CSR-Driven Innovation
Towards the Social Purpose Business

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Towards the Social Purpose Business

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1 **Preface**

This report is part of the pan-Nordic project 'CSR-driven innovation' launched in November 2007 by the Danish Centre for Corporate Social Responsibility under the Danish Commerce and Companies Agency (DCCA). The project aims at strengthening the efforts of Nordic SMEs to generate profitable innovative products and services driven by environmental and societal concerns.

The report is the result of a collaborative research effort, bringing together top CSR scholars from Denmark, Sweden, Norway, Finland, and Iceland through the Nordic Centre on Corporate Responsibility (NCCR). The report is based on cases from 15 SMEs across the Nordic countries working with CSR-innovation and a literature review exploring the state of the art in corporate social innovation (CSI) research.

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For further information visit the project website at www.csrinnovation.dk where you will find information about the project, news updates, contact details etc.

2 Executive Summary

A small number of innovative and entrepreneurial firms are repositioning business as the driver for social change and their ambition is to transform society for the better through their products while also achieving economic success. Based on fifteen Nordic case companies, this report looks at the faces and business models behind some of these firms and their corporate social responsibility-driven innovations (CSR-driven). The two-fold purpose of this report is to motivate small and medium enterprises (SMEs) to create more CSR-driven innovation and to provide a description of the most important elements in the CSR-driven innovation process, including motivation, idea generation and the final business strategy. The structure of the report reflects this process so readers can follow what happens in relation their own business.

Addressed and explained in the introductory chapter (chapter 2), the research focus and methodology used in this report build on the existing corporate social responsibility (CSR) and innovation literature. Chapter 3 focuses on how businesses select CSR-driven innovation and how important the social change is relative to their business strategy. Some businesses identify the social need before beginning to think about the business model and profit generation. For other companies, social performance is a means for achieving the goal of creating private profit. Typologies of the organizations engaged in strategic CSR-driven innovation are introduced according to their strategic social innovation. The purpose of the typology is to provide readers with an idea of what role social impact and profit play in planning business innovations.

Chapter 4 takes a closer look at the motivation of the people behind the innovation, who are often the driving force behind CSR-driven innovation businesses. These people, typically CEOs or founders, are referred to as social entrepreneurs. The different types of social entrepreneurs are defined based on examples from the cases, and their motives differ from the motives behind CSR-driven innovation.

Chapter 5 focuses on the identity of the organizations, and how it is shaped via interaction with stakeholders. Here, we look at how SME managers make sense of their CSR-driven business and how this is linked to the way external stakeholders make sense of the world's social and environmental challenges.

Next, chapter 6 takes a more process-oriented approach and describes the five major phases in CSR-driven innovation business development. The idea generation phase is described first and a more thorough elaboration of the characteristics of CSR-driven innovations is given. From the examples in the cases, we have found different approaches for discovering new ideas for CSR-driven businesses. The next phase evaluates the new ideas to discover their social and financial potential. In the strategy phase the goal is to create a suitable strategy for launching and promoting the business venture and product. The analysis essentially covers how the cases differentiate in price, quality and kind of innovation. In the subsequent phase the focus shifts from being internal to external and examines the development of an appropriate design for the business and product. Here, the case studies provide different examples of how to use a prototype as an important part of the design process. Finally, this chapter describes the implementation phase and examines how the companies have delivered the actual product or service to a market based upon the defined competitive strategy and business design.

Chapter 7 contains concluding comments, while chapters 8, 9 and 10 provide a list of the figures and checklists used throughout the report, references and an appendix with fifteen one-page descriptions of the firms examined. Designed to supplement the brief overview given at the end of the introductory chapter, the descriptions provide a detailed overview of each company.

3 Introduction

This report, which considers several aspects of corporate social responsibility (CSR) and CSR-driven innovation, provides descriptions that cover environmental issues and impacts, but it does not strictly refer to social issues. The following sub-sections center on the expansion of the CSR focus. The term CSR-driven innovation is used to refer to the innovative purpose of the cases studied in regard to their social impact.

3.1 *From Reactive to Strategic CSR*

Traditionally, it has been the predominant task of companies to create shareholder value, while the role of government has been to address social problems. However, in recent years business has emerged as an important motor of social change. Across the board, firms have adopted CSR as their guiding principle. The literature differentiates between several types of CSR. Max Clarkson (1995: 109), for example, suggests the following typology:

- Reactive firms deny responsibility and do less than what stakeholders require
- Defensive firms admit responsibility but fight it by doing the least amount required
- Accommodative firms accept responsibility by doing all that is required
- Proactive firms anticipate responsibility by doing more than is required

Reactive-defensive strategies have emerged as an industrial response to large companies being attacked for socially or environmentally unsustainable practices. In this model, any CSR commitment is a mere safeguard against such attacks. Firms may, for example, change malpractice in selected parts of the organization while basically remaining focused on business as usual. The reactive-defensive nature of CSR entails that it has a limited business potential that mainly seeks to reduce the risks and costs associated with stakeholder demands. It remains a pure support function and leaves fundamental value creation to other drivers/means.

Accommodative-proactive CSR takes this development further and is motivated by the perceived advantages of displaying the company as a front-runner in the execution of decent business practices. This may include the substantial overhaul of routines and organizational practices, as well as communicative engagement with stakeholders. However,

even these firms rarely change their business models dramatically, although proactive CSR may modify and supplement them. Accommodative-proactive CSR has some value creating potential primarily by supplementing the firm's core business model.

Michael Porter and Mark Kramer (2006) have extended the above typology by suggesting that firms adopt a strategic approach towards CSR. By **strategic CSR**, they mean a mode of activity that accepts and anticipates responsibility, but that also addresses it by integrating it into its core business strategy. Thus, rather than approaching CSR as coincidental to a firm's business model, Porter and Kramer believe strategic CSR requires adding a social dimension to the firm's value proposition, making social impact integral to the overall strategy. By being brought directly into a business strategy that creates core value, strategic CSR carries a much larger value creating potential.

To sum up, reactive-defensive and accommodative-proactive CSR are primarily employed to safeguard or supplement pre-existing value drivers. Accordingly, they remain a support function and are not part of the firm's core strategy. Strategic, and thereby proactive, CSR, on the other hand, implies that the creation of social impact is a major value driver in itself.

3.2 *CSR-Driven Innovation in the Literature*

The notion that CSR can and should become part of a firm's value proposition also implies that it is systematically integrated into its innovation processes. Literature bringing together CSR and innovation has emerged gradually over the past decade. One interpretation of CSR innovation can refer to improvements in the CSR process. Such examples are, however, rarely strategic and usually indicate an accommodative-proactive mindset. In this review, we do not consider these kinds of improvements and instead focus mainly on product-related CSR-driven innovation. In the following, we briefly discuss some of the salient themes in the literature. Broadly speaking, there are four overlapping schools of thought: Corporate social innovation, bottom of the pyramid innovation, eco-innovation, and social entrepreneurship.

The term **corporate social innovation** (CSI) was first introduced by Rosabeth Moss Kanter (1999: 125), who argues that firms should use social issues as a learning laboratory for identifying unmet needs and for developing solutions that create new markets while also addressing passionate concerns in society. She describes, for example, BankBoston's effort in setting up the Community Bank Group, a project which eventually evolved into a new market for the bank. Similarly, Bell Atlantic has equipped schools with HDSL computers, and

in the process, learned a lot about how to use and market this new technology. The term corporate social innovation is increasingly taken up by practitioners. Patrick Cescau, CEO of Unilever, for example, defines corporate social innovation as a way of "finding new products and services that meet not only the functional needs of consumers for tasty food or clean clothes but also their wider aspirations as citizens" (cited in Webb, 2007). Recent research has focused on what commercial firms can do to motivate and capture such innovations and their related benefits. Learning and innovation efforts from which a firm may benefit do not necessarily need to be located within the organization, but may well reside in the consumer environment (Franke & Shah, 2003). Besides user and consumer-driven influences, corporate social innovations use social issues as a source of new opportunities while solving pressing societal needs. This is the core concept of CSI.

However, as pointed out by Hockerts (2008), most firms remain focused on CSR as a tool to reduce risks and operational cost. In his study of twelve multinationals, he finds that only firms with very high social performance rankings think about CSR as a means to drive product innovation. He proposes that CSR-driven innovation requires the creation of knowledge structures that result from investments in corporate social performance. Examples for such scripts could be CSR management and communication tools (i.e. Kuhndt, Tunçer, & Liedtke, 2003; Seuring, 2004; Beske, Koplin, & Seuring, 2006; Burritt & Saka, 2006; Morsing, 2006; Perrini, 2006b; Von Hauff & Kleine, 2006; Vallentin, 2007) that in turn can initiate corporate learning processes (Müller & Siebenhüner, 2005).

An important sub-theme of CSR-driven innovation is the focus on low-income markets. In this context, Prahalad and Hart (1999) discuss the potential of the bottom or *base of the pyramid* (BOP). The BOP premise is that by focusing on the unmet needs of low-income populations, firms can create profitable markets while also helping the poor address some of their most urgent needs (Christensen, Craig, & Hart, 2001; Prahalad & Hammond, 2002; Prahalad & Hart, 2002). Prahalad's most notable assumption is that BOP markets have to pay a "poverty premium"(Prahalad & Hammond, 2002: 8). This means that many poor have to pay more for products and services such as food, water, medication, credit, or telecommunication, than their middle or upper class compatriots. By using BOP-thinking, multinational corporations (MNCs) are believed to better target their design as well as improve distribution so as to bring down the poverty premium. Kandachar and Halme (2007) have extended the notion of BOP to SMEs and non-governmental organizations (NGOs).

Another sub-theme of CSR-driven innovation focuses on the opportunities linked to innovative products addressing key environmental problems (Hockerts, 1999, 2003). **Eco-innovation** (also referred to as sustainability innovations, eco-design, eco-preneurship, or clean-technology venturing) has been proposed as a source for "environmentally benign growth" (Dyllick, 1994: 60), as a "breakthrough discipline for innovation" (Fussler, 1996), as a "source of creative destruction" (Hart & Milstein, 1999: 23), as well as the beginning of the "next industrial revolution" (Braungart & McDonough, 1998: 82; Lovins, Lovins, & Hawken, 1999: 1; Senge & Carstedt, 2001: 24). A large number of publications have emerged from this advancing management tools for furthering the creation of new markets through environmental innovation (Fussler, 1996; McDonough & Braungart, 2002b, a; Randelovic, O'Rourke, & Orsato, 2003; Wüstenhagen, 2003; Kolk & Pinkse, 2004; Cohen, Smith, & Mitchell, 2008, Halme et al. 2008).

In his seminal book on eco-innovation, Fussler (1996) shows that innovative firms can succeed in driving ecological innovation profitably, not by following current customer demand but by creating future market space. This notion that firms can actively transform market structures so that they better support ecological innovations is also proposed by Dyllick (1994: 66; 1999) and particularly by Schneidewind (1998). According to Wüstenhagen (2003) ecological innovation will happen both in large corporations, the ecological "Goliaths", and small start-ups, the ecological "Davids".

CSR, BOP, and eco-innovation are usually intended for use in large MNCs. However, CSR-driven innovation may often emerge from SMEs or from the not-for-profit sector. The concept of **social entrepreneurship** emerged in the late 1990s in the U.S. (Boschee, 1995; Henton, Melville, & Walesh, 1997; Bornstein, 1998; Dees, 1998b, a; Brinckerhoff, 2000; Dees, Emerson, & Economy, 2001a, b; Drayton, 2002), and the U.K. (Leadbeater, 1997; Warwick, 1997; Zadek & Thake, 1997; SSE, 2002). However, it has only recently entered the academic debate (Haugh, 2006; Light, 2006; Mair & Marti, 2006; Mair, Robinson, & Hockerts, 2006; Perrini, 2006a; Hockerts, 2007; Robinson, Blockson, & Robinson, 2007).

According to Hockerts, social entrepreneurship describes "the discovery and sustainable exploitation of opportunities to create public goods" (Hockerts, 2007: 422). This is usually done through the generation of disequilibria in market and non-market environments. Social entrepreneurship often leads to the creation of social enterprises. These social ventures are hybrid organizations exhibiting characteristics of both the for-profit and not-for profit

sectors. Opportunities for CSR-driven innovation can often originate from social enterprises and firms thus can learn a lot from the NGO or voluntary sector (Hockerts, 2003).

3.3 *Research Focus*

Although there is much literature on CSR-driven innovation in MNCs, there is to date very little understanding of how SME and start-up ventures can apply it. Not only do they have much fewer resources at hand, they are also, due to their size, less often in the eye of NGOs and other stakeholders. Nonetheless, as the firms profiled in this report show, SMEs have a large potential for creating CSR-driven innovation.

This study aims to illuminate the most important steps in the CSR-driven innovations of SMEs in order to motivate other firms to do the same. Consequently, the following research questions have been posed:

1. *What types of organizations can be differentiated that engage in strategic CSR-driven innovation? What explains the ways they differentiate?*

2. *Who are the individuals behind these organizations? And what turns them into social entrepreneurs?*

3. *How does the process of identifying opportunities for CSR-driven innovation work and what can future social entrepreneurs learn?*

3.4 *Research Methodology*

As the setting for this study we have chosen firms from the Nordic countries. This focus allows for a certain amount of homogeneity concerning the cultural environments in which the firms act. Furthermore, given the level of concern for social problems among citizens in the Nordic countries, the expectation was that finding examples of CSR-driven innovation would be easy. Our focus was on SMEs, and particularly recent start-ups, and not large multinational companies who are able to easily finance CSR-driven innovation from large war-chests and who, at worst, can write-off any failures as charity and image enhancement. The organizations described in these pages are all small and medium-sized enterprises, thus

proving that CSR-driven innovation can be a springboard for growth and profitability for entrepreneurially minded business owners and managers.

For the case selection we asked each of the six participating research institutions (Copenhagen Business School, Norwegian School of Management, Helsinki School of Economics, Turku School of Economics, Stockholm School of Economics and Reykjavík University) to select potential cases. Eligible candidates had to be recent start-ups or existing SMEs in which social impact is an integral part of the value proposition. Our primary focus was on cases that explicitly make social performance the key element of their business model. However, to allow for variation we also included some firms in which the social element was less explicit. The fifteen cases were also selected so as to provide a broad spectrum of organizational forms ranging from non-profit associations via family-held SMEs to venture capital backed start-ups.

Each case was conducted by a team made up of one senior faculty member and one research associate. Data was collected through document analysis (websites, product specifications, and news media coverage) as well as 2-3 interviews with decision makers in each firm. Interviews lasted on average 60-90 minutes and were recorded. One of the first steps in creating this report involved carrying out within-case analyses for each company. The result of these analyses was a detailed 15-25 page description of each firm containing ten chapters covering a range of topics from the firm's social contribution via its history to an analysis of the competitive potential. Both during the data collection and the data analysis, regular conference calls were scheduled with the participation of all team members. During the calls each case was presented and preliminary insights emerged for the cross-case analysis. In order to ensure that all cases followed the same structure and that the level of data collection and analysis was similar, each case was reviewed by two senior faculty members. Following the review, cases were revised and, where necessary, follow-up data collection was conducted by the original case authors.

For the cross-case analysis the team of senior faculty members met for an in-depth two-day workshop. In preparation for this meeting, each member read the entire contents of the case analyses and had embarked on identifying emerging themes. At the meeting, initial insights were discussed and a broad analysis scheme was agreed upon. This scheme was later extended and filled out during an iterative process in which the editorial team regularly switched between data analysis and theory development. The final insights were again shared within the team of senior faculty members for a final review.

The following model provides a brief overview of the fifteen cases examined and highlighted in this report. A more detailed description of each firm can be found in the Appendix in chapter 9.

3.4.1 Nordic case companies examined in this report

Figure 1: Case overview

Audur Capital Founded in 2008 by Halla Tómasdóttir & Kristín Pétursdóttir	Audur Capital is an independent financial services provider whose objective is to combine the potential in women as investors and socially responsible investments by bringing feminine values into finance. The goal is to empower women and thereby create more value for business. The company provides access to capital, knowledge and business networks. Audur Capital participates in strategic planning, helps identify operational improvements, and assists in strengthening management teams when needed.
Clewer Founded in 1987 by Esa Mäkinen	Clewer strives to help reduce today's heavy environmental burdens and has invented an innovative water purification system. The innovation consists of precision bacteria that rotate in a horizontally positioned bioreactor, purifying water by removing dirt and contaminants. The technology can be applied to various industrial process toxins, landfill drain water decontamination, swimming pools and car wash installations.
DURAT Founded in 1990 by Kari Karppinen & Ulla Tuominen	DURAT's ambition is to minimize environmental pollution by collecting raw plastic waste material in Scandinavia from manufacturing plants, and then turning it into premium products using modern technology and molding systems. DURAT's end products are made from recycled materials to become everlasting and truly sustainable products comprising over 40 different premium quality bathroom items.
Ekolådan Founded in 2002 by Stiftelsen för Biodynamiske Produkter	Ekolådan strives for a better environment by selling high-quality biodynamic and organic products made available to consumers through a home-delivery system. Ekolådan's environmental improvements include both their biodynamic production methods and their energy efficient delivery system. A new innovation in the company is the idea of involving the customer as an active investor. The company organizes the purchase of entire farms using consumer investments, which underlines their vision of bringing the consumer closer to the products.
Fair Unlimited Founded in 2004 by Daniel Mensch, Madeleine Linins, Per Skålén, Eva Danielsson & Karin Robérts	Fair Unlimited contributes to the reduction of poverty by helping producers in the Third World develop their business potential. The company addresses this by selling corporate gift products with a fair-trade label to companies and organizations. When dealing directly with fair-trade producers, Fair Unlimited is bound to a code of conduct stipulated by the fair-trade community. Consumers of fair-trade products cannot put the same pressure on producers with regards to price, quality, presentation and delivery deadlines.
FIN Founded in 2004 by Nikolai Christiansen Perminow & Eivind Pytte Ødegård	FIN combines luxurious fashion with environmentally and socially responsible methods of production. They operate in the high fashion industry, producing ready-made clothing aimed at the upper-mid price range and combine this with a focus on good labor conditions and high environmental standards in their worldwide supply chain.
Lazytown Founded in 1995 by Magnús Scheving	Lazytown's ambition is to motivate children around the world to live healthier and better lives. The company's aim is to do this through a variety of Lazytown products that all deliver pro-health, positive social messages and raise ethical awareness. The company flagship is the Lazytown TV show, which has characters that act as role models for healthy living.

