9. Social innovation: combining profits and progress

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SOCIAL INNOVATION—COMBINING PROFITS AND PROGRESS

Innovation has always been essential for commercial survival and success. But today's businesses face a new innovation-related challenge: growing public demand for solutions to this century's social and environmental problems. People around the world desire clean, fair, sustainable and affordable solutions to a host of needs that include clean air and water, climate-friendly energy, affordable healthcare, and quality education. Startup businesses have emerged around the world to address many of those pressing needs. In Mexico, for example, Clínicas de Azúcar is building a chain of clinics that provide effective and affordable care for that nation's immense and still fast-growing population of diabetics. In Kenya and Uganda, Bridge Academies International has built and staffed over 400 K-8 high-performing schools that even poor families can afford—hundreds more are planned.

Common to all these examples, social innovation, according to researchers at Stanford University, describes novel solutions to social problems that supersede previous solutions in terms of effectiveness, efficiency and sustainability, and the value they create is meaningful to a broad spectrum of society.¹ Social innovation transcends the logic of profit and not-for-profit. It is not only driven by technology-push and demand-pull incentives, but also by social needs and the expectations of stakeholders.²

A growing number of new and established organizations are addressing social ills through innovative and profitable business models, but as Marques and Mintzberg explained in a recent SMR article, in “building socially responsible societies, we shall need a great deal more.”³ To achieve “more”, executives need a deeper understanding of the world of social innovation. Which organizational designs and practices can meet both financial and

social objectives? How can organizations use those practices to profitably address social ills such as poverty, social inequity, climate change, and educational failure? This chapter draws on novel data, practitioners' experiences and dozens of interviews to highlight the organizational design and innovation behavior that advance the profitable pursuit of social innovation. We focus on *benefit corporations* as an organizational design that simultaneously delivers business and social impact. We then identify and analyze behaviors within established companies that support social innovation.

BENEFIT CORPORATIONS

Legal benefit corporations are US for-profit entities that pursue benefits for society, their employees, their communities, and the environment. The status of legal benefit corporation can be granted by any of the 31 US state governments that have passed benefit corporation legislation.⁴ Under this set of rules benefit corporations must issue a mandatory annual benefit report on their social and environmental performance. While legal benefit corporations are still predominantly a US phenomenon, similar legal status is being considered in Australia and Europe. Italy was the first European country to ratify this legislation in late 2015.⁵

Among the several corporations that enjoy the status of a legal benefit corporation, this chapter focuses on “B-corporations,” which is not just a simple abbreviation. B-corporations currently exist in 50 countries. They are certified and have their social and environmental impact formally tracked and publicly reported by the B-Lab organization.⁶ B-Lab is a non-profit organization that serves and inspires the global movement of “B-corporations” with the aim of building a global community, promoting mission alignment, and helping social innovators “measure what matters in the business.” B-Lab’s main instrument is the B-Lab Impact Assessment, which determines the outcome of the B-Lab certification. Legal benefit corporations may choose to be certified as “B-corporations” as well, though there is no strict requirement to do so.

Unlike traditional corporations that aim foremost to maximize shareholder value, B-corporations are organized and operated with an explicit mandate to create benefits for society.⁷ Some B-corporations benefit commercially from public awareness of their social betterment missions, demonstrating that it is possible to “do well by doing good.” Patagonia, the outdoor clothing and climbing gear company, provides a great example. It commands the second highest profit margin among the world’s outdoor/sports companies (Figure 9.1). Its commitment to the conservation of nature’s beauty and environmental health is demonstrated through its

Source: Authors' data compiled from public sources.

Figure 9.1 Revenue and profit margins of selected sports and gear companies

practice of using one percent of sales revenues (not profits) to support environmental protection groups. Patagonia has also attracted media attention, accumulating 677 media mentions for sustainability and another 97 for recycling in the last two years alone. Thus, the company enjoys the fruits of its socially oriented policies in terms of high brand awareness and competitive differentiation. There are currently more than 1,600 B-corporations operating in more than 50 countries, representing 130 industries⁸ (Tables 9.1 and 9.2). Consider two of them: Warby Parker and Ecozoom.

