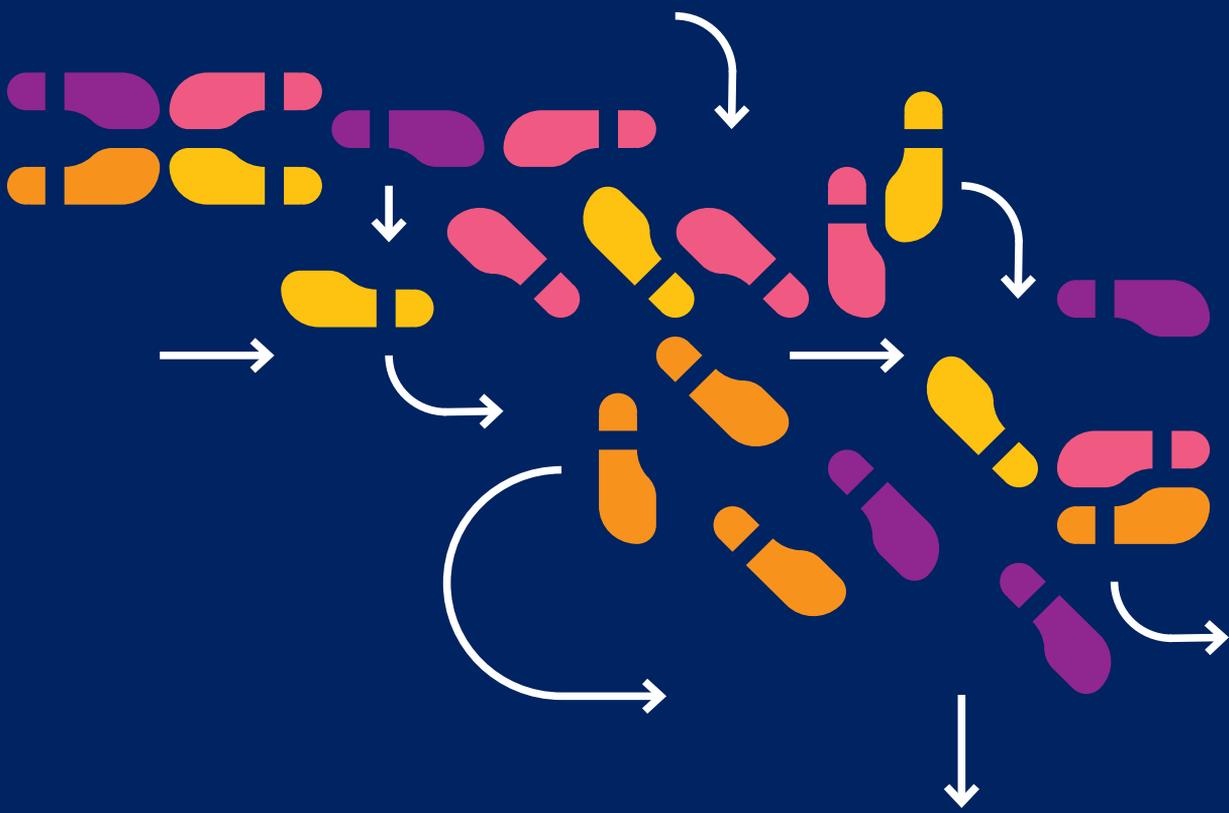


The Practitioner's Guide
Steps to Corporate Investment,
Innovation and Collaboration
A Practical Guide to Creating
Positive Outcomes



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Foreword

Corporate Impact X

“What motivated a highly risk-averse energy company to invest £10m over ten years in messy entrepreneurial businesses that are creating positive outcomes?”

In 2013, Charmian Love, Julia Rebholz and Amanda Feldman met for the first time to explore this question. Through the lively debate that ensued, they discovered their collective passion for unlocking the potential in corporations to be bold, brave and collaborative in order to provide inspiration for their employees and serve the society in which they operate.

Over dinner one evening, they started to brainstorm how more businesses could learn from the wealth of examples that have emerged over the past few years. Their own deep and wide skill sets had seen a diverse range of approaches, but the learnings had not been brought together and shared widely. To facilitate this work, they created a project called Corporate Impact X to explore the art of the possible when business considers positive outcomes in their innovation and investment strategies.

This guide brings together each of the authors experiences in entrepreneurship, business strategy, research, advisory and investment to provide a guide for those individuals who wish to take their first - or next - step.

In the next phase of work, the authors plan to continue creating the necessary conditions where courageous corporations can collaborate on projects which will supercharge positive outcomes at scale.



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Foreword

Inter-American Development Bank Group Multilateral Investment Fund

The business and development worlds are increasingly converging, in line with growing corporate interest in achieving social value together with financial profit. Corporates are seeing that they are uniquely positioned to scale up proven solutions to social and environmental problems, and that they have a role in addressing the challenges associated with poverty. The private sector actively participated in the development of the Sustainable Development Goals (SDGs), and companies are working to align their core business strategies with the global economic development agenda. Building on this momentum, we are sponsoring this guide and see it as a practical tool for companies interested in venturing for impact.

For over 20 years, the Multilateral Investment Fund (MIF) has served as the innovation lab for the Inter-American Development Bank Group (IDBG), piloting new models for engaging and inspiring the private sector to solve economic development problems in Latin America and the Caribbean. Core to its role as a lab, the MIF provides grants, equity, and debt, as well as combinations of these tools when both capacity-building and risk-sharing finance are needed to pilot and scale new approaches to development challenges.

The MIF also functions as a bridge between the public and private sectors helping them work together to find solutions to shared problems.

Together with our IDBG partners, we recognize the key role companies play in seeding and scaling social innovation. When we combine forces and co-invest our resources, we will have far greater success in driving sustainable change. To this end, we hope that this practical guide will help incite interest from our current and future partners to venture together to tackle the many social and environmental challenges confronting Latin America and the Caribbean.



Brigit Helms

General Manager, Multilateral Investment Fund,
Inter-American Development Bank Group

Foreword

Big Society Capital

Our mission at Big Society Capital is to build the social investment market in the UK, so that charities and social enterprises can access appropriate repayable finance to enable them to grow, become more sustainable and increase their impact on society. So far we have invested a quarter of a billion pounds in specialist organisations who lend to charities and social enterprises. We also work in partnership to support others to become involved in social investment.

We believe that corporates can play an influential role in the growth of social investment in the UK. Corporate social investment is a powerful tool for businesses to create new growth opportunities and social impact. That's why we have developed a tailored programme of support - the Business Impact Challenge - to raise awareness of investment opportunities for corporates that generate social as well as commercial returns. The Challenge provides corporates with the opportunity to apply for co-investment for projects designed to have social impact in the UK.

We are delighted to be part of this publication. We hope it can provide useful insights and practical examples of the steps to take and things to consider for any business embarking on the social investment journey.

[www.bigsocietycapital.com/
business-impact-challenge](http://www.bigsocietycapital.com/business-impact-challenge)



Claire Kearney
Strategy and Market Development Director,
Big Society Capital

Foreword

Centrica

Centrica is an international energy and services company. Everything we do is focused on satisfying the changing needs of our customers.

We supply energy and energy-related services to over 28 million customer accounts in the UK, Ireland and North America, through strong brands such as British Gas, Direct Energy and Bord Gáis Energy. We are also developing new and innovative products and services for customers globally. Our Connected Home business has developed products such as the Hive smart thermostat. Through our Distributed Energy & Power business we offer integrated energy solutions for commercial and industrial customers, including flexible generation, energy management systems, and battery storage. Our Energy, Marketing & Trading business operates in LNG trading, optimisation and risk-management for customers. Gas Exploration & Production continues to play an important role in our portfolio.

Backed by Centrica, Ignite Social Enterprise provides funding of £10 million over ten years. Ignite is the UK's first impact investment fund with a focus on energy. We believe that energy entrepreneurs have a vital role to play in building a better society and we're here to help them achieve their potential. As well as providing capital, we work to understand the specific needs of each investment and help them grow through mentorship, networking and the skilled support of Centrica employees.

Foreword

Global Corporate Venturing

At first glance there appears to be little in common between an education publisher, such as Pearson, energy utility Centrica and clothing company Patagonia. Let alone than between them and other large corporations and a host of entrepreneurs starting up and trying impact the world for the better. Apart from that word 'impact'.

Corporations and others are funding start-ups with an expectation of both financial return and making a positive difference to an area of social and/or environmental change. Using the tools of venture capital developed over the past 75 years and, effectively saying, fast-growing businesses can and should recognise what effects do they bring into the world by how they are making their money.

As John Fallon, Pearson's global CEO and member of the Pearson Affordable Learning Fund investment committee, in nominating Katelyn Donnelly to the Global Corporate Venturing Rising Stars award this year said: "We are tripling our investment in the next fund because we know that this approach works and critically informs our long-term business strategy."

Or as Yvon Chouinard, founder of California-based B Corp Patagonia, said: "My family and I are happy to launch \$20 Million and Change, an internal fund to help like-minded, responsible start-up companies bring about positive benefit to the environment."

Sam Laidlaw, then CEO of Centrica, at the launch of Ignite, the UK's first energy-based impact investment fund, said: "The answers to society's challenges do not lie solely with the private sector or the public sector, but with social entrepreneurs, in communities, and in cross-sector partnerships. I am passionate about the potential for Ignite to help find and grow energy related social enterprises to innovate and create these answers."

This is profit with purpose. Entrepreneurs bring drive and vision about what needs to change in the world. Too often they lack the financial and/or technical and sales expertise to turn vision into reality. Corporations bring the cash and support and gain insights into how the world will change.

This report sets out how both can come together and why the time for them to do so is now. It is also a perfect example of this corporate impact venturing working in practice with Julia Rebolz at Centrica supporting and co-creating with entrepreneurial superstars Chairman Love and Amanda Feldman. Congratulations to them and all that helped bring this report out.



James Mawson
Founder and Editor-in-Chief,
Global Corporate Venturing

Foreword

Setting the Scene

excerpt from Nick O'Donohue,
CSR 2.0, Huffington Post¹

"As you walk around the corridors of the World Economic Forum at Davos and as you listen to the many corporate leaders present... it is possible to segment them into two distinct groups.

Firstly, there are the leaders, who to paraphrase Milton Friedman, believe that 'the business of business is business.' They embrace the opportunities that growth and technology present. They recognise the growing challenges that high levels of joblessness, rising inequality and diminishing social mobility present but they believe it is fundamentally the job of government to address those.

Secondly there are those leaders who take a somewhat broader view of the role of the corporation in the modern economy. They believe that addressing key societal challenges in a modern global and technology driven world requires innovation, that driving innovation requires a combination of financial and human capital, access to advanced technologies and broad and sophisticated global networks. They look at government and they see none of these things. They see an opportunity to engage and as they look at their businesses they see a real business need.

That business need is driven by better informed consumers who want to buy from companies whose values they respect, by a workforce particularly in the knowledge based industries, professional and financial services who want to feel proud of who they work for and by governments, particularly in emerging economies, who are increasingly demanding companies actively engage in helping them solve key social issues as a prerequisite to providing access to their rapidly growing markets.

The challenge for the second type of CEO is how to execute. How do you bring your companies core financial, human, technological strengths and its massive global networks to help address societal issues without deviating from the core mission of making profit?

Centrica have set an important precedent in the UK by becoming the first non-financial company to set up a dedicated social investment program, Ignite. It invests in businesses that will improve the energy industry, searching for bold better solutions that will improve society at large by bringing together big business and enterprise through collaboration and the exchange of ideas. It sits in a separate subsidiary but is intimately connected with the mother company."

There are opportunities for many more companies to follow this example and the numerous case studies featured in this practical guide. This guide brings together for the first time all of the knowledge of how corporations can act consistently and deliver positive and profitable outcomes.

Executive Summary

All corporations seek to differentiate themselves and look for new ways to create value. But when many traditional routes have been exhausted, how does an organisation change the way it does business?

We believe there are people within companies with the foresight, courage, ingenuity and compassion needed to step up to the challenge of creating long-term business value, while serving the needs of society and the environment.

These are no longer binary objectives. Profit and impact are no longer on opposite ends of a spectrum, requiring a trade-off of one for the other. Profit and positive outcomes are not mutually exclusive, requiring a trade-off of one for the other. This creates a virtuous cycle where more positive outcomes can lead to more value for the company, which leads to the generation of even greater positive outcomes and organisational resilience.

Building this type of resilience is not easy and requires new ways of thinking within the corporation. This can be supported and encouraged through the relationships that a corporation creates externally and through the activities it undertakes to create value for all stakeholders. Together these actions will sustain the behaviours needed to act in accordance with the new way of thinking and can form part of a wider corporate change initiative.

This guide brings together a practical set of tools for those with an ability to unlock corporate resources - human, financial, technical and social - to invest in areas where they can create the greatest value. In doing so, these resources will create a range of positive outcomes for the business and the society it serves. By leveraging financial and non-financial corporate support, innovation within corporations can better serve their core business purpose; innovative enterprises outside of corporations will have access to scalable knowledge and capacity; and more financial capital will flow into businesses and strategies that create positive outcomes.

The race to the top is wide open

Pioneering work is already underway by social investors, governments, foundations, venture philanthropists and development banks, such as IDBG/MIF, and funds of funds such as Big Society Capital. There has never been a better time for corporations to step in and learn from those already exploring and experimenting with new models of innovation and investment. And there are willing partners ready to work with you to make this happen.

The audience

This guide has been written for those individuals in businesses who are seeking a different way to operate. Whether you are in a corporate venturing unit, run a strategy department, manage a corporate sustainability or CSR team, or are interested in product & service development - we hope this guide will provide you with more fuel for your efforts. In this guide, we will address three questions that we know people are asking:

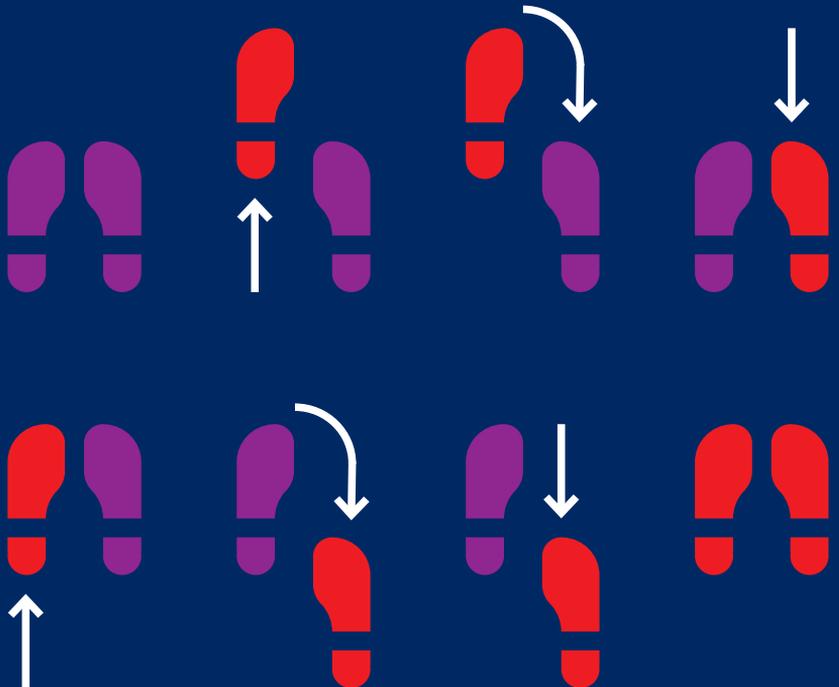
1
What is the business benefit and why should my business consider alternative options in its innovation and investment strategy?

