12 Social Innovation

Reinventing Sustainable Development

Inequality ▪

Unemployment ▪

Injustice ▪

Poverty ▪

Lack of opportunities ▪

▪ New models of CSR

▪ Collaboration

▪ Sustainability

▪ Education

▪ New Opportunities

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accenture

Alto rendimiento. Hecho realidad.

Fundación Accenture has worked with the **Bankinter** Foundation of Innovation on the production of this Future Trends Forum (FTF) study and also helps to disseminate the work of this leading independent voice in the field of prediction and innovation. The consultancy firm has placed all its knowledge at FTF's disposition, together with its extensive expertise in turning companies and institutions into high performance organisations.

Acknowledgements

Our special thanks go to all the members of the Future Trends Forum (FTF) who made our last meeting such a great success, particularly those who actively contributed to this publication:

■ In the organization and methodology of the Future Trends Forum meeting:

Mr. Christopher Meyer
Mr. Brook Manville
Mr. Garrick Jones

■ For participating as speakers at the meeting:

Ms. Maria Blair
Ms. Kury Cobham
Mr. Alex Counts
Dr. Mahabub Hossain
Mr. Richard Kivel
Mr. James Koch
Mr. Nishant Lalwani
Mr. Ted London
Mr. Álvaro Martín
Mr. Guillermo Miranda
Mr. Jorge Nuño
Mr. Javier Santiso
Dr. Diana Wells
Mr. Chris West
Mr. Andrew Wolk
Ms. Jocelyn Wyatt

We would also like to offer our sincere appreciation to everyone on the team, for their dedication and their fine work in developing the contents of this publication:

Bankinter Foundation of Innovation
Ms. Andreea Niculcea
Ms. Julie Slama
Ms. Marce Cancho
Ms. María Teresa Jiménez
Ms. Irene Ibarra Rodríguez

Accenture
Ms. Eva López Suárez
Ms. Cynthia Gregsamer Montes

Many thanks.
Bankinter Foundation of Innovation

Contents

Executive Summary

The global society faces **challenges of increasing complexity:** ineffective healthcare systems, environmental degradation and climate change, accelerated urbanization, fragmentation of contracts, and uncertainty regarding the coverage of basic needs in the medium term. And, most importantly, it seems clear that the current model of progress is not prepared to respond to this expanding set of problems.

Imagine a new model of social and economic organization that intrinsically embraces ethical values and sustainable development: welcome to "smart globalization." In the words of the Rockefeller Foundation, the challenge is to harness these creative energies and direct them towards sustainable progress in communities around the globe. Smart globalization is the goal and **social innovation** is the method aimed at designing and implementing better approaches for meeting ever-evolving social needs. Its architects range from government-run institutions and nonprofit organizations to the new social entrepreneurs that are changing the face of social action. Throughout this study, we will analyze all these aspects to chart out a map of social innovation, as well as describe the trends in the path toward sustainability that will determine how we address the major global challenges of the century.

Social open innovation: reinventing cooperation between agents

Cooperation between **social agents** is clearly an outstanding issue in the field of social innovation. As the number of agents increases, it becomes necessary for them to work together to develop synergies, particularly between companies and NGOs. Institutional support and financing continue to be scarce, hindering social innovation, while social problems intensify. The goal should be for governments to create enabling environments for social entrepreneurs by promoting innovation, rewarding performance and replicating the success on a larger scale.

Corporate social responsibility in the 21st century

Society increasingly perceives global businesses as the only institutions strong enough to meet the long-term social and environmental challenges facing our planet. As such, **corporate social responsibility** has now become an "obligation." We are seeing the emergence of standard guidelines to determine how companies carry out and convey their efforts aimed at social and environmental sustainability.

Scaling social innovation in a globalized world

Within the social action sector, one often finds countless local programs in a given neighborhood or city, yet they lack an organizational structure that can bind them together to maximize the time, funds and creativity invested so as to repeat the experience elsewhere. Thus, one of the basic challenges facing social innovation is to **replicate** and scale successful business models, in order to make an even

greater positive impact. What are the **main obstacles** met by those agents looking to scale? First and foremost, they have **little government support** along with the **problem of financing** the projects**.**

Sustainability in times of uncertainty: ensuring the future

We are witnessing a transition in which nonprofit organizations no longer depend on donations for their survival. In its present state, the social innovation sphere depends to a large extent on the advent of hybrids that blur the boundaries between the private, public and social sectors. This is the so-called "fourth sector," which appropriates businesses practices for social purposes. There it is common to find "hybrid" business models for addressing major societal challenges that blend attributes and strategies of the three traditional sectors. For now, there is minimal standardization for evaluating the track record of these models since no consensus has been reached on the suitable metrics for assessing the effectiveness of their business and measuring its impact.

Lessons learned: searching for new ways to solve old problems

In the new area of social innovation we have seen the emergence of a new business model, which could even be considered a sector of its own, in which social-purpose organizations adopt the organizational forms of the business world. There is growing competition among these organizations to respond to social problems by offering solutions of greater efficiency, effectiveness and sustainability. We are also seeing increasing levels of specialization. By targeting specific segments of the population, social agents are able to reduce costs, leverage economies of scale and focus on a narrower, more specialized range of activities.

The fight against poverty and the commitment to development

Developing countries' excessive reliance on charity from developed countries is anything but sustainable. While it is true that efforts have shifted in their nature over the past two decades to programs more in line with self-sufficiency, what will really shape solidarity in the 21st century are two trends: the market solutions for serving the "bottom of the pyramid" and the social entrepreneurs that emerge from the developing countries themselves.

Environmental protection

Despite the fact that politicians worldwide have added environmental issues to their agenda of international diplomatic relations, they are still lamenting the "limited progress in the climate negotiations" at Copenhagen. Fortunately, the range of environmental programs, far from being traditional ecosystem conservation projects, largely stand out as being innovative, creative, technological and scalable.

Social cohesion: framework for inclusion and development

At the beginning of the 21st century, we started noticing the effects of an increasingly fractured social contract. The slightest disturbance causes sharp rises in unemployment, medical costs exceed workers' ability to pay, companies often cut social benefits, and government is no longer able to curb social inequalities. There is a crucial need to implement models that contribute to social welfare and promote economic activity to achieve development for the disadvantaged communities and excluded groups. Now more than ever, it is time to move toward building a globalized civil society.

The right to health

Health is a right to which everyone should be entitled. Unfortunately, there is a vicious circle that affects poverty and disease. Poor people suffer from more—and more serious—diseases, a fact that is compounded by their limited access to healthcare. Even when healthcare is available, the cost of using it exacerbates these people's poverty, thereby further feeding the vicious cycle. Nevertheless, the problems arising from an inefficient healthcare system are also found in developed countries. Due to rapidly aging populations, social benefits have taken on increasing importance in developed countries, where the health needs of seniors, the disabled and working families are not always fully met. Social innovation is the answer to many of the challenges existing in the field of health, from finding the cure for diseases, to establishing new lines of distribution for attending to the less accessible population.

The commitment to education

Education systems in developing countries are characterized by poor, often politicized management, a high rate of teacher absenteeism (due to AIDS), and a degree of corruption that prevents the necessary funding and resources from arriving. Education systems in developed countries suffer from overcrowded schools and safety issues, parents who are not actively involved in their children's education, problems integrating immigrant children, unmotivated faculty, poor teaching quality, and a failure to adapt to job-market needs and global competition. The battle must be waged on multiple fronts, namely: ensuring access to education from an early age and improving the quality of the system. To guarantee that equitable, equal-opportunity, quality education is regarded as a universal human right, everyone—from the state to individual families to society at large—must be committed to it.

Social innovation is not a stroke of luck, or something that happens by chance. It is in fact highly dependent on the necessary foundations being set in place for promoting open collaboration between social agents, institutional support through favorable incentives and policies, and the advent of new business models that make efficient and sustainable use of technology in their projects. This community is responsible for adapting to a new environment and avoiding the risk of

innovation remaining exclusively on paper so as to allow some social and environmental issues in the headlines and political agendas to be resolved once and for all. Companies like this represent the future of social innovation, capable of creating sustainable, scalable organizations that deliver reasonably priced and essential goods and services that raise the standard of life for even the most socially disadvantaged people. Hopefully, these socially conscious, sustainable organizations will discover the path toward solving the challenges facing us in the 21st century.

Chapter 1

Foreword

1 Foreword

The year 2006 ought to go down in history as a key date, a turning point in the transformation of cooperation for development and social action. The revolution began brewing since the 1980s, built up steam in the '90s and materialized in the opening decade of this century. And then in 2006, three symbolic events marked the definitive start of a new era: the metamorphosis of Bill Gates from entrepreneur into philanthropist, the awarding of the Nobel Prize to Muhammad Yunus, and the publication of *The Fortune at the Bottom of the Pyramid* by C.K. Prahalad.

Gates' decision consolidated the professionalization process taking place in foundation management and philanthropy. The recognition of Yunus gave legitimacy not only to microfinance, but also to the very concept of the social entrepreneur. Meanwhile, the book by Prahalad brought a radical change to the conception of social responsibility for companies.

In June 2006, Bill Gates, one of the world's richest men, announced his intention to step down as chairman of Microsoft in order to devote himself completely to philanthropy projects through his foundation, which already had over 30 billion dollars in assets. Soon after Gates' decision became known, his friend and fellow billionaire Warren Buffett announced his intention to double the holdings of the Gates Foundation with a gift of another 30 billion dollars in shares of his company Berkshire Hathaway.

In 2006, the Gates Foundation disbursed nearly $1.9 billion toward international development aid, healthcare and improving secondary education in the United States (the official aid budget of Spain in 2006 totaled just over 3.2 billion euros). Since then, the contributions have progressively increased, surpassing the $3 billion mark this year.

The Gates Foundation is transforming the world of philanthropy, and not simply for the size of its contributions, but thanks to its analysis, decision-making and results-evaluation processes. Gates did not hesitate to draw a parallel between his roles at Microsoft and the Foundation: both organizations seek innovative solutions, both require a variety of multidisciplinary teams, both need top-notch human talent and both take a strategic, result-based approach. That professional, analytical, strategic, result-based approach is one of the key aspects of the new philanthropy.

In October 2006, the Norwegian Nobel Committee announced the awarding of the Nobel Peace Prize to Muhammad Yunus for his efforts to "create economic and social development from below." Yunus' award was a historic recognition for an entire class of modern social activists that are now known as "social entrepreneurs" for their ability to apply business mechanisms to solving complex social problems "from below."

Social entrepreneurs create innovative, economically self-sustainable solutions to complex social and environmental problems by founding new companies to provide

products and services that are not available in the market. As with any successful entrepreneur, social entrepreneurs are clever, pragmatic opportunists. However, they do not consider economic profit to be an end, but rather a means of generating resources to serve a particular social cause, such as: poverty reduction, improvements in health or education, social justice and equal opportunity.

The Yunus success story consisted of creating the first major microbank, Grameen, in Bangladesh. Grameen is a financial institution that furnishes loans and other financial services to millions of marginalized people, with the aim of helping them rise out of poverty by their own means. The example of Grameen has inspired hundreds of similar organizations in other parts of the world. In 2007, one of them, Compartamos Banco, took the concept of social enterprise even further by becoming listed in the Mexican stock market (despite lacking the approval of Yunus). The success of Grameen, Compartamos and hundreds of other social enterprises has proven that the ground rules for the company and the market can also serve economic and social development.

The idea that poverty and other social injustices and market failures can be eradicated precisely through business and market solutions is the central argument of the Prahalad bestseller. According to the book, large firms should not view poverty as a problem, but rather as an opportunity; they should not view the poor as poor people, but rather as potential customers. By doing so, says the author, not only will they be able to create new sources of revenue, but also help combat poverty through the creation and distribution of new sources of wealth.

The so-called "bottom of the pyramid models" offer a conceptual framework for action that differs greatly from the traditional models of corporate social responsibility, which associate corporate philanthropy with reputation instead of core processes of innovation and business development.

These three cases (Gates, Yunus and Prahalad) are symbolic of the new era of social action and highlight the keys to the new models of economic development, which some refer to as "Global Development 2.0": viewing the common market as a solution (not only as a problem), making decisions based on analysis and science (not only on personal passion), seeking decentralized solutions from the bottom up (not only centralized and from the top down), having confidence in the project and personal inventiveness when seeking solutions (as opposed to major policies and institutional decisions), and perceiving the enterprise as an essential tool for development (not as an outside, potentially detrimental agent).

This new publication from the Future Trends Forum – Bankinter Foundation of Innovation presents an overview of these trends, which open a window of hope into the future.

Ángel Cabrera
President of Thunderbird School.

Chapter 2
Introduction

2 Introduction

In today's world, social action is a highly disparate concept compared to the traditional idea that once inspired nongovernmental and nonprofit organizations, whose scope of action is limited to raising funds to combat poverty in developing countries. The social agents involved in social and environmental causes have come to the realization that it is not sustainable to give funding for humanitarian aid unless long-term solutions are put in place to ensure some degree of continuity in terms of the necessary resources. Meanwhile, the recipients of those social actions themselves have reached the same conclusion, convinced that it is of little use to have a supply of fish if there is no fishing rod.

We are currently witnessing a major shift in mindset toward the so-called "smart globalization," whose objective arises from the need to find a global model of social and economic organization that is, above all else, sustainable. Social innovation has emerged from the search for lasting, sustainable solutions for the challenges posed by the current global socioeconomic situation: addressing the issues of climate change and limited resources; fighting poverty and social inequality; protection against natural disasters and epidemics; the right to social benefits in the context of an aging population; improving infrastructures and communications; and, ultimately, the need for sustainable growth. The Future Trends Forum experts consider that the kinds of social innovation projects deserving priority above all others are those that foster social change, versus those centered on making better use of resources, creating new products, or building better infrastructures (see Figure 1).
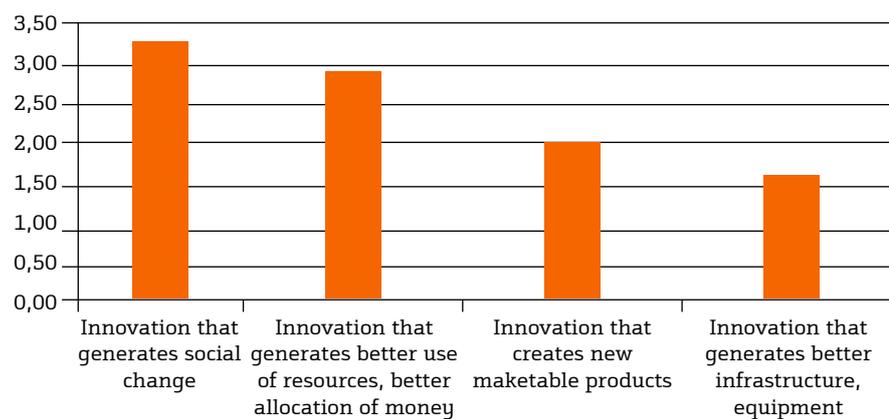
Figure 1: Priority of the different types of social innovation according to the Future Trends Forum experts.
Source: Prepared by the authors.

Social innovation responds to the aim of applying a new perspective to the task of alleviating social and environmental problems, taking a creative approach and looking for a ways to replicate effective solutions elsewhere. Throughout this publication, we will refer to the aforementioned characteristic as the "scalability" of products, services and business models that emerge as part of the social innovation process. However, scalability is not the only challenge standing in the way of social agents working toward improving the effectiveness and impact of their actions. It is becoming increasingly apparent that those involved in the social innovation arena must find ways to interact and cooperate in order to develop the right synergies. Somehow, as contradictory as it may seem, it is vital for these agents to collaborate and, at the same time, for there to be a certain level of competition that fosters the creation and implementation of a wide variety of innovative and sustainable projects and programs. This becomes progressively more complicated since more and more social agents must be brought into the mix: private foundations, the social entrepreneur, nonprofit organizations, etc.

Within this new environment of social agents, they speak of a "fourth sector" as the new group of organizations, both for-profit and not-for-profit, that are leading social innovation and proliferate at the crossroads between the public, private and social sectors to address unfulfilled needs, be they social or environmental. Also notable here are the roles played by government, educational systems, corporate social responsibility of businesses and individuals, all of whom being part what is known as "collaborative social innovation." Web technology has enabled the transfer of information and ideas between the participating agents through blogs and Internet sites where experts and enthusiasts converge to share and solve problems that call for an innovative outlook.

For its part, the private sector is also redefining its role in the process of social innovation. On one hand, corporate social responsibility (CSR) is seen as a challenge: the current economic and financial crisis is not an excuse for organizations to leave it out of their core corporate strategy. Despite the difficulties involved in setting standards for reporting on CSR, companies that do not weave it into their focus areas will be at a disadvantage versus their competitors. Going beyond the realm of CSR, the business world has now thrown its hat into the social innovation ring. There are increasingly more private organizations seeking sustainability and economic autonomy, making their primary activity the search for solutions to the current social and environmental issues, even doing so with zero profitability. Despite being founded with a clearly defined social objective, they take advantage of the functionality and organization of the private sector for developing and implementing their social programs, to make an even greater positive impact. Coupled with this new modus operandi is the use of certain indicators that allow for monitoring the result of their activity, which could prove somewhat difficult inasmuch as it involves intangible accomplishments.

The final chapter focuses on the models of social innovation that contribute to well-being in the social action arena from varying points of view. The eight

Millennium Development Goals, adopted by the international community as a framework for the development processes of over 190 countries in 10 regions, have served as a backdrop for classifying the programs that are leading social innovation in each area and set a clear example for other programs sharing the same objectives. We begin by analyzing the business models that target the bottom of the pyramid, namely programs for eradicating poverty and promoting development. The trend points toward the application of market solutions to social problems, based on the viewpoint that, by involving the bottom of the pyramid in the formal economy, it helps generate wealth for families in disadvantaged communities and drives the country's economic growth. An additional factor is the increased importance of the role played by social entrepreneurs from developing countries, who search for new ways to solve old problems. Then we discuss some models that are arresting environmental degradation and ensuring the limited supply of energy resources. Thirdly, we examine the models that contribute to social welfare and nurture economic activity for the development of disadvantaged communities, particularly in developing countries. However, that same social welfare is approached in terms of solving "homegrown" social problems derived from the current crisis, such as unemployment and increased poverty. Fourth, we address the models that reduce the "10/90 gap" and resolve the inefficiency of health systems, in both developing countries and developed countries. Lastly, we look at some educational models that lay the foundation for a system whose maxim is to guarantee education as a human right, without forgetting that the spirit of innovation must start in the classroom.

In short, this publication strives to reflect the main characteristics of a new landscape in social action, where innovation and the application of new technology are two constants in the quest to meet the challenges facing the human race in the 21st century.

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Chapter 3

The contribution of social innovation to "smart" and sustainable globalization

3 The contribution of social innovation to "smart" and sustainable globalization

"Our shared challenge is to harness these creative energies and direct them to drive sustainable progress in communities around the globe. Our common efforts must serve to assure that as economic conditions improve, the world's most vulnerable people can access tools and techniques, ideas and innovations, strategies and solutions to build better futures. We call this smart globalization […]."

Rockefeller Foundation.[1]

Globalization is a given. From the moment Christopher Columbus set foot on the New World up to today, history has shown constant signs of a drive to expand, ultimately leading to the increasing integration of world economies. Many factors have fostered a geopolitical setting in which the exchange of goods and services, capital, individuals and information is on the rise. An acceleration in the spread of policies, the domino effect of both bull and bear economies, the technological revolution as a source of many breakthroughs and telecommunications as a decisive engine for the pace and scope of change in our environment are all evidence of an unprecedented global interdependence.

The initial hypothesis is that the advance toward globalization is just an example of the global commitment to solve commercial, financial and geopolitical deficiencies and to boost social welfare. However, it is increasingly obvious that the current model of progress does not consider the side-effects of the urge for spectacularly accelerated growth. Developed economies are faced with increasingly complex challenges such as solving the impact of the global crisis and excessive debt, or environmental problems that are aggravated by the negative impact of their growth models on natural and energy resources. In addition, they are subjected to increasing pressure from citizens seeking customized services and from the impact of an aging population on the level of wealth and on social expenditures.

Similarly, certain overly export-driven emerging economies, particularly in Asia, have recently been showing high savings and "underconsumption" patterns. This phenomenon stems from a drop in their product prices, which is possible due to lower labor costs and capital accumulation, caused partly by sales of their natural resources. This has enabled them to cover the debt of developed countries that require financing as a result of the economic crisis, boosting globalization and interconnection between different countries. However, the greatest challenges are still to come. These emerging economies have started hopping onto the consumption bandwagon, with an emerging middle class that imitates the Western lifestyle. This in turn increases the pressure on natural, energy, capital and human resources. Both sides—developed and emerging economies—feed back into each other, making for frequent financial disturbances and speculative bubbles that have ended up unleashing a global recession.

A third variable must also be factored into this equation: developing countries. The flip side of progress is that half of the world's population is still living on less than

[1] *Smart Globalization: Benefiting More People, More Fully, in More Places,* The Rockefeller Foundation 2007 Annual Report.

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four dollars a day. Let's face it: poverty and social exclusion are far more pressing issues than we would like to think of offhand. The domestic social fabric in developed countries is also vulnerable to the disturbances that are usually associated with developing countries. In times of economic recession such as these, this fact becomes increasingly relevant, since we are faced with highly diverse social groups and classes dropping below the poverty line. We see this in the number of Spanish families seeking help in meal centers and charity services after the scourge of the crisis—yet another reason to wonder whether the former economic growth was sustainable after all. Although researchers point out that extreme poverty has dropped significantly in Spain over the past decade—from about three and a half million to a half a million—the fact is that moderate poverty has barely gone down at all.[2]

The current economic situation is a reminder that there are deficiencies in the ways in which markets operate and that corrective action must be taken. Traditionally, governments have covered these deficiencies, such as poverty, inequality, the supply of public goods, etc., but the crisis is reducing government income and, therefore, the gaps in these areas are widening. In developing countries that suffer from a structural lack of resources, these gaps are far more apparent, and problems such as the lack of infrastructures and social benefits call for a new approach in searching for solutions. Against this backdrop, the forecast is for these gaps to be increasingly breached by social innovators who perceive an opportunity in this new setting.

Yet what would happen if innovative creativity were used to improve the situation of the neediest, to balance the global scales? What if we reconsider the way in which our planet can support better consumption and production patterns for a population of close to seven billion inhabitants? Welcome to "smart globalization." This change in the approach to globalization (as it has been viewed up until now) is based on qualitative development, leaving strict quantitative growth in the background. The goal is to implement a new model of social and economic organization that is intrinsically bound to ethical values and sustainable development. This not only calls for major structural changes; it also requires an effective political will and a radical change in the mindset of our society; the intention is already there. We see recurrent, widespread topics in expert forums and international headlines: the challenges of climate change, limited resources, fighting poverty and social inequality, protection against natural disasters and epidemics, the right to social benefits in the context of an aging population, improving infrastructures and communications, and, ultimately, the need for sustainable growth.

The role of social innovation

A nationwide survey in the United States conducted jointly by the Rockefeller Foundation, one of the longest-standing, most innovative and influential foundations in the world, and *Time* magazine in the summer of 2008 (before the crisis had a chance to show its darkest side) pointed out that "Americans want new

public policies. They want government and their employers to enter into a new kind of social contract. Americans also understand that their roles will have to change and that the 21st century is going to demand different things of them as well. [...] The opportunity for innovation is real, in part because resources are limited. Whether it's innovation in public policy, whether it's a White House Office of Social Innovation, whether it's new kinds of models of public-private partnership, all of these are going to be necessary."[3]

Smart globalization is the goal; social innovation is the method. Although the innovation process has traditionally been associated with creating or improving products and services, it is applicable to other aspects such as reinventing business processes, creating new markets or changing the use of distribution channels. By extension, social innovation refers to all the strategies, concepts, ideas and organizations that attempt to fulfill all sorts of needs, ranging from a community's economic development, education, and healthcare to any other social or environmental action. Ultimately, social innovation strives to design and implement better ways to cover social needs, either in entirely new ways or by combining existing elements to come up with new results. The idea is to generate the greatest possible value for society from the smallest amount of resources, where *value* is understood as the ability to make up for the deficiencies in a society at every moment, and acknowledging that those deficiencies always change over time.

There is a large variety of agents promoting social innovation, from up-and-coming social entrepreneurs who apply entrepreneurial practices to solve social problems, to institutions managed by governments or nonprofit organizations. Unfortunately, the agents involved often face many obstacles when pursuing social innovation measures. On one hand, the traditional nonprofit and NGO sector lacks a system that actively encourages innovation, since more often than not the need to provide immediate help takes precedence over developing a longer-term strategy. On the other hand, many of the best ideas never get beyond the paper stage because they are unable to secure funding that will take on the risks and materialize project incubation. According to the Future Trends Forum experts, the current economic and financial recession will have a particularly negative impact on social innovation projects because it will not only be harder to secure funding and subsidies, but also because it will become increasingly complicated to manage a profitable business in the social realm. Looking on the bright side, the crisis may urge people to get more involved in social action projects. In addition, many organizations will be forced to manage their scarce resources more efficiently and apply financing methods that prioritize income and business sustainability. This may have a positive effect if the so-called "social sector" becomes more streamlined and self-sufficient.

What we have here is a great opportunity for social innovation. Governments and businesses are primarily responsible for promoting social innovation to address the short-term and structural challenges facing today's economies. The short-term challenges are a direct consequence of the recession and the instability caused by

[3] "Q&A: Judith Rodin," *Stanford Social Innovation Review,* 2009.

the crisis that is being experienced across the globe. As we witness bailouts of banks and major sectors whose future is decisive for the rest of the economy, we realize how urgent it is to speed up testing and implement models that can offer greater and better results using fewer resources, with the ultimate goal of mitigating the devastating consequences of the crisis. One could say that the onset of the financial crisis has merely accentuated the problems (climate change, the implications of caring for an aging population, etc.) that we could see coming for decades. Social innovation is the recipe for solving the major challenges of the 21st century, and the crisis has only heightened its importance. According to the experts, the only way out of the recession is to pass the recurrently failed test of sustainable development.

