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Corporate social innovation as a driver of performance and welfare

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Corporate Social Innovation as a Driver of Performance and Welfare

Policy Paper no 25

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***Corporate Social Innovation as a Driver of
Performance and Welfare
Policy Paper no 25***

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Abstract

Social innovation is booming as a political buzzword. However, the concept still lacks scientific analysis, a common epistemology and a clear-cut definition. This thesis takes a step towards a better theoretical and conceptual understanding of corporate social innovation by detaching the concept from the government and NPO sector. It suggests defining social innovation by its social means and social ends. The term “social” not only refers to the non-material nature of innovation and its social process that modifies social practices, behaviour and relationships, but also relates to the achievement of socially desirable ends. The means and ends for corporate social innovation are further analysed in three case studies on carsharing, Fair Trade and diversity management of a multi-ethnic workforce. The analysis also shows that for-profit companies not only play an important role in the advancement of social innovations, but also that social innovations constitute a business opportunity. Moreover, the characteristics of (corporate) social innovations offer our society and economy the dynamics to adapt to social challenges in a complex environment.

JEL Classification

A14, D02, O39, M14

Keywords

Social innovation, corporate social innovation, Beyond GDP, institutional change, socio-ecological transition

Table of Contents

Executive Summary	1
1 Introduction	5
2 Literature Review and Theoretical Background	10
2.1 Corporate Social Innovation – A Short Review of the Literature.....	12
2.2 Theoretical Approach	18
2.3 Method and Operationalisation	20
3 Concepts and Definitions of (Corporate) Social Innovations	22
3.1 Conventional Definition of Innovation: Oslo Manual	22
3.2 Definitions of Social Innovation	24
3.3 Normative Understanding of Social Innovation	32
3.4 Definition of Social Innovation in this Thesis	34
3.5 Definition of Corporate Social Innovation.....	37
4 Case studies of Corporate Social Innovation	42
4.1 Carsharing	43
4.2 Fair Trade	52
4.3 Managing Diversity of a Multi-ethnic Workforce.....	60
4.4 Analysis of Case Studies.....	66
5 Economic Policy Implications	69
6 Conclusion	76
7 Bibliography	79

List of Figures

Figure 1: The Definition of Social Innovation Chosen (in a Nutshell).....	36
Figure 2: Development from CSR to Corporate Social Innovation	41

List of Tables

Table 1: Levels of Social Innovation	17
Table 2: Overview Categorisation of Literature on Social Innovations	29
Table 3: Difference between CSR and Corporate Social Innovation	39
Table 4: Carsharing Benefits by Region	49
Table 5: Social Means and Ends of Corporate Social Innovation.....	68
Table 6: Different Viewpoints on the Role of Business in Society	73

Executive Summary

Background Problem

Social innovation is booming. Around the world, leaders in politics and civil society believe social innovations solve social challenges and foster welfare through innovative practices. However, social innovations must prove that they are more than a buzzword. As a recently established field, the concept of social innovations and its research could not be more heterogeneous. It has been developed bottom-up by people such as social entrepreneurs who, after finishing their projects, have reflected on their work and its impact. Because of this bottom-up approach, academia has yet to achieve the difficult task of finding a common epistemology or any “common trends” for the research in this field, and most importantly, it has not yet established a clear-cut definition of social innovation.

Purpose of the Study

The purpose of this thesis is to shed light on the study of corporate social innovation by separating it from the government and NPO sector. It takes a step towards a better theoretical and conceptual understanding of corporate social innovations. Thereby, it answers the call of the European Commission (2013a: 45) for broadening the research since “[m]ore research on many dimensions of private companies and their place and their contribution in social innovation would fill this gap”. Thus, the thesis aims to define corporate social innovation and to analyse its means and ends in order to identify possible contributions of corporate social innovations to society, the environment and firms.

Brief Details of the Approach and Method

The theory “plasticity and progress and the ethic of social innovation” (Mulgan 2012: 32) is used as an effective lens through which we can understand social innovation. This theory reflects the normativity inherent to social innovations, in the sense that the innovations constitute an advancement compared to past solutions of social challenges. Whereas social change is a neutral concept and can happen unintentionally for the good and for the bad, social innovations are coordinated and purposeful actions targeted at a desired outcome. After laying the groundwork by defining social and corporate social innovations, this thesis

conducts three case studies on carsharing, Fair Trade and managing a diverse workforce in an Austrian context. The cases were not only selected as key cases for their wide diffusion and data and information availability, but also chosen for their heterogeneity. In the case study analysis, units are investigated from different positions, applying data triangulation and methodological triangulation. This should increase the credibility and validity of the results. The case studies start by outlining the starting situation before the means and ends of the corporate social innovation are analysed. The ends are structured in three categories: the effects on society and individuals, the effects on the natural environment and the effects on business. The special focus of means and ends is chosen because they are the main criteria for distinguishing between social and other innovations.

Important Findings

Common key characteristics of social innovations have emerged in the literature review, defining them as social in their ends as well as their means. On the one hand, the term “social” is understood in an extensive and normative sense as “socially desirable”. The ends of social innovation are to increase people’s welfare and to enhance individuals’ capabilities. On the other hand, social means highlight the fact that social innovations are non-material and occur at the level of social practice, changing behaviour and social structures, in contrast to technical innovations that invent new technical artefacts. In order to introduce a more clear-cut definition, the thesis suggests joining these two defining characteristics, stating that social innovations are determined by both their social means and social ends. Furthermore, the thesis also suggests that attaining a common good can be assessed by the social innovation’s contribution to Beyond GDP goals, for example by applying the OECD Better Life Index. In this thesis, corporate social innovations are defined as follows: *A corporate social innovation uses the unique set of corporate assets (entrepreneurial skills, innovation capacities, managerial acumen, ability to scale, etc.) to implement a novel solution addressing social challenges and thereby creating new or improved social relationships, structures or collaborations. It is both social in its ends and its means. A corporate social innovation changes how businesses operate so that they can achieve social and environmental value creation alongside business value.* The author differentiates between corporate social innovations that serve external stakeholders via a market transaction and those that benefit employees in the form of a workplace innovation.

Carsharing, one example of a corporate social innovation, uses the means of sharing and separates the availability of a car from car ownership. Ends of carsharing include the provision of mobility to fill gaps in public transport, the reduction of expenses for transport, the reduction of the number of cars, reduction of emissions and a profit opportunity in a growing market. Fair Trade reconfigures market structures to empower local farmers and workers by providing education and information, offering a living wage and long-term contracts and by simply following labour and environmental laws. Moreover, Fair Trade seeks to modify consumer behaviour by raising awareness and advocacy of trade justice. Ends include reducing poverty, empowerment and civic participation and more sustainable farming methods. Companies consider Fair Trade as part of a sustainable business strategy, which allows them to differentiate themselves from competitors, to attract ethical consumers and to secure their supply. In the third case study, diversity management of a multi-ethnic workforce was achieved by the means of communication, education and company theatre. It empowers employees to fulfil their job potential and changes the mind-sets and attitudes of people. Diverse groups that are managed correctly show increased productivity, creativity and innovation. Companies can attract and retain talented employees, become more flexible in adapting to market changes and gain easier access to new customer groups and new markets.

Conclusion

Carsharing, Fair Trade and diversity management all use market forces to achieve wider societal impact. They are also part of the company strategy, challenging the traditional conduct of business in their fields. Instead of being viewed as philanthropy, they are seen as business opportunities for companies, unifying the ideas of civil society with business and scaling expertise of companies. Special potential lies in the nature of social innovations, as they not only happen within an existing system, but also attempt to rearrange the system by changing institutional logics, norms and traditions. Social innovations contribute to a dynamic and flexible society by adapting to social challenges and overcoming social constraints and, at the same time, increasing the opportunities for citizens, whether it be in terms of democratic participation, the way of conducting business, working habits, etc. These characteristics suggest that social innovations should be part of a high-road strategy for achieving outcome competitiveness, as proposed by the

WWWforEurope research project. Likewise, innovation and industrial policy should promote corporate social innovations, making them not only a “nice-to-have” for some companies but a business mandate for all companies. Additionally, industrial policy should not be considered separate from other government policies, but should target Beyond GDP goals and merge into one systemic socioeconomic strategy. This leads to the implications for further research. In order to be effectively incorporated in policy making, one unanimous definition of (corporate) social innovation needs to be applied. Otherwise, it risks becoming a buzzword and marketing tool with no real meaning behind it. Furthermore, data on corporate social innovations should be gathered on a large scale, for example as part of the Community Innovation Survey. Finally, more research on the normative criteria of social innovation and on impact assessment is required.

1 Introduction

Social innovation is booming. Around the world, leaders in politics and civil society believe social innovations solve social challenges and foster welfare through innovative practices. Promoters of social innovations have been awarded numerous honours, including a Nobel Peace Prize for Muhammad Yunus, who developed a microcredit and microfinance system in Bangladesh. A considerable number of conferences and summits on social innovation are organised across the world and the World Economic Forum (2015) even puts social innovation on its agenda. Thus, all three sectors of the economy have acknowledged social innovations: the business sector, the government sector and the non-profit sector, including civil society.

As it occurs in all spheres of society and is analysed across different academic fields, social innovation and the corresponding research could not be more heterogeneous. As a recently established field, the concept of social innovation has been developed bottom-up, mostly by social entrepreneurs, who then reflected on their projects and impacts. Hence, academia has yet to achieve the difficult task of finding a common epistemology or at least “common trends” for the research in this field, and most importantly, it has to establish a clear-cut definition from which social innovations can be identified analytically and unambiguously (European Commission 2013a; Rüede and Lurtz 2012).

Social innovations can be defined as “innovations that are social both in their ends and their means” (Young Foundation/SIX 2010: 17). Thereby, the first part of the definition demands that the term “social” is understood in an extensive and normative sense as socially desirable. Hence, the ends of social innovation are to increase people’s welfare. Social innovations attempt to prevent social disadvantage and to enhance individuals’ capabilities and capacity to act. The social means included in the definition denote the fact that social innovations occur by changing the way people interact, usually termed as “a change in institutions” (Rüede and Lurtz 2012; Reinstaller 2013). Douglass North (1990: 3) describes institutions as “the rules of the game in a society, or more formally, [...] the humanly devised constraints that shape human interaction.” By implication, social

innovations change the set of choices that we have, whether it be in terms of democratic participation, our way of conducting business, working habits, etc.

Both the recent financial and economic crisis, as well as inequality, resource depletion, migration, global warming and natural disasters reveal the need for a new economic way of thinking. Lately, social innovation has been widely promoted by politics as a way to address current economic and social problems. Former president of the European Commission, José Manuel Barroso, emphasised that the crisis “makes creativity and innovation in general and social innovation in particular even more important to foster sustainable growth, secure jobs and boost competitiveness” (European Commission 2009). Governments, specifically the European Union, consider social innovations as new bottom-up practices to solve present social problems in the public interest, while at the same time fostering smart, sustainable and inclusive growth as envisaged in the Europe 2020 strategy (BEPA 2011). Accordingly, the European Union not only funds individual social innovations, but also commissions research on social innovations on a larger scale. Likewise, the White House created the Office of Social Innovation and Civic Participation, aiming at “strengthening and supporting the social sector by developing policies and programmes that can accelerate economic recovery and create stronger communities” (The White House 2015).

Focus of the Master Thesis

This master thesis focuses on social innovations in the business sector. It is the most underexplored sector in academic research on social innovations and subsequently, it “is difficult to imagine the role of private sector enterprises in social innovation” (European Commission 2013a: 44). Therefore, the first contribution of this thesis should be to provide insight into what social innovations in firms - also termed corporate social innovations - can be and what they can achieve.¹ Examples for corporate social innovations that are analysed in this thesis include carsharing, Fair Trade and diversity management in companies. Many argue that we need to include social innovations in our economic thinking in order to achieve social and economic goals, e.g. with a socio-ecological

¹ This corresponds with the question that the author of the master thesis was most often asked: “What are social innovations? What would be an example of a social innovation in a firm?”

transition or smart, sustainable and inclusive growth. If we attempt to promote economic change, we also need to gain knowledge of social innovations in the business sector.

Porter and Kramer (2011: 1) point out that business is increasingly seen as a source of social, environmental and economic severities and thus, “[c]ompanies are widely perceived to be prospering at the expense of the broader community”. This causes a lack of trust and legitimacy of businesses. Based on Polanyi (1944), one can argue that the characteristics of social innovations are required to re-embed the economic system into the broader society. Otherwise, ‘the market mechanism means to subordinate the substance of society itself to the laws of the market’ (Polanyi 1944: 75) and as people oppose market forces, a “double movement” of market and societal forces counteracting each other emerges. Among other things, the subordination of society to the market increases the likelihood that people mobilise themselves in pursuit of radical political ideologies, as seen in the 1930s in Europe.

Social innovations in the business sector are increasingly viewed as means of reconciling business and society. Porter and Kramer (2011) point out that a “shared value” between business and society has the “power to unleash the next wave of global growth”, whereby companies can do well by creating a social value for the community. They define shared value as “policies and operating practices that enhance the competitiveness of a firm while simultaneously advancing the economic and social conditions in the communities in which it operates”. According to them, companies are stuck in an out-dated approach of value creation that is fuelled by the belief in trade-offs between economic efficiency and social progress, which have been advanced by government policy choices. Instead, shared value can enable greater innovation and growth for companies and simultaneously generate greater benefits for society (Porter and Kramer 2011).

It is the objective of this master thesis to separate social innovations from the government/NPO sector and to explore social innovations in a business context. The master thesis questions what corporate social innovations are and how they can be defined. It analyses the means and ends of corporate social innovations and strives to identify possible contributions of corporate social innovations to society, the environment and firms.

This possible role of social innovations is explored in the context of the project WWWforEurope² (2015). This project analyses “[w]hat kind of new European growth and development strategy is necessary and feasible, enabling a socio-ecological transition to high levels of employment, well-being of its citizens, social inclusion, resilience of ecological systems and a significant contribution to the global common goods like climate stability”. This master thesis intends to contribute to the WWWforEurope project by understanding new opportunities and starting points for a socio-ecological transition by exploring corporate social innovations.

Thereby, the master thesis strives to fill a gap in our scientific knowledge regarding the potential of social innovations in the business sector. Social innovations in and of firms have not been greatly analysed by researchers. Instead, social innovations in the NGO sector are mostly promoted and analysed as solutions to social problems. The European Commission (2013a: 45) highlights this gap in the literature regarding social innovation, which requires “[m]ore research on many dimensions of private companies and their place and their contribution in social innovation” in order to be closed. This master thesis intends to broaden this rather one-sided approach by joining the social and the business world together. Firms constitute an integral part of our lives: As employees, we are part of a firm and experience advantages and disadvantages in the way a firm treats its employees. On the other side of the spectrum, we buy products and services produced by firms. Moreover, as citizens, we bear positive and negative externalities of firm behaviour, such as resource depletion and discrimination. Therefore, if we desire a socio-ecological transition, it is essential to include firms in the analysis, as well as in the analysis of social innovations. In order to promote social innovations in this sector, it would be an advantage if they not only increase welfare, but also enhance firm performance, giving firms a monetary incentive to implement social innovations. Moreover, social innovations could be part of a new innovation paradigm, a new era of doing business, and thus provide a competitive advantage for companies and industrial locations.

² The project, which is led by the Austrian Institute of Economic Research (WIFO), is funded by European Community's Seventh Framework Programme. The author of this master thesis received a Junior Fellowship from the Austrian Institute of Economic Research (WIFO).

The structure of the thesis is as follows: Chapter Two provides the theoretical and methodological framework for the analysis of corporate social innovation. In Chapter Three, the concept and definition of social innovation are discussed and certain definitions are introduced. Chapter Four analyses the means and ends of corporate social innovation in three case studies on carsharing, Fair Trade and diversity management. Chapter Five discusses the economic policy implications that the previous findings on corporate social innovation could have. Finally, the conclusion follows in Chapter Six.

2 Literature Review and Theoretical Background

In The Oxford Handbook of Innovation, Fagerberg (2006: 1) states that innovation “has not always received the scholarly attention it deserves” in economic sciences. Research on economic change and economic growth usually addressed variables such as capital accumulation or the workings of markets instead of innovation (Fagerberg 2006: 1). Classical political economists have used accumulated capital per worker as a reason for differences in income and productivity and different rates of capital accumulation to account for differences in economic growth (Fagerberg et al. 2009: 6). However, as Rosenberg (2004) argues, there are fundamentally two ways to increase the output of any economy. Firstly, the inputs for production can be increased or secondly, new ways can be found to generate more output from the same level of inputs. Abramovitz (1956) was first to compare the growth in input and the growth in output in the American economy and found that the growth of inputs could only explain about 15% of the actual growth.

Before this first quantitative analysis, Joseph Schumpeter (1912) pioneered the concept of innovation. Schumpeter spoke of a process of continuous innovation and creative destruction, where economic development is a process of qualitative change propelled by innovation. For Schumpeter, innovations were “new combinations” of existing resources that appear in five different categories: new products, new methods of production, new sources of supply, the exploitation of new markets and new ways to organise business. Thus far, economic analysis has predominantly focused on new products and new methods of production (Schumpeter 1912; Fagerberg 2006: 6). However, Schumpeter was more inclusive in his concept of innovation, causing Caulier-Grice et al. (2012) to suggest a typology for social innovations building on Schumpeter’s work.