Lappset Founded in 1970 by Antero Ikäheimo	Lappset manufactures durable products that simultaneously combine play and education. The aim of the company is to help people of all ages live more healthily and happily through play that provides exercise and fun. One of their popular solutions is SmartUs, which encourages exercise and supports learning in a way that is attractive to modern-day kids.
Marorka Founded in 2002 by Dr. Jón Ágúst Thorsteinsson	Marorka's ambition is to enable their maritime customers to maximize their operating results by minimizing fuel consumption and harmful emissions. To do this, Marorka has created an innovative energy management system, Maren 2, which provides a detailed overview of all the energy systems used onboard a ship and, through complicated mathematical formulas developed by Marorka, makes recommendations to improve the vessel's performance.
MYC4 Founded in 2006 by Mads Kjær & Tim Vang	MYC4 works as an on-line marketplace for microfinance. MYC4 connects individual investors worldwide with African micro-businesses that need working or expansion capital. Loans range from as little as €200 up to €20,000. Through a network of local organizations (called providers), MYC4 identifies promising entrepreneurs and profiles their loan needs on its website.
NOIR Founded in 2005 by Peter Ingwersen	A high-end fashion (prêt-a-porter) brand outranked only by haute couture, NOIR appeals to the social conscience of the consumer. NOIR has two main brands: NOIR and Illuminati. NOIR's luxury fashion products include clothing, accessories, home goods and fragrances – made under humane and fair working conditions in Europe. Illuminati II is the company's own cotton fabric.
OceanSaver Founded in 2004 by Stein Foss, Aage Bjørn Andersen, Gunnar Bærheim & Kjell Varenhed	A growing problem in the maritime industry is invasive species being carried aboard ships in the ballast water tanks which cause severe biological pollution to the end environment. OceanSaver, which aims to battle biological pollution, has developed technology that combats this problem using a ballast water treatment and corrosion system (BWTS). The BWTS does not use toxic chemicals such as chlorine to treat the water.
Parans Founded in 2003 by Marcus Fransson & Nils Nilsson	Parans collects sunlight and transports it inside buildings using optical fibers to illuminate indoor spaces. The connection to CSR was noticed later as a result of the implications of the products' functional properties. External stakeholders also pointed out the beneficial environmental and human health impact of implementing the Parans system. The Parans system cuts energy costs by 25-30 percent and its therapeutic solar properties have an impact on human health.
Th!nk Global Bought in 2006 in by Jan Olaf Willums	Th!nk Global provides its customers with an environmental solution for transportation. The company's electric car has no CO_2 emissions, and the car's body is made of 95% recyclable plastic. Using this car is supposed to reduce energy consumption by 70%.
Zealand Care Founded in 1996 by Bjarne Henneman	Zealand Care's objective is to improve the conditions and choices available for the elderly and disabled regarding their service and auxiliary equipment needs. Zealand Care addresses these issues in two ways: 1) by focusing its business on creating customized health care products to meet individual needs, and 2) by creating an advanced computer management system municipalities can use to administer and provide auxiliary equipment in the health care industry.

4 A Typology of Organizations Engaged in CSR-Driven Innovation

The organizations examined apply different approaches to their CSR-driven innovation ventures which indicate what they intend to achieve with their ventures. The objective of the CSR-driven venture is focused on here specifically for either its profit or its social impact and for the various relative combinations that arise from using one or both of these focuses as either a means or a goal in itself. In this chapter, the three general classifications defined based on the fifteen CSR-driven innovation businesses analyzed provide a framework for dividing the fifteen cases into separate groups of strategic intention. First, the *missionary business* is run on the basis of creating an intentional social impact as a priority strategic target. The *profit from principles business*, on the other hand, operates with the ordinary business objective of achieving a profit first and then it uses the social impact as a means of achieving this target. The *social purpose business* forms a balanced combination of both profit and social impact as its goal and thus prioritizes both objectives in its strategy.

	Social impact as a means	Social impact as a goal
Profit as a goal	The Profit from Principles Business	The Social Purpose Business
Profit as a means		The Missionary Business

Figure 2: Typology of CSR-driven innovation business ventures

4.1 *The Missionary Business*

Businesses of the missionary variety have opted for CSR-driven innovation chiefly because they want to achieve social change. They believe that a business approach can best achieve this goal. However, profit is more a means to an end. At the heart of their motivation lies the desire to affect social transformation. Only after identifying the social need they want to remedy do they begin thinking about the business model and the need to generate a profit to sustain it.

Ekolådan, founded with the explicit mission of extending the reach of biodynamic vegetables and fruits in Sweden, is a good example of this type of business. The idea of setting up a profitable business by providing the home-delivery of organic foods was a secondary consideration resulting from the overall social goal. Another Swedish company, Fair Unlimited falls into a similar niche. Daniel Mensch, the founder of Fair Unlimited, is explicit about the relatively minor role shareholder value maximization plays when he describes his ambitions for Fair Unlimited:

> *Everyone who has worked for the start-up of Fair Unlimited should get full compensation for the time and money they invested, with interest. When this is done, additional profit will be used to employ a qualified labor force using competitive salaries.* (Daniel Mensch, Fair Unlimited)

For the time being, Fair Unlimited employees are still being paid a salary below market rates. Daniel and his collaborators accept this because doing meaningful work seems more important to them than following the highest paying job.

The Finish start-up firm Clewer is on the borderline of being a missionary business. Offering a product that helps clean waste water, Clewer's process works by rotating precision bacteria in a horizontally positioned bioreactor that purifies water by removing dirt and contaminants. The Clewer technology can be applied to various industrial process wastes, landfill drain water decontamination, swimming pools and car wash installations. Although the image it presents to the public is that of an ordinary for-profit company, it nonetheless shares similarities with the missionary category. Clewer founder Esa Mäkinen admits to being obsessed with figuring out a way to make his technology work even if it means working twelve-hour days. Mäkinen calls his drive to help the environment a "fundamental syndrome".

Zealand Care, a Danish company that provides services that ultimately aim to make life easier for the elderly and disabled, could have fallen into this category in its early phases. Initially co-founded by several municipalities in a public-private partnership, it can be assumed that profit generation was not Zealand Care's main concern. However, recently Zealand Care was acquired by Welzorg, a Dutch competitor, indicating that the importance of shareholder value has increased considerably.

4.2 *The Profit from Principles Business*

This type of company has an inverse goal function compared to the missionary business. For them social performance is the means to achieving the goal of creating private profits. These types of firms are launched by business savvies that have identified a market demand and see a profitable niche for themselves. They understand that the social impact they create attracts the paying customer, but they would not hesitate to start a traditional type of business in which social performance is not part of the value proposition if that turned out to be more profitable.

Two typical examples of this type of business are the Norwegian company FIN and the Danish company NOIR. Start-ups in the textile sector, both aim to establish a brand in the high fashion sector by having an image based on ethical behavior and the use of organic cotton. While both firms are serious about driving CSR through their supply chain, the founders are also open about the fact that it was the promise of generating a profit that attracted them.

Other companies in this category include SmartUs, a subsidiary of Lappset, the Finish maker of playgrounds. SmartUs was started as an attempt to extend Lappset's business and thus achieve competitive advantages. The venture does this by using a new type of edutainment that promises to fight obesity in teenagers while promoting the education of children.

The Swedish company Parans is another good example of this type of firm. Torsten Mattsson, one of its four founders, identified a challenge in building construction, a field that he has worked in for many years. Regulations protecting workers and residents require new buildings to be large enough to allow a sufficient amount of natural light to enter. Finding a way for natural light to be transmitted more deeply into a building would mean being able to increase the size of buildings and thus build more efficiently. Launched as a traditional business, the social and environmental aspects of Parans were only added on later by its stakeholders. The question is whether this type of 'accidental' venture should qualify for this

study at all, since our main concern was to study firms that had made social performance an explicit part of their business model. However, when studying potential candidates we came across a number of firms who had launched their innovations unaware of the public benefit they would create. Later, however, they saw the dual value they were creating and adopted this social mission as their own.

4.3 *The Social Purpose Business*

Being an ambidextrous social purpose business is what most of the organizations in this study aspire to. Aiming explicitly for profit and a social impact simultaneously, social purpose businesses are characterized by having CSR completely integrated in their core business model. At the same time, they are adamant about the need to make a profit on their business.

A good illustration of a social purpose business is MYC4, a Danish on-line start-up that facilitates the lending of money by individual investors to African entrepreneurs. The company is very explicit about its mission, which is to eradicate poverty by the year 2015. Realizing that charity alone will not achieve this goal, the founders of MYC4 launched the company as a for-profit market place for microfinance. Their hope is that their website will attract more capital for Africa while simultaneously improving conditions for African borrowers through increased transparency. MYC4 is convinced that to succeed in their mission they need to demonstrate that their business model is viable and profitable.

The Norwegian start-up Th!nk Global is another good example of a social purpose business. Owned by a group of clean-tech investors, it is clearly set up to create profit. However, the environmental goal of saving the climate by replacing fossil fuels is the most important element of its business model.

The following figure illustrates the relative positioning of each of the fifteen companies in this report according to their emphasis on social impact and profit as a means or a goal and the relative balance of these aspects between the companies. Using the three classifications in the typology for CSR-driven innovation discussed above, the social purpose business examples, where both profit and social impact are prioritized as goals, are placed in the upper right corner of the figure. The missionary business category is located in the lower right corner, while the profit from principles business category is located in the upper left corner. The positioning of the various companies is based on our assessment of the companies' underlying strategies relative to their focus on a specific innovation.

Consequently, the positions may differ slightly compared to how the companies themselves promote their CSR-driven ventures.

Profit as a goal

Profit as a means

Social impact as a means

Social impact as a goal

Figure 3: Illustration of the relative position of CSR-driven innovation priorities

5 The Faces behind CSR-Driven Innovation: Social Entrepreneurs and their Motivation

Due to their role in bringing together philanthropic motives and business acumen, the founders of CSR-driven businesses are often referred to as social entrepreneurs. The term social entrepreneur is, however, used very broadly in the literature. In some publications (Bornstein, 1998; Drayton, 2002), it merely designates a change maker who works towards achieving a major transformation in society with the goal of addressing a pressing social problem. From this perspective, social entrepreneurs do not necessarily need to start a new venture. They do not even have to be involved in a formal organization. Florence Nightingale, a pioneering nurse and statistician, is often identified as an early social entrepreneur for her role in highlighting the importance of hygiene in hospitals (Ashoka, 2002). Another stream of literature identifies the founders and managers of non-profit organizations as social entrepreneurs (Dees, 2001). Given the focus on the social impact of CSR-driven business, this report uses the term social entrepreneurs exclusively to designate the founders of CSR-driven innovation ventures.

As the examples in this report show, the personalities behind CSR-driven innovation can vary considerably. However, they all share two characteristics that entrepreneurial literature traditionally considers to be crucial in the process of entrepreneurial venture creation: They feel a desire to achieve a certain outcome and they consider it feasible to reach that outcome. Ever since Shapero and Sokol (Shapero, 1982), 'perceived desirability' and 'perceived feasibility' are considered to be the key prerequisites of entrepreneurial activity.

However, as Mair and Noboa (2006) point out, social entrepreneurs are driven by different value sets than traditional business entrepreneurs. In order to feel a desire to change the world for the better, social entrepreneurs have to be able to understand the needs of other people and to feel sympathy for them (emotional empathy). Furthermore, they also have the cognitive ability to decide what is morally right and wrong (cognitive moral development). From this perspective, anybody can be a social entrepreneur no matter what background he or she might have. Many well-meaning citizens, however, never take action because they do not believe their actions can actually make a difference. Only people with a strong belief in their own capabilities will assume that their actions can solve pressing social issues (self-efficacy). The conviction that change is feasible can be bolstered by the presence of social support systems such as in start-up centers (social support). Social

entrepreneurs can thus be expected to display a certain amount of emotional empathy and cognitive moral development, and also to believe in their ability to succeed and to be supported by other social activists.

While our case studies indicate that all four of these elements (emotional empathy, cognitive moral development, self-efficacy and social support) are indeed present in the people who have started and grown social businesses, there are nonetheless considerable differences. In the following section we will discuss the three sub-types of social entrepreneurs we have been able to identify from our cases: *Activist entrepreneur*, *social technopreneur* and *social venture capitalist*. The next section describes the traits that we have found are shared across the three types.
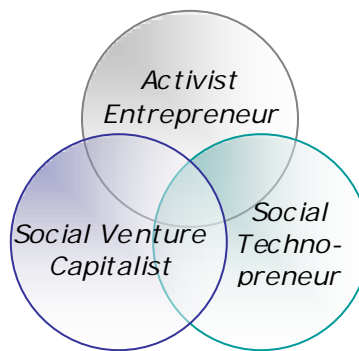
Figure 4: Venn diagram of the three overlapping social entrepreneur types

5.1 *Types of Social Entrepreneurs*

5.1.1 **The activist entrepreneur**

The archetypical social entrepreneur is best described as the *activist entrepreneur*. This kind of entrepreneur is characterized by an ability to "feel the pain" of people and nature. Experiencing social injustice causes *activist entrepreneur*s personal grief and motivates them to throw themselves into a social venture. They seem to be obsessed with their ideas, committing their lives to changing the world for the better. While a business entrepreneur

might create entirely new industries, these globally concerned visionaries come up with new solutions to social problems and then implement them on a large scale. While the success of their business is motivating to them, they primarily want to transform society. Thus, the diffusion of their ideas might be more important to them than protecting their ideas if it meant confining them exclusively to a small niche.

John Gerhard, the founder and manager of Ekolådan, is a typical example of an *activist entrepreneur*. John was involved in a Swedish foundation called "Stiftelsen för Biodynamiska Produkter", which had emerged in the 1970s from a group of organic food enthusiasts inspired by the anthroposophist movement. Its core mission was the promotion of organic and biodynamic food through opinion building, European networking and the wholesale of organic food. Frustrated with the low market share of organic food (compared to countries such as Germany and Netherlands), John scouted for ways to spread organic food even further. He eventually hit upon the idea of delivering organic food directly from the farmer to the customer through a subscription service, a product that existed already in several other countries.

The story of Daniel Mensch, the entrepreneur behind Stockholm-based Fair Unlimited, illustrates one way an *activist entrepreneur* is born. Daniel actually started out working as a consultant in the late 1980s in Washington D.C. Upon being assigned to a leading tobacco company, he felt his first qualms:

> *It was quite a dilemma being a non-smoker and working with a product that definitely wasn't sustainable. As well as with a company that was highly unethical. […] At three different times I uncovered information that had to do with illegal business practices and I had to acknowledge that I didn't see them.* (Daniel Mensch, Interview 2008)

Disgusted with the industry, Daniel asked to be transferred and ended up in Sweden working for a pharmaceutical company. Hoping that this would turn out to be a more responsible line of work, Daniel threw himself into the new job feeling buoyed by Sweden's reputation as a country of high moral and ethical standing. However, after working with the client for a while he discovered that the pharmaceutical industry had serious ethical issues of its own. Determined to find a job that would allow him to live up to his ideals, Daniel enrolled in a master's program in social responsibility at Bath University in England. He took a Red Cross course, where he met four people with ideals similar to his own. Together they launched Fair Unlimited in an attempt to market high quality gifts with a fair-trade label to corporate clients.

Magnús Scheving, the Icelandic founder of Lazytown, a children's TV program aimed at fighting obesity, is another example of an *activist entrepreneur*. He drifted into starting a social purpose business venture only by coincidence. Originally a world-class athlete who represented Iceland at several international athletics competitions, Magnús was concerned about the growing trend of child obesity. His initial approach was one of traditional activism. He gave inspiring talks and travelled the country promoting kids to be active rather than spending time in front of the computer. He was launched solely on a business track until he wrote "GO! GO! Lazy Town!" in the mid-1990s, a book aimed at motivating children to be more active. When the book became a surprise success, he turned it into a musical and sold CDs. Eventually he decided to produce a TV show in 2004 in which he himself stars as Sportacus, an acrobatic super hero who fights laziness.