However, governments do not prioritize the need to overcome major social and environmental challenges, and consequently do not allocate more funds to easing the recession than to subsidizing social innovation. In addition, they collect fewer taxes and, obviously, have to spend more in defraying the consequences of the recession through unemployment aid or the rescue plans mentioned earlier, for instance. Meanwhile, businesses no longer fund philanthropic efforts or social aid projects; their main concern is to cut back on spending. Social entrepreneurs, the major engines of social innovation, watch their options for advancing a social business model dwindle, often due to lack of funding. In emerging and developing countries, the situation is even worse. Not only are governments unable to fund projects of this nature through taxes, but there is no efficient business network to channel funding.

Meanwhile, international resources aimed at easing these structural deficiencies are shrinking on account of the crisis. In addition, governments, supranational, and multinational organizations proved inefficient in addressing those social problems. Very large organizations were established, but their solutions were either ineffectual or partial. In some instances, this type of management ended up perpetuating the problem by creating an aid-only culture. For instance, money was provided, but not the tools for tackling the problem independently. This led to greater global awareness, and entrepreneurs began to show increased concern for these social illnesses. That was when the truly entrepreneurial spirits decided to tackle the problem with management tools.

The current economic climate is going to generate a greater need and demand for welfare services. That is where innovation comes in: we must provide more services using fewer resources, foster cooperation and create easily replicated models for change. Society is taking on highly complex challenges that call for new ideas in a fast-changing environment where it is crucial to be flexible and alert. Many experts deny that the idea-generating process is primarily affected by lack of capital; they believe it is actually more sensitive to other factors, such as institutional support. According to NESTA (the National Endowment for Science Technology and the Arts, an independent organization aimed at promoting innovation in the United Kingdom), "flexibility is a much more powerful factor for change."[4] For its part, the Gartner research group suggests "a four-pronged

[4] "It's not about the money, say the risk takers," *Social Pioneers, The Guardian* supplement (03/18/2009).

approach: creativity, challenging, collaboration and cooperation."[5] As a matter of fact, the latter two are increasingly frequent among the agents involved in social innovation (governments, social entrepreneurs, firms, the nonprofit sector, etc.), giving rise to what is referred to as collaborative social innovation or crowdsourcing. Once again, technology enables society to make connections and foster relationships that would not occur otherwise, in a platform where the common goal is to generate and share problems and solutions coming from many different perspectives. Later on, we will analyze the importance of these social networks and cooperation between the agents involved.

Given this situation, it is hardly surprising that leaders have begun to make significant changes in social innovation programs. In May 2009, for instance, the Obama administration announced its intention to request a $50 million allocation of the following year's budget for seed capital for its Social Innovation Fund.[6] To quote the first lady, Michelle Obama: "The idea is simple: to find the most effective programs out there and then provide the capital needed to replicate their success in communities around the country that are facing similar challenges. By focusing on high-impact, result-oriented non-profits, we will ensure that government dollars are spent in a way that is effective, accountable and worthy of the public trust."[7]

The expression "necessity is the mother of invention" reminds us that innovative thinking must thrive during recessions, and that when some doors are shut, others always open up. Social innovation is the long-term solution for sustaining global economic growth, but the task calls for more than just maintaining coordinated programs and measures. A culture of ongoing innovation must be promoted within organizations, covering everything from generating new ideas to testing and applying them at a greater scale so as to lead change and fulfill the needs of smart globalization. It is crucial for all the agents to join forces: governments, social entrepreneurs, businesses and NGOs. The process must also include optimizing the allotted resources and achieving better results. The notion of sustainability has also taken hold within the area of social action and the organizations promoting it attempt to implement it both internally, striving for self-sufficiency to ensure their future, and in the communities they help out, based on the assumption that if you give a man a fish, you feed him for a day, but if you teach a man to fish, you feed him for a lifetime. Meanwhile, we must remember that innovation is critical for the process and that it is no longer viewed as new products or services; now it is extended into the scope of what some refer to as "complex public goods," such as a safe, clean environment.[8]

Over the following chapters, we will analyze all these aspects to chart out a map of social innovation and capture the trends that have been emerging and will determine the future depending on how we address the major global challenges of the century. Special focus will be given to those cases in which new solutions are found for old problems. Unless we resolve these outstanding issues, achieving sustainability is bound to be an uphill battle.

[5] "It's not about the money, say the risk takers," *Social Pioneers, The Guardian* supplement (03/18/2009).

[6] http://www.whitehouse.gov/blog/What-Is-the-Social-Innovation-Fund/.

[7] http://www.whitehouse.gov/blog/What-Is-the-Social-Innovation-Fund/.

[8] Charles Leadbeater, *Social enterprise and social innovation: Strategies for the next ten years,* November, 2007.

The main challenges

4 The main challenges

"Try again. Fail again. Fail better."
Samuel Beckett, Irish writer, playwright and poet

One of the reasons for the onset of social innovation is the existence of unfulfilled social and environmental needs, "a gap between what there is and what there ought to be, between what people need and what they are offered by governments, private firms and NGOs, a gap which is constantly widened by the emergence of new technologies and new scientific knowledge."[9] The so-called "fourth sector" leading social innovation is a new group of organizations at the crossroads between the public, private and social sectors. It is distinguished by implementing practices that cross traditional sectorial borders to develop new social relationships between agents. Its goal is to develop innovative activities that will cover unfulfilled needs, be they social or environmental. The agents are responsible for extending social innovation beyond what was initially a marginal area. The following aspects have been identified by the Future Trends Forum experts as "accelerators" of success in social innovation, having moved out of the background and into the spotlight of current events:

- Innovation applicable to models for business and products; not haphazard findings, but rather deliberate pursuits.

- Private companies' ability to solve social and environmental problems more effectively than governments.

- Collaborative innovation as a future ecosystem for sharing ideas among a greater variety of agents in an environment that is open to participation.

- The role of technology (communications, the Internet) to facilitate collaborative innovation.

We mentioned earlier that the reason for the existence of social innovation was the gap between the problems we are facing and the solutions that are currently available. These problems can be viewed from three different perspectives[10]: problems that intensify (from diversity and conflict to climate change and mental illness), models that are failing or stagnant (from traditional electoral democracy to criminal justice) and fields where new possibilities are not being adequately exploited (such as mobile technologies and open-source methods).

There is still much work ahead, but in addition, many of the challenges facing social action organizations must be overcome so they can improve their operations and increase the impact of their efforts.

First of all, there is an outstanding issue involving cooperation between social agents. Despite the advent of new open collaboration structures, much remains to

[9] *Social Innovation. What It Is, Why It Matters, How It Can Be Accelerated,* Saïd Business School, Oxford, 2007.

[10] *Social Innovation. What It Is, Why It Matters, How It Can Be Accelerated,* Saïd Business School, Oxford, 2007.

be done in terms of the potential synergies between them. The relationship between businesses and NGOs or nonprofits has not fully developed. Institutional support and financing continue to be scarce, hindering social innovation, while social problems intensify.

Secondly, corporate social responsibility is becoming a requirement, something more than a mere enhancement to marketing campaigns in private companies. We are starting to see the emergence of standard guidelines to determine how companies carry out and convey their efforts aimed at social and environmental sustainability. The crisis and the resulting strategy of focusing on short-term measures to overcome the recession are no longer acceptable excuses for companies to put off developing sustainable and socially responsible businesses.

Thirdly, one of the challenges that has elicited the most discussion is that of achieving "scalable" high-impact projects that are primarily reliant on innovation and technology. Even if efforts multiply to address an increasing number of social and environmental goals, the fact is that the opportunity cost of not replicating existing innovations elsewhere is of critical importance to the impact of social action. If we are capable of taking the successful cases and replicating their results in other communities where similar needs exist, we will be developing the necessary skills for creating an environment of sustainable, lasting social action.

In addition, we are witnessing a transition in which nonprofit organizations no longer depend on donations for their survival; now they are established as companies with entrepreneurial goals and organizational structures, striving for sustainability and economic independence. How the stage for social innovation is set depends to a large extent on the advent of hybrids that blur the boundaries between the private, public and social sectors, as we discussed previously. Significantly, in his speech about food security during the G-8 Summit in L'Aquila (Italy) in the summer of 2009, Barack Obama stressed the importance of programs being implemented "sustainably" and of stimulating the private sector in countries receiving aid.

Finally, measuring results has become one of the requirements for proving that these efforts are economically sustainable. Companies striving to achieve sustainability can hardly assess their progress unless they analyze a series of measurements and key performance indicators to find out whether their business is effective, measure their company's impact on its environment, and compare it with that of other efforts. Obviously, applying these measurements to social and environmental areas is difficult because of the complexity involved in determining the most appropriate ones in each case; besides, the reporting system for results has yet to be adequately standardized.

Social innovation is not a stroke of luck, or something that happens by chance. True though it may be that the great ideas referred to as *big bangs* by the Future Trends Forum experts do exist, social innovation is actually far more dependent

on the necessary foundations being set in place for promoting open collaboration between social agents, institutional support through favorable incentives and policies, and the advent of new business models that make an efficient and sustainable use of technology in their projects. This community is responsible for adapting to a new environment and avoiding the risk of innovation remaining exclusively on paper, so as to allow some social and environmental issues to make the headlines and allow political agendas to be resolved once and for all.

a. Social open innovation: reinventing cooperation between agents

Social innovation cannot be solely associated with the nonprofit sector. In recent years, there has been a growing consensus about the importance of the role of other agents in social action, particularly that of social entrepreneurs. One of the most widespread conclusions among the Future Trends Forum experts regarding social innovation is the need for closer collaboration between social agents; for the most part, many view social entrepreneurs as the link between different sectors, communities and institutions. A metaphor is often used to illustrate this fact: On one side, we have the "trees," which are the major government agencies, companies, and nongovernmental organizations with roots, power and money. On the other side are the "bees"—social entrepreneurs, professional or community groups that develop ideas with a certain degree of creativity and passion for what they're doing. Generally speaking, the bees have the necessary energy and ideas, but are not as good at implementing them, whereas the trees have financial power and influence, but lack innovative drive. Successful change occurs when the two join forces, when the bees pollinate the trees and simple ideas turn into programs and policies.[11]

Synergies between companies and NGOs

Clearly the challenges of sustainability are too complex to be addressed independently from one another. All the agents and stakeholders involved need to be committed to applying innovative, entrepreneurial, result-oriented, and potentially scalable solutions to social and environmental problems. To do so, we need stronger collaboration between social agents: cooperation to implement the measures, coordination between the different processes involved, compatible tools and shared development of new financing methods. "Overall, harmonization and interoperability will reduce redundancy, enhance competition for the best tool and solutions, increase market demand for infrastructure services, and align individual incremental efforts [...]."[12]

The main objective of this cooperation between agents is to develop synergies, particularly between companies and NGOs. On one hand, private companies have internalized a sense of obligation to implement corporate social responsibility within the organization. Now there is actually an increase of business startups with purely social objectives that apply an entrepreneurial approach to their resource management and organization in order to maximize their impact. Meanwhile, nonprofit organizations are adopting increasingly similar structures to

[11] *Social Innovation. What It Is, Why It Matters, How It Can Be Accelerated,* Saïd Business School, Oxford, 2007.

[12] *The Emerging Fourth Sector,* ©1998-2008 Fourth Sector Network.

those of private companies, seeking the potential of a greater scale, of measuring results or of financial power. Furthermore, it is becoming apparent that the boundary between private companies and nonprofit organizations has begun to fade, as many of the innovations that emerged within the private sector have been applied to address social challenges that had traditionally been dealt with by nonprofits. As we will examine later on, many experts refer to a "fourth sector" with a proliferation of business models at the intersection of the private, public and social sectors.

According to Jacqueline Novogratz, founder and CEO of Acumen Fund, the contact that develops between businesses and social entrepreneurs is determined by a variety of factors: "First, we will see more corporations reaching out to social enterprises and traditional NGOs to facilitate the strengthening, expansion, and deepening of their own supply chains. Corporations are designing and developing affordable, useful products for the poor but they lack the real understanding of how poor communities work and, in some cases, lack the flexible distribution systems (and trust) to reach those communities effectively. NGOs and many social entrepreneurs, on the other hand, can have a deep knowledge around markets serving the poor but may lack the infrastructure, resources, or management depth to bring needed products to them. [...] Second, we already are seeing a changing zeitgeist among many employees of big corporations, so we will likely see more activity from employees at all levels of a MNC that are focused on serving social enterprises and the poor directly."[13] Therefore, the connection between businesses and social enterprises can provide considerable synergies with benefits for both parties involved. According to a Harvard University publication,[14] the benefits of new social alliances between agents cover a wide range of aspects:

- **Improved operational efficiency:** achieving reduced costs, increased process efficiency and better service delivery.

- **Product and service innovation:** partnerships can create openings for the more effective and responsive design and delivery of goods and services.

- **Organizational innovation:** helping the organization to develop new, creative ways of operating to meet complex challenges and opportunities.

- **Development of human capital:** creating new opportunities for training, mentoring, exchanges, incentive programs, awareness raising, volunteering and leadership development.

- **Better access to information:** sharing valuable information to improve risk management.

- **Enhanced reputation and credibility:** building better relationships with key stakeholder groups.

[13] *Growing Opportunities: Entrepreneurial Solutions to Insoluble Problems*, Allianz, Du Pont, Skoll Foundation and SustainAbility Collaboration, 2007.

[14] *Harnessing the Potential of Partnership Between Corporations and Social Entrepreneurs*, Harvard University, March 2006 (source: Nelson, J. and Zadek, S., *Partnership Alchemy*, The Copenhagen Center, 2001).

■ **Creation of a stable society:** this is the critical long-term interest of business and a direct objective of government and many NGOs.

The social entrepreneur and the government: one cannot exist without the other

At the beginning of this chapter, we pointed out that there are social agents who lead and shape social innovation. Without these "bees," these social entrepreneurs, it would be difficult to come across the combination of creativity, talent, confidence, personality, drive, intuition and energy[15] required for innovation in the social arena. When it comes to assessing the relative importance of certain social agents with regard to others, most of the Future Trends Forum experts agree that the agent with the greatest potential for innovation in terms of social action is, without a doubt, the social entrepreneur (see Figure 2), followed at a certain distance by nonprofit organizations, which have traditionally been viewed as the pioneers of social innovation.
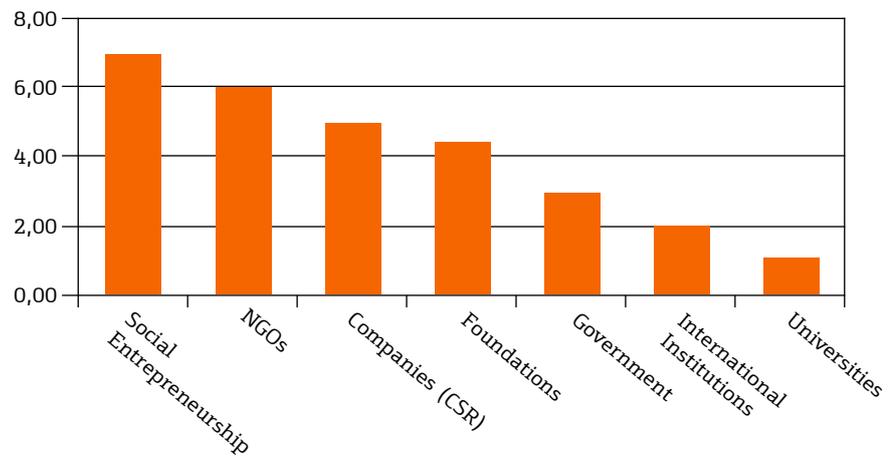
Figure 2: Ranking of social agents according to their potential for innovation in the social action arena.
Source: Prepared by the authors.

There are many definitions of a "social entrepreneur," but after extensive research, perhaps the one that captures the most important nuances is the one offered in a publication by Andrew Wolk, a member of the Future Trends Forum and the founder and CEO of Root Cause, a nonprofit organization that advances enduring solutions to social and economic problems by supporting social innovators and educating social impact investors. Social entrepreneurs are agents that respond to market failures with transformative, financially sustainable innovations, and are uniquely positioned to help government officials address our toughest social problems. They combine business principles with a passion for social impact and

[15] "Are Entrepreneurs Born or Made?" http://www.scribd.com/doc/33700/SG-KE-Are-Entrepreneurs-Born-or-Made.

demonstrate three core characteristics: social innovation, accountability and sustainability.[16]

The Future Trends Forum experts have also identified the social entrepreneur as a person who develops and implements innovative solutions to create a positive social impact, combining entrepreneurial discipline with an innovative perspective, all in pursuit of a social goal. The social entrepreneur leads change by following the triple-bottom-line principle (economic, social, and ecological performance) and has the ability not only to make efficient use of the available resources, but also to make the most of limited funding. Some experts from the Future Trends Forum have actually suggested that the term "social" is redundant, given that "the very definition of the entrepreneur of the future must consider that social responsibility is an integral part of his or her concepts and business models. Therefore, any aspiring social entrepreneur must exhibit exactly the same qualities and skills as any other entrepreneur: a fabulous idea, the ability to implement it, practical business skills—in other words, the ability to operate a business effectively and make money from that idea—the passion and determination to do everything it takes to succeed, and the conviction that nothing is impossible."

Some of the qualities most broadly identified by the Future Trends Forum experts as typical of a social entrepreneur are: "active," "well-organized," "sustainability-oriented," "resourceful," "determined," "helpful," "disciplined," "persistent," "empathic," "capable of identifying opportunities" and "honest with stakeholders and with him or herself." Certain organizations such as Ashoka or Skoll, whose mission is to support these entrepreneurs, have each developed their own criteria for identifying those whose efforts they believe will be successful.

The eternal question is whether the social entrepreneur is made or born. Those who believe that social entrepreneurs are endowed with an innate talent claim that qualities such as determination or low risk aversion, which are common traits among these individuals, are built into their DNA. Advocates of acquired social entrepreneurship claim that people can be trained to transform inspiration into a business concept by persisting and refusing to take "no" for an answer until they achieve an impact on society. The latter school of thought has led to an increase of university and business school programs specifically aimed at helping potential social entrepreneurs focus their careers on social innovation. A Harvard Business School bulletin published an illustration with the following caption: "We can't teach people how to come up with ideas, but we can teach them how to analyze ideas already available to them."[17] Innovation is not just about coming up with new ideas; it's also about the advent of new perspectives or ways of seeing things, and that approach can indeed be taught.

[16] Andrew Wolk, *Advancing Social Entrepreneurship,* Root Cause/MIT, April 2008.

[17] http://www.alumni.hbs.edu/ bulletin/1997/february/made.html.

Most experts agree that the educational system must be capable of conveying the difference between a good idea and a good opportunity. In order to do so, the curriculum must include everything from how to secure financing for your idea, to how to assess market demand and replicate business models, and to finding ways

of mitigating risk. Educators can be among the main forces spreading optimism and perseverance for carrying out social projects.

Throughout this study, we will come back time and time again to the critical importance of the government's role in fostering a favorable environment for the efforts of social entrepreneurs. Andrew Wolk has a vision of the government's new role in the 21st century: "One day, government will proactively encourage social innovation and have the necessary tools and knowledge to identify and support the most efficient, effective, and sustainable solutions to pressing social problems". It is also important to note that the governments of many developing countries must offer even more than that, given their lack of basic infrastructures. Wolk, author of many specialized publications on the subject, offers a series of recommendations for the US Government (although his conclusions are applicable to other governments as well) to achieve advancements in creating an enabling environment for social entrepreneurs by promoting innovation, creating the appropriate environment, rewarding performance, replicating success at a greater scale and producing knowledge (see Figure 3).

This new model, characterized by the existence of a coordinated government that is willing to help, promote and reward social entrepreneurs, could unleash the enormous potential of social entrepreneurs, who are capable of finding more innovate, creative ways of solving social problems. Overall, there are three lines of action:

1. **Set the groundwork for a new era for social entrepreneurs** by establishing the institutions and standards to support and promote this group, gathering and educating the three sectors (public, private and social) to solve critical social problems, developing award programs to acknowledge and reward innovative, effective, sustainable solutions, and publishing results on the performance of social organizations.

2. **Take political measures to facilitate and foster a conducive environment for social entrepreneurship** by tearing down the obstacles encumbering projects and the potential replication of successful models, exploring tax systems that favor new business models, and allocating a percentage of the government budget to innovation and funding competitive processes.

3. **Develop and allocate financial and non-financial resources** by creating public and private social innovation funds and coordinating resources to produce replicable solutions.

	Encouraging Innovation	Enabling environment	Rewarding Performance	Scaling Success	Producing Knowledge
Lay the Foundation for a New Era of Social Entrepreneurship					
1. Establish institutions that support and promote social entrepreneurship	✓	✓	✓	✓	✓
2. Allow greater autonomy. Set standards. Publish results.		✓			✓
3. Convene the public, private, and nonprofit sectors on critical social issues to advance. solutions	✓	✓			✓
4. Develop awards programs to recognize and reward innovative, effective, and sustainable solutions.	✓	✓	✓	✓	✓
5. Educate all three sectors in social entrepreneurship's new approach to social problem solving.	✓	✓			✓
Set Policy to Enable and Encourage Social Entrepreneurship					
6. Strive to set policy and remove barriers to encourage social entrepreneurship and scale success.	✓	✓		✓	✓
7. Explore new tax structures to enable new organizational forms.	✓	✓	✓	✓	
8. Allocate a percentage of agency budgets toward innovation.	✓	✓			
9. Open earmarked funds to competitive processes.	✓	✓	✓	✓	✓
Develop and Leverage Financial and Non-Financial Resources to Encourage Social Entrepreneurship					
10. Seek partnerships with foundations and corporations to support social-entrepreneurial endeavors.	✓	✓		✓	
11. Create a public/private social innovation fund.	✓	✓	✓	✓	✓
12. Coordinate volunteer resources to scale solutions.	✓		✓	✓	
13. Establish a National Social innovation Foundation.	✓	✓	✓	✓	✓

Figure 3: Recommendations for Government to Advance Social Entrepreneurship.
Source: Andrew Wolk, *Advancing Social Entrepreneurship,* Root Cause/MIT, April 2008.

The new social entrepreneur: the "intrapreneur"

Clearly the figure of the social entrepreneur is currently viewed as the engine behind many efforts in the area of social innovation. Similarly, new social agents have begun to appear and gain strength within large corporations. They are referred to as social intrapreneurs, who work inside major corporations to develop and promote practical solutions to the social or environmental challenges where progress is currently stalled by market failures. Environmental activists often wonder whether true social or environmental innovation is compatible with large corporate structures, given that these organizations are more intent on "doing the right things" than on "doing things right."[18] These entrepreneurs are creating a niche in multinational corporations, where they incubate and implement business solutions aimed at providing added value according to the triple-bottom-line approach. So, then, what is the difference between a social intrapreneur and a social entrepreneur? Generally speaking, the former not only exhibits the qualities and carries out the activities that are typical of an entrepreneur, but also performs tasks with a corporate approach that is part of a company culture, strategy and process, provides a convincing portrayal of social projects in business terms, and

	Entrepreneur	Intrapreneur
1. Shrug off constraints of ideology or discipline	✓	✓
2. Identify and apply practical solutions to social or environmental problems	✓	✓
3. Innovate by finding a new product, service or approach to a social challenge	✓	✓
4. Focus – first and foremost – on social value creation	✓	✓
5. Succesfully navigate corporate culture, strategy and process		✓
6. Communicate social entrepreneurship in compelling business terms		✓
7. Build and inspire teams across a multiplicity of corporate divisions		✓
8. Jump in before they are fully resourced	✓	✓
9. Have a dogged determination that pushes them to take risks	✓	✓
10. Combine their passion for change with measurement and monitoring of impact	✓	✓
11. Have a healthy impatience – they don't like bureaucracy	✓	✓
12. Run their organizations	✓	

Figure 4. Spot the social intrapreneur.

[18] "Is it only about 'doing the right things' (leadership) or also about 'doing things right' (management)?" *The Social Intrapreneur: A Field Guide for Corporate Changemakers*, jointly published by Allianz, IDEO, Skoll Foundation and SustainAbility.

organizes workgroups with members from different departments and functional areas to promote greater creativity in innovation.

The individual as a new social agent

Up to this point, we have discussed the most common social agents in the area of social innovation. However, we have not yet mentioned the role of other participants who are now more relevant than ever: all of you. Using the Internet, individuals can now contribute their ideas and participate in discussions from anywhere, at any time. The best example of a proactive, comprehensive sharing environment is collaborative social innovation, also known as crowdsourcing. This trend involves the use of technology to foster the exchange of information and ideas among participating agents. In recent years, countless blogs and websites have sprung up offering multidisciplinary platforms where experts and amateurs converge to share and solve problems that call for an innovative outlook. A wide variety of contributions emerges from the community's degree of openness and the diversity of its participants' profiles. Welcome to the age of Web 2.0, the times of social networks and active participation in common-interest platforms applied to social action and the search for alternatives to concerns such as healthcare, safety, climate change and poverty.

Businesses and governments are no longer limited to developing websites with information on their social programs; they now offer environments where individuals can interact with the organizations to pursue social goals. Individuals no longer use websites as mere sources of information; they get involved, voicing their opinions and experiences or even rating the existing programs. In Spain, many government websites act as platforms for citizen participation aimed at compiling relevant information, opening forums for debate and fulfilling citizens' needs. In addition, users can access public profiles of social agents and people involved in the cause through sites such as kiva.org or globalgiving.com. These pages, considered to be the Facebook of social innovation, put social entrepreneurs in touch with people who are willing to fund innovative social programs. People with great ideas now have a way of communicating them; they also have a new potential source of funding that will enable them to carry out their projects. In some cases, websites allow users to visit a number of different project profiles, request a loan, and recover their investment when the project begins to prosper. This makes it easy to reinvest the money in another cause and develop a constant circulation of funding.