2
What steps can I take to begin the process of designing or updating our corporate innovation and investment strategy so that it creates positive outcomes?

3
Who can I work with to make this happen and what forms of collaboration exist in the market that I can learn from?

Introduction

Why should we care about positive outcomes?



Activity
2050

Does 2050 feel like it is a long way off?
Probably, especially when you consider that in 2050, it's highly likely that:

- There could be 9-10 billion people on the planet.²
- We may be starting to run out of oil reserves.³
- There could be more plastic than fish in our oceans.⁴
- The number of people living in cities will likely triple.⁵
- Almost all adults could know how to read.⁶
- India may have overtaken the US as the world's second largest economy.⁷

Think about some special young people in your life today. A son, daughter, granddaughter, grandson, niece, nephew, godchild.

How old are they today?

How old will they be in 2050?

Today's markets are in flux

The macro-economic trends we are facing today point to greater levels of uncertainties in the future. Climate change, movement of people, resource scarcity, demographic shifts, big data and mass urbanisation will be critical strategic considerations for businesses operating today that want to remain relevant in the future.

What do we know?

Any businesses that will be here in 50-100 years will need to be actively contributing to the wellbeing of society. During periods of intense change, large corporations seeking opportunities to flourish will need to help to ensure there are stable economies where they can operate.

Where is the unrealised potential?

We have recently seen a broad breakdown of trust between large corporates and society. Scandals, low employee wellbeing, from non-governmental organizations (NGOs) pressure and increased regulation have exposed a gap in expectations. Business feels the good it does is not recognized, while people feel they are often exploited by business. This leads to frustration, lack of trust, and under-achievement – to the detriment of all.

What is the opportunity?

As the level of complexity increases and the transactional relationship between corporations and communities changes, some corporations are seeing this as an opportunity. We will profile business leaders proactively seeking new ways to co-create positive outcomes for the communities in which they operate.

Figure 1
Positive Outcomes
Highlights of Big Society
Capital's Outcomes
Matrix

Arts, heritage,
sports and faith

Conservation
of the natural
environment

Reduction
in energy
consumption,
waste etc.

What are positive outcomes?

Simply put, positive outcomes represent the *value created which extends beyond financial return*. They are measurable positive effects on society and environment. There are also negative outcomes that business can create, which must be mitigated before positive outcomes can be achieved.

Businesses are very proficient at measuring the output of what they do through financial statements. But businesses also create other forms of value – which can have positive or negative effects on society and on the environment. Beyond the value we can measure in dollars, pounds and cents, this is about how businesses serve a need in society.

Where business is intentional about the creation of positive outcomes – economies flourish and both the community and business benefit. Big Society Capital's Outcomes Matrix highlights positive outcomes in a wide range of areas shown in Figure 1 below.

Where are the opportunities to co-create positive outcomes?

Corporations are stepping in with an appetite to invest and innovate in areas where there will be tremendous (and sometimes, existential) demand. Many are looking at the problems we need to solve in the world if we are all to live in a stable, equal and resilient society. These include the provision of and access to food, health and education – areas where there is an opportunity to create positive outcomes, and the market has a critical role to play.

Does business have to choose between positive outcomes and profit?

In the past, companies operated on a strictly dichotomous basis. They would make as much money as possible – maximizing shareholder return – and then allocate a portion of this return to a charitable giving programme, often with very little connection to the core business as a way of doing well. Today more and more businesses are rejecting this binary notion of making money on one side, and having impact on the other. Instead they are actively exploring ways to do both at the same time – realizing that creating positive outcomes for society and the environment is not a distraction from profit, but rather can reinforce and enhance it.

When they experience these sorts of aligned investments, everyone wins: the entrepreneurs, the business, customers, local communities and future generations. Value is generated for shareholders and wider stakeholders. CB Insights has released a list of 21 start-ups proving this to be true for the world's underserved.⁸

<https://www.cbinsights.com/blog/startups-serving-underserved>

Who is leading the charge? Innovation and investment teams within corporations are working on the strategies which allow their business to explore and experiment with new business models, product and service offerings and supply chain processes. These are inherently future-focused teams, charged with managing pathways to 'value creation' of any kind.

Increased employment, education and training for the local community

Housing development for society's most vulnerable

Financial inclusion

Physical and mental health and wellbeing

What are the benefits to business? As corporate agendas increasingly converge with the Sustainable Development Goals,⁹ we will witness the necessary alignment of strategy and action. Organisations like the IDBG/MIF have been working with corporations in Latin America and the Caribbean interested in exploring these goals and how they might be integrated within a business strategy. This goes far beyond traditional forms of corporate social responsibility (CSR). Instead, there will be a focus on business opportunities to solve real-world problems and make these solutions fundamental components of a longer-term strategy. The benefits to the company are multi-faceted and may include: return on capital, strategic and practical assessment of new trends, innovation knowledge & know-how, top talent development and retention, customer engagement & business development. These benefits are outlined in more detail later in this guide.

How big is the opportunity? Corporations have the resources to do this at scale. According to a recent article by the New York Times, USD\$1.9 trillion exists on US corporate balance sheets.¹⁰ Some believe that companies are holding this cash because they see a change coming and want to be prepared and are biding their time until there is clarity on the direction of the market. Others see that many leading companies have already begun deploying capital to innovate and invest for the future. Let's look at a few examples:

Telefónica a Spanish broadband and telecommunications provider with operations in Europe, Asia, and North, Central and South America, recognized the need to develop young people and entrepreneurs in its core markets in order to create a stable economy to do business. To this end, operating under the umbrella of Open Future_ Telefónica's global entrepreneurship and innovation network – it has developed its own start-up accelerator called Wayra to promote product and strategy development that aligns with customers of Telefónica and its partners.

Figure 2

Data Points

The Power of Purpose for Enhanced Performance

2-3% "Firms with high levels of job satisfaction... generate high long-run stock returns." These companies beat the market by 2-3% per year, over a 26-year period from 1984-2009, according to Alex Edmans of the London Business School.¹⁶

50% Robert G. Eccles and George Serafeim (Harvard Business School) and Ioannis Ioannou (London Business School) conducted research on 'high sustainability' and 'low sustainability' businesses from 1992 to 2010. They show that the benefits of proactive engagement in sustainability are so strong that \$1 invested in the high sustainability companies in 1992 was worth \$23 by 2010, whereas the low sustainability companies would have given a return of just \$15, a difference of 50%.¹⁷

60% Deloitte's 2015 Millennials survey showed that 60% of the 2,800 millennials interviewed stated that they joined their current employer because of the organization's "sense of purpose."¹⁸

Activity

Happy Birthday! Think about what year your company will be celebrating its next '100-year' birthday. What products and services do you think it will be selling then? What problems will the business be solving?

Wayra first launched in Latin America and Spain in 2011. There are now 11 Wayra Academies in 10 countries across Europe and Latin America. Companies accepted into the Wayra program receive funding of up to \$50,000 plus office space, mentoring and access to a wider investor network. As part of the network of Wayra Academies, Wayra UnLtd is the first start-up accelerator exclusively for social enterprises. Telefónica launched Wayra UnLtd in 2013 with an additional £1.2 million in funding from the UK government's Social Incubator Fund (delivered by the UK Big Lottery Fund on behalf of the Cabinet Office to stimulate the early stage social investment marketplace). About half of the government's contribution went towards grants to selected social ventures, with the other half providing funding for business support services and innovation advisory services. In the UK alone, 80% of Wayra start-ups have raised third-party investment worth a total of \$54 million, \$12 million of which has come from third party impact investors in Wayra UnLtd social ventures.

In addition to Wayra, Telefónica's innovation and investment programme also includes the Amérigo Funds, with regional funds covering Brazil, Chile, Colombia, Peru and Mexico. The amount of the investment committed to the Amérigo Fund is EUR€132 million. Telefónica is also opening 'crowdworking' spaces with local partners in Latin America – where they have already accelerated more than 600 start-ups (and with plans to open 10 more spaces in 2016).

IBM a company that has spent USD\$5.245 billion on R&D over the last 4 quarters,¹¹ is making a big bet on the development of Watson Health. As IBM SVP and CFO Martin Schroeter announced on the company's latest earnings call, "Healthcare is a new revenue and profit opportunity for us as we change the face of healthcare through our cognitive platform to provide value to providers, payers and partners."¹²

GV (formally Google Ventures) has total assets of USD\$3 billion and is focussing their investments in areas including internet, software, life sciences, healthcare, artificial intelligence, transportation, cyber security and agriculture. One of their health investments, Flatiron Health, is described as a 'healthcare technology company building the industry's first data platform dedicated to oncology.'¹³ Using a software platform, Flatiron Health connects cancer centres across the US to improve treatment and accelerate research, benefitting patients battling cancer.

Qualcomm a telecommunications company, and Novartis, a global healthcare company, joined forces to develop a joint investment company called DrX Capital. With a capital commitment of up to USD\$100m, this fund is looking to invest in entrepreneurs using digital technology to improve the lives of patients and clinicians and usher in the era of digital medicine.¹⁴

JP Morgan recognizes the fundamental drivers pushing business to adopt sustainability as a strategic imperative, and investors and clients were expressing increasing demand for opportunities to participate. Because of this, they developed a special Sustainable Finance unit. They used this insight to set up their Social Finance programme which today includes an impact portfolio with \$USD 68 million committed to investments across 11 funds.

Isn't this just about the money?

Although financial capital is important, we also know that companies have a lot more to offer than just money. Our interviews reinforced that companies can provide value through:

- 1 Access to specialized skills and expertise needed to help businesses scale.
- 2 Access to networks of potential partners and routes to market (customers, suppliers, distribution networks).
- 3 Access to new technologies that can strengthen their business proposition.

Have we seen an evidence of success?

Clearer data points are emerging over time, which reinforce that creating positive outcomes for stakeholders - including employees and the wider community - is better for business. For example, researchers at Harvard Business School tracked 90 companies over 18 years and found that those who embedded sustainability into their business had 4.8% greater annual market performance.¹⁵ Debbie Ryan from the Social Stock Exchange further suggests that "governments are increasingly making it a requirement to demonstrate positive impact through their contracts, and as such, companies need to respond to stay in the game." For more data points, refer to Figure 6.

Are corporations alone? Corporations are not the only institutions seeking positive outcomes. This is a growing sector that businesses, investors and policymakers are tracking carefully, under different banners, as outlined in Figure 3. We explore specific ways to work alongside a range of organisations in Chapter 3.

What is the bottom line? Collaboration. There are ample opportunities for corporates to collaborate with one another, within or beyond sector boundaries. Many companies are investing serious capital in innovation and investment strategies that will allow them to better understand the new markets and create new forms of value in a changing world. But businesses cannot do this alone, and unusual partnerships are emerging across every sector and geography we researched. Look out for opportunities to work with organisations like IDBG, where 'intrapreneur' Elizabeth Boggs Davidsen is pioneering new approaches to development through engagement with corporations, and Big Society Capital, where Claire Kearney is building momentum with UK businesses looking to address social challenges.

Figure 3

Translation Please

What are some of the banners that are flying around?

Social Impact Investment

What does it mean?

Investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return. They can be made in both emerging and developed markets, and target a range of returns from below market to market rate, depending upon the circumstances. (*Eyes on the Horizon*, JP Morgan and GIIN, 2015)¹⁹

Who are the champions?

USD\$60 billion in capital is behind it, globally. This is projected to grow to USD\$2 trillion in 2025. In the UK alone, the social investment market today is worth £1.5 billion.²⁰ In Latin America, this market was roughly \$2 billion by the end of 2013. There is also an emergence of new specialist market players, such as The Social Stock Exchange, which is designed to enable greater flow of capital into this social and impact investment. (*Spotlight on the Market: The Impact Investor Survey*, JP Morgan and GIIN, 2014)²¹

What does it look like in practice?

For the Inter-American Development Bank Group (IDBG), an impact investment must address basic needs (e.g., agriculture, water, housing) or basic services (e.g., education, health, green energy and financial services), and at least half of its beneficiaries must be vulnerable populations, defined as people with incomes below the threshold of USD\$10 purchasing power parity (PPP) per day. For Big Society Capital in the UK, a social investment is "the use of repayable finance to achieve a social as well as financial return" where both investors and users of capital intend to make a positive social impact.

Circular Economy

What does it mean?

According to Kresse Wesling, a circular economy entrepreneur, "Circular businesses work in systems. They do not extract, make, sell and then lose control of their products as customers 'use them up'. In a linear system a product eventually dies; heading to landfill or incineration. In a circular system inputs are the outputs or byproducts of other businesses, and goods which are produced are designed for recycling or reconstitution. There is no death, there is no landfill. Importantly, only renewable energy can be used to drive a circular system, otherwise you are powering something circular with fossil fuels, which are linear."

Who are the champions?

The Ellen McArthur Foundation is an active champion of the Circular Economy, and is working with a group of partners to explore how it can be achieved in business.

What does it look like in practice?

Elvis & Kresse's leather reclamation project is the first example of circularity in the luxury industry. They collect leather waste from businesses representing the very best of European leathercraft and have designed a series of interlocking shapes that allow leather that was previously going to landfill to have a whole new series of lives. Their system is designed for deconstruction and remanufacture. Their business is powered by Good Energy. In order to introduce this to the wider market Elvis & Kresse have partnered with FLOR in the US. "Elvis & Kresse and FLOR have an absolutely parallel design process."

Frugal Innovation

What does it mean?

Businesses looking for ways to minimize the resources needed in the development, production and delivery of products and services. This results in lower-cost development cycles and end price points for customers.

Who are the champions?