In a new neoclassical theory, Solow incorporated an exogenous “technical progress” in order to allow for long-run growth in GDP per capita. This technical progress was considered to be a public good, which is accessible to everyone. However, the theory again failed to explain why a convergence between rich and poor countries did not happen as expected. Following this, the new factors of social capability and absorptive capacity were introduced in economics (by Abramovitz, Gerschenkron, etc.) to describe the different

starting positions of countries for translating innovations and technical progress (Fagerberg et al. 2009). Recent literature on economic development builds on these analyses and examines the importance of capabilities and institutions in enabling economic development (Rodrik 2007; Acemoglu et al. 2005), a change which can be characterised as social innovation.

The Concept of Social Innovation

Social innovations as an independent form of innovation and as a field of research have become prominent only recently, most likely within the last 15 years. They are still only sparsely discussed in academics and have not yet arrived in the “mainstream”. Historically, social innovations were regarded as accompanying or subordinate to technical innovations. The sociologist William F. Ogburn, for example, described non-technical innovations, which were still dependent on technical innovations (Jacobsen and Jostmeier 2012: 112). While a notion of social innovation has existed in scholarly writings for almost 200 years (Godin 2012), the concept and term of social innovation was rediscovered in the 1960s and 1970s. Simon Kuznet was among the first economists to address the importance of social innovations in his acceptance speech for the Nobel Prize in 1971 “[t]he succession of technological innovations characteristic of modern economic growth and the social innovations that provide the needed adjustments are major factors affecting economic and social structure. But these innovations have other effects that deserve explicit mention” (Kuznet 1973: 252 cited in Reinstaller 2013: 5).

Eventually, the sociologist Wolfgang Zapf separated social innovation from technological determinism and was able to see social innovations without a direct technological reference (Jacobsen and Jostmeier 2012: 112). Social innovations are qualitatively distinct from other innovations. Cajaiba-Santana (2014: 43) claims that the “first difference between technical and social innovations lies in the intended result”, although “some results might overlap”. While innovations are usually about “profitability and commercial success”, social innovations should improve collective well-being by bringing about social change that cannot be achieved within current social practices. Social innovations are not just an economic mechanism or technical progress, but are considered to be a social phenomenon, which is related to the social conditions from which it originates. Howaldt and Schwarz

(2010: 21) highlight that the “innovation does not occur in the medium of technical artefact but at the level of social practice”, which makes social innovations non-material. Therefore, the “particularities of social innovation call for new paradigms and new theoretical perspectives” (Cajaiba-Santana 2014: 43).

This development in the understanding of social innovation goes hand in hand with the change from an industrial to a knowledge- and service-based society. Fagerberg (2006) discusses the variability of innovation over time and space: “It seems, as Schumpeter (...) pointed out, to “cluster”, not only in certain sectors but also in certain areas and time periods.” Many researchers argue that social innovations are part of a new, post-industrial innovation paradigm. The structures of innovation systems fundamentally develop over time, corresponding to different phases of the industrial revolution. Thereby, a broad institutional change takes place, which has far-reaching influence on the prevailing innovation modes and is not limited to any single industry or technology (Howaldt and Schwarz 2010: 16; Howaldt and Kopp 2012: 43).

2.1 Corporate Social Innovation – A Short Review of the Literature

As an understanding of corporate social innovation has just recently developed, relevant literature is still very limited. The term “corporate social innovation” mostly appears in Anglo-American business literature, often in combination with corporate social responsibility. German literature does not use a distinct term, but refers to “Soziale Innovationen in Unternehmen”, “Unternehmensbeispiele für soziale Innovation”, etc. (Kesselring und Leitner 2008). The different terms may indicate that while social innovations have been discovered as a business strategy in the Anglo-American business world, the German-speaking community has not fully recognised its potential.

Several US guidebooks discuss corporate social innovations as business opportunities. Saul (2011) offers five strategies for companies on how to create corporate social innovations. These include introducing submarket products and services, entering new markets through backdoor channels, building emotional bonds with customers and developing new pipelines for talent and influencing policy through reverse lobbying. Westaway (2014) also offers a guidebook on how corporate social innovations can be implemented from the

discovery to scaling. Bates (2012) outlines a six-step method for creating corporate social innovations focusing on the social sector, discussing her company's innovation methodology.

KPMG et al. offer a more thorough analysis of the business opportunity corporate social innovation and its context. According to KPMG et al. (2014: 1), both governments and citizens as well as businesses “will be exposed to the hundreds of environmental and social challenges over the next 20 years” and the business landscape will change accordingly. While social change has traditionally been advanced by not-for-profit organisations and governments, businesses can also contribute their expertise. KPMG et al. (2014: 4) highlight the “breakthrough” potential of corporate social innovations as a trajectory that “focuses on timely, effective system change”. Solutions should focus on long-term horizons (for the next generation, not just five years) and go further than just micro- and macroeconomic considerations, encompassing economic, social and environmental dimensions. Accordingly, KPMG et al. identify three principles of corporate social innovation: Firstly, corporate social innovation is embedded in the core business strategy and vision. Companies use the impact of their products and services to solve social and environmental challenges with the full support of the management. The emphasis is not only on generating value for business, but also on prioritising positive social change. Secondly, corporate social innovation uses market forces to achieve positive impact. Companies learn about social challenges and ways to tap into underserved markets. Thereby, obstacles such as affordability, product education and local customs need to be overcome. Thirdly, corporate social innovation is generated by strategic collaboration. It uses the expertise of various stakeholders inside and outside of the firm. This offers broader perspectives on the opportunities and risks involved (KPMG et al. 2014).

Herrera (2015) states that the social value of corporate social innovations can address three areas: governance and society (managing the company's relationship with society in general through initiatives such as community involvement, education and culture, livelihood programmes, technology development and access, education, and health care, human rights and transparency); customer and product responsibility (fair marketing, product labelling, product safety and sustainable consumption) and value chain and

environment (social and environmental footprint, host community engagement and environmental protection practices).

Mueller (2013: 14f) identified six mechanisms or “means” of how corporate social innovations can create such a social value. The first mechanism builds on “establishing and managing complex relationships with multiple stakeholders”. Stakeholders include commercial and non-profit organisations, suppliers and beneficiaries. One example is pharmaceutical companies which collaborate with other organisations and governments to develop affordable drugs for diseases that have been overlooked. Secondly, companies “use technology to reach neglected target groups”, such as when mobile phones are used to connect with target groups in secluded areas. Examples include distance learning programmes, open online courses and open education. Mechanism three is “inducing behavioural change through education and addressing emotional needs”. Often, a behavioural change is required to implement the intended social innovation. Implementation can be easier when appealing to emotions rather than the intellect. One example is the change of unhealthy eating habits into healthy ones. The fourth mechanism is to “engage underutilized resources”, thereby creating value for society and saving resources at the same time. Examples of this include cars that are only used one hour a day by only one person and are blocking valuable space in the city, or in the pharmaceutical sector, where active substances are directed into new therapies for orphan diseases. The fifth mechanism constitutes “co-creating the product or service with multiple stakeholders”. Co-creation with partners or beneficiaries supports a lasting impact, as it is used to “capture the needs of their customers, to gain commitment of the beneficiaries, or to leverage scarce resources”. Examples include peer-learning and mentoring approaches for children from disadvantaged socio-economic backgrounds. Business can thereby create contact with future employees and customers. The sixth mechanism is “empowerment strategies as effective mechanism to achieve impact”. An example is hidden hunger, where organisations can support local food production by education and by providing affordable tools.

In a comprehensive study, Kesselring and Leitner (2008) examined social innovations in 24 companies in Austria.³ It is the largest study on corporate social innovations in the German-speaking world. In the study, they found that social innovations are still a neglected topic. The potential for innovation is usually credited to the technical sphere, whereas non-technical initiatives are considered to be accompanying measures. Such measures can include training and development, change of generations, health programmes, corporate culture, intercommunication between SMEs, cross-cultural competency development, knowledge management, etc. In most cases, companies neither acknowledge nor advertise these measures as social innovations. Nevertheless, Kesselring and Leitner (2008: 30f) point out that the social organisation of a business increasingly determines its competitiveness, especially for locations with high unit labour costs, which need to compete through their innovation attainment.

The authors identified different starting situations for the establishment of corporate social innovations. They found that on the one hand, there is a dedication to social commitment, both from official company guidelines and from company leaders, or from owners of smaller businesses. Often, the dedication reflects personal experiences. On the other hand, companies face internal and external challenges (e.g. aging workforce), which need be counteracted by social innovations.

Companies stated that the results of these innovations included improved learning processes (sensitisation, increased awareness for recycling, for example), improved personal-emotional implications (identification with employer, motivation) and improved public images (positive media attention). Moreover, the authors were interested in the impact of these projects on economic criteria of the company, such as turnover, competitiveness and customer satisfaction. The companies estimated the influence of the social innovation on their turnover differently. Some believed that there was no effect, or rather that it was a zero-sum game, whereas others saw a strong influence on company performance. Mondi introduced a new idea management system, which led to a savings of

³ The 24 social innovations studied focus on business activity (3), diversity management (3), promotion of women (1), target groups in the business environment and strong employee involvement (3), personal dedication and close employee involvement in small enterprises (2), human resource management in SMEs (3), new ways of employee training (4), knowledge, communication and ICT (2) and sustainability (3).

30 million Euros worldwide. Several interviewees argued that the company benefited financially from fewer sick leaves. Likewise, employees were more motivated and more productive. Social innovations resulted in increased customer satisfaction, which was described as going hand in hand with employee satisfaction. Companies also reported a higher level of competitiveness. Mondi, for example, could generate many new ideas, whereas others perceived better internal functioning (less potential for conflicts) and the social innovation as a unique selling point or marketing instrument to contrast with competitors. Kesselring and Leitner (2008: 206ff) conclude that social innovations are not about realising fast profits, but about investing long-term in economic and socially viable projects.

Types of (Corporate) Social Innovation

Caulier-Grice et al. (2012: 24f) developed a typology of social innovations inspired by Schumpeter's typology of innovations. They distinguish between social innovations as (1) new products, such as assistive technologies developed for people with disabilities; (2) new services, such as mobile banking; (3) new processes, such as continuous improvement methods and crowd sourcing; (4) new markets, such as Fair Trade, or time banking; (5) new platforms, such as new legal or regulatory frameworks or platforms for care; (6) new organisational forms, such as community interest companies or networks; and (7) new business models such as social franchising, or just in time models applied to social needs.

Social innovations also address problems on different levels of a society or economy. Nicholls and Murdock (2012: 4) identify three levels of social innovations: incremental, institutional and disruptive innovations. Caulier-Grice et al. (2012: 25) also distinguish between incremental, generative and radical social innovations.

Incremental innovations, which mostly focus on products and services, address market failures more effectively or efficiently. For example, they locate negative externalities and institutional voids. Incremental social innovations are viewed as a good business opportunity and are often promoted by charities, not-for-profit firms or commercial firms selling to the poor socio-economic groups ("bottom of the pyramid") (Nicholls and Murdock (2012: 4). Most importantly for Caulier-Grice et al. (2012: 25), incremental innovations build on existing knowledge and resources.

Institutional social innovations reconfigure existing social and economic institutional patterns, such as markets, and strive to develop new social values or new outcomes. Often, experts seek to reposition new technologies to include social benefits. However, one should not view institutional innovations separately from their economic purpose, as they are often an answer to problematic patterns of economic change. For Caulier-Grice et al. (2012: 25), these social innovations are generative, generating further ideas and innovations.

Finally, disruptive/radical social innovations intend to change the system in question. Groups such as social movements, political actors, networks, etc. want to alter power relations and social hierarchies or realign circumstances to the advantage of neglected groups. A system change can happen either violently and rapidly or peacefully and gradually (Nicholls and Murdock 2012). Compared to the other innovations, radical innovations are significantly different from what was there before. They create new markets or spread new technologies, requiring new knowledge and resources. Thereby, they often make existing products and services obsolete and disrupt our customs of production, consumption and distribution (Caulier-Grice et al. 2012: 25).

Table 1 provides an overview of the different levels of social innovation.

Table 1: Levels of Social Innovation

Level	Objective	Focus	Example Organisation (Sector)
Incremental	To address identified market failures more effectively: e.g. negative externalities and institutional voids	Products and services	Kickstart (low-cost irrigation foot pump) AuroLab (low-cost intraocular lenses) Afghan Institute of Learning (female education)
Institutional	To reconfigure existing market structures and patterns to create new social value	Markets	MPESA (mobile banking) Institute for One World Health ('orphan' drugs) Cafédirect (Fair Trade)
Disruptive	To change the cognitive frames of reference around markets and issues to alter social systems and structures	Politics (social movements)	Greenpeace (environmental change) BRAC (micro-finance) Tostan (human rights)

Source: Nicholls and Murdock 2012: 4.

2.2 Theoretical Approach

The research on social innovation originates largely from the field, where organisations promoting social innovation and social innovators try to improve the success of social innovations in practice. The European Commission (2013a: 26) states that European research calls have a strong incentive to focus more on the problem than on the theory. Researchers themselves claim that “theoretical development is not a focus” of social innovation research (The European Commission 2013a: 26). Because of this, the field of social innovation still lacks a coherent set of well-developed theories. The little attention researchers across different disciplinary fields pay to theory makes it difficult for an epistemic community to emerge. This greatly hinders the advancement of social innovations as an academic field for research.

Mulgan (2012) strives to advance theory building and describes ten theoretical perspectives on social innovation, which are still mostly in their infancy. Mulgan lists these theories as: theoretical perspectives on social plasticity and change, evolutionary theories, complexity theories, theories from innovation studies, theories of techno-economic paradigm, theories concerned with the ends of innovation, in particular well-being and capabilities and epistemological approaches to social innovation.

For the purpose of this master thesis, the theory which Mulgan (2012: 32) calls “Plasticity and Progress and the Ethic of Social Innovation” is used as a basis. It is employed as an effective lens through which we can understand social innovation. This theory reflects the normative approach this master thesis takes to analyse social innovations, in the sense that they constitute an advancement compared to past solutions of social challenges. Similar to Mulgan, Gillwald (2000: 14) regards this conception of social innovations as a societal advancement inspired by modernisation theory. Reinstaller (2013: 7) points out that these definitions entail a “[w]hig conception of human development” and they “seem to imply that social development is an inevitable progression towards an ever better world, and that social innovation is one of its prime movers”. This notion is especially prevalent in policy and applied literature coming out of the field, such as in literature by the European Commission or the Young Foundation.

As Mulgan (2012: 32ff) discusses, the premise of this theoretical approach “plasticity and progress” is that social innovations are creative and experimental solutions to improve an imperfect world. “They imply a view of society as engaged in its own self-creation (...) and extend the enlightenment belief that the world is malleable, plastic and amenable to reform.” This belief in the potential for change can be considered as a political stance, connecting social innovation to “a deep democratic belief in the virtue of empowering society to shape society”. People constantly innovate and redesign products and productive tasks, “using the smaller variations that are at hand to produce the bigger variations that do not yet exist” (Mulgan 2012: 32ff).

Gillwald (2000: 6) also elaborates on this theoretical approach of social innovation as progress and emphasises the “changing” nature of social innovation. Social innovation can happen in all areas of society, specifically in civil society, the economy and the state. She considers social innovation as a subset of social change and (political) reforms in turn as a subset of social innovation. The modern concept of reform commonly refers to government action and interventions in the societal rules and institutions, such as constitutional reform, educational reform, etc. In that sense, reforms are a subset of social innovation, namely the part that originates in the political-administrative subset. Social change is the entirety of all processes of change in a society, especially its structure, institutions, action context, division of labour, integration and power relations (Gillwald 2000). Whereas social change is a neutral concept and can happen controllably or unintentionally, for the good or for the bad, social innovations are coordinated and purposeful actions targeted at a desired outcome (Gillwald 2000, Cajaiba-Santana 2014). As Nicholls and Murdock (2012: 4) state, “in this sense, social innovation is never neutral but always political and socially constructed”. Thereby, a social innovation necessarily implies social change in the course of its diffusion process. As soon as a (social) innovation has gained widespread acceptance as the normative standard, it no longer carries impetus for change (Falk 2014). It could be argued that a social innovation creates social change, but is not the change itself. According to Ogburn (1937, cited in Gillwald 2000: 7), social innovation is, as a single process, the most important general cause of social change. Furthermore, it is the subset that is explicitly aimed at societal high-flying goals, which seem to promise the development of welfare. Overall, social innovation is viewed as a suitable means to rise to societal challenges.

2.3 Method and Operationalisation

This master thesis conducts three case studies on carsharing, Fair Trade and managing a diverse workforce in an Austrian context. Due to a lack of research on this topic, “detailed narrative descriptions (...) may be more helpful to understanding CSI and building systemic theory than a large-scale yet superficial survey of many companies would be” (Herrera 2015: 1473). Similarly, the European Commission (2013a: 28) advises that research should focus on the institutional (meso) or the individual (micro) levels of analysis and not on the societal level.