As the number of agents out there increases, it becomes necessary for them to interact, and, more importantly, to cooperate in order to develop synergies and boost all social innovation projects with a potentially major positive impact on society. Although we are fast approaching optimal collaboration, a lot still remains to be done and technologies such as the Internet pave the way toward enabling and reinforcing those connections.

b. Corporate social responsibility in the 21st century

In a sense, the current crisis has rekindled the concern for long-standing, unresolved problems such as climate change and social inequality. During a recession, people ask themselves the inevitable questions: what we have done wrong in different areas and how it can be resolved. The answers are many and varied, but a common basis is the need to renew the foundations on which recent growth was based and focus on economic and social sustainability. "Creative capitalism," a term publicized by Bill Gates, advocates a new form of capitalism in which companies harness market forces to generate profits while addressing social and environmental problems. Nobel Prize winner Muhammad Yunus, the founder of Grameen Bank in Bangladesh, advocates a proliferation of "social businesses" that harness corporate capacities in a new business form that seeks sustainable financial returns without substantial profit.[19] This follows the course of "impact investing," which includes only those activities focused on the deployment of capital with the intention of having a positive social or environmental impact. Both of these trends—social business and impact investing—can be attributed to the need brought about by the crisis for a more ethical, less profit-driven business environment.

Of the world's 100 largest economic entities, 63 are corporations, not countries. Great power creates great expectations: society increasingly holds global businesses accountable as the only institutions strong enough to meet the huge, long-term challenges facing our planet.[20] Traditionally, governments were the main source of funding for NGOs; this situation has changed drastically, and the business sector, which had been playing a minor role until recently, could now further reduce the government's presence in this area.[21] In other words, the perception of businesses as the engines that are truly capable of addressing social and environmental problems continues to grow. Besides, public opinion is more critical of the impact of businesses and their activity on the environment in which they operate. In a world where news headlines show up on our computer screens in a matter of seconds, companies' reputations are constantly at stake.

The concept of corporate social responsibility (CSR) stems from the notion that both private and public companies must be accountable to all their stakeholders. At this point, CSR is no longer optional. It has become a management principle that is gradually spreading across all companies, regardless of their sector or size. Without a doubt, companies are increasingly aware that their obligations to their stakeholders are more important than maximizing profits. Be it externally with customers and suppliers or in-house with employees and shareholders, the organization takes on a series of commitments that are increasingly aligned with a sustainability strategy. In business terms, sustainability includes everything from sound government to treatment of employees, environmental impact, influence on local communities, and relations with customers and suppliers.

Two changes have occurred in the approach to stakeholders in the area of corporate social responsibility. First of all, expectations of CSR compliance have

[19] *Investing for Social & Environmental Impact,* Monitor Institute, January 2009.

[20] "When Sustainability means more than 'green'," *The McKinsey Quarterly*, July 2009.

[21] "Responsabilidad social empresarial y socialismo del siglo XXI," http://www.desarrollosustentable.com.ve/Temporales/default/Data/RSE%20y%20socialismo%20del%20Siglo%20XXI.pdf

risen significantly. Many companies have started including corporate responsibility reports with their traditional financial reports. The information is usually featured in appealing formats, including corporate websites that act as virtual centers covering all their relevant socially responsible projects and efforts. Furthermore, this information has been gaining credibility on account of the international standard for contents provided by the Global Reporting Initiative (GRI), the organization that reviewed the 2008 Corporate Responsibility Report both for Bankinter and for Accenture Spain, rating the documents with an A+. This enables businesses to prove their sound commitment to their customers, staff, suppliers, society and the environment.

Meanwhile, the groups considered as stakeholders also appear to be diversifying. As we mentioned earlier, there are more people involved in a business than just the entrepreneur and the shareholders. For quite some time now, consumers have been showing a preference for brands with sustainable credentials. As far as suppliers are concerned, they are striving to align their objectives with those that are not solely profit-driven, but also focused on social and environmental issues. Potential employees also value a corporate culture in terms of its CSR when faced with the decision of whether to join the organization. Even investors take CSR as a performance benchmark for certain investments.

The Future Trends Forum experts claim that the quest for corporate responsibility stems from a company's efforts to improve its public image and its brand (see Figure 5). Secondly, they pointed out that the motivation for a corporate responsibility program is to hire and retain personnel, proving that the number and variety of stakeholders involved in a company are on the rise. Other reasons, such as cost cuts, tax breaks, investor relations, environmental concerns and pressure from the government do not appear to have as much relative importance.

Legend:
- Recruitment / retention of staff
- Cost management
- Public attitudes / building brand
- Tax relief
- Saving the planet
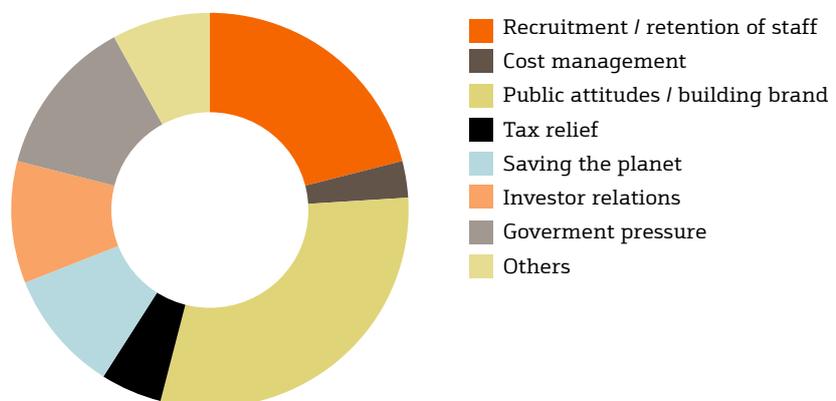- Investor relations
- Goverment pressure
- Others

Figure 5: Main factors stimulating corporate responsibility in companies.
Source: Prepared by the authors.

While the present political situation has helped and there are now more laws forcing companies to be socially responsible, many experts argue that CSR is not considered an additional burden to the corporate workload, but rather an opportunity for organizations to gain a competitive edge. If there were any doubts as to the effectiveness of CSR, the crisis is going to help turn it into a distinguishing factor: the companies that work it into their business strategies will have a higher chance of being sustainable and overcoming the recession. Those that prioritize short-term actions at the expense of more sustainable measures are unlikely to survive, and even less so to compete effectively in the future. As a matter of fact, 56% of the Future Trends Forum experts believe that the financial crisis will only accentuate the need for organizations to truly integrate responsibility into their operations. Studies show that a correlation exists between financial performance and CSR, which implies that socially responsible companies have a greater appeal for investors.[22] This high correlation between investment potential and responsibility has led to the appearance of certain projects that include sustainability as an investment benchmark, such as the Dow Jones Sustainability Index (DJSI) or the Carbon Disclosure Project. The latter was launched in 2000 to collect and distribute high quality information that motivates investors, corporations and governments to take action to prevent dangerous climate change. [...] 2,500 organizations in some 60 countries around the world now measure and disclose their greenhouse gas emissions and climate change strategies through CDP, so that they can set reduction targets and make performance improvements. To quote the Financial Times, "Disclosure [of this information] can spur innovation. The CPD [Carbon Disclosure Project] has shown that internationally consistent disclosure not only helps to pinpoint risk but also to generate opportunities."[23] Among other advantages, participation in this project can offer companies an opportunity for more efficient energy use, cost savings, high visibility and an image of accountability for their stakeholders, as well as a method for comparing themselves with other companies.

In addition to impact investing and standards for presenting social and environmental information, another common practice among companies is what is referred to as "cause-related marketing." This consists of an association between a private company and a nonprofit organization with the common goal of promoting the company's product or service while raising funds for the nonprofit activity. It differs from corporate philanthropy in that it does not qualify for tax breaks. The term was first used by American Express in 1983 to describe its fundraising campaign to restore the Statue of Liberty. American Express donated one cent each time its credit card was used. Was that disinterested help or commercial interest? Probably a bit of both. Regardless, the result was that 1.7 million dollars were raised for restoring the statue; the number of cardholders rose by 45% and card use was up 28%.

Triple sustainability in companies

Sustainability is not limited to a "green" product line, good intentions or a major marketing campaign. Sustainable development has to be evaluated from different

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[22] *A New Mindset for Corporate Sustainability,* White Paper sponsored by BT and Cisco, 2008.

[23] http://www.cdproject.net/about-cdp.asp.

perspectives to ensure that it is fulfilling the existing needs without compromising future generations' chances of fulfilling their own needs.[24] The term "triple bottom line"[25] implies company performance is measured according to three criteria: economic, social and environmental. It considers the impact of the company's activities on all three: maximizing long-term profits (economic), minimizing the impact of the company's operations and products on the environment (environmental), and fostering well-being among the people working within the company as well as those outside who are ultimately affected by the company's area of influence (social).

While applying innovation to social action is one of the main focuses of this study, we would like to point out a new turn of the screw in the triple-bottom-line concept with the appearance of S[2]AVE (Shareholder and Social Added Value with Environmental Restoration), an acronym that stresses the way in which organizations can—and must—address the three dimensions successfully and profitably, while becoming more streamlined and innovative (see Figure 6).
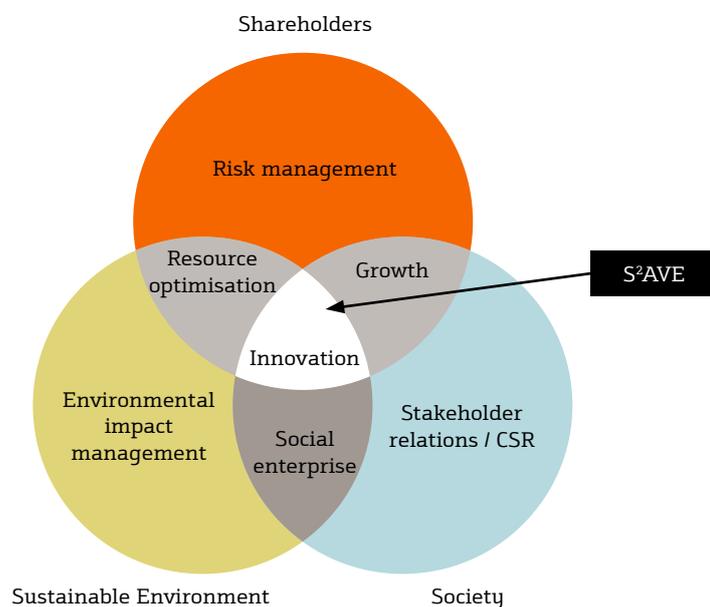
Figure 6: Management of economic, environmental and social expectations.
Source: *A New Mindset for Corporate Sustainability,* White Paper sponsored by BT and Cisco (2008).

Innovation can help open the doors to radical new business models, engage profitability with previously untapped markets, and enable the business to become a truly agile, strategic entity. [26] Despite major progress in CSR, there is still a long road ahead in terms of linking socially responsible projects to the organization's strategy and using innovation to develop those efforts. They are still considered as

somewhat independent elements, although CSR should actually be an integral part of the business strategy, and innovation must become one of the key components of the company mission. Clearly, weaving innovation into the corporate DNA can substantially improve the added value that a company is able to offer its stakeholders, while also countering the negative effects of its operations. Bearing in mind that innovation is sure to be the key for leading companies to overcome the challenges of sustainability in the future, those that develop innovation skills will probably prove to be the long-term survivors and competitors.

Economists Michael Porter and Mark Kramer make a distinction between "responsive" and "strategic" CSR (see Figure 7). The first is based on "good citizenship" and trying to mitigate harm from value-chain activities. These actions described above are almost sine qua non conditions of CSR, and thus another step is needed. Hence the second type of CSR, "strategic," entails gradually transforming value-chain activities to benefit society while reinforcing strategy. If the company invests in social aspects that strengthen company competitiveness, it will create shared value. A symbiotic relationship develops: the success of the company and the success of the community become mutually reinforced. The more closely tied a social issue is to the company's business, the greater the opportunity to leverage the firm's resources and capabilities, and benefit society.[27]

Generic Social Impacts	Value Chain Social Impacts	Social Dimensions of Competitive Context
Good citizenship	Mitigate harm from value chain activities	Strategic philanthropy that leverages capabilities to improve salient areas of competitive context
	Transform value chain activities to benefit society while reinforcing strategy	
Responsive CSR		**Strategic CSR**

Figure 7: Participation in society: a strategic approach.
Source: Michael E. Porter and Mark R. Kramer, "Strategy & Society: The Link Between Competitive Advantage and Corporate Social Responsibility," *Harvard Business Review,* December 2006.

[26] *A New Mindset for Corporate Sustainability,* White Paper sponsored by BT and Cisco (2008).

[27] Michael E. Porter y Mark R. Kramer, "Strategy & Society: The Link Between Competitive Advantage and Corporate Social Responsibility," *Harvard Business Review,* December 2006.

[28] Mahabub Hossain, Executive Director of BRAC; Presentation at the Future Trends Forum, June 3-5, 2009.

Which socially responsible business model is most appropriate?
Mahabub Hossain, Executive Director of BRAC and one of the Future Trends Forum experts, defined the social enterprise as a sustainable business model based on Corporate Social Responsibility. As part of his presentation at the Future Trends Forum meeting, he posed the question of how to strike the right balance between profit as a business goal and achieving the idealism of social work through philanthropy.[28] His answer was the BRAC business model (see Figure 8), halfway
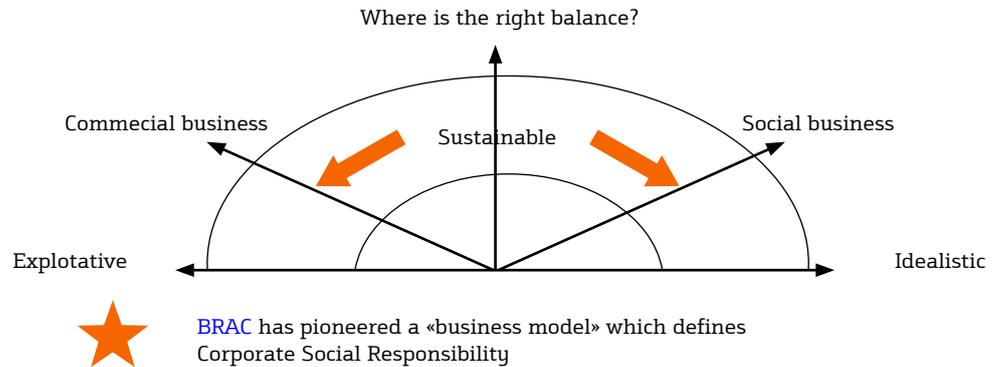
Figure 8: BRAC: An Overview of Programs and Engagement in Social Enterprises.
Source: Mahabub Hossain, Executive Director of BRAC; Presentation at the Future Trends Forum,
June 3-5, 2009.

between a for-profit company and a nonprofit social organization striving to help society in a profitable way. For this model, the point is not to maximize profits for the organization's shareholders, but rather to benefit its stakeholders, the millions of people out there who are living in the depths of poverty.

We explained earlier that markets do not always manage to fulfill poor consumers' needs, either because of the difficulty in reaching these people through traditional distribution channels or because sometimes it is not profitable enough to do so. We also pointed out that innovation is the way to overcome those obstacles and address environmental and social causes. Thus, the future of socially responsible business models lies in those capable of offering products and services at a significantly lower cost and creating them in a different way so as to reduce the social or environmental impact of their production. This must be done bearing in mind that the process involves many different players: social entrepreneurs, companies, service users, regulators, donors and politicians.

CSR in companies in emerging countries: development vs. sustainability

We are witnessing unprecedented growth in countries such as China, India, South Africa, South Korea and Turkey. Their markets do not have the ample experience in CSR that we find in developed countries. Nonetheless, to some degree, their fast-growing economies and populations force them to address the challenge of scarce resources and the quest for sustainable development. Yet we must ask ourselves whether it is fair to demand the same degree of commitment to good government standards from emerging countries when they do not yet have adequate legal systems in place or meet basic human rights requirements. Can we really expect these countries to comply with stricter environmental and legal regulations than the ones developed countries had to follow during a similar stage in their development?

Though it may seem that companies in emerging countries still have a long way to go in terms of CSR, the fact is that they are already showing their adherence to social and environmental principles—partly due to their urge to go global—and are moving into the limelight of their developed counterparts. "Despite China's reputation as a part of the world where the pressures for development are likely to outweigh any shift towards sustainability, there are a number of promising trends."[29] For example, China has started to publish annual sustainable development reports, harnessing toolkits such as the Global Citizenship 360 audit, which is in the process of compiling data based on five stakeholder categories: shareholders, workplace, community, market and environment. The survey includes 200 questions that are then used to write up reports based on the main corporate social responsibility and socially responsible investment benchmarks, the GRI or the Dow Jones Sustainability Index, both of which were mentioned earlier. There are also developments at the local level, such as in villages where the mayors have decided that solar or wind energy is the way forward or challenged every neighborhood to be more energy-efficient.[30] It is the first step toward an innovation-based promotion of sustainability that will make it possible to identify and tap new markets.

***

Seeking some constructive criticism as we drew to a close, we asked the Future Trends Forum experts what they perceived as the main obstacles for corporate social responsibility to spread to all companies and sectors. Overall, most agreed on validating the five challenges or problems facing the current situation of CSR (see Figure 9). They agreed that the concept and its application must still be defined, standardized and adapted.

[29] *A New Mindset for Corporate Sustainability,* White Paper sponsored by BT and Cisco, 2008.

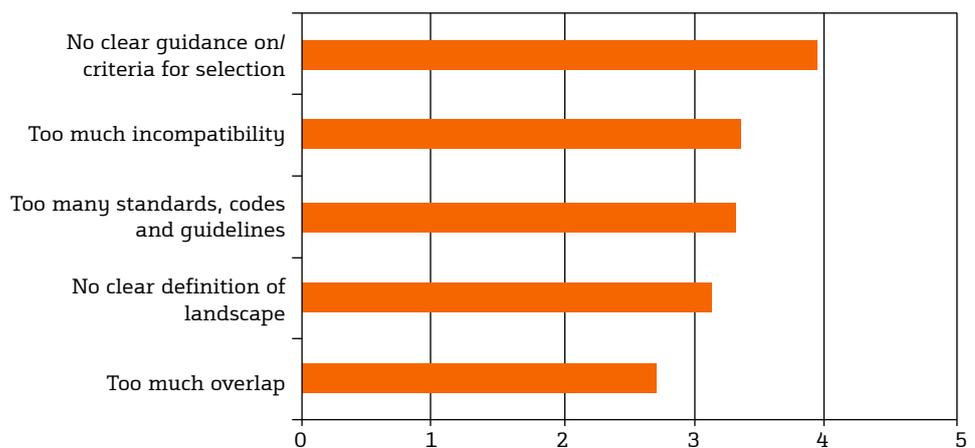[30] *A New Mindset for Corporate Sustainability,* White Paper sponsored by BT and Cisco, 2008.

Figure 9: Main obstacles for CSR, according to the Future Trends Forum experts.
Source: Prepared by the authors.

c. Scaling Social Innovation in a Globalized World

"Nearly every problem has been solved by someone, somewhere. The frustration is that we can't seem to replicate those solutions anywhere else."

Bill Clinton, former president of the United States[31]

In an earlier chapter we looked at the trend of nonprofit organizations establishing clearly enterprising structures and goals. It is not surprising, then, that in the same vein, they tend to create potentially scalable business models. The fact of the matter is that the market is dominated by companies operating on a global scale, thanks to sophisticated technological advances and innovative business models. Consequently, it is much harder for small businesses to survive in that competitive environment. Scaling, in the context of social action, offers greater social impact so that needs and issues can be more effectively addressed. The problem is that within the social action sector one often finds countless local programs in a given neighborhood or city, yet they lack an organizational structure that can bind them together to maximize the time, funds and the invested creativity so as to repeat the experience elsewhere. Thus, one of the basic challenges facing social innovation is to replicate and scale successful business models. Recently, progress has been made toward meeting this goal with the emergence of social entrepreneurs. "There has been a dramatic growth in awareness of, and support for the crucial leadership role played by social entrepreneurs – individuals who apply innovative, entrepreneurial, performance-driven and scalable approaches to solving societal problems, and who often act as bridge-builders between different sectors, communities, institutions and/or cultures."[32]

Figure 10 shows that, in contrast to the startup or development stage of a new business, the aim of the Scale step is to refine and exploit market penetration and diversification strategies and focus on market and product development. In addition, it involves putting specific business structures and processes in place, and building the organization's core competencies.

Scaling is only possible when the two previous steps have been completed: the startup phase, where needs are analyzed and potential solutions identified; and the stage of developing and testing a model solution. The involvement of social agents is, once again, critical in completing the project. Returning to our "bees and trees" example in the chapter focused on cooperation among agents, the former depend upon the latter for the resources needed to achieve larger-scale success. This means fostering an ecosystem of social innovation that allows for maximum impact of successful social and environmental business models and practices. In a certain regard, it shows that innovation has little to do with "eureka moments,"[33] in fact, quite the contrary: innovation, and particularly social innovation, is a process that requires a clear strategy, adequate resources and the necessary cooperation and support.

[31] "Going to Scale. The Challenge of Replicating Social Programs," *Stanford Social Innovation Review* (2003).

[32] *Investing in Social Innovation, Harnessing the Potential of Partnership Between Corporations and Social Entrepreneurs*, Harvard University (March 2006).

[33] *Social Innovation. What It Is, Why It Matters, How It Can Be Accelerated*, Oxford Saïd Business School (2007).

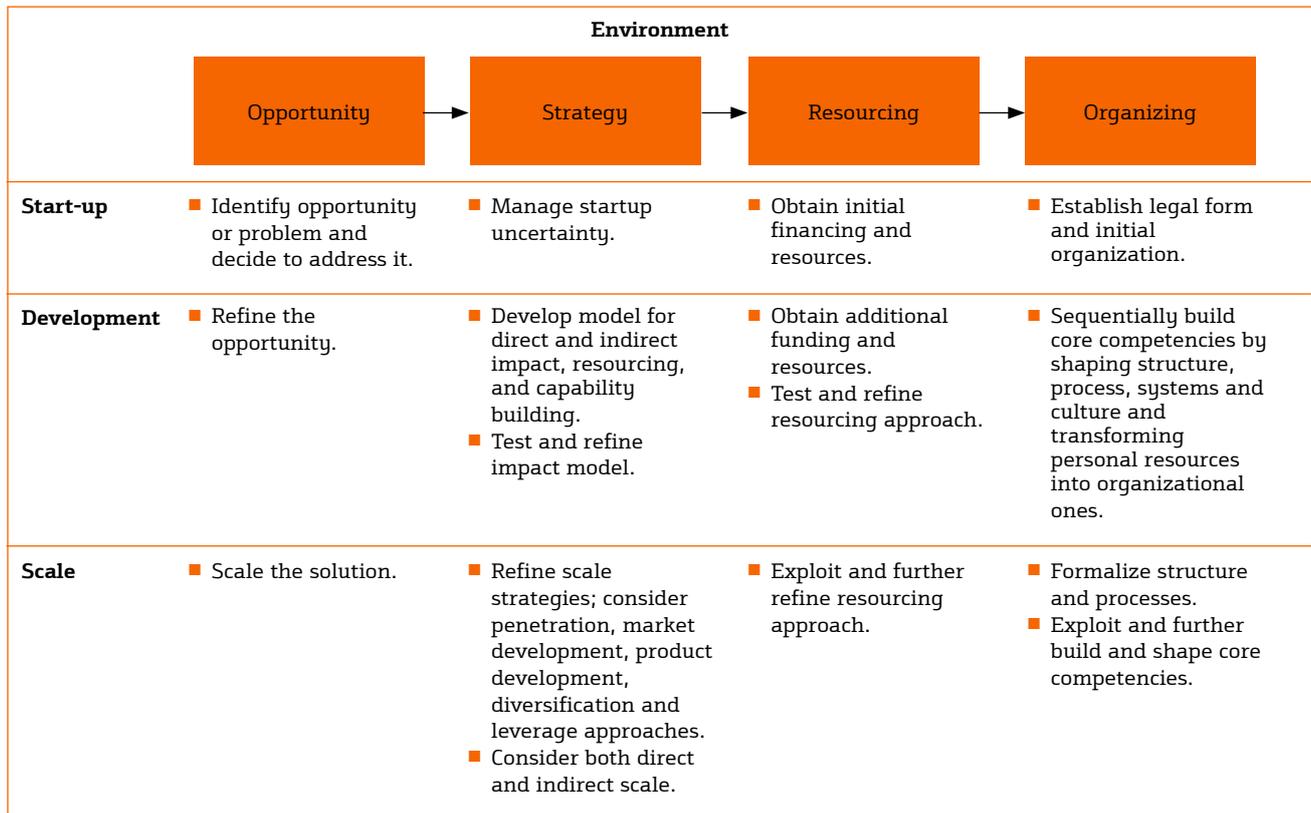| Environment			
Opportunity	**Strategy**	**Resourcing**	**Organizing**
Start-up			
■ Identify opportunity or problem and decide to address it.	■ Manage startup uncertainty.	■ Obtain initial financing and resources.	■ Establish legal form and initial organization.
Development			
■ Refine the opportunity.	■ Develop model for direct and indirect impact, resourcing, and capability building. ■ Test and refine impact model.	■ Obtain additional funding and resources. ■ Test and refine resourcing approach.	■ Sequentially build core competencies by shaping structure, process, systems and culture and transforming personal resources into organizational ones.
Scale			
■ Scale the solution.	■ Refine scale strategies; consider penetration, market development, product development, diversification and leverage approaches. ■ Consider both direct and indirect scale.	■ Exploit and further refine resourcing approach.	■ Formalize structure and processes. ■ Exploit and further build and shape core competencies.