Warby Parker is a vintage prescription eyewear maker. Its goal is to disrupt the optical industry by offering high quality lenses at a fraction of the price charged by the few large companies that dominate the market. Warby Parker wants to have a positive impact on the environment and on society. Its people work actively to reduce their environmental impact by making carbon-neutral eyewear through tracking and offsetting their greenhouse gas emissions from frame production to shipping to warehousing. They also serve the community with programs such as “Buy a Pair” and “Give a

Table 9.1 Geographical distribution of B-corporations

Northern America		Europe		Asia	
USA	886	Austria	1	Bangladesh	1
Canada	156	Czech Republic	2	China	1
		Belgium	3	Hong Kong	1
Central and Southern America		Bulgaria	1	India	1
Argentina	32	Denmark	1	Mongolia	1
Brazil	45	France	13	South Korea	10
Bahamas	1	Germany	17	Singapore	3
Chile	82	Italy	15	Taiwan	9
Colombia	23	Luxemburg	1	Vietnam	1
Costa Rica	1	Netherlands	46	Japan	2
Ecuador	2	Poland	1		
Mexico	9	Portugal	5	Middle East	
Nicaragua	1	Spain	12	Afghanistan	1
Panama	1	Sweden	1	Israel	7
Paraguay	1	Switzerland	12	Lebanon	1
Peru	5	United Kingdom	63	Turkey	3
Puerto Rico	1				
Uruguay	6	Oceania		Africa	
		Australia	103	Kenya	3
		New Zealand	7	Ghana	1
				Tanzania	1
				South Africa	1

Source: bcorporation.net.

Pair” through which for every pair of glasses that Warby Parker sells, one pair is donated to someone in need.

The other company, Ecozoom, is in stove markets. Four million people in developing countries die each year from complications traceable to smoke inhaled from cooking stoves. To reduce this statistic, Ecozoom’s founders improved the traditional open-fire cooking stove, significantly reducing CO₂ emissions (by over 192,000 tons by 2014);⁹ the company’s stoves have reduced the carbon monoxide typically inhaled by users. Its products also reduce fuel use by 50 percent. In Kenya alone, Ecozoom has sold over 100,000 stoves since the venture’s launch in 2011, improving the lives of over half a million people.

Table 9.2 Major industrial sectors distribution of B-corporations

Sector	NAICS	# B-corp	%
Food and Beverage	31	158	10.33%
IT Services and Software	42	106	6.93%
Management and Financial Consulting	54	102	6.67%
Home and Personal Care	32	102	6.67%
Marketing and Communication Services	54	82	5.36%
Sustainability Consultancy	54	77	5.04%
Apparel, Footwear and Accessories	31	77	5.04%
Non-Profit Consultancy and Fundraising	54	45	2.94%
Investment Advisor	52	44	2.88%
PE Investments	52	37	2.42%
Renewable Energy	22	36	2.35%
Legal Services	54	29	1.90%
Architecture and Design	54	23	1.50%
Real Estate Development	54	21	1.37%
Books and Media	51	12	0.78%
Residual	—	578	37.80%

Source: bcorporation.net.

Warby Parker and Ecozoom share several characteristics. They:

- track their social impact—both their own and their suppliers’
- demonstrate that they care, not just talk about it
- are transparent in their dealings and results, and they
- are structured for social innovation.

Tracking Social Impact

Many industries use certification systems to weed out bad actors who make false claims. Producers of organic foods, wines, olive oil, “fair trade” coffee and chocolate are among the many enterprises that currently use certification programs to uphold quality standards and to validate the integrity of their brands. Many social innovators are doing the same, certifying that they are, in fact, serving a social mission. For them, “B-Lab” is the certifying entity. Since 2007 and 2013 respectively, B-Lab US and B-Lab Europe have implemented a certification system that provides a detailed analysis of a company’s business model and operations. Its B-corporation impact assessment tool produces a comprehensive company assessment along five dimensions: environment, workers, customers, community, and governance.

The certification process has two phases. The first is a self-assessment using the B-Lab assessment questionnaire online, which evaluates relevant issues such as environmental practices, recycling, the working environment, employee benefits and training, community focus, hiring practices, and transparency of corporate governance. The second phase of the certification process uses direct interviews and direct evaluation of documentation to verify all self-assessed areas.