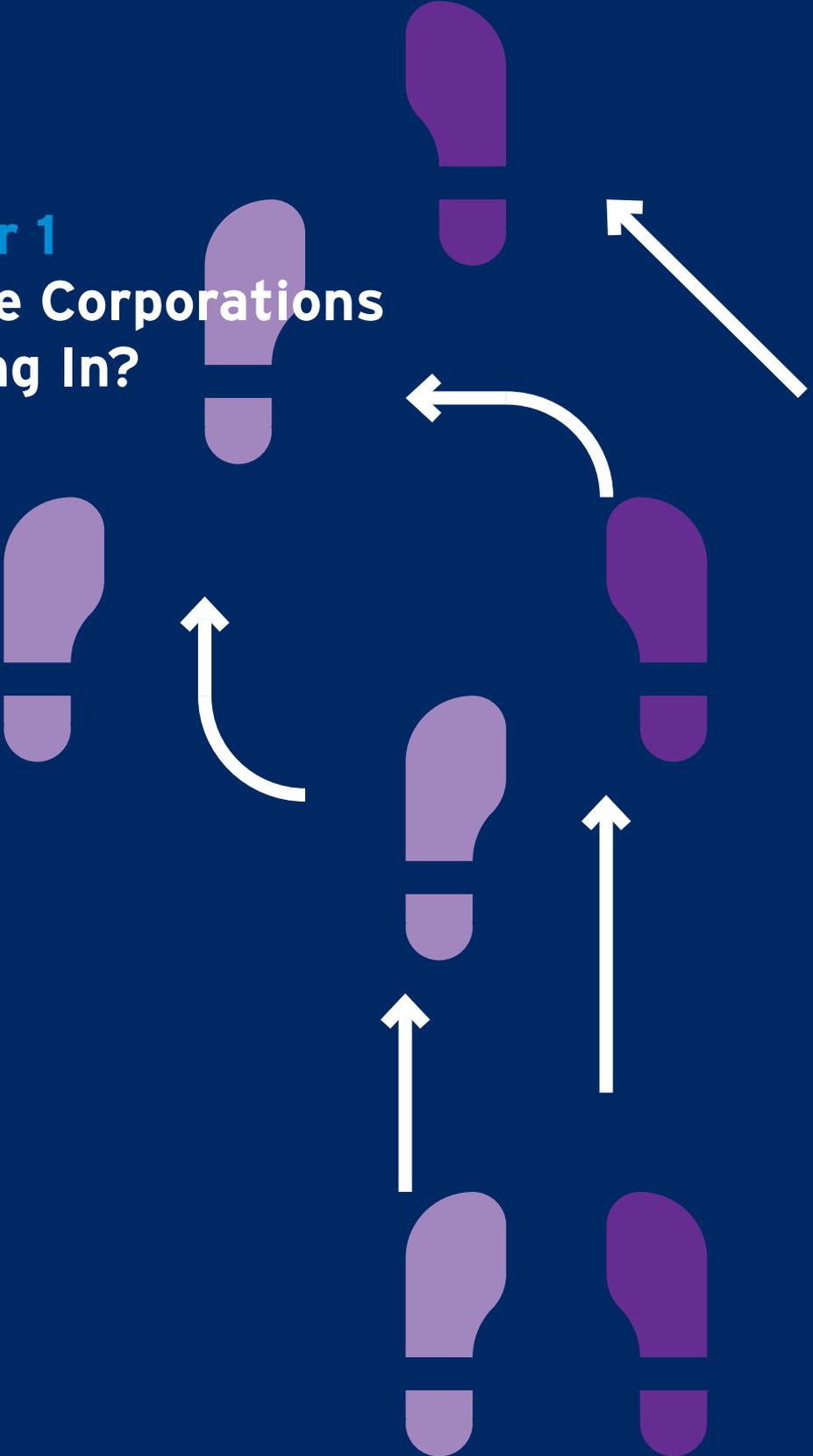
Many academics, including Jaideep Prabhu at Cambridge University, have focused their study on frugal innovation (also known as Jugaad Innovation). According to Jaideep Prabhu, "frugal innovation is all about doing more (and better) with less".

What does it look like in practice?

GE developed an ECG machine at a fraction of the cost and size when developers were challenged to create a version of this popular western medical product that could be used in developing markets.

Chapter 1

Why are Corporations Stepping In?



What this guide will do

Highlight best-in-class approaches to corporate innovation and investment, and the decisions required to make your strategy most effective.

There are a range of strategic options for businesses seeking to create positive outcomes. Philanthropy and grant-making strategies have historically been well-documented, through a dependence on corporate donations, individual philanthropy and volunteering to give back to society. These activities expect zero financial return, with high social impact which may be unrelated to the core business itself.

While these models still have an important role to play, this guide is focussed on complementing those strategies with deeply strategic models that a company can use to further business objectives and positive outcomes for society and the environment.

Innovation Models

A well-functioning innovation strategy includes collaboration on R&D projects which can ultimately lead to the design, development and commercialisation of new product and service lines. For example: Intel is regularly in the top of the ranking of companies R&D spending. In 2015, they spent USD\$11.5 billion (which is over 20% of their 2015 revenue of USD\$55.9 billion).²²

1

Working with your Supply Chain

Businesses constantly need to innovate to secure market leadership, and working with their supply chain can be a great way of generating new product and service line offerings as well as building greater efficiency and resiliency through their operations. Many companies are also working through their supply chain to develop new innovation and investment opportunities. For example, **Starbucks'** 'Global Farmer Fund' is exploring ways to work with coffee exporters in order to act as the lender to smallholder farmers, so that all the money needed to develop a successful value chain remains in the same system - lowering overall transaction costs.

The **Patagonia** \$20 Million and Change Fund is an internal fund set up to support start-up companies that share the core values of Patagonia, Inc. This includes quality, environmentalism, corporate transparency and "not being bound by convention". The specific aim is to help start-up companies develop solutions to environmental challenges often found in Patagonia's supply chain. One investment from this fund is in a textile processing company called CO2Nexus, which developed a sustainable method of cleaning and disinfecting garments using liquid carbon dioxide. This means no water is used in the process, significantly lowering the amount of energy required by traditional processes.

Figure 4
Creating Positive Outcomes: Models

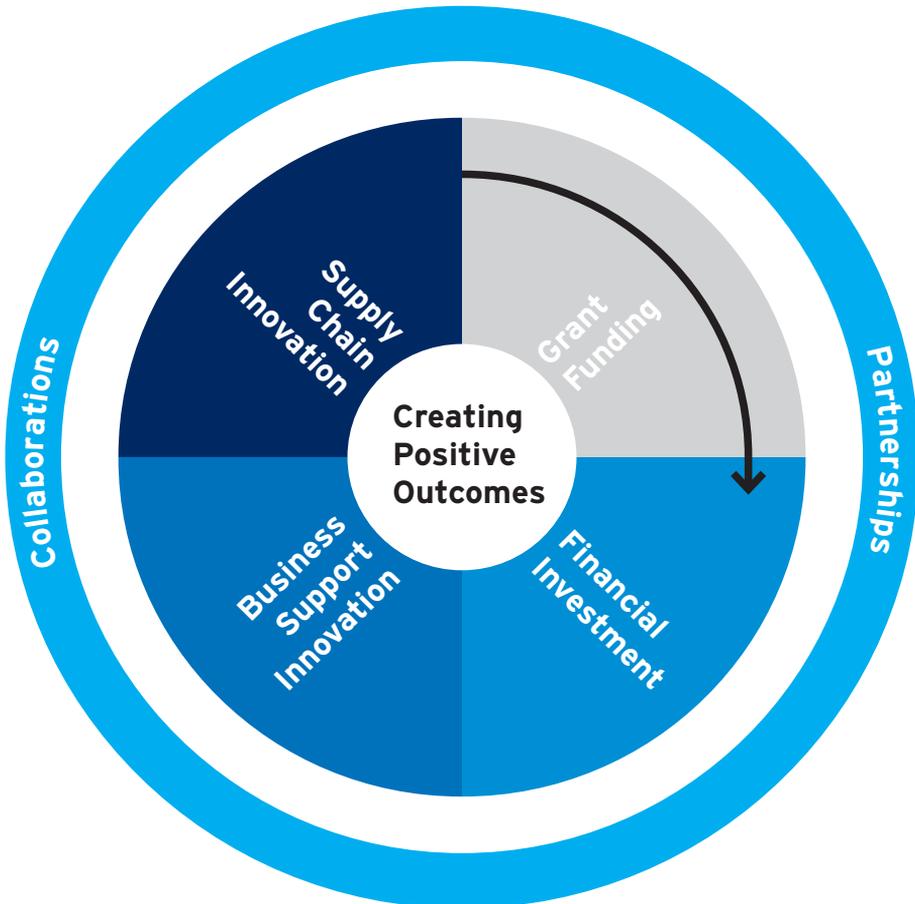
1
**Grant
Funding**

2
**Financial
Investment**
Debt
Equity
Convertibles
First Loss Capital
Bonds
Outcome-based
Contracts

3
**Business
Support
Innovation**
Incubator
Accelerators
Other Models

4
**Supply Chain
Innovation**
Supply Chain
Access
R&D
Governments

5
**Partnerships and
Collaborations**
Foundations
Development Banks
Academics
NGOs



2

Providing Business Support to Entrepreneurs

Many businesses are developing exciting initiatives to support business ideas in early stages of their development²³ and as they grow. These programmes are designed to align with new areas and markets the corporation is keen to explore for the future, but do not have the culture or appetite to do on their own. This could involve a focus on specific sectors or technologies that reinforce an existing or anticipated supply chain. They could also include new products, services and business models which the corporation would like to gain traction in.

- **Corporate incubators** often do not have set timeframes for their support. The goal is to help people or teams with ideas to gain access to the mentorship and space needed to grow at their own pace. For example, the Barclays Eagle Labs provide space, 3D printers and labs to grow and innovate small businesses.
- **Corporate accelerators** generally develop cohorts which work together over a set period of time (usually between 90 days and 4 months) and often offer some form of funding in exchange for equity. The goal is to prepare ventures for quick growth and further rounds of funding. Examples in the market include the Barclays Escalator²⁴ and BBVA Momentum Project.²⁵
- **Other models** might involve moving into co-working spaces, such as WeWork, which counts GE, Merck and KPMG as tenants. It might also involve indirect investment in start-up programmes and/or offering specialised support services to entrepreneurs. Santander has developed a series of 'Breakthrough' services, which include helping businesses meet leading entrepreneurs, find talent, connect with business contacts and find the right funding options.

What this guide will do

Demonstrate examples of financial investment for positive outcomes, including models that blend different financing mechanisms, and help you decide which options best suit your risk/return appetite.

Investment Models

Innovation and investment can go hand-in-hand, with financial capital being provided to diversify the approaches to business growth and positive outcomes.

Grant Funding

Grant funding can be used by corporations to catalyse an idea that then can be invested in, or to address market failures and achieve innovation objectives in line with the strategy of the business. This is often done through a foundation model, or a corporate social responsibility / marketing function.

Financial investment

Financial investment, especially through corporate capital, has an expectation of deploying capital to create positive outcomes and could result in a longer term merger or acquisition opportunity.

- **Debt financing** is capital provided to be repaid at a later date. Common types of debt are loans and credit. The benefit of debt financing is that it is finite amount of capital with an associated interest rate, that can be secured over an asset or unsecured and can be provided at arm's length with no further involvement. The downside is that should the cash flows of the business decline the loan may not be repaid.
- **Equity financing** refers to funds generated by the sale of stock. The main benefit of equity financing is that as a shareholder you have a stake in the business and generally the expected returns are greater than debt financing. However, equity financing is higher risk and comes with higher reputational impact than debt financing. In small businesses, shareholders are often also required to hold a board seat.

- **Debt to equity** convertible or mezzanine refers to a loan with an option that once a certain set of conditions are met will convert to an equity stake in the business. This can have the benefits of initial arm's length involvement and then a shareholding position or never triggering the equity option.
- **First-loss capital** refers to financing that will catalyse other investment. Typically, the first-loss lender will be identified up front and used to catalyse other investors. It can sometimes be secured over assets. Often –though not always–the purpose can be to demonstrate the commercial viability of investing into a new market or in positive outcomes which have not yet been tested in the market.
- **Bonds** refer to fixed income securities that are issued by an organisation that contractually states the interest rate (coupon) that will be paid and the time at which the loaned funds (bond principal) must be returned (maturity date). Apple, Unilever and Google have issued green bonds. Unilever issued a GBP£250 million “green bond” in 2014 to fund a number of new factories, which will cut in half the amount of waste, water usage and greenhouse gas emissions of existing factories.²⁶
- **Outcomes-based contracts** can be structured by corporates to pay service providers or partners for outcomes achieved, rather than services delivered. This is more commonly implemented by governments, but corporates – especially in emerging markets – are interested in becoming outcomes payers where they can value and track business-critical conditions in the areas they operate.

What this guide will do

Suggest when in the strategy development process that partners are most valuable to engage, and where you might find unusual suspects for collaboration.

Partnership and Collaboration

Through our interviews, we found that partnerships are the essential ingredient needed to ensure the greatest likelihood of success across all areas where corporations seek to create positive outcomes. Often, there are aligned incentives and win-wins for a diverse range of stakeholders – across the public, private and social sector – meaning that collective efforts can be more powerful.

For example, integrated services provider **Interserve** has joined forces with Catch 22, a social business delivering public services, and social finance experts Club Finance to create the Public Services Lab. The innovative venture will help community organisations, charities and social enterprises to deliver on public service contracts at scale. The partnership emerged as part of Big Society Capital's Business Impact Challenge.²⁷

In Chapter 3, you will see a set of vignettes on the different forms of collaboration that businesses are building around the world, as well as a checklist of key considerations to have in mind in exploring your own constellation of partners.

“For many companies, the most important thing is taking a step into the world of innovation. The first time you try it, you probably won't get that one idea which will transform the company. But if you act on some of the smaller ideas with focus and attention, you will signal that innovation is important. This, in turn, will create engagement and unlock new thinking.”

Alicia Berger

Enterprise and Innovation, Grant Thornton

Benefits to the Company

Many corporations already recognise the direct business benefit that comes from developing a strategy which creates positive outcomes. For those who may not be so familiar, practitioners identified 5 key areas where these benefits were most clearly felt, which we explain through examples:

1 Strategic and practical assessment of new trends

In 1972, when Antoine Riboud, CEO of **Danone**, introduced the vision of the 'Dual' project, it was clear he saw the role of the company in the world as one with a mission of justice. And he believed that being true to its mission and to the dual project would establish the company in the long term. At a recent event, Emmanuel Faber, current CEO of Danone stated, 'The fact that you get no dividend forces you to rethink why you are in business, what added value do you create what is unique in what you do'.

The Danone Ecosystem Fund was created in 2009 to "strengthen and develop the activities of the partners who make up Danone's ecosystem: farmers, caregivers, micro-distributors, street vendors and waste pickers. Specifically, this EUR€100 million "endowment fund" focuses on strengthening employment opportunities and employability prospects through training and micro-entrepreneurship for local actors in Danone's value chain, where they operate.

In introducing the Danone Ecosystem Fund focusing on the value chain around Danone and danone communities to support BOP social entrepreneurs, Danone has been able to fast track a range of inclusive initiatives. With its worldwide scope, Danone Ecosystem Funds gives opportunity to local markets. Projects must be identified by Danone subsidiaries and be championed by top managers who co-design, co-manage and co-monitor the project along with a local NGO to ensure alignment with the business strategy.

For example, Danone Mexico wanted to support small dairy farmers while improving the quality of the milk it sources locally. Therefore, in partnership with **TechnoServe** (an international nonprofit that promotes business solutions to poverty) and the **UNAM** (Universidad Nacional Autónoma de México), the Danone Ecosystem Fund enabled training of small dairy producers in Mexico to help them gain access to market, improve productivity and quality of supply, and access microcredit.