Another example of a globally concerned *activist entrepreneur* is Bjarne Henneman. Having a disabled child had sensitized him early on to the needs of the disabled. However, while services for the disabled had improved in recent decades, spiraling costs were threatening to limit what many municipalities could do. He identified a lack of scope and systematic innovation as the root causes for the chronic shortage of funds. Consequently, he made it his mission to streamline the supply chain and administrative processes of organizations catering for the disabled. Through technical innovation as well as a focus on efficiency gains, he has been able to help many municipal caregivers manage costs and thus stretch their budgets further, eventually benefiting more disabled.

5.1.2 The social technopreneur

*Social technopreneur*s are driven by an eagerness to study and improve or develop a technology that results in a social benefit. Indeed, their main driver is a conviction that social ills can be solved with the right technical fix. Emotional empathy or moral considerations play a less dominant role for them. Similarly, although they might hope to make a profit with their innovation, it is their love of tinkering and overcoming seemingly insurmountable odds which inspire them. *Social technopreneurs* often use complex technologies drawing on sophisticated skills to shape the details of their innovation. Furthermore, a strong academic connection and background can be identified in this type of social entrepreneur.

A striking example of a *social technopreneur* is Jón Ágúst Thorsteinsson, the founder of Marorka. His company provides a break-through in energy management systems for ocean

vessels. Jón Ágúst had prior experience as an engineer with a company catering to the Icelandic fishing industry that he had helped develop. Because of this work, he was aware of the need to manage energy consumption in a context of growing fuel costs and increased competition. Failing to get support for his idea and being laid off from his old company, he decided to start a new venture. Jón Ágúst realized that he would need time off to do in-depth research and decided to write a PhD dissertation at Aalborg University in Denmark at the age of 40. He fully trusted in the feasibility of his idea - namely the development of an energy management system that would use mathematical tools and computer simulations to optimize energy systems in ocean vessels. His system is based on a complex mathematical model developed during his doctorate studies at the Institute of Energy Technology at Aalborg University.

Another example of the *social technopreneur* is Esa Mäkinen, the Finnish founder of Clewer. Esa can best be characterized as a playful child, acquiring his know-how from "twenty years of practice, working twelve hours a day". A Greenpeace supporter and nature freak since his youth, Esa describes his personal goal as making "the world a better place by developing more advanced technology for future generations". In 1987 Esa founded Teknoforest, a start-up that replaces hydrocarbon-based industrial washing products with more environmentally sound pine oil equivalents. Teknoforest manufactures eco-labeled chemistry products, such as car care products and industrial washing and maintenance products under the name Pineline. Driven by a need to continue innovating, Esa then used the profits from Teknoforest to finance the next start-up, Clewer. For several years the Clewer venture faced growing economic costs and the very real risk of failure. Esa, however, has never seriously considered abandoning Clewer.

Lars Ringdal, a Norwegian manufacturer of thermoplastic dinghies, became interested in making electric cars during the first oil crisis in the 1970s. The result was a compact plastic-body prototype that never made it to the market. In 1990, his son Jan Otto Ringdal took up the idea after finishing a master's of science degree in mechanics and engineering and founded the Personal Independent Vehicle Company (PIVCO), which later was renamed Th!nk Global. Both Ringdals were driven by the challenge of making a plastic-based rather than steel-based car body as well as by moving from a car design optimized for combustion engines towards one driven by electrical power.

5.1.3 The social venture capitalist

It is only recently that the third category of social entrepreneur has emerged in force. *Social venture capitalists* are often business entrepreneurs with a considerable amount of business acumen. Convinced that markets are the ultimate source of solving social problems, they typically commit themselves to launching social purpose business ventures with the explicit intention of being both profitable and socially responsible. *Activist entrepreneurs* focus strongly on assessing success in terms of the impact they have on society, whereas s*ocial venture capitalists* typically measure performance more from a profit and return perspective. *Social venture capitalists* are often more realistic in assessing the market potential of their ideas. Having built start-ups in the past and having a strong business background, they are also more open to accepting professional support from incubator networks and social investors.

One striking example of a s*ocial venture capitalist* is Mads Kjær, founder and CEO of MYC4, a microfinance website. Mads joined his father's company, a Renault dealership in Svendborg, Denmark, in 1984 and refocused the firm on providing humanitarian organizations with vehicles and mobility solutions around the world. Mads developed unique capabilities for solving transportation problems in the aid and development sector in some of the world's most challenging environments. Perhaps it was the social mission of Mads' clients, or his field experience in Africa that motivated him to develop a corporate social responsibility (CSR) agenda for his company. He made the company a signatory of the U.N. Global Compact and was particularly committed to increasing road safety in Africa. Feeling that he would like to achieve even more to help Africa break free from misery, Mads had been scouting around for ideas for quite a while when he came across the idea of starting a web platform that would allow ordinary investors to provide funds to African entrepreneurs at a competitive interest rate.

A story similar to Mads Kjær's can be found in the Danish high fashion brand NOIR. Its founder, Peter Ingwersen, can look back on a successful career in the fashion industry, first as a global brand manager at Levi's and later as managing director at Day Birger & Mikkelsen. After twenty years in the industry, he identified its superficial and cynical approach as a market opportunity. In his opinion, corporate social responsibility had become part of the zeitgeist. However, while there were several ethical fashion labels in the low price segments of the market, there was no equivalent brand at the top of the market. With NOIR, he aims to establish a high fashion label that caters to this market niche.

Thoroughly educated at Levi's (he was one of five managers in Levi's rebranding process), Peter was well versed in strategic thinking and makes no secret of the fact that he is in the business to make a profit. He spends a lot of time and energy in working strategically to create awareness and hype before a product launch, utilizing his knowledge of the market to push forward CSR through NOIR's clothing line.

> *You can eradicate poverty through capitalism. In my view, strong business model innovation is the way forward for the Third World.* (Peter Ingwersen, Interview 2008)

Th!nk Global is one example of two different types of social entrepreneurs coming together and complementing each other. Jan Otto Ringdal is a technology buff and he was recently joined by Jan Olaf Willums, a managerial expert. In the 1980s, Jan Olaf was the head of Volvo Petroleum. In the run up to the Rio Earth Summit in 1992, Jan Olaf realized that he had finally found his defining challenge. He became director of the World Business Council for Sustainable Development (WBCSD), an international group of world leading multinationals lobbying for sustainable development. Next, Jan Olaf moved into sustainable investing, working first as senior Vvce president for Storebrand (1998-2000), then launching his own clean-tech investment fund, InSpire, which he has headed since 2001. When Th!nk became one of InSpire's investments in 2006, Jan Olaf took over the position of CEO and has since been the managerial complement to Jan Otto's technological genius.

5.2 *From Social Entrepreneur to Business Type*

When studying which social entrepreneurs tend to start what types of social business, a clear picture tends to emerge. Figure 5, which compares all fifteen cases, illustrates that there are overlaps as well as diverging tendencies.

- Entrepreneurs in a **missionary business** tend to be more activist-oriented and insist on doing whatever it takes to achieve their dreams for years as they are extremely passionate and committed to their cause.
- The **profit from principles business** on the other hand tends to be founded by *social venture capitalist*s as well as *social technopreneur*s who see an opportunity to make a profit from their unique expertise. We did not find any examples of *activist entrepreneur*s in this type of business.
- The **social purpose business** is the most balanced in terms of its founders. Entrepreneurs come from all three types of social entrepreneurs. This is not surprising as the social purpose business is actually a hybrid case that aims at

creating a profitable business as well as social impact. This allows for characteristics from all three types of entrepreneurs.

What can be learned from this is that certain types of social entrepreneurs can nonetheless start up divergent types of social businesses; there is a tendency, however, in the data for entrepreneurs to belong, more often than not, to a particular type of social business. An interesting option would naturally be a team of entrepreneurs with at least one member from each of the three business categories, so that they could complement each other. The advantage of a heterogeneous team of entrepreneurs would be more varied insights. This type of set up, on the other hand, might also lead to tensions between the founders over time, as their motives and goals for the social business may differ greatly, creating strain and inertia for the strategic direction as well as for the daily operation of the business. In the fifteen cases, however, we did not find any examples of a *social venture capitalist*, a

Entrepreneur/Founder (company)	*Social Venture Capitalist*	*Social Techno-preneur*	*Activist Entre-preneur*	Type of CSR-driven Innovation
John Gerhard (Ekolådan)			X	*Missionary Business*
Daniel Mensch (Fair Unlimited)			X	
Esa Mäkinen (Clewer)		X		
Magnus Scheving (Lazytown)			X	*Social Purpose Business*
Bjarne Henneman (Zealand Care)			X	
Jan Otto Ringdal (Th!nk Global)		X		
Mads Kjær (MyC4)	X			
Two founders (Audur)	X			
Four founders (OceanSaver)		X		*Profit from Principles Business*
Jón Á. Thorsteinsson (Marorka)		X		
Torsten Mattson (Parans)		X		
Three founders (Fin)	X			
Peter Ingwersen (NOIR)	X			
Antero Ikäheimo (Lappset)	X			
Kari Karpinnen & Ulla Tuominen (DURAT)	X			

social technopreneur and an *activist entrepreneur* all being present in the same company.

Figure 5: Table of linkage between social entrepreneurs and CSR-driven businesses

5.3 *Characteristics of the Social Entrepreneur*

For all the differences between the three types of social entrepreneurs, there are nonetheless some unifying characteristics that emerge across the board. Understanding the differences and the similarities (see figure 5) will help policymakers as well as ethical investors identify social entrepreneurs and their specific needs.

5.3.1 **Emotional desirability – between eco and ego**

When looking at what made the entrepreneurs in this study launch themselves into their ventures, two triggers for *emotional empathy* (Mair and Noboa, 2006) stand out.

First, there is a number of what one might describe as *life turning points*. The entrepreneurs have often been working for many years in traditional jobs and are looking for new challenges. This can be due to a *crisis situation* such as the loss of employment (as for example in the case of Jón Ágúst Thorsteinsson, Marorka) or it may be due to a *perceived lack of meaning* in an otherwise financially successful career. Prototypes for this kind of evolution are Kristin Petursdottir and Halla Tomasdottir, who both quit successful careers in business and finance after experiencing a lack of meaning in their lives. They recently founded Audur Capital, an Icelandic investment fund designed to bring feminine values into investment by focusing particularly on socially responsible investments. Similar biographies can be found in the stories told earlier about Daniel Mensch (Fair Unlimited), Mads Kjær (MYC4), and Peter Ingwersen (NOIR).

A second driver that explains emotional empathy for social concerns is direct *hands-on experience*. Bjarne Henneman's experience with a handicapped child sensitized him with regard to this sector. Similarly, Magnús Scheving might not have ended up with Lazytown had he not been so passionate about sports, nor would John Gerhard have started Ekolådan without his prior experience with the foundation "Stiftelsen för Biodynamiska Produkter".

Too much attention can also hurt, as Peter Ingwersen had to learn the hard way. Fully convinced of his company idea, he has tended to sell his firm as the 'Next Big Thing'. Journalists loved the story and have hailed Peter's company, often describing his plans for the future as if they were already implemented. However, setting up new supply chains takes time. Although Peter has been investing in Uganda for years, he still has not been

able to produce any of the organic cotton he wants to use for his NOIR production. This has led to reproaches from critics who say Peter was overstating and overselling his company.

For all their sincere concerns for the public good, social entrepreneurs are also motivated by *selfish rationales*. The hope of being able to present their case on the national or even international stage is a strong emotional motivator for this entrepreneur as entertainer. The media loves stories about hero entrepreneurs, so it is not surprising that individuals such as Magnús, Peter, Mads and Jan Otto are lionized by the media. The notion of a small Norwegian company taking on the mighty automotive industry is just too seductive for the media to resist.

5.3.2 Self efficacy – 'Yes We Can!'

Many citizens who feel strongly about social and environmental issues nonetheless never take concrete action. They do not have a strong belief that their locus of control resides with themselves. Instead, they feel that others have the power to make or break social change.

Such people will refrain from action either because they think that it is hopeless anyway ('There is nothing we can do to solve poverty and climate change') or because they see other actors as responsible ('This is the role of the government and charities').

Many of the social entrepreneurs profiled in these cases, in contrast, have a seemingly boundless *belief in their own capabilities*. Their ambitious visions go beyond servicing a mere market niche. Instead, they want to transform the playing field for everybody. Barack Obama's slogan 'Yes We Can' would be a fitting metaphor for them. The most ambitious goal, though, has probably been formulated by Mads Kjær. His company MYC4 feels that the United Nation's goal of halving extreme poverty by 2015 is insufficient. Its website thus proclaims boldly that it will eradicate poverty by that date. By invoking former U.S. President John F. Kennedy, Mads shows that he understands the value of a far-reaching mission.

> *In 1961, John F. Kennedy started the space race by challenging the United States to land a man on the moon and return him safely to earth by the end of that decade. If we have been able to rise up to that challenge, then we should also be able to eradicate poverty within the same time period. This is the vision of MYC4.* (Mads Kjær, interview 2008)

Similar ambition can be sensed in Magnús Scheving, who hopes to inspire a whole generation of kids to be more active. Similarly, Peter Ingwersen does not just want to install a successful eco-clothing brand but also hopes to change the perceptions customers have about CSR. By showing that ethical products can be high quality and luxurious, he intends to change people's ideas about CSR in general and, in the end, lead the way to an increased acceptance of CSR products in general.

> *We want NOIR to become the luxury brand that makes sustainability and corporate social responsibility sexy! This change will probably take about three to four years to happen.* (Peter Ingwersen, interview 2008)

The stories of Mads and Peter illustrate the belief social entrepreneurs have that they have control over their destinies. From a policy or support point of view, this means that campaigns that stress the possibilities of the individual are likely to generate more social entrepreneurs.

Much of the early ecological and ethical debate has been about doom scenarios (the world is going to end) and about legal changes (carbon trading legislation, laws forbidding child labor, or requirements to report on corporate social issues). Changing these kinds of preconceptions is tricky. Sharing success stories like the ones in this report is one way of achieving this goal.

6 Making Sense of the CSR-Driven Innovation

6.1 *An Identity of More Than Business: SME Managers As Providers of Solutions to Global Concerns*

Launching a CSR-driven innovation business takes place within the frame of reference of managements' personal and organizational values and sense-making processes. Based on our studies of fifteen SMEs in the Nordic countries, it became clear that most often SME managers make sense of their business as they relate it to their personal values and a global concern. As they present themselves and their business, they establish a clear link between their business purpose and the global concerns of contemporary society such as poverty, climate change, obesity, providing sustainable energy, etc. While this may be seen as a construct of an insider frame of reference, obviously managers are influenced by and relate to the sense-making of stakeholders outside the organization. As a result, the way SME managers make sense of their CSR-driven business is clearly linked to how external stakeholders concurrently make sense of the world's social and environmental challenges, i.e. linked to what is perceived as a global concern in society today. However, this does not mean that internal and external stakeholders immediately agree on how to make sense of the CSR-driven business.

In the following we look at not only how the sense-making and sense-giving processes support the CSR-driven SME, but also at how they impede business development if the process becomes either too self-absorbed or too decoupled from external stakeholders' expectations.

6.2 *Sense-Making and Sense-Giving*

The process through which firms shape their organizational identity is often referred to as organizational sense-making (Weick, 1995). Sense-making implies that there is no objective notion of what an organization is. Rather, members of an organization can construct the organization's identity by choosing to present it internally and externally in a specific way (this latter process is also referred to as 'sense-giving'). At the same time, an organization's environment is constantly assessing and reevaluating its own identity based on its behavior as well as its interaction with its environment (a process of 'sense-making') and feeding

back these assessments to the firm in various ways (i.e. via external stakeholders' sense-giving).

As such, an organization's environment may also directly contribute to the construction of an organization's identity. Confronted with how stakeholders give sense to the company, members may change the way they make sense of themselves. While empirical studies of sense-making have predominantly focused on internal processes, our empirical case studies demonstrate the importance of the internal and external processes of sense-making and sense-giving. Organizational identity in SMEs is thus the result of a permanent give and take of sense-making and sense-giving between organizations and their environment.

Sense-making is inherently social, as we "make sense of things in organizations while in conversation with others, while reading communications from others, while exchanging ideas with others" (Nijhof et al. 2006), and no manager or organization makes sense in splendid isolation. It has been argued that the extent to which an individual – or an organization - is able to integrate the sense-making of others will influence the individual's – or the organization's – ability to strategically enact a productive relationship (Gioia et al. 1994).