Figure 10: Social Entrepreneurship: Pattern-Changing Entrepreneurs and the Scaling of Social Impact.
Source: David A. Sherman (Weatherhead School of Management).

Scaling up can be achieved in different ways, from serving a larger number of people, to improving quality and increasing the number of services provided. Some options include opening new subsidiaries and forming alliances among agents in order to strengthen the activity's impact.

Opening new subsidiaries, also referred to by numerous US journals as "replication strategy," is the most common scaling practice in social businesses. The ITNAmerica network describes itself as, "the first and only national non-profit transportation system for America's aging population. [...] Our goal is to create an efficient and financially sustainable solution to the transportation needs of seniors and their families throughout the world." The organization was founded in Portland, Maine, but thanks to invaluable help from the government, it quickly spread to other parts of the United States.[34] Another example of this kind of support comes from the European Commission, that created a market opportunity for social entrepreneurs and large corporations by calling for solar energy systems to be installed on half a million roofs by 2010. This entails the launch of a $10 billion market and the creation of 100,000 new jobs.[35] These examples show that

[34] Social Entrepreneurship & Government: A New Breed of Entrepreneurs Developing Solutions to Social Problems, a Root Cause Report (2007).

[35] Scalable Solutions: The Role of Social Entrepreneurship in Solving Sustainability Challenges, Skoll Foundation (November 2006).

in many cases governments provide scaling opportunities through laws or subsidies, to encourage certain activities.

All indications are that the social action sector will consolidate, "with some efficient organizations gaining scale, some merging and then growing, and some failing to achieve either scale or efficiency and eventually shutting down."[36] In this context, what are the main obstacles met by those agents looking to scale? First and foremost, there is little government support. Some experts contend that the government should leverage its role in enabling the scaling of social innovation.[37] According to a report by Root Cause, whose president, Andrew Wolk, is a member of the Future Trends Forum,[38] the methods used by government agencies to give impulse to business scaling include: "encouraging social entrepreneurs to innovate; creating enabling environments for their efforts; rewarding their performance; helping scale their successes; and producing knowledge to help them solve social problems." In short, if the government does not at least create a playing field on which to explore solutions and, ideally, provide incentives for the development and implementation of new solutions, then it will seriously hinder the survival of social and environmental programs with the potential to scale up. In many developing countries, the government needs to provide basic infrastructures and address the rampant corruption and obstacles that undermine social entrepreneurs. Furthermore, it has an important role to play in establishing minimum standards for scaling business models, in terms of rules and quality of services.

Coupled with the lack of institutional support is the problem of financing the scaling of those businesses. Generally, we find certain nonprofit organizations to be somewhat dependent on contributions from "unsustainable" and undependable sources. While it is true that NGOs are very good at attracting no-strings-attached aid, some are unaware of how to access more profitable market financing sources that could bolster the aid they receive. Furthermore, in developing countries the banking system does not cover the needs of small and medium-sized businesses, which happen to be the main source of innovative ideas in the social sphere.

What often happens is that, over time, individuals involved in social action allow inertia to take over and do not rethink their finance strategy and thus don't explore new potential sources of funding. "Serving the poor is typically relatively expensive, and there is often a need to invent new and disruptive business models, which existing players lack an incentive to do."[39] In order to scale a business model, you have to build a reputation, find financing and suppliers from other sources, and develop distribution capabilities and ways of attracting clients. Given the specialized and high qualifications of most social entrepreneurs, one would consider them the best-prepared agents to confront those obstacles and be forerunners in developing business models capable of replication and scaling.

According to experts attending the Future Trends Forum, who provided a list of revenue sources for social enterprises, government funding came in with the highest percentage, closely followed by foundation money (see Figure 11).

[36] The Future of Social Enterprise Harvard Business School Working Paper, V. Kasturi Rangan, Herman B. Leonard, and Susan McDonald (2008).

[37] *Investing for Social & Environmental Impact*, Monitor Institute (January 2009).

[38] Social Entrepreneurship & Government: A New Breed of Entrepreneurs Developing Solutions to Social Problems, a Root Cause Report (2007).

[39] *Investing for Social & Environmental Impact*, Monitor Institute, January 2009.
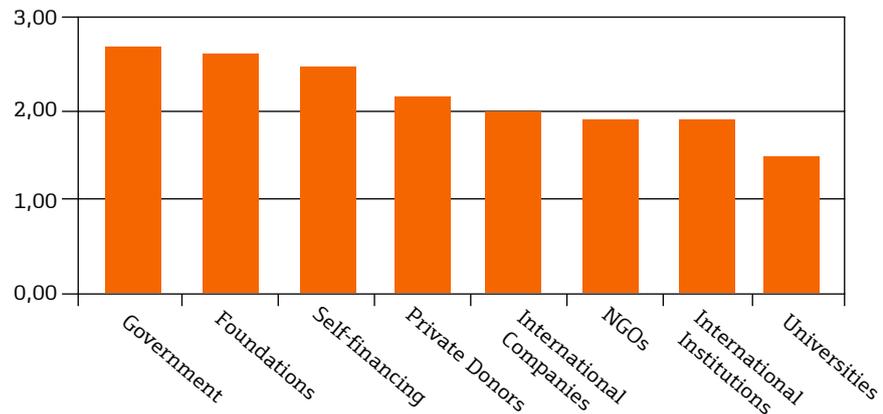
Figure 11: Relative importance of the different funding sources for social agents.
Source: prepared by the author.

Nonetheless, we are beginning to recognize the importance of self-financing, thanks to "fourth sector" business models that seek sustainability through nontraditional funding sources.

Organizational conditions for scalability

As previously noted, the big challenge in social innovation is to create high-impact projects that are also scalable. To achieve that, we must reconsider the existing models and explore ways to maximize the available resources and encourage possible synergies to foster scaling. In the conclusions of the study "Scaling Capacities: Supports for Growing Impact,"[40] which analyzes 28 social enterpreneurships,[41] seven organizational capacities are identified as having a clear influence on the success of a scaling strategy (see Figure 12).

1. Mission
Clearly defining and adhering to the mission provides focus for decision-making and resource deployment during the scaling process.

2. Structure
There must be a balance between control and flexibility because scaling, particularly when it entails organizational expansion, places great challenges on organizational and management structures. The challenge is to balance control with flexibility for innovation and impact.

[40] *Scaling Capacities: Supports for Growing Impact*, LaFrance Associates LLC (July 2006).

[41] The organizations were chosen based on their level of scaling and their issue area of focus (e.g., economic and social equality, environmental sustainability, health, institutional social responsibility, and tolerance and human rights).
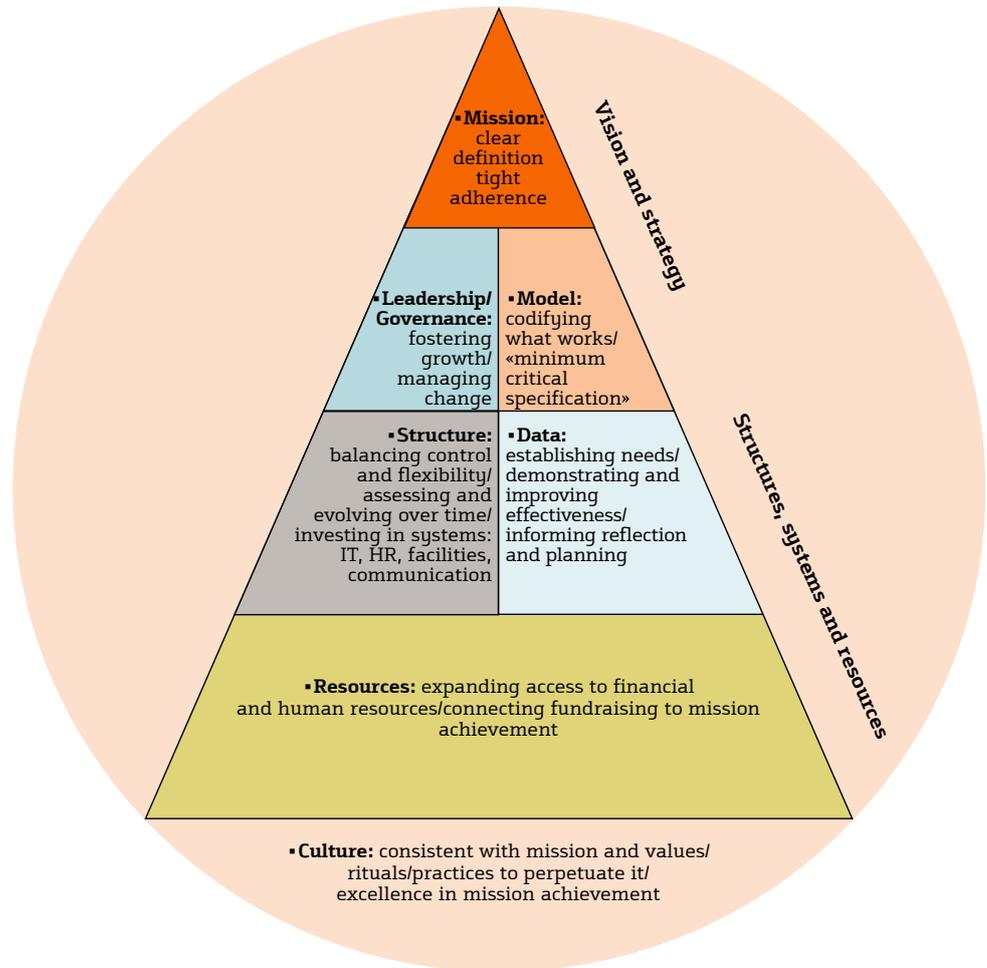
Figure 12: The seven scaling capacities.
Source: *Scaling Capacities: Supports for Growing Impact, LaFrance Associates LLC (* July 2006).

3. Model
Codifying what works. Impact can be scaled more effectively by clearly articulating essential components of the model so that it can be more easily and faithfully replicated.

4. Culture
Organizations must cultivate and perpetuate during the scaling process those aspects of the culture—shared values, behaviors and norms—that are critical for mission achievement.

5. Data

The ability to gather and use data can be critical for informing important scaling-related decisions such as establishing needs in new issue or geographic areas, demonstrating the effectiveness of a model, setting priorities, and choosing strategies.

6. Resources

Successfully scaled social entrepreneurships are able to expand their resource base by viewing fundraising as a way to achieve mission and by finding ways to connect supporters to programmatic work.

7. Leadership and governance

Leaders and boards are the agents that initiate and manage the scaling process. Strong leadership and governance means making sure the right decisions are made to foster greater mission achievement during what is often a period of rapid organizational change.

Technology as a path to scaling

In the vein of constructive criticism, we are going to include here an eighth capacity–technology–that organizations should incorporate into their structures when carrying out this strategy. "A robust technological infrastructure — including measurement systems, contact databases, and proprietary technology that aids in carrying out your operating model — is the single most important factor in expanding the reach of an organization. [...]Organizations that focus on devoting resources to technology can gain a significant increase in their efficiency, effectiveness, and sustainability, as well as a competitive advantage."[42] That statement is unquestionably true, to the point that technology plays a key role not only in achieving scaling, but also in the area of social innovation. Let us not forget that technology contributes to innovations in products, services, processes and business models that serve to drastically reduce costs. At the end of the day, these costs are often the deciding factor in determining whether or not to embark on a social enterprise, or even scale it. So, how are these costs defrayed? Once again, cooperation among agents serves as the catalyst for fostering technological development in the field of social innovation. There are powerful institutions in the science and technology sectors focused on linking creative inventors with small businesses ("bees") and major producers with investors ("trees"). These intermediary institutions—technological transfer units, spin-out teams,[43] venture capital firms, and cooperative research programs—have been growing quickly over the last few decades and are unquestionably playing a vital role in the technology ecosystem. Social innovation, however, still lacks these types of intermediaries, though they are starting to gain more of a presence[44] and the future looks promising: there is now talk about "social Silicon Valleys" where institutions mobilize resources to address social problems, just as years ago an investment was made in technology to create the knowledge hubs. All the same, we still face the

[42] *Business Planning for Enduring Social Impact: A Social-Entrepreneurial Approach to Solving Social Problems*, Andrew Wolk & Kelley Kreitz (Root Cause) 2008.

[43] A new, independent company created via technology transfer from a public research center or a university with the aim of marketing the technology developed by that institution.

[44] Time to Cut in the Middleman? The Guardian Social Pioneers supplement (March 18, 2009).

eternal challenge of convincing governments and public institutions to step up and prioritize setting up these kinds of environments.

There is also a need in developing countries to identify innovative business models that can be scaled for greater impact, through the use of technological resources. Surprising though it may seem, many experts agree that emerging markets have a clear advantage over developed markets in the technological arena because they can leapfrog certain steps in the path to technological maturity, getting where they want to go more quickly and sustainably. For example, they can directly use renewable energy resources without having first relied on high polluting energy sources. In addition, developing countries tend to have an abundance of diverse natural resources, affording them natural resources andaffording them many energy options that developed countries do not have. According to a study by BT and Cisco[45] developing countries must focus more on so-called soft technology: "Rather than trying to catch up with developed countries by investing the bulk of funds, resources and energy into traditional hard technology, developing countries can treat skills in areas such as finance, management, service and marketing as 'technologies' in the same way as a new IT application. A strategy of consciously developing soft technologies and improving the soft environment... could open the way for a new model of development."

Technology also has a direct and tangible application in terms of providing solutions to the socially disadvantaged. Benetech, for example, puts high technology at the service of those communities. "The Benetech alternative is a 'non-profit venture-capital' model that fosters and finances the development of technological initiatives that would not otherwise be taken on by for-profit software developers due to their low market returns."[46] The Benetech technologies include a reading machine for the blind, a website (Bookshare.org) providing an extensive online library of digital books that can be downloaded in Braille, and a landmine detector. In the following chapter, we will look at more cases of technology serving as the engine for social innovation.

In closing, we would like to stress that, after starting up and implementing social programs based on innovative business models, the aim of social entrepreneurs is to replicate and scale those models to meet other social needs and achieve the greatest possible impact. Technology fosters social and environmental programs because, firstly, it reduces costs and, secondly, it resolves many of the problems that social entrepreneurs face. The future looks quite encouraging: in the United States—and in parallel to some of the impressive "super-philanthropists"—we are witnessing the startup of some of the most fascinating companies in the financial sector. Acumen Fund, founded by Jacqueline Novogratz, is a nonprofit global venture fund serving the 4 billion people who live on less than US$4 a day. Companies like this are the future of social innovation, capable of creating sustainable, scalable organizations that deliver reasonably priced and essential goods and services that raise the standard of living for the most socially disadvantaged people. Hopefully, these socially conscious, sustainable organizations will discover the path toward solving the challenges facing us in the 21st century.

[45] *A New Mindset for Corporate Sustainability,* A White Paper sponsored by BT and Cisco (2008).

[46] *Hot Spots: A whistle-stop tour of social enterprise around the world,* SustainAbility sponsored by Skoll Foundation (November 2006).

d. Economic sustainability in times of uncertainty: ensuring the future

From the second half of the 20th century and well into the first decade of the 21st century, world economic growth has been unprecedented. This truly spectacular growth has brought about significant social advances. We only need mention that in 1955, life expectancy in the world was only 48 years; in 1995 it was 65 and by 2025 it will reach 73. It is predicted that by 2025 no country will have a life expectancy under 50 years.[47] Undoubtedly, scientific and technological advances have helped trigger economic growth on an enormous scale, despite falling far short of reaching the majority of the world population. Indeed, "economists estimate that between 50% and 80% of economic growth comes from innovation and new knowledge. Although we have no reliable metric, it seems clear that innovation plays an equally decisive role in social progress. Moreover, social innovation is key to promoting economic growth. Past medical advances and the spread of new technologies like the automobile, electricity or the Internet depend on social innovation as well as innovation in technology or business"[48] Given the growing challenges facing the world due to the aging of the population and environmental degradation, it is necessary for this social innovation to foster above all solutions that are sustainable in the long run. Innovative capacity should be applied to projects that ensure the future of humanity and guarantee the appropriate conditions for the equitable advance of society.

Who are the agents responsible for leading this social innovation in a context of increasingly complex challenges? Until now there has been a very clear distinction between the activities of a for-profit business and a nonprofit organization. With respect to innovation, business has led the way. This is largely due to several factors, including access to new markets, sources of capital, funding and earnings, human resources and advances in operational efficiency, risk management and brand reputation.

The agents of social action are increasingly aware of the importance of ensuring these factors in undertaking lasting sustainable social or environmental projects. This trend is happening from two directions. On one hand, the goals of many companies now complement pure profit maximization for shareholders with the pursuit of social benefits. Examples of this trend include social marketing, the search for sustainability, corporate social responsibility, investment in needy communities and "green" businesses (see Figure 12). Meanwhile, nonprofit NGOs are increasingly adopting business practices to boost their income and involve themselves more actively in the market for goods and services. The key feature is the search for sustainability and economic autonomy. A new scenario is taking shape marked by these types of transitions, where it is common to find "[business] models for addressing societal challenges that blend attributes and strategies from all sectors. They are creating hybrid organizations that transcend the usual sectorial boundaries [private, public and social]."[49] This is the so-called "fourth sector," which appropriates businesses practices for social purposes.

[47] World Health Organization, http://www.who.int.

[48] *Social Innovation. What it is, Why it Matters, How it can be Accelerated, Oxford Said Business School, 2007.*

[49] The Emerging Fourth Sector ©1998-2008 Fourth Sector Network.

Figure 13: The Emerging Fourth Sector.
Source: The Emerging Fourth Sector ©1998-2008 Fourth Sector Network.

The private sector has extensive experience in resource management: "Businesses create and distribute goods and services that enhance our quality of life, promote growth, and generate prosperity. They spur innovation, reward entrepreneurial effort, provide a return on investment and constantly improve their performance responding to market feedbacks."[50] The social sector seeks to protect people by covering their basic needs and ensuring opportunities for their physical, mental and spiritual development. It also protects the environment and pressures organizations and individuals to do the same, or at least minimize the damage they cause.

The public sector, in turn, protects the interests of the communities by establishing an area of opportunity within a legal framework. Moreover, the public and social sector jointly oversee the channels of distribution and communication to deliver social assistance where needed.

Borrowing the best from each of these sectors, a new sector is emerging, one that seeks to, and can, take a new approach to addressing the major challenges that have become hard to ignore and even harder to manage, with the common goal of achieving the sustainability of social action. The pursuit of effective business practices aimed at sustainability, while also serving a social agenda, is largely dependent on the expansion of funding sources to supplement financial support from individuals, governments, corporations and foundations. If they are able to achieve more predictable sources of revenue based on their own performance, their sustainability as an organization becomes more feasible. At the same time, they must not overlook non-financial resources; the struggle for talent among countries and among private companies is now spreading to the organizational ranks of the social sector, which seeks to recruit people with specific skills and knowledge, with backup from a more stable core of volunteers. The prime example of a "fourth sector" company is Grameen Bank, a company that provides microcredit without collateral or guarantees to the poorest people in Bangladesh. "As of December 2007, Grameen has over 7 million borrowers, and a 95% percent repayment rate. In 2006, Grameen earned a profit of US$20 million. It is the first and only business to ever be awarded the Nobel Peace Prize."[51]

In conclusion, the goals of the "fourth sector" could be summarized as follows: to identify new business opportunities in solving a particular social problem; to develop innovations that lead to promising new projects; to demonstrate a strong sense of economic and social responsibility frequently measuring its performance and impact; and to secure a predictable source of income to ensure financial sustainability.

The Challenge of Measuring Results

The gradual emergence of organizations that are founded and sustained, operating and offering results like private companies with the aim of providing solutions to social and environmental problems, entails a number of challenges specific to the field of business, but are challenges that these social innovation

[50] http://www.fourthsector.net/learn/fourth-sector.

[51] Social Entrepreneur Coach, C.J. Hayden, http://www.socialentrepreneurcoach.com/resources/social-entrepreneurship.html.

hybrids must take on. If the goal of traditional companies is profit maximization, the goal of these new companies is the maximization of positive impact on society while generating enough income to ensure their long-term sustainability. The gathering of data for producing and interpreting the ratios necessary to obtain a set of reliable, representative results with which to gauge performance is standard practice in the business world. There are even rules for presenting these results. However, enterprises seeking to measure their impact in social or environmental terms may run into the problem that, for the moment, we have yet to reach a consensus on what we mean by "bad," "good" or "better" impact.

Despite numerous attempts by businesses to achieve "sustainability," this concept is still too ambiguous to arrive at a clear and accurate definition. Apart from some corporate social responsibility indicators more focused on policies and procedures than on impacts and results, there are few models to drawn on in order to get an idea or make a comparison of what is considered optimal for social enterprises. The Skoll World Forum paints an accurate picture: "Metrics and evaluation are to development programs as autopsies are to health care: too late to help, intrusive, and often inconclusive."[52] Rather, social enterprise must seek to create a performance management process to "take the pulse" of its work: simple frequent measures that would allow it to refine its thinking, change course and diagnose problems before they become too significant.[53]

Since the Future Trends Forum experts agree that measuring results is one of the fundamental requirements for the economic sustainability of social action, the need arises to examine some of the indicators that are beginning to shape the way in which reports on the predicted impact of social action are presented. A good way to start this analysis is to follow the criteria of the Skoll World Forum,[54] according to which financial, operational, social and environmental indicators must adhere to three principles:

■ Do not collect anything that is not fundamentally important for the company to manage its business

■ Do not collect any information that cannot be generated by the company's existing management information systems

■ If the current information systems cannot capture the kind of data that is important to managing business, think about medium-term improvements that strengthen its ability to manage

Despite the inconsistency and lack of acceptance of social sustainability indicators, it is important to progress towards the standardization of indicators to compare companies in this sector. The situation is comparable to that of total quality management (TQM), which when it first appeared was the object of much criticism for being immeasurable. Today, TQM is a standard instrument used by many companies, and not only in the social sector, so there is no reason to believe that sustainability guidelines will not become a business practice.[55] Accordingly, in

[52] *Social Entrepreneurship: Shifting Power Dynamics featuring Skoll Social Entrepreneurs,* Special Edition for the Skoll World Forum 2009.

[53] *Social Entrepreneurship: Shifting Power Dynamics featuring Skoll Social Entrepreneurs,* Special Edition for the Skoll World Forum 2009.

[54] *Social Entrepreneurship: Shifting Power Dynamics featuring Skoll Social Entrepreneurs,* Special Edition for the Skoll World Forum 2009.

[55] *A New Mindset for Corporate Sustainability,* a White Paper sponsored by BT and Cisco (2008).

many circles they have begun to speak of "total responsibility management," an explicit reference to TQM. Thus, we start to see the laying of some groundwork for social responsibility management in companies, as in the case of Sainsbury's, the third largest supermarket chain in the United Kingdom. The company has set a number of key performance indicators in twelve priority areas relating to the concerns of stakeholders on social and environmental issues. Sainsbury's has also "developed a sophisticated auditing support to support the implementation of its principles throughout its supply chain." This has made it the leader of its sector in the Dow Jones Sustainability Index for three consecutive years and one of the companies included in the Global 100 Index of Most Sustainable Corporations in the World.[56]

Ultimately, the standardization of indicators, through the implementation of a methodology and tools to assess sustainability projects, will enable companies to measure their results and reach a high degree of transparency. This transparency is fundamental to justifying the activities of companies operating in the social sector for all stakeholders. Some experts are already talking of a Sustainable Balanced Scorecard, which measures the performance of business in terms of sustainability based on the assessment of indicators in four key areas: financial (economic value added, income growth, cash flows, return on investment), operational (number of businesses, opportunity success rate, accident rates, environmental compatibility, effectiveness of fixed capital), customers (customer satisfaction, market share, operational excellence) and learning (personnel turnover, internal promotions, male/female ratio, rates of sick leave). Indicators must be clear and effectively communicated, be in accordance with the dimensions of the triple bottom line (see Figure 14), embedded in company strategy and supported by management tools. In addition, all levels and departments within the company must be committed to corporate responsibility.

What are the benefits of using these types of social sustainability indicators in companies? First, they enable stakeholders and investors to pressure companies to improve their social performance. Second, the indicators provide investors with valuable information on management and company performance so that they know at all times what are they are investing in and can ensure themselves that the proposed social and environmental goals are being reached. Finally, investments in social enterprises that demonstrate better results according to these indicators would entail less risk, and thus these businesses should enjoy lower capital costs, i.e. financing at lower interest rates. However, as we have seen so far, indicators that enable investors to be fully informed in making decisions have yet to be developed, which has a negative effect on the volume of transactions in the aforementioned impact investing. Nor is there a legal infrastructure similar to that of traditional investments to promote the participation of more agents in an environment of opportunity with a common language and standards. We can expect that gradually investors and the investment market itself will demand investment indicators that justify putting money into one project or another.

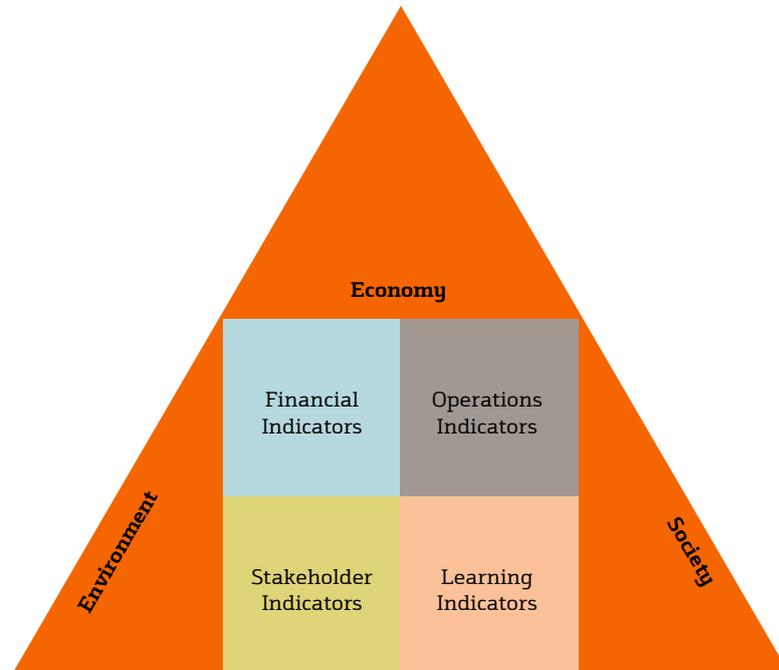[56] *A New Mindset for Corporate Sustainability,* a White Paper sponsored by BT and Cisco (2008).