The chosen case study approach reflects the early stage of research on social and corporate social innovations, where quantitative data is not available on a large scale. The lack of quantitative data can be traced back to an underdeveloped and unambiguously agreed upon concept of social innovation, as well as a lack of a generally applicable definition of social innovation, as outlined in the next chapter.⁴ Most researchers use slightly different definitions of social innovations and collect data themselves, undertaking mostly qualitative research. The focus on individual cases of social innovations also makes it easier to assess the normative aspects of social innovations of what is “good for society”, as the normative claim still lacks overall operationalisation. Due to this lack of sufficient data and operationalisation, a quantitative analysis of corporate social innovations was not possible.

Thus, after a thorough discussion of the concepts and definitions of social and corporate social innovation, three case studies examine the means and ends of corporate social innovations. As Yin (2002: 13) explains, a case study is an empirical enquiry that “investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident”. The intention of a case study is to learn more about a particular concept from a number of different cases. For the purpose of this thesis, the intention is to learn more about the means and ends of corporate social innovations, and whether they subsequently fit in with the definition of

⁴ In this regard, Oslo-innovations can serve as an example for the scientific development of social innovations: Oslo-innovations only started to be included in questionnaires after their clear definition in the Oslo Manual by the OECD and Eurostat.

social innovations in general. The special focus of means and ends is chosen because they are the main criteria to distinguish between social and “other” innovations.

The cases are analysed using triangulation. As Farquhar (2012: 7) explains, “[t]riangulation is an important concept in case study research because an investigation of the phenomenon from different perspectives provides robust foundations for the findings and supports arguments for its contribution to knowledge.” The research concept of triangulation developed about thirty years ago and was borrowed from navigation and military strategy, where various reference points are used to locate an object (Flick 1992). Denzin (1978: 291) was first to introduce triangulation in qualitative research and broadly defines it as “the combination of methodologies in the study of the same phenomenon”. Investigating units from different positions by using more than one approach should increase the credibility and validity of the results. Denzin suggests four forms of triangulation, forms which are still adhered to today: (1) data triangulation, using data from different times, places or a variety of people; (2) investigator triangulation, using more than one researcher to collect and analyse data; (3) theory triangulation, using different theoretical approaches; and (4) methodological triangulation, using more than one method (e.g. “within-method” or “between methods”) to gather data (Denzin 1978).

In the case study analysis, different sources of information applying different methodologies are used, applying data triangulation and methodological triangulation. The different sources of information should contribute to a higher validity of research findings. Moreover, the use of different sources and methods is necessary on a practical level, as no holistic portrayal of the means and ends of corporate social innovations would otherwise be possible. Case studies and triangulation are applied as methods to grasp and structure the fuzzy concept of corporate social innovations. The case studies still follow an interpretive research approach, where the findings are interpreted using the normative lens of Mulgan (2012). The attempt is to gain an in-depth understanding of the means and ends of the three corporate social innovations carsharing, Fair Trade and managing diversity.

3 Concepts and Definitions of (Corporate) Social Innovations

“Social innovation is a term that almost everyone likes, but nobody is quite sure of what it means.” (Pol and Ville 2009: 881)

Finding a definition for social innovations remains a challenge. Although numerous definitions have been proposed, no definition is universally used. Moreover, various academic disciplines such as sociology, business administration and economics, social work and political science analyse social innovations and use the term in “various and overlapping ways” (Pol and Ville 2009: 876). As no coherent body of research has yet developed, most research papers and projects start anew by conceptualising social innovation. Rüede und Lurtz (2012: 29) maintain that the development of a common understanding is vital for the persistence of social innovations in the academic literature. They “see social innovation as an umbrella construct that after a phase of excitement now faces validity challenges by being at risk of having too many and various meanings for different people”.

3.1 Conventional Definition of Innovation: Oslo Manual

The Oslo Manual, a joint work of OECD and Eurostat, is the conventional concept of innovation. It addresses innovation in competitive firms and provides guidelines for collecting and using data on innovation (Falk 2014). It was first to provide an internationally acknowledged definition of innovation and subsequent surveys are based on its recommendations. The analytic procedure of the Oslo Manual should serve as a model for defining social innovations. First of all, a definition in two steps could be very useful for social innovations, as unifying the different types of social innovation and the different streams of literature could be a difficult task. Secondly, the characteristics of Oslo innovations relating to their novelty and diffusion can be adopted for social innovations.

The Oslo Manual (OECD and Eurostat 2005: 46) broadly defines innovations in firms as follows: “An innovation is the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organizational method in

business practices, workplace organisation or external relations”. Thereafter, the four distinguished types of innovation, product, process, marketing method and organisational method are more narrowly categorised:

- “A product innovation is the introduction of a good or service that is new or significantly improved with respect to its characteristics or intended uses. This includes significant improvements in technical specifications, components and materials, incorporated software, user friendliness or other functional characteristics”.
- “A process innovation is the implementation of a new or significantly improved production or delivery method. This includes significant changes in techniques, equipment and/or software”.
- “A marketing innovation is the implementation of a new marketing method involving significant changes in product design or packaging, product placement, product promotion or pricing”.
- “An organisational innovation is the implementation of a new organizational method in the firm’s business practices, workplace organisation or external relations”.

According to the Oslo Manual, it is sufficient if an innovation is new (or significantly improved) to the firm and can also be adopted from other firms. Moreover, the innovation must have been established by either a product launch on the market or by process, marketing and organisational changes in the firm’s work routine. It can be distinguished between innovations with limited impact and radical or disruptive innovations changing the market structure, for example, creating new markets or driving existing products out of the market. This is similar to the distinction between incremental, institutional and disruptive social innovations proposed by Nicholls and Murdock (2012: 4).

The Oslo Manual does not refer to social innovations. It also does not assess the outcome of the innovation, and so positive impact on firm performance or welfare is not a prerequisite for Oslo innovations. Nevertheless, there is an intersecting set between Oslo innovations and social innovations, namely those occurring in firms, improving overall welfare and changing social structures. In fact, Phillips et al. (2008) argue that social innovations can be Oslo innovations, but that social innovations go a step further: “A social innovation can be a product, production process, or technology (much like

innovation in general), but it can also be a principle, an idea, a piece of legislation, a social movement, an intervention, or some combination of them. Indeed, many of the best recognised social innovations, such as microfinance, are combinations of a number of these elements”.

3.2 Definitions of Social Innovation

Recent literature attempts to find a common understanding of social innovation, for example in Pol and Ville (2009), Rüede and Lurtz (2012), Reinstaller (2013) and Gillwald (2000). While definitions of corporate social innovation are rare the existing definitions of social innovations will be discussed in order to establish a basis for subsequently compiling a definition of corporate social innovation.

Gillwald (2000: 8) highlights the methodological difficulties of operationalising a concept of social innovation. Methodologically, social innovation, reform and social change share the fact that they do not have immediate empirical counterparts. They are theoretical constructs, operationalised by subjective or consensually determined circumstances and are studied on this basis. Social innovations pose an additional problem: Apart from dimensions and indicators, it is necessary to determine thresholds for categorising a change in social practices as a social innovation. Questions arise such as: How much better does an alternative solution have to be, how widespread, how new, how durable, and how high-impact in order to be considered a social innovation? Social innovation research has not yet answered these questions, and Gillwald (2000: 8) proposes using general standards of the diffusion of innovations, so a threshold for the diffusion could be that more than 50% of potential users use the social innovation.

The novelty of social innovation is another important criterion to be determined. While people commonly understand innovation as something “absolutely” new, this is frequently not the case for social innovations. Social innovations are often rediscoveries or reinventions and can be regarded as “relatively” new. The celebrated social innovation of microcredits, for example, often resembles the old idea of cooperative banks and successful social innovations are regularly copied from other countries, companies, etc. Following Barnett (1953: 181), innovations can be understood as “an intimate linkage or fusion of two or more elements that have not been previously joined in just this fashion, so

that the result is a qualitatively distinct whole”. This interpretation renders itself especially applicable for social innovations.

The four Concepts of Pol and Ville

Pol and Ville (2009) distinguish between four different conceptions of social innovation. The first conception sees social innovation more broadly as changes of institutions, namely of “cultural, normative or regulative structures [or classes] of the society which enhance its collective power resources and improve its economic and social performance” (Heiscale 2007: 59). Thereby, regulative, normative and cultural innovation together form social innovations. “Regulative innovations transform explicit regulations and/or the ways they are sanctioned. Normative innovations challenge established value commitments and/or the way the values are specified into legitimate social norms. Finally, cultural innovations challenge the established ways to interpret reality by transforming mental paradigms, cognitive frames and habits of interpretation” (Heiscale 2007: 59). Pol and Ville (2009) criticise the definition for being too broad on the structures as well as too restrictive, as social innovations need to improve both economic and social performance.

The second concept defines social innovations with regard to their social purpose and the improvement of the quality or quantity of life. Social innovations are seen as “innovative activities and services that are motivated by the goal of meeting a social need and that are predominantly developed and diffused through organizations whose primary purposes are social” (Mulgan et al. 2007). Although the authors later specify that business innovations are by contrast motivated by profit maximisation, the concept cannot draw a clear line between social innovation and general business innovation. Pol and Ville (2009: 880) argue that all firms have a social purpose, which includes the generation of profits, and therefore every business innovation would be a social innovation.

The third concept similarly defines social innovations according to their contribution to the “public good” and can be characterised as “new ideas that resolve existing social, cultural, economic and environmental challenges for the benefit of people and planet. A true social innovation is system-changing” (Center for Social Innovation 2008 cited in Pol and Ville 2009: 880). However, it remains unclear what the “public good” or “benefit of people and planet” mean. As Reinstaller (2013: 6) argues, concept two and three in particular “leave it

to the reader to guess what both the ideas and the social problems they should resolve actually are”.

The fourth concept regards social innovation as addressing needs not taken care of by the market. The OECD LEED Forum on Social Innovation (2000, cited in Pol and Ville 2009: 880) specifies: “Social innovation seeks new answers to social problems by: identifying and delivering new services that improve the quality of life of individuals and communities; identifying and implementing new labour market integration processes, new competencies, new jobs, and new forms of participation, as diverse elements that each contribute to improving the position of individuals in the workforce”. Although this definition very much focuses on the labour market, the Forum on Social Innovation clearly separates social and business innovations. They do not overlap, as social innovations only address needs not addressed by the market. As Pol and Ville (2009) argue, this appears to be a needless restriction.

The definitions presented by Pol and Ville (2009) are rather blurred, as they indicate the area of social innovations, but fail to specify what exactly social innovations are. There seems to be a consensus that social innovations should solve social problems and contribute to the good of society. While the scientists seem to imply an inherent understanding of the “good”, these normative assumptions are not discussed.

However, a definition that does not explicitly state its underlying assumptions can never be used to unambiguously determine a social innovation. If different people read these definitions, there will likely be different perceptions of what a social innovation is, based on previous knowledge, perception and cultural background of the individual.

Furthermore, as the different conceptions show, the differentiation of social innovations, business innovations and technical innovations is rather difficult. Many technical innovations, such as the car providing individual transportation and the internet facilitating communication and access to information have solved social problems and changed institutional structures, thereby fulfilling most definitions of social innovation. Concerning the relationship with business innovation, the question of generating profits seems to be the dividing line. However, business innovations not only generate profit, but also benefits to other stakeholders involved such as customers or employees (Pol and Ville 2009: 881).

Seven Concepts of Social Innovation and Their Use

In an extensive review of the literature, Rüede and Lurtz (2012: 7) identify seven different concepts or lines of research of social innovation. In Table 2, the different conceptualisations are depicted by their core characteristics. Social innovation is understood in several ways:

- “...to do something good in/for society” (127 publications)
- “...to change social practices and/or structure” (53 publications)
- “...to contribute to urban and community development” (39 publications)
- “...to reorganize work processes” (28 publications)
- “...to imbue technological innovations with cultural meaning and relevance” (11 publications)
- “...to make changes in the area of social work” (8 publications)
- “...to innovate by means of digital connectivity” (2 publications)

As Rüede and Lurtz (2012) counted 127 out of 268 papers categorising social innovation as “good for society”, this is clearly the dominant understanding of social innovation in academic literature. The guiding question of this approach is “Which innovations are needed for a better society?” Phills et al. (2008: 36) have developed a regularly cited definition for this approach. For them, social innovation is “a novel solution to a social problem that is more effective, efficient, sustainable, or just than existing solutions and for which the value created accrues primarily to society as a whole rather than private individuals” (Phills et al. 2008: 36). This first identified concept of Rüede and Lurtz (2012) bears similarity to the second (“social purpose”) and third (“public good”) conception of Pol and Ville (2009).

The sixth understanding “to make changes in the area of social work” has a normative understanding as well, as it implies a duty for the state to care for its citizens and improve the professional social work. It has a leverage point with the category “addressing needs not taken care of by the market” from Pol and Ville (2009), as it considers social innovations outside of the market and focused on the vulnerable.

The second approach “to change social practices and/or structure” is less used, constituting 53 references. It relates to the first conception (“change of institutions”), questioning “what can we say about changes in how people interact among each other?” By contrast to the first approach (“something good for society”), it is disputed whether social is seen as normatively “positive“ or as taking place in a social context.

Concept three “contributions to urban and community development” shares the satisfaction of human needs with concept one and the changes in social relations and governance with concept two. In addition, it emphasises an increase in socio-political capability (and often stands in contrast to negative effects of neoliberalism, deregulation and privatisation) by mobilising citizens and promoting social cohesion on a local level. Therefore, this approach often favours bottom-up initiatives.

Similarly, concept four “to reorganize work processes” relates to a change in social structures and, depending on the perspective, to a normative understanding of social. Efficiency goals are one driver of these innovations. Ruede and Lurtz (2012) debated whether to include this concept in a subcategory of the second understanding, but decided against it as there are different actors involved and the discourse is rooted in a different scientific community (applied HR experts vs. general sociologists). A guiding question for this approach is “what else can we say about innovations within organizations if we leave out technological innovations?” For Pot and Vaas (2008: 468), social innovation “includes such things as dynamic management, flexible organisation, working smarter, development of skills and competences, networking between organisations. [...] it includes also the modernisation of industrial relations and human resource management”. Therefore, it is a broader concept than organisational innovation.

Concept five and seven see social innovation as consequence of technological or digital innovation and not as independent forms of innovations. Thereby, the induced changes are regarded as value-neutral. However, with a limited number of articles, these understandings are on the margin of the academic debate.

Table 2: Overview Categorisation of Literature on Social Innovations

Name of category	To do something good in/for society	To change social practices and/or structure	To contribute to urban and community development	To reorganize work processes
Typical guiding question	Which innovations are needed for a better society?	What can we say about changes in how people interact among each other?	How can we approach development at a community level when we put human needs and not business needs first?	What else can we say about innovations within organizations if we leave out technological innovations?
Central literature	Mulgan et al. (2007) Phills et al. (2008) Dawson and Daniel (2010) Social Innovation eXchange (SIX) and Young Foundation (2010)	Howaldt and Schwarz (2010) Zapf (1991) Simms (2006)	Moulaert et al. (2005) Moulaert (2010)	Holt (1971) Pot and Vaas (2008)
Sample definition	Social innovation is “a novel solution to a social problem that is more effective, efficient, sustainable, or just than existing solutions and for which the value created accrues primarily to society as a whole rather than private individuals” (Phills et al., 2008: 36).	“A social innovation is new combination and/or new configuration of social practices in certain areas of action or social contexts prompted by certain actors or constellations of actors in an intentional targeted manner with the goal of better satisfying or answering needs and problems than is possible on the basis of established practices.” (Howaldt and Schwarz, 2010: 16)	“Social innovation is about the satisfaction of basic needs and changes in social relations within empowering social processes; it is about people and organisations who are affected by deprivation or lack of quality in daily life and services, who are disempowered by lack of rights or authoritative decision-making, and who are involved in agencies and movements favouring social innovation” (Moulaert, 2010: 10).	“Social Innovation in the Dutch definition is a broader concept than organisational innovation. It includes such things as dynamic management, flexible organisation, working smarter, development of skills and competences, networking between organisations. [...] it includes also the modernisation of industrial relations and human resource management” (Pot and Vaas, 2008: 468).
Example	microcredits	non-married living community	participatory budgeting	project organization
Major focus	human well-being in societies	social practices	human-centered community development	work organization
Practical relevance for	Actors interested in promoting social well-being	Sociologists	urban developer (public representative, local civil society)	Human Resource Management
Number of articles in this category*	127	53	39	28
Normative understanding of "social"?	yes	under discussion / disputed	yes	depending on perspective
Is a change of the power structure in society intended?	empowerment as often inherent	neutral	empowerment as essential part	depending (restricted to work environment)
Relation to profit-seeking innovations	possible, but not focus	can be cause or consequence	none	efficiency goals as one driver of innovations
Relation to technological innovation	possible	can be cause or consequence	none	possible

Name of category	To imbue technological innovations with cultural meaning and relevance	To make changes in the area of social work	To innovate by means of digital connectivity
Typical guiding question	What else is needed for a technological innovation to become a successful innovation?	How can we improve the professional social work provision in order to better reach the goals of social work?	What possibilities to innovate do we have in a world where people are digitally connected in social networks?
Central literature	Cova and Svanfeldt (1993)	Maelicke (1987)	Shih (2009) Azua (2010)
Sample definition	“A societal innovation should be understood as the process by which new meanings are introduced into the social system” (Cova and Svanfeldt, 1993).	Social innovation is “the guided change process, preferably supported by all involved and affected human beings that creates significant change in existing action structures and conditions in the social system based on ethical value judgements, contents and programs” (Maelicke, 1987: 12).	no explicit definition provided
Example	adapting a technological invention to cultural context	street worker (social worker)	crowdsourcing
Major focus	non-technological aspects of innovation	social work provision	innovations in a digital world setting
Practical relevance for	persons in charge of business innovations	social work professionals	persons involving the social digital world in their business innovation process
Number of articles in this category*	11	8	2
Normative understanding of "social"?	no	yes	no
Is a change of the power structure in society intended?	not relevant	not relevant	not relevant
Relation to profit-seeking innovations	normally yes	efficiency goals as one driver	normally yes
Relation to technological innovation	connected	possible	connected

Source: Rüede and Lurtz 2012: 9

Excursus: Various Definitions used by the European Commission

The various definitions used just by the European Commission illustrate the problem of finding the one definition. As the main driver and funder of research on social innovation in Europe, the European Commission could lead by example and propose one definition, similar to the process of OECD and Eurostat in the Oslo Manual. Although the used definitions of the European Commission centre around category one of Pol and Ville (2009), “to do something good in/for society”, they slightly differ, as will be illustrated subsequently.