Figure 6 illustrates the main elements of the cycle of sense-making and sense-giving of both the organization and its stakeholders. Accordingly, the sense-making phases are the periods that deal primarily with *understanding* processes, while the sense-giving phases are the ones that concern attempts to *disseminate* the sense-making or to *influence* the way other parties understand and make sense.
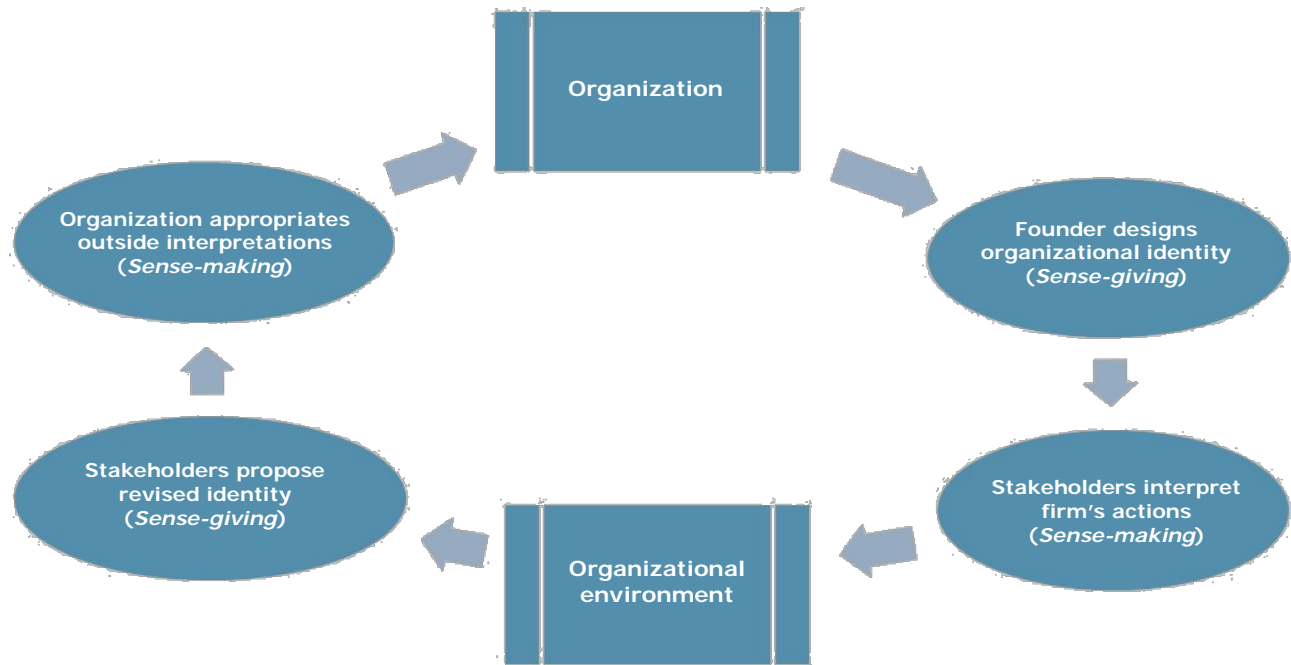
Organization

Organization appropriates outside interpretations (*Sense-making*)

Founder designs organizational identity (*Sense-giving*)

Stakeholders propose revised identity (*Sense-giving*)

Organizational environment

Stakeholders interpret firm's actions (*Sense-making*)

Figure 6: The cycle of sense-giving and sense-making

Our observations of SMEs with a CSR-driven purpose indicate that SME managers indeed integrate external stakeholders' concerns about social and environmental issues, as SME managers relate these concerns to their business purpose and product development. In the following we take a look at how SME managers develop and maintain an ongoing awareness of themselves as companies with a CSR-driven purpose, or in other words: As contributors to "something larger than business".

6.2.1 Sense-making and sense-giving in a SME CSR-driven business: Personal values and global concerns

The organizational identity of CSR-driven businesses is particularly complex because the businesses are situated between being a traditional for-profit business and being a charity/non-profit organization, putting them in a somewhat ambiguous predicament. On the one hand, they are socially minded ventures whose core purpose is to address an important social problem. On the other hand, they also want to be seen as profitable businesses and attractive investment opportunities.

Our case studies provide two ways of understanding how SMEs construct their identity and balance profit and charity expectations. First, the cases demonstrate how SMEs make sense as they strongly link their identity to global concerns in a less strategic and more personal values-based approach. Second, SMEs enlarge the internal emphasis on sense-making as they accentuate how CSR-driven businesses explore and appropriate external sense-making and sense-giving processes to support their own CSR-driven business identity.

To elaborate on the abovementioned identity link to global concerns, theories of sense-making and sense-giving assume that this is a strategic managerial choice: Managers deliberately make sense of themselves and systematically respond to feedback from their environment. In our case studies we did not find that managers strategically choose to listen to "the concerned customer", and then translate this concern into a quest for developing more socially and environmentally responsible products. Instead, we found that sense-making and sense-giving occur in much more subtle and personal values-based processes. While SME managers evidently are a product of the society they live in, they do not explain their CSR-driven business as a result of customer-demand, but rather as a result of a citizen-need. SME managers explain how they have developed their business as a response to the need of local or global citizens for better medical treatment, improved working conditions or less polluted water, air or soil. The driver of their CSR-driven business is personal values and a belief that they have invented innovative ideas to make the world a better place for others. Even if one can argue that SMEs often operate at times on very small scales with small level effects, the link to a larger level cause is a key element for the identity and motivation of SMEs. In this way, they make sense of their own existence vis-à-vis a citizen-need, and in the same way, they give sense to their small scale business as they position it as part of the solution to large global concerns.

While it is a strength for the SME with a CSR-driven innovation purpose to build upon such a strong values-based approach as well as the strong ties to global concerns, it may also be a weakness as these values are non-negotiable. For example, a manager may personally believe in the approach to the extent that it may be very difficult if not impossible to break away from the sense-making and sense-giving cycle with the risk of self-absorption. Management may feel so strongly about their values that they do not sense a need to listen to other stakeholders' ideas and concerns. This may be one way of interpreting the case of Th!nk Global. Possibly Mr. Jan-Olaf Willums, the CEO, is not able to decouple his strong values and ties to the global concern of reducing CO_2 emissions, and in doing so underestimates the business potential and consequently fails to acknowledge the reality of

the business potential and as such endangers the business. Another example of this is in the case where the entrepreneur refuses to accept outside funding and does not hesitate to continue doing business without foreign capital. One of the reasons for this is the fear of incumbents buying the technology and not commercializing it to protect their existing business. The result would be that years of effort would be in vain and the CSR-driven business would be lost. If the entrepreneur does not allow the entry of capital investors, it might make it more difficult to extend the company's scale of operation as well as speed up the rate of commercialization. Therefore, this can also be interpreted as a case of self-absorption. Figure 7 illustrates this kind of risk of self-absorption.
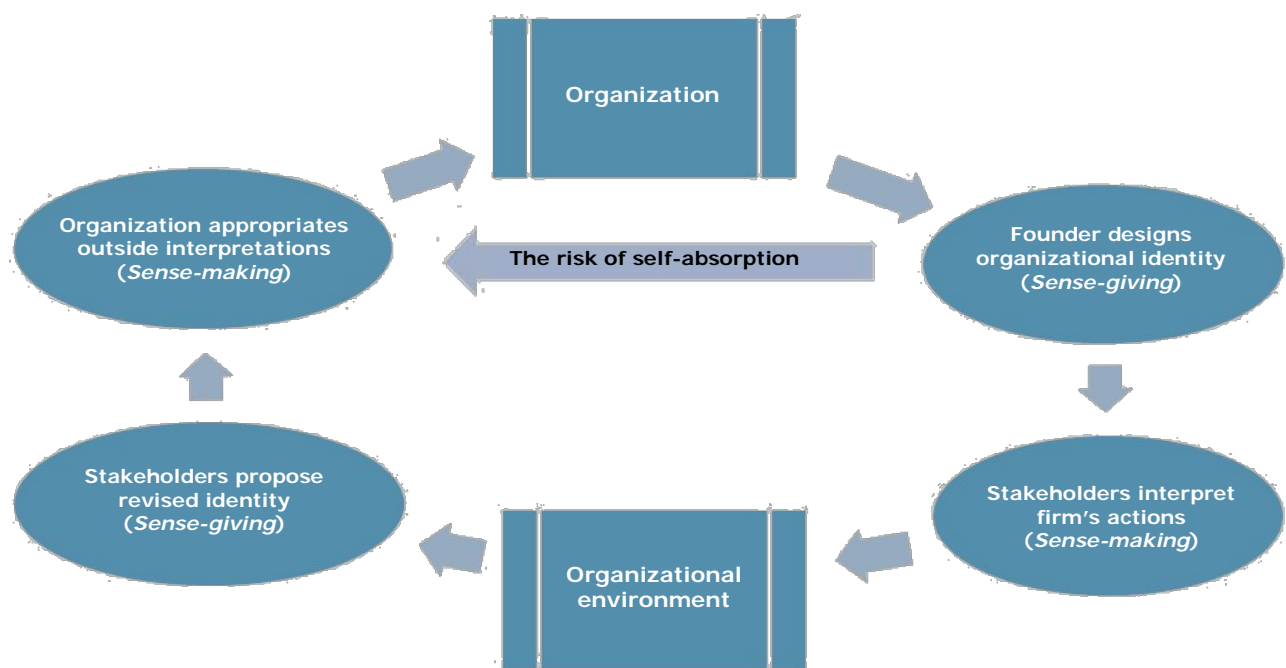
Figure 7: The risk of self-absorption in the cycle of sense-giving and sense-making

While Gioia & Chittipeddi provide an internal focus on sense-giving and sense-making processes among managers and employees, we add an external focus as our case studies demonstrate how external stakeholders make and give sense to the CSR-driven businesses. Building on our case studies, we suggest that SMEs with a CSR-driven purpose attract particular interest from external stakeholders, as they themselves are drawn to engage in social purposes in their own sense-making processes. In this way, the SMEs with a CSR-driven purpose are perhaps more likely to find a commitment from external stakeholders

and consequently to build strong relationships with them than SMEs without a CSR-driven purpose. The Danish fashion company NOIR is an illustrative case of close external stakeholder involvement, for example, when Peter Ingwersen explains how investors and fashion magazines immediately took an interest and sustained this interest in his business plans towards sustainable fashion.

We also suggest that the establishment of such close relationships may contribute to improving the continued SME business strategy, as the interactive sense-making and sense-giving processes between the SME and its external stakeholders create the potential for inspiration and improved awareness of mutual expectations. One example of a beneficial partnership with external stakeholders is Th!nk Global, which negotiated a partnership with A123 Systems, one of the world's leading suppliers of high lithium ion batteries that enable batteries to deliver a combination of power, safety and long-lasting life. Th!nk was facing obstacles in the battery quality improvement process, and costumers were unsatisfied with the current possible driving distance. The partnership with A123 has led to more reliable and lasting batteries. In 2008 General Electric entered the partnership, investing four million dollars in Th!nk and USD 20 million in A123 to help them develop batteries for Th!nk.

The interdependency of internal and external sense-making and sense-giving processes underlines the importance of involving stakeholders in long-term value creation. This provides a processual perspective focusing on participation, involvement and long-term relationships, and the emphasis is moved from a focus on stakeholders being managed by companies to a focus on the interaction that companies have with their stakeholders that emphasizes a network-based, relational and process-oriented view (Andriof & Waddock, 2002:19). This implies an increased interest in understanding how SME managers can manage not stakeholders but the *relationships* with stakeholders in terms of working and acting in different kinds of collaborative activities and partnerships. Stakeholder involvement in this processual perspective has previously been suggested as a source of competitive advantage (Post, Preston & Sachs, 2002; Andriof & Waddock, 2002; Johnson-Cramer et al., 2002) as those companies with strong relations to other organizations, institutions and partners may develop relational rents through relation-specific assets, knowledge-sharing routines, complementary resource endowments and effective governance (Dyer & Singh, 1998).

Our case studies confirm this observation, because a trait shared by many of the SME managers in successful CSR-driven businesses is their networking skills. However, in order

for the sense-making and sense-giving processes to be more than marketing efforts, the SMEs must be responsive and willing to change their self-perceptions.

The case of Parans illustrates how external stakeholders' sense-making and sense-giving influenced the SME's identity, especially because Parans was responsive and willing to change – although hesitantly at first. Parans' founders did not create the company out of a desire to establish a CSR-driven business. Initially, the focus was cost-reduction. However, as stakeholders observed potential health benefits and environmental improvements, they became curious and demanded more information about the product's social and environmental features. One positive result was that Parans received awards lauding the company's climate protection potential. Because Parans did not acknowledge climate protection as part of its corporate identity, its managers were at first reluctant to include these considerations in their sense-giving activities in terms of Parans' sales pitch. After a while, Parans started to make sense of itself as a company with a CSR-driven purpose. Today, its CSR commitment is a genuine part of its identity. Figure 8 lists two critical relation points that are necessary for SMEs to have to enter the cycle of sense-giving and sense-making in a beneficial way.
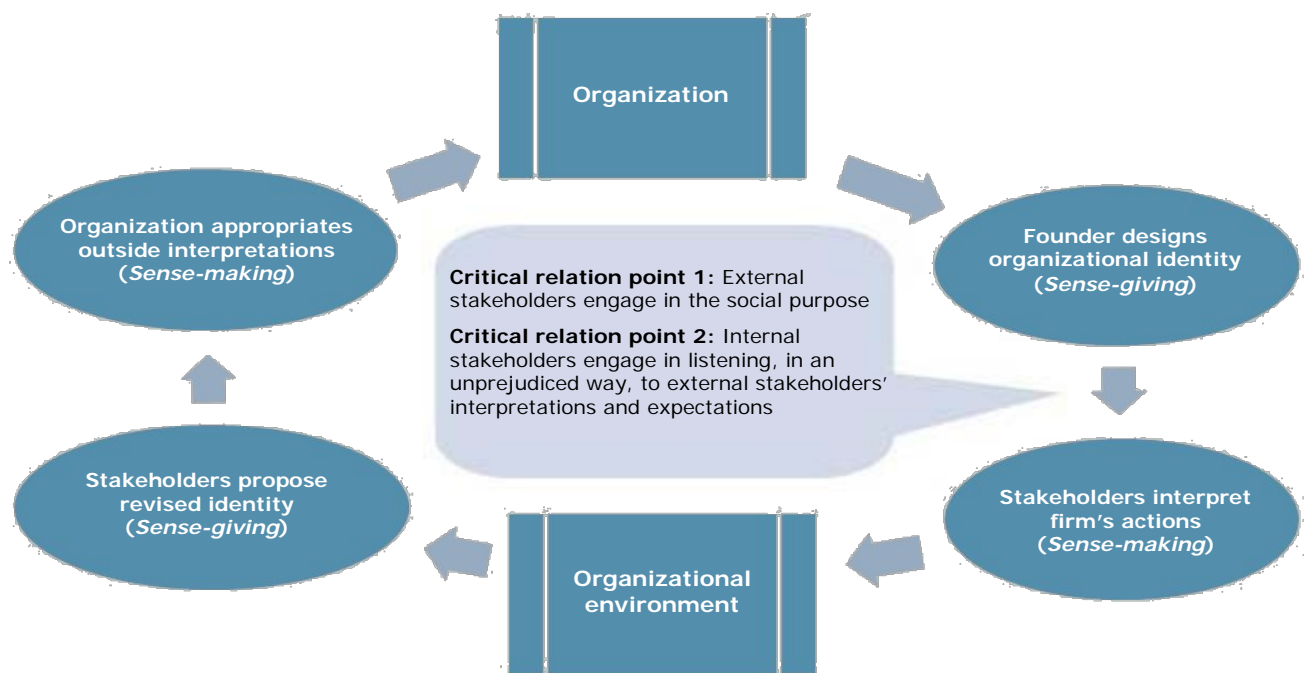

Figure 8: Critical points in the cycle of sense-giving and sense-making

6.2.2 An illustrative example of the complexity of sense-giving and sense-making in CSR-driven SMEs

MYC4 is an example of the power of organizational sense-making and sense-giving. At the core of this start-up is its objective of changing the public's perception of Africa. Entrepreneurs Mads Kjær and Tim Vang want to do this in the following two ways:

- First, they challenge the implicit belief among U.N. officials that although poverty might be halved by 2015 across the world, Africa will miss that goal by far. Africa is implicitly perceived as a hopeless case compared to regions such Asia and Latin America, which have been able to make considerable advances.

- Second, they target investors who do not believe Africa offers attractive investment opportunities. MYC4 wants to address a larger public than international institutions as they want to demonstrate to "ordinary people" that there are business opportunities in Africa and even small investors can make a difference.

MYC4 makes sense of itself as an organization that serves as a vehicle to eradicate poverty while creating an attractive return for investors in the process. Based on strong values and a clear link to global concerns, MYC4 attracts much enthusiasm and support and at the same time provokes skepticism and critique. While MYC4 is explicit about its admirable ambitions and intentions, investors and other stakeholders make their own interpretations of what MYC4 is - or perhaps should be. As such, there is a permanent debate among "social investors" who think the interest rates are too high and who see on-line investors with profiteering in mind as immoral. Being so explicit, extreme, and non-negotiable about its social mission (i.e. "eradicating poverty") invites critique. MYC4's response to criticism has been an open invitation to dialog as they have invited users and stakeholders to take part in the further development of the business strategy. The company has a public user forum in which anybody can post comments. The SME managers actually read and reflect on the comments as they respond to questions on blogs and other Net forums. In this way, they include external stakeholders in the innovation process, allowing critics to co-construct the organizational identity as they relate to ideas for innovation and improvements.

This interaction process has already led to the first adaptation of MYC4's perception of itself. Traditionally, investors in microfinance know what interest rate they receive, but they do not normally know the individual rates paid by the borrowers. Considering itself as an investment vehicle, this is also how MYC4 presented itself initially. However, social investors

soon began asking the firm to be transparent also about the transaction cost of each loan. As a result, the MYC4 website now communicates explicitly the annual percentage rate of each loan, including both the interest payments as well as transaction costs such as fees to lenders and providers. As a side effect of this, MYC4 is now contributing to increased transparency about loan costs in different countries.