Figure 14: The Sustainable Balanced Scorecard: Managing Organizations for Sustainable Development.
Source: Cleaner Production International LLC (http://www.cleanerproduction.com). Based on the Balanced Scorecard by Robert S. Kaplan and David P. Norton.

However, indicators have their detractors. In the article "Robbing the Grandchildren," Charles Conn, the top adviser to the Gordon and Betty Moore Foundation, holds that foundations' shortsightedness is being compounded by questionable management practices such as "businesslike metrics and controls in a way that reinforces short-term thinking and behavior." Thus, the new foundations limit their scope to a few problems and conform to the dictates of indicators that leave little room to maneuver. However, another article, in *Stanford Social Innovation*,[57] warns against mixing the terms "short term," "metrics" and "businesslike" in the same context. So-called "philanthrocapitalism" or "venture philanthropy" seeks precisely to apply standard business indicators and practices to promote a certain order in an area abounding in fragmented and failed programs. Although short-term solutions are also needed, social action projects often require more time to make their impact sustainable.

Most experts from the Future Trends Forum agreed on the importance of developing and implementing a set of precise indicators to measure social and environmental impact. The task is not easy and standardization will presumably take time, but there is the intention to protect the credibility and reputation of

[57] *"Short-term vs. Long-term Focus in Philanthropy,"* Stanford Social Innovation Review (14/04/2008).

investment in sustainability. Thus, for the time being, the sector must depend on frameworks such as the Global Reporting Initiative and the Ceres Principles to continue to meet socially responsible goals. Nonetheless, there is a group of experts who do not approve of the use of indicators in the context of social innovation because they could act as a drag on such projects by putting the need to conform to metrics to the detriment of flexibility and creativity, both of which are necessary for innovation.

The experts from the Future Trends Forum were also asked about the specific indicators they knew of to measure the impact of social action. Some responses were quite targeted , largely because the respondents apply them in their daily jobs: "number of households served," "average salary of the beneficiary households," "educational level reached by the children," "percentage of population with access to financing" or "decline in mortality." Other responses were of a more financial nature: "service charge over total business revenue," or "net income over total operating costs." In general, they combined indicators that, on one hand, monitor parameters related to health, education, income stability and environmental quality, and, on the other, reflect the economic sustainability of the business. One expert from the Future Trends Forum said that Ashoka's approach is to check whether "after five years of operations, the [original] idea continues to attain the expected impact, if it is achieving changes in rules, and if it is replicating itself." However, rather than trying to identify any quantitative value, some enterprises still prefer to measure their impact in qualitative terms. One of the most pervasive concepts in this line of thinking is "lives touched" because they consider it the simplest and most effective way of representing the reach of any project. Overall, the experts agreed that addressing the lack of standardization of indicators is a pending issue in the field of social innovation.
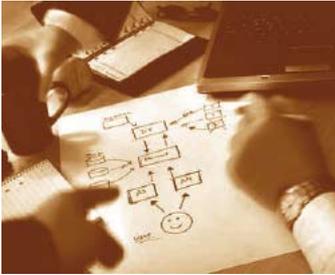
Chapter 5

Lessons learned: searching for new ways to solve old problems

5 Lessons learned: searching for new ways to solve old problems

In the new area of social innovation we have seen the emergence of a new business model, which could even be considered a sector of its own, in which social-purpose organizations adopt the organizational forms and follow the trends of business. One of the fastest growing trends is the competition among organizations with similar programs to deliver more efficient, effective and sustainable solutions. With increasingly more and more actors dedicated to solving social and environmental problems, there is now a greater concern with differentiating these programs and making them more visible in an environment of rapidly expanding social action. The competition for financial and human resources has moved into the field of social innovation, while it is becoming more difficult to get funding and to hire trained and specialized personnel. According to the book *Play to Win: The Nonprofit Guide to Competitive Strategy* by Daniel La Piana and Michaela Hayes, nonprofit organizations should be encouraged to compete based on their performance so that the investors who fund their programs can choose from among the best. It is evident that these organizations are resorting to practices and business models to maximize the social impact of their programs and that there is an actual "market" taking form in which social organizations compete. Social actors are increasingly people qualified to do their jobs, encouraging competition in getting financing and other non-financial resources required to implement their projects. Paradoxically, this competition among actors has the positive effect of galvanizing the sector while it also requires more collaboration among them in order to develop ideas and implement them more successfully.

Another trend of a markedly businesslike character in the field of social innovation, one which was spotlighted at the 12th meeting of the Future Trends Forum, is the growing specialization of social action projects. Social innovation is now offering what are called market-based solutions, in many cases to meet the demand at the bottom of the pyramid (BOP), i.e., people living in poverty and with low purchasing power. This change in supply encourages the social actors—who are using their products, services and models to target very specific segments of the population—to reduce costs, exploit economies of scale and focus on a more limited but more specialized range of activities. Social actors should not being thinking in terms of how to respond to what these people *need*, but how to respond to what they *want*. Many initiatives have failed precisely because they have seen the poor as "beneficiaries" of social action, rather than "consumers" who seek to accede to a different lifestyle, to buy a house or car, or set up their own business. Who would have guessed that cell-phone sales in countries like India would be so profitable?

In sum, the idea is to find new ways to solve old problems. The next section focuses on the latest trends and programs in social innovation in the context of the Millennium Development Goals. More than half way to the 2015 deadline set for achieving them, we have a long road to travel before fully achieving the eight key goals established by United Nations in conjunction with 23 other international

organizations. A variety of programs are included, led by all kinds of social actors from around the world. Perhaps the most outstanding trend is that the very people who need help are making their own decisions and assuming responsibility for their lives instead of relying on humanitarian aid, and independently developing sustainable improvements for their own lives. Given the UN warning that in 2009 the number of hungry people will exceed one billion for the first time,[58] today more than ever the time has clearly come to unleash the power of social innovation.

a. The Fight against Poverty and the Commitment to Development

> "Give a hungry man a fish and you feed him for a day. Teach a man to fish and you feed him for a lifetime."
>
> Proverb

The nature of social action is changing and charity is giving way to financing for entrepreneurs in developing countries. Thus, in places like Africa, where billions of dollars are spent on humanitarian aid projects, the message "trade, not aid" is gaining more and more support. Among the conclusions of the World Economic Forum on Africa held in Cape Town in June 2009, it was stressed that although the global recession has had less impact on Africa than predicted, the governments of the continent should "take advantage of the opening for reform that the financial crisis has created" and "listen more closely to private business and its needs, and use those recommendations to create a more favorable investment climate."[59]

Entrepreneurs in developing countries are growing in number. Throughout this publication we show that social and environmental programs are increasingly the initiatives of social actors from the poor countries themselves, and there is no better vantage point than that of people who confront daily the harsh reality that they seek to redress. Support for entrepreneurs in developing countries, "teaching them to fish," results in the creation of sustainable local economies. In this respect, women can play an outstanding role. In recent years, studies by the United Nations and the World Bank have shown that women entrepreneurs are more likely than men to contribute to community development, and therefore are better candidates to lead support programs. In the words of pop star and activist Bono: "Give a man a fish, he'll eat for a day. Give a woman microcredit, she, her husband, her children and her extended family will eat for a lifetime." [58]

Developing countries' excessive reliance on charity from developed countries is anything but sustainable. While it is true that efforts have shifted over the past two decades to programs more in line with self-sufficiency, what are really going to shape solidarity in the 21st century are two trends: the application of market solutions to social problems and the increasing importance of social entrepreneurs from developing countries. These business practices are the way to urban development and the sustainability of local economies in a context of unprecedented population growth in cities and poor resource management that is causing poverty to spin out of control. According to experts from the Future Trends

[58] " *El número de hambrientos superará este año los mil millones por primera vez,*" elmundo.es (20/09/2009).

[59] "*Is trade, not aid, the answer for Africa?*" guardian.co.uk, (25/05/2009).

[60] http://www. socialentrepreneurcoach.com/ resources/women-entrepreneurs- culture.html.

Forum: "Population growth and changing models of agricultural production will increase pressure on cities. Slums and urban poverty will be the general trend, and ensuring public health and hygienic conditions will become a priority."

Market solutions to serving the BOP

In the field of social innovation, serving the BOP means delivering products and services to four billion potential consumers living on less than two euros a day. The idea of serving these people commercially is championed by authors such as C.K. Prahalad, professor at the Ross School of Business (University of Michigan) and recognized as one of the foremost management experts in the world. His line of thought suggests that these low-income people can be the engine of the next stage in trade and global prosperity, and a source of innovation that benefits both rich and poor countries (see 11th Future Trends Forum publication, *Competing in Challenging Times: New Rules and the Role of Innovation*). "An alternative and complement to traditional government expenditures, aid and philanthropy, market-based solutions give low-income people better access to socially beneficial products and services that genuinely improve the quality of their lives and livelihoods."[61]

According to this line of thought, the problem of extreme poverty is reinforced by the exclusion from the market economy of the people living at the bottom of the pyramid and thus the solution would be to include them in it. In addition, other circumstances come into play that make this group worthy of our attention: their basic needs are not met, they lack access to formal subsistence markets and often are forced to pay higher prices for lower quality products or services, since the available supply is far from adequate in terms of market competition. If we overcome the obstacles to meeting their basic needs for potable water, sanitation services, energy supplies, housing, financial services and communications, then welfare, productivity and income levels will rise, thus allowing people to find their way out of poverty. Likewise, involving the BOP in the formal economy is a sine qua non condition for the generation of wealth for families and for the country's economic growth. Finally, the inefficiency and monopolized markets that characterize the economies in the countries where BOP population segments predominate create barriers to access and lead to lack of investment, so it is crucial to remedy this situation by creating market opportunities for the private sector.

Indeed, fourth-sector private enterprise has been largely responsible for meeting the demand for higher quality products and services at the BOP. The main problems encountered in trying to do this are: the lack of supply of, the difficulty of access to and the unaffordability of products and services for low-income people (see figure 15). According to the proponents of market-based solutions, private companies are best able to overcome these obstacles and adapt supply to the specifics of this group. These companies are responsible for identifying opportunities, developing innovative business models and the right products, and, above all, investing in BOP markets. Meanwhile, it is up to government to

[61] *Emerging Markets, Emerging Models: Market-Based Solutions to the Challenges of Global Poverty,* Monitor Group (March 2009).
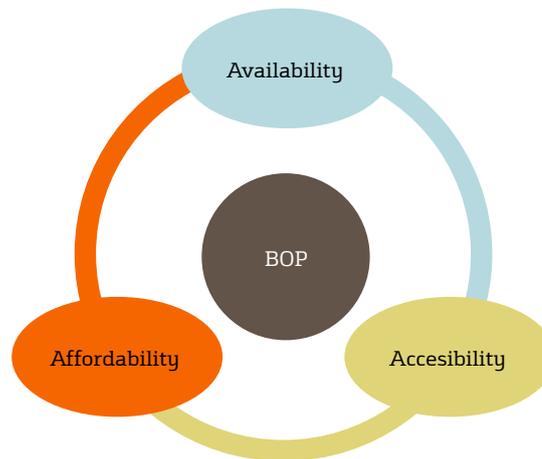
Figure 15: Main barriers to serving the BOP.
Source: Christine Auclair and Alban Jackohango, *Bottom of the Pyramid Approaches for Urban Sustainability*, Private Sector Unit, UN-HABITAT.

implement the necessary trade and regulatory reforms to allow the private sector to play a more active role in serving this market.

However, which BOP markets has the private sector traditionally focused on? According to the book *The Next 4 Billion: Market Size and Business Strategy at the Base of the Pyramid*,[62] "multinational companies have been leading the way, especially in the food and consumer products sectors. Likewise, major national companies have proved to be among the most innovative in meeting the needs of BOP consumers and producers, especially in sectors such as housing, agriculture, consumer goods and financial services." Nevertheless, many sectors have run into political and financial barriers to success in developing countries, i.e., private urban water supply systems, the electricity supply sector, etc.

According to the experts from the Future Trends Forum, improved access to telecommunications has had a major impact on developing countries. Some even ventured to estimate that each dollar spent on such infrastructure ultimately generates 10 to 100 dollars. They stated that cell-phone use in rural areas is an amazing phenomenon that drives growth, the impact of which is yet to be seen: "The arrival of fiberoptic broadband in Africa presents an opportunity to light up the 'dark continent.'" Cell phones ultimately have uses other than those first intended. Not limited to being a means of private communication, their low cost and long range have enabled social entrepreneurs operating in developing countries to conduct their daily business activities, and even access funding, as we will see below. Evidence of this is that from 2000-2005, the number of cell phone subscribers in developing countries increased fivefold, to nearly 1.4 billion.[63]

[62] Hammond, A.L. *et al.*, *The Next 4 Billion: Market Size and Business Strategy at the Base of the Pyramid*, World Resources Institute, International Finance Corporation, 2007.

[63] Hammond, A.L. *et al.*, *The Next 4 Billion: Market Size and Business Strategy at the Base of the Pyramid*, World Resources Institute, International Finance Corporation, 2007.

Figure 15: Estimated BOP market by sector ($5 trillion).
Source: Hammond, A.L. et al., *The Next 4 Billion: Market Size and Business Strategy at the Base of the Pyramid*, World Resources Institute, International Finance Corporation, 2007.
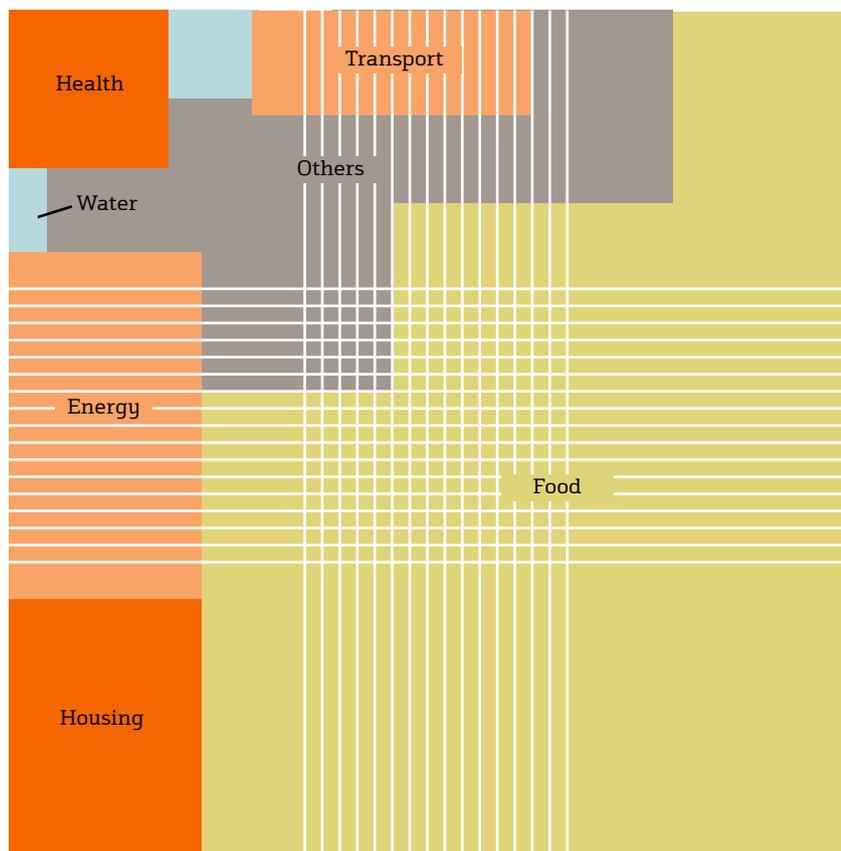
Returning to the fundamental barriers to serving the BOP, the study *Emerging Markets, Emerging Models: Market-Based Solutions to the Challenges of Global Poverty*, conducted by Monitor Group, describes several business models that have been successful in overcoming the access, supply and price barriers that stifle demand for products and services from the BOP. Furthermore, the study deals largely with business models that have been, or can be, reproduced successfully at scale.

The pay-per-use model enables BOP consumers to pay less for each use of a product, service or facility. Thus, the user does not have to pay a large sum of money for consumer durables such as solar lamps, water pumps, heaters, etc., given that it is easier to pay a fee each time you use them. In India, activated carbon water filters[64] are sold at 900-1,500 rupees ($18-30), with replacement parts for a period of three to six months costing about 400 rupees ($8). The Byrraju Foundation has succeeded in cutting these high costs for drinking water

[64] Activated carbon filters trap certain particles (organic substances, dissolved gases, chlorine, etc.), many of which produce unwanted odors and/or tastes in the air and water.

by about half by creating community filtration centers that sell purified water in 12-liter containers for 1.5 rupees ($ 0.03), which covers the daily average household needs for clean water without having to buy an individual purifier.[65]

The second model is called "no-frills service," which seeks to meet the needs of the poor at very low prices by cutting out the extras while keeping the quality high enough to make the service more beneficial to the user than the alternatives. The model is generating profits thanks to high turnover due to greater use of fixed capital and specialization of services. Vaatsalya works on building and managing hospitals and clinics in rural areas, bringing basic services in pediatrics, gynecology, surgery, physiotherapy and dialysis to where they are most needed, and offering them at affordable prices. This model is not confined to health but is also in great demand from BOP consumers for education and financial services. In India particularly there is a strong market for private services because, although the government often provides these services for free, people prefer private alternatives for their quality of service. However, we should note that, given the nature of the services it supplies, for ensuring business sustainability this model is overly dependent on recruiting, training and holding onto qualified personnel. We should add that in these cases marketing is difficult to manage because it relies on word-of-mouth and personal recommendations.

The third model is called "paraskilling" and complements the previous one insofar as it divides business processes into simpler tasks that can be performed by low-skilled workers. India's Microfinance Industry (MFIs) and Aravind Eye Care have both implemented this reengineering process to boost the productivity of professionals by giving the most repetitive tasks to less qualified people. The result in the first case was a model that has been possible to reproduce to the point of constituting an industry in itself, with over 14 million borrowers in India and future expansion in Bangladesh. In the second case, doctors perform 2,400 operations a year, compared with the average of 300 in Indian clinics.[66]

The last model offers a solution to the eternal problem of distribution, with a special focus on the problems of reaching rural areas. The experts from the Future Trends Forum agree that social innovation should not be limited to inventing new products or services, but in many cases it must find effective ways of delivering those products and services, whether new or existing, to a majority of the needy population. Indeed, many business plans have failed miserably solely due to their lack of a distribution strategy. To overcome this problem, there is another business model for reducing costs and expanding reach: sharing distribution channels. This is done using existing platforms or networks whose channels were created for another purpose. This practice usually involves a partnership between the two organizations in which both benefit. For example, cooperation between FinComún, a private financial institution with social aims in Mexico, and Grupo Bimbo, one of the Iberian Peninsula's largest baked-goods groups, has enabled Bimbo to take advantage of FinComún's credit expertise, while the latter uses Bimbo's distribution methodology and network. The financial institution's agents go out in Bimbo's delivery trucks and get information about the payment history of group's

[65] *Emerging Markets, Emerging Models: Market-Based Solutions to the Challenges of Global Poverty*, Monitor Group (March 2009).

customers.[67] As the goods are delivered, the FinComún agents offer loans to customers with a good credit history.

The implementation of these innovative business models is still not very widespread in countries with BOP populations. While it is true that they represent real business opportunities linked to social change and economic sustainability, there are still no sectors that attract large businesses and achieve scalability. However, the need or desire of BOP populations to adopt consumption patterns similar to those of the developed world is an engine of social innovation. Having discussed how to reach these new consumers, below we examine the situation from another perspective. As mentioned earlier in this chapter, the conditions of supply in developing countries are changing not only due to the activities of companies from developed countries but also due to those of their national, or domestic, counterparts. A new type of social entrepreneur has emerged, one whose recognition comes not from having an MBA or a successful career, but solely from the need for change in his or her community. As C.K. Prahalad says: "If we stop thinking of the poor as victims or as a burden and start recognizing them as resilient and creative entrepreneurs and value-conscious consumers, a whole new world of opportunity will open up [...]."[68]

New social entrepreneurs and the microcredit debate

In an open discussion forum on the SocialEdge website called *Are the Only Innovations in Social Entrepreneurship Anglo-Saxon?*68 participants discussed the fact that the vast majority of recognized social entrepreneurs come from English-speaking countries. The reasons are varied: social entrepreneurs in developing countries lack the financial, social and media resources to make themselves known; most of the publications related to the topic are in English, such that this language is currently the lingua franca in the social innovation world; and, finally, these entrepreneurs do not receive specialized training, so although they escape poverty on the strength of their companies, in many cases they go unnoticed.

But the achievements of these anonymous social entrepreneurs are gaining more and more recognition. Although their efforts are not achieving the desired level of scalability, they are contributing very significantly to the welfare of their communities, with a significant impact on their immediate surroundings. Most experts from the Future Trends Forum agree that social entrepreneurs in poor countries are so by necessity, not by vocation or choice. One commentator says, "the people here [developed countries] are looking for problems to solve. In our [developing] countries the problems look [for] us."[70] These are people who do not want to rely on charity, but instead find a sustainable way to make a living and whom, with the necessary tools and resources, are able and willing to use them to serve their communities. One of the vital resources for these entrepreneurs is microfinance, which enables poor borrowers who lack access to traditional loans to finance job-creation projects. Since the now-famous Grameen Bank was founded in 1976 to provide credit to the poor in Bangladesh, the microcredit sector has continued to grow, providing a financial lifeline for people who can lead social and

[66] *Emerging Markets, Emerging Models: Market-Based Solutions to the Challenges of Global Poverty*, Monitor Group (March 2009).

[68] Christine Auclair and Alban Jackohango, *Bottom of the Pyramid Approaches for Urban Sustainability*, Private Sector Unit, UN-HABITAT.

[69] http://www.socialedge.org/.

[70] http://www.socialedge.org/ discussions/social-entrepreneurship/ archive/2009/05/04/are-the-only-innovations-in-social-entrepreneurship-anglo-saxon.

economic change from "within." The World Bank estimates that there are about 7,000 microfinance institutions serving some 16 million poor people in developing countries. Some commercial banks have also established microfinance funds. Indeed, as noted, there are websites that exploit the social network so that people willing to donate money for innovative social programs can contact entrepreneurs around the world. The UN declared 2005 the International Year of Microcredit. Events like this seem to dispel doubts about the importance of this financial instrument in fighting poverty. However, an article in the *Stanford Social Innovation Review* posits the following two scenarios: "(1) A microfinancier lends $200 to each of 500 women so that each can buy a sewing machine and set up her own sewing microenterprise, or (2) a traditional financier lends $100,000 to one savvy entrepreneur and helps her set up a garment-manufacturing business that employs 500 people."[71]

Certainly this suggests that in one case women probably earn only a subsistence income to support their families, and moreover must compete with others in the same market niche, while in the other case a garment factory can achieve economies of scale, incorporate the latest technologies in manufacturing and instill organizational techniques to the benefit of their workers. In the midst of the "microcredit fad," some experts hasten to defend job creation and increased worker productivity rather than investing in microfinance.

On one hand, microcredit certainly provides financing for segments of the population that traditional banks shun. Some organizations that provide microcredit also offer, in addition to loans, education, training and health care. They have been especially beneficial to women in developing countries, who have attained greater economic and social power thanks to the opportunities to create their own businesses. One the other hand, one study claims that, "Microloans are more beneficial to borrowers living above the poverty line than to borrowers living below the poverty line. This is because clients with more income are willing to take the risks—such as investing in new technologies—that will most likely increase income flows. Poor borrowers, on the other hand, tend to take out conservative loans that protect their subsistence, and rarely invest in new technology, fixed capital, or the hiring of labor."[72] In addition, some commercial banks, in contrast to nonprofit organizations that offer the same service, supply microcredit at high interest rates, which causes even greater indebtedness among social entrepreneurs. We should also note that microfinance "frees" governments from having to assume certain economic responsibilities and implement growth strategies necessary to spur development in their countries.

Cases of scalability in social enterprises that contribute to poverty eradication are practically nonexistent. Such entrepreneurs have not received specialized training and lack the capital necessary to operate on a larger scale and achieve efficiency. It took Mo Ibrahim, a British national born in Sudan, who founded the telecommunications company Celtel (a subsidiary of the Zain Group), a university education and extensive work experience in multinationals—opportunities certainly beyond the means the average social entrepreneur in a developing

[71] *"Microfinance Misses Its Mark,"* Stanford Social Innovation Review, 2007.