2 Innovation knowledge & know-how

Schneider Electric is a global business that specialises in electricity distribution, automation management and produces installation components for energy management. When they launched their second impact fund called Energy Access Ventures, which targets businesses in Africa that specialize in promoting low-carbon and low cost electricity access solutions in rural areas and close to main towns and that cannot access regular finance, one of the benefits to the business was an opportunity to improve the market knowledge in this area and build up lasting bonds with the local companies. This involves better understanding how to create the right business models with the right technology to fit new and different markets, such as those in Africa.

3

Top talent development and retention

94% of millennials want to use their skills for good,²⁸ and most innovation and investment programmes cater to this need. **Autodesk**, for example, references how their Sustainability and Foundation programs help people understand how their products and services are being used to solve the epic challenges facing the world. By partnering with entrepreneurs, students and organizations who are using design to create impact, the company gains unique insight that can be used to shape future product design. The company also provides an opportunity for Autodesk employees to have impact directly by working alongside entrepreneurs via a pro bono program – sharing where they get hung up, what they would do next time.

In the UK, the **Barclays** Social Innovation Facility (SIF)²⁹ is another example of an innovative corporate investment programme which helps retain top talent. The fund is developing a portfolio of social impact investments that establish new financial products and banking relationships that enable access to essential services. Investments include a programme in the US to increase college applications from low-income households by enabling students to save for college at an early age, and an initiative in Ghana to give informal entrepreneurs a route into the mainstream banking sector.

The fund allows Barclaycard to invest in innovations that provide underserved groups who represent new future customer segments access to financial products and services. Internally, the fund allows the business to invest in opportunities and ideas from socially motivated 'intrapreneurs' who would otherwise have left the business.

Grant Thornton is another UK firm that is actively engaging with their people to help shape the future of their business. "An important lesson for us with engaging our 4,500 people to share their ideas was being really clear at the outset about taking responsibility for making those ideas happen and putting individual energy behind them. A great idea is worthless if it's not acted on and this is something we are now investing a lot of time in supporting our people." Alicia Berger, Enterprise and Innovation, Grant Thornton

4

Customer engagement & business development

Not only was **PepsiCo**'s innovative work in Latin America in line with its global commitment to integrate sustainability into its business strategy, a customer survey focused on sustainability opportunities reinforced that people associated the company and its products with packaging opportunities.

"The organisation is waking up to the fact that Barclays has an opportunity to solve an array of societal issues given how global finance permeates many aspects of our daily lives. Through initiatives like the SIF and the Annual Intrapreneur Challenge, we are starting to identify and encourage intrapreneurial behaviour within the organisation. I was lucky enough to win last year's Intrapreneur Challenge with my colleague, David Spears, and since then I've been on an incredible journey, both with our product itself, and personally in terms of development."

Tim Heard

Vice President and Social Intrapreneur, Barclays

Armed with this customer information, PepsiCo developed a series of highly effective programmes focused on addressing this specific area, such as their 'Waste to Wealth' regional platform which provides support (training and investment) for grassroots recyclers or waste pickers who want to start their own recycling micro businesses. In 2015, PepsiCo joined its Waste to Wealth efforts with the Regional Initiative for Inclusive Recycling (IRR), a collaborative platform with the IDB/MIF, Avina Foundation, and the Coca Cola Company aiming to integrate informal recyclers into recycling value chains in Latin America.

In a different sector, Momentum Project is an initiative of **BBVA**, a bank; **ESADE**, a business school in Spain; and **PwC**, a consultancy – to promote social entrepreneurship in Spain, Peru and Mexico. The aim is to attract and develop an ecosystem of high-potential social entrepreneurs and profit-with-purpose businesses, encourage private investor participation and build the knowledge base.

Each year, up to 10 entrepreneurs who are ready to escalate their projects are selected to access an integrated training, advisory and financing program. A Social Investment Day has been set up to showcase projects to potential investors. BBVA also created a financial vehicle to invest in the social entrepreneurs identified each year. PwC carries out an independent analysis and evaluation of the selected projects (non-financial due diligence), in order to build investor confidence. BBVA acts as a convener of entrepreneurs, wealth holders and experts to scale promising businesses.

5

Return on capital

Centrica's Ignite program has an expected minimum return for each investment of 2% and runs a blended portfolio of 6% minimum return on capital. Ignite has seen its first exit which delivered a 50% return. In addition to the value that has been generated by the capital, through the partnerships facilitated by Ignite, Centrica has accessed GBP£20 million of revenue. In addition to this, more engaged employees are delivering greater levels of productivity and innovation.

Real Opportunity, Real Challenges

Despite the clear benefits on the horizon, be prepared for challenges. We have collected many stories of real obstacles in the way of seeing innovation and investment strategies take off in companies. These challenges include:

- Managing the reputational risk of the corporation.
- Securing the necessary resource to pursue meaningful projects.
- Attracting the needed support (both internally and externally).
- Finding the right partners.
- Finding the right deal flow.
- Measuring the outcomes internally and externally.
- Managing the risk and return profile.
- Ensuring real integration with the business strategy.
- Navigating changes in sponsorship & leadership.

Corporate Investment Trends

Global Corporate Venturing offers an Analytics service on key players in deals in the corporate venturing space. When looking at investment by sector, they found sectors where corporate venturing units are most active show clear links to areas where positive outcomes are created. For example, included in the Top 15 sectors are; Ed Tech (2), Fin Tech (5), Energy/Smart Grid (6), Healthcare Providers (9), Transportation (13) and FoodTech (14).

By further interrogating their data, we uncovered a series of insights, which provide a backdrop for the global flows of capital from these corporate sources, through financial investment.

“The increase in numbers of corporations, governments and universities and other non-traditional venture investors over the past five years show that all parts of society can benefit from the venture capital model of finding and backing talented entrepreneurs and their teams. The only thing stopping more applying this approach to environmental, social and governance changes is a lack of role models and practical advice on how to do this. With this report, this changes.”

James Mawson
 Founder and editor-in-chief of Mawsonia, which publishes Global Corporate Venturing, Global University Venturing and Global Government Venturing

Figure 5
Regional corporate venturing deals
 April 2015 to April 2016

Region	Deals	Value \$ Billions
Global	1,796	72.50
North America	1,077	38.00
Asia	378	31.40
Europe	216	4.24
South America	10	0.18

Figure 6
Corporate deals
 April 2015 to April 2016

Corporation	Deals
Intel	121
Google Alphabet	74
International Data Group	64
Qualcomm	62
Salesforce	54
Johnson & Johnson	44
Softbank Corp	44
Tencent	42
GE	33
Wells Fargo	33

Figure 7
Global Deal Heat Map

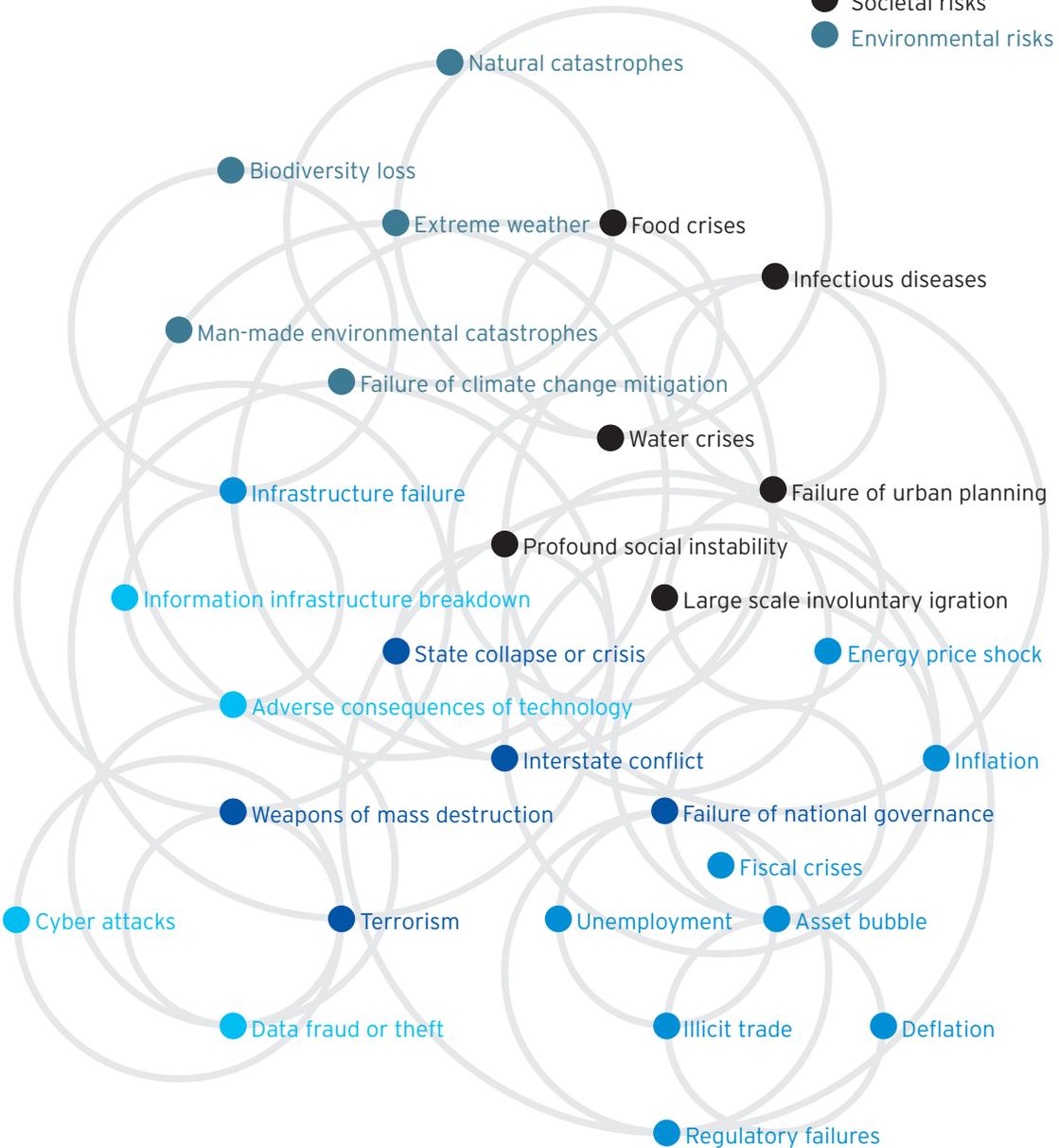
	Information Technology	Financial Services	Health	Consumer	Services	Energy	Transport
North America	344	315	211	63	57	24	32
Asia	149	114	8	38	19	1	5
Europe	43	58	28	18	12	11	3
Null	29	1	3		12	3	
Middle East	8	9	4		2		
South America	4	2					
Australia / New Zealand	1	2	1				
Africa		2			1	2	
Eastern Europe	1	1					

Figure 8

Interconnected Risks

Data adapted from the Global Risks Interconnections Map 2016, World Economic Forum

- Technological risks
- Economic risks
- Geopolitical risks
- Societal risks
- Environmental risks



Business Risks, New Opportunities

Maps can be a great way to explore how your business fits into a wider set of system dynamics - and help identify areas where you might look at developing a partnership with another player in the market. Every year, the **World Economic Forum** presents their 'Global Risk Report'. This illustrates perceived impact and likelihood of a series of global risks - and the interconnection among these risks.³⁰ What this report also identifies are the areas of opportunity - where working together on certain issues can provide a virtuous cycle and effect other connected areas. For example, a business that decides to tackle food security will likely end up in conversation with other businesses looking at climate change and water usage. These elements all fit together - and when an innovative solution is found on one part of the map it can also create positive outcomes in other areas.

Introducing the Practitioner's Guide

Now that the scene is set on the business imperative, and the rewards for business and society at stake, this chapter is designed to give you a set of clear steps to take as you either start a new initiative or adapt an existing one.

In developing this guide, we include questions you need to ask yourself, wherever you are in the process, and outline how these questions can help inform key decisions about your strategy.

We also present the pressures you might feel - both internally and externally - and some suggestions on how you might explore the purpose of your organisation today and for the future. There will be obstacles along the way. To help you through this process, we have suggested some ways in which you can convert these pressures and purpose into an actionable strategy, as well as a set of short case studies and, where appropriate, a set of tools and resources to help you on your way.

You will also see a 'living case study' that tells the story of Centrica's Ignite Social Enterprise as it progressed through each of these stages, as told by our 'Practitioner in Residence' Julia Rebholz. Ignite is the first corporate impact investment fund in energy, investing in energy entrepreneurs that create social change. No story is the same, but perhaps you'll find similar challenges and opportunities in your own journey as Julia found in hers.

What type of music are you dancing to?

Step 1
Stimulus



Will you dance alone or with others?

Step 2
Seeding



What type of dance will you do?

Step 3
Strategy



How will you learn the steps?

Step 4
Structure



How will you support the dance?

Step 5
Source



How will you lay out the dance?

Step 6
Set Up



Take your first steps and keep practising!

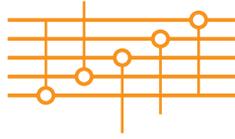
Step 7
Start and Strengthen



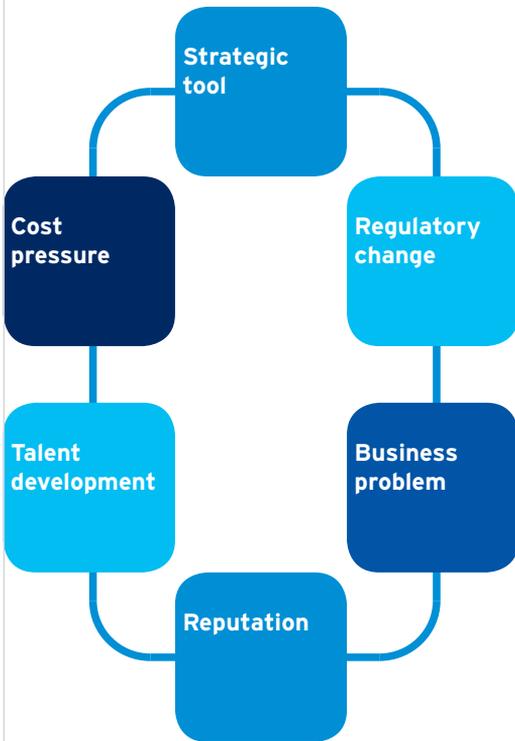
Step 1

Stimulus

What type of music are you dancing to?



Stimulating a corporation to take a different approach
Pages 34-38



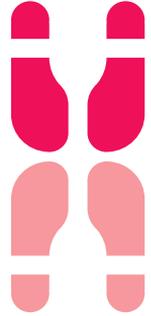
We identified 6 major themes that drove corporations to take a different approach in their innovation and investment strategies: in some instances there was one major driver; in others it was a combination of drivers.