All firms are subject to the permanent revision of their organizational identity as a result of their interaction with their environment. However, as the example of Parans shows, some companies do not respond swiftly to this interaction. MYC4, on the other hand, shows that some companies are more explicit in their stakeholder interaction process. Apart from a highly dynamic and effective online forum, MYC4 has also invited a group of engaged investors to become part of its development effort by meeting regularly to provide feedback. Moreover, MYC4 works with a variety of partners in Africa, encouraging them to try out different models. This innovation in turn impacts MYC4's identity.

There are, however, limitations to the degree to which firms can actively manage sense-making processes. With an increasing number of users, MYC4, as a small company, for example, finds it increasingly difficult to keep abreast of the comments made on its forum. As response times have dropped, users have become annoyed about the perceived lack of interest from MYC4, while its employees are scrambling to read all postings let alone answer each and every one. MYC4 also faces the challenge that users make opposing requests. Some of them want a more social orientation while others ask for higher interest rates. In this case, the open discussion forum is again a useful tool since experienced MYC4 users have stepped in as intermediaries in such discussions, effectively taking over roles that would normally be held only by paid employees.

The sense-making and sense-giving perspective dealt with throughout this chapter can be summed up into the benefits and risks associated with it. The following checklist indicates what the vital benefits and risks are and provides a quick understanding of the core implications arising from sense-making and sense-giving.

☑ **Checklist 1: Benefits/Risks of Sense-Giving and Sense-Making Perspective**

1. The benefits of successful sense-giving and sense-making:

a. Business idea is linked to a global concern

b. Managers' personal values are aligned with a global concern

c. Managers know they work in a small business but they believe in large implications

d. Stakeholders like to engage in social purpose businesses, as they themselves as civil citizens are occupied with global concerns

e. Managers listen to external stakeholders' interpretations and expectations

2. The risks identified from the sense-giving and sense-making perspective:

a. Self-absorption. Managers believe so strongly in their values and contribution to global concerns that they overestimate business potential

b. Managers believe so strongly in their own values that they do not sense the necessity of listening to external stakeholders' interpretations and expectations

7 Business Strategy Process for CSR-Driven Innovation Products

The focus in previous chapters has been on organization specific characteristics and the entrepreneurs behind the organizations. This chapter is process-oriented and will illustrate and describe the five main phases in CSR-driven business development. Figure 9 provides an overview of these five phases:

	Phase	Who	Stakeholder	Action & Success Criteria	Questions to Be Asked
1	Idea generation	Individual vs. Organization	CEO, founder	Keep an open mind	Who can you draw on to help generate ideas?
2	Idea evaluation	SIA expert/CEO	Beneficiaries/ Distributors	Focus and prioritize	What core public good is addressed?
2a	Social potential	SIA expert	Beneficiaries	Estimate and compare idea	Potential social impact?
2b	Financial potential	CEO, founder	Distributors	Estimate market coverage	Future market potential?
3	Strategy formation	CEO, founder	Lead users	Define strategy	Quality or price?
4	Design process	Designer	Lead users	Create prototype	In-house expertise or outsource?
5	Implementation	PR function, not CEO	Lead users	Manage expectations	On track of social goal?

Figure 9: Table summarizing the five general phases of strategy process

The first phase of creating a business strategy is the idea generation phase based on the identified opportunity in the environment. Next, after idea development, the idea needs to be thoroughly evaluated in terms of the expected social and financial potential of the idea. With the two most fundamental phases in place (idea generation and evaluation), the third phase allows for market entry strategy formulation, focusing on either cost reductions or product differentiation. Fourth, the strategy needs a practical business design, including concrete steps for how the new idea is brought to market. Finally, the implementation of the CSR-driven innovation is carried out. This final phase demands a careful and continuous evaluation of how well the implementation can reach the social aim initially outlined in the first two phases. Throughout the five phases, there are important questions to consider, as well as the success criteria for the actions needed, which will be described in more detail in the following sections. In addition, it is beneficial to set up a structure for project management that defines issues such as who should be in charge in the different phases of

development, who the stakeholders are, and for continuously evaluating the whole process as it progresses.

As CSR-driven innovation is the key driving force behind the Nordic case companies examined in this report, it is essential to initially look at the characteristics of this kind of innovation to understand how the different stakeholders in the environment can influence and stimulate the CSR-driven innovation. This aspect will be highlighted and explained as part of the first phase, idea generation, and will be highlighted throughout the succeeding phases of the business strategy process.

7.1 *Idea Generation*

7.1.1 **The characteristics of CSR-driven innovation**

CSR-driven innovation is often the outcome among entrepreneurs with an ambition or wish to change the world by taking action to improve social or environmental conditions. In the cases studied, innovation is stimulated by not only new technologies, the development of engineering skills and consumer demands, but also by a considerable global concern for CSR issues. It is also influenced by actants, including societal stakeholders in the broader sense. For example, NGOs and indigenous people may stand as a source of inspiration, or more concretely, put demands on the innovator on how to innovate in more socially and environmentally sustainable ways.

This differs from the assumption that the only way to improve the environment is via technological advancement. From this perspective, the key to technological progress is much tighter legislation. Consumers drive this change by demanding environmentally sound options (Morsing & Hockerts). The interest in these areas within innovation is still growing, which may explain why many companies will innovate through CSR and see viable business opportunities in working with CSR as the core business, rather than just adding a CSR label to their company profile. Consequently, this puts CSR-driven innovation into a niche within innovation in general. The subsequent sections in this chapter elaborate on the characteristics and tendencies that are visible within CSR-driven innovation.

User-driven innovation is related to the concept of co-development which focuses on how to integrate inputs from outside the company into the development of new products and services. In this sense, externally derived inspiration and knowledge are used for the purpose of innovation, i.e. to accelerate internal innovation, and expand markets for the

external use of innovation, respectively (Chesbrough, 2006). Company-driven innovation and its related ideas and products are developed internally. Typically, technological drive or an entrepreneur's desire to develop new products will drive the innovation. CSR-driven innovation incorporates both user-driven as well as company-driven innovation, but highlighting the importance of user-driven innovation in CSR-driven innovation is relevant here with regard to two main areas: Actants and issues of global concern as described in the following sections.

CSR-driven innovation is not only stimulated by new technologies, the development of engineering skills and consumer demands, but also by pressure from "actants" in a broader sense.

> *While 'actors' are normally understood as conscious beings, actants comprise all sorts of autonomous figures which make up our world (both terms are, however, occasionally used interchangeably). They can be anything endowed with the ability to act, including people and material objects: statements, inscriptions (anything written), technical artifacts, a human being, entities being studied, concepts, organisations, professions, skills, money etc.* (see Callon 1991: 135–142; Law 1992: 381–384)

For example, standards and guidelines such as the Danish "CSR Compass" or the U.N. Global Compact Guidelines for ethical corporate behavior are good examples of actants which serve as potential inspiration for CSR-driven innovation. One example is Sport Direct, a small Danish company and supplier of corporate gifts and gadgets. In order to remain Novo Nordisk's "most preferred supplier", the company has to comply with Novo Nordisk's principles for responsible supply. This means that Sport Direct had to go through a major organizational innovation process to live up to Novo Nordisk's social and environmental responsibilities. In this case, the standard as an actant becomes a trigger for organizational innovation. A similar situation can be found in NOIR's work with Novo Nordisk. NOIR participated in a tender on uniforms for Novo Nordisk's receptionists and won the pitch. When the uniforms were made, NOIR had to work hard to comply with Novo Nordisk's standards and hereby maintain its listing as the most preferred supplier.

The environmental management standards (EMF) are another type of actant that can serve as a regulator. One example of this is the series of ISO 14000 standards specifying requirements for how companies can minimize their negative effect on the environment. Regulations and standards such as these can have an influence on the framework of innovation. An actant could also be seen as a change in the economic situation, as

mentioned in the case of Clewer. As the standard of living rises, owners of weekend cottages tend to shift from traditional compost toilets to toilets with plumbing. One potential consequence is an increase in the need for water purification in the countryside resulting in higher demand for Clewer's type of water purification technology. This situation demonstrates that CSR-driven innovation builds on the idea of user-driven innovation (von Hippel), but takes the concept even further as not only users with an immediate demand but also "actants" may actually inspire and stimulate CSR-driven innovation.

CSR-driven innovation can also be driven by a global concern to address vital societal issues on a global scale, but it can also address local and national societal issues. Some examples of the global concerns of contemporary society are poverty, climate change, obesity and providing sustainable energy. While it is clear that this may also be the case for other types of innovations, the issue of being "globally concerned" about environmental catastrophes or social misery seems to be a key driver for CSR-driven innovation in some of the cases studied in this report. This implies that innovation is initiated among entrepreneurs with a personal ambition or wish to change the world by taking action to improve social or environmental conditions. One example is Daniel Mensch from the Swedish company Fair Unlimited, which has chosen to have a large share of the company's products imported from Nepal due to an intense experience with a Nepalese producer. By doing business with this producer, Mensch's personal concern about how he could contribute to improving the lives of the Nepalese people is thus clearly visible.

MYC4 is another example of having global concerns as a driver. While MYC4 derives extensive inspiration for their innovation by talking to experts around the world, inspiration also comes from the entrepreneur's personal experiences in Africa. Founder Mads Kjær has a wide range of experience and knowledge of development, social entrepreneurship, and business in Africa. Having worked in Africa for many years and personally experiencing the social misery, Kjær sensed a need to "make a difference" for social improvement. In this way, the awareness of global misery in Africa inspired and stimulated innovation.

The entrepreneur's personal values and his global concern may be closely linked, but our research points not so much to the personality, local upbringing and heritage of the entrepreneur, but more so to the construction of a global awareness that entrepreneurs relate and respond to in contemporary society. Personal values oftentimes are associated with generic values, whereas global concern is something that is constructed in a globally

mediated society. Consequently, we emphasize how global concerns about social and environmental issues stimulate CSR-driven innovation.

The two key areas of user-driven influence illustrated here clearly demonstrate a different viewpoint on stimulating CSR-driven innovation than the idea of technology as the sole key driver of CSR-driven innovation. From this perspective the potential for technological progress to improve social and environmental conditions is available, but on a further note, what may be needed is to raise more global concern. Throughout the five phases in the business strategy process, we highlight the influence of user-driven influences on the innovation, and illustrate how it impacts the relevant phase. Below is a brief checklist that is meant to facilitate the awareness and use of user-driven influences on CSR-driven innovations.

☑ **Checklist 2: User-Driven Influence on CSR-Driven Innovation**

a. Standards and guidelines may serve as a driver of CSR-driven innovation

b. What other "actants" are imaginable?

c. Global concern may stimulate CSR-driven innovation among SMEs

d. What means do we have to raise more "global concern"? Documentaries, films, media coverage, analyses, etc.

7.1.2 Idea generation process

The first step in the process is the idea generation phase. A number of social entrepreneurs have actually followed a systematic approach rather than simply starting on a hunch. Mads Kjær and Tim Vang, the founders of MYC4, for example, spent a year on idea generation, at which time they talked to around 100 experts from all over the world. Another approach has been chosen by Daniel Mensch of Fair Unlimited, who decided to enroll in a social responsibility master's degree at Bath University in the UK as well as a Red Cross course in order to learn more about social issues and possible solutions for addressing them. In this case he identified an information gap between him and his plan to generate an idea for a CSR-driven business. Jón Ágúst Thorsteinsson took the same path when he decided to enroll in a doctoral program to gain sufficient technical knowledge for starting Marorka.

While these examples are largely centered on the entrepreneur and his/her personal leanings, other CSR-driven ventures have taken a different approach. In general, Ekolådan is a business model innovation in a Swedish context. However, as the model represents an innovation in Sweden, it is largely built on models that already exist in Continental European. The idea for the innovation became their present business success, delivering organic and biodynamic food. The concept of home food deliver as well as accompanying services such as newsletters and study tours at producers' locations has existed for decades on the continent. In this way, Ekolådan used the market to evaluate potential solutions during the down period their business was experiencing. Thus, Ekolådan's research for ideas was structured on looking at the market to find out what was new in the business.

Lappset started on their idea generation for SmartUs with the goal of integrating playful learning with modern interactive technology. The information technology manager, Juha Laakkonen, who is currently the CEO of Lappset, looked into the possibility of integrating technology into Lappset's products. Gathering some of his associates, he began envisioning and developing a concept of what the integration could comprise. The sub-section 'Design process' later in this chapter further describes Lappset's results.

At Clewer, which took a more unstructured approach, the identification of an opportunity arose due to a practical problem that CEO Esa Mäkinen had with his earlier firm Teknoforest. This company focused on various eco-labeled chemical products, such as car-care products and industrial washing and maintenance products. The idea of getting involved in the water purification business stemmed from Mäkinen's perceived obligation to "clean up his own mess". Teknoforest's products were environmentally superior to its competitors, but as with all car care products, waste water remained that needed to be treated. Mäkinen thus began researching how best to address this problem. After some initial research he came across Juvegroup, a venture started back in the early 1990s that was highly developed. However, when Juvegroup ran into financial trouble in 2003, it went bankrupt. Convinced that the basic idea of Juvegroup had been sound, Mäkinen decided to continue their research on his own and thus started Clewer. The most important breakthrough for Clewer was the insight to turn the bioreactor from a vertical to a horizontal position. Traditionally, bioreactors have been in a vertical position, but Clewer's design change led to increased purification efficiency, lower energy consumption and a smaller bioreactor size. The idea for the change came only as the result of much trial and error: "Every time our purification efforts failed, we ended up knee-deep in sludge which needed to be cleaned up. Following one of these 'shit shoveling' sessions, our R&D team was sitting

in the sauna when a light bulb suddenly went off in my head. Why not make the bioreactor horizontal instead of vertical? That was our breakthrough".

Not every entrepreneur has had this type of breakthrough in the process. However, these examples indicate that research is the springboard in the idea-generating phase, i.e. collecting information, knowledge and experience from sources of relevance. However, research has to be conducted in a forward thinking way, looking for patterns and themes in order to identify possibilities within the market. The challenge in the research phase is to blend the research with thinking in terms of initiatives and balancing between rational and intuitive thinking. Too much rational research can have a blinding effect on the entrepreneurs' intuitive thinking, whereas too little research can make the idea generation process groundless. As exemplified in the cases, research can either be done through education or by investigating the market looking for gaps and business potential or by using one's network to discuss and evaluate ideas. As a rule of thumb, idea generation is performed better in groups than individually, since input from different perspectives than one's own can open new doors in terms of discovering new ideas for CSR-driven innovations. In the next phase, the idea evaluation phase, it is essential to keep the door open to different perspectives.

Below is a checklist for the idea generation phase. It focuses on the three different approaches to the idea generation process: individual, organizational and political.

☑ **Checklist 3: Idea Generation**

1. Individual approaches:

a. Reach out to stakeholders, informally as well as formally; talk to a broad variety of relevant people (beneficiaries, academics, investors, competitors)

b. Take advantage of educational opportunities (continuing education, doctoral degree programs, Open University) to develop skills and to identify potential partners

c. Evaluate ideas in network or groups

2. Organizational approaches:

a. Use formal research partnerships (with universities) to develop prototypes and attain knowledge and insight into relevant fields of expertise

b. Take over and adapt prior (failed) research attempts and previously operating enterprises and their activities

3. Political approaches:

a. Make unmet social needs clear and illustrate the problem/issue

b. Create urgency and a sense of moral necessity around the issue

7.2 *Idea Evaluation*

7.2.1 Evaluation of expected social outcome

Staying objective while evaluating potential ideas is problematic, particularly when so much emotional capital has been invested into an idea. Many of the characteristics that give social entrepreneurs the confidence to launch a social venture may also obstruct them from being able to clearly assess the realities of a business. Esa Mäkinen, for example, has spent much of his profits from Teknoforest on Clewer, and he simply refuses to accept the possibility that his innovation might fail. While this kind of stubborn approach may work in some cases, it is also likely to end in failure in others. The evaluation of ideas for CSR-driven innovations must consider the *social* and the *financial* performance aspects.

First, social entrepreneurs have to be straightforward about the public good they aim to do. This requires carrying out an estimate of the expected social impact. While many entrepreneurs talk openly about their social mission, they are nonetheless often weak on the actual measurement of the social impact. When it comes to technical innovations (i.e. Parans, Clewer, Th!nk Global), it is easier to quantify the impact since methodologies for environmental impact assessments are better codified. Social issues also have a tendency to be more qualitative and difficult to operationalize. Still, there are some broad heuristics that can be used. Mads Kjær and Tim Vang from MYC4, for example, have opted for the U.N.'s Millennium Development Goals (MDG) as their guiding principle. Out of these principles, they have singled out poverty reduction as their main indicator. Any idea that would not have a realistic chance of contributing significantly towards this goal was excluded from their selection process. The existence of international labels as is the case with organic cotton, organic food, or fair trade, which is a certification of fair trading conditions for the involved parties, can also help as an initial guarantee that an idea is really making a considerable social contribution. In general, it is beneficial to the evaluation to appoint an expert with relevant knowledge concerning the social impact assessment (SIA). An SIA expert is able to judge and evaluate more specifically the potential impact of the CSR-driven innovation. Finally, most of the cases studied have reduced public value to one or two core dimensions in the idea selection process, thus simplifying the process greatly. While such a reduction is useful during the idea selection process, it can become problematic later.