[72] "Microfinance Misses Its Mark," *Stanford Social Innovation Review,* 2007.

country—to set up a company that was bought for 3.4 billion dollars in 2005 and currently operates in fifteen African countries.[73]

In conclusion, microcredit is an important social innovation that has had a very positive impact, especially on the empowerment of women. There is no doubt that it "helps the poor during cyclical or unexpected crises, and thus reduces their vulnerability." In Spain, MicroBank, the social bank of la Caixa, has lent 332 million euros to 52,000 borrowers in its first two years of operation. It has also helped create 16,000 jobs. Of its total microcredits, 54.5% went to help families with financial difficulties and 32% to set up new or sustain existing businesses. However, as outlined above, we should not look to microcredit as a panacea for the eradication of poverty.

b. Environmental Protection

"The cheapest source of energy is the energy never used."
World Economic Forum[74]

In late summer of 2009, Ban Ki-moon, the UN secretary-general, warned that "the Arctic is warming faster than anywhere else on Earth. It may be ice-free by 2030." Already we are seeing an increase in sea levels, which by the end of the century could rise between 50 centimeters and two meters, endangering people living on islands, in coastal areas and river deltas, among other places. Ban lamented that despite this fact we see continuing "inertia" in the fight against climate change, as evidenced by the "limited progress in the climate negotiations" at Copenhagen.[75]

Climate change, the threat to energy security, scarcity of water, loss of biodiversity and the extinction of species, overfishing, destruction of the ecosystem, toxic waste, deforestation, nutrient and nitrogen fixation overload, urban sprawl—all of these environmental challenges figure in the endless list of issues being talked about by politicians, experts and global representatives. Environmental protection has grown from being a matter regulated solely by the governments of developed countries in the 1960s to a demand from insurers and consumers pressuring companies to be environmentally responsible in the 1990s, finally to be seen today as a true challenge for humanity. In short, environmental sustainability, one of the eight Millennium Development Goals, is an issue that concerns the whole of society because it understands that it is imperative to meet "the needs of the present without compromising the ability of future generations to meet their own needs."[76]

Politicians worldwide have added environmental issues to their agenda of international diplomatic relations. Over the years there has been a series of meetings of developed countries, in the context of the Kyoto Protocol, and more recently at the Copenhagen Climate Council, and gradually other countries have joined the commitment to develop common global standards. In this regard, attention is beginning to focus on the BRIC economies (Brazil, Russia, India and China), given the steep rise in energy demand they represent, and on other

[73] Hammond, A.L. et al., *The Next 4 Billion: Market Size and Business Strategy at the Base of the Pyramid,* World Resources Institute, International Finance Corporation, 2007.

[74] *Growing opportunities: Entrepreneurial Solutions to Insoluble Problems,* Allianz, DuPont, Skoll Foundation, SustainAbility.

[75] *"Ban Ki-moon advierte de que el Ártico puede quedarse sin hielo en 2030,"* elmundo.es (3/09/2009).

[76] Brundtland Commission. Report of the UN World Commission on Environment and Development, November 1987 http://www.un.org/documents/gares/42/ares42-187.htm.

emerging economies that have significant economic growth figures, such as South Africa, Mexico, Indonesia or South Korea. A headline from July 2009 about the meeting in L'Aquila (Italy) read: "The emerging countries join the wealthy G8 to combat climate change and close Doha."[77] The rich countries of the G8 and emerging countries of the G5 (Brazil , China, India, Mexico and South Africa) agreed on the goal to limit the rise in global average temperature to two degrees centigrade (3.6° F). Although emerging countries have not been as specific as the G8 in its stated commitment to cut CO^2 emissions by 80% by 2050 compared to 1990, the meeting indicates that these two groups of countries are coming closer to an agreement in the fight against climate change.

A New Ranking of the World's Most Innovative Countries is a report by the Economist Intelligence Unit seeking to classify 82 countries from around the world in terms of their capacity to innovate. Governments consider innovation to be essential for economic growth; companies see it as a tool to gain competitive advantage. Thus a high score in this ranking has both macroeconomic and microeconomic implications. The most interesting part of the report is the weight given to environmental innovation, 25%, in the overall innovation index. The index is calculated according to each country's data, namely: environmental policies, market opportunities, competition and foreign investment policies, foreign trade, taxation, finance, labor market and infrastructure. The top three in terms of the environmental innovation index for the years 2004-2008 were Denmark, Singapore and Finland. The Nordic countries are well known for their innovative spirit, especially in implementing environmental programs. Thus it is not surprising that they rank among the top ten in the overall innovation index. As a point of interest, Spain is 20th in the environmental innovation index.

Concern for the environment has also spread to the business world. Companies try to minimize the environmental impact of their operations and make their decisions on corporate social responsibility part of their business culture. The experts from the Future Trends Forum believe it is important to note that more and more companies are considering social (and by extension environmental) change as an essential part of the strategic decisions of their organizations, rather than simply limiting their area of concern to corporate social responsibility. Private enterprise is a true engine of social and environmental innovation because it has financial resources that are not limited to traditional sources of capital, along with the organizational capacity to turn innovation into tangible change. Traditionally, we associate the idea of social innovation projects with companies and/or social entrepreneurs in developed countries. However, we see a growing trend towards the emergence of social agents in developing countries that incubate, develop and implement successful social innovation projects. To drive these changes, there are very specific business models dedicated to the cause of environmental innovation. In particular, the concept of "sustainopreneurship" refers to starting up businesses to address sustainability issues, setting strategic objectives with regard to the environment and using innovation to achieve them. To many experts, while governments have neither the will nor the capacity to foster innovation by themselves, the private sector is a clear source of the

[77] http://www.rtve.es/noticias/20090709/los-paises-emergentes-unen-los-ricos-del-g-8-para-luchar-contra-cambio-climatico-cerrar-doha/284349.shtml.

creativity and innovation needed to achieve sustainable environmental programs: in other words, "business with a cause," which turns global problems like climate change and other environmental protection issues into business opportunities through innovation in the field of sustainability.

Finally, in both developed and developing countries consumers have become more demanding with regard to "green" products and services. Indeed, consumers in developing countries are getting so involved that, for example, 85% of consumers in Indonesia said they had bought a product or service specifically because it was produced in a responsible manner (see 11th publication of Future Trends Forum – Bankinter Foundation of Innovation, *Competing in Challenging Times: New Rules and the Role of Innovation*). The Natural Marketing Institute has identified different market segments based on the impact of the sustainable actions of companies in their purchasing decisions, among which two stand out as particularly responsible from the environmental point of view: LOHAS (Lifestyles of Health and Sustainability) and naturalists, which together account for 38% of US consumers. The former follow a "healthy and sustainable lifestyle" and do not just shop "green" but also support related programs and are active partners in environmental protection. The latter belong to the segment likely to purchase food products labeled "natural" or "organic" but do not have any further political commitment to the environment, nor do they buy other types of ecological products.

Innovative environmental programs

The range of environmental programs is very broad, and thus below we deal with a series of programs that, far from being traditional ecosystem conservation projects, stand out as being innovative, creative, technological and scalable.

Welcome to the world of cleantech

In recent years, the cleantech sector has experienced significant growth thanks to growing media focus on energy security and climate change. As was the case with the big pharmaceuticals sector, where spending on traditional R&D was no longer profitable and innovation began coming from biotechnology, in the energy sector the trend is for big business to let other smaller businesses with new and innovative ideas about sustainable energy take the lead. The term "cleantech" is a registered trademark of the pioneering Cleantech Venture Network (CVN), defined as "a diverse range of products, services, and processes that are inherently designed to provide superior performance at lower costs, greatly reduce or eliminate environmental impacts and, in doing so, improve the quality of life." CVN works in the following programs: energy generation and storage, energy infrastructure, energy efficiency, transport and logistics management, water purification, air quality, recovery and recycling of materials, and environmental IT, among others. Similarly, General Electric (GE) has launched its Ecomagination campaign, which aims to meet the customers' demands for more energy-efficient products and to promote more sustainable growth for GE itself. In

the words of the company, "Ecomagination reflects GE's commitment to invest in a future that creates sustainable innovative solutions to environmental challenges at home and at work; as well as delivers valuable products and services to customers while generating profitable growth for the Company." Four years after its launch, the GE campaign has shown that "being green" is profitable: the company has increased its portfolio of Ecomagination products from 17 in 2005 to over 80 today. Earnings in 2008 totaled $17 billion, representing an increase of 21% over the previous year.

The cleantech trend has also spread to the emerging countries. In India, companies in this sector raised a total of $131 million in the second quarter of 2009, an increase of 167% over the previous quarter.[78] Although the figures in the sector had fallen significantly in recent months, these latest results are a sign of some sort of turnaround. The transportation sector, specifically vehicles, biofuels and batteries, is one of the main focuses of cleantech investment, thanks in part to governments' concern about the automotive sector and economic incentives. For the solar energy sector, however, the news is not good, with investment at its lowest level in the last three years.

In search of the green city

Integrated planning and design of cities can help reduce emissions through the implementation of exceptional practices applied at scale. There are many projects that advocate the so-called eco-cities as a way to restore biodiversity to the heart of the cities and reverse the trend of urban sprawl. The idea centers on the design of cities and buildings according to a plan in accordance with human needs and "access by proximity" rather than the current disorder derived from excessive use of cars, wasteful consumption and the destruction of the natural environment.[79] Some of the measures they seek to encourage in these eco-cities include: restricting or prohibiting parking, solar orientation of buildings to conserve energy, restoring nature with landscaped terraces and roofs, and creating pedestrian streets and walkways or shopping areas designed to reduce travel. In this sense, we should recall that a Coca-Cola ad in the summer of 2009 urged Spaniards to consume locally bottled drinks in order to reduce CO_2 emissions resulting from distribution.

Economic growth in Asia and the Middle East goes hand in hand with booming urban development. However, control of environmental impact is often minimal, making it necessary to invest in energy efficiency to reduce the negative impact. If, for example, we take the case of China, where it is predicted that 400 million people will migrate from rural to urban areas in the next thirty years[80], eco-cities, responsible and efficient from the environmental point of view, are a very attractive solution. Moreover, the country would be helping to meet international standards on CO_2 emissions. Finally, this constitutes a huge niche market for companies involved in social innovation and environmental sustainability. In Singapore, the company City Developments Limited (CDL) has designed and built buildings recognized as the most energy efficient not only in the country but throughout Asia.

[78] *"Indian cleantech companies raised a total of $131 mln last qtr,"* Reuters India (2/07/2009).

[79] http://www.ecocitybuilders.org, http://www.ecocitiesproject.org.uk/, http://www.eco-cities.net/.

[80] *Growing opportunities: Entrepreneurial Solutions to Insoluble Problems*, Allianz, DuPont, Skoll Foundation, SustainAbility.

CDL has expanded its operations to seventeen countries in Asia, Europe, North America and Australia, with over 200 subsidiaries and associated companies.

At the other extreme are those projects that aim to curb the damage already caused by unplanned urban growth. Waste Concern Group is a social business enterprise dedicated to waste management and recycling in Bangladesh. The group comprises a nonprofit organization in collaboration with a number of private companies that provide business vision and technological capabilities. The group's work has been acknowledged with numerous awards from the United Nations Development Program, Ashoka and the Schwab Foundation for Social Entrepreneurship. The Cleantech Innovation Institute aims to convince the taxi business in Toronto (with the idea of extending the idea across Canada and then the US) to start using hybrid vehicles, and thereby reduce their emissions by 70%. In a year, a taxi runs up ten times the mileage of an average vehicle. So, astoundingly, if 200,000 taxis switch to hybrid vehicles it will have the same effect as replacing 2,000,000 private cars.[81]

Boosting scale in environmental innovation

In this study we have noted how the difficulty of successful social innovation lies in achieving the scalability of innovations, rather than creating a product or service. Environmental Defense is a nonprofit organization based in New York that is making a name for itself precisely by helping hundreds of companies (McDonald's, FedEx, Wal-Mart) to operate on a more environmental sound basis and, subsequently, to expand the scale of their innovations to achieve changes in practices across the sector.[82]

Another example of a project that began as a solution to a local challenge and is expanding to other parts of the world relates to the management of a scarce resource, namely water. The water supply in Singapore became unsustainable when, after declaring its independence from Malaysia in 1965, it was agreed that the latter would extend water lines to Singapore. This excessive dependence prompted Singapore to seek innovative alternatives for its water supply. One of the most successful parts of the project involves water recycling plants that provide drinking water by treating waste and salt water. The biggest company involved in managing these plants, Hyflux, has expanded its presence to China, started operating in Middle East markets and has expansion plans for Southeast Asia and Africa, in addition to becoming public and being listed on the Singapore Exchange. This Hyflux case is a good example of how a shortage creates the imperative to find a sustainable solution, which leads to an innovation model that ends up becoming a global business.[83]

In the chapter on the scalability of social innovation, we said that in addition to opening new branches, one way for a business to achieve greater impact was by forming alliances with other organizations. This is the case of the joint venture between Grameen Bank and Danone aimed at environmental protection through the development of solar energy and biogas, as well as ecological and innovative

[81] *Growing opportunities: Entrepreneurial Solutions to Insoluble Problems,* Allianz, DuPont, Skoll Foundation, SustainAbility.

[82] Heather McLeod Grant & Leslie R. Crutchfield, *"Creating High-Impact Nonprofits,"* Stanford Social Innovation Review, 2007.

[83] *A New Mindset for Corporate Sustainability,* A White Paper sponsored by BT and Cisco, 2008.

packaging of the latter's products. Furthermore, the alliance enabled Danone to enter the Bangladesh market, which otherwise would have presented too many difficulties, and to offer dairy products at affordable prices, and thus cover the nutritional needs of growing children.[84]

The importance of environmental awareness

Concern for the environment is the order of the day: at home, at work, in schools, etc. We are being bombarded daily with messages about using energy-saving light bulbs, reusable shopping bags, paper and plastic recycling and, in general, any "green" product or service that meets the standards of environmental sustainability; so much so that there are websites and blogs such as http://www.orbitaverde.com/ and http://simplegreencleaning.com/ with information about household cleaning products and services that do not pollute the environment and that avoid the health risks associated with toxic cleaning products. Our society has never been more aware of the consequences of environmental degradation and climate change. With the headlines full of hurricanes, tsunamis and other natural disasters, people are aware of the negative impact of their own daily activities. In the field of social innovation, there are projects aimed at shedding further light on the environmental issues we must address quickly in order to make our lives sustainable. In the case of Hurricane Katrina in New Orleans, the Rockefeller Foundation supported the development of the Unified New Orleans Plan (UNOP) focused on bolstering flood protection, rebuilding affected neighborhoods, providing affordable housing, expanding public services and working to achieve advanced education and health systems.[85]

At Ashoka Spain, several social entrepreneurs have created programs to raise public awareness about environmental causes. Jordi Pietx has come up with new methods of land conservation in Spain in which, in addition to the government, private owners, municipalities and civil society in general can actively exercise their responsibility to conserve land and biodiversity. To do so, he has designed the technical, legal and participatory tools needed to help establish voluntary agreements between landowners and environmental bodies for land management and conservation. Likewise, Antonio García Allut has developed a comprehensive and systemic model that makes the existence of small-scale fishing communities viable, turning the fisherman into a marine environment manager and acting on the causes and factors that are endangering the existence of traditional fishing communities. To this end, he set up the company Lonxanet (www.lonxanet.com), a new direct distribution system that sells seafood directly to individuals and restaurants throughout Spain, offering the fisherman higher prices than other distributors. Furthermore, to increase the product value of traditional fishing, Lonxanet has implemented a traceability system (from capture to final consumers), and has brought in other social and economic sectors, such as the catering industry, to create the Red de Restaurantes por la Conservación del Ecosistema Marino (Restaurant Network for the Conservation of the Marine Ecosystem). In both cases, the involvement of communities has led to a change in the mindset of stakeholders.[86]

[84] The role of social entrepreneurship in solving sustainability challenges, *Skoll Foundation,* November 2006.

[85] *"Smart Globalization: Benefiting More People, More Fully, in More Places,"* The Rockefeller Foundation 2007 Annual Report.

[86] http://www.ashoka.es/ comunicadosprensa.

Similarly, the Green Belt Movement (GBM) was founded in 1977 by the National Council of Women in Kenya. This might have turned out to be just another project aimed at restoring the natural environment by helping to plant and care for trees in "green belts" in urban and rural areas of the country, if not for its innovative work in raising awareness. Over the past ten years, the movement has organized more than 6,000 community groups with the aim of promoting local mobilization and improved welfare through environmental activities.[87] Internationally, Young Global Leaders of the World Economic Forum have set up workgroups to raise awareness about climate change, promote private-sector participation in identifying business opportunities and publicize best practices for changing consumer behavior. During the 2007 annual meeting of the World Economic Forum in Davos, they launched the Love Campaign along with *Book of Love*, a manifesto addressing world business and political leaders which outlines how to achieve environmental victories in order to reduce the negative consequences of climate change.[88]

c. Social cohesion

In social innovation circles there is a debate about the difficulties of achieving social cohesion in different societies in the world. However, in an increasingly globalized world, it makes perfect sense to speak of "global cohesion," especially if one considers that the eighth Millennium Goal is to achieve a global partnership. As explained in an article from late 2007 entitled "Towards Global Cohesion,"[89] multilateralism has been gaining momentum because countries are moving gradually towards a consensus among all global representatives, instead of imposing their will unilaterally. Indeed, the United Nations was originally founded as a multilateral institution with a mission of averting international conflict, although its scope has since expanded to a diversity of issues, economic, social, cultural and environmental in nature, all at the global scale.

We might say that the UN and all the satellite agencies operating around it act as agents of social innovation in themselves. On one hand, they aim to solve the varied problems that fracture social cohesion at the international level: terrorism, organized crime, the scarcity of global resources, environmental degradation, climate change, the failure of the international economic system, and armed conflict. On the other hand, discussion and decision-making in international affairs are no longer the exclusive preserve of politicians and diplomats. They now involve NGOs, which are better at identifying environmental and humanitarian problems and finding more effective solutions. Governments and international agencies are increasingly demanding the help of NGOs in running their projects. Corporations are also being called on to get involved for their skills and service orientation. In short, we are seeing a move towards building a globalized civil society with the active participation of all the actors that comprise it.

In any event, the UN's aim to promote a global partnership as one of the Millennium Goals is embodied in its commitment to achieve good governance, social development and the reduction of poverty, at the national and international

[87] Sarah H. Alvord, L. David Brown y Christine W. Letts, *Social Entrepreneurship Leadership that Facilitates Societal Transformation*, Harvard University.

[88] http://earthlovemovement.org.

[89] "Towards Global Cohesion: Gray Southon Examines the Role of the United Nations in Global Development," *New Zealand International Review*, November 2007.

level. It also aims to meet the special needs of the least developed countries, relieving heavily indebted countries by canceling official bilateral debt, and providing official development assistance. In addition, it has set a series of goals relating to cooperation with pharmaceutical companies in developing countries to provide affordable access to essential drugs, as well as partnerships with the private sector to give them access to the benefits of the new technologies.[90]

In most developed countries it is assumed that the norm is to live under a social contract between government, business and workers, ensuring a basic level of social and economic security. Now, in the early twenty-first century, we are beginning to feel the effects of a growing fracture in this contract, as the slightest disturbance causes sharp rises in unemployment, medical costs exceed workers' ability to pay, companies often cut social benefits and government is no longer able to curb inequalities. Sadly, a growing number of families are seeing one or more members lose their jobs, can barely make ends meet and are ultimately forced to turn to charity. The short-term consequences of the crisis are compounded by a structural problem: the struggle against job discrimination of particularly vulnerable persons, i.e., immigrants, internal migrant populations, people with disabilities, ethnic minorities (in Europe, mainly the Roma), recently released inmates, young adults in legal internment programs, former drug addicts and in general anyone who belongs to a group at risk of exclusion.

Far from this social reality live the developing countries. In many of them, there is no economic and social security to speak of, nor any regulatory framework that lays the foundation for a stable and sustainable economic system. Nor do they have the social cohesion required for the emergence of positive synergies between economic growth and social equity in the context of productive modernization.

In either case, in the socially developing and developed countries alike, solving the structural problems that impede social integration is crucial to the implementation of models that contribute to social welfare and promote economic activity for the development of disadvantaged communities. It is therefore necessary to encourage participation and vocational integration among excluded groups. Here, the goal of strengthening politically participatory and inclusive democracy is particularly important.

Direct vocational integration for excluded groups

We often hear that "work is ennobling." This statement is absolutely true insofar as work develops our intellect and physical and mental skills. Work makes people feel better about themselves, in the knowledge that they are providing for their families' livelihoods and contributing to the overall welfare of society. Moreover, unemployment is a source of other problems that only compound the situation causing even more unemployment and, in a worst case scenario, creating a vicious circle. Thus among its conclusions, a report by ECLAC (Economic Commission for Latin America and the Caribbean) entitled *Panorama social de América Latina 2008* states that "underemployment, school dropout rates, unequal opportunities,

urban segregation and a lack of spaces for expression are aggravating the circumstances of youth violence in Latin America."[91]

Providing employment for socially excluded groups is the goal of many organizations. The beneficiaries tend to be people who are at a disadvantage relative to the rest of society: immigrants, ethnic minorities, disabled people, young single women with family responsibilities, homeless people, people in drug rehabilitation, young adults who have dropped out of school, or unemployed people far removed from the labor market. Following the tenets of social innovation, we should mention some of the projects whose aim is to create innovative business models that are sustainable over time and that contribute to the employability of these groups. For example, the Brazilian organization SACI Network (Rede SACI; Solidarity, Support, Communication and Information) is "an electronic network that facilitates communication and diffusion of information about the disabled to stimulate social immersion, improve quality of life and the improved exercise of their citizenship rights for individuals with mental, hearing, visual or physical disabilities." The organization aims to make disabled persons' lives better by providing them with access to information and communication technologies.[92]

In other cases, the work of organizations, in addition to protection and orientation, focuses on vocational training and labor intermediation. These projects seek to work hand-in-hand with business, receiving job offers and shortlisting candidates to meet them. The Minnetonka company, also working in Brazil, has been implementing a project since 2004 to help combat poverty by creating employment and income while contributing to environmental conservation by minimizing waste generated by its leather footwear manufacturing business. As part of the program, the company empowers people over the age of forty, with a low level of education, unemployed and/or mothers with dependent children, i.e., the very group of people facing the greatest difficulties in finding jobs in an area where, following the closure of many leather footwear manufacturers, there is an oversupply of workers with this profile. These people make leather ribbons from the factory waste. The truly innovative aspects of this project are that the people work at home so they can hold a job and meet their family responsibilities, and that the concept is so simple that it is easy to reproduce on scale, in any location and with different types of waste materials. It benefits all parties involved: the company, which no longer has to pay to dispose of waste; the community, by reducing pollution; and the workers who make an income for their households.

Unfortunately, the prospects of incorporating excluded groups in the job market diminish significantly during an economic downturn like the current one, while the number of people in need of social benefits rises. In Spain, the focus is on a class of newly poor uncovered by the crisis: the charity organization Cáritas reports that 40% of households may fall into a situation of vulnerability in the coming months, the most affected being unemployed middle class people with children.[93] These are families in which the main breadwinner is a man without qualifications who just lost his job and who due to his age, around forty, cannot

[91] "Desempleo y frustración de expectativas exacerban la violencia juvenil," www.eclac.cl (12/12/2008).

[92] http://www.eclac.org/dds/Innovacionsocial/e/experiencias.asp?tema=6.

[93] "La crisis destapa la clase de los nuevos pobres," *publico.es* (28/10/2008).

find other work. Furthermore, most of these people are paying off a mortgage and just scraping by, with no spare income to put into savings, and who have already exhausted family support and unemployment benefits. The crisis has hit Spain especially hard, leading the OECD to predict that unemployment, due to profound structural problems in the country's labor market, will reach around 20% in 2010.[94]

Cáritas says that its organization is being overwhelmed by requests for help from people who are not habitual users of social services. What is the solution to the growing demand for assistance? Many experts propose remedying more immediately the problems of the half million families living in severe poverty, while promoting change in the social model in order to rethink the social and economic welfare system because "the solution to poverty is a problem of State."

Empowering women to work

The situation of many women in developing countries deserves special mention. C.J. Hayden is a writer whose books such as *Get Clients Now!* and *Get Hired Now!* have helped social entrepreneurs to develop business projects that have made a difference from a social perspective. Her main focus is on empowering women in disadvantaged communities. She states that, "Without a culture that supports entrepreneurship, women don't perceive it as an option. Learning to fish requires something even more basic than bait, nets, or an adequate supply of fish. It requires that there be water. An entrepreneurial culture is the body of water that must exist in order for fishing to begin."[95] This author identifies three fundamental dimensions to building a culture that supports women entrepreneurs in developing countries: education and training, access to support and information networks, and family and community support.

Given that women in many developing countries have access to little or no formal education, the success of a program to develop future entrepreneurs depends largely on the possibility of providing entrepreneurial training to enable them to manage their businesses successfully. Quite frequently, this is not a matter of offering a specialized education, but of covering training needs, with a focus on accounting, budgeting, supervision, sales and the legal requirements for starting a business. Many training programs also include technical skills for more specific businesses, such as making handicrafts or obtaining information locally about the supply of materials, inventory or skilled workers. One of the most comprehensive programs targeting women and girls in countries like Paraguay, Brazil, Liberia, Ethiopia, Kenya, India, Bangladesh and China is that of the Nike Foundation. This program includes a wide range of innovative projects to meet the safety, health and educational needs so as to ensure the welfare of women and girls in an environment where basic infrastructure falls short. Nike Foundation sees its job as finding "diamonds in the rough" then "testing, polishing and bringing them up to scale" by providing the necessary resources and financial support. Its projects include a collaboration with BRAC to provide microcredit to young women in rural areas of Bangladesh to start small businesses that they can combine with their education. In India, Drishtee, a social enterprise founded by Acumen Fund, offers

[94] "La OCDE advierte de que el paro en España rozará el 20% en 2010," *elpais.es* (16/09/2009).

[95] http://www.socialentrepreneurcoach.com/resources/women-entrepreneurs-culture.html.

women the opportunity to operate kiosks in rural India, out of which they run digital photo studios and sell computer and English courses, and pay less for the license to operate the kiosk.

Institutional support is another key to incorporating women in the workplace. As of 2010, the UN will have a new agency dedicated to promoting and defending the rights of women, as announced by the General Assembly of September 2009.[96] Also of growing importance is the support coming from social networks that are proving that we can "create a society where women and girls are equal participants and agents of social change."[97] Women's Net carries out projects of this sort, among which is the use of cell phones in Uganda to share information via SMS about ending violence against women and, in the future, on AIDS.

