



SPEECH DELIVERED TO LEADERSHIP FORUM WITH BILL ENGLISH
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Hon Bill English, Geoff, ladies and gentlemen, we are delighted to welcome you here tonight. Thank you Bill for so clearly stating the Government's starting point in this space. And thank you Geoff for showing so clearly the leadership and vision that Kordia brings to social innovation in NZ.

Purpose of the Forum

This Leadership Forum on Social Innovation builds on considerable goodwill and commitment from both Government and business.

Government's role

From this Government, business has received both a challenge and an opportunity. As the Prime Minister has said many times and we have heard from Bill tonight, the Government recognises that NZ faces many social challenges, but that these are not for Government to face alone. They demand smart solutions – coming not just from the public sector but also from the private sector, and from the two working together. And, as you said this week, Bill, "it is permanent restraint - more services with the same or fewer people and the same or less funding." That's going to require innovation.

Business's role

From business, the Centre has also heard a strong message.

For many of you, **social innovation is core business**. Social services – health, education, care – are significant, high-growth sectors of our economy and ones which cannot be offshored. There are opportunities here aplenty for innovative NZ businesses – serving both the public sector and the private sector. And their work here drives not only improved social outcomes, but economic growth, both directly and indirectly. For NZ to be a competitive economy, we must be as dynamic and innovative in healthcare and education as we are in biotechnology or agriculture.

The good news however is that what is innovated in NZ can be highly valuable internationally. As all developed countries struggle with rapid social change and shrinking budgets, innovative solutions developed and tested quickly in small flexible environments become highly valued.

Further, NZ businesses have a deep commitment to being **good corporate citizens**. Many of you around this table have dedicated CSR programmes, and have invested significantly in them. You all want to know that what you're doing makes a difference – that you're not just making a piecemeal, one-off contribution but enabling sustainable, scaled-up innovation.

Building the innovation partnership

The purpose of the Forum tonight is for us to look critically, and constructively, at the system we've developed for innovating around social needs in this country. We know that NZ's social needs cannot be met by Government or business alone, but depend on a **public-private innovation partnership**.

What does this partnership look like, what are some of the challenges we face, and what is the role for this Centre for Social Innovation in facilitating it?

Definition

First of all, what is "social innovation"? One very simple definition is "the design and implementation of better ways of meeting social needs". This is a wide field – from new models of child-care to micro-finance, from new ways of delivering healthcare to the home to new web-based energy co-ops.

At its heart is a parallel which business people understand very well – that innovation around social needs is, in essence, the same as innovation around technological and business needs. In the 20th century, our economies grew at an unparalleled rate because of the pace of innovation. We learnt that we didn't have to wait for innovation to happen, but that we could accelerate it – by managing for innovation within companies, by growing innovation eco-systems like Silicon Valley, and by judicious and targeted Government support.

It is just the same with social innovation. We can generate powerful and creative solutions to our social needs through a conscious innovation process – working together to understand needs, develop and test new solutions, and focus on their growth and diffusion. And how we do this is actively being worked on by specialist centres for social innovation in countries world-wide – in the UK, throughout Europe, in Asia, and now, under Obama, in the White House.

But, before this all starts to sound way too complicated, Geoff Hunt probably put it best the other day when we met up. He said, "You know this social innovation thing. What you're really talking about is actually really simple. You just want to bring together the idea, the funding to test it out and the organisation to take it forward". And I think he's quit right.

So let's take that framework – Idea, Funding, and Organisation – and use it to think about the potential partnership of Government and business in social innovation.

The idea

Target needs

First of all, at the start of any partnership must be a sense of common purpose, a shared understanding of the challenge. Powerful partnerships focus their resource on the issues that matter, and build collaborations around them.

Is this currently the case in NZ? Do NZ businesses have a clear understanding of priority social needs as seen by Government? Do government agencies actively communicate their target issues, and share their research and understandings? How can we - Government, business and the community - work together to build a shared understanding of the root causes of social needs and combine our resources on a few targeted initiatives, not waste them on too many fragmented, duplicative projects?

Generating innovation

A lot of business leaders I speak to tell me that they see their role as quite restricted: providing some funding, helping with promotion, and donating some staff time. But the role of business can – and needs to be – much, much more than this.

Business has a critical role in generating innovation – bringing a creative, transformational, out-of-the-box approach both to its own for-profit projects, and in the assistance it provides to Governments and non-profits.

Understanding customers

First of all, businesses are tremendous at understanding customers. If a business doesn't design products or services which its customers want and need, it isn't going to be around very long. Contrast this with the great concern internationally in the area of public service and community development, that far too many programmes are based not on what consumers want but what on bureaucracies want to provide.

So, what great potential this gives for business to contribute. Air NZ, for example, has shown us all that it can totally re-design an airport check-in system that can both excite customers and save money. What could Air NZ's designers do to help us re-design an emergency services ward, or a school? You've got to suspect it would be about more than re-arranging the chairs.

Fresh eyes

Secondly, business can be hugely powerful in providing "fresh eyes" – taking what is commonplace in one context to drive innovation in another. Business experience in logistics, marketing, design and specific technical expertise are all hugely important here.

