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Doing well by doing good innovations: alleviation of social problems in emerging markets through corporate social innovations

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ABSTRACT

Doing well by doing good (DWDG) innovations refer to the implementation of new products, processes and practices, and modifications of existing products, processes and practices by firms that benefit society by contributing toward alleviation of specific social problems, and enhancing performance of firms. Social problems refer to certain objective conditions that are perceived by society as undesirable, and as requiring remedial actions. Certain social problems stem from quality and quantity gaps in public goods such as education, electricity and water. Certain other social problems stem from affordability, awareness, availability, and adoptability gaps associated with private goods, resulting in population groups at the base of the market pyramid being non-consumers of various quality of life enhancing private goods, and need services such as healthcare. This paper presents an overview of potential opportunities for DWDG innovations, with an emphasis on innovations for alleviating specific social problems in emerging and less developed markets.

1. Introduction

"Our challenge is to find strategies that deliver on our business results while doing good in society. This means operating in that space where doing well meets doing good." (Nitin Paranjpe, former CEO and Managing Director of Hindustan Unilever, quoted in Doing Well by Doing Good, 2009, p. 78).

"What we are seeking to do is create a sustainable and scalable health intervention model. It is important that this is not based on philanthropy as it would otherwise become self-limiting." (Yuri Jain, Hindustan Unilever, quoted in Rangan & Sinha, 2013, p. 14).

In recent years, a growing number of articles published in scholarly journals and the business press have focused on innovations that fit the label of *doing well by doing good* (DWDG) *innovations*. That is, innovations by for-profit firms that benefit society by contributing toward the alleviation of specific social problems, and benefit the firm by enhancing its performance (financial performance, marketing performance, reputation, goodwill among stakeholders, etc.). Some other terms that have been used in literature to refer to DWDG innovations include *innovating for shared value* (Pfitzer, Bockstette, & Stamp, 2013), and *corporate social innovations* (Mirvis, Herrera, Googins, & Albareda, 2016). In specific reference to DWDG innovations aligned with the United Nations' (United Nations, 2016) Sustainable Development Goals (SDG), terms such as *SDG aligned corporate innovations* and *SDG aligned business innovations* seem to be gaining credence in organizations.

Porter and Kramer (2011, p. 67) define *shared value creation* as "policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the social and economic conditions in the communities in which it operates." In an earlier and related article (Porter & Kramer, 2006), they note that, rather than merely acting on well-intentioned impulses or reacting to outside pressure, firms should set an affirmative corporate social responsibility (CSR) agenda that produces maximum social benefits as well as benefits for the firm. Keys, Malnight, and van der Graaf (2009)note that in an environment in which CSR is being viewed as increasingly important by a firm's stakeholders (customers, employees, suppliers, and the society at large), some firms have begun to explore opportunities for strengthening both their businesses and contributions to the society.

The growing interest in DWDG innovations in the contexts of business practice, business education, and scholarly research in various business disciplines highlights the need for addressing questions such as the following: (1) How should DWDG innovation be defined? (2) How is DWDG innovation conceptually distinct from related constructs such as social innovation and corporate social responsibility? (3) What are some major types of DWDG innovations and potential opportunities for DWDG innovations? (4) What are some important DWDG related questions that merit research? The potential of DWDG innovations to benefit society by contributing toward alleviating specific social problems and also benefit the innovating for-profit firm transcend developed markets, emerging markets and less developed markets.

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However, in this article, we address the above questions with a greater emphasis on emerging and less developed country markets. Toward this end, we draw on a number of related literature streams including (1) innovations for profitably serving customers at the base of the pyramid – BOP customers/customers at the base of the economic pyramid/ market pyramid (Prahalad, 2006; Prahalad, 2012), (2) MLM innovations – innovations for profitably serving the most number of people, at the lowest possible price, and offering the most value for the price (Prahalad & Mashelkar, 2010), (3) innovating for shared value (Pfitzer et al., 2013; Porter & Kramer, 2011), and (4) innovating for environmental sustainability (Varadarajan, 2017).

2. Doing well by doing good innovation: definition

A doing well by doing good innovation is defined as "the implementation by a firm of a new product, process or practice, or a modification of an existing product, process or practice that benefits society by aiding in the alleviation of a social problem, and benefits the firm by enhancing its performance." A brief discussion on the proposed definition and its constituent elements follows.

The proposed definition is conceptually distinct from definitions of related constructs such as social innovation and corporate social responsibility. For instance, *social innovation* is defined in literature as "a novel solution to a social problem that is more effective, efficient, sustainable, or just than existing solutions and for which the value created accrues primarily to society as a whole rather than private individuals" (Phills, Deiglmeier, & Miller, 2008, p. 39). While the benefit of a social innovation accrues primarily to the society, a DWDG innovation yields benefits to both the society and to the innovating firm. *Corporate social responsibility* (CSR) is defined in literature as "the discretionary allocation of corporate resources toward improving social welfare that serves as a means of enhancing relationships with key stakeholders" (Jones & Smith, 2011, p. 7). While CSR is characterized by discretionary allocation of resources by a firm, a DWDG innovation entails deliberate allocation of resources by a firm.