Finally, it is worth noting that having outside support does little good if one ultimately does not also have the backing of the local community. In Ecuador, Proyecto Regional Randimpak: Mujeres Indígenas Construyendo Su Futuro (Randimpak Regional Project: Indigenous Women Building Their Future) was founded in 2002 with the goal of "reducing poverty through comprehensive development led by women in rural areas of the Centro Andina micro-region, with environmentally friendly management and an emphasis on upgrading production and marketing."[98] With this aim in mind, the project works to promote the creation and consolidation of women's organizations in the communities and the implementation of actions to bolster women's leadership in certain areas. For example, women in these areas have succeeded in taking an active role as certified fish-farmers who multiply the impact of their work by supporting other women, which breaks with the tradition of discrimination in this trade. As a rule, social innovation programs must ensure that these women's families see the benefits of their work or the return on the investment in their business in order to motivate women to seek work opportunities.

Internauts of social cohesion

In May 2005 during the elections, women in Kuwait mounted a protest, secretly using BlackBerry handhelds stowed under their burqas to send emails to demand their right to vote. Facebook and Rock the Vote (a nonprofit organization that seeks to get young people involved in political processes) joined forces in 2006 to help young people in the United States to register to vote on the social network. In Iran, the social networking site Twitter provided the means to mobilize the massive protests following the disputed elections in the summer of 2009.

Social networks are influencing the way in which the global society interacts and are having an impact in its communities. Things have changed significantly since the African blog Kabissa, Space for Change in Africa posited the question "Does Africa Use Social Network sites?" while commenting on a map published by *Le Monde* online[99] showing preferences by country regarding the use of social networks (see Figure 17). Although at present only 14 of the 50 African countries have members in social networks, the figures speak for themselves: South Africa

[96] "La ONU tendrá una agencia especializada en la mujer," *elmundo.es* (15/09/2009).

[97] http://www.womensnet.org.za.

[98] http://www.eclac.cl/dds/InnovacionSocial/e/proyectos/ec/randimpak/.

[99] http://www.lemonde.fr/technologies/infographie/2008/01/14/reseaux-sociaux-des-audiences-differentes-selon-les-continents_999097_651865.html.
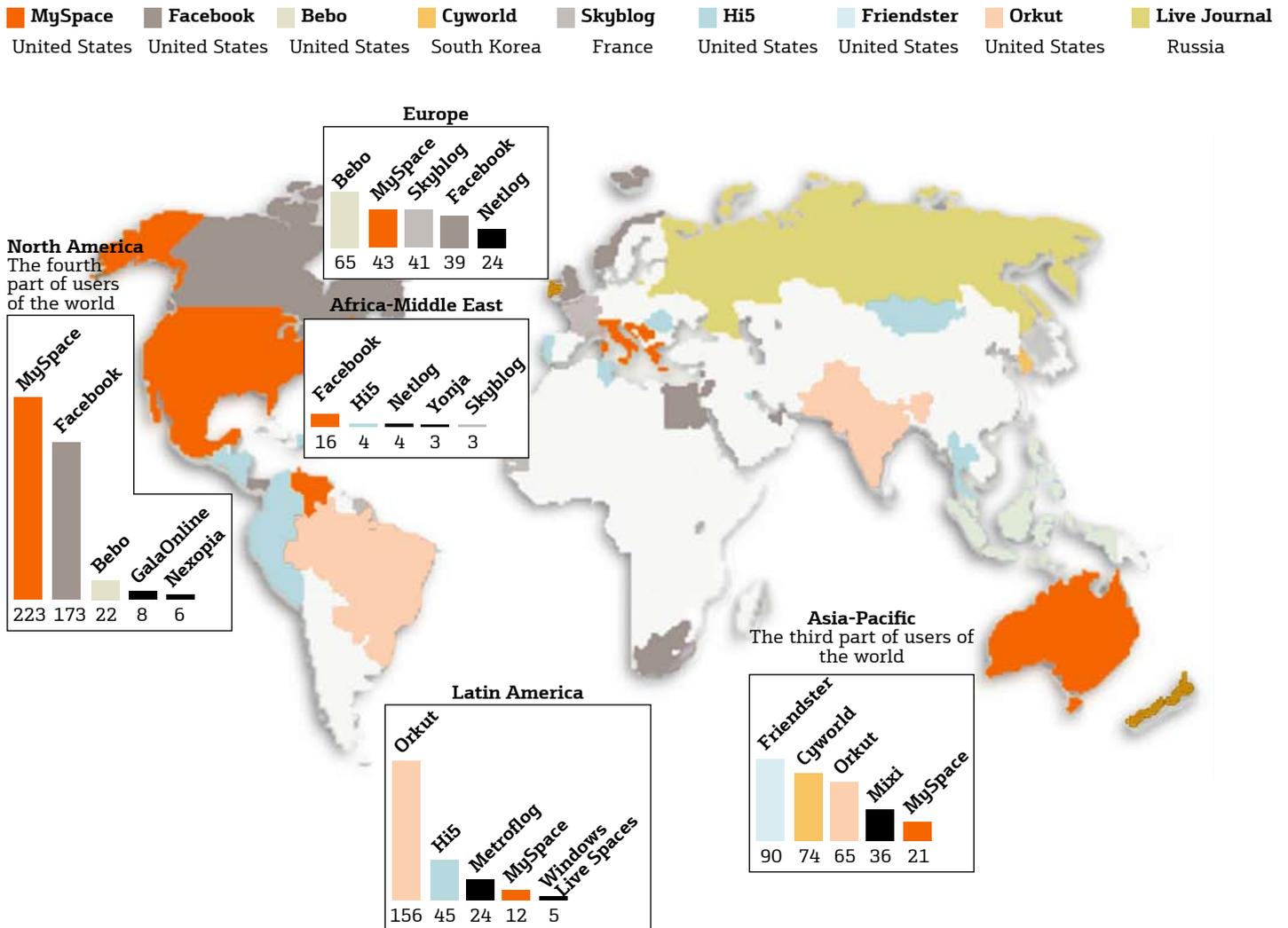
Figure 17: Each continent has different preferences with regard to social networks.
Source: *lemonde.fr* (January 2008).

has 1.1 million members on Facebook, Egypt 800,000, Morocco 369,000, Tunisia 279,000, Nigeria 220,000, Kenya 150,000 and Mauritania 60,000.[100]

One reason why people in developing countries are not more engaged with social networks is the fact that 76.5% of the world's population, mainly in developing regions and rural areas, does not have Internet access. However, mobile technologies in these countries are expanding faster than Internet and landlines. The most widely used application by far in these countries is SMS, but due to its cost, some places are seeing rapid growth of GPRS and 3G instant messaging

[100] http://www.web2fordev.net/.

services such as MXit, developed by a South African university. However, these services also require Internet access. This explains the creation of Goose, a social network that requires no Internet connection. It uses GSM networks and DTN technology, combined with Bluetooth local connectivity to "take advantage of the users' social interactions [...] to forward information." In fact, the newest model is able to identify available secure carriers for continuous transmission of messages. Social innovation, once again, harnesses technology to reach any place at any time, fostering unprecedented global interaction.

d. The right to health

Nine years ago, the member states of the United Nations and 23 international organizations agreed to fight the scourges of extreme poverty, hunger, illiteracy, and disease that afflict a large portion of the world's population. Under the heading of the Millennium Development Goals, eight key goals were set for 2015. Four of them are directly related to health: eradicate extreme poverty and hunger, reduce child mortality, improve maternal health, and combat AIDS. Progress so far has been slow but steady. However, the current economic crisis, occurring in the second half of the projected term, has stalled additional progress and even unraveled some of the successes achieved to date.

According to the 2009 report, from 1990 to 2005, the number of people living on less than US$1.25 a day fell from 1.8 billion to 1.4 billion. Yet by the end of 2009, an estimated 55 to 90 million more people than projected before the crisis will be living in conditions of extreme poverty.[103] Likewise, the scant progress made on child nutrition from 1990 to 2007 is not enough to meet the target set for 2015 and will probably be further hampered by higher food prices and the economic turmoil.[104] As a result of all the foregoing, the resources allocated to health programs may also be compromised, due to both decreased aid from developed countries, which must tend to domestic issues, and the decreased capacity of the most disadvantaged countries to mobilize internal resources in pursuit of development. To make matters worse, their export income has also been heavily affected by the recession.

Health is a right to which everyone should be entitled. Unfortunately, the statistics show the opposite to be true. According to the Global Forum for Health Research,[105] people die in larger numbers because of where they happen to live in the world. The chances of dying between the ages of 50 and 60 are five times greater in Africa than in Europe. Moreover, poor people die in larger numbers than rich people, and young people in low- and middle-income countries die from largely preventable causes. These data underscore the idea of a vicious cycle between poverty and disease. Poor people suffer from more—and more serious—diseases, a fact that is compounded by their limited access to healthcare. Even when healthcare is available, the cost of using it exacerbates these people's poverty, thereby further feeding the vicious cycle. Healthcare in these countries has a long way to go. The public sector offers a limited, fee-based service without fixed or preset prices, while the qualified private sector tends to be concentrated in certain

[103] http://www.un.org/spanish/millenniumgoals/pdf/MDG_Report_2009_SP_r3.pdf.

[104] http://www.un.org/spanish/millenniumgoals/pdf/MDG_Report_2009_SP_r3.pdf.

[105] "Global Forum for Health Research, Helping Correct the 10/90 Gap," presented at Forum 9 in Mumbai, held September 12-16, 2005.

towns, providing a likewise limited and expensive service. In these countries, informal health services offered by community physicians who lack adequate facilities, etc., are widespread. These services are more accessible both geographically and financially; however, they, too, are quite limited and, in some cases, are even more painful than more advanced medicine,[106] as they often cater to folk beliefs or superstitions.

Notwithstanding the above, the problems arising from an inefficient healthcare system are not only found in developing countries. Due to rapidly aging populations, social-security systems have taken on increasing importance in developed countries, where the health needs of seniors, the disabled and working families are not always fully met. The ailing real-estate market, lost jobs and savings, and increasing tax burdens, among other factors, could jeopardize national budgets for insuring the pensions of people approaching retirement age. As noted earlier, we must start with the idea that health is something to which everyone should be entitled. Based on this premise, one might assume that the problems to be tackled by developed and developing countries are quite different. Although there is a tendency to believe that the causes of mortality vary dramatically between developed and developing countries (as exemplified by the dichotomy between preventable life-style diseases, such as obesity, in the West and diseases of poverty, such as malnutrition, elsewhere), aside from the ongoing scourge of AIDS, more and more similarities can be found between them. The UN estimates that, by 2010, the leading cause of death in the world will be cancer, which is on the rise in developing countries.[107] Experts attribute this to increased tobacco use and the adoption of other bad habits traditionally associated with developed countries in emerging and developing countries. According to John Seffrin, president of the American Cancer Society, today, India and China are home to more than 40% of the world's smokers. Seffrin has projected that, if current trends hold, one billion people will die this century of smoking-related causes. Tobacco companies have met with major advertising success in developing countries and are earning high returns on their investments there. Even countries such as Tanzania have seen spikes in mortality rates due to high blood pressure and smoking, which is changing the preconceived notion that these pathologies are directly related to status and socioeconomic class. Unfortunately, data seems to suggest that by 2030 some 75 million people throughout the world will be living with cancer.[108]

A variety of programs to promote good health have quickly emerged in response to this situation. The organization Table for Two aims to fight hunger in developing countries and obesity and other lifestyle diseases in developed ones. Table for Two was founded in Japan, but has sponsors in countries as diverse as Canada, Mozambique, Switzerland, Belgium, Mexico, Bangladesh, Jordan and the United States. The cafeterias and restaurants at participating companies agree to serve healthy meals in developed countries that meet certain stipulated nutrition requirements. A 20-cent (US$) donation is made for each meal bought, either by the company itself or the employee who buys it. This donation is then used to serve 20-cent school meals in developing countries. The participating schools are

[106] "Global Forum for Health Research, Helping Correct the 10/90 Gap," presented at Forum 9 in Mumbai, held September 12-16, 2005.

[107] http://www.elmundo.es/ elmundosalud/2008/12/09/ oncologia/1228854697.html.

[108] "WHO: Cancer to be world's top killer by 2010," *usatoday.com* (12/9/2008).

responsible for monitoring and regularly reporting on the distribution of the meals and the health of the school children to whom they are provided.

The "10/90 Gap": proof of unequal spending on health

The lack of necessary funds to develop and implement global health programs has become an endemic problem. Many experts have noted that there is not enough funding to meet the Millennium Development Goals for health. In response to Round 8 of the Global Fund in 2008, 97 countries have requested a total of US$6.4 billion in new grants, three times as much as in previous rounds.[109] However, simply advocating for additional funds to invest in health is no guarantee of success, unless more efficient and rational use is made of available resources.

The term "10/90 gap" refers to the conclusion reached by the Global Forum for Health Research, which, twenty years ago, estimated that only 10% of the world's expenditure on health R&D is applied to health problems affecting the poorest 90% of the world's population, while the remainder is devoted to preventable diseases that, in many cases, are related to Western lifestyles, as explained above.

Some studies[110] dispute this estimate, claiming that "A large proportion of illnesses in low-income countries are entirely avoidable or treatable with existing medicines or interventions. Most of the disease burden in low-income countries finds its roots in the consequences of poverty, such as poor nutrition, indoor air pollution and lack of access to proper sanitation and health education." According to the World Health Organization (see Figure 18), 45% of the disease burden in the poorest countries is associated with poverty, yet almost all deaths associated with these diseases are either treatable with existing medicines or could have been prevented in the first place.

[109] Prerna Banatia and Jean-Paul Moatti, "The positive contributions of global health initiatives," November 2008.

[110] *Diseases of poverty and the 10/90 Gap*, Philip Stevens, Director of Health Projects, International Policy Network, November 2004.

% of deaths caused by/in	High mortality low-income countries	Low mortality low-income countries	High-income countries
Infectious and parasitic diseases	34,1	24,8	2,1
Respiratory infections	9,9	8,0	3,7
Perinatal and maternal conditions	8,4	6,8	0,4
Nutritional deficiencies	1,3	1,1	0,0
Tropical diseases	0,5	0,3	0,0
Total 'poverty-related' diseases	54,1	40,7	6,2

Figure 18: Mortality Due to Diseases of Poverty.
Source: *World Health Report 2002*.

As noted above, the fact that the nature of the diseases affecting developed and developing countries is converging must also be taken into account. Both types of countries are witnessing the spread of increasingly similar diseases. Substantial R&D resources are being allocated to developing treatments for cancer, cardiovascular disease, neuropsychiatric disorders, and diabetes. While these diseases are traditionally associated with developed countries, they increasingly affect the poorest parts of the world, too.

In short, this brief overview of global health shows that much remains to be done if the Millennium Development Goals are to be met. The experts at the Future Trends Forum argue that social innovation is the key to many of the challenges we currently face, from R&D programs to find cures for diseases to new distribution methods to ensure that products and services reach the least accessible populations with the greatest need for healthcare. Innovation in global health programs should emerge from public-private-civil society partnerships, the promotion of favorable policy based on institutional support, the development of new business models, and the necessary technology.

Cooperation and business models: new forms of innovation in healthcare

One of the most promising trends in innovation in business models for healthcare is public-private partnerships. These partnerships are considered the "vehicle for developing medicines that there is little to no market incentive to develop." Elizabeth Ziemba, president of SHARED, a nonprofit organization dedicated to increasing access to medicine in developing countries, discussed the possibility of using such partnerships to bridge the gap between the financial cost of the global disease burden and the research dollars allocated to it in a contribution to a WHO report.[111] Ziemba claimed that sixteen partnerships for developing medicines had been identified, with US$1 billion in available funding, primarily from private organizations such as the Gates Foundation. She continued, "the relatively small proportion of funding from governments [...] translates into the private sector setting the parameters of public policy issues." The aim in bringing together public and private-sector efforts is to allow the private sector's traditional management skills and business vision to improve the administration of funds. As prime minister, Tony Blair sparked debate on the effectiveness of public-private partnerships when he proposed using them in British hospitals and schools, as he believed that they were the most efficient way of running such institutions.[112] Unions, however, were skeptical of the private sector's capacity to manage traditionally public areas and accused the government of trying to privatize public-sector jobs. In contrast, advocates of such partnerships maintained that many hospitals and schools would not be built at all were it not for private funding, as public funding is sometimes simply not enough. Moreover, the agreements governing these types of partnerships tend to lay down a series of quality requirements, as well as penalties for any failure to meet them.

The Mumbai-based "Dial 1298 for Ambulance" project is an example of the opposite case, that is, of a private company that receives public funding to expand

[111] *Priority Medicines for Europe and the World*, World Health Organization (November 2004).

[112] "What are Public Private Partnerships?" *BBC News* (02/12/2003).

its services to other cities. The private company Ziqitza Healthcare Ltd (ZHL) was founded by a group of friends who had experienced the trauma of lacking access to emergency care firsthand. They started out with a single ambulance. Today, their fleet has grown to forty, and they plan to expand their services to at least ten cities over the next ten years. Although ZHL is a for-profit company, it uses sliding-scale fees, such that patients transported to free beds at public hospitals are not charged, whereas patients requesting transport to private hospitals pay Rs 1,500, about half the usual cost. The company has received funding from the US-based nonprofit Acumen Fund.[113] On the whole, the experience shows that a private-public-civil society partnership can be a resounding success in a country that spends less than 1% of its GDP on health.

Many global health programs stem from innovative business models and not necessarily from the aforementioned partnerships. Olyset Net is the most effective and innovative mosquito net on the market: it lasts five years and sharply reduces malaria rates. It was invented by Sumitomo Chemical, a Japanese company that has granted a royalty-free license to a Tanzania-based company to manufacture it, generating turnover of more than US$30 million and creating thousands of jobs.[114]

The race for innovation in healthcare: the rise of the emerging countries

Throughout this chapter on global health programs, attention has been called to a few of the many projects being conducted in developing countries. The growing participation of countries with higher poverty rates is an indisputable reality, especially with regards to the so-called "emerging countries," which have seen spectacular economic growth accompanied by investment in areas that have traditionally been dominated by developed countries, such as R&D and technology. Indeed, nine of the top twenty-five countries in terms of total patents issued in 2003 were precisely such developing countries, and this figure is on the rise.

Although the United States has always led in innovation, developing countries are starting to catch up by opening research centers and technology parks that draw experts from around the world. Biopolis is a biomedical R&D center in Singapore, which has established itself as a major technology hub, working in collaboration with government agencies, venture capital firms, international pharmaceutical companies, academic institutions, and laboratories. An article in *Science*[115] provided several specific examples of the contributions of emerging or developing countries in the field of health, showing that they do indeed have the necessary technological capacity and resources for it: China is the world's leading penicillin manufacturer; the Serum Institute, in India, is the world's leading manufacturer of

[113] "India wakes up to the need for ambulances," *livemint.com, The Wall Street Journal* (08/30/2007).

[114] Global Health: A Global Agenda Kiyoshi Kurokawa, MD Professor, National Graduate Institute for Policy Studies, Tokyo Science Advisor to the Cabinet of Japan (May 2008).

[115] "Global Forum for Health Research, Helping Correct the 10/90 Gap," presented at Forum 9 in Mumbai, held September 12-16, 2005.

Country	Value
United States	2,760
Japan	1,203
India →	0,912
China →	0,732
Germany	0,545
Korea, Rep.	0,424
France	0,195
Canada	0,194
United Kingdom	0,182
Italy	0,107
Israel	0,088
Brazil →	0,081
Sweden	0,066
South Africa →	0,062
Australia	0,056
Switzerland	0,050
Belgium	0,042
Finland	0,040
Austria	0,038
Thailand →	0,031
Argentina →	0,027
Singapore	0,027
Malaysia →	0,024
Mexico →	0,020
Indonesia →	0,020

India, China, Brazil, South Africa, Thailand, Argentina, Malaysia, Mexico, Indonesia ... (all developing countries can undertake health innovation to varying degrees)

Presented by Carlos Morel in «Health innovation: the neglected capacity of developing countries to address neglected diseases»
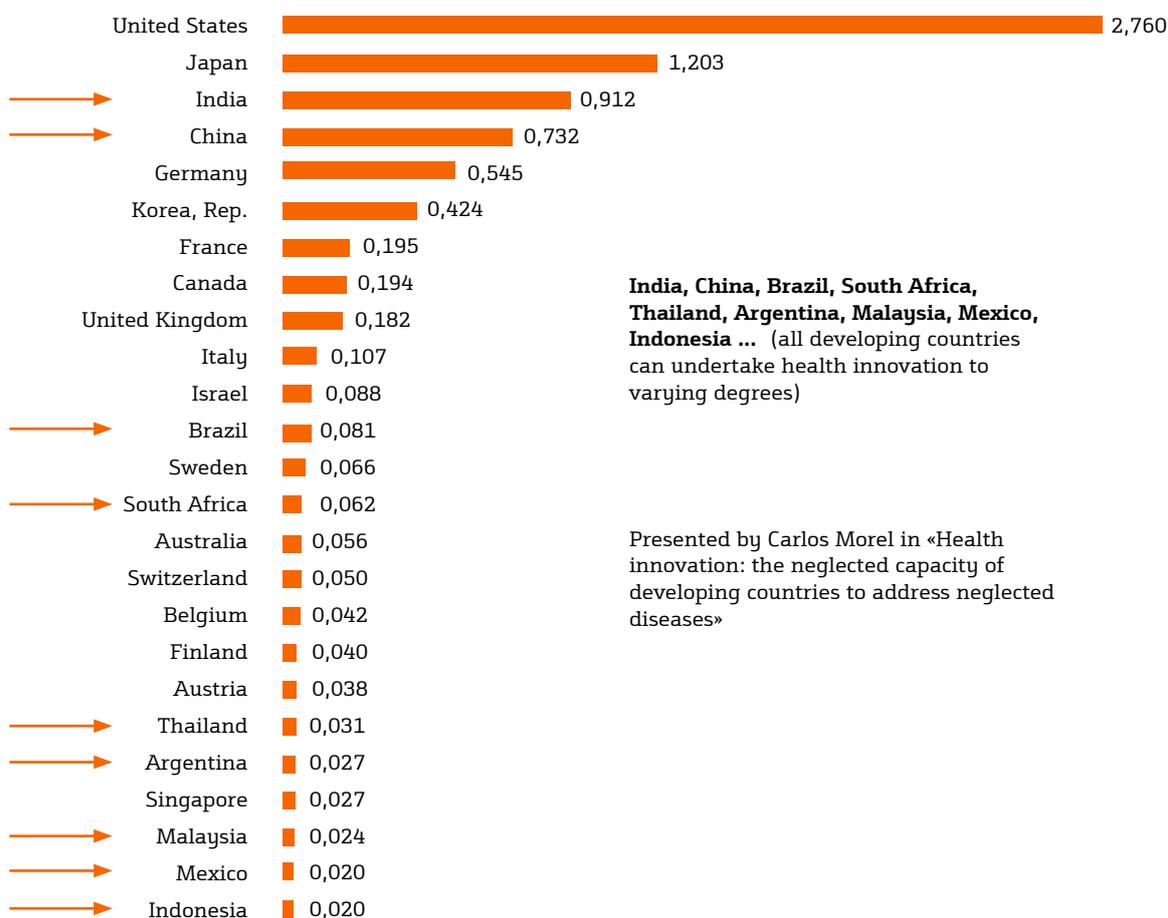
Figure 19: Innovative Developing Countries: Top Twenty-Five Countries by Total Patents Issued in 2003 (adjusted for GDP and per capita).
Source: "Global Forum for Health Research, Helping Correct the 10/90 Gap," presented at Forum 9 in Mumbai, held September 12-16, 2005.

diphtheria-pertussis-tetanus vaccine; and over 60% of the United Nations Children's Fund's vaccine requirements are met by Brazil, Cuba, India, and Indonesia. Likewise, 67% of Indian drug exports and 74% of Brazilian drug exports go to other developing countries, while 63% of Ugandan drug imports and 54% of Tanzanian drug imports come from other developing countries.

Innovation in health in developing countries can also be seen in creative projects such as the Animal Angels Foundation, an award-winning Mumbai-based organization devoted to providing animal-assisted therapy to patients with psychiatric disorders, behavioral problems, or physical disabilities or illnesses, among others.[116]

[115] «Global Forum for Health Research, Helping Correct the 10/90 Gap», presentado en el Forum 9 en Bombay, celebrado entre el 12-16 de septiembre de 2005.

[116] http://www.animalangelsfoundation.com/.

The truth behind the child mortality figures

So, if treatments exist for most of the health problems in developing countries, why have mortality rates remained so high? Simply put, it is because the real problem is access, not innovation.[117] First, there is the ongoing debate about intellectual property law, which provides incentives to pharmaceutical companies to conduct R&D and create new medicines, yet, at the same time, places them at a disadvantage, as they must then sell their products at higher prices to recoup their initial investments. Then there is the fact that governments of low-income countries spend more on their militaries than on making healthcare available to those most in need. Finally, many times, the problem is distribution. The Future Trends Forum experts repeatedly pointed out that too many water purifiers have never gotten past the stage of being merely innovative products, because the problems associated with their distribution were never studied. In this sense, it is crucial not to approach the innovation process solely in terms of the final product, but also with an eye to ensuring access, both from a financial perspective and with regard to distribution in remote areas.

After three years of marketing tests, Procter & Gamble realized that, unless it managed to make its household water purification system PUR more accessible, the product would be a commercial failure. It thus began to sell it at cost in partnership with nonprofit organizations that distribute it through their humanitarian relief networks.[118] In a similar vein, Essilor India has developed a van fitted with the necessary ophthalmological equipment to facilitate eye examinations and diagnoses, as well as to manufacture and deliver eyeglasses, in rural areas. The company's technicians collaborate with nonprofit partners such as Sankara Nethralaya and Aravind Eye Hospital.[119] Both cases show how distribution channels, or the lack thereof, can often be an impediment to success.