Tracking social impact has strategic value. First, it signals the company's degree of commitment to customers and investors, but also to other external stakeholders, and society at large. Second, it reveals the company's positioning vis-à-vis the social impact of other market participants. In that capacity, the assessment instrument guides structured business decisions and practices, for example, supply chain decisions. A social and environmental profile can be developed to screen and select suppliers, visit them on-site, and develop deep relationships with the communities in which they are active. In a recent interview, the director of Wilmar Flower, a Kenyan B-corp, declared that B-Lab's assessment supported the company in the collection of suppliers' statistics, which helped to understand the suppliers' impact on its value chain. The availability of the fine-grained B-Analytics database—a comprehensive collection of the societal impact of all companies who took the certification—supports the purpose of using social impact statistics for strategic comparison and ultimately for positioning.

Demonstrating That They Care

In addition to tracking a company's commitment to society, B-corporations demonstrate their social engagement through recurring investments in sponsored events and other means. Consider the events promoted by Etsy, which provides an online platform through which small, craft businesses can sell their wares. Etsy promotes community gatherings that raise awareness of the social benefits of craftsmanship and of small craft-oriented business. Etsy cares about these traditional societal values and aims to support them. Toms Shoes provides another example of a B-corporation that demonstrates that it cares. Its widely known "One for one" slogan—one pair of shoes given to poor children for every pair sold—signals the company's ongoing social commitment. Since that program's inception, Toms has given 50 million new shoes to children in need, thereby demonstrating its social commitment and boosting its brand advantage.¹⁰

B-corporations also address their internal communities—that is, their employees. Thus, we observe B-corporations providing flexibility to employees in terms of work-life balance, and supporting employees'

Table 9.3 Roshan's B-Lab Assessment Score

	Roshan's Company Score*	Median Score***
Environment	4	9
Workers	23	22
Customers	53	N/A
Community	75	32
Governance	13	10
Overall B Score	160**	80***

Source: bcorporation.net.

* Roshan has been certified since December 2012.

** 80 out of a total of 200 points are necessary for certification.

*** Median score of all companies who took the B-Impact Assessment tool.

volunteer community work. Employees of B-corporations also enjoy opportunities for training and co-ownership. Roshan, the Afghan telecommunication giant, for example, was incorporated in 2005 with the goal of contributing to Afghanistan's reconstruction. Today it provides 5 percent of Afghanistan's domestic tax revenue. In addition, Roshan pays its 1,200 employees at least 189 percent above the minimum wage, offers over two months of maternity leave, and extends health benefits to all immediate family members. Those programs are reflected in Roshan's B-Assessment Score and B-Impact Report (Table 9.3).

Transparency

B-corporations typically demonstrate a high level of transparency in their corporate governance. Open-book management is commonplace. Sales, profitability figures and other accounting data are shared with employees, as are human resource (HR) practices such as transparent and clear promotion criteria. As a result, employees are treated more as partners than as agents in need of close supervision. That relationship fosters trust and helps everyone understand company goals and how his or her work contributes to them. People feel involved and empowered when they are "in the know." QoC Health is a B-lab certified software B-corporation. It designs cloud-based solutions for the Canadian health sector. QoC's practice of open-book management reveals how much money the company earns with each product. Employees were surprised to see that most profits were being reinvested into the expansion of the business. This helped a lot to motivate them. Transparency also helped the QoC executive team understand their employees' need to learn how to get the most out of their

stock options. A few hours of training taught employees how to properly value and take advantage of their compensation packages.

Structured for Social Innovation

B-corporations share another common characteristic: they are structured from their inception to focus on social innovation and social betterment. It may be that designing from scratch (through a startup) allows entrepreneurs and early employees to structure processes, product/service offerings, and relationships in ways that advance their overarching goal of doing good while doing business. As case studies of startups with explicit social intentions clearly demonstrate, founders of social enterprises recruit employees who share their commitment, passion and values.¹¹ Together, founders and these early employees organize themselves into collaborative teams that learn as they move forward, always keeping their eyes on the primary goal: creating social innovation for a better world.

Arguably, that goal is more attainable when the B-corporation begins with a clean slate and when its social innovation goals are understood and embraced by all employees. Thus, established organizations whose overarching goal is profit-maximization, and which have no clear imperative for change, will find the path to genuine B-corporation status more difficult. A simple name change or mission statement makeover will not suffice. For those organizations we instead suggest learning from selected corporate innovation behaviors in existing organizations.