On its homepage, the European Commission (2014a) applies the following definition of social innovations: “Social innovations are new ideas (products, services and models) that simultaneously meet social needs (more effectively than alternatives) and create new social relationships or collaborations”. It extends this definition by pointing out that “[t]hese solutions are both social in their ends and in their means. They can take the form of genuine innovations or of improved solutions. In some parts of Europe, the term "social innovation" refers to what the European Commission calls “workplace innovation”.

By contrast to the definition above, in other EU publications, social innovations need to address “pressing” unmet needs⁵ (European Commission 2010: 9) or “pressing social demands” (European Commission 2013b). Furthermore, the European Commission (2013b) finds social innovations⁶ to be “not only good for society but also enhance individuals’ capacity to act”, whereas the European Commission (2014b) substitutes individuals by highlighting “society’s capacity to act”.

BEPA (2011: 43) chooses yet another approach to define social innovations in two steps. As a process, social innovation “relates to the development of new forms of organisation and

⁵ Social innovation is defined to be “about new ideas that work to address pressing unmet needs. We simply describe it as innovations that are both social in their ends and in their means. Social innovations are new ideas (products, services and models) that simultaneously meet social needs (more effectively than alternatives) and create new social relationships or collaborations” (European Commission 2010: 9).

⁶ “Social innovation can be defined as the development and implementation of new ideas (products, services and models) to meet social needs and create new social relationships or collaborations. It represents new responses to pressing social demands, which affect the process of social interactions. It is aimed at improving human well-being. Social innovations are innovations that are social in both their ends and their means. They are innovations that are not only good for society but also enhance individuals’ capacity to act” (European Commission 2013b: 6).

interactions to respond to social issues”. It strives to address one of three possible outcome dimensions: (1) “Social demands that are traditionally not addressed by the market or existing institutions and are directed towards vulnerable groups in society” or (2) “Societal challenges in which the boundary between ‘social’ and ‘economic’ blurs, and which are directed towards society as a whole” or (3) “The need to reform society in the direction of a more participative arena where empowerment and learning are sources and outcomes of well-being”. The strategy to define social innovations in two steps seems to be very adept, as it can better encompass the many lines of research on social innovations.

3.3 Normative Understanding of Social Innovation

One of the defining characteristics of social innovation, separating it from other forms of innovation such as Oslo innovations, is the claim to be “good for society”, “enhance society’s capacity to act” or to solve “pressing social demands”. Although many definitions and literature convey a normative understanding of social innovations, the relevance and implications of these assumptions are rarely discussed.

The claim of a societal advancement of social innovation is especially necessary for actors who want to advance their projects of social innovation and attract funding. It gives their cause and project a legitimation. Value-neutrality of the concept is sometimes found in sociological literature addressing the changes in social practices. However, without its normative underpinnings, social innovation could not be distinguished from social change. Thus, the concept of social innovation would become obsolete. Following Gillwald (2000), social change is the entirety of all processes of change in a society, especially in its structure, institutions, action context, division of labour, integration and power relations. The normative claim to be good for society in a target-oriented way differentiates social innovations from social change, which can happen in a disorganised way and worsen the living circumstances of people (e.g. slavery).⁷ Therefore, the claim of normativity must be

⁷ Similarly, Gillwald (2000: 17f) highlights the often difficult double-edged aspect of social innovations. Ogburn, one of the nesters of social innovation, included the Ku-Klux-Klan in a list of “social inventions” (Zapf 1989 cited in Gillwald 2000). As a terrorist secret society, it was founded in 1865 by white farmers in the US South and committed violent crimes against people of colour and their supporters. Other examples include money laundering, brainwashing or “refined” methods of warfare. However, these examples can be freely termed as social changes and not innovations, as they lack a normative requirement of a greater common good.

an integral part of the concept of social innovation. It helps us to scientifically analyse and to practically create target-oriented social innovations. While social change constantly happens, it can be seen as advantageous to steer social change in the form of social innovation as advancement of the society. Of course, the very difficult question of how to judge what a social advancement or social value is remains. Some “acknowledged” social innovations are still double-edged, as Reinstaller (2013: 23f) argues. He points out that the “rhetoric” of the (implicit) positive impact of social innovation “is somewhat detached from evidence”. Besides, nearly every change causes people to lose as well as win, based on inevitable readjustments. Each social innovation would require a trade-off between social gains and losses (Reinstaller 2013). In conclusion, social advancement and social value are difficult to assess and subjectively depend on our culture and value system, which is why social innovations likely vary over time, people, places and situations.

Reinstaller (2013: 24) recommends assessing how social innovation “affects the achievements and opportunities of individuals and as a consequence their well-being”. To do so, Reinstaller suggests the objective well-being approach, which was pioneered by Sen (1985, cited in Reinstaller 2013: 26) and promotes the fulfilment of human potential. “Functionings” represent the preferences of a person, things that she appreciates “doing or being”. “Capabilities” represent combinations of functionings that are viable for a person to do or be based on her income and freedom of opportunities.⁸ These functionings can be written as vectors, aggregated in a set of “capabilities”. While the vectors of functionings denote the actual fulfilment of a person, the capability set shows the freedom a person has to realise different lifestyles. Sen (1999: 38 cited in Reinstaller 2013: 26) refers to instrumental freedoms, consisting of political freedoms, economic potentials, social opportunities, transparency guarantees and protective security. The capabilities are essentially expanded by the social means of social innovation over time, as the means soften institutional norms and create new opportunities.

In order to assess the ends of social innovation, these capabilities need to be measured against a generally valid representation of a good life, on which there is broad agreement

⁸ As an example, person A, who is poor and cannot afford higher education, starts working at the age of 16. Their functioning vector and capability matrix both include only “work”. In contrast, person B, who is rich, could afford higher education, but chooses to work instead. Their functioning vector is “work”, whereas their capability vector includes both “work” and “higher education”.

from science and society. The OECD (2015) compiled a Better Life Index, which “captures aspects of life that matter to people and that shape the quality of their lives”. The eleven indicators include: (1) Housing (rooms per person and dwellings with basic facilities, housing expenditure); (2) Jobs (employment rate, long-term unemployment rate, job security); (3) Education (years in education, educational attainment, students’ skills); (4) Civic Engagement (voter turnout, consultation on rule-making); (5) Life Satisfaction (6) Work-Life Balance (employees working long hours, time devoted to leisure and personal care); (7) Income (household net-adjusted disposable income and household financial wealth); (8) Community (social support network); (9) Environment (air pollution, water quality); (10) Health (life expectancy, self-reported health); (11) Safety (assault rate, homicide rate). The OECD regularly adapts and improves the proposed indicators according to new developments in this recent field of study (OECD 2015).

3.4 Definition of Social Innovation in this Thesis

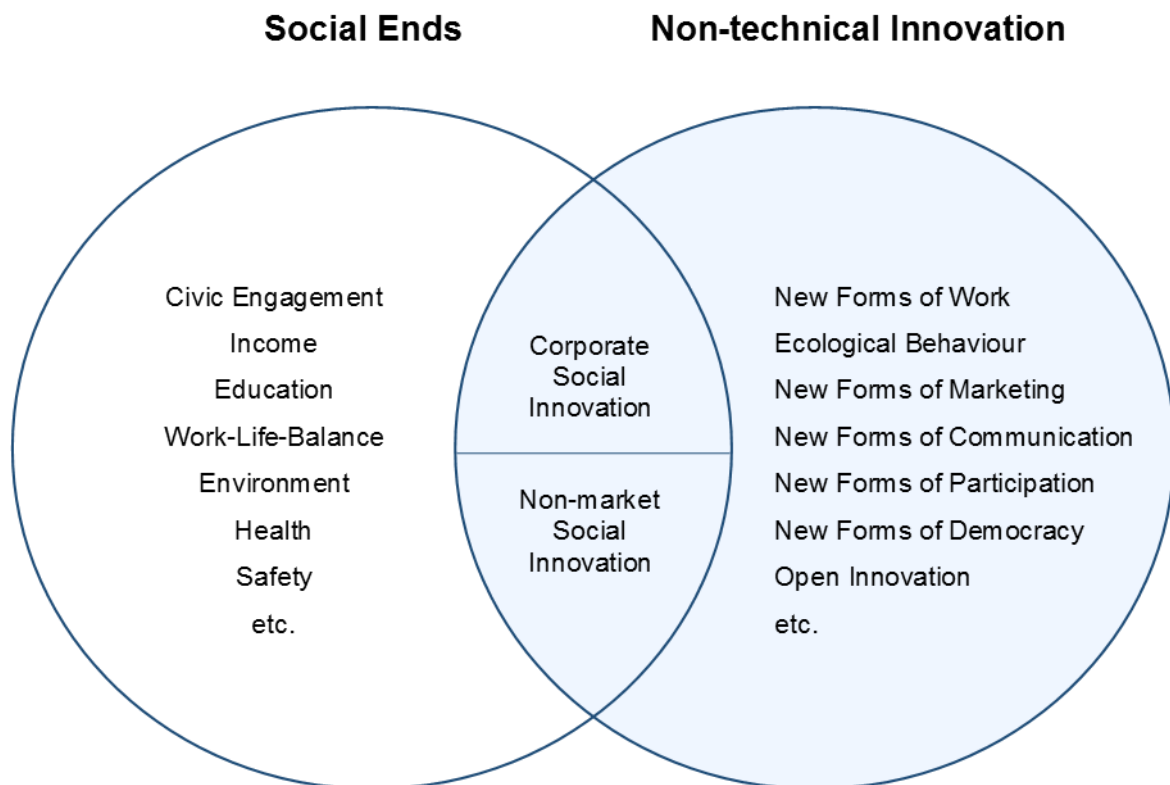
As the discussion of the literature has shown, many different concepts and understandings of social innovation persist in the material on this topic. The lack of a consistent definition is a major impediment for the scientific analysis of social innovation. Without one definition, everyone may understand social innovation differently and it cannot be analysed on a common ground. Many researchers spend their time defining social innovations anew for their research projects, which is time that could most likely be used more productively by measuring social innovation and its outcome.

Social innovations should be defined in two steps, similar to Oslo innovations. First, a general definition should be made to encompass all areas of social innovation. Second, more specific and contextual definitions of social innovations should be introduced based on the particular field, such as health care, government or the workplace. This offers the advantage that first, by the general definition, the concept of social innovation can be discussed in a way that includes all possible social innovations. Furthermore a contextual definition can account for the specific characteristics of the area in which the social innovation takes place, making the definition more precise and limiting the scope for misuse of a nonspecific definition. One single definition could never achieve this on its own, given the many different contexts of social innovations. It would either be too broad

and lose its defining value or too narrow and exclude certain parts of social innovations. This could be a reason why many papers want to come up with their own definition of social innovation according to their specific research needs or adapt a definition from others which already established.

Common key characteristics of social innovations have emerged in the review of existing literature. On the one hand, social innovations are good for society (“category one”), and on the other hand, they change social practices and structures (“category two”). In order to introduce a more clear-cut definition based on the theoretical normative underpinning outlined in chapter two, the thesis suggests combining these two defining characteristics. Social innovations are determined by their social means and social ends. The means of social innovations change human behaviour and create new social relationships, structures or collaborations, thereby enhancing individuals’ capabilities. The normative claim of social innovation sets it apart from social change and all other types of innovations. The social ends of social innovations attempt to improve collective welfare, in some way be better than existing solutions, e.g. more effective, efficient, sustainable or just. Other understandings of social innovations (e.g. regarding urban and community development) should be tested against the two key criteria of ends and means and subsequently receive a sub-definition. Figure 1 illustrates the definition of social innovations chosen in this thesis. Social innovations are shown as intersection between social ends, which are based on the OECD Better Life Index, and non-technical innovations using social means.

Figure 1: The Definition of Social Innovation Chosen (in a Nutshell)



Source: Ulinski 2015, relying on OECD (2015) Better Life Index for social ends

Moreover, a social innovation is not only an idea (=invention), but also must be implemented and applied by the people in question. A social innovation is likely to be relatively and not absolutely new. Relative newness includes rediscoveries and reinventions or new combinations of existing elements. The innovation must be new to the unit adopting it, e.g. a firm, a sector or a region. Drawing on the literature, social innovations are defined in this thesis as follows:

A social innovation is the implementation of a novel solution that simultaneously addresses social challenges and creates new or improved social relationships, structures or collaborations. Social innovations are both social in their ends and their means. They are innovations that are not only good for society but also enhance individuals' capabilities and capacity to act.

3.5 Definition of Corporate Social Innovation

As with social innovations, no universally acknowledged concept or definition of corporate social innovations has emerged (Googins 2013a, Jupp 2002). Kanter was first to use the term “corporate social innovation” in the Harvard Business Review in 1999. She states that companies moving to corporate social innovation “view community needs as opportunities to develop ideas and demonstrate business technologies, to find and serve new markets, and to solve long-standing business problems”. While Kanter focuses more on the business side, Jupp (2002) discusses the solution of social problems. Jupp (2002: 24) defines corporate social innovation as follows: “It involves companies using their organisational, financial and human resources to produce effective, innovative responses to intractable social problems in ways that allow the solutions to be taken up and spread more widely”. Mirvis and Googins (2012 cited in Googins 2013a: 93) maintain that corporate social innovations are at the core of the business, happen across sectors and solve social, economic and environmental issues. They describe corporate social innovation as “a strategy that combines the unique set of corporate assets (entrepreneurial skills, innovation capacities, managerial acumen, ability to scale, etc.) in collaboration with the assets of other sectors to co-create breakthrough solutions to complex social, economic, and environmental issues that impact the sustainability of both business and society”. KPMG et al. (2014) discuss the game-changing nature of social innovations, writing “Simply put, corporate social innovation is about fuelling breakthrough changes in how businesses operate so that they can achieve social and environmental value creation alongside financial profit”.

As the European Commission (2014a) points out, social innovations that improve the workplace for employees are often termed “workplace innovations”. These workplace innovations are organisational and process innovations. They can be defined as follows (Dortmund/Brussels Position Paper 2012): “Workplace Innovation is defined as a social process which shapes work organisation and working life, combining their human, organisational and technological dimensions. Examples include participative job design, self-organised teams, continuous improvement, high involvement innovation and employee involvement in corporate decision-making. Such interventions are highly participatory, integrating the knowledge, experience and creativity of management and employees at all

levels of the organisation in a process of co-creation and co-design. This simultaneously results in improved organisational performance and enhanced quality of working life”.

Based on the above definitions and the findings of the subsequent case studies, a “corporate” social innovation must fulfil the following criteria in addition to its social means and ends: (1) It must be adopted in a business enterprise, which sells goods and services in exchange for money; (2) It uses market forces to achieve impact. It can either serve external stakeholders via a market transaction, or benefit employees as a workplace innovation; (3) It is part of the business strategy, advanced by functional business units (e.g. marketing, research and development, human resources) and it changes how businesses operate; (4) It adds to business value (e.g. financial profits, new markets or more efficient employees).

The intention of the company at implementation and whether a company chooses to distribute profits or to reinvest them in the community are two factors that are not relevant for categorisation as a corporate social innovation. It is likely that some of the most beneficial corporate social innovations, such as mobile banking, have been done out of a profit motif only. Moreover, the reason behind the development of a corporate social innovation is not open to scrutiny, as a firm can always claim societal welfare endeavours. The decision regarding what to do with profits is a private one, should rest solely with company owners and should not affect the definition of corporate social innovation.

As previously stated, corporate social innovations should be defined in two steps. First, they should fulfil the general criteria of social innovations and second, a business focus should be applied. Based on the preceding definitions of social and corporate social innovations, corporate social innovations are defined in this thesis as follows:

A corporate social innovation uses the unique set of corporate assets (entrepreneurial skills, innovation capacities, managerial acumen, ability to scale, etc.) to implement a novel solution addressing social challenges and thereby creating new or improved social relationships, structures or collaborations. It is both social in its ends and its means. A corporate social innovation changes how businesses operate so that they can achieve social and environmental value creation alongside business value.

