
Chapter 3

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

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

Rockefeller Foundation.¹

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

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

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

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

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

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

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

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

The role of social innovation

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

² “Globalization Without Poverty: Social Development,” Acción Social, Cáritas.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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