CORPORATE INNOVATION BEHAVIORS

Five hundred questionnaires and over a dozen interviews have provided insights into innovation behaviors at some of the largest multinational companies. Some of the most interesting innovation behaviors take place in internal corporate ventures, or ICVs. ICVs are incubated within existing organizations to explore new markets, products, or client relationships with the goal of building new business for the parent company.¹² In explaining the attractiveness of ICVs to large companies, MIT's Edward Robert offered this terse explanation: "No other strategy for enhancing growth in size or profitability currently offers a higher probability of success."¹³

Unlike B-corporations, few ICVs begin with an explicit social purpose. They are traditionally designed to develop profitable new businesses. And though their numbers are few, socially oriented ICVs offer useful lessons for business executives, especially when examined in terms of these four innovation behaviors:

- employee and stakeholder engagement
- rapid product testing and iterative learning
- time and space for creative experimentation, and
- acceptance of uncertainty, but reduction of risk-taking.

Employee and Stakeholder Engagement

Engagement is a cornerstone of innovation behavior; people must be meaningfully engaged in the innovative efforts and goals of their companies. Our data support the necessity of giving employees at all levels opportunities to contribute to idea generation. Indeed, one of the most frequent comments of our respondents was that people must feel part of the effort. Without that feeling, they mentally check out.

Engagement must extend to all stakeholders. Consider Repsol, the Spanish energy company. For Repsol, employee engagement is a key component in its plan to become a more socially innovative enterprise. Twenty full-time positions and another three innovation experts in each business unit engage Repsol's people in the transformation program. But Repsol goes beyond its company boundaries to engage stakeholders. In Peru, Repsol built a network of service stations that offer liquefied petroleum gas (LPG). The project might have been termed a market expansion project, but it had all the characteristics of an ICV. In addition to its quest to satisfy Peru's growing energy needs, Repsol addressed several social objectives. Project leaders at Repsol reached out to local communities, engaging them in the design, construction, and staffing of one of its first refineries, which is located in the poor Ventanillas District of Callao. That project was in line with the Peruvian government's commitment to building energy infrastructure in rural areas where basic energy needs were underserved. Repsol's LPG would be cheaper and more environmentally friendly than traditional petrol, and vehicle owners were converting their engines to run on it. By engaging with the real needs of all involved stakeholders, Repsol was able to advance its mission in Peru.

Rapid Product Testing and Iterative Learning

Iterative feedback loops that facilitate quick and cheap learning are another successful innovation behavior we observe in ICVs. They are the mantra of the internal innovation team at COLT, the UK network specialist. That ICV team is evaluated, in part, on how many fast-learning exercises and hypotheses tests it completes in differentiating promising from unpromising projects. Only the best projects move forward. When learning is fast and cheap, its returns are easily justified.

The same principle of fast, cheap iterative learning is useful for social innovators. And engagement with outside stakeholders—potential customers—can help to facilitate it. Outside stakeholders often recognize the intricacies of project designs that were helpful in the past and can be useful in the future. Frequent communication between social innovators and their constituents also creates bonds between them, making information flows faster and more accurate. Failing to connect with stakeholders was, in our data, the most often cited area of neglect among “wannabe social innovators.” Blindly assuming that a proposed social innovation will meet the needs of stakeholders simply because it is “socially desirable” is a recipe for failure. One example of the power of stakeholder communication can be found at Danone, the French food company, where convergence between economic and social spheres is fostered through dialogue that aims for the co-creation of solutions. For Danone, co-creation has resulted in projects that are closely tied to local needs.

Danone’s social innovation fund was launched over 40 years ago with a straight-forward intent: to experiment with business models that would generate social and environmental value. A top Danone manager champions each initiative and collaborates with local non-profit organizations in co-designing, co-managing and co-monitoring each project. These partnerships learn from other interested parties such as local governments, institutions and social mission organizations. Over the years, this deep engagement and fast-learning formula has led to several successful initiatives such as a school for women run in partnership with the Ana Bella foundation in Spain. The school helps women to overcome abuse and to attain financial independence through workshops, professional training and, ultimately, their employment as salespeople for the brand.