7.2.2 Evaluation of business opportunities

The second element of the idea evaluation process is the estimation of its business potential, and essentially the future financial performance. Interestingly, estimating the financial potential has not been done in a very sophisticated way, leaving the financial evaluation to be based on gut feelings more than empirical data. An assessment of the market potential was of course easier for start-ups such as Ekolådan or Fair Unlimited, which were copying or extending business ideas that worked in other markets. In the case of Ekolådan, they knew that home delivery works. Likewise, in the case of Fair Unlimited, they saw that fair trade products could be of a high quality and that they were selling extensively in e.g. the U.S.

NOIR and FIN are in a similar situation as their ideas have emerged from an established market. To evaluate their potential financial performance, NOIR and FIN looked at other successful brands within the high fashion industry to evaluate the financial potential of an ethical extension to this market. In the evaluation process, the question was whether their product could be sold at a higher price by adding ethical value to it. For this purpose, NOIR, for example, looks at how its competitors price their clothes and then compares this price with the cost of production in Uganda. By knowing the price of making the product a CSR-driven one and by knowing the customers´ price sensitivity, companies in the established market are better equipped for financial evaluation than companies in new markets. In these cases, it depends on how much innovation is carried out on the market and if it is possible to gather experience from similar markets. Many companies have acted on gut feelings. MYC4 has set their break-even point in 2009, and from the look of their loan statistics, this is not an unrealistic goal.

As illustrated, it is often difficult to estimate the financial performance of CSR-driven innovations. Especially notable is the attitude of Clewer's founder, Esa Mäkinen, who has developed a market strategy nearly as an afterthought as his research has advanced. In this way, the financial evaluation has been ad hoc, involving incremental steps to improve the product, as the overarching target was to bring the product out to private households, and to use large retailers for distribution. When evaluating the financial potential, companies should also take a close look at the market incumbents and evaluate the risk of competitors copying their business ideas, and through this approach, evaluate the risk of a decreased market share on both a short- and long-term basis.

The following checklist illustrates the three key areas used to evaluate the idea: Definition of social impact, evaluation of social performance and financial performance. The checklist can be used to create a more thorough understanding of the idea's potential, and is a simple guide to refer to during the idea phase.

☑ **Checklist 4: Idea Evaluation**

1. Explicitly define the social impact you want to achieve publically:

a. What is the core public good that you want to address?

b. How can this public good be operationalized?

c. How can future impacts be measured / estimated?

2. Social performance: Estimate the potential future impact:

a. Looked at within the big picture, does the idea help to make a considerable contribution towards achieving the social goal selected?

b. How does your idea compare to alternative options already in place or currently under development?

3. Financial performance: Estimate the market potential:

a. How large do you estimate the market potential to be?

b. What proportion of the market can you reasonably expect to cover?

c. Estimate expected margin and likely break-even point

7.3 *Strategy Formation*

Following the idea generation and evaluation phases, a natural continuation of the process focuses on creating a suitable strategy for launching the business and product. Strategy in this sense essentially concerns how to bring forward the business venture and product, and whether it is possible to differentiate in price and become a cost leader or by differentiating in quality or the innovation itself. In this report, focusing on cost relates to the CSR-driven innovations' ability to reduce costs for the end-user, and subsequently create added value to the user's value chain. The other strategy is product differentiation where the product adds value to the user by being a unique product that has features competitors cannot compete with. The product's ability to reduce costs for the user is thus not prioritized in a differentiation strategy, and users are therefore more willing to pay a premium price in order to own the product and its inherent unique qualities.

A competitive strategy is therefore closely connected to how one defines the value added to the end user. Referring to renowned strategy scholar Michael Porter, the focus in this phase is on realizing what the strategic strength of the company is and how to best utilize the core competencies of the company and finally convincing the end-user of this.

A general assumption concerning socially responsible products is that they are thought to be either more expensive or of a lesser quality or both, which can pose as an initial barrier to convincing customers of the added value of the product. This puts pressure on both strategies to convince the end-users that they are not compromising with quality when buying products that promote a CSR focus. A relevant example of this is FIN, which sees the issue of quality as essential for their strategy, and which feels it must ensure that customers are convinced of the high quality even though assumptions about CSR-oriented products point in the opposite direction. FIN has overcome this issue through the use of fair-trade and environmental organizations that observe and support companies providing fair-trade goods. Customers rely heavily on the credibility given by such organizations and the testimonials and labels they apply to a company such as FIN. A similar case is the example of NOIR, for whom quality and unique product differentiation is the driver behind its business strategy. Aiming to be a first-mover in combining sustainable business processes and fabrics with exclusive and unique prêt-a-porter clothing, NOIR's particular strategy motto is "turning CSR sexy". NOIR's objective is to compete with the absolute elite within exclusive fashion wear, for example Prada, Dolce & Gabbana, Gucci, etc. This puts very high pressure on ensuring that its quality is perceived as being among the very best. Consequently, NOIR has set high standards for the fabrics used and produced in Africa, as well as in establishing their own quality standard label, Illuminati II.

The feasibility of a strategy such as NOIR's has to be re-evaluated often, and compared to the approach to CSR issues of their competitors, in order to keep their unique position. So far, NOIR has received several awards for their innovation and a great deal of positive media attention. The company often receives requests from customers asking them for advice about how to make their products more socially responsible.

A parallel can be drawn to Fair Unlimited, which especially faces the dilemma of consumers perceiving the quality of their products as inferior because they focus on fair trade. Thus, a company like Fair Unlimited faces the challenge of not only communicating the reasoning behind fair trade, but also that their products still live up the high quality standards that consumers are used to from competitors. Fair Unlimited makes use of several partnerships

with, for example, the Fair Trade Labeling Organizations International and the Swedish organization Rättvisemärkt, which helps to indicate to consumers that the quality is high, e.g. through the use of labels that consumers recognize and trust.

Ekolådan faces the same kind of problematic blurred perceptions by consumers towards the quality of their organic and biodynamic products. In order to convince possible buyers to pay the extra premium that typically comes along with organically produced food, the quality needs to match that of competitors if there is to be any value added to the consumer. Ekolådan, like the examples above, makes use of labeling that appeals to and invokes trust in the quality standards associated with the product. The Swedish KRAV association and label has been important in this sense, as it is a widely used standard and recognized label.

While the above examples focus their strategy on differentiation, other companies focus on a strategy that includes a combination of both product differentiation and cost reductions. A good example is the Parans system of natural indoor lighting, which has the benefits of increasing the well-being of employees as well as productivity. In addition, the lighting system reduces energy consumption and related greenhouse gas emissions. When combining this with the growing added value to the user stemming from a more effective utilization of the indoor building space, the Parans system reduces overall energy costs and achieves better employee well-being. Parans' CEO Marcus Fransson explains:

> *Parans has calculated the potential environmental impact of the Parans system:*
> *Replacing 50 percent of a building's electrical lighting with Parans solar lighting would*
> *lower the building's lighting energy consumption by 20-25 percent. To the environment*
> *this would mean a 10-15 percent reduction in greenhouse gas emissions caused by*
> *lighting.*

Another case is Marorka, whose strategy focuses even more on reducing end-user costs. Marorka's system enables ships to gain a more comprehensive overview of their fuel consumption, and therefore adds value to the user by optimizing engine power and saving fuel. Marorka's business strategy is thus to offer a product that enables the end-user to reduce overall costs. Dr. Jón Ágúst Thorsteinsson, CEO of Marorka, explains: "Our product reduces the operation costs for the customer, contributes to reducing the need for non-renewable energy resources and results in less environmental pollution".

The strategy of OceanSaver's ballast water treatment system has come about due to newly introduced regulations forcing the maritime industry to search for solutions such as

OceanSaver's. The treatment system differentiates itself by being the most comprehensive system, and it is currently the only system that fulfils all the requirements the maritime industry must meet. In addition, the treatment system addresses the issue of corrosion control, and therefore reduces costs for the user. Thus an economic incentive is also present in OceanSaver's strategy for marketing the product. OceanSaver's area sales manager Leif Erik Casperson says: "Ship-owners using OceanSaver's system are reducing costs while improving vessel safety and protecting the environment".

Finally, the example of MYC4 shows a unique combination of value propositions because they actually allow the user to decide whether the benefit of the service amounts to an added value through a unique opportunity to help, or if the value exists solely through a return on investment. In MYC4's case, it is often a combination of both strategies that appeals to the users, as they wish to make a difference for someone and earn a return at the same time. Overall, MYC4's strategy opens up to a broader mix of users than if they had merely limited their strategy to charity loans or hard-core banking. Putting the final choice in the hands of the user allows for a much larger variety of users at the same time, benefitting MYC4 as well as the microloan recipients.

When embarking on the strategy formation process, it is vital to have not only participation but control and direction from top management to be able to secure a long-term successful strategy with support from everybody in the company. Preferably, the CEO or founder takes control of the strategy formation as this is the starting point for further designing and implementing a viable and successful business process in the company. In defining the competitive strategy for the business, it is of course essential to derive this from what the product actual brings of value to the customer. Questions that can aid in determining a clear strategy in line with the core competencies of the company are, for instance: Does the product bring cost reductions to the end-user? Are the customers willing to pay a premium price based on the product's characteristics? The first question is closely tied to the focus of being a cost leader, enabling cost reductions and higher profitability for the end-user. The second question, in contrast, relates to the strategy of differentiation as customers are willing to pay large amounts of money for the products' unique features, as in the case with NOIR's CSR-conscious fashion clothing. With regard to products that enable cost-reductions through an initial investment, usually of a substantial amount, this is often a more viable choice when a completely new venture is being implemented. One possible example is the Parans system, which may require large amounts of initial implementation best realized within a new building rather than in reinstallation in an old building. When formulating a

competitive strategy, it is also important to consider who the relevant stakeholders are. In the case of many CSR-driven innovations, the competitive strategy is based on a unique product that adds value that users are willing pay a premium price for. Therefore, the initial target groups of CSR-driven innovations often consist of the lead users who see the unique characteristics of the product differentiation, and are willing to pay more for it. Considering the target group and especially the initial lead user is an important part of defining the competitive strategy in a CSR-driven venture.

> ☑ **Checklist 5: Strategy Formation**
>
> **1. Define strategic strengths based on core competencies by measuring and e.g. comparing with the competencies of competitors:**
>
> a. Are we delivering cost reductions to the customer through the product?
>
> b. Are we delivering a product that can de differentiated by its inherent features, quality, design, etc.?
>
> **2. Convince consumers of the social value created by the product:**
>
> a. Make consumers aware of a need or actual problem that can be alleviated by using the product
>
> b. If available, use labels or other measurements of quality to ensure transparency
>
> c. Create barriers to imitation through patents, licensing, etc.

7.4 *Design Process*

When the idea is identified and the strategy has been formulated, the next challenge is to develop the right design for the innovation. At this level the focus shifts from internal to external, moving the work focus to developing an appropriate design for a prototype.

When referring to design, the type of prototype that can be developed varies from case to case. In some instances, it is the design of a material product, whereas in others it refers to the design of a process, the scope of the business or the concept. The category of the prototype design will reflect the content of the ideas and strategies as introduced earlier in this chapter.

When working with the design of an idea, the main uncertainty is whether the new design will actually do what is expected. A prototype can be used as part of the design process and

can provide the ability to explore design alternatives, test alternatives and confirm performance prior to the actual launch of the innovation. In some of the cases in this report, the prototypes are used to verify consumer interest, whereas other cases use prototypes to verify the performance or suitability of the business idea.

In many cases the prototype has proven to be an important evaluation tool for the design process. Lappset's work with the design of SmartUs launched four research projects, each focused on developing a prototype prior to the final product. The prototypes were largely based on the input from research financed through Finnish and European research grants and were executed in cooperation with local universities to solve emerging design problems and to secure the combination of pedagogy, play and technology in the product design. According to the director of SmartUs, these four prototypes had great importance for the final design, because they could justify the product and give reasons from different aspects. The managing director of SmartUs, Asko Alanen, at Lappset says:

> *The development of SmartUs has taken place in a multidisciplinary team that included*
> *industrial designers. Much of what the designers planned for SmartUs did not make it*
> *to the final product as such, e.g. there were many different products using technology*
> *that were discarded due to the cost of the technology in them.*

Some of the cases studied developed prototypes in order to evaluate their ideas, while MYC4 instead looked at their existing users for evaluation. The first MYC4 website was based on their original idea for the business, but by looking at their lead users they discovered that they were too versatile and needed to have a more specific concept. From this perspective, MYC4's lead users became the test users and were able, apart from generating ideas and improvements, to indicate any flaws and shortcomings in the MYC4 design. This again demonstrates the importance of constant evaluation in all phases of the process.

In the process of finding the correct design, several case companies employ individuals with specialized skills and training to help build a bridge between theoretical ideas and the generation of the idea. High-fashion companies such as NOIR and FIN are somewhat dependant on the designers' ability to follow emerging trends and to design best-selling styles. If the design fails in these areas, it would be fatal for their business. Their product might be as ethical as anyone could ever wish for, but if the design does not sell, they are out of business.

Clewer has been working very independently because of the expertise its large sister company, Teknoforest, has and because of the technical background its founder and owner, Esa Mäkinen, has. Although he has not relied much on technological cooperation, Mäkinen emphasizes the need for networking, stating that: "One has to have a network of specialists to know who is good at what, where. It is essential to know where in the world a certain kind of know-how lies". He further explains that Clewer has a cooperating partner in Germany, an equipment manufacturer in the U.S. and that it also has ingredients coming from China. The network he developed in the chemical industry has had great significance on Clewer's business.

Another example is that of Th!nk Global. Between 1999 and 2002, Ford took over Th!nk and invested significantly in the company's research and development activities. This investment has contributed to the new Th!nk City generation of electric cars, which will be on the road soon. Ford also paid for the crash tests, one of the most significant expenses when developing a car, as Th!nk would not have been able to do this on its own. Ford's knowledge and resources have consequently had a large impact on the design process of the new Th!nk cars. Moreover, they have allowed Th!nk's cars to be measured in line with the standards of other cars, thus ensuring that the perceived quality and safety match that of ordinary competitors. These examples are clear indications of the learning potential that companies can achieve when entering into a dialog with their stakeholders or by getting expert knowledge from their external environment. A further indication of this potential is seen in the case of Lazytown founder Magnús Scheving, who developed the idea of Lazytown and tested it in Iceland for more than ten years. He attended over 4,000 live events in 52 countries to help keep improving the concept behind Lazytown. The entrepreneur behind Marorka, in contrast, based his innovation on academic research combined with the experience gained from installing Marorka's energy management system in the vessels of selected shipping companies which were ready to test prototypes of the system.

Building a bridge between the idea and the design is one issue. Another important issue when modeling and designing the innovation is to relate to the stakeholders' requirements, vis-à-vis user-driven innovation. In the attempt to secure acceptance of the innovation, it is essential that the design identifies specific stakeholder requirements within their organizational context. For companies like NOIR and FIN, who work in the high fashion industry, they have to relate to consumers' quality-requirements and fashion trends to design their clothes and company images and to contend with the competition. Even though

NOIR is a first-mover, bringing social responsibility into the high fashion category, their product still competes with brands like Prada, Chloe and Gucci. In addition, NOIR has to attend to requirements from partners such as Novo Nordisk, a large Danish health care company and a world leader in diabetes care, for whom they are designing receptionist uniforms. The early cooperation with Novo Nordisk has become more than a standard customer relationship and has proven to be very educational for NOIR, since they learned a lot from the process and because Novo Nordisk taught them how to work with CSR. Peter Ingwersen, the founder of NOIR, explains: "We became the younger brother next to the older wiser guy; they took us under their wing, and taught us a lot about CSR".

The important question to ask when working with design is: Do we have the in-house expertise? Some companies do have the in-house expertise to develop the right design for the innovation, and they will not have the need for additional contributions. One example of this is the water purification company, Clewer, which notes that even though they have done research in cooperation with various universities and some technical collaboration, the research behind Clewer has been done independently. In other cases the in-house expertise is missing, which makes it essential to consider which sources can provide the right expertise or in fact take over the modeling and design task. As mentioned earlier, Lappset is one of the companies that was aware of their need for expertise from different fields and this led to the creation of a multidisciplinary team assigned to come up with the design of their product, SmartUs.

The considerations concerning the design process focus on where to locate the necessary capabilities for design, and how to make use of the resources available in the surrounding environment. The following checklist provides suggestions and questions for reflection to help enable the production of an optimal prototype.