Excursus: Relationship of CSR and Corporate Social Innovation

The aspiration for a social commitment of companies is also found in the concept of corporate social responsibility (CSR). CSR can be described as “[a]n organization’s obligation to maximize its positive impact and minimize its negative effects in being a contributing member to society, with concern for society’s long run needs and wants. CSR means being a good steward of society’s economic and human resources” (Journal of Consumer Marketing 2001 cited in Lantos 2001: 600).

However, as Jupp (2002: 9ff) describes, CSR has too often become an adjunct of the marketing department. The contribution of CSR to a company’s reputation is considered more important than the impact on society, reflecting “shallow and fragmented” measures of CSR. Likewise, firms are not prepared to invest in CSR, as Jupp gives in this example: The 100 biggest firms in the United Kingdom only allocated 0.4% of their pre-tax profits to CSR. Thus, corporate social innovation constitutes an advancement compared to CSR. By comparison, corporate social innovations use the core skill of a company – innovation – and merge it with social responsibility, committing to a sustainable business strategy. Therefore, social innovations have especially made an impact at the local level, applying effective problem-solving skills to daily needs. Googins (2013b: 17) summarises the main differences between traditional CSR, which is similar to altruistic/philanthropic CSR, and corporate social innovation (Table 3). They differ in their means as well as in their ends.

Table 3: Difference between CSR and Corporate Social Innovation

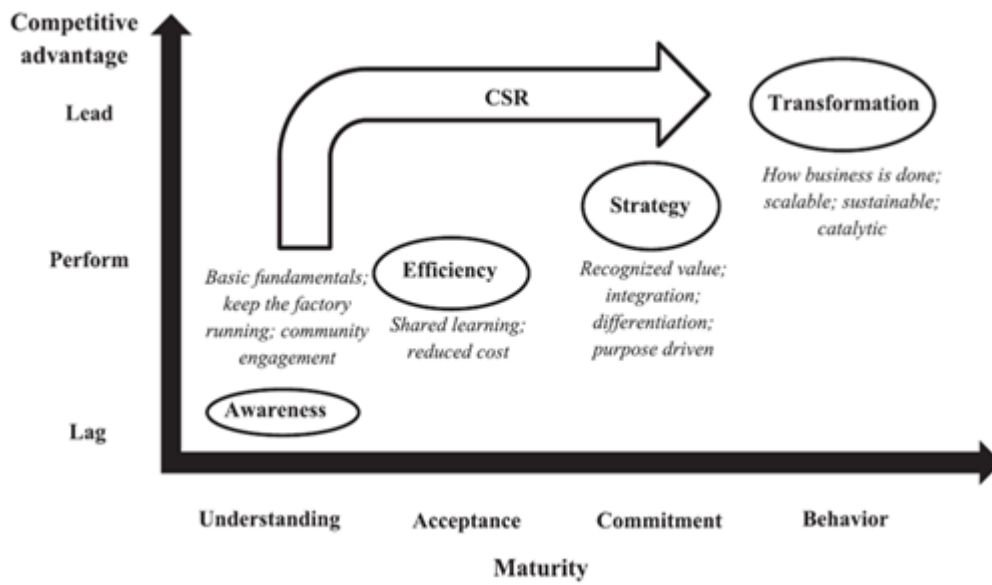
What makes CSI different?	
Traditional CSR	Corporate Social Innovation
Philanthropic Intent	Strategic Intent
Money, Manpower	R&D, Corporate Assets
Employee Volunteerism	Employee Development
Contracted Service Providers	NGO/Government Partners
Social and Eco-Services	Social and Eco-Innovations
Social Good	Sustainable Social Change

Source: Googins 2013b: 17.

Lantos (2001) argues that much of the controversy over the meaningfulness and impact of CSR is the result of a failure to distinguish between the different types of CSR and their role in business and society. Therefore, Lantos (2001) differentiates between ethical, altruistic, and strategic forms of CSR. Altruistic/philanthropic CSR means doing good regardless of the impact on the business, which is not a motif. Thus, it poses a target conflict with companies' goals of profit-maximisation. Lantos argues that philanthropic CSR is not legitimate for business. By contrast, ethical CSR is morally mandatory and is an obligation of businesses to all stakeholders. Ethical CSR means preventing or at least minimising harm for stakeholders that could arise in the course of business operations, such as the exploitation of natural or human resources. This ethical and moral responsibility of a company must be upheld, even if it is at the expense of company profits. Ethical and moral implications override the self-interest of shareholders. Examples include the safety of products and pollution control. Strategic CSR is based on strategic business goals and is considered to be good for the business and for society. It is philanthropy combined with financial interests of the company. Lantos (2001) maintains that while strategic CSR means short-run sacrifices, it usually leads to long-run financial return. Gains can also result from a positive relationship with customers, government regulators and consumers. Corporate social innovations, as described in the business literature, can be considered a subset of strategic CSR.

Herrera (2015) also seems to imply that corporate social innovations are a part of (strategic) CSR. Figure 2 shows the development from general CSR to social innovation. According to the concept and definition proposed in Chapter Three, the transformation of behaviour is crucial for an innovation and CSR practice to be categorised as social (Herrera 2015).

Figure 2: Development from CSR to Corporate Social Innovation



Source: Jacobson 2013, cited in Herrera 2015: 1472.

4 Case studies of Corporate Social Innovation

In this chapter, three case studies on carsharing, diversity management and Fair Trade will be discussed. The objective of the case studies is to test, illustrate and compare the theoretical predictions, the definition of corporate social innovation and the current literature's arguments. The case studies use both qualitative and quantitative information, by means of triangulation, which is outlined in Chapter 2.

The case study design proposed by Yin (2002: 21) was employed. The case study analysis asks about the means and ends of corporate social innovation, and whether they subsequently fit in the definition of social innovations. The special focus of means and ends was chosen because they are the main criteria to distinguish between social and "other" innovations. The propositions follow the literature on (corporate) social innovation. Social innovations are "social both in their ends and their means". Furthermore, the literature considers corporate social innovation to be beneficial both for business and society. The units of analysis are the corporate social innovations of carsharing, Fair Trade and diversity management. The cases were not only selected as key cases for their wide diffusion and data and information availability, but also chosen as maximum variation cases for their heterogeneity, portraying a comprehensive picture of the variety of corporate social innovations. The studied dimensions of means and ends are likely to illustrate various mechanisms and results of corporate social innovations. . Carsharing and Fair Trade represent corporate social innovations targeted at customers, whereas diversity management focuses on workplace innovation among the employees. All three corporate social innovations are institutional. While carsharing and Fair Trade attempt to reconfigure market structures, diversity management strives to create new social patterns and values inside a company. Carsharing can be categorised as new service, Fair Trade as new market and diversity management as organisational innovation.

The case studies are structured in four parts. First, the starting situation and the underlying problems are explained. Second, the answer to these social challenges, the corporate social innovation, is introduced. Third, the social means of the innovation, the process how the corporate social innovation works, is studied. Finally, the social ends and the results of the corporate social innovation are examined. As part of the case studies, it is discussed

whether or not the findings correspond with the arguments in the existing literature. The findings are then interpreted based on the normative approach “plasticity and progress” by Mulgan (2012), as outlined in Chapter Two, using the epistemological perspective of interpretivism. As deciding what represents an advancement of society can sometimes depend on the researcher, the findings are interpreted based on the theoretical approach of this master thesis. This qualitative assessment of the findings should be able to answer the research questions. The social ends and results of corporate social innovations will be structured in three categories: First, the effects on society and individuals, second, the effects on the natural environment and third, the effects on business. The advancement of society can be linked to the capability approach and the fulfilment of Beyond GDP goals, as outlined in Chapter Three.

4.1 Carsharing

Starting Situation

Around the globe, the need for mobility is an important topic. We need mobility to get to work, to fulfil daily tasks (shopping, doctor’s appointments, etc.) and for leisure time activities. As a result, as well as due to a rise in income, car ownership has been constantly increasing since the introduction of the automobile. Compared to 1960, when about 500,000 cars were owned in Austria, 4.69 million cars were registered in Austria in 2015. This represents a share of 72.6% of all vehicles and a 1.2% increase compared to the previous year 2014 (Statistik Austria 2015).

This increasing mobility in form of private car-ownership comes at high costs and poses a challenge for transport policy. Car driving not only increases CO₂ emissions, which add to global warming, but also is the main source of fine dust pollution hazardous to health. Fine dust can cause lung damage, cancer and heart attack and can harm the development of children’s organs. Diesel-powered cars without particle filter especially pollute the air (Verkehrsclub Österreich 2015). Moreover, due to their high number, cars require a lot of public space for parking and cause traffic congestions (Czermak and Rauh 1997). The sheer number of cars also causes a depletion of resources. As Czermak and Rauh (1997: 17) explain, the production process of a car requires about 30,000 kWh of energy, which is about 20% of the total energy a car consumes during its lifetime. Furthermore, a car poses

a high cost for its owner. In a study, the ÖAMTC calculated the monthly costs, including average expenses, for more than 8,000 car types available in Austria, and found a price range between €274 and €4,064 per month (Autorevue 2013).

Corporate Social Innovation: Carsharing

Quevedo Aneiros (2013: 21) defines carsharing as a “convenient transportation service, provided by the short-term rent of a shared vehicle that fulfils the gaps of the city’s transportation spectrum (i.e. public transport and non-motorised modes) to make the urban mobility flow quicker, easier, affordable and flexible”.

As a response to the aforementioned problems, private persons started initiatives to share cars instead of buying one individually. These small private initiatives date back as far as 1948, and pioneer organisations for large scale carsharing, such as Mobility CarSharing Switzerland and StattAuto Berlin emerged in the 1980s (Quevedo Aneiros 2013: 22).

Generally, there are four different kinds of carsharing. First, through private carsharing, private persons offer their vehicle either to friends or neighbours or offer it at different platforms to people unknown to them. Second, traditional carsharing provides cars at fixed parking stations, where they have to be returned. Cars can be hired in advance. Third, free-floating carsharing allows for flexibility. Cars can be found at many parking spaces in the city, used to drive to the destination, and left again at any public parking space. Fourth are rental car companies, which offer a large choice of different brands and models. Cars can be borrowed and returned at company venues, but they usually need to be rented for a whole day (Verkehrsclub Deutschland 2015). Private carsharing arrangements tend to be non-profit, while company based carsharing is mostly for profit.

This case study focuses on free-floating carsharing, which is the newest form of carsharing. The company car2go is used as an example to explain the business model of free-floating carsharing. Car2go is the largest free-floating operator in Europe and currently has more than 70,000 customers and 800 cars in Vienna (ORF 2014). Car2go is available in 29 cities across Europe and North America and owns over 13,000 cars. Around 1,300 cars of its fleet are electric cars (Daimler 2015). Car2go was started in 2008 in Ulm and is owned by the automobile producer Daimler. In cooperation with the rental car company Europcar, the company car2go Europe was founded in 2011 and is mutually

owned by Daimler (75%) and Europcar (25%) (Daimler 2011). Car2go only offers one car brand, the Smart, which is produced by Daimler (car2go 2015; Quevedo Aneiros 2013).

Using car2go works like this: After registering with car2go and validating a driving license at the cost of €19, the user downloads an app. With this app, the user can find the nearest car belonging to car2go, reserve the car, open the car and drive to the destination. The user pays €0.31 per minute driving and €14.90 per hour. If the car is not moving, the minute costs €0.19. This price also includes fuel and insurance. The car is regularly refuelled by the service team. However, if the car needs to be refuelled, the user is granted 10 additional cost-free minutes to drive the car. The fuel is paid for by car2go.

Means of Carsharing

Often, private cars are not used by their owners, but are simply taking up a parking space. The Verkehrsclub Österreich points out that an average private car in Vienna is only used for one hour a day and is sitting in a parking space for the remaining 23 hours. Moreover, in Vienna alone, residents own more than 80,000 second cars, which on average have a mileage of 7,400 kilometres per year (ORF 2014; Autorevue 2013). Carsharing uses this potential of unused resources and increases the utilisation ratio of cars.

The social innovation in this case is separating the ability to use a car from the necessity of owning a car. It challenges the organisational form of ownership in individualised transport (Petersen 1995: 94). Consequently, as Franke (2001: 19) points out, carsharing is an inherently social innovation, as the technical aspect, the car, remains unchanged. This innovation builds on a change of social practices, changing from owning something to using something. Moreover, carsharing offers equality for all members, as everyone has the same access to cars. When previously people could be classified as car owners and non-owners, carsharing introduces just one class of car-sharers (Petersen 1995: 93; 186).

Carsharing should also increase the utilisation ratio of public transport, as it fills the gaps in transportation for situations when using public transport is not a viable option. Thus, carsharing and public transport are meant to complement each other, and access to public transport is a precondition for participating in carsharing (Franke 2001). Petersen (1995: 94) points out that the complementarity of carsharing to public transport is also based on the different cost structures. While public transport has high time-fixed costs based on

commutation tickets and seasonal tickets, and thus often zero marginal costs, carsharing has high usage-dependent costs. High fixed costs of maintaining a car are changed into variable costs each time using the car. Carsharing changes the incentives for car users to drive less.

In addition to offering approximately 10% of electric cars in its fleet, car2go introduced the “ecoscore” in its car to motivate users to drive eco-friendly. Depending on acceleration, way of driving and roll out, a score between 0-100 is determined. In order to illustrate the score, the display shows three trees that are either growing or shrinking (Car2go 2015).

Ends of Carsharing

Results for Society and Individuals

Individuals benefit from carsharing by reducing their expenses for transportation and receiving easier access to parking. As Shaheen and Cohen (2007) explain, the three common drivers of membership growth of carsharing companies are cost savings to participants, the convenience of car locations and use and guaranteed parking. Society in general benefits from the environmental results described in the next section and from more available public space in the city.

Carsharing is financially beneficial for people who do not drive much and do not require long parking times for vehicles, for example if they drive to and from work daily. There are different break-even points in the literature, discussing up to which occupancy levels sharing a car is cheaper than owning one. This difference is caused by the cost structure of carsharing, where no fixed costs occur. Czermak and Rauh (1997: 8) estimate that on average about two thirds of the costs of car use are fixed costs. The extent of cost saving depends on the costs of one’s car (acquisition cost, maintenance, insurance, taxes, cost of parking, fuel efficiency, etc.), on the driven kilometres per year and on the rates of the carsharing company used. As a rule of thumb, it saves money to use carsharing if someone drives less than 10,000 kilometres per year (Franke 2001: 17). For example, if someone drives 5,000 kilometres a year and switches from a Hyundai i30 to carsharing, she saves €1,700 a year, and if she switches from a Renault Megane Grandtour to carsharing, she saves as much as €2,100 a year (Autorevue 2013).

Convenience is also an advantage of carsharing. First, carsharing users are not forced to invest their leisure time in the maintenance and formalities of the car, which includes tasks such as tyre change, car care and insurance coverage. As cars in the fleet are usually better maintained, the risk of accidents is also reduced (Czermak and Rauh 1997). Moreover, depending on the carsharing company, members can choose a car type according to their needs. If they are a single person driving, they can choose a small city car, and if they need to transport something, they can choose a larger estate car.

Carsharing makes it easier to find a parking space, as the cars are usually smaller and many companies provide designated parking spaces for their members. Shaheen and Cohen (2007) point out that parking is a form of nonmonetary support for carsharing worldwide. Except for Austria, France, Spain and two Asian countries, 10 of the 15 studied western countries provide free and reduced on-street parking for car sharing fleets.

Carsharing also frees up space in the city. As carsharing incentivises people to drive less, it reduces the number of cars on the streets and thus reduces traffic congestion. Moreover, the number of cars owned in cities can be significantly reduced, freeing parking space for the planting of trees or for pedestrian zones.

Despite the advantages of carsharing, it might not be an option for everyone. Carsharing is not cost effective for people who require a car daily and who do not also use other forms of transportation in order to avoid long sitting times of the vehicle. Flexibility is required, as car sharing poses the risk that a car might not be available in close proximity for hire if it has not already been reserved. Moreover, it is not possible to keep personal belongings in the car. This is especially a disadvantage for families, as children's car seats are not normally provided in the car (Czermak and Rauh 1997: 12).

Last but not least, carsharing offers access to cars for people who cannot afford their own car. It can increase perceived equality, as the importance of car ownership as a status symbol can decrease in the long run. If everyone with a driving licence has access to a car, there is no longer the advantage of car ownership.

Environmental Results

Carsharing generally carries two eco-political objectives, the first being a reduction of the number of cars, as residents either sell their (second) cars, do not replace old cars or do not buy new ones. The second objective is a reduction of overall kilometres driven and subsequently a reduction of CO₂ emissions. Members of carsharing reduce their car use due to a change in the incentive structure, which offsets the increase in car use of formerly carless members. As they no longer face high fixed costs but variable costs instead, they can substantially reduce their transportation expenses by driving less. Moreover, as they directly notice the costs of each carsharing drive, they become more cost aware and drive less. Thus, they are more rational about their transportation use and use fewer cars and more public transport, and also bike and walk more frequently. Moreover, a reduction of CO₂ emission can also be achieved if cars used for carsharing are more fuel-efficient than the average car (Petersen 1995: 185; Czermak and Rauh 1997).