Time and Space for Creative Experimentation

People need time for innovative thinking and tinkering, and they need space in which to conduct their work. Most companies give employees specified times in which to explore innovative ideas. At Microsoft Spain, for example, that time is usually Friday afternoons. Our interviews and survey responses from the most progressive innovators, however, suggest that this approach is far from ideal. Their employees complained that they could not advance their projects in parallel with regular daily responsibilities. As one employee put it, “It’s frustrating to watch great ideas go nowhere because we lack the time to move them forward.” To avoid such frustration, Telefonica, Europe’s largest telecommunications company, takes employees out of their normal roles and gives them from three to six months to develop their ideas. That freedom to dedicate oneself to a

project is highly motivating and boosts productivity and morale inside Telefonica.

In terms of space, Under Armour, number 9 on Forbes' 2015 list of the world's most innovative companies, has set the stage by converting an old Procter and Gamble's soap factory into a 140 thousand square-foot complex with vertical gardens, a basketball court, and a Humble and Hungry employee café. However, despite its importance, the fun factor of that space ranks behind its contribution to idea-sharing and collaboration between employees.

For social innovators, the issue of time and space extends to time devoted to stakeholders and to space designed to facilitate communication. Unilever Indonesia, the fast-moving consumer goods company (# 7 on the 2015 Forbes' top innovators list), has created a boundary-crossing bridge of social engagement with its stakeholders. The company's palm oil plant in Sei Mangkei, Indonesia, which opened in January 2016, processes only ingredients from known and certified local sources. This means they only use palm oil from sustainable plantations and thus help set standards for the environment. The company takes the time to engage with each supplier, educate him/her about the standards Unilever requires, and explains how to meet them. This empowers local sources with the capacity to provide top quality raw material input. Unilever also works with the Climate Policy Institute and IDH (the sustainable trade initiative sponsored by grants from the Danish, Dutch, and Swiss governments) in Indonesia to co-create a long-term landscape management plan that supports small farmers on their pathways to sustainably improving land productivity and, by extension, their incomes and lives. Through its international "Partner to Win" program, Unilever innovates socially at the same time that it optimizes its supply chain. In fact, 69 percent of the company's innovations in 2015 were associated with technology that originated with Unilever suppliers.¹⁴

Embrace Uncertainty, but Reduce Risk

Our quantitative data on ICVs show (see Figures 9.2 and 9.3) that comfort with uncertainty (instead of tolerance for risk) is associated with a higher probability of success, and also with higher sales revenues after the first year. Indeed, our data reveal a positive relationship between the handling of uncertainty by the parent organization and ICV sales and profit performance. Most of these initial advantages grow over time. If comfort with uncertainty describes successful innovative organizations, what can we expect social innovation managers to learn from this?

Managers tasked with social innovation often face high degrees of uncertainty—both economic and social. They must ask themselves, "Will

Note: N=564 individuals involved in the day-to-day operations of the most successful ICVs, focus on parent company, data collected between October 2014 and May 2016.

Source: Authors' research data.

Figure 9.2 *ICV data on uncertainty and risk propensity for the most successful ICVs*

Source: Authors' research data.

Figure 9.3 *Relationship between uncertainty/risk propensity and the sales/profit contribution of the most successful ICVs*

the innovation actually improve the lives of others? Will the targeted market adopt it?” Innovators who embrace uncertainty fare better. They do not fight what they cannot change or control, but accept and make do with what they find. They take calculated bets, trying to minimize the risks they can assess. One important tool that ICV managers use is the minor probe, similar to a cheap experiment, which is in the spirit of the Minimum Viable Product (MVP) popularized by Eric Ries in his book *The Lean Startup*.¹⁵ These inexpensive and fast-learning strategies help managers to mitigate risks in highly uncertain environments.

The German insurance company Allianz is a specialist in hedging risks, so it is not surprising that Allianz created micro-insurance products for people at the bottom of the pyramid—people who were unable to afford traditional insurance packages. It piggy-backed these new products on the sale of mandatory life insurance policies in Indonesia, initially using its network of distribution partners. This was a risky venture with potential social benefits. But Allianz did not know if voluntary insurance would sell, or if customers trusted its brand for that purpose. Yoga Prasetyo of Allianz Indonesia approached this uncertainty with a pilot study (think MVP) designed to test the concept of selling voluntary insurance to at least 5 percent of existing clients. Whenever a mandatory life insurance deal was brokered, the sales representative also offered Allianz’s micro insurance. On the social side, micro-insurance would protect socio-economic progress for Indonesian people. On the business side Allianz would grow its customer and premium base. Both were possible when Allianz embraced uncertainty while reducing risks.