Extant literature contains a number of definitions and conceptualizations of a *social problem*. The following conceptualizations are representative of those which are more pertinent in reference to DWDG innovations. Social problems are certain: (1) objective conditions that are perceived by a considerable number of individuals as undesirable, and as requiring some kind of action for their change; (2) situations that threaten the well-being of a substantial number of people, as defined by group mores; and (3) collective difficulties that exist, in the opinion of the public at large or some constituent group of the public (see: Lauer, 1976).

Although there may be some CSR underpinnings to a firm's DWDG innovation efforts (i.e. integration of a firm's CSR initiatives into its strategy), a number of considerations suggest that it is more meaningful to view DWDG innovations as part of a firm's innovation portfolio, rather than its CSR programs. First, a DWDG innovation is implemented by a frim with the twin objectives of benefits to the society and to the firm. Second, even though a growing number of firms may be moving in the direction of integrating their CSR initiatives into their strategy, realistically, not all of a firm's CSR programs may be undertaken with potential benefits to the firm as an underlying consideration. Furthermore, extant literature on the relationship between a firm's CSR performance and financial performance is inconclusive. Some studies report a significant positive relationship, others a significant negative relationship, and still others no relationship (see: Aguinis & Glavas, 2012; Bhattacharya, Korschun, & Sen, 2009).

While the term "introduction" is generally used in reference to product innovations (i.e. introduction of a new product), the term "implementation" is considered as more appropriate for use in the broader context of innovations spanning products, processes and practices. At one end, the scope of a DWDG innovation may be limited to innovation in the domain of a product, process or business practice (business model innovation). At the other end, a DWDG innovation can be various combinations of the above, such as an innovation in the domains of both product and business practice. Illustrative of a DWDG innovation that is both a product innovation and a business model innovation is the following.

Rubicon Global was founded with the idea of providing a cloud based solution to the waste management problem. Along the lines of ride hailing services such as Uber and Lyft, in the waste management industry, Rubicon connects independent haulers of waste and businesses that need to dispose waste. Its software uses data and technology to optimize the route taken by the haulers and provides recycling options for recyclable contents of the waste, rather than hauling everything to landfills. To independent haulers, most of whom are small family run businesses, Rubicon's business model offers an opportunity to serve a larger customer base including large businesses. Its value proposition to businesses is cost savings by reducing the amount of waste that is sent to landfills, and revenue from recycling (selling to other businesses the recyclable contents of the waste). In contrast to the asset heavy model of the two largest firms in the waste management services industry in the US, Rubicon employs an asset light business model that requires lower capital investment (Sahlman & Ashmore, 2016).

Building on Keys et al. (2009), Fig. 1 provides a framework delineating the following characteristics of DWDG innovations: (1) benefits to the society and to the firm, (2) short-term benefits and long-term benefits, and (3) quantifiable and non-quantifiable benefits (objectively measurable and only subjectively measurable benefits). The next section provides an overview of some broad types of DWDG innovations.

3. Doing well by doing good innovations: some major types

A review of real world case histories provides insights into various types of DWDG innovations (and by extension, potential DWDG innovation opportunities) such as discussed in this section. The DWDG innovation types discussed here are inductively inferred from a review of a limited number of case histories. They are neither mutually exclusive nor collectively exhaustive, and are only representative of a larger number of types of DWDG innovations.

3.1. Doing good innovations premised on the expectation of the firm doing well

A large percent of DWDG innovations fit the mold of a firm doing good (e.g. introducing a product innovation that contributes toward alleviation of a social problem) premised on the expectation that the innovation will do well in the marketplace (i.e. meet the firm's expectations for a new product such as payback period, return on investment, sales volume and market share).

Case in point, in 2000, Hindustan Unilever, a subsidiary of Unilever Inc. launched a DWDG marketing innovation called, "Project Shakti," in partnership with non-governmental organizations, financial institutions and local and state governments. The social objectives of Project Shakti were to create income-generating opportunities for underprivileged women living in rural India through ownership of micro-enterprises, and improve the living standards of the rural populace by promoting greater awareness of health and hygiene. The business objectives were to extend the firm's reach into rural markets in India (a personal selling and distribution initiative to achieve sales growth) and develop its brands in rural markets in India through local influencers (a communication initiative to build brands). The implementation of Project Shakti entailed recruiting and training underprivileged women residing in villages in India, who belonged to self-help groups, to become micro-entrepreneurs and serve as direct-to-consumer sales distributors for the firm's products such as laundry detergent, bath soap and toothpaste (see: Rangan & Rajan, 2007).

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