Martin et al. (2010) studied the impact of carsharing on household vehicle ownership across North America. They surveyed more than 6,000 carsharing members. The results show that the average number of vehicles per household in the sample is significantly reduced from 0.47 to 0.24. Aggregated, the analysis indicates that carsharing has reduced the number of cars by 90,000-130,000 cars in North America. One carsharing vehicle can substitute between 9 and 13 household cars. Moreover, carsharing vehicles are usually more fuel-efficient than the normal household car, so about 10 mi/gal (3.5 litre per 100 kilometres) of fuel can be saved. On average, vehicles that are substituted by carsharing are driven 13,000 km per year (Martin et al. 2010).

By comparison, in a study of Stattauto in Berlin, Petersen (1995: 193) calculated that for one added car to the carsharing organisation Stattauto, 3.9 private cars are eliminated. Moreover, before joining Stattauto, members were driving an average of 8,678 kilometres per year, but afterwards only 4,090 kilometres a year. Car rides to and from work especially decline, as cars need to simply stay parked there. Hence, carsharing unburdens rush hour traffic, as cars are then predominantly used for leisure time when flexibility is needed as well as for transportation needs and bulk buying (Petersen 1995: 221).

Cairns and Harmer (2012) studied the effects of carsharing (car clubs) in London. They found that 77.2% of members report driving a car less than once a week, compared with only 58.2% of joiners and 24.3% of London licence holders. On the one hand, membership in a car club decreases the share of households with zero miles a year from 47.4% to 4%, as people gain easy and cheap access to cars. On the other hand, however, there is a substantial reduction in the mileage of members who had previous access to cars. The share of households driving more than 3,000 miles (4,828 kilometres) also decreased from 40.6% to 19.8%. While the average mileage travelled by carsharing members is about 2,400 miles, the average distance driven by London households with at least one car is 5,029 miles. Cairns and Harmer (2012) also compared the average emissions of cars in Britain and of registered cars of carsharing providers. While a British car shows 165.3 g/km of CO₂ from test-cycle data (and 190.1 g/km of CO₂ adjusted for real world conditions), the average emissions of carsharing cars are 123.2g/km of CO₂ (and 141.7 g/km of CO₂ adjusted).

Table 4 shows a summary by Shaheen and Cohen (2007) of reported benefits of carsharing in Europe and North America. The findings are diverse, which is likely reflected by different cultural circumstances, regional differences of cities and rural areas and a varying availability of carsharing. However, all findings show a reduction of car ownership and a reduction of kilometres driven by car.

Table 4: Carsharing Benefits by Region

Region	Number of vehicles replaced by one carsharing vehicle	Participants who sold private vehicle after joining carsharing %	Participants who postponed or avoided vehicle purchase %	Vehicle kilometres reduced because of carsharing %
Europe	4-10	15.6-34	23-26.2	28-45
North America	6-23	11-29	12-68	7.6-80*

*Average of 44% across studies

Source: Shaheen and Cohen 2007: 82

Business Results

Carsharing provides a new market opportunity. Green Car Congress (2013) points out that in 2013, the global carsharing services revenue amounts to one billion USD, and it will grow to 6.2 billion USD by 2020, exhibiting a compound annual growth rate of 30.9%. Similarly, McKinsey (2012) points out that revenues for carsharing can potentially reach seven billion euros in 2020 and automotive companies “profit from the opportunity to significantly lock in and capture market share, especially in highly competitive megacities”. In Germany for example, 2.5% of the urban population already use carsharing and a third of the city population are prospective users of carsharing (McKinsey 2012). This market potential is to a large extent tapped by car manufacturers and rental car companies, who jointly own carsharing providers. Car2go Europe is a collaboration between Daimler and Europcar. DriveNow is a joint undertaking of the car manufacturer BMW and the car rental company Sixt. Zipcar is a subsidiary of the Avis Budget Group, which specialises in car rentals. Flinkster is owned by the Deutsche Bahn.

Herodes and Skinner (2005) studied the reasons why the car industry would participate in carsharing. First, carsharing represents a new market for the products of the industry. It offers car manufacturers an opportunity to sell their cars to carsharing organisations. Car rental companies gain access to new user groups and new market segments and can benefit from scale advantage if they participate in carsharing, drawing on existing resources and experience. Second, car manufacturers seek to build brand loyalty with potential customers. Carsharing members become used to driving the cars offered in form of “paid test drives”, and are therefore more likely to buy a car from the brand in question. Third, car companies strive to benefit from customers’ positive perception of carsharing. Thus, they attempt to build green credentials by investing in carsharing. Fourth, carsharing gives car manufacturers the opportunity to test or promote novel products in a niche market, e.g. hybrid technologies. Finally, companies explore alternative business models that could become a key part of transportation and the car market. Market structures could, in the long run, possibly change from product- to service-based business, where car companies no longer consider themselves as car producers and sellers, but as providers of mobility.

Economically, the business model of car sharing is built on property rights and transaction costs. Transaction costs emerge when ownership and usage of something are separated and

are caused by the efforts to coordinate carsharing members and available cars. Companies such as car2go can reduce transaction costs through specialising and providing innovative solutions, such as mobile phone apps and free-floating carsharing. Moreover, they resume the tasks of the previous car owners, e.g. service and maintenance. Two important aspects allow carsharing companies to save costs compared to individual owners. They can achieve a fixed cost degression due to a higher utilisation of cars and benefit from economies of scale, receiving sales discounts on cars from suppliers and have their own car service stations. In order to enable a new market and earn enough profits to sustain the business, a carsharing company must reap the potential to cut costs and use this cost savings (compared to individual car ownership) to pay for its organisation (Petersen 1995: 38f).

In 2012, carsharing was offered in 27 countries across five continents, with about 1,788,000 members sharing over 43,550 vehicles. The North American market includes 50.8% of worldwide members and 36% of all cars shared, whereas the European market has a lower member-vehicle ratio, with 38.7% of members and 47% of cars (Shaheen and Cohen 2012). External forces, such as high energy prices, urban parking constraints and roadway congestion add to an unfulfilled market potential and are expected to aid the expansion of carsharing. Additionally, an increase in shared-vehicle awareness, expertise and new technologies support the growth of carsharing in new and existing markets (Shaheen and Cohen 2007).

Due to high initial investment costs, carsharing companies require some time to become profitable. Car2go reports that it is already profitable at several of its 29 locations (Daimler 2015). By comparison, Sixt reports that its brand DriveNow is profitable in cities where it has been operating for more than a year (Bloomberg 2014). Zipcar was bought by Avis for 500 million USD in 2013, and before earned 13.8 million USD profits (including net tax benefits) in the fourth quarter of 2012 versus 3.9 million USD in the fourth quarter of 2011 (Marketwatch 2013).

4.2 Fair Trade

Starting Situation

The outsourcing of the production of labour intensive goods to low and middle income countries poses a challenge to the ethical conduct and environmental standards along the supply chain. Working and environmental laws in developing countries are less restrictive and often not followed by supplier companies. In Bangladeshi garment factories, for example, workers suffer from physical assault, verbal abuse, forced overtime, unsanitary conditions, denial of paid maternity leave and health coverage and failure to pay wages and bonuses on time or in full. Many employees who attempt to form labour unions are threatened, intimidated, dismissed or even physically assaulted by managers or paid ruffians. Although western companies have high standards in contracts with their Bangladeshi suppliers, they are often not successfully enforced (The Guardian 2015).

International retailers perpetuate the working conditions in ancillary companies or on local farms. Multinationals follow aggressive pricing strategies and use their concentrated market power over the producers to pass on the costs and risks of business down the supply chain. As multinationals strive to maximise their profits, they not only ask for strict control of inputs and standards, but also undermine this demand by requesting just-in-time delivery and lower prices. This pressure is passed on to the lowest in the supply chain, the workers, and is often hidden by subcontracting to businesses with even worse working conditions (Oxfam 2004).

It is not only the workers who suffer from the production methods in developing countries - the environment suffers as well. In many cases, the climate of the country is tropical, making it more prone to insects and plant diseases. Therefore, large amounts of pesticides are applied by both small farmers and big industrial plantations. Cheap pesticides, which are banned in developed countries due to their negative environmental impact, are widely used in developing countries. As a result, the residues of pesticides are found in soil, the atmosphere and water, and contaminate food and workers directly. Likewise, studies in Costa Rica and Nicaragua show that workers are directly exposed to agrochemicals, which cause acute poisoning, affecting reproduction and the central nervous system (Carvalho 2006).

While trade is generally beneficial to all parties and significantly supports economic growth, market imperfections impede the potential of trade to lift farmers and workers out of poverty. Nicholls and Opal (2005: 18) list a lack of market access, imperfect information, lack of access to financial markets and to credit, inability to switch to other sources of income generation and weak legal systems and enforcement of laws as obstacles developing countries face when participating in international trade.

Corporate Social Innovation: Fair Trade

Fair Trade is defined as a “trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable development by offering better trading conditions to, and securing the rights of, marginalised producers and workers – especially in the South. Fair Trade organisations have a clear commitment to Fair Trade as the principal core of their mission. They, backed by consumers, are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade” (World Fair Trade Organization 2009: 6).

Fair Trade developed in four waves. After the Second World War, religious charities such as Oxfam started to import goods from less developed countries. In a second wave, alternative trading organisations were established in order to circumvent the control of middle men, who squeeze cost and prevent a direct relationship between developing and developed countries. The third phase was about professionalisation and consolidation, when mainstream products such as coffee were introduced and sold in some supermarkets. Moreover, Fair Trade labels were created and Fairtrade International was founded as an umbrella organisation for FLO International, WFTO and EFTA and its various national member organisations (Hager 2012). Flocert became an independent certification and verification body for the Fair Trade label. In the fourth wave, Fair Trade continued to grow and was commercialised, as traditional players such as Costa Coffee, Starbucks and most supermarkets sell Fair Trade labelled goods (Nicholls and Opal 2005; von Hauff and Claus 2013).

In general, Fair Trade attempts to correct market imperfections and thereby has three objectives: to alleviate extreme poverty, to empower smallholder farmers and farm

workers to gain social capital through their trade relationship and to lobby for global trade reform and trade justice (Nicholls and Opal 2005).

Means of Fair Trade

In contrast to charity or development aid, Fair Trade is a “market-driven commercial model”, which aims to set up a mutually beneficial trading partnership (Nicholls and Opal 2005: 25). Fair Trade follows five core principles: Market access for marginalised producers, sustainable and equitable trading relationships, capacity building and empowerment, consumer awareness raising and advocacy and Fair Trade as a “social contract” (World Fair Trade Organization 2009). Market access is ensured by direct purchasing from producers. This should reduce the influence of middle men and increase efficiency and the margins within a value chain, so that a higher price can be paid to the producers. Means for a sustainable and equitable trading relationship include agreed minimum prices, which allow for a living wage for their producers and incorporate all direct and indirect costs of production and a safeguarding of natural resources. This floor price is usually higher than the world market price and includes a social premium. Moreover, Fair Trade is committed to a long term trading partnership, providing long-term contracts to allow farmers to plan ahead and invest in technology and business development. This includes the provision of credit as an advance for producers’ crops.

Capacity building and empowerment includes providing information about market conditions and trends and developing knowledge, skills and resources. The social premium is used for community development projects, such as building schools or sinking wells. Small-scale farmers are usually connected in democratic cooperatives and jointly decide how the money is invested. On estates and plantations, workers can decide in democratic groups how this premium is spent. Raising consumer awareness and advocacy should connect producers with consumers and educate them about the lives of the producers. Consumers should become advocates for a reform of international trading rules. Fair Trade as a “social contract” implies dialogue, transparency and respect. Buyers offer better trading conditions than on the conventional market and producers agree to improve the social and economic conditions of their employees and practice sustainable production. All farms are required to implement resource management and ban certain pesticides. Many farms use the social premium to invest in organic production. Through

these measures and principles, Fair Trade sees itself not as charity, but as “a partnership for change and development through trade” (World Fair Trade Organization 2009; Nicholls and Opal 2005: 6-7).

Principle number four, raising consumer awareness and advocacy, seeks to modify consumer behaviour. In order to extend its impact, Fair Trade especially wants to reach people beyond the naturally sympathetic group of “ethically aware” consumers. As Hudson and Hudson (2003: 416) point out, consumer experience is limited to the final product, the quantity and the price. They are not aware of the production process and the consequences of their buying decisions on producers and the environment. Fair Trade aims to create bonds between consumers and producers, reconstructing “otherwise impersonal market relations as fundamentally social and politically charged relations” (Fritsch 2011).

Thus, Fair Trade implements a new model of consumer communication in form of “enlightened marketing”, including the social and moral dimensions of supply chain relationships. This should create a feeling of global community. Fair Trade uses histories, descriptions, pictures and videos of producers to create a feedback process, which has been lost through globalisation. By contrast to average marketing, it is not perceived as irresponsible or wasteful. It places a high value on consumer satisfaction and ethical value at the same time. An example is the marketing of chocolate. While traditionally most consumers think of chocolate as “Swiss” or “Belgian”, Fair Trade explains that chocolate is made of cocoa beans, which are produced in mostly African countries. Innovative means are used to educate consumers about cocoa farming, using school educational packets and initiating pen-friend programmes between British school children and their peers in cocoa growing regions in Ghana (Nicholls and Opal 2005: 153ff).

Ends of Fair Trade

Results for Society and Individuals

The goal of Fair Trade is to provide inclusive and environmentally friendly trade and growth, which reduces poverty and enhances the living conditions of producers in developing countries. Results show that Fair Trade is successful in its ambitions. Nicholls and Opal (2005: 201ff) review the existing research and find that producer groups directly

benefit from an increase in income, improved education, female empowerment, a preservation of indigenous cultures and psychological effects. Furthermore, indirect impacts include positive externalities and support for co-operatives and progressive plantations and benefits through direct trade relationships. Hager (2012) points out that Fairtrade includes 827 certified producers' organisations in 58 countries. Thus, over 1.2 million farmers and workers benefit from Fair Trade, and if their families are also included, approximately 7.5 million people benefit directly.

The increased income earned by producers varies from plus 40% to plus 200%, depending on the country and product. Although income increases of 225 USD a year for small-scale Ugandan fruit drying operators, for example, are small for western standards, this increase matches about the average Ugandan per capita income. Both the social premium and parts of the individual income are voluntarily reinvested in community projects. The earnings by most Fair Trade cash crops such as coffee or cocoa are usually controlled by male household members, and Fair Trade did not change this situation. Although a few programmes focus on women and their handicrafts and Fair Trade standards prevent women from discrimination, there is still potential to empower women. Furthermore, a higher price of Fair Trade goods allows co-operative members to employ workers and frees the children to attend school. Anecdotal evidence suggests that parents prioritise the education of their children. Fair Trade also enables the preservation of cultural traditions of the community, supporting ancestral farming practices (e.g. inter-cropping and organic production) and the production of indigenous handicrafts for a western market. Psychological benefits include producer empowerment and civic participation. Farmers show increased self-esteem and pride in their work, which has good consequences in their community lives, such as increasing participation in public assemblies (Nicholls and Opal 2005: 201ff).

In addition to the impact on producers, consumers in developed countries benefit from better quality products and a good conscience, allowing them to better enjoy the consumption of their products.

Environmental Results

The environmental impact of Fair Trade products is an important part of Fair Trade standards. Fair Trade offers education on ecological topics and bans the use of the worst pesticides. It provides farmers with information on less poisonous fertilisation and recommends using organic fertilisers and composting. Moreover, Fair Trade supports the conversion to ecological production both ideally and financially, and after the conversion, producers receive an additional premium for their ecological products. Farmers are encouraged to diversify their crops. Diversification is not only important for the independence of producers, but also for the quality of the soil. Finally, producers were educated about waste separation and recycling and the usage of water (von Hauff and Claus 2013: 191ff).

Unfortunately, as most studies focus on the impact of Fair Trade on farmers and workers, there is limited evidence available on the results of Fair Trade's environmental efforts. Ronchi (2002) studies nine Costa Rican coffee cooperatives, and she finds that within 10 years, more than 3.5 million USD were invested in environmental protection and development programmes. Many programmes were conducted in partnership with environmental organisations, and they led to the conversion of over 1,200 producers to more sustainable agricultural practices and to 7% of all producers switching to organic production.

Business Results

In Austria, 114 license partners currently offer about 1,100 products with a Fair Trade quality seal. Fair Trade license partners in Austria include big retailers such as Rewe, Spar, Hofer, Adeg, Zielpunkt, Dallmayr, Demmer, Eduscho, Julius Meinl, Starbucks and Teekanne, but also smaller manufacturers such as Zotter and non-profit stores specialised in Fair Trade products. The wide range of businesses selling Fair Trade products means they are available in over 5,000 shops. In 2014, the sales of Fair Trade products in Austria increased by 15% to a total of 149 million euros (Fair Trade 2015). Globally, consumers spent €5.5 billion on Fair Trade products in 2013 (Fair Trade International 2014).