CONCLUSION

Analysis of innovation champions can teach us a great deal about the organizational design of B-corporations and the corporate innovation behaviors in established organizations. The discussion and findings here have highlighted four characteristics that foster social innovation. The organizational design inherent in B-corporations enables companies to: (1) track their impact, (2) show that they care, (3) be transparent, and (4) structure themselves for social innovation. Similarly, innovation behaviors found in successful ICVs can be used to advance social innovation by (1) extending employee engagement to stakeholders, (2) applying fast and iterative learning cycles, (3) providing the proper time and space, and (4) embracing uncertainty while reducing risk.

By examining the approaches of leading social innovators and the best practices of ICVs, executives can appraise and sharpen their own innovation

efforts. This study has shared facts and examples from our research with the goal of sensitizing leaders to the impact potential of properly designed and managed innovation practices. Though not an easy task, social innovation and the design of socially relevant business models is clearly becoming an essential feature of forward-thinking innovation practices.

Findings in this chapter rest on qualitative interview and quantitative survey data for both B-corporations and ICVs. The B-Lab organization provided us with access to the qualitative descriptions of worldwide leading B-corporations in each of the categories of their impact assessment instrument. Through thorough content analysis we distilled the most salient concepts and behaviors displayed by the social innovation champions, which appear as examples above. We corroborated these initial findings with the survey data from their respective impact assessment scores, as exemplified in Table 9.3.

For the innovation practices at existing organizations we first collected over 500 responses from 350 companies actively involved with internal corporate ventures. The companies included in our data represent over 75 percent of the Spanish IBEX (Dow Jones equivalent) and also include small- and medium-sized enterprises in representative proportions. The data contain detailed information about the corporate framework and activities carried out by the individuals responsible for the day-to-day operation of, collectively, a few thousand ICVs. We used the learning derived from the insights on B-corporations and our own professional expertise to specify a list of respondents' social innovation behaviors, which we regressed on profit variables of the most successful ICVs. We then analyzed the resulting significant influencers of ICV profitability to understand their individual and joint impact on ICV performance. As a final step we conducted interviews at ICV level of 12 organizations. These data were coded and analyzed for the same key words and behaviors that we found in the two B-corporation analyses and the quantitative ICV analysis. Substantial and significant overlap between concepts and positive performance implications provided final confidence in our empirical findings.

ABOUT THE RESEARCH

An interest in social innovation unites our team of authors. We research, teach, and consult about innovation in commercial and social contexts. Regular exchange with innovation managers, B-Lab executives, social entrepreneurs, and other top-level executives in leading companies prompted the research effort behind the present study. This work was drawn from academic literature, our own academic work, existing and

novel data, and uses both quantitative and qualitative methodologies for data analysis.

At the outset we reviewed literature in the broad areas of social innovation, corporate social responsibility, and internal corporate venturing. Scholars such as Jeffrey G. Covin from the Indiana University, Ivey Business School Professor Simon C. Parker, as well as Harvard Business School's Clayton M. Christensen established important characteristics of individuals involved with innovation in large companies. Other published works by researchers Laura Illia and Marco Giarratana guided our thinking in terms of Corporate Social Responsibility and social values and community-focused strategies. Together their collective work formed the backdrop of our social innovation perspective.

Our results are based on multiple data. First, we collected data from over 500 individuals involved with managing or supervising the innovation efforts inside more than 350 established organizations. These data approximate the representation of the population of Spanish companies involved in active corporate innovation efforts by including 75 percent of the IBEX and including representative numbers of small and medium-sized enterprises. Second, and as part of this data collection effort, we conducted interviews and site visits with 12 of the most innovative companies in Spain and the UK. All respondents were senior managers with at least 10 years of experience in their respective companies and industries. They contributed their knowledge and perspectives on current developments through semi-structured interviews that lasted on average 70 minutes.

For our analysis of B-corporations, we collected publicly available secondary data on press mentions from the KLD and Factiva databases, details of B-corporation assessment tool results from specific companies, and brand value data from Forbes. We used these data for comparative quantitative analysis.

