Transparency and authenticity are critical in these communications.

Joanne Ciulla points out that a firm's good deeds can also backfire on the recipient. "Dirty money" given away to help cleanse a firm's bad reputation can transfer the dirt to the charitable cause. Accordingly, intended recipients may refuse or return corporate philanthropy, sometimes in dramatic ways. She offers several ethically grounded ideas on how firms with checkered histories should manage their charitable giving programs.

Of course, firms often find more than enough willing recipients of their largesse. But rarely do they know if this largesse has made a significant difference. Danielle Warren, Tobey Scharding, Lisa Lewin, and Ushma Pandya focus on "making sure corporate social innovations do social good." Drawing from a variety of examples, they highlight the importance of scope, metrics, monitoring, and piloting in increasing the impact of corporate social innovations.

Irene Henriques and Bryan Husted, also concerned with impact, focus on "designing better CSR initiatives." They suggest a reorientation of long-established empirical approaches to CSR, shifting toward widespread use of organization design principles. This would enable managers to better determine the most effective practices for addressing specific social problems. They provide seven guidelines to help firms implement and learn from design principles.

Sandra Waddock reminds us, though, that no matter how well firms select, manage, design, and assess their social initiatives, they may still have limited impact. There is a broader ecosystem in which firms and their initiatives are embedded, and this ecosystem has significant practical impact on the ability of firms to create social impact. While individual firms can have localized impact, many major social issues require courageous leadership to alter the broader context in which businesses operate.

Kathleen Rehbein, Ronei Leonel, Frank den Hond, and Frank de Bakker directly address how firms seek to exert influence over this broader context. They empirically examine how "firms that are changing the world engage politically." Their study explores the corporate political activity of firms that have been recognized for their efforts at shared value creation. They find that many of these good firms do not disclose their advocacy or match it well with their shared value creation activities. Thus, these firms could do more to leverage their political tools to promote public policies to support their social goals.

Jerome Williams, Sterling Bone, Glenn Christensen, and Alexandra Tebbs show us, though, that even when advocacy works, and laws and regulations change to require socially responsible behaviors, firms may find ways to avoid them. These avoidance measures prove not only socially but also financially irresponsible. Through multi-faceted, ongoing empirical analyses, they demonstrate that although racial discrimination in banking has long been illegal, racial disparities in the treatment of small businesses seeking loans continue. As a result, "good customers, good loans, and good money are literally walking out of their doors."

Clearly the path to doing better at doing good is complex. Michael Pirson and Reut Livne Tarandach walk us through a case study that provides context on how Greyston Bakery is managing this complexity as they attempt to restore dignity to the previously unemployed in a needy community. Greyston flips the well-established model of heavy screening and selective hiring of employees on its head, turning instead to open hiring practices. The case study finds that open hiring is not for every firm, and those firms that do succeed at it face many challenges to implementation. However, if done right, it creates much value for both business and society.

We close with Noa Gafni and Jeana Wirtenberg's interview of Gary Cohen, which helps us to understand how to bring these complicated moving parts together across a major multinational public corporation. Gary is Executive Vice President, Global Health & President of the BD Foundation (Becton, Dickinson and Company), as well as Founder of the Rutgers Institute for Corporate Social Innovation (RICSI). He explains how he has pursued corporate social innovation for decades and offers sage advice to those current and aspiring business leaders who wish to do the same.

Bridging the Islands of Partial Insight

The papers in this special issue identify and help firms to overcome the challenges of doing better at doing good. None of these papers started from a blank slate, of course. Others have written much about what profit-seeking firms can and should do for society. As Gary Cohen points out in his interview in this special issue, we can place socially oriented business activities into four broad areas: philanthropy, corporate social responsibility, shared value creation, and advocacy. Scholarship is extensive in each. However, scholarship seldom reaches across these areas. Rather, we have four largely disconnected islands of partial insight.

Through philanthropy, corporations provide direct donations that help many causes and communities. Through corporate social responsibility, corporations use their many resources toward the benefit of society. Through shared value creation approaches, firms develop profitable new products and services that address unmet societal needs. Through advocacy, corporations shape public policy in ways that can strengthen society. Each of these is an important and proven way for business to have a positive impact on society.

But a focus exclusively on any one of these areas can lead to muddled results. A firm may be charitable to its community while conniving with policymakers and regulators to avoid taxes or cheat its customers. A firm may be generous to its employees while polluting the environment. A firm can help society with one hand while harming it with the other.

A firm must take a comprehensive and coordinated approach to consistently do better for both society and itself. As the studies in this special issue show, firms face risk in implementing their social initiatives. Approaching them piecemeal only amplifies these risks. Philanthropy given under the wrong circumstances can backfire for both the giver and receiver. Corporate social responsibility can also backfire if not well-matched to the firm's brand. Shared value creation's pursuit of "win-win" outcomes can instead lead to losses if market demand does not materialize. Finally, a firm's efforts to alter the overall context of business through advocacy can put the firm out on a limb, potentially alienating key groups of stakeholders. An integrated strategy can lessen total risk to the firm while amplifying overall social impact. The more coherent a firm's social strategy, the more the parts fit together and are aligned with overall corporate strategy, the greater the good the firm can do, financially and socially.

Corporate social innovation (CSI) entails the creation and implementation of a coherent overall strategy. As noted in papers that follow, the Rutgers Institute for Corporate Social Innovation defines CSI as the integration of a company's full range of capabilities and assets within innovative business models to achieve positive societal impact while advancing the success and sustainability of the enterprise. Contributors to this special issue offer insights as to what CSI looks like in theory and practice. As Warren and her colleagues note, if CSI is executed poorly, firms risk being seen as hypocritical. But as Gary Cohen has found, when done right, CSI can literally save lives while benefitting shareholders.