Other times, the obstacles have more to do with cultural barriers, above all when dealing with health and physical integrity issues. The Instituto de Defensa Legal (Institute of Legal Defense, IDL), a Peruvian NGO, developed and implemented—with considerable support from the United Nations Children's Fund (UNICEF)—a model of community advocates, made up of members of the local community who are trained to address the problem and to provide support for victims when reporting abuse and throughout the ensuing legal process.[120]

e. The commitment to education

It is an undeniable fact that children in poor countries are less likely to attend school. The situation is even worse among inhabitants of rural areas, members of ethnic and linguistic minorities, the disabled, and children affected by armed conflicts. The reasons for the low level of schooling in developing countries include: the lack of education regulations making attendance compulsory; the shortage of public resources to finance education; the need for all members of poor families to contribute to the family economy; discrimination against girls and

[117] "Global Forum for Health Research, Helping Correct the 10/90 Gap," presented at Forum 9 in Mumbai, held September 12-16, 2005.

[118] http://knowledge.insead.edu/Bottompyramid.cfm.

[119] http://knowledge.insead.edu/Bottompyramid.cfm.

[120] http://www.eclac.org/dds/InnovacionSocial/e/proyectos/pe/defensorias/.

certain ethnic groups; language barriers in countries where multiple languages or dialects are spoken; difficulties providing education in rural regions; war and post-conflict situations; and systems' inabilities to cater to students with special needs.

Education systems in developing countries are characterized by poor, often politicized management, a high rate of teacher absenteeism (often due to AIDS), and a degree of corruption that prevents the necessary funding and resources from arriving.

Moreover, the governments of these countries often devote the limited resources they do have to priorities other than meeting citizens' basic needs and demands. For instance, many spend more on their militaries than on education. However, their goal should be to raise awareness and to support the implementation of major, scalable, sustainable and comprehensive education plans by forging partnerships with different stakeholders primarily aimed at eliciting greater participation from the private sector. Through the creation of such an ecosystem, which rewards cooperation and is endowed with more financial resources, more funds could also be allocated to education and literacy programs. This, in turn, would translate into more widespread dissemination of new technologies among communities. Improvements in agricultural technology, for example, have led to increased per-capita food production and lower food prices, even as the world's population has grown dramatically. In the long term, the use of new technologies boosts economic growth, providing individuals and the state with the means to improve basic infrastructure, such as that used to provide clean drinking water. This, in turn, leads to improvements in public health, and a healthier population is better able to engage in economic activities, thereby generating increased income, which can then be spent on education and health.[121] This is but one example of how closely interwoven education, health, and poverty really are.

Notwithstanding the above, developing countries hardly have a monopoly on education problems. Education systems in developed countries suffer from overcrowded schools and safety issues, parents who are not actively involved in their children's education, problems integrating immigrant children, unmotivated faculty, poor teaching quality, and a failure to adapt to job-market needs and global competition.

Two of the UN's eight Millennium Development Goals are to, "Achieve universal primary education" and "Promote gender equality and empower women." It is no secret that a country's economic growth begins with education. More than 100 million children of primary-school age are not in school, with Africa and South Asia registering the most alarming figures.[122] Under the Millennium Development Goals, the target is to "ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling." By extension, the program also seeks to eliminate gender disparity at all levels of education by no later than 2015. This is because girls are disproportionately affected by the lack

[121] *Diseases of poverty and the 10/90 Gap*, Philip Stevens, Director of Health Projects, International Policy Network, (November 2004).

[122] "Toward universal primary education: investments, incentives, and institutions. Achieving the Millennium Goals," (2005). http://www.unmillenniumproject.org/documents/Education-complete.pdf.

of access to education. This is particularly true in sub-Saharan Africa and Southeast Asia, which are home to 83% of all out-of-school girls.[123]

According to the United Nations Development Program's (UNDP) *Human Development Report 2007/2008*, "Since the first *Human Development Report* was published in 1990 there have been spectacular—if spectacularly uneven—advances in human development. The share of the population living in developing countries on less than US$1 a day has fallen from 29% in 1990 to 18% in 2004. Over the same period, child mortality rates have fallen from 106 deaths per thousand live births to 83 and life expectancy has increased by 3 years. Progress in education has gathered pace. Globally, the primary school completion rate rose from 83 percent to 88 percent between 1999 and 2005." Indeed, some countries stand out for their astonishing progress in education. Vietnam, for instance, has managed to halve its poverty rates and achieve universal primary education well in advance of the 2015 target. Mozambique has likewise significantly reduced poverty and increased school enrollment, in addition to improving its child and maternal mortality rates.[124]

Nevertheless, much remains to be done if all education systems are to meet the Millennium Development Goals for education. To this end, the battle must be waged on two fronts: ensuring access to education from an early age and improving the quality of the system. Discussed below are two strategies for tackling these challenges, namely: promoting child enrollment in school and creating better educational institutions.

School attendance: prerequisite for development

One of the priorities for developing countries and certain low-income communities in other parts of the world is to provide incentives for families to send their children to school, especially girls, who often suffer from discrimination. To achieve this, first, school fees can be reduced or eliminated. In countries such as Uganda, Tanzania, or Bangladesh, this measure led to the enrollment of millions of children, in some cases even doubling the number of children in school. In contrast, Malawi's initial attempt at eliminating school fees failed, as the 1.2 million students who subsequently enrolled exceeded the capacity of the country's schools. As a result, many students eventually dropped out, causing school completion rates to fall virtually back to their pre-reform levels.[125] Clearly, this measure must be taken in conjunction with others to increase the available resources to absorb the new demand.

Second, financial or healthcare incentives can be offered on the condition that children attend school. The organizations Progresa (Mexico) and Food for Education (Bangladesh) offer cash and food, respectively, to encourage children to attend class regularly. The World Food Program has confirmed the effectiveness of such measures, showing that they serve both as income supplements for parents and to help alleviate chronic hunger and malnutrition among children. Free vaccinations, treatment for parasites, and vitamin supplements can also

[123] "Toward universal primary education: investments, incentives, and institutions. Achieving the Millennium Goals," (2005). http://www.unmillenniumproject.org/documents/Education-complete.pdf.

[124] *Human Development Report 2007/2008*, United Nations Development Program (UNDP).

[125] "Toward universal primary education: investments, incentives, and institutions. Achieving the Millennium Goals," (2005). http://www.unmillenniumproject.org/documents/Education-complete.pdf.

encourage parents to send their children to school. At the same time, children who are treated for certain conditions have been shown to perform better.

The Barefoot College began to train young people and illiterate women in India as solar engineers in the 1990s. As of December 2007, some 8,700 solar units had been installed, providing solar power to 574 villages, as well as 870 schools. Today, the Barefoot College also runs 549 night schools, where it offers classes to children who cannot attend school during the day because they have to help their parents at home. The university's adult education program includes training on rainwater harvesting and the construction of piped water systems. Courses are also offered on handicrafts to provide homebound women with a means of earning income. The Barefoot College moreover offers health services and advice on hygiene issues. It has always understood that, for any education program to succeed, the issues of basic services, health, and unemployment must be addressed.

Third, programs must be created to target specific groups that do not tend to receive the same attention as other students, including girls, disabled students, and children from countries in conflict. For example, in many countries, girls are clearly discriminated against and are subject to unequal and even, at times, degrading treatment. They often do not feel that they are in a safe environment. According to the *Por Ser Niñas* [For Being Girls] report by the NGO Plan España, presented in the Spanish Chamber of Deputies, a total of 65 million girls worldwide do not go to school, while another 10 million are married off before the age of 12. The report moreover concludes that an extra year of education for girls entails a 10-20% increase in their income, thereby helping them to escape extreme poverty.[126] Better education and employment for women can moreover have a dramatic impact on reducing birth rates and thus, in the long term, on reducing global warming and the growing destruction of natural habitats. Likewise, more accessible, better quality schooling can raise environmental awareness.[127] The Oprah Winfrey Leadership Academy for Girls, in South Africa, supports the development of a new generation of women leaders able to use their education and leadership skills to transform their communities and countries. The nonprofit organization, which is sponsored by the famous American talk show host, allocated more than US$ 40 million to founding the academy, which provides education to talented girls from disadvantaged backgrounds. However, these types of programs must be supplemented by programs to promote the equitable distribution of housework, rather than solely providing incentives for young girls to complete their basic education. Child victims of armed conflicts likewise need a specific action plan to encourage their return to school. "UNICEF and the World Food Program have cooperated to implement large-scale Back-to-Peace, Back-to-School campaigns in a variety of postconflict situations, including in Afghanistan, Angola, Liberia, and Sierra Leone."[128]

Finally, it should be noted that, according to several studies, including the *Informe de Inclusión Social en España 2009* [*Report on Social Inclusion in Spain 2009*] issued by the Caixa Catalunya Obra Social program,[129] parents' level of education

[126] "10 millones de niñas en el mundo son casadas antes de cumplir los 12 años," *elmundo.es* (09/22/2009).

[127] "Toward universal primary education: investments, incentives, and institutions, Achieving the Millennium Goals," (2005). http://www.unmillenniumproject.org/documents/Education-complete.pdf.

[128] "Toward universal primary education: investments, incentives, and institutions, Achieving the Millennium Goals," (2005). http://www.unmillenniumproject.org/documents/Education-complete.pdf.

[129] "El nivel educativo de los padres, clave en el logro escolar de los hijos," *elmundo.es* (09/22/2009).

is critical to children's academic performance. Parents in developing countries often fail to send their children to school precisely because they themselves never received an education. Likewise, some parents cannot become actively involved in their children's education because they are illiterate or lack the necessary knowledge or skills. One common example of this phenomenon is that of immigrant parents whose children must be integrated into the education systems of developed countries. Several programs have emerged to address this need to educate parents as well, including Homework Hotline and the Parent Empowerment for Family Literacy Program (PEFaL). The former is a service available in the United States that offers free phone tutorials to parents who have problems helping their children with their homework. With funding from the Dell Foundation, the program has been expanded to eight counties and, moreover, offers school supplies to the most disadvantaged students. The latter is a program carried out in Romania that aims to develop and strengthen parents' capacity to support their children's education.

The challenge of improving education systems

Improving educational institutions is a pending issue in both developed and developing countries. In addition to poor school management, communities are often not sufficiently committed to the education of future generations. To this end, communities must undertake, at the local level—and even at the national level— to develop a legal and institutional framework and to support education as one of the foundations of progress. Finland, which boasts one of the world's best education systems, could serve as a model for other countries. First, teachers are considered a cornerstone of education and are thus well compensated, offered continuing education, and constantly encouraged to share their knowledge. They are supported by the state, which invests heavily in the resources they need. Compulsory education is free under the Finnish system and includes not only teachers' salaries, but also the full range of school supplies, from books to pencils. This full funding likewise includes the country's few private schools. Finnish students can study up to four languages and do not compete with each other: instead, they support their slower classmates, while the teachers make sure that no one is left behind.

Which proposals and education models are best suited to tackle this challenge? First, attention should be called to the charter school movement in the field of education. The charter school model has caught on quickly in countries such as the United States. Charter schools are created through the transfer of certain powers from the government to social entrepreneurs, allowing them to take over traditionally public institutions. Thus, the state ensures that the money from its coffers is efficiently spent by outsourcing schools' administration to private organizations, which run them in accordance with innovative and sustainable programs. In short, this model uses private sector know-how to improve school management.

Advocates of the charter school model claim that the benefits are substantial: personalized attention for students, greater access to technology, continuing

education for the school's faculty and staff, increased parent involvement, lower costs, and the availability of private funding alternatives in the form of donations, loans, and the installation of vending machines on school premises. Of course, the model also has its critics. Because these schools are more closely scrutinized, they tend to have zero-tolerance policies with regard to problem students. They also reject students who have difficulties in order to prevent them from bringing down the overall results, thereby increasing community segregation.

However, the schools claim that they have cut truancy rates. Moreover, these socially entrepreneurial institutions argue that, thanks to their standardized, simplified curriculums, which emphasize reading comprehension and math, they have surpassed traditional public schools in terms of results with those students who have most difficulties. KIPP, Uncommon Schools, and Achievement First are some of the programs that stand out most for implementing original, results-oriented proposals in a sector that brooks little innovation. To this end, mention should also be made of Massachusetts 2020, an organization whose mission is to expand and enhance educational opportunities for the state's children. A public-private partnership with more than US$26 million in funding, it runs a wide range of programs covering the curriculum both during and after school hours, essentially revolutionizing the world of education.

Programs aimed at fixing public educational institutions are also emerging in developing countries. Education in El Salvador experienced serious setbacks as a result of the civil war that ravaged the country for more than a decade. When it ended in 1992, half a million children, especially in rural regions, did not know how to read. The situation was exacerbated by a lack of teachers. Meanwhile, with support from the Salvadoran Ministry of Education, parents from some of the poorest communities decided to take matters into their own hands. Their collaboration gave rise, in 1991, to the Educación con participación de la Comunidad (Education with Community Participation, or EDUCO) program, a new concept in education in Latin America based on community management. Under the EDUCO program, students' parents selected, hired and supervised teachers themselves, tasks that had hitherto fallen to the government. Similarly, in India, Gray Matters Capital has provided a solution for a government-run education system plagued by serious problems due to limited resources and excessive bureaucracy that resulted in an ineffective academic environment. Specifically, it has spearheaded the movement to create affordable private schools, that is, to provide a market-based solution to increase the system's quality and effectiveness. In the foundation's own words, "families are considered clients rather than the beneficiaries of charity,"[130] and the schools charge "tuition fees that are affordable to low-income families and allow them to cover their costs and become sustainable enterprises."[131]

Another proposal advocated by many Future Trends Forum experts to improve the education system is the use of educational technology at schools, universities, and vocational training centers, as well as in public-sector capacity-building programs. The telecommunications age means being able to connect to anyone, anywhere, at

[130] http://www.graymatterscap.com/.

[131] http://www.graymatterscap.com/.

any time. The goal is to take advantage of information and communications technologies to promote education and revolutionize how training is offered. The fifth edition of the annual eLearning Africa conference[135] will be held in May 2010. The conference, which brings together experts, users, providers and new e-learning participants, aims to create a distance-education network in Africa, where it is not always easy to reach everyone. The conference primarily focuses on achieving sustainable Internet access solutions, mobile learning, the use of ICT to improve the quality of teaching and learning, and how ICT is currently used in teacher training.

Social innovation is a constant in the field of education and will continue to yield new models to serve those most in need. To guarantee that equitable, equal-opportunity, quality education is regarded as a universal human right, everyone—from the state to individual families to society at large—must be committed to it. The emergence of a suitable education system that cultivates students' innovative spirit will launch a virtuous cycle to help prepare future entrepreneurs and leaders.

[132] http://www.elearning-africa.com/.

Conclusion

Conclusion

Social innovation has become the present and future of social action. Without it, and without the application of technology, it would be impossible to provide a solution to the unprecedented economic, environmental and social challenges existing at the global level. Social innovation is the key for turning these challenges into bona fide opportunities and improving the well-being of people and communities.

The Future Trends Forum experts have identified some of the most important steps that must be taken over the next three years to increase the benefits of social action. First, they pointed out the need to establish effective channels of communication between the different social agents. Although we are seeing a proliferation of mass-communication outlets (e.g., Internet blogs), the latest trends and success stories in social action innovation are not reaching the target audience that would maximize its positive impact. Social innovation must stop being a niche activity and start attracting greater media attention. Meanwhile, progress is needed to achieve the professionalization of social entrepreneurs by developing a specific educational profile, with training geared toward nurturing the spirit of innovation and the capacity for leadership. This will require the promotion of a knowledge and information network that can be a vehicle for sharing best practices, which would allow for open commentary regarding the sector's failures to serve as a tool for learning. According to the experts, a network or platform for social innovation could be launched by the international organizations taking all of the social activists with programs that are awaiting development and joining them with the social entrepreneurs who can materialize them effectively. Collaboration among the public sector, private sector and nonprofit organizations could lead to alliances that enable the successful small-scale innovations to be replicated on a larger scale. Moreover, impulse should be given to SMEs, universities and other groups of intellectuals to encourage a more active involvement. It should be kept in mind, however, that oftentimes the greatest source of strength is public awareness.

Secondly, the experts have repeated on numerous occasions the importance of project financing support. Obviously, it entails conducting prior studies to identify the programs and best practices that require funding to reach their maximum potential, as opposed to allocating funds carelessly. First, financing mechanisms need to be designed as a social-purpose "capital market" so that self-financing and microfinancing are more accessible. Meanwhile, government and other institutional organizations must be called upon to intensify their roles. Nevertheless, their involvement should not be reduced to the mere granting of subsidies; it must also promote the establishment of win-win relationships among social agents. For instance, as one Future Trends Forum expert explained, "a guarantee given by the foundations to the local banks could have a greater impact than a traditional subsidy in terms of its social impact."[133]

[133] Conclusions taken from in-house questionnaires.

Thirdly, there needs to be an active process for monitoring and evaluating social innovation programs. By making the results public, a set of standards could be established to reward those that are successful. In other words, it is imperative to evaluate the sustainability of social and environmental projects. According to the Future Trends Forum experts, "We must not be afraid of shutting down programs that sound good, but have failed [...]. There is a great amount of waste in programs that were launched with enthusiasm and good intentions, but have proven ineffective."[134] Analyzing the results and discerning which would be considered best practices requires a consensus on the indicators that allow for the progress and success of a program to be identified. Once that agreement is reached, a regulatory framework will need to be instituted at the international level, reinforcing its compliance among the social agents and organizations in order to create an environment that is conducive to social innovation.

Lastly, the Future Trends Forum experts stressed the need to make social action an integral part of enterprises by placing greater emphasis on corporate social responsibility. That will require new government legislation to promote socially responsible and sustainable companies and businesses models. Some precedents exist in the United States, such as the low-profit limited liability company (L3C), a form of business entity that from a legal perspective combines the financial advantages of a limited liability company with the social advantages of a nonprofit organization.

To summarize, the Future Trends Forum experts are convinced that the greatest hindrance for the propagation of social innovation projects is the lack of a suitable support ecosystem, which should include such components as a legislative framework, standards for measuring indicators and forms of presenting results, discussion forums, training, a capital funding market, etc. In other words, there is a need to put systems, processes and institutions in place that allow for interaction between social agents in order to foster social innovation. Without a doubt, the greatest challenge is the discrimination faced by social innovation since, "it is perceived as a sort of anomaly, as opposed to something that should be integrated into everyday life and business." Therefore, it is necessary to "actively search for a way to integrate social action into people's lifestyles and in the way companies do business."[135]

[134] Conclusions taken from in-house questionnaires.

[135] Conclusions taken from in-house questionnaires.

Appendix

Glossary

10/90 Gap
Term used to describe the conclusion of the Global Forum for Health Research, which nearly 20 years ago estimated that only 10% of worldwide R&D spending on healthcare was used to research the problems afflicting 90% of the world's poorest people.

B

Bottom of the pyramid
The lowest tier of the economic pyramid, comprising the new consumers who live on less than two dollars a day. C.K. Prahalad, professor at the Ross School of Business (University of Michigan) and recognized as one of the world's foremost management experts, claims that if we stop thinking of the poor as victims or as a burden, and start recognizing them as resilient and creative entrepreneurs and value-conscious consumers, a whole new world of opportunity will open up. Prahalad suggests that they could be the engine of the next stage in trade and global prosperity, and a source of innovations.

C

Charter model
The charter school model has caught on quickly in countries such as the United States. Charter schools are created through the transfer of certain powers from the government to social entrepreneurs, allowing them to take over traditionally public institutions. Thus, the state ensures that the money from its coffers is efficiently spent by outsourcing schools' administration to private organizations, which run them in accordance with innovative and sustainable programs.

Cleantech
Registered trademark of the pioneering Cleantech Venture Network (CVN), defined as "a diverse range of products, services, and processes that are inherently designed to provide superior performance at lower costs, greatly reduce or eliminate environmental impacts and, in doing so, improve quality of life. Examples of cleantech solutions include: energy generation and storage, energy infrastructure, energy efficiency, transport and logistics, water management and purification, air quality, recovery and recycling of materials and environmental IT, etc.

Collaborative social innovation
Also known as crowdsourcing, this trend involves the use of technology to foster the exchange of information and ideas among participating agents. Makes connections and fosters relationships that would not otherwise occur, in a platform where the common goal is to generate and share problems and solutions coming from many different perspectives. In recent years, countless blogs and websites have sprung up offering multidisciplinary platforms where experts and amateurs converge to share and solve problems that call for an innovative outlook.

CSR
Corporate social responsibility (CSR) can be defined as the active and voluntary efforts made by businesses to improve social, economic and environmental conditions, usually with the aim of strengthening their competitive position, standing and added value. Corporate social responsibility goes beyond compliance with laws and regulations, as it takes for granted that they are respected and strictly observed.

E

Eco-cities
The idea centers on the design of cities and buildings according to a plan in accordance with human needs and "access by proximity" rather than the current disorder derived from excessive use of cars, wasteful consumption and the destruction of the natural environment.

e-Learning
A form of distance education that integrates the use of IT and other pedagogic (educational) aspects for the online training, capacity-building and teaching of users and students. It makes use of various tools and media platforms, including: Internet, intranet, CD-ROM, multimedia production (e.g., texts, images, audio, video), etc.

F

Fourth sector
A new group of organizations and business models that proliferate at the crossroads between the public, private and social sectors and are leading the new social

innovation. It is distinguished by implementing practices that cross traditional sectorial borders to develop new social relationships between agents. Its goal is to develop innovative activities that will cover unfulfilled needs, be they social or environmental.

G

Global Reporting Initiative (GRI)
The Global Reporting Initiative (GRI) was launched in 1997 to improve the quality, precision and usefulness of reports on sustainable development. It became an independent body in 2002 and is an official collaborating center of the United Nations Environment Program, working in cooperation with the Global Compact platform instituted by the Office of the United Nations Secretary-General. By establishing a common framework, the guidelines promote comparison of the performance of various organizations in different parts of the world and aim to facilitate interaction between stakeholders.

I

Impact investing
Investing exclusively in activities focused on the deployment of capital with the intention of having a positive social or environmental impact. Both social business and impact investing are trends that can be attributed to the need brought on by the crisis for a more ethical, less profit-driven business environment.

K

Key performance indicators
A measure of the performance level of a process, focusing on the "how" and indicating the quality of the processes, to enable the established target to be reached.

L

Low-profit limited liability company
Also known as L3C. A form of business entity that from a legal perspective combines the financial advantages of a limited liability company with the social advantages of a nonprofit organization.

M

Market-based solutions
Offered to give low-income people better access to socially beneficial products and services that genuinely improve the quality of their lives and livelihoods. Often involves meeting the demand of those at the bottom of the pyramid.

Millennium Development Goals
The Millennium Goals are part of a declaration made by 189 countries in the year 2000 under the auspices of the United Nations, whereby the signatories pledge to intensify the global efforts to reduce poverty, its causes and manifestations. It addresses the main problems and challenges facing the human race at the dawn of the new century: Eradicate hunger and poverty (Goal 1); Achieve universal primary education (Goal 2); Eliminate gender disparity (Goal 3); Reduce child mortality (Goal 4); Improve maternal health (Goal 5); Combat HIV/AIDS, malaria and other diseases (Goal 6); Ensure environmental sustainability (Goal 7); Develop a global partnership for development and strengthen international cooperation (Goal 8). The established targets consisted of halving the primary problems afflicting the human race. The signatory governments included both developed countries and developing countries.

S

Social entrepreneur
Agents that respond to market failures with transformative, financially sustainable innovations, and are uniquely positioned to help government officials address our toughest social problems. They combine business principles with a passion for social impact and demonstrate three core characteristics: social innovation, accountability and sustainability.

Scalability
Intention to increase the social impact in order to more effectively address the needs or problems being targeted. One of the basic challenges facing social innovation is to replicate and scale successful business models, since it is difficult to find the resources necessary for reproducing existing innovations elsewhere.

Smart globalization
Shared challenge to harness creative energies and direct them to drive sustainable progress in communities around the globe. The process must assure that as economic conditions improve, the world's most vulnerable people can access tools and techniques, ideas and innovations, strategies and solutions to build better futures.

Social innovation
Any activity that implies creating or improving products and services, reinventing business processes, creating new markets or changing the use of distribution channels that fulfills social and environmental needs.

Social intrapreneur
Agents who work inside major corporations to develop and promote practical solutions to the social or environmental challenges where progress is currently stalled by market failures. These entrepreneurs are creating a niche in multinational corporations, where they incubate and implement business solutions aimed at providing added value according to the triple-bottom-line approach. The former not only exhibits the qualities and carries out the activities that are typical of an entrepreneur, but also performs tasks with a corporate approach that is part of a company culture, strategy and process, provides a convincing portrayal of social projects in business terms, and organizes workgroups with members from different departments and functional areas to promote greater creativity in innovation.

Stakeholders
Individuals or groups of people that can affect or are affected by the activities of a company, such as: customers, suppliers, employees, shareholders, neighborhood associations, trade unions, civil and government organizations, etc.

T

Triple bottom line
Implies company performance being measured according to three criteria: economic, environmental and social. Presented voluntarily in the annual reports of businesses committed to sustainable development, it considers the impact of the company's activities on all three: maximizing long-term profits (economic), minimizing the impact of the company's operations and products on the environment (environmental), and fostering well-being among the people working within the company as well as those outside who are ultimately affected by the company's area of influence (social).

W

Web 2.0
Refers to a second generation in the history of Web development, based on communities of users and a range of special services, such as social networks and blogs, that foster collaboration and agile information exchange among users.

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