Identify the external landscape the corporation is responding to

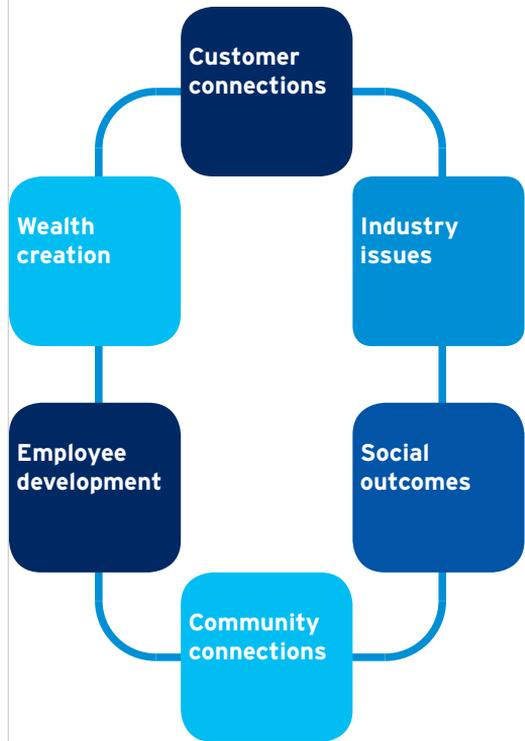
Step 2

Seeding

Will you dance alone or with others?

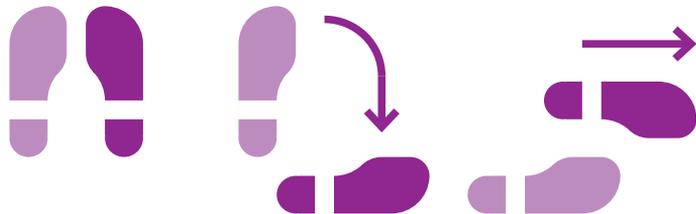


Seeding the idea: defining the purpose of the activity
Pages 39-42



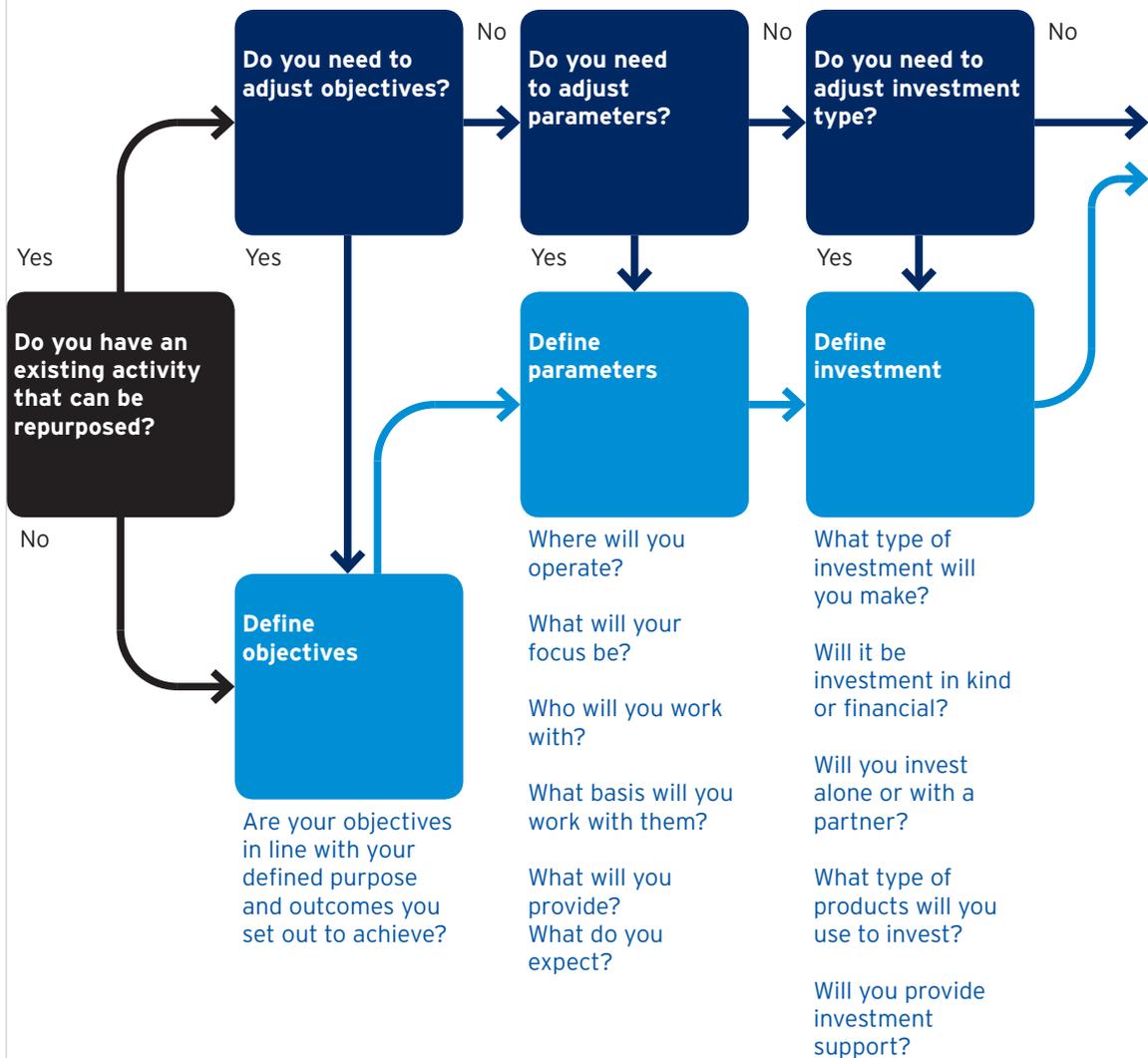
We identified 6 major themes that the activity served: in some instances there were additional outcomes defined; however the predominant theme was the major driver in the decision-making.

Gain initial buy-in and sponsor for developing the idea further



Step 3
Strategy
What type of dance will you do?

Set the direction, objectives and define the boundaries
 Pages 43-45



Set your direction, level of ambition and level of risk

Step 4

Structure

How will you learn the steps?

Define the structure that will support the outcomes you desire
Pages 46-47

No

Do you need to adjust your legal structure?

Yes

Define your legal structure

Will you work directly from the corporate identity?

Will you create a new legal entity?

Will you set up a joint venture or a limited partnership?

Will you be a partner in a managed legal entity?

What agreements will be required between the corporate and any entity?

Do you need to adjust your governance?

No

Define your governance structure

Will you select an internal governance mechanism?

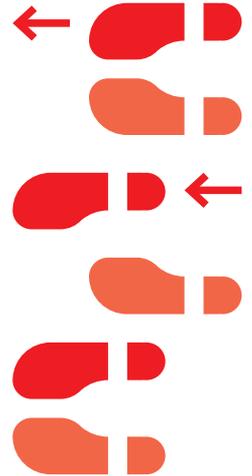
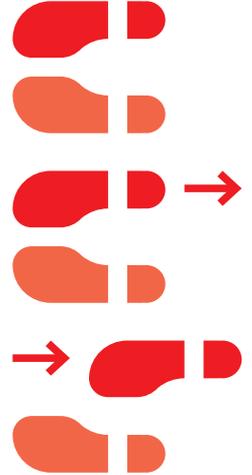
Will you need external advisors?

How will decisions be made?

What are the limits of the decisions?

What delegated authority does the corporate give the governance?

What are the escalation and risk management paths?



Agree the legal and decision-making frameworks

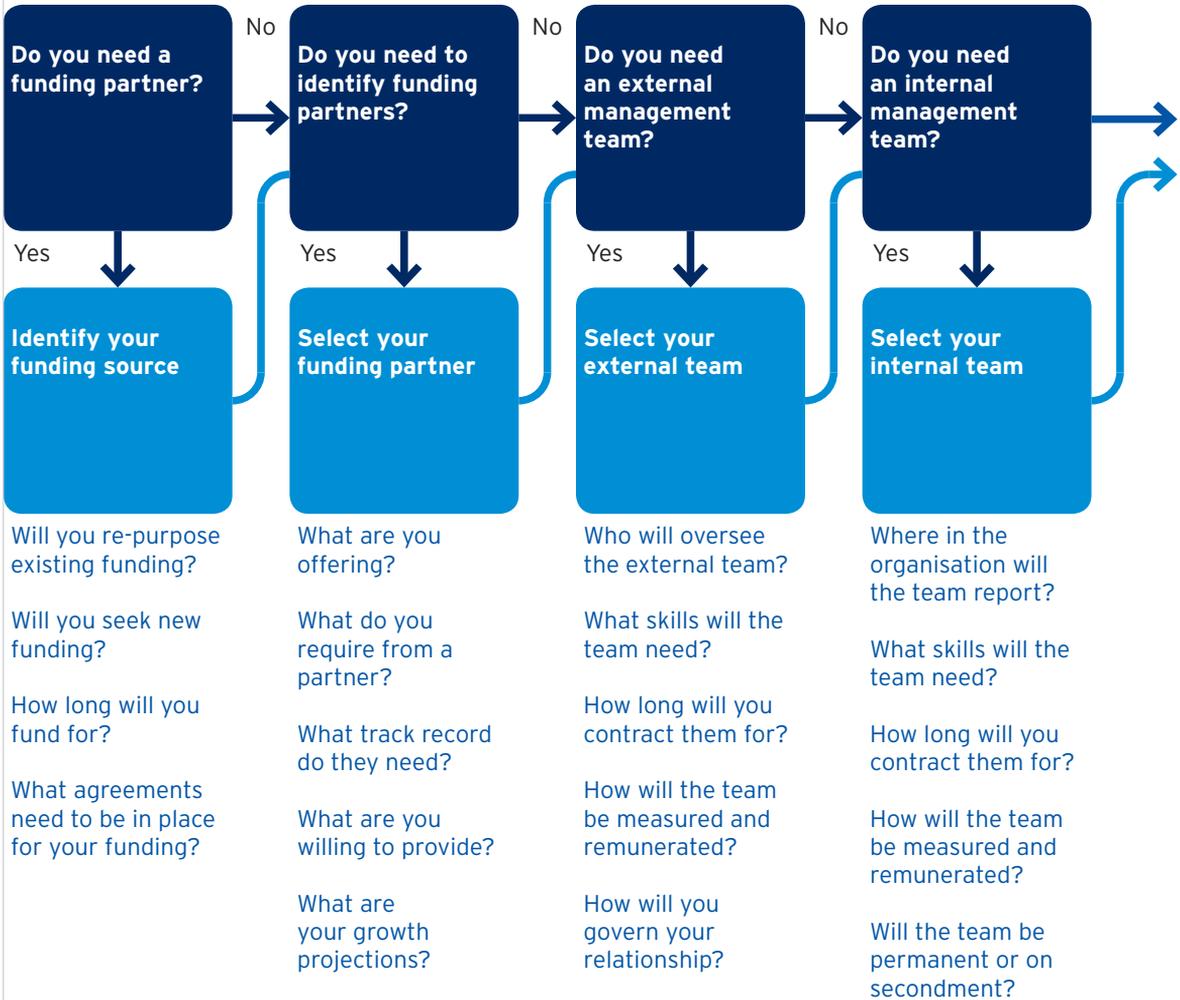


Step 5

Source

How will you support the dance?

Source the right people to deliver the outcomes you desire
Pages 48-50

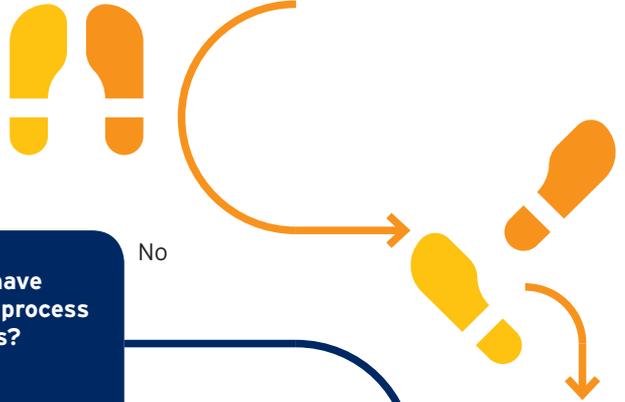


Source the people that have the relevant experience, networks and skills

Step 6

Set Up

How will you lay out the dance?



Define your processes and how you will measure progress
Pages 51-52

No

Will you provide business support?

Yes

Define types of business support

Business Development
Secondments
Specific Skills
Non-executive Directors
Office Space
Supply Chain Access
Customer Access

Do you have existing process and tools?

No

Yes

Define types of process and tools

Screening Criteria
Green Light Review
Due Diligence
Contracts
Financial Plans
Impact & Outcome Plans
Measurement Tools
Investment Committee
Process

Do you have existing communication channels and tools?

Yes

Define types of communication channels and tools

Communications Plan
Key Messages
Key Channels
Population

Create the processes to deliver your outcomes

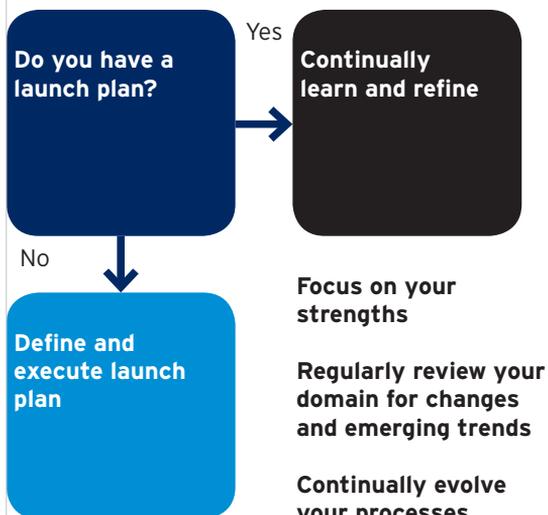
Step 7

Start and Strengthen

Take your first steps and keep practising!