One favourite is the example from the NHS of the role Ferrari played in solving a huge problem in handover disciplines from operating theatre to recovery room at

Great Ormond St Children's hospital. One day, after a particularly harrowing time in theatre, the lead surgeon walked into the lunchroom to find a Formula One pit crew changeover in progress on TV. "Right, that's it, I'm going to ring McLaren", said the surgeon, and there began a collaboration, first with McLaren and then with Ferrari that brought all that these companies knew about highly effective, split-second changeovers to drive a drastic reduction in harmful outcomes for the sick children at Great Ormond St.

New techniques

Businesses can also bring new techniques to the idea generation process. As we all know, "the future of innovation is open-source", and many businesses have been experimenting with new ways of tapping sources outside their walls for ideas.

Both Microsoft and Vodafone have drawn on these approaches in two public innovation challenges – Microsoft with its Imagine Cup and Imagine Accelerator focused in 2009 on the UN Millennium Development Goals, and Vodafone with the Vodafone Wireless Innovation Challenge. I hope we'll hear more about these later.

Managing innovation

And, a big question, how do organisations manage for innovation? How do they lead an innovation culture, set aside protected spaces for innovation, tap the ideas of staff, suppliers and customers, and fund and manage innovation portfolios? Companies in this room – like Air NZ, Kordia, Deloitte and others - are actively experimenting and learning in this space.

How then can these insights and experiences from business help the public sector as it starts to grapple with these issues? What potential is there for joint sharing and learning as both sectors work to manage more effectively for innovation?

In conclusion, at the "ideas" level – as we understand priority social needs, and innovate new responses – there is tremendous potential for public-private collaboration. .

Funding

And, as Geoff said, the second piece is "the money" – and it's always about the money. Once any new idea has been formed, the next step must be the developing and testing of that idea, and that will cost. Further, it is inherently risky, and, particularly in constrained economic times, that can be politically difficult. Although you're asking them to do it, Bill, I wonder how many Departmental heads will shy away from innovation, to head off headlines about money going down the drain with no results.

The good news is that in the world of business and technology, we've learnt a lot about how best to support innovation – with combinations of angel investment, public-private innovation funds, incubators and other vehicles.

In the context of social innovation, however, do we have sufficient sources for seed funding innovation about social needs by non-profit organisations, public sector innovators, and by companies?

The Prime Minister himself, as leader of the Opposition, drew attention to this issue in a speech to Plunket in 2007. Recognising the role of the community sector in fostering innovation, but the lack of capital as a significant blockage, he noted that the Government happily supported various venture capital and seeding funds in an economic development context. Why not, he suggested, set up a social venture capital scheme for community innovation?

Well, why not? And why not also extend that reasoning to businesses involved in social innovation? Why not, for example, a public-private technology seed fund for businesses and social enterprises developing new technology solutions to target issues – say of independent living or lifestyle management?

Organisation

The third - and last - piece of the innovation trilogy is the organisation – the entity which takes up the innovation, develops it and grows it to a scale where it can make a difference.

Business again plays a significant role here – in a variety of dynamic and rapidly-evolving forms.

Most classically, businesses are involved in social innovations that they sell direct to consumers or to public agencies. Cisco, for example, in its HealthPresence work on the West Coast, and Mobile Surgical Services in a number of areas, are both innovating to address rural health needs on a market model.

Businesses assist organisationally by helping their non-profit partners as part of a CSR contribution – providing money and in-kind support which is often more important than the funding.

They also play a lead role in collaborations which focus on a particular need or opportunity and bring together the right public, private and research players to innovate and grow transformative solutions. Cisco's work with the Connected Cities project and Vodafone's work with the UN Foundation stand out here – and we'll hear more about them shortly.

And there's another space too, which is increasingly exciting, and that's the hybrid space between the private sector and the community, of social enterprise - where social needs are met using a business model and where profits are returned or re-invested.

A stand-out example of business leadership here is that of Grameen Danone Foods, a joint venture launched by DANONE, the French multi-national, and Grameen, the world's leading micro-finance organisation, in 2006. The mission of Grameen Danone Foods speaks for itself: to reduce poverty by bringing health through food to children using a unique community-based business model. Grameen Danone Foods is a business—and as such must turn a profit—but its priorities are reversed. The company

has to be profitable – profits from the first plants are needed to finance the construction of new ones– but its success will be judged on non-financial criteria: the number of direct and indirect jobs created (milk producers, small wholesalers, door to door sellers), improvements to children's health, and protection of the environment.

The role of the Centre

To conclude then, social innovation is a broad and dynamic field, it's critical to our social – and ultimately our economic – wellbeing, and it's one where the contribution of business, alongside Government and the community, is vital.

Despite our genuine willingness to collaborate, however, we do not yet have a vehicle to progress a public-private partnership in innovation. Beyond specific initiatives in particular areas, we lack a means of consistently bringing together public, private and community partners around a pressing social need.

This is the need to which this new Centre for Social Innovation responds. Put very simply, where Government, businesses and the community decide that there is a social need where innovation is required, and that a partnership approach is important, the Centre is a neutral, independent vehicle through which to drive that innovation process.