☑ **Checklist 6: Design Process**

1. Which capabilities do we essentially need in-house and how do we bring in this expertise?

a. Enter into a dialog with stakeholders to gain knowledge of their specific requirements for design

b. Get expert knowledge from the external environment, e.g. universities and specific fields of relevance

2. If it is not possible to use in-house expertise:

a. Find external non-competitors that are able to contribute with knowledge-sharing and/or other resources

b. Look at competitors - what are they doing and how are they succeeding?

c. Reflect on the prototype to verify the design

7.5 *Implementation Process*

Having formulated the competitive strategy and business design, it is necessary to focus on how to actually implement this in an existing or new market. The way in which a company implements their core strategy and business design on the market can be the factor that ensures success or destines a product for immediate failure. Implementation should be understood as how a company delivers the actual product or service to a market based upon the defined competitive strategy and business design. The implementation should aim at successfully realizing the competitive strategy and utilizing its design process in connection with its social goal. However, the implementation phase is an ongoing process that may call for re-evaluation and a change in direction whenever this is needed. The following examples illustrate how the implementation of CSR-driven innovations can either facilitate a positive perception of the venture and quick growth or more adverse effects.

A structured form of implementation is a gradual rollout of the business that allows time to evaluate and continuously adapt to the market for each step taken. An example of this process is Ekolådan, which has gradually and steadily implemented their business model in one city at a time in Sweden. Because Ekolådan involves the customer as an active investor, the company does not start serving an area unless there is a sufficient amount of people there have applied to become customers. Ekolådan has also found it valuable to build

partnerships with other similar European companies, allowing Ekolådan to better coordinate their European commodity purchases. This has also permitted Ekolådan to put together delivery chains in cooperation with their European counterparts and then to fix a price that would guarantee a suitable return. This was essential as it can be difficult to make a profit in the market for delivering organic food products. A critical perspective on this process is that Ekolådan has moved very slowly, which allows competitors to move in and gain a market share.

Another form of structured implementation is MYC4's approach, which has involved a detailed screening and selection of investment opportunities through the use of local providers such as Growth Africa in Kenya and the Foundation for Entrepreneurship Development in Uganda. Using local partners creates a sounder and more detailed selection process, as MYC4 would not be able to implement their business design appropriately without these local agencies, which are in more direct contact with the end recipients of the microloans. Obligated to prove themselves to MYC4 in terms of being credible and reliable partners, these providers are started off with small amounts of loans until they are able to show that they can handle larger amounts. This local process is further structured at the national level, as MYC4 moves into a new country every four to six months and continues the same local process of initial trial lending to providers until they prove themselves able and reliable. Johnny Kjelsgaard, the founder of Growth Africa, says: "Currently, we have about five full-time staff screening for MYC4 who generate about eight opportunities per week. If MYC4 gives us the green light, I would like to raise the level to 20 staff in this area by the end of next year".

Because of the pace of MYC4 implementing business in a new country, they also recognize the need to keep in contact with users and constantly listen to any constructive critique, as this is an integral part of re-evaluating the business design. In addition, MYC4 also recently hired a compliance officer who will study whether the entrepreneurs in fact use their money as intended, which is another indication of how vital it is to continuously evaluate the business in action.

NOIR has implemented its strategy and design in a different way that involved heavy media attention and promotion. Finding itself as the center of the media's attention, NOIR used the situation as a means to manage and create expectations about its concept. However, this can also backfire if the expectations created do not match the actual established business, as NOIR has come to experience first-hand. NOIR's Illuminati II concept and the NOIR

Foundation did not operate on the level that the press had come to expect, resulting in a massive critique of the NOIR endeavor. Founder and CEO Peter Ingwersen states:

> *We have decided to focus on and support the poorest continent, Africa, but the conditions and situation in Africa have been very challenging. We had hoped that this project would become a reality much faster (...) I have expressed such visions about our business. However, I have not communicated information stating that the production of Illuminati II cotton currently exists in Uganda. Any article stating this kind of information must have relied on alternative sources which have been incorrect.*

The aspect of managing expectations is therefore vital to consider in the implementation process, as this is the last stage for re-evaluating the ideas and designs for the business in action. In NOIR's case, creating unrealistic expectations backfired on them and created some negative press that will stick with them for some time.

Unlike the previous two stages in launching the business, strategy formation and design, implementation calls for placing responsibility for communicating the business and its strategy with someone who can take over the task from the CEO or founder. This can be in the form of a PR department and a general spokesperson for external contact. It should be their responsibility to communicate with the media as well as end-users, and in general help to manage the expectations created by the company. This can aid in facilitating transparency in the business. Because evaluating the social impact can provide an important measure of performance according to strategy and the initial idea, the PR department should be able to undertake this task. This was exemplified in the case of MYC4, which hired a compliance officer in order to measure social impact. This approach ensures that the company is sensitive to whether it is still on track with its social goals, as well as its core strategy for introducing a socially responsible concept.

In addition to doing evaluations, some companies have chosen to create a sense of urgency and importance in regards to meeting its social goals by making them more visible to consumers. For example, MYC4 has placed a countdown clock on its webpage reminding users of the target date for reaching the Millennium Development Goals of halving poverty by the year 2015.

However, the implementation process is not the end-station for contributing to how the business is carried out and realized, as this is an ongoing process that calls for continuous re-evaluation, preferably through a proactive approach rather than a reactive one.

☑ Checklist 7: Implementation

1. Develop a structured plan for a gradually rolling out implementation

2. Create a strategy for managing expectations:

a. Place responsibility for communications with someone other than the CEO, preferably a PR or communications department

3. Measure the social impact of the business/product:

a. Compare with actual targets for the social goals

8 Conclusion

The future of the Nordic countries as frontrunners in social innovation lies in the hands of current and future social entrepreneurs. These individuals launch innovative and entrepreneurial organizations which reposition business as a key agent of social transformation. Economic profit lies at the heart of their organizations hand-in-hand with the goal of having an impact on society at large. The fifteen Nordic case companies described in this report provide ample evidence of the multiple facets and faces of CSR-driven innovation. Our objective is to encourage more SMEs to launch CSR-driven innovation projects, and we hope this report will be used widely by entrepreneurs, policy makers, and charities alike.

A key step in the process is the formation of an intention to engage in CSR-driven innovation and to make it central to the firm's business strategy. Interested SMEs can identify the social need first and then begin thinking about the business model and profit generation; or they may simply see social performance as a means to generate a profit. The typology presented in this report suggests a broad variety of possibilities.

A second insight form the study is the importance of personal motivation. Social entrepreneurs are often driven by a variety of ambitions. While each type of social entrepreneur brings certain important qualities to the table, it is key to remember that success lies in the mix. Thus, SMEs may want to identify which traits are missing in their innovation team and strategically attract certain types of social entrepreneurs to join their venture.

We have found great variation in the driving force behind the innovations studied. Activist entrepreneurs experience social injustice as personal grief, and they commit their lives towards changing the world for the better in social terms. For the social technopreneurs, emotional empathy and moral considerations play a less dominant role as they are driven by an eagerness to study and improve or develop a technology that results in a social benefit. Social venture capitalists exhibit the last type of motivation, which is when the entrepreneur is convinced that markets are the ultimate source of solving social problems. Activist entrepreneurs focus strongly on assessing success in terms of the impact they had on society, whereas social venture capitalists typically measure performance more from a profit and return perspective.

The practical process of developing and implementing the innovation shows that while some companies are largely centered on the entrepreneur and his/her personal leanings, other CSR-driven innovations have taken a more structured approach. In general with regard to how to identify opportunities and generate ideas, we have found that research seems to be the essential springboard and involves collecting information, knowledge and experience from relevant sources. We have also found many examples underlining the importance of a thorough evaluation process throughout all major phases of the business development process, starting with the first steps in the idea generation phase and ending with the final implementation phase.

The purpose of this report is to motivate SMEs to create more CSR-driven innovation. The findings from the fifteen Nordic cases give us good reason to be positive about the future of CSR-driven innovation among SMEs. Even though SMEs have much fewer resources at hand and less often catch the attention of NGOs and other stakeholders, the firms profiled in this report show that SMEs have a large potential for creating CSR-driven innovation. We have found that it is their ambition to transform society for the better through their innovations, while also aiming for financial success. Furthermore, the interest in CSR within innovation is still growing, which may explain why many companies will innovate through CSR and see viable business opportunities in working with CSR as their core business, rather than just adding a CSR label to their company profile.

In addition, the stories of how some of the social entrepreneurs have created successful businesses may illustrate the great potential in social entrepreneurship, and inspire and encourage more SMEs to do the same. From a policy or support point of view, this means that campaigns stressing the opportunities individuals have are likely to generate more social entrepreneurs and that sharing success stories like the ones in this report is one way of achieving this goal.

9 List of Figures and Checklists

9.1 *List of Figures:*

9.2 *List of Checklists:*

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11 **Appendix**

The Appendix provides a short description of each of the fifteen companies used in this report. For additional information about each case, a link to the company website is provided at the end of each case description.

Audur Capital – Bringing feminine values into finance

Founded in 2008 by Halla Tómasdóttir & Kristín Pétursdóttir

Staff: 14	Business type: Social purpose business
Company product: Audur Capital provides financial services focused on empowering women	

Because of gender differences in investment behavior, a different approach is needed to gain women's attention and interest in financial services. Studies have showed that banks are failing to turn this potential into real profit. The reason is because they fail to target women. The products and services need to be more female-orientated. Putting social and demographic changes into a future perspective, women can create economic growth and prosperity. Founded in 2007 in Iceland, Audur Capital is an independent financial services provider that aims to combine the potential in women as investors and socially responsible investments by bringing feminine values into finance. The company has identified and adopted four values that distinguish it from other financial services and make it socially responsible. First, Audur Capital is an independent financial services provider. That means it has no vested interests other than its clients' interests. No private equity fund in Iceland has an ownership that is as independent and distributed as Audur Capital's. Second, it is risk aware and wants to help its clients to understand the risk they are taking and make them comfortable in the investment sector. Third, it is socially aware. That means it has a wide definition of return. Fourth, the company focuses on a win-win situation, where it takes every stakeholder into account. Through this multifaceted approach the company seeks not only to address women's specific financial needs but also to empower women. The company provides access to capital, knowledge and business networks, and its services include finding socially responsible investment opportunities for its clients.

Furthermore, Audur manages AuÐur I, its first private equity fund. AuÐur I focuses on social and demographic changes. It is the first private equity fund in Iceland whose focus is to mainly invest in businesses owned or operated by women and in products or services that appeal to women, or where Audur Capital's involvement can create more value. The company's competitors are financial services companies who provide wealth management services and who are/or market themselves as being 'independent'. A joint interest reflecting the founders' values and a similar business idea brought the two entrepreneurs together through a female leadership network. After the idea was shaped, they spent seven months developing it into a business plan and then it took them ten months to define the key factors that would make them different from other financial services. The two female founders both have a background in the international business community.

For further information about Audur Capital, visit www.audur.com

Clewer – A water purification system company	
Founded in 1987 by Esa Mäkinen	
Staff: 3	*Business type: Missionary business*
Company product: Clewer has invented an innovative water purification system that purifies water by removing dirt and contaminants	

A growing concern for the health of the environment, water pollution related to dangerous levels of phosphorus, nitrogen and organic substances that can severely affect human health and many other susceptible organisms are Clewer's main focus. Striving to help reduce today's heavy environmental burdens, this Finnish company has invented an innovative water purification system that functions in an effective and environmentally sound way. Clewer's innovation consists of precision bacteria that rotate in a horizontal bioreactor that purifies water by removing dirt and contaminants. The technology can be applied to toxins in various industrial processes, landfill drain water decontamination, swimming pools and car wash installations. In addition to unique precision bacteria, the horizontal bioreactor increases purification efficiency, reducing energy consumption by 90% (compared to competing vertical bioreactors), and it makes a small bioreactor size possible. Clewer's significant advantage is its current ability to remove nitrogen from waste water much more effectively than its competitors. Nitrogen causes eutrophication, which is a highly alarming problem seriously threatening organisms in the Baltic Sea as well as many Nordic lakes. Nitrogen is emitted particularly from agricultural activities and municipal waste water. The main reason for the effectiveness of Clewer's technology is that it even operates at $+5°C$, whereas Clewer's rivals operate at best at $+20°C$, a temperature bodies of water in the Nordic region seldom reach.

Clewer belongs to the Pineline Group along with another company called Teknoforest Ltd., established in 1987. The business areas of the two enterprises overlap, as they are run by the same entrepreneur and consequently take advantage of the same networks. The company CEO and founder has been an entrepreneur in the chemical industry for several years and cares deeply about the environment. A self-taught entrepreneur, the founder has acquired knowledge in fields ranging from chemistry and process technology to accounting and law. Clewer tightly integrates consumer demands and government regulations into its business. Pressure from both of these groups helps increase the demand for environmentally sound products.

 For further information about Clewer, visit www.clewer.com

DURAT

DURAT – Combining design and recycling
Founded in 1990 by Kari Karppinen & Ulla Tuominen

Staff: 33	*Business type: Profit from principles business*
Company product: DURAT converts plastic waste raw material into premium quality products for bathrooms	

Global environmental conditions and pollution problems raise issues about how to achieve more sustainable development, especially in production industries. DURAT is a privately owned company established in 1990 in Finland whose ambition is to minimize environmental pollution by collecting raw plastic waste material from manufacturing plants in Scandinavia, and then turning it into premium products using modern technology and molding systems. DURAT's end products are made from recycled materials to become everlasting and truly sustainable products comprising, e.g. over 40 different premium quality bathroom items.

The company behind DURAT, Tonester Ltd., established DURAT's factory and also set up a joint venture in China designed to be DURAT's model for building new factories abroad. DURAT came into existence during a period of economic depression that ended up providing DURAT's founders with enough time to develop their unique innovation and design. Further developing their ideas through teamwork and minor input from partners, the founders prioritize enduring solid partnerships with architects and designers worldwide who have integrated their material into a variety of internationally recognized interiors. Moreover, they maintain lasting partnerships with the providers of plastic waste, and continue to do so through joint ventures abroad.

The product idea is based on the understanding that sustainable development is essential for the well-being of the world. In step with DURAT's growth, emphasis has also been put on job creation in Finland as well as in China, where DURAT has established its first joint venture. As the business develops a solid growing market, the brand has attracted a high level of interest from the media, architects and the field of design. In addition, their reputation as an environmentally friendly premium product company has generated exciting partnerships with e.g. Nokia. DURAT's current objective is to keep improving operations and become even more sustainable by reusing all materials and by producing zero waste.

For further information about DURAT, visit www.durat.com

Ekolådan – Organic and biodynamic quality products

Founded in 2002 by Stiftelsen för Biodynamiske Produkter

Staff: N/A	*Business type: Missionary business*
Company product: Ekolådan sells high quality biodynamic and organic products made available to consumers through a home-delivery system	

Agricultural farming pollutes the environment with e.g. pesticides used in the farming process. Addressing this problem, the Swedish company Ekolådan strives for a better environment by selling high quality biodynamic and organic products made available to consumers through a home-delivery system. Biodynamic agriculture is a method of organic farming that emphasizes the interrelationship of the soil, plants and animals as a closed, self-nourishing system. Organic farming relies on crop rotation, green manure, compost, biological pest control, and mechanical cultivation to maintain soil productivity and control pests. Ekolådan's environmental improvements include both their biodynamic production methods and their energy efficient delivery system. The company sells seasonal fruits and vegetables, giving priority to locally produced commodities. Customers comprise both households and companies. A new concept in Sweden when it was launched in 2002, it is largely built on models that already existed in Europe. The overall mission is to provide home- and company-delivery of biodynamic fruits and vegetables. A new innovation in the company is the idea of involving the consumer as an active investor. The company organizes the purchase of entire farms using consumer investments, which underlines their vision of bringing the consumer closer to the products.

 The investors are paid back in commodities. Ekolådan is part of a foundation called "Stiftelsen för Biodynamiska Produkter" that stems from 1974 when a group of enthusiasts originating from the anthroposophist movement believed that promoting organic and biodynamic food was important. Apart from the foundation's regulatory principle to strive for a better environment through the promotion of biodynamic products, it also strives for better working conditions for producers. Part of the profits must be invested in philanthropic and environmentally friendly projects. Initiated as part of the foundation, Ekolådan has had the advantage of benefiting from a European network of suppliers.

For further information about Ekolådan, visit www.ekoladan.se

Fair Unlimited – selling fair-trade products

Founded in 2004 by Daniel Mensch, Madeleine Linins, Per Skålén, Eva Danielsson & Karin Robérts

Staff: N/A	*Business type: Missionary business*
Company product: Fair Unlimited sells corporate gift products with the fair-trade label to companies and organizations	

The Swedish company Fair Unlimited is driven by the founding entrepreneur's passion to contribute to the reduction of poverty by helping producers in the Third World develop their potential. The company addresses this by selling corporate gift products with the fair-trade label to companies and organizations. Fair Unlimited's product range spans various categories to include clothing, cups, food, candies, snacks, footballs and gift-boxes. Everything is produced on small-scale production sites around the world. Around half of the products are purchased through wholesalers, while the rest are ordered directly at the source.

Working exclusively with fair-trade products is in itself a commitment to CSR issues. In general, Fair Unlimited must accept higher prices, lower quality and a much narrower range of products. When dealing directly with fair-trade producers, Fair Unlimited is bound to a code of conduct stipulated by the fair-trade community. A client of fair-trade products cannot put the same pressure on a producer with regard to price, quality, presentation and delivery deadlines. Fair Unlimited not only complies with these codes of conduct, but it also actively interacts with producers. For example, if the quality of a shipment is too poor, Fair Unlimited initiates a discussion to develop how the quality can be enhanced to help producers increase the attractiveness of their products for Western markets.