Decide how you will launch your initiative and continuously learn

Pages 53-55



Focus on your strengths

Regularly review your domain for changes and emerging trends

Continually evolve your processes

Focus on the needs of the people you are serving

Use interactive media to tell your story

The community you want to reach to populate your programme

The internal teams and individuals who will be critical to the success of the initiative

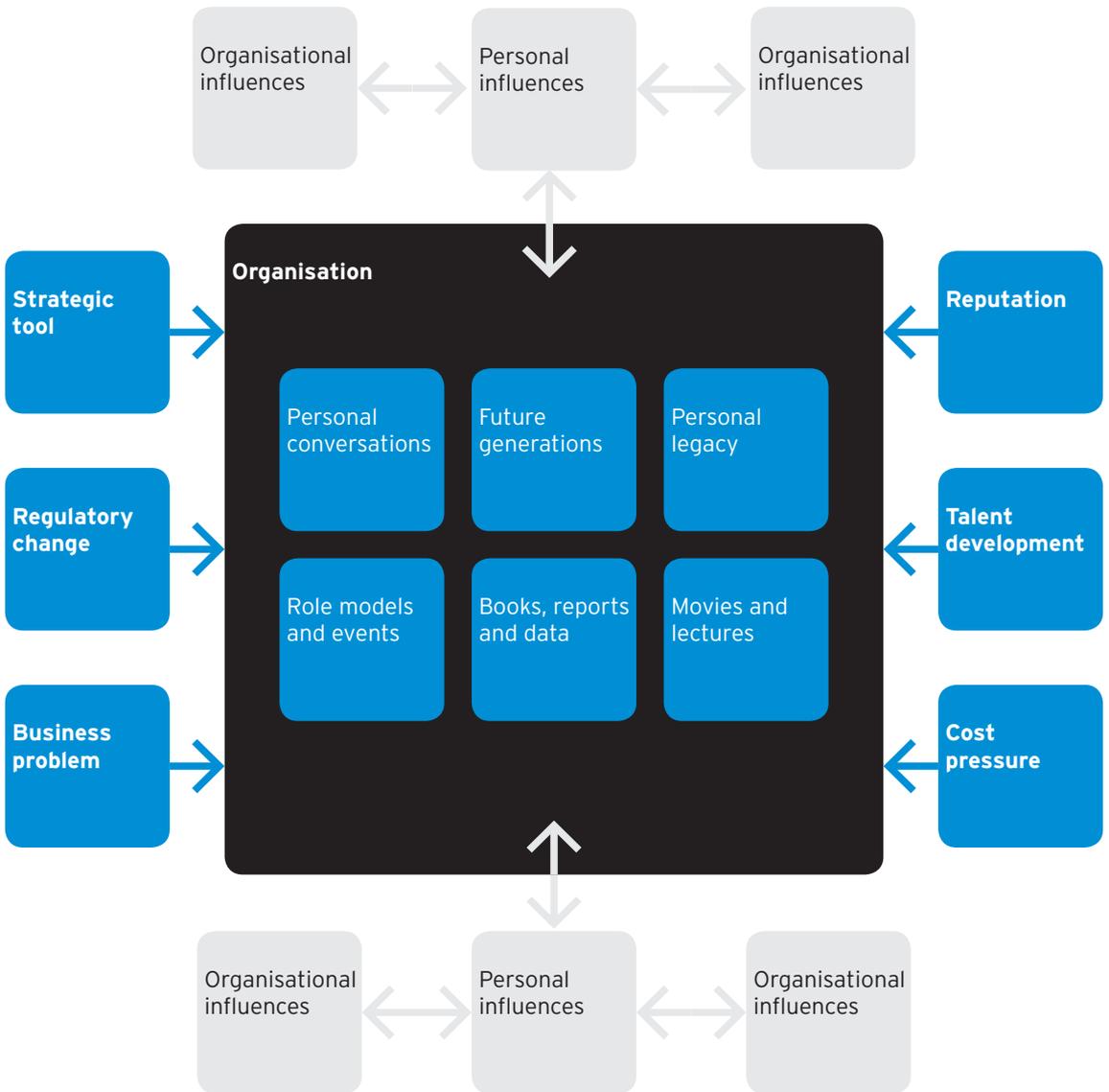
The networks you need to be part of the relationships you need to create

The media strategy (if you want to get the message out widely)

Step 1 Stimulus



Figure 9
Pressures and Influences



What captures the imagination to prompt companies to think about creating outcomes and then actually do something about it?

Organisations will experience different pressures and influences every day. If these pressures and influences are strong enough, they will direct an individual to go beyond thinking and considering a particular issue or idea – and into acting. This might involve creating a new innovation or investment programme or adapting an existing one so that it intentionally creates positive outcomes.

Individual Influences

Actions are taken by people who feel something strongly enough to change an existing behaviour. What types of influences and provocations have moved people to action?

1

Personal conversations, future generations and personal legacy We have heard stories of the influence from the children of a senior leader in the organization as a contributor to the start of an initiative. When challenged by their children about how they were improving the conditions of the world through business – and what their legacy might be – these leaders were compelled to start new programmes and/or allocate funding to address specific social problems.

2

Pressures from role models, events, books and other forms of media Some people are deeply and personally influenced by media, in its many forms. In the case of Ray Anderson, Founder of **Interface**, he recalled specifically Paul Hawken's book *The Ecology of Commerce* as a pivotal moment in his journey. "I read it and it changed my life. It was an epiphany. I wasn't halfway through it before the vision I sought became clear, along with a powerful sense of urgency to do something. Hawken's message was a spear in my chest that remains to this day." Note: Ray Anderson sadly passed away in 2011, but his legacy and leadership lives on at Interface.

External and Internal Organisational Pressures

Personal influences and pressures are often heightened when combined with external macroeconomic trends and internal organizational pressures.

1

Changes in the regulatory environment

We know that as the world changes, the role of government also evolves. In the UK, for example, we see the available government funding for the provision of community services is being reduced, which means there is a greater emphasis on engaging businesses in helping to bridge the gaps in provision. In the case of **Schneider Electric**, when they created Schneider Electric Energy Access, the company decided to open it to employees' savings as a new piece of regulation required to provide a pension option for their employees to invest in social outcomes.

2

Definition of strategic business risks in the supply chain

A business is only as strong as its weakest link. Challenges through the supply chain can provide helpful provocation to a business to think more deeply and widely about how they work with critical members of the chain to ensure risks are quickly mitigated. For example, **Starbucks** recognizes the need to ensure its supply chain is resilient in the face of climate change and ageing populations of farmers if it is to have sufficient inputs to meet its growth targets and has responded with the creation of the Global Farmer Fund, outlined on page 15.

3

Reputation and talent development needs.

Expectations are changing. We know that millennials in particular are feeling itchy feet. 66% of those surveyed by Deloitte in 2015 hope to have moved on from their current company by 2020.³¹ This can be a powerful pressure for companies to consider as developing a strong innovation or investment initiative is a way to both develop and retain talent, while also reinforcing a positive reputation in the wider market.

For example, **Centrica** has found its Ignite Fund is a great way to engage employees, helping support top talent by providing them with an opportunity to stretch their skills and experience while also supporting entrepreneurs with impactful business models.

4

Competitive advantage Businesses today operate in highly competitive markets. Staying ahead of others can be critical to thriving in dynamic and changing industries. The energy market, for example, is changing rapidly - and **Enel**, an energy company operating in 32 countries, has adopted a new approach to innovation in order to create a sustainable and durable strategic advantage. Enel created an ecosystem of start-ups, venture capital funds, universities, accelerators, other corporations and institutions, where all the parties bring their complementary resources in order to create value for themselves and for their customers.

This platform creates important upsides for start-ups because they have all they need to grow and to become success stories, while Enel benefits from their capacity to make innovation, tap into new business and quickly cover technology gaps.

Enel wants to be industrial partners of the best new ventures in the world and support them in scaling up, improving and testing their solutions, and offering them access to its ecosystem where they can leverage Enel's expertise, facilities and a potential audience of 61 million customers. To-date, Enel is managing acceleration programs in Latin America, Europe and will soon open Innovation Hubs in Israel and Silicon Valley.

Enel manages more than 30 strategic projects with start-ups and corporations. All of them have been approved by an Innovation Committee, which includes the CEO. This approach assures the highest commitment of the Group in order to develop solutions that can be adopted by the market units.

5

Cost Efficiency Cost pressures face most businesses, and there is an objective to seek the greatest return from capital deployment. Well-designed innovation and investment programmes can provide a real option for corporates to gain a return rather than sitting on cash balance sheets with lower interest rates. In addition, it creates new sources of innovation, positive outcomes and greater efficiencies for the business. For example, **Legal and General** are investing GBP£15 billion of their balance sheet capital into economically and socially useful areas.

Figure 10
Mapping Purpose to Outcomes
 Internal and external pressures create opportunities to develop new outcomes

Purpose	Outcomes	Purpose	Outcomes
Customer Connection	Innovation in products and services to attract and retain customers	Employee Development	The desire to improve the wellbeing of employees
Social Cohesion	The desire to generate specific beneficial social or environmental effects	Financial Return	The desire to increase financial returns on capital (short-term or long-term)
Community Development	The desire to generate specific beneficial outcomes in a specific community	Industry Enhancement	Collaboration to drive industry wide improvements in process, regulation, information and data sharing

Tool Kit

Our contributing practitioners have suggested the following tools to help engage and stimulate the wider business to think about opportunities to create positive outcomes through innovation and investment strategies.

Industry and System Maps

Develop one for your industry and wider sector to understand who is doing what. There are many maps you can refer to in order to get started - check out Idiagram for some inspiration.³² Tip: When drawing this map, try not to put you or your organization in the middle. Start with what problem you are trying to solve instead!

Future Generations

A great way to project yourself into the future is to talk to kids. Don't just ask them what they want to be when they grow up, ask them what they think of your job, what your business could do better and what they want to change in the world when they get older.

Create Physical Spaces

Some businesses are experimenting with ways to help teams experience what the future for their industry might involve. These spaces can be designed to stimulate multiple senses. Beyond just showing data and infographics, these interactive and immersive rooms involve tangible products where people can craft and build things, as well as images and videos they can watch, sounds and music they can listen to, and games and apps they can play. For example, there are many digital media tools that can help you think about decisions you may want to make and the consequences they could have on wider stakeholders, like Collapse, which brings pandemic risk to virtual reality.³³

Go to the Movies

There are an increasing number of Hollywood blockbuster movies that tell powerful stories of the changes that are happening around us. Make a date to see *The Big Short*, *The City of God* and *Elysium*. Another approach is to watch a series of TED talks, RSA Animate lectures or short videos like the one prepared for the book, *No Ordinary Disruption*.³⁴

Event List

Many events happen around the globe where you can hear and contribute to discussions relating to your industry. Our favourites in the United Kingdom include the Global Corporate Venturing Symposium, Good Deals, Skoll World Forum + Marmalade and Sustainable Brands. In the US, try SXSW, and in Latin America, head to FIIS, FLII and Foromic.

Infographics

For people who learn best through visual representations of data and trends, you can browse a wide sample of infographics by subject area at GOOD³⁵ and sign-up for Fast Company's 'Infographic of the Day'.³⁶

Scenarios

Describing a series of potential futures is a helpful way to position your mindset to make longer-term decisions. Companies like **Shell** have used scenarios to map explore the future of the energy industry.³⁷

What did Ignite do?

Centrica ran a general manager leadership development program from 2002 until 2012 that was intended to develop high potential senior executives that were likely to be senior leaders within the organisation in the next 5 years. The program was one year long and traditionally had been structured around a strategic issue that the organisation was facing. In 2010, the individuals taking part that year's program were introduced Livity – a social enterprise marketing and brand agency that co-creates with 16-24 year-old disadvantaged individuals. One Centrica employee on the programme was so inspired by the wisdom of a young British kid that he suggested to the facilitator that the next cohort be tasked with thinking about how Centrica could play a role that made a positive impact on the society in which it operates.

Activity

If I had a billion dollars . . .

"We're here to put a dent in the universe. Otherwise why else even be here?"
Steve Jobs

With this in mind imagine you've just inherited a billion dollars from a long lost and distant relative. What would you spend this amount of money on after all your personal needs were met? What problem would you want to make a dent in? How would you spend this money? What would you buy for the world?

Tip: stretch your thinking about what is possible. Imagine you could go to a magic shop and buy anything you could dream; A cure for cancer. A renewable energy source. A space technology that would take you to Mars. A new protein that could cheaply feed the world.

Step 2

Seeding



Will you dance alone or with others?

How can companies begin to develop innovation and investment activities?

If the first step is rooted in the influences and pressures felt on an individual who decides to take action, and matching those with the goals of the wider organisation and industry in which it operates, this second step is about provoking and influencing others. This step involves a process to review different models and options, with the objective of bringing others on the journey with you.

This will require gaining buy-in from relevant stakeholders in the company (including, crucially, senior leadership) and should begin with identifying the key outcomes and goals of the activities you want to undertake.

Signals to look out for in the process of seeding the idea include questions about resource availability and initial funding. From there, set a clear purpose for your activity to get others onboard. Our contributing practitioners suggest the following selling points, as a start:

1

Customer Connections

At **Telefónica**, they believe that “everyone should have access to the possibilities of technology.” In the digital ecosystem, having connectivity services (digital access) is an essential element to provide useful digital content and services. In Latin America, digitization has contributed in total 4.30% GDP between 2005 and 2013.

Through Telefónica Open Future_ Telefónica wants to offer its know-how and innovation expertise to work together with other industries to find solutions to the opportunities of the digital world. Telefónica Open Future_ is also committed to collaboration with public and private partners who share these goals and are willing to share efforts, resources and experience in order to make entrepreneurship into a local market catalyst.

To this end, the Telefónica Open Future_ network is now a reality:

- Portfolio of 664 companies.
- More than 85 partners worldwide.
- Over EUR€379 million in total investment committed with partners for start-ups.
- More than 10,000 jobs generated.
- Operations in 17 countries.

“When you are building something innovative that is starting small, within a large and established institution, it’s important to secure senior sponsorship by ensuring there is a compelling business rationale. You need to demonstrate that it is not designed to remain a niche activity and has the potential to fully align with the company’s long term objectives.”

Ali El Idrissi

JP Morgan Sustainable Finance

2

Industry Issues

Autodesk has seen huge developments in their architectural design industry. They have made a commitment to help designers and engineers create a future where 10 billion people can all live well and live within the limits of our planet.³⁸ One example is their Entrepreneur Impact Programme, which provides up to USD\$150,000 in free software to entrepreneurs working in areas of energy, water, transportation, waste, agriculture, built environment, health and well-being. In addition to the software, Autodesk also provides access to exclusive training, events and co-marketing opportunities.³⁹

3

Social Outcomes

Centrica Ignite's outcomes are energy or energy-related, in projects that benefit children and families, community regeneration, disability, education, employment, financial exclusion, health and social care, housing and shelter, infrastructure, mental health, young people and children, and early intervention in terms of youth offending and rehabilitation. Ignite expects these social outcomes in addition to reducing reliance on natural resources in the communities where they operate.

4

Community Connections

Danone's strengthened relationships with the community has been a driver for the development of their Ecosystem Fund. The Fund is intending to strengthen and develop the activities of the partners who make up Danone's ecosystem: farmers, care givers, micro distributors and waste pickers. It finances activities that align with Danone's business lines (such as micro-food retailers); running professionalization schemes to help get people back into work; and running skills development programmes for local suppliers.

5

Employee Development

At **Autodesk**, the Employee Impact Programme gives employees direct opportunities to contribute to a better world. One of the reasons for its development was to 'help people create impact at work, at home, and in their community. We want to create a culture of impact'.
Lynelle Cameron, Autodesk

6

Wealth Creation

PepsiCo developed its 'Waste to Wealth' programme to help address a large opportunity in Latin America relating to the handling of their products' packaging. By investing in recycling entrepreneurs to start micro-recycling businesses, they address a business issue while also creating greater wealth for this otherwise overlooked demographic.