The market growth for Fair Trade products is based on two pillars: the commercialisation and wide availability of Fair Trade products and an increasing consumer demand for

sustainable products. Between 23-32% of consumers are ethically conscious and a further 49% of consumers belong to the “do what I can” group who buy ethically if it is convenient. Thus, Fair Trade could target a market of more than 70% of consumers. Ethically conscious consumers are typically affluent, middle-aged professionals or younger students, for whom sustainability is a critical factor in purchasing decisions and who can also afford to pay a higher price (Nicholls and Opal 2005: 186ff).

Hager (2012) studied the Fair Trade efforts of Rewe and Spar in Austria. Both retailers include sustainability and social commitment in their business strategy and regard Fair Trade products as a good match with their methods. As one manager argues, if a retailer is committed to sustainability, it is impossible not to include Fair Trade products in the product range. Spar also sells Fair Trade certified products under their home brand “Natur*pur” and “Spar premium”. Rewe sells Fair Trade products under its home brand “Ja! Natürlich”. Rewe reports that the sale of sustainable products is increasing disproportionately fast. However, for Rewe, Fair Trade products are still niche products, except for roses and bananas, which are sold on a larger scale. Spar points out that the margins on sales for many Fair Trade products are lower than for conventional products. However, this does not greatly affect Spar as most Fair Trade products are also niche products. For Fair Trade mainstream products such as bananas, profit margins are higher and every cent of the price is important to retailers. Fair Trade certified products had a total share of 1% of the sales of Spar in 2011 and both Rewe and Spar aim to increase Fair Trade sales.

Spar and Rewe both point out that Fair Trade products positively add to the images of the retailers. It is important to stock a premium-quality Fair Trade product range in order to strengthen consumer loyalty and appeal to affluent customers, who also buy many other products. Supermarkets compete to communicate their sustainability efforts to consumers (Hager 2012).

Similarly, Grodnik and Conroy (2007: 83ff) found in a case study that coffee companies in the United States use Fair Trade certified coffee to differentiate themselves from competitors and distinguish their brands in the market. Driving forces of the increase in certified coffees are shifting market expectations, internal corporate culture and corporate accountability.

Moreover, chocolate producers such as Mars and Ferrero want to expand their share of Fair Trade cocoa beans in order to secure their supply in worldwide competitive demand for chocolate. Seventy per cent of cocoa is planted in Ghana and Cote d'Ivoire on small farms, which suffer from old trees, increasingly infertile soil, outdated production methods and lacking investments. By 2020, most big players in the chocolate industry will try to support sustainable farming, which addresses these structural problems and ensures continued sources of supply (Der Standard 2015).

4.3 Managing Diversity of a Multi-ethnic Workforce

Starting Situation

For most Austrian and German companies, managing diversity is about fulfilling legal requirements of equal treatment, not about using diverse employees as a factor for business success. By comparison, multinational corporations are already using diversity management as a tool to enhance their company performance (Schulz 2009). As migrants constitute a significant part of the Austrian and European workforce, companies need to address this challenge and opportunity in the labour market. In the first quarter of 2015, 1,399,500 of all 8,455,500 Austrian residents were not born in Austria and 1,783,300 residents had a migration background (Statistik Austria 2015). Due to streams of immigrants from the near East and low birth rates of the local population, this share is likely to increase over the next several years. If no efforts of integration are made, ethnic diversity in companies can act as a performance barrier, reducing the effectiveness of communication and increasing social conflict among employees. Moreover, diverse work groups can experience less commitment to the group as well as discriminative practices, all of which can increase organisational costs (Cox 2001).

Corporate Social Innovation: Managing Diversity of a Multi-ethnic Workforce

The corporate social response to these migrant trends, the corporate social innovation, is managing diversity. While this case focuses on a multi-ethnic workforce, diversity management also addresses the primary dimensions of age, gender, physical handicap, sexual orientation and religion (Senn 2004: 9). Different definitions of managing diversity appear in the literature on this topic. Thomas and Ely (1996) understand diversity as the “varied perspectives and approaches to work that members of different identity groups bring”. Likewise, diversity management is a voluntary initiative to provide formal and informal inclusion for all employees and promote their talents and ambitions. The businessdictionary (2015) defines managing diversity as “[t]he management and leadership of a workforce with the goal of encouraging productive and mutually beneficial interactions among the employees of an organization. Managing diversity aims at providing employees with backgrounds, needs, and skill sets that may vary widely with the

opportunity to engage with the company and their co-workers in a manner that produces an optimal work environment and the best possible business results for the company”.

The project MaDiCu (Managing Diversity Through Culture) is an EU-funded project focusing on the integration of employees with different ethnic identities. The company ISS was used as one case study of this project and also studied by Kesselring and Leitner (2008). ISS was founded in Denmark and provides facility services internationally. In Austria, ISS employs approximately 7,000 people, about 70% of which have immigration backgrounds, originating from over 60 different nations. In the case study, it was found that this diversity in the workforce at ISS in Austria made working together very difficult at times, with several problems occurring. For example, rumours were circulated about certain co-workers and employees took many days of sick leave. Many employees were not collaborating with each other, working for themselves instead. Moreover, employees did not seem to be interested in receiving promotions. The company’s customers sometimes behaved in a hostile manner towards employees with migration backgrounds, and ISS worried how its employees perceived this hostility (Kesselring und Leitner 2008: 53ff).

Means of Managing Diversity of a Multi-ethnic Workforce

The project leaders of MaDiCu take Bennett’s (1993) “development model of intercultural sensitivity” as the basis for their work on diversity management. Bennett frames intercultural understanding as a continuous process, categorised in six different stages, moving from ethnocentrism (stages 1-3; “assuming that the worldview of one’s culture is central to all reality”) to ethno-relativism (stages 4-6). First, in the stage of denial, people deny the existence of cultural differences. Second, in the stage of defence, differences are recognised, but they are seen as a danger and perceived with hostility. Third, in the stage of minimisation, people recognise differences, but minimise them by emphasising that we all share the same needs or “we are all God’s children”. The universal assumptions about people are still based on the dominant culture. Fourth, in the stage of acceptance, cultural differences in behaviour and values are accepted. Fifth, in the stage of adaption, people show full respect and empathy with others and adapt their own behaviour according to the cultural background of the counterpart. Sixth, in the stage of integration, the culture of origin is no longer the dominant point of reference, but instead the person defines her

relationship in a cultural context and is able to shift between worldviews. Some aspects of other cultures, such as words and food for example, are integrated into the person's own culture. By this way of managing diversity, supervisors and employees can proceed from an ethno-centric worldview to an ethno-relative worldview (Senn 2004).

At ISS, managing diversity was accomplished by a structured process. Firstly, the project managers of MaDiCu and the human resources department identified problems. Based on these, objectives of the project were set. Secondly, interviews with employees were conducted, focusing on their own experiences, such as the quality of cooperation, assessment and importance of language skills, reasons for fluctuation, the behaviour of costumers towards employees and the situation for new employees. Third, feedback was given to the management concerning the insights of the interviews. Finally, the identified problems were portrayed by professional actors of the association uniT (Verein für Kultur an der Karl-Franzens-Universität Graz) in sequences, but in a way that didn't allow identifying individual employees. Employees from all levels attended as audience. The employees could correct and change the situations and try to find solutions to the problems. The actors incorporated the suggestions immediately into the play. After the play, workshops with discussions and work on the problems followed.

Compared to usual presentations, theatre performance ensures more attention from the employees, as employees can participate in the development of company measures during and after the show. Moreover, the problems can be analysed more closely by acting them out instead of addressing them in a talk. Solving problematic situations in a humorous and friendly way increases the tolerance between ethnic groups.

After the official end of the project, the mechanism of the theatre has remained the same. The starting situation is always the identification of a problem by the supervisor, who gets in touch with human resources. In addition to the theatre, the company provides German language classes free of charge. To manage the project, the company also employed a social pedagogue, who acted as an ombudswoman and provided information concerning topics such as labour law and facilitated the access to external counselling organisations (Senn 2004; Kesselring und Leitner 2008).

According to ISS, the innovative aspect is not so much the interviews with employees, but more the combination of interviews with theatre, joint workshops and the involvement of the whole audience (Kesselring and Leitner 2008). Most innovative human resource programmes are targeted at the needs of elites; this one, however, is targeted at the common workers.

Ends of Managing Diversity of a Multi-ethnic Workforce

Results for Society and Individuals

For employees, diversity management is an end in itself. By being accepted and granted equal opportunities, employees with a minority background can widely benefit. They have better access to jobs and can be increasingly represented in positions they were formerly excluded from, including higher-paid occupations. They are empowered by being able to participate in every aspect of organisational life, including decision-making. Moreover, as discrimination, prejudices and stereotypes are reduced, employees can benefit from more effective and satisfactory working relationships (Kossek et al. 2006). As Kossek et al. (2006: 70) state, “a healthy society in the twenty-first century will be one in which career opportunities are truly available to all races, ethnic groups and, indeed, all people”.

At ISS, a human resources employee who was interviewed said that managers complained that employees never applied for higher positions and did not seem to be interested in job promotions. However, the project revealed that employees assumed that a manager would tell them if they qualified for a promotion. Diversity management can identify such misunderstandings and identify support needs. As German language skills are a prerequisite for job effectiveness and promotion, ISS started to offer German language classes free of charge. The project also resulted in improved transparency of and access to further training (Kesselring and Leitner 2008).

The professional integration of immigrants can benefit their holistic integration into society and contributes to preventing the development of parallel societies. Ideally, prejudices of employees of all backgrounds are reduced, adding to more social cohesion. Moreover, as disadvantaged groups are offered improved employment opportunities, inequality in society is likely to decrease.

Dohse and Gold (2014a; 2014b) study the economic effects of cultural diversity within the frame of the WWForEurope research project. Dohse and Gold (2014b) maintain that increasing the proportion of (highly-skilled) migrants can help to overcome labour market shortages in times of an aging population. Moreover, cultural diversity can enhance innovation capacities. In expert interviews, city representatives responsible for migrant affairs positively evaluated cultural diversity's impact on a scale from -2 to 2 on economic growth (0.99), the labour market (0.78), cultural life (1.40), social cohesion (0.48) and their city's future perspectives (1.11). Similarly, Dohse and Gold (2014a) found a highly significant correlation between cultural diversity and regional GDP per capita. Nevertheless, Dohse and Gold (2014a; 2014b) state that diversity and immigration affect different regions differently. Whereas the benefits of diversity can backfire above a certain threshold of migrants that increases the obstacles for integration, this relationship does not apply to all regions. Older EU member states, which have developed a sense of openness, have founded institutions and have an absorptive capacity for immigration, benefit more from immigration and diversity.

Business Results

According to Kesselring and Leitner (2008), the business goals of the project are as follows: Problems connected to a multi-ethnic workforce should be identified. Skills and capabilities of employees should be advanced, ensuring equal opportunities for personal and professional development, unlocking the potential of a multi-ethnic workforce and making better use of it. Moreover, the internal and external communication should be improved, as well as employee satisfaction and employee loyalty. The project should enable further training and internal job promotion. The external impact of the project was not considered to be a project goal.

The project proved to be a success. Even after the official end of the project MaDiCu in 2004, ISS continues independently with the project in its company. Company theatre is now seen as an integral part of human resource management at ISS. Kesselring and Leitner (2008) point out that as a result of the project, managers had an improved level of sensitivity of culturally induced differences of opinion and of all levels of the company, and employees improved balancing self-perception and the perception of others. Overall, a better understanding for co-workers could be developed. ISS stated that it is a simple idea:

happy employees also lead to satisfied customers. Moreover, the data and information gathered through interviews with employees and managers supported the introduction of target measures. Unfortunately, ISS itself did not evaluate the outcomes of the project MaDiCu.⁹

Generally speaking, the benefits from diversity management overlap with the benefits of a diverse workforce. Diversity is a double-edged sword. If it is not managed properly, it can reduce company performance, but if diversity management is applied, diversity can actually improve the performance of an organisation. Cox (2001: 6ff) summarises research on diversity management and finds multiple advantages for companies. Diverse groups who are trained on their differences can better solve problems and make decisions, as they have broader and richer experiences and more critically analyse decisions and alternatives. Research showed that while untrained diverse groups show lower problem solving scores than homogeneous groups, trained diverse groups produced six times higher results than homogeneous groups. Group diversity also increases creativity and innovation, which are used in process improvement, advertising, product design and quality improvement. Bilingual employees likely show more cognitive flexibility and divergent thinking than monolinguals, and they are better at thinking outside of the box.

As a by-product of diversity management, by reducing standardisation and allowing differences, companies themselves become more flexible and can adapt to market changes faster and at lower costs. Moreover, if companies are open to recruiting employees with migration backgrounds, they can gain a competitive advantage by greatly enlarging their recruitment pool. They can attract, retain and use the skills of a diverse workforce, resulting in a higher average quality of their labour input than their competitors. As consumer markets become increasingly diverse and global, companies hope for easier access to new customer groups and new markets. They can reproduce client and market structures by involving diverse employees and better understand and respond to the demands of their customers (Cox 2001).

In 2003, Egan and Bendick studied U.S. multinational cooperations in Europe. These companies report reasons for diversity management similar to the advantages Cox (2001)

⁹ Personal information over the telephone from Mag. Gerstl from ISS on 30.7.2015

outlined. Firms do not state legal or ethical reasons for diversity management, but list goals such as being an employer of choice, attracting and retaining talent, especially innovators and technical workers, developing high-potential employees, increasing productivity, resembling and understanding customers, improving public and governmental attitudes toward the firm and keeping up with competitors.

The European Commission (2014c) has initiated a diversity charter among companies in the European Union. Their research also found that businesses do not immediately benefit from a diverse workforce, but that they first require effective diversity management. Most companies that responded to the European Commission survey reported considerable improvements due to their new diversity policies. Sixty per cent of companies perceived an integration of diversity in the company policy, 47% found more respectful behaviour patterns and 46% reported fewer conflicts among staff. Moreover, 46% could attract and retain talented people and 25% saw a positive impact of diversity on their overall business performance.

4.4 Analysis of Case Studies

The case studies examine the means and ends of three examples of corporate social innovation. Their key points are summarised in Table 5. All three corporate social innovations include social means to achieve their ends. The innovations are non-material and primarily cause changes in social practices.

Carsharing separates the ownership from the usage of cars. In our society, where status is largely determined by affluence and often reflected in car ownership, sharing cars makes ownership obsolete.¹⁰ Therefore, carsharing increases individual's capabilities for mobility. Technical innovations associated with carsharing, such as new mobile apps, follow the social innovation and support it by making it more comfortable. Mechanisms of carsharing as suggested by Mueller (2013: 14f) include engaging underutilised resources and using technology to reach neglected target groups. Fair Trade reconfigures existing market structures to empower producers. By capacity building and empowerment, it aims to change social structures of producers. By means of consumer awareness raising and

¹⁰ This concept of collaborate consumption is evident in other social innovations, such as peer-to-peer accommodation or peer-to-peer marketplaces.

advocacy, it also strives to change consumers' mind-sets. It adds an additional ethical dimension, which becomes part of the market exchange, to the product. Mechanisms of Fair Trade include establishing and managing complex relationships with multiple stakeholders, inducing behavioural change through education and addressing emotional needs and empowerment strategies as effective mechanisms for achieving impact. Diversity management empowers people to fulfil their potential. It also changes the mind-sets and attitudes of people. In the case study, this was achieved through communication and company theatre. Mechanisms of diversity management include a behavioural change through education and addressing emotional needs and empowerment strategies as effective mechanisms for achieving impact.

The ends of the three corporate social innovations are not only socially desirable in a normative sense, but also create business value. Using the Better Life Index to identify socially desirable ends, carsharing can be categorised to improve income and the environment. Similarly, the ends of Fair Trade include employment, education, civic engagement, work-life balance, income, community, life satisfaction and environment. The ends of diversity management can improve the Better Life Index categories of jobs, education, civic engagement, life satisfaction, income and community. Business value for carsharing and Fair Trade is mainly found in the creation and opening of new markets. Diversity management as workplace innovation is mostly targeted at a more efficient and innovative company performance, but a diverse workforce is also used to market to a respective customer groups.

The case studies also confirm the concept of corporate social innovation in this thesis. Carsharing, Fair Trade and diversity management all use market forces to achieve impact and are part of the company strategy, challenging the traditional conduct of business in their respective fields. It is also worth mentioning that these successful corporate social innovations originate from civil society. However, it was corporations that discovered the market potential and improved and scaled these innovations, making them profitable and widely available to customers. Strategic collaboration and the usage of stakeholder expertise inside and outside of the company is also common principle of corporate social innovation, as was evident in the case studies.