We performed additional empirical analysis on publicly available data on B-corporations. B-Labs made qualitative descriptions of leading social innovators available for content analysis. We corroborated a first round of findings from a pilot study by attending B-Lab events in Spain that provided the opportunity for exchange with managers of B-Lab and of B-corporations. Extensive collaboration with one B-Lab manager resulted in a personal presentation and interviews at our university in which all three authors participated. This involvement resulted in portraying top social innovators for each category of the B-corporation assessment instrument. These companies and their assessment data were selected for further analysis of the organizational designs and managerial behaviors associated with their social innovation activities. We studied the company profiles and conducted online searches for examples of their managers'

social innovation behaviors. Some companies have dedicated sections on such activities in their annual reports. We used these to corroborate press mentions. The resulting data were juxtaposed with the data on ICV to compare and contrast salient concepts in both worlds. The resulting data on B-corporations and ICV characterize the most salient and most impactful organizational designs and innovation behaviors portrayed in this study.

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NOTES

1. Stanford University, Center for Social Innovation, <https://www.gsb.stanford.edu/faculty-research/centers-initiatives/csi/defining-social-innovation>).
2. D. Mowery, and N. Rosenberg, "The influence of market demand upon innovation: a critical review of some recent empirical studies," *Research Policy*, 8, no. 2 (1979): 102–153. Also see E. von Hippel, "The dominant role of users in the scientific instrument innovation process," *Research Policy*, 5, no. 3 (1976): 212–239.
3. J.C. Marques and H. Mintzberg, "Why corporate social responsibility isn't a piece of cake," *MIT Sloan Management Review*, 56, no. 4 (2015): 7–11.
4. US states that have passed benefit corporation legislation are: Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Hawaii, Idaho, Illinois, Indiana, Louisiana, Maryland, Massachusetts, Minnesota, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New York, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Utah, Vermont, Virginia, Washington, West Virginia. Beyond US borders, American Samoa, the Federated States of Micronesia, Guam, the Marshall Islands, the Northern Mariana Islands, Palau, Puerto Rico, and the Virgins Islands have approved benefit corporation law.
5. Italy has approved the benefit corporation legal status, <http://bcorporation.eu/blog/italian-parliament-approves-benefit-corporation-legal-status>.
6. For the sake of clarity, we use the term benefit corporations to indicate the corporations with a benefit legal status, while we use the terms B-corporations or B-corps to indicate the ones who are certified by the B-Lab. If on the one hand, the benefit corporations are in the US states, on the other hand, B-corps are also present in Europe, South and Central America, Africa, Australia, and Asia. Both legal benefit corporations and certified B-corps must publish a public report of overall social and environmental performance assessed against a third party for transparency issues, while their directors are required to consider the company's impact on all stakeholders in terms of

accountability. However, the legal status is not available for every company, but only the US-based ones, while the certification is open to everyone. In both cases, the B-Lab serves as orchestrator to develop a model of legislation even if the certified companies have access to a wider portfolio of services.

7. R. André, "Benefit corporations at a crossroads: as lawyers weigh in, companies weigh their options," *Business Horizons*, 58, no. 3, (2015): 243–252; J.S. Hiller, "The benefit corporation and corporate social responsibility," *Journal of Business Ethics*, 118, no. 2, (2013): 287–301; and M. Pasquini, "Between social values and profitable performance: the case of B-corporations," Marie Skłodowska-Curie Project, (2015), EU project 655676.
8. Data collected from www.bcorporation.net, accessed March 2018.
9. Data collected from www.kiva.org/partners/341, accessed June 2016.
10. A. Fosfuri, M.S. Giarratana and E. Roca, "Community-focused strategies," *Strategic Organization*, 9, no. 3 (2011): 222–239; and A. Fosfuri, M.S. Giarratana and E. Roca, "Walking a slippery line: investments in social values and product longevity," *Strategic Management Journal*, 36, no. 11 (2015): 1750–1760.
11. See, in particular, cases developed at MIT's Legatum Center for Development and Entrepreneurship, especially: *iDiscoveri*, *Teatulia*, *Bridge International Academies*, and *Aspiring Minds* (<http://legatum.mit.edu/>). In each case, members of the early team passed up more lucrative opportunities with established companies because they shared the values and goals of the founders. The academic argument for hiring from within trusted social networks has been made by H.E. Aldrich and P.H. Kim, "Small worlds, infinite possibilities? How social networks affect entrepreneurial team formation and search," *Strategic Entrepreneurship Journal* 1, no. 1–2 (2007): 147–165. We suggest it extends well into the context of social innovation where networks would play a similar if not stronger role.
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