Tool Kit

Ask yourself the questions in the Purpose Activity on this page. Seek principles and frameworks that help you tell the story of why creating outcomes is important to the purpose of the organization. For example, Blueprint for Better Business provides a framework which can be used to guide decision-making within corporations and outlines specific behaviours needed to sustain purpose and build character.⁴⁰

Activity

Questions to Help Articulate your Purpose

What group of people (or organizations) will be the focus of your efforts?

Describe and visualise that group or a typical subset of the group. This could be a sector or industry with similar outlooks or needs. What characteristics do they exhibit? For example, high- or low-income, basic or luxury needs, business or personal challenges, local / national / global, large or small enterprises.

What are their needs? How could the wellbeing of an individual be improved in a personal or business context - for example, removing an anxiety, enabling an individual to achieve or aspire to achieve more, enhancing capabilities and self-respect, enabling collaboration and enhancing the ability to help others.

Describe how you can better meet that need – through a new service, new organization, new behaviours?

“Today, we’re seeing a real convergence of business and development goals. Our role is to help companies act on opportunities to create social value alongside financial returns, by leveraging our financial and non-financial resources, sharing respective expertise, and venturing together in areas with the greatest impact potential.”

Elizabeth Boggs Davidsen

Chief of the Knowledge Economy Unit,
IDB Multilateral Investment Fund

What did Ignite do?

The Talent Director liked the suggestion of Centrica looking at what social outcomes it could create and centred the next programme around this, working with Liam Black, 'Chief Encouragement Officer' of Wavelength.

The following text is an excerpt from the challenge set for 12 general managers in the summer of 2011:

You and your team are tasked with inventing a corporate social innovation initiative/business model/project that takes Centrica beyond traditional corporate social responsibility. This is a great opportunity for you and your team to develop an idea which:

- takes your brand to the next level.
- excites and energises your people.
- opens up new sources of innovation and creativity in your business.
- brings out the entrepreneurial leader and innovator in you.
- makes your kids and family even prouder of what you do at work!

It can be a brand new 'start up idea', the development of any existing project or process, be driven by your team or with partners (from your supply chain, an NGO, social entrepreneurs, competitors or any combination thereof). It can be UK and/or UK focused or be aimed at the developing world/bottom of the pyramid. It can be a for-profit product or service or be a not-for-profit social business or a hybrid. We are agonistic about the exact business model you decide works best for your concept but whatever it is it must:

- have the potential for large-scale measurable positive social and/or environmental impact.
- enhance the reputation of Centrica.
- be built on the core strengths of your business and leverage your company's principal competencies.
- be costed and have a realistic start up plan.
- have a credible chance of financial sustainability/credible revenue stream beyond start up.

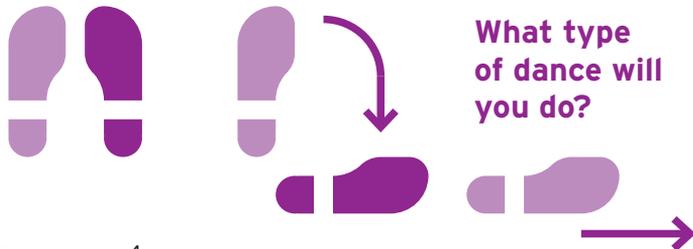
One of the teams came to the conclusion that they would propose that Centrica should create an investment fund of GBP£5 million to invest in energy entrepreneurs who were also creating social change in the UK. They envisaged that this fund could draw on the skills and experience of the people within the organization, thereby giving those individuals a real life development opportunity. To test the attractiveness of this idea, the team surveyed around 200 employees and asked them if this sort of project would interest them and how likely they would be to get involved. There was huge support from employees and external organisations such as Big Society Capital and Nesta, a government backed impact fund. However, discussing this as a possibility with peers and senior leaders made the team question whether Centrica would ever see this as a viable option.

“You're mad...”

When the day arrived to present the idea to the Executive Committee, the team had “you're mad, this is Centrica, they will never do this” ringing in their ears as they entered the room. They feared that they were about to have a career-defining moment that was not positive. It turned out that this fear was unfounded as the Chief Executive, Sam Laidlaw, listened intently to the presentation and immediately expressed his passion for the idea. His only major challenge was whether the team had been ambitious enough. He suggested that they start with a fund of GBP£10 million and left the door open for more to be added to if the fund was a success. He asked the Group Finance Director & the Group HR Director to oversee the project as it was developed in the following year.

Step 3

Strategy



What are the objectives of the initiatives, and where are the 'red lines'?

Once the idea has been seeded, it is critical to develop a clear strategy. This involves setting objectives and parameters for the type of opportunity the company is seeking through the programme. Key considerations in developing the strategy include:

1

What is the Geographic focus?

Energy Access Ventures specifically focuses on investments in energy entrepreneurs working in Sub-Saharan Africa. Indeed, Africa is the continent struggling the most of lack of energy and where the resources and support provided are the most needed to reach universal access to energy. This is where the resources and support provided are the most needed to reach universal access the energy.

This is in addition to answering the question from Step 2, on who you want to reach within a geographic area (e.g. an age group or certain income level).

2

What is the Sector/Thematic focus?

Danone is focused on their value chain, which is why the focus of their investment activities is clearly set to cover employment as well as access to water, carbon footprint, sustainable agriculture, recycling and inclusive distribution.

3

What is the Risk Tolerance?

Katelyn Donnelly from **Pearson's** Affordable Learning Fund is clear about the high risk tolerance of her USD\$65 million fund which focuses on investing in for-profit companies that meet the demand for affordable education across the developing world. "We are willing to take on risk. Given our strategy, we need to think and speak like a VC."

4

What Support is the company willing to contribute?

Before they provide funding to entrepreneurs, the **BBVA** Momentum Project takes each business through a specially designed curriculum, co-developed by ESADE, a business school in Spain. This additional support and skill-building helps ensure the greater likelihood of success for the businesses, which is evidenced by their returns as all 19 of their investments are growing – a 100% success rate.

5

Who are your potential Partners?

Patagonia Works is one of 5 partners that have come together to create a USD\$35 million tax equity fund that will make the benefits of solar power available to US households.⁴¹ "We're doubling down on an investment strategy that brings great financial returns while supporting the clean energy economy," said Patagonia CEO, Rose Marcario. What is also special about this collaboration is that all 5 partners are Certified B Corporations – illustrating that sharing common values can bring about efficiency in building highly effective partnerships.

The Practitioner's Guide

Activity

Where are you on the following scales?

Geographic Focus

Narrow

Working one specific region

Wide

Working across multiple regions

Sector Focus

Narrow

Addressing one specific area

Wide

Open to many sector areas

Risk Tolerance

Low

Willing the initiative to succeeds

High

Willing to bet big for big returns

Contributions

What contributions is your company is willing to make? (Check all the boxes that apply)

Financial Capital
Funding or investment

Technology
Access to tools and systems

Human Capital
Mentorship, secondments, etc.

Supply Chain Access
Are you willing to open up?

Customer Access
Which customer segments?

Partnerships

Who are your partners? Who could you see working with to implement the strategy? (If you need some ideas flip to Chapter 3.)

Tools

Supply chain maps. To determine a geographic area of focus, you might start by looking at your current supply chain and where key areas of activity are located.

Business strategy maps. In addition to reviewing what and where you operate today, a key input into your strategy development should be any forward-looking business plans that your business has already developed, or essential areas for innovation. What products/services will you sell in the future? What will your supply chain look like? What are the target markets? The work of your innovation and investment initiative can gain quick buy-in if it is seen to be a bridge to this future, with a resilient and responsible approach.

Megatrend maps. As illustrated in Figure 8, the World Economic Forum has created a series of interactive maps which showcase areas where there is interconnectivity between key megatrends. Building your strategy around these trends - mindful of how they intersect with one another - will ensure your business is applying insight on key market dynamics.

Sustainable Development Goals. The UN's newly launched Sustainable Development Goals (SDGs) also provide a framework to use in setting your strategy. The 17 areas covered by the SDGs represent areas of universal agreement amongst business, policy and civil society leaders. Anchoring your strategy in one (or more!) of these areas could help you gain buy-in both inside the business as well as possible collaborators that addressing similar areas.

What did Ignite do?

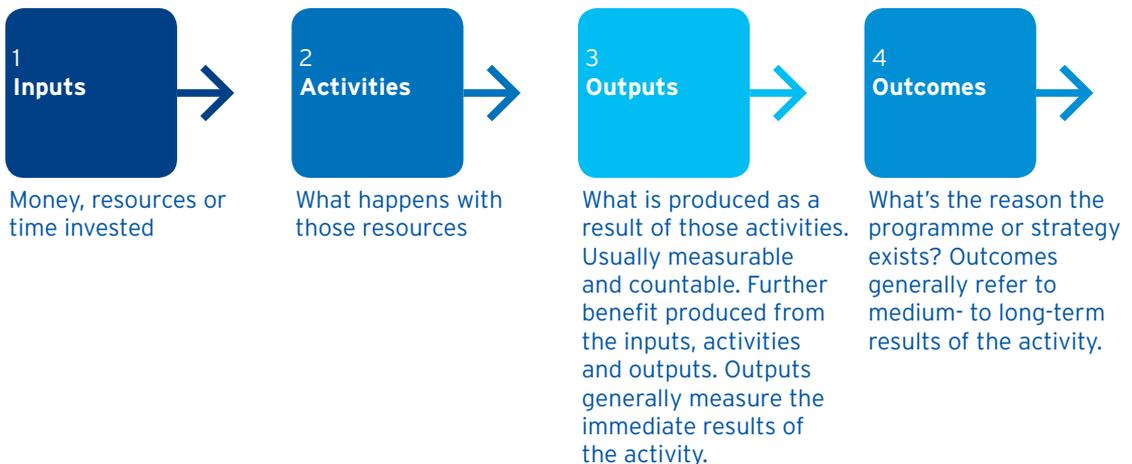
Following the approval of Ignite, Julia was appointed to go about setting up the fund. The first part was to define the major purpose of the fund. It was decided that the purpose was to create social outcomes in the UK with secondary objectives of financial returns above 2% which are the level of gilt rates. It also provided development opportunities for employees, was required to have a clear connection to energy.

Ignite shared their experience of developing a robust theory of change here:
<http://ignitesocialenterprise.com/wp-content/uploads/2015/02/clarifying-and-communicating-your-route-to-impact.pdf>.

Figure 11
Establishing your Theory of Change

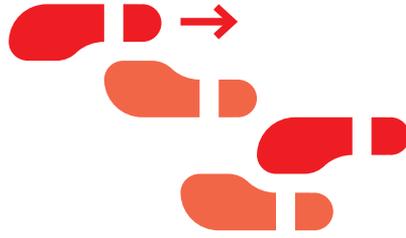
When defining a strategy, it is essential to determine what are you getting out of the work and investment you are putting in. A theory of change can help you map your work from inputs, through to activities, what gets done immediately (outputs), and the short- or long-term outcomes that will be achieved.

Hint: start backwards from outcomes. What assumptions are you making about whether the activities will actually achieve what you hope? Where is your strategy producing the most positive outcomes, and where is it falling short?



Step 4

Structure



How will you learn the steps?

What is the right structure that will enable the company to achieve the intended outcomes?

Choosing the right model and vehicle is materially important in choosing what outcomes your business wants to achieve. A range of options are outlined in Chapter 1 and include innovation incubators, accelerators, funds or joint ventures.

Once the strategy is set and the model decided, the business can begin exploring various options on how to structure the innovation or investment initiative. Key considerations include:

1

The Legal Structure To decide what structure was right for the business, **BBVA** visited many impact investment funds. In the end, they decided to structure Momentum Project as a Limited Liability Company (rather than a fund). This was partially due to the heavy regulatory conditions that would be imposed on a bank if following a more traditional fund model.

2

In-House or Outsource? It is important to hit the right balance between what you want to outsource, and what you want to keep control of in your initiative. **Pearson** chose to not outsource the structuring of their Affordable Learning Fund because of an interest in keeping the domain expertise close to the team.

3

Financing Options Consider where you will source your funding from, whether internal or external to the company. Think about whether you are comfortable providing a grant, loan or equity investment (or all of the above), since this will affect many of the relationships you build in later phases of the project development and require continued involvement over time.

4

Governance Design

Structuring the Investment Committee was a consideration many of our practitioners put an emphasis on getting right. Senior level involvement is critically important. Ali El Idrissi, from **JP Morgan** Sustainable Finance, shared "From the start, JPMorgan Chase has built an investment committee for its impact investing activities that is composed of senior-level professionals across various lines of business of the Bank, covering both investment and risk functions". Starbucks' Global Farmer Fund IC is composed of 2 coffee businesses and an ethical sourcing partner, as well as a member of the public policy team and a member of the treasury and the fund manager.

5

Decision Making Process and Criteria

Pablo Ramirez from **Starbucks** applied his skills in quantitative analysis to design a sophisticated scoring system to use in making investment decisions out of the Global Farmer Fund. Factors include both considerations that would affect the financial return, as well as those that are not directly financial relating to the geography, gender of the farmers, productivity, affect on climate change and use of water (among other things).

6

Engagement with other Teams

In addition to the Ecosystem Fund, a EUR€100 million endowment, **Danone** also has also developed a social business incubator called danone.communities. The mission of Danone Communities is to fund and develop local social businesses with a sustainable economic model and which are oriented towards the goals of reducing poverty and access to safe drinking water. Financial support comes from a socially responsible investment fund. Both initiatives are purposefully decentralised.⁴²

Tools

Documents you will need to create:

- Strategy template.
- Organizational chart.
- Decision-making criteria.
- Investment Committee terms of reference.
- Financing terms.
- Pre-set delegated level of authority.

Tools to support and/or examples in the market:

- Big Society Capital criteria for the Business Impact Challenge
www.bigsocietycapital.com/what-we-do/current-projects/business-impact-challenge
- Green Investment Bank's Terms of Reference
www.greeninvestmentbank.com/governance/governance-documents/committees

What did Ignite do?

Through conversations with approximately 600 people over 3 months, Julia developed a stand-alone entity called Ignite Social Enterprise, set up as a limited partnership. It was agreed that the investments would be made by an internal Centrica team with an independent investment committee comprising of Centrica and non-Centrica people.

The funding would be provided by Centrica only through a loan to Ignite lasting 10 years with an interest rate of 2%. The funds would be from the general profit pool and only drawn down by treasury once loans had been approved and contractually signed. The funds would be held on balance sheet and written down depending on a Monte Carlo risk analysis of the likelihood of repayment agreed with Centrica's external audit partner.

The pipeline of deals would be sourced through relationships with other funders and networks and would follow the Centrica M&A process. The entrepreneurs could be at any stage and come in any shaped package; Centrica would ensure that appropriate support would be provided to them on their investment readiness journey and beyond.

Legal agreements were developed for all aspects of the fund's activities, a measurement framework was developed with a PhD graduate from the Good Analyst, a team structure was established and the costs defined.