Looking Ahead: An I for an I, for an I, for an I, for an I

Per the Peter Parker Principle: "With great power comes great responsibility." With the great economic power held by corporations comes great responsibility to society. Most firms recognize and embrace their social responsibility. However, many firms lack ample understanding of how to be more responsible, at a time of great societal need.

How can a for-profit corporation better fulfill its great responsibility to society? CSI is a way forward. CSI moves beyond piecemeal efforts, integrating the range of established practices by creating a coherent overall strategy designed to achieve maximum social impact through effective and sustainable business practices. To better understand how to research it as well as how to manage it, it may be helpful to think of CSI not as just innovation but as a series of steps, to include invention, innovation, intrapreneurship, integration, and impact.

Invention: Historically, many corporations and many individuals have narrowly construed doing good as doing economic good. A rising stock price, the broadening provision of goods and services, and the employment and community development that comes along with an economically vibrant firm (albeit decreasingly so in the digital age and with the global gig economy) are indeed critical for a healthy, sustainable society. What's good for GM can be good for America!

But firms today are expected to do good for society directly, not just as a byproduct of their economic activity. Adapting to this significant shift in societal expectations requires a significant shift in corporate mindset. Whether the result of executive epiphany, exigency and emergency, enlightened self-interest, or all of the above, firms must decide to value and prioritize society directly, if they are to discover new ways to do so. Once a firm sets the tone at the top that society is valued, then the energy and imagination of all those within the firm can be fully unleashed, greatly increasing the odds of inventing new ways to address social problems.

Innovation: Innovation starts where invention stops, by finding practical ways to implement new ideas. Firms often fail at this stage; many inventions wither, unexploited. The classic example is Xerox PARC, where some of the greatest technologies of the digital age were invented but never turned into viable products. Instead, other companies such as Microsoft and Apple capitalized on these great inventions, changing the world along the way. Corporate leaders like Bill Gates and Steve Jobs recognized the value of these inventions and developed the organizational capacity to successfully develop and market them.

It takes not just visionary but also practical leadership to turn inventions into innovations. As Baker and Powell explain in this special issue, to be successful in standing up new social initiatives, leaders must find constructive ways to deal with the conflicting material interests and identities of team members. Leaders like Gary Cohen of BD and Bernie Glassman of Greyston Bakery, each outlined in this special issue, combined vision with practical managerial skills to shepherd promising social inventions around the organizational hurdles that stand between a promising idea and its successful implementation.

Intrapreneurship: Whether in sync with or in lieu of a top-down corporate emphasis on social innovation, a firm's lower- and mid-level employees can also serve as social innovation champions, helping turn good ideas into good practices. Much of the social innovation literature focuses on bottom-up efforts, often deemed intrapreneurship, providing guidance to employees on how to drive change from below. Many great ideas come from the lowest levels of firms, but absent the insights, resources, and standing to push forward, they fail to advance. Organizational bureaucracy has a natural tendency to stifle and kill their development. Firms instead must find ways to educate, engage, and encourage their budding social intrapreneurs. For more than a decade, the Aspen Institute has offered its First Movers Fellowship Program to build corporate capacity for social intrapreneurship.

Integration: The crux of corporate social innovation is integration. To be effective, corporate leaders cannot just speak about social responsibilities from the top, nor can employees just push innovations from below. Earnest efforts, bolstered by adequate corporate resources, are needed from both the top and bottom, as well as from across the firm. These efforts must not be marketing ploys or recruiting tools; they must be embedded in the firm's overall strategy. They must be authentic, consistent with the firm's brand, and in line with its advocacy efforts. Uncoordinated piecemeal efforts risk working at cross-purposes and being perceived as hypocritical, whereas alignment lessens risks and amplifies outcomes.

Impact: A firm cannot learn how to do better, if it does not know how well it is doing. Yet the literature has given little heed to measuring how well social innovations are doing. That is not to say that no outcomes are being measured. In fact, thousands of studies of the business case have focused almost exclusively on determining the myriad of tangible and intangible returns to firms from their good deeds. However, absent evidence that a firm has actually done good for society, it is inappropriate to declare that the firm has done well by doing good. The business case is no good if we only know that the firm has done well. Thus, to improve understanding of the business case, we need to ramp up measurement of the impacts of good deeds on the targeted social groups. As Henriques and Husted note in this special issue, this entails designing experiments, sharing best practices, and continuously improving, so that we learn how to use firms' limited resources in ways that maximize social impact.

Conclusion

Old mindsets are hard to change. Even speaking to classrooms filled with those who genuinely believe that business has significant social responsibility and have been participants and leaders in efforts to fulfill these responsibilities, I have found that most quickly default to assuming that managers must often make tough decisions that inevitably lead to social harm. In their minds, that is just the nature of business sometimes. The tough part of decision-making, as they see it, is having to move forward with a particular action even though they are enlightened enough to know that it will cause harm to some. But that is not being tough. The tough decisions are those in which you move forward with an innovative action that will do social good even though uncertainty remains about just how profitable it will be. It is not always easy to find the business virtue in doing good, and it is immeasurably more complicated to reorient an entire firm toward corporate social innovation. This special issue is intended to help firms recognize and overcome these challenges by offering theoretical and applied insights.

Special Issue Editor

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