Pure B2B relationships within fair trade did not exist in Sweden until the company Fair Unlimited was established. Out of the five original founders in Sweden who established the company in 2003, only one remains in an active role. With a background as a management consultant, he and his fellow founding partners have made substantial financial investments in the company.

For further information about Fair Unlimited, visit www.fairunlimited.se

FIN – Combining design and awareness into fashion

Founded in 2004 by Nikolai Christiansen Perminow & Eivind Pytte Ødegård

Staff: N/A	Business type: *Profit from principles business*
Company product: *FIN produces high fashion clothing aimed at the upper-mid price range and combines this with a focus on good labor conditions and high environmental standards*	

The fashion industry has caught the media's attention on issues such as labor standards, minimum wages and working conditions in less developed countries. Today, many fashion companies focus on these issues. One fashion company dedicated to ethical trade is the Norwegian company FIN, which combines design and awareness into fashion. FIN specializes in combining luxurious fashion with environmentally and socially responsible methods of production. They operate in the high fashion industry, producing ready-made clothing aimed at the upper-mid price range and combine this with a focus on good labor conditions and high environmental standards in their worldwide supply chain. In addition to using organic cotton and ecological procedures, FIN adheres to fair-trade principles on fair and safe working conditions and buys climate credits from Clean Development Mechanism. The funds are invested in renewable energy projects in the company's production countries.

The foundation of FIN was laid in 2004 when a business graduate from the BI Norwegian School of Management in Oslo and a sociology graduate from the University of Oslo decided to start their own consulting company, EtikkTakk. They were later joined by a designer who tools their ethical / ecological ideas into fashion and design. The fashion industry increasingly focuses on being socially responsible and environmentally aware. This report also includes another high fashion player, the Danish company NOIR. Interestingly, the study shows that the two companies have different approaches to the CSR concept.

For further information about FIN, visit www.finoslo.com

Lappset – Healthy and educational play

Founded in 1970 by Antero Ikäheimo

Staff: 324	Business type: Profit from principles business
Company product: Lappset manufactures durable products that simultaneously combine play and education	

Young teenagers tend to substitute exercise for videogames, resulting in obesity and poor physical fitness at an ever younger age. The Finnish company Lappset addresses this problem as a manufacturer of durable products that make play fun and educational at the same time. The aim of the company is to help people of all ages live more healthily and happily through play that provides exercise and fun. The Lappset company philosophy focuses on CSR-driven innovation. They want to make playground equipment that creates a meeting place for the three generations: Children, parents and grandparents. One of Lappset's popular solutions is SmartUs, which encourages exercise and supports learning in a way that is attractive to modern-day kids. SmartUs is an interactive learning environment that combines playground equipment and technology. With outdoor playground and video game features, SmartUs is sort of a "real life video game". The philosophy of "playful learning" is very important part of the product and translates into learning as if by accident while playing. The current target group is kids from ages 4 to 15. The fact that SmartUs games can be adjusted to different age groups gives them the potential of reaching everyone in society.

The story of Lappset began in 1968 in Finnish Lapland, where the forests acted as playground equipment. From the start, the vision of this family-owned company has been to develop environmentally sustainable design. Today, the owners want to expand the concept of play, and make entire areas more play-friendly.

For further information about Lappset, visit www.lappset.fi

Lazytown – Motivating children to a healthier life

Founded in 1995 by Magnús Scheving

Staff: 40-100	*Business type: Social purpose business*
Company product: Lazytown motivates children around the world to live healthier through a variety of Lazytown products that all deliver pro-health, positive social messages and raise ethical awareness	

Today more people die from obesity than cancer and accidents combined. There are 155 million obese children, and as a result, for the first time in history, children have a shorter life expectancy than their parents (2.5 years). Lazytown is a limited liability company, founded in 1995 in Reykjavik, Iceland that aims to motivate children around the world to live healthier and better lives. It does this primarily by producing entertaining TV programs and live shows, radio programs, CDs and a variety of Lazytown products that all deliver pro-health, positive social messages and raise ethical awareness. Lazytown has achieved this by developing a role model for living a healthier lifestyle and a special world, "Lazytown", where the main characters face a variety of entertaining situations and choices that impact their health. The message, strengthened by the technological innovation of the products, is delivered to children in a fun way. Lazytown collaborates with several crucial partners that help promote the concept worldwide.

Before the creation of Lazytown, the company's CEO and founder was a well-known athlete and public speaker on fitness. He identified the need to communicate how to eat right and take care of oneself in a profound and appealing manner that would reach children around the world. He developed the idea for Lazytown based on the reactions of children and their parents to the talks, books, CDs, videos, and games he produced on health. After developing the idea and promoting it in various forums for ten years, the American network Nickelodeon bought the Lazytown concept. The TV show now airs in 110 countries, and has received numerous awards and nominations.

For more information on Lazytown visit www.lazytown.com

MARORKA

Marorka – Maritime energy management systems	
Founded in 2002 by Dr. Jón Ágúst Thorsteinsson	
Staff: 17	*Business type: Profit from principles business*
Company product: Marorka enables its maritime customers to maximize their operating results by minimizing fuel consumption and harmful emissions through an innovative energy management system	

A great deal of focus is currently directed at sustainably managing the world's growing need for energy and at rapidly reducing fuel emissions, particularly the greenhouse gases causing global warming. With an average of only 40% of the energy output of ocean going vessels being fully utilized, there is considerable room for improvements within the shipping industry. Established in 2002 in Reykjavik, Iceland, Marorka's ambition is to enable their maritime customers to maximize their operating results by minimizing fuel consumption and harmful emissions. To do this, Marorka created an innovative energy management system, Maren 2, which provides a detailed overview of all the energy systems used onboard a ship and, using complicated mathematical formulas developed by Marorka, makes recommendations to improve the vessel's performance. After four years of use and fine-tuning, the system has proven itself and has resulted in an up to 12% reduction in energy use and pollution. Marorka intends to improve the energy performance of its clients even further through a regular exchange of data enabling improvements to the system and by advising users on how to reduce energy consumption even further.

Marorka started as a small research group working on ideas based on the founder's doctorate studies in energy technology. With an engineering background in energy systems for ships and with a period laid off from a company where he was unable to advance his ideas, the founder is driven by promoting better solutions for energy management. A driving force in Marorka, the founder openly shares his knowledge with his collaborators, enabling him to lead employees to the core aspects of the project. The development of Maren 2 needed considerable testing and funding for research. The founder's network within the Icelandic shipping industry provided valuable access to different types of ocean vessels, enabling the testing of the system. Another critical factor was financial support from Icelandic and other Nordic research funds. To avoid excessive pressure to sell the product before it had been adequately developed and before the company had becoming internally robust, Marorka is almost entirely financed by funds providing patient capital and by the sale of its products, which have grown phenomenally since 2004. Marorka's ambition is to become an international leader in the development of energy management systems.

For further information about Marorka, visit www.marorka.com

MYC4 – Online market place for microfinance

Founded in 2006 by Mads Kjær & Tim Vang

Staff: 32	Business type: Social purpose business
Company product: MYC4 connects individual investors worldwide with African micro-businesses that need working or expansion capital	

The Danish company MYC4 is inspired by the United Nation's Millennium Development Goals, which call, among other things, for the number of people living in extreme poverty to be halved by the year 2015. However, although the world is making progress towards this goal in general (with encouraging results particularly in Eastern and South East Asia), most experts admit freely that Africa is unlikely to reach it. Indeed, the number of poor people in rural Africa has actually risen since the 1990s by over 90 million, while the average income of the poor has declined. One reason for the persistence of poverty is a lack of capital. Only 2% of the world's foreign direct investment goes to Africa. It is MYC4's aim to increase the flow of capital to Africa. Mads Kjær, the co-founder and CEO of MYC4, explains: "We want to provide a platform where we can actively make a difference by investing in small entrepreneurial businesses in Africa – ultimately contributing to the end of poverty in Africa".

Working as an on-line marketplace for microfinance, MYC4 connects individual investors worldwide with African micro-businesses, which need working or expansion capital. Loans range from as little as €200 to up to €20,000. Through a network of local organizations (called 'providers') MYC4 identifies promising entrepreneurs and profiles their loan needs on its website. Investors can offer to finance part of these loans, setting the interest rate they would like to receive themselves. Once a loan is fully funded, MYC4 follows a reverse auction principle, whereby any new better bids replace the highest bidder. Thus, investors effectively bid down the average cost of the loan over time. MYC4 was founded in Denmark in 2006 by two entrepreneurs who both had international aid experience. The entrepreneurs have done a lot of research on their own in order to plan their CSR-driven innovation. Instead of talking to experts within the field of microfinance and African entrepreneurship, they visited Africa and investigated the field themselves. Although MYC4 is unique, it is not alone in its particular market. In the process of launching MYC4, its founders were inspired by two trends that had recently emerged, online philanthropy and peer-to-peer (P2P) lending. Two of MYC4's direct competitors are already in the market having appeared simultaneously with MYC4.

For further information on MYC4, visit www.MYC4.com

NOIR – High-end meaningful fashion

Founded in 2005 by Peter Ingwersen

Staff: 16	*Business type: Profit from principles business*
Company product: NOIR is a luxury fashion brand with products that include clothing, accessories, home goods and fragrance – made under humane and fair working conditions	

Today, African countries are generally still lagging behind the rest of the developed world in terms of issues such as wealth, well-being, business standards, etc. This means that poverty is a major limiting factor in most of Africa. Established in 2005 in Denmark, NOIR intends to fight the vastness of this poverty and improve conditions by using sustainable business processes in Africa. NOIR does this by creating high-end luxury fashion wear that appeals to the social conscience of the consumer. The NOIR luxury fashion brand is high-end fashion (prêt-a-porter) outranked only by haute couture. NOIR has two main brands: NOIR and Illuminati. NOIR's products include clothing, accessories, home goods and fragrances – made under humane and fair working conditions in Europe. Illuminati II is the company's own cotton fabric. A percentage of Noir's clothing profits are returned to Africa to support cotton workers, while the NOIR Foundation provides essential medicine and micro loans.

NOIR's strategy on the fashion market involves "turning CSR sexy" and establishing a personal identity in line with social responsibility. Apart from hiring a CSR director, Noir has learned a great deal about CSR in practice through its collaboration with the Danish company Novo Nordisk, a world leader within diabetes care. The founder's extensive network, contacts and extensive experience in the fashion industry have allowed NOIR to quickly acquire media attention and a positive reputation.

After providing much of the initial capital, the founder has since recruited additional investors. The motivation behind NOIR is to use business and social capitalism to battle poverty in Africa, and to find a unique market niche for doing this within high fashion clothing wear. NOIR has won recognition as well as awards for its way of doing business and its unique combination of high-end fashion clothing with a socially responsible business strategy.

For further information about NOIR, visit www.noir.dk

OceanSaver – Ballast water treatment and corrosion system

Founded in 2004 by Stein Foss, Aage Bjørn Andersen, Gunnar Bærheim & Kjell Varenhed

Staff: N/A	Business type: Profit from principles business
Company product: OceanSaver aims to battle biological pollution and has developed a technology that combats this problem using a ballast water treatment and corrosion system	

A growing problem in the maritime industry is invasive species carried aboard ships in the ballast water tanks which cause severe biological pollution to the end environment. Established in 2004 in Norway, OceanSaver aims to battle this biological pollution and has developed a technology that combats this problem by using a ballast water treatment and corrosion system (BWTS). The BWTS does not use toxic chemicals such as chlorine to treat the water. Because nitrogen and oxygen can both be readily extracted from the atmosphere, large storage tanks for chemicals are not needed. Oxygen is re-injected into the discharge, rendering it completely harmless to the environment. The BWTS also has a financial advantage over traditional water treatment in that it simultaneously addresses the problem of invasive species and corrosion control. Due to its modular design, the system can be installed in most vessels. The BWTS required several years of research and development and external patents, creating high investment costs for OceanSaver. Consequently, the continuous support of many strategic partners throughout the process was important for the company.

Four entrepreneurs with relevant background experience in the shipping and marine industry founded OceanSaver. In addition, several key shareholders who also had experience and knowledge from the industry, not to mention personal drive for the innovation, supported OceanSaver. The motivation for developing the OceanSaver technology began when new regulations came out for controlling and managing ships' ballast water and sediments. In only a short time, OceanSaver has already received two environmental awards and a wave of positive media attention.

For more information on OceanSaver, visit www.oceansaver.com

Parans – Fiber optics solar lighting	
Founded in 2003 by Marcus Fransson & Nils Nilsson	
Staff: 7	*Business type: Profit from principles business*
Company product: Parans system collects sunlight and transports it inside buildings using optical fibers to illuminate indoor spaces. This both cuts costs and has a positive impact on human health	

The indoor environment of a company, particularly the amount of natural light available to people in large buildings, is an often neglected contributing factor to successful and healthy performance. Founded in 2003 in Sweden, Parans' objective is to enable better indoor environments and greater well-being, both commercially and in private homes. The company also wants to make it possible for the construction industry to use materials to effectively build large buildings without compromising the amount of natural light. Consequently, Parans created a system that collects sunlight and transports it inside buildings using optical fibers to illuminate indoor spaces. CSR was not initially pursued actively in this venture. The actual product came about from the desire to enhance the indoor availability of natural light and hence the ability to construct larger buildings that use materials more effectively. The connection to CSR was realized later as a result of the product's functional properties and because external stakeholders pointed out the beneficial environmental and human health impact of implementing the Parans system. Cutting energy costs by 25-30 percent, the Parans system has an impact on human health due to its therapeutic solar properties.

Throughout the process, Parans has collaborated with external actors in order to focus on a few core functions such as R&D, marketing and business development. In addition, all production is outsourced to an independent manufacturer. Sales agents and distributors are given marketing plans that include Parans' expectations about how to promote the product.

In their final year of studying entrepreneurship, the two founders of Parans began working on the idea for the company. They contacted two inventors who became part of the founding team behind the Parans system. Parans currently sells its product on five continents via independent distributors in 25 countries worldwide. Having received the Saving the Planet in Style award and other nominations, Parans regularly receives recognition for the social and environmental aspects of its work. Parans frequently sends out press releases and typically actively communicates with the market about events of interest.

For further information about Parans, visit www.parans.com

Th!nk Global – Environmentally friendly vehicles

Bought in 2006 in by Jan Olaf Willums

Staff: N/A	Business type: Social purpose business
Company product: Th!nk Global provides its customers with an environmental solution for transportation in the form of an electric car with no CO2 emissions	

In recent years a wave of environmental conscientiousness and climate change awareness has ripened the market for alternative mobility solutions. Th!nk Global aims to address this and provide its customers an environmental solution for transportation. The company's electric car has no CO2 emissions, and the car's body is made of 95% recyclable plastic. Using this car is supposed to reduce energy consumption by 70%. The novelty compared to other electric cars is the battery, which makes it possible to reach a top speed of 180 km/h and means that the car can access the same roads and motorways as regular cars. Customers can choose to customize their cars to suit their needs. Th!nk also wants to sell a whole package of services related to the car (battery use, maintenance, etc.) which will be available to customers for a monthly fee.

Originally founded in December 1991 in Oslo under the name PIVCO (Personal Independent Vehicle Company), Th!nk has had a variety of different owners. After some financial troubles the company was taken over by Ford from 1999 to 2002, but eventually Ford gave up Th!nk, which was then purchased by a Swiss group. In April 2006, private Norwegian investors, among them Th!nk's current CEO, bought the company. Although the present owner has no background with electric cars, he has experience with environmentally friendly business and he believes that the timing is right for the electric car.

For further information about Th!nk Global, visit www.think.no

Zealand Care – Customized health care products

Founded in 1996 by Bjarne Henneman and several municipalities

Staff: N/A	*Business type: Social purpose business*
Company product:	*Zealand Care focuses on creating customized health care products to meet individual needs. The company has also created an advanced computer management system for municipalities*

The concerns and needs of many elderly and disabled people are often overheard in Danish municipalities as the demand for low costs results in standardization and poor customization. The administration of health care issues by municipalities can also further influence how well the needs of the elderly and disabled are met. Founded in Denmark in 1996, Zealand Care's objective is to improve the conditions and choices available for the elderly and disabled regarding their service and auxiliary equipment needs. Zealand Care addresses these issues in two ways: 1) by focusing its business on creating customized health care products to meet individual needs, and 2) by creating an advanced computer management system municipalities can use to administer and provide auxiliary equipment in the health care industry.

The initiative to start up Zealand Care came in response to a legislative change that allowed public authorities to invest in joint-stock companies and resulted in a mutual fund investing in assistive technology. The aim was to fill the gap between what was being supplied and what could be supplied, and to subsequently satisfy unmet needs and optimize the processes surrounding health care in municipalities. Zealand Care employs designers to make new products that meet users' previously unmet needs. In general, the company outsources in the municipalities where they market their products.

The founder runs what is now a completely privately owned company that used to be a combined private and public enterprise. The father of a disabled child, he has first-hand knowledge of many of the health care issues Zealand Care deals with. In addition, he is strongly motivated to introduce more efficient management systems from the private sector into the field of public administration. The company as a whole has obtained a large degree of know-how and experience from working as a hybrid between private producers and public customers. This has provided the company with an advantage based on the ability to calculate average needs and to forecast the client base.

For further information about Zealand Care, visit www.zealandcare.dk