Table 5: Social Means and Ends of Corporate Social Innovation

	Social Means	Social Ends		
		Society	Environment	Business
Carsharing	Sharing: separating the availability of a car from car ownership	Reducing expenses for transportation, providing access to cars, more public space in the city	Reduction of the number of cars, reduction of emissions	Profit opportunity in a new market, first mover advantage
Fair Trade	Reconstructing impersonal market relations to include an ethical dimension, reconfiguring market structures to empower local farmers and workers, including education and information	Income increase, education, employment, empowerment and civic participation	More sustainable and less poisonous farming methods and diversification of crops	Differentiation from competitors, attraction of ethical consumers, securing supply
Diversity Management	Raising awareness, communication and company theatre	Intercultural understanding and empowerment, eliminating discrimination, equal career opportunities, social cohesion	None	Improvement of company performance, competitive advantage and employee recruiting

Source: Ulinski 2015

5 Economic Policy Implications

European economies and societies face many changes. While there is currently less economic and population growth, European societies have become increasingly heterogeneous due to globalisation and flows of migration. Economic growth can also be a two-edged sword: Although sufficient growth usually secures employment, it also increases the use of natural resources and environmental degradation. Accordingly, our society and economy must adapt to these changes, which can be accomplished by introducing new target objectives, such as Beyond GDP goals like the OECD Better Life Index. Fulfilling Beyond GDP goals in the light of current challenges requires new solutions; it requires innovation. It also requires the means for innovation, the capabilities to develop and implement these changes. Ideally, we can find innovations that do not necessarily increase labour productivity, as most technical innovations tend to do. On the one hand, labour-saving innovations demand growth if employment is to be kept constant (Aiginger 2014), but on the other hand, they do not allow for income increases in times of low economic growth or a possible decrease in working time.

In contrast to technical innovations (product or process innovations), social innovations primarily attempt to generate a social added value or new social facts instead of or in addition to economic return (Hochgerner et al. 2011). The European Union also highlights the role of social innovation as a tool in its Europe 2020 strategy to foster smart, sustainable and inclusive growth, by bringing social issues to the forefront (BEPA 2011: 7). A special potential lies in the nature of social innovations, as they not only happen within an existing system, but also attempt to rearrange the system by changing institutional logics, norms and traditions. Reinstaller (2013: 33f) points out that institutions are inherited from the past and difficult to change due to considerable path dependence. However, this path dependence can be overcome through social innovations, which can be seen as “a decentralised discovery process in which change agents search and potentially find superior institutional arrangements” (Reinstaller 2013). Therefore, superior institutions can be developed in many different and unknown/unexpected forms, as today’s institutional arrangements merely constitute a subset of all possible institutions (Unger 1998: 25). Often, innovations in social practices are sufficient solutions to social

challenges, as the case studies show. Cajaiba-Santana (2014: 42) points out that social change is happening faster than technological innovation in the 21st century and is also more important. According to Cajaiba-Santana, the famous management theorist Peter Drucker “also claimed that we had overestimated the role of science and technology as a vehicle of change to the detriment of a particular vector of social change: social innovation”.

The case studies illustrate that the underlying ideas of corporate social innovations have usually existed as non-profit ideas before being taken up by companies. Carsharing dates back to a Swiss initiative, Fair Trade to import efforts by church groups and diversity management to women and civil rights movements. However, commercial markets play an effective role in promoting new social innovations, as companies bring social innovations “from the margins of the counterculture into the mainstream using commercial markets” due to their expertise and scaling abilities (Larsen 2006).

New Innovation Paradigm and a High Road to Competitiveness

With a new understanding of current challenges and importance for social innovations, the notion of competitiveness and industrial policy also needs to be adapted. Aiginger et al. (2013: 1) distinguish between the “high road” and “low road” to competitiveness. They criticise the fact that politicians and the media misuse the term “competitiveness”, as they often equate it with price competitiveness and demand a reduction of wages, taxes, a lowering of social standards and the like. Price competitiveness is a “low road” to competitiveness. Instead, they propose to promote a “high road” to competitiveness in Europe, where “productivity enhancing social system and technology-based ecological ambition can support transition to a new path of development”. This “high road” to competitiveness is essentially an outcome competitiveness, focusing on an income pillar (disposable household income and consumption expenditure), a social pillar (poverty risk, inequality and youth unemployment) and an ecological pillar (resource productivity, greenhouse gas emissions, energy intensity and renewable energy sources). Social and corporate social innovations are an integral part of a “high road” strategy. They are not purely about generating profits or cutting costs, but about reaching high ends. Most new products or new services in developed countries, such as the 79th type of deodorant for men in one supermarket, only provide marginal benefits for consumers and most likely no

social value for society. By contrast, the ends of social innovation focus on socially desirable outcomes that are “good for society”, which can be equated with Beyond GDP goals.

A high road to competitiveness needs to be supported by industrial and innovation policy. In contrast to current policies, which follow a neoliberal approach and focus on GDP growth and technology on the supply side, economic policy should include the demand side and create innovation-friendly framework conditions. Therefore, industrial policy should not be considered separate from other government policies, but should target Beyond GDP goals and merge into a systemic socioeconomic strategy (Aiginger 2014). Buhr (2014) calls for a postmodern innovation policy, which acknowledges the different challenges of a society and their various solution possibilities. Postmodern refers to the end of a belief in automatic industrialisation and technical progress, which is replaced by priorities such as climate change, energy supply, resource depletion, demographic change and migration. A postmodern innovation policy follows a holistic approach by both considering monetary incentives as well as including institutional and organisational factors and analysing the chances and risks for people, society, culture and environment. It provides public goods such as fundamental research in education and finances and creates innovation friendly institutions. Innovation policies across areas of jurisdiction are matched by “positive coordination”.

Companies play an important role in a systemic socioeconomic strategy. They are led by push and pull factors and together with governments and citizens, “will be exposed to the hundreds of environmental and social challenges over the next 20 years”, transforming the business accordingly (KPMG et al. 2014: 1). KPMG et al. (2014: 4) highlight the “breakthrough” potential of corporate social innovations as a trajectory that “focuses on timely, effective system change”. Solutions should focus on long-term horizons (for the next generation, not just five years) and go further than just micro- and macroeconomic considerations, encompassing economic, social and environmental dimensions.

Such a shift to a sustainable goal set is already noticeable. Many companies voluntarily invest in a high-road competitiveness strategy and make themselves accountable by joining initiatives such as “B Corps” or “Economy for the Common Good”. B Corps certifies companies regarding social and environmental performance, accountability and

transparency and aims to redefine business success along these lines. They demand companies “not just to be the best in the world, but to be the best for the world”. Already more than 1,000 companies in 33 countries have been certified as B Corps (Bcorporation 2015). The Common Good Balance Sheet (“Gemeinwohnbilanz”) assesses a company based on the degree to which it fulfils the five most important constitutional values of democratic states: human dignity, solidarity, sustainability, justice and democracy (Ecogood 2015). Talpaert (1984: 10) forecasts the potential of social innovation to contribute to a European competitiveness: “If we are able to maintain a sufficient tolerance and sympathy towards change, we might achieve a speed of social innovation and a flexibility – an ability to live in a highly complex and technologically sophisticated society, which other parts of the world do not have and which would allow us a new jump in productivity and a new, well deserved leadership – a true renaissance”.

Excursus: The Role of Business in Society

Running a company is a balancing act between different economic and social ends of business. This balance must satisfy the different stakeholders who take a different level of interest in these different ends. Demands from employees include a certain level of income, employee rights, health and safety standards, non-discrimination, no lay-offs, family-friendly working conditions, etc. Consumer pressure includes affordable, safe and good-quality products. Community and environmental pressure include the demand that business operations do not endanger the safety and natural environment of the community, investing in equipment to reduce external costs on the community, such as cost from pollution. Communities also expect companies to provide jobs, provide chances for persons of all skill levels and to donate to not-for-profit organisations. However, at the same time, companies must follow investors’ or owners’ expectations for a maximum return on the investment. As a consequence, businesses find themselves exposed to push-and pull forces between strict profit maximisation and improved social and environmental performance (Lantos 2001: 601). Table 6 summarises different viewpoints on the role of businesses in society and ultimately on the “ends” that a company should pursue.

Table 6: Different Viewpoints on the Role of Business in Society

Author	Position on business' role in society
Albert Carr	Pure profit-making view – economic CSR: business has lower standards of ethics than society and no social responsibility other than obedience to the law
Milton Friedman	Constrained profit-making view – economic CSR: business should maximize shareholder wealth, obey the law, and be ethical
R. Edward Freeman	Socially aware view – ethical CSR: Business should be sensitive to potential harms of its actions on various stakeholder groups
Archie Carrol	Community service view/corporate social performance perspective – altruistic CSR: business must use its vast resources for social good

Source: Lantos 2001: 602

Different views exist on the consequences of these different push- and pull factors on businesses. With their “ends”, corporate social innovations usually address the demands from employees, customers and the community and contribute to social and ecological goals.

Following a neoclassical paradigm and various management theories, a company's task and goal is its profit maximisation subject to constraints, such as limited capacity or labour and environmental laws. The key players are its shareholders as the final residual claimants to the company's profits (Eccles et al. 2014). According to this viewpoint, the emphasis of any corporate social innovation on social value would constitute a constraint on the profit maximisation of the firm.

However, companies compete and pursue profit maximisation in different ways. There is often a trade-off between short-term profits (e.g. through cutting costs) and long-term investments in the competitiveness and future profits of the company. Corporate innovations, including social innovations, contribute to the competitiveness of a business (Herrera 2015: 1468). When making decisions, customers and employees can also take into consideration whether companies try to minimise external effects of their business on

stakeholders and the environment and if they place more or less value on the ethical conduct of their operations. As Googins (2013b: 20) discusses, drivers of corporate social innovations include the expectations of a business as well as opportunities for business.

Prerequisites for the Advancement of Corporate Social Innovation

The implementation of a common definition of corporate social innovation is a prerequisite for its establishment in economic policy making. If corporate social innovation is not clearly defined, it risks becoming a buzzword with no meaning behind it. In fact, in today's world, the label of social innovation is sometimes used as a marketing tool similar to CSR in order to attract sympathy or funding for non-profit initiatives.

Additionally, the lack of one generally accepted definition hinders a large-scale gathering of data. Quantitative analyses of the occurrences and impact of social innovations are not possible if the data is not gathered as part of the project. Furthermore, as the definitions of social innovation deviate, results of different projects can only be aggregated with restrictions. In order to facilitate data collection on corporate social innovations in surveys such as the Community Innovation Survey (CIS), corporate social innovations should be retrieved by default. Moreover, clear metrics are required to assess the impact of social and corporate social innovations. Synergies can be found between social innovations metrics and Beyond-GDP indicators, as both aim to support a greater common good. An outcome assessment facilitates evidence-based policy making and the acceptance of the concept in economic science. As one of the main funders of research on social innovation, the European Commission could play a crucial role in promoting social innovation. Similar to the work of the OECD and Eurostat in the Oslo Manual, it could set one definition for its research projects on social innovation and gather data accordingly. As Ruede und Lurtz (2012: 29) explain, after the initial excitement, social innovations currently face a "validity challenge", which can only be overcome by establishing a consistent definition and metrics.

Based on such a definition, corporate social innovations should be explicitly included in funding programmes for innovation. In Austria, the federal public entities the Austria Wirtschaftsservice (AWS) and the Austrian Research Promotion Agency (FFG) provide

funding for innovation in many different programmes, but none of them so far addresses social innovation explicitly. Although corporate social innovations are supported by public funding at times, funding is awarded based on characteristics such as technical or service innovations and not primarily based on their classification as social innovations. Thus there is currently no statistic available that analyses how many of the publicly funded innovations belong to the subset of social innovations.¹¹

¹¹ Personal information by Mag. Hannes A. Schwetz (AWS) on 05.05.2015 and by Mag. Philipp Aiginger-Evangelisti (FFG) on 03.12.2014.

6 Conclusion

The purpose of this thesis is to shed light on the study of corporate social innovation by detaching it from the government and NPO sector. It takes a step towards a better theoretical and conceptual understanding of corporate social innovations, thereby answering the call of the European Commission (2013a: 45) for broadening the research on social innovation since “[m]ore research on many dimensions of private companies and their place and their contribution in social innovation would fill this gap”.

I define social innovations by their social means and social ends. The term “social” not only refers to the social process, changing social practices, behaviour and relationships, but also relates to the achievement of socially desirable ends in a normative sense. This is in opposition to existing concepts, which focus either on “something good in/for society” or on “chang[ing] social practices and/or structure”. Only by these two criteria can social innovations be sufficiently distinguished from other innovations. Social means stress that social innovations are non-material and occur at the level of social practice, in contrast to technical innovations that invent new technical artefacts. Social ends distinguish social innovations from social change and other non-technical innovations that are not targeted at the creation of a greater common good. Such a common good can be assessed by its contribution to Beyond GDP goals, for example applying the OECD Better Life Index.

The thesis concentrates on corporate social innovations and highlights the important role that for-profit companies play in the advancement of social innovations. Three case studies on carsharing, Fair Trade and diversity management were chosen to analyse the identified key criteria of social means and social ends. Carsharing uses the means of sharing and separates the availability of a car from car ownership. Ends of carsharing include the provision of a means of transportation to fill gaps in public transport, the reduction of expenses for transportation, the reduction of the number of cars, the reduction of emissions and a profit opportunity in a growing market. Fair Trade reconfigures market structures to empower local farmers and workers by providing education and information, offering a living wage and long-term contracts and by simply following labour and environmental laws. Moreover, Fair Trade seeks to modify consumer behaviour by raising awareness and advocacy. Ends include reducing poverty and fostering empowerment, civic participation

and more sustainable farming methods. Companies see Fair Trade as part of a sustainable business strategy. They strive to differentiate themselves from competitors, to attract ethical consumers and to secure their supply by offering Fair Trade products. Diversity management of a multi-ethnic workforce is a voluntary initiative to provide inclusion for all employees and promote their talents. In the case study, the means include interviews to identify problems in the organisation as well as company theatre, where social interactions are acted out and solutions are discussed. Moreover, language courses are provided free of charge. Ends of diversity management include empowerment and better integration of migrants with better access to jobs and promotion, as prejudices and stereotypes are reduced. Diverse groups that have been trained show increased productivity, creativity and innovation. Companies can attract and retain talented employees, become more flexible in adapting to market changes and gain easier access to new customer groups and new markets.

The case studies illustrate that corporate social innovations are not considered philanthropy, but rather a veritable business opportunity for companies. They use various mechanisms that include social value creation in their target function, embracing underrepresented groups, behavioural change, empowerment strategies and a better use of resources. It is difficult to assess the overall impact on companies. However, current literature suggests this could create a new generation of companies, sharing value between the “ends” of businesses and the “ends” of society. Likewise, the case studies acknowledge that the boundaries of the business and non-profit sector increasingly blur, as social innovations created in civil society are spread by for-profit companies. By trying to unify different logics and procedures, social innovations can incorporate the strengths of different sectors and are therefore no longer unanimously separable by sector (Millner 2013; Young Foundation/SIX 2010).

The characteristics of (corporate) social innovations offer our society and economy the flexibility to adapt to social challenges in a complex and technologically sophisticated environment. Social innovations contribute to a dynamic society by overcoming social constraints and by increasing the opportunities for citizens, whether it be in terms of democratic participation, the way of conducting business, working habits, etc. While other innovations might be primarily designed to be labour-saving, social innovations seem to have comparably less negative consequences on unemployment. By contrast, social

innovations focus on the attainment of socially desirable ends such as Beyond GDP goals. Corporate social innovations are not merely about the level of economic growth, employment, profits, products, etc., but also about their quality. The omnipresent focus on pure GDP growth is superseded by Beyond GDP goals. Employment should be more fulfilling and oriented towards the needs of employees, such as the need of a work-life balance. Products and services are based on actual demands and enhance the quality of life with limited external effects on the environment. All in all, social innovations increase welfare and do not use more energy or material resources than established practices.

These characteristics suggest that social innovations should be part of a high-road strategy to achieve outcome competitiveness. Likewise, innovation and industrial policy should promote corporate social innovations, making them not only a “nice-to-have” for some companies but a business mandate for all companies. Therefore, industrial policy should not be made separately from other government policies, but should be embedded in an effective socio-ecological transition strategy.

This leads us to the implications for further research and practice. In order to be effectively incorporated in policy making, one unanimous definition of (corporate) social innovation needs to be applied. If corporate social innovation is not clearly defined, it risks becoming a buzzword and marketing tool with no meaning behind it. Furthermore, and this was a big limitation for this thesis, data on corporate social innovations should be gathered on a large scale, for example as part of the Community Innovation Survey. Finally, more research on the normative criteria of social innovation and on metrics to assess their impact is required.

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Project Information

Welfare, Wealth and Work for Europe

A European research consortium is working on the analytical foundations for a socio-ecological transition

Abstract

Europe needs change. The financial crisis has exposed long-neglected deficiencies in the present growth path, most visibly in the areas of unemployment and public debt. At the same time, Europe has to cope with new challenges, ranging from globalisation and demographic shifts to new technologies and ecological challenges. Under the title of Welfare, Wealth and Work for Europe – WWWforEurope – a European research consortium is laying the analytical foundation for a new development strategy that will enable a socio-ecological transition to high levels of employment, social inclusion, gender equity and environmental sustainability. The four-year research project within the 7th Framework Programme funded by the European Commission was launched in April 2012. The consortium brings together researchers from 34 scientific institutions in 12 European countries and is coordinated by the Austrian Institute of Economic Research (WIFO). The project coordinator is Karl Aiginger, director of WIFO.

For details on WWWforEurope see: www.foreurope.eu

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	Goethe University Frankfurt	GUF	Germany
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