When all was said and done, the final parameters were that Ignite invests in entrepreneurs with an energy connection who are delivering social change in the UK. To be eligible the idea must:

- Be in the energy or energy-related sector.
- Have a real social impact in the UK.
- Be seeking a minimum of £50k of debt/equity investment.
- Fulfil a clear need and demand.
- Have clear outputs and goals.

Given the size of the fund, it was decided that no single investment would be over GBP£2 million and the business must be run by an individual aged 16 or over and living in the UK.

Ventures are not eligible for investment if they:

- Are part of paid employment.
- Involve political or religious campaigning.
- Involve activities outside of the law or against public policy, or anything that encourages ethnic, religious or commercial disharmony.
- Are mainly for people to achieve academic qualifications.
- Are to fund living expenses.

Step 5

Source



How will you support the dance?

Who are the right people to bring on board the programme? What are the requisite characteristics, networks and skills?

Ultimately, a team enables the success of any initiative. From our interviews, we found the ideal candidates for these roles include those with the following characteristics:

- Strong internal and external networks.
- ‘Sharp’ able to quickly process material and make clear and concise decisions.
- Entrepreneurial, and willing to work with a level of ambiguity.
- For fund structures: quantitative analysis and ability to model.
- Motivation for the outcome, over the individual deal.

In addition to these personal characteristics, we also found that the team needs to have the necessary level of authority and influence required to make decisions.

Selecting an external fund manager

One option to consider is working with an external fund manager. There are pros and cons to this decision that need to be carefully thought through. If you decide to set up a fund that requires an external fund manager, there are a few things to consider in selecting the right partner including:

- **Sector specific expertise** Does the partner have a competitive edge in the market on their knowledge of the areas and adjacencies in which you want to invest?
- **Local relationships** Does the partner have strong links to relevant stakeholders (potential board members, deal flow, customers)?

For example, **Opposite Capital**, a UK-based health VC, has Japanese corporate LPs amongst its investors. And **ASDA** is working with Social Investment Scotland to deliver their Social Enterprise Supplier Academy, given their specialisation in these types of outcomes.⁴³

Tools

In selecting and managing the right team, you'll want to have the following resources ready.

Job Descriptions and RASCI matrix

Building clear job descriptions for your team upfront will help make sure expectations are aligned. Of course, working with entrepreneurs will inevitably require some flexibility by everyone, so leaving room for your team to operate autonomously will be important. If your team is more than a handful of people you may find a RASCI matrix (or responsibility chart) helpful to manage the relationships and possible overlaps in activity between people.⁴⁴

Training

Innovation and investment roles are constantly changing and there are experts that have created specialty training courses to keep team members fresh and current on new trends and models. For corporate innovation you may want to consider an Intrapreneur Lab session and for corporate investment we recommend the **GCV Academy**. We also suggest joining networks like the League of Intrapreneurs, a group designed to support and strengthen the work of corporate intrapreneurs working on innovative projects within big companies.

<http://intra-lab.com>

<http://gcvacademy.com>

<http://www.leagueofintrapreneurs.com>

Review process

In dynamic, future-focused spaces such as corporate innovation and investment, it is especially important to have a clear review process. A 360-feedback model will make sure that you and your team are capturing learning along the way.⁴⁵

Activity 6 Business Card Bingo

- What will your business card look like in 5 years?
- What will your business card look like in 20 years?
- What words will it include?
- What words will it definitely not include?
- How do you see your role changing in the business over these time horizons?

What's in a Name?

"I try to work without a title," remarked Lori Gammel from Suncor. Often those working in the areas of corporate innovation and investment who have an interest in developing positive outcomes through their work struggle to find the right way to articulate their role both internally and externally. Some are Directors of Innovation. Others are in traditional-seeming corporate venture capital units.

When we asked corporate innovation and investment professionals how they describe their jobs to their friends, we received a wide range of responses which include:

- "My job is to help find new ways of doing business, to generate income in new ways, to find new routes to market."
- "My job is to be a changemaker."
- "I used to tell people I work in sustainability, but no one understands what it means. So I now talk about changing lives, improving livelihoods in communities where we operate."

Sandra Odendahl from **RBC** shared "My job is senior director of social innovation. My team's job is to explore opportunities and lead programs that help use private capital and financial markets for public good. In other words, my team finds ways to help finance do a better job meeting the long term needs of society."

Dax Lovegrove, a practitioner with experience working in both corporations and NGOs, provided a helpful tip: "Digital teams have the power and the budget, so we need language which sings for them (and it isn't sustainability)."

What did Ignite do?

Ignite created a team of 4 individuals internally from top talent within the organization:

Investment Principal

Leads the investment strategy and portfolio management, oversees the day-to-day running of the fund activities. Background in strategy and financial management. Key characteristics: creative, entrepreneurial, willing to get stuck in to all aspects of the fund management, excellent relationship building.

Investment Manager

Responsible for due diligence and ongoing relationships with investees. Background in strategy and financial management. Key characteristics: creative, entrepreneurial, willing to get stuck in to all aspects of the fund management, excellent relationship building.

Operations Management

Responsible for processes, communications, events and administration of the fund. Background in operations, events and administration. Key characteristics: focus on others, highly organized and efficient, excellent relationship building.

Talent and Mentoring Manager

Responsible for sourcing talent to support investments in secondment, project, non-executive and due diligence capacities. Background in HR and talent management. Key characteristics: focus on others, people management skills, excellent relationship building.

Ignite created an investment committee of 3 internal senior executives selected for their domain knowledge and personal development opportunity. Three external appointments were made following a selection process of 20 potential candidates provided by external advice.

For further information please see <http://ignitesocialenterprise.com/about>

Step 6

Set Up



How will you lay out the dance?

How will you set up your innovation or investment programme so that it has the best chance of exceeding expectations? How will you measure and communicate your success?

Your strategy is agreed. Your structure set. Your team in place. Now it is time to set up the processes and KPIs needed to make sure the initiative gets off to the right start.

Process

Firstly, you will want to design the process - from engaging with an entrepreneur through to managing the relationship until its end. Steps in this process can be simply boiled down to the following components:

- Identifying potential deals.
- Managing the pipeline and applying a screening criteria.
- Conducting diligence.
- Decision-making.

Communications

You will also need to develop a robust communications strategy. This should cover important elements such as:

- What will your initiative be called?
- What will your brand be?
- What will be the look and feel of your website?

Key Performance Indicators (KPIs)

In order to build a robust and resilient programme, dedicated time must be spent articulating clear KPIs. KPIs should describe what success looks like. These might include both financial metrics (what is the return on capital?) as well as impact and outcome metrics tied to the purpose of the initiative (how many people have been reached by the programme?). This is where the outcome area you have chosen in your strategy should be carefully monitored for reach (how many people?) and depth (how significant is the change?).

In addition to the metrics themselves, we found many companies have built a system that allows them to report on both quantitative and qualitative factors. To do this well, we recommend establishing a clear set of metrics from the outset which map business and social outcomes and can be easily shared to tell the story.

Tools

Process Tools

Developing a clear process is something that multiple team members should feel able to actively contribute to. Document sharing applications - like GoogleDocs - can make this an easy and efficient process.

Communication Tools

Making sense of the complexity that can sometimes surround these initiatives can be helpfully worked through by using a storyboarding process. One of our practitioners insisted that this was an important part of the development of their programme.

IT Tools

A robust IT infrastructure will be needed for your initiative. This should include necessary firewalls, a data capture/CRM system (like Salesforce), and apps like Slack to enable collaboration across the team and unified thinking on key strategic decisions.

KPI Tools

Setting clear parameters for the allocation of your resources is important to get right. This might involve 'red lines' that you refuse to cross in making decisions, as well as tools that allow you to measure your success. There are many models that exist that can help you establish the right metrics and track your impact - such as Big Society Capital's Social Impact Test⁴⁶ and Outcome Matrix.⁴⁷

Another free tool in the market is the B Impact Assessment. This can help a business benchmark its operations and impact business model. 40,000 businesses have already used this tool, and it is the first step businesses take on their journey to become a certified B Corporation.

<http://bimpactassessment.net>

What did Ignite do?

Ignite worked with Livity to create a brand, logo, website, tone of voice and set of content.

Ignite developed many of their tools and processes in collaboration both internally and externally. Much of this approach was with credit to the open nature of the ecosystem and willingness to share information to deliver improved outcomes.

Ignite also developed a set of screening criteria with the Good Analyst to assess the suitability of investments. This allowed Ignite to carry out an initial assessment of all investments. Those that meet Ignite's minimum criteria progress to a "green light" review by the investment committee.

Ignite then conducts due diligence which takes between 3 and 4 months depending on the stage of the business. A recommendation is then made to the investment committee supported by an investment paper and presentation by the due diligence team.

A post-investment support package is then put in place with monthly meetings and a biannual presentation to the investment committee

In addition, Ignite runs an annual pre-investment support program for potential investments to support them during the early stages of development, consisting of a mentor, business school training, social impact training and advice, and a number of targeted events based on the needs of the businesses.

Step 7

Start and Strengthen



Take your first steps and keep practising!

Getting started! How will you launch? Internally? Externally? And how will you keep a culture of constant and continuous learning?

Now it is time to launch! This is a critical step as it will help you reach the communities, both internal and external, who you want to engage over time. Key considerations at this stage include:

- The community you want to reach to populate your programme
- The internal teams and individuals who will be critical to the success of the initiative
- The networks you need to be part of the relationships you need to create
- The media strategy (if you want to get the message out widely)

Also important is defining a process by which to continually reflect and learn after the official start. This might include regularly scheduled team days with both your immediate team as well as regularly scheduled opportunities to let your full company know what you're up to either through existing all-team events and/or internal newsletters. These regular updates should trigger a moment of reflection to look back at what has worked well, and what you want to do better in the future.



Figure 12

Tweet, tweet!

Try following these Tweeps for inspiration, as well as the authors of this guide

@BigSocietyCap
 @Forum4theFuture
 @FastCoExist
 @GuardianSustBiz
 @huffpostgreen
 @MarcGunther
 @the_IDB
 @volansjohn
 @wef
 @WIRED
 @worldresources

@amanfeld
 @charmianlove
 @juliarebholz

Tools

If you want to make a big splash, it is worth investing in a suitable PR agency to make sure you secure the right coverage. Make sure to do this in alignment with your internal marketing and communications team so that all messages are consistent.

What did Ignite do?

A big question was how to launch the fund. Just as Ignite had developed a robust outreach plan, Ed Milliband vowed to freeze energy prices and the political and public perception of energy companies fell to an all-time low. Julia sat with Sam Laidlaw, Centrica's CEO, on the day when his pay was being questioned by the Competition Market Authority and recalls, "As I felt the heat of those questions, I made peace with the fact that the fund would probably not launch, all marketing had been stopped and there were a lot of angry executives." Sam and Julia agreed that now was the time to have the courage of conviction to do the right thing and not retreat. On 4th December 2013, Ignite launched in collaboration with Wayra, Telefonica's innovation unit. There was deliberately no media, just an open invitation to entrepreneurs that might benefit from the services Ignite provides.

Three years on, Ignite has committed to 18 projects. Over 300 Centrica people have been involved in Ignite and 10,000 people have benefitted in the UK from Ignite's investment. Ignite has created partnerships and revenue opportunities across Centrica and has been profiled at the World Economic Forum.

Top Learnings

1
Focus on your strengths
“Every company has something unique to offer. Find out what it is – the core thing – and build the strategy around it.”
Lynelle Cameron, Autodesk

2
You need to know the domain in which you want to invest.
“Nothing replaces having boots on the ground.”
Katelyn Donnelly, Pearson

3
Continually evolve your processes.
Starbucks is currently exploring new ways to work on delivering positive outcomes through their Global Farmer Fund. This has allowed them to look beyond traditional investment areas and into new partnership and technology spaces.

4
Focus on the needs of the people you are serving. **Danone** Ecosystem Fund makes it clear that engaging with their beneficiaries is a critical component of their success.

5
Use interactive media to tell your story.
Autodesk uses highly engaging videos to showcase their work (as well as presents their activity at places like the X Summit).⁴⁸

Thorny Issues: Q&A with Practitioners

Culture
How can I build and/or expand a programme within a company culture?
Start small and find potential advocates of the program and get them to experiment with you. Manage expectations, but don't be afraid to bring people on the journey very early.

Buy-In
How can I win over sceptics in the company?
Focus on the results - how many people will be affected, what innovation will be developed, what access will it provide?

Placement
How should I choose the organizational location in my company?
In short, where it has the most sponsorship and widespread support.

Figure 13
I Get By With a Little Help from my Friends

Although each of these steps present challenges that an organization must overcome in developing their innovation or investment initiatives, the good news is that they do not have to work alone. We've mapped out a series of partners companies might want to talk to as they progress through the steps.



Mission drift

How can I maintain a clear purpose amongst tides of change?

It is often helpful to have external advisors that will stress-test your mission and report the impact of what you are doing.

Measurement

How can I properly articulate the value of 'intangibles'?

Be clear on your theory of change, what are your activities, outputs, outcomes and wider impacts and what you will measure at each stage and how you will harmonize your activities to achieve them. Be clear on depth and breadth of your activities.

IP

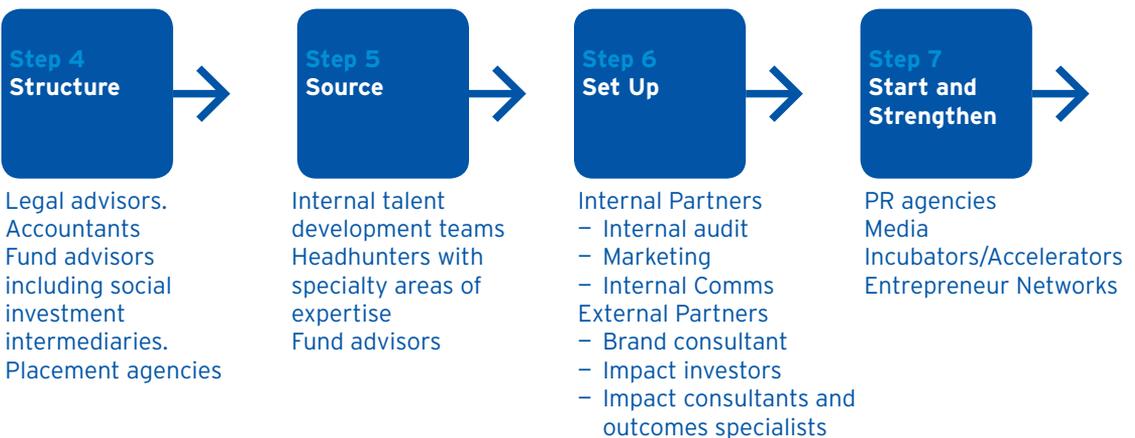
How do I protect competitive advantage and IP when operating in open and collaborative frameworks?

It's tricky. Where appropriate, work with good lawyers build legal frameworks for products or services. Ideally, build reciprocal relationships where mutual benefit is clearly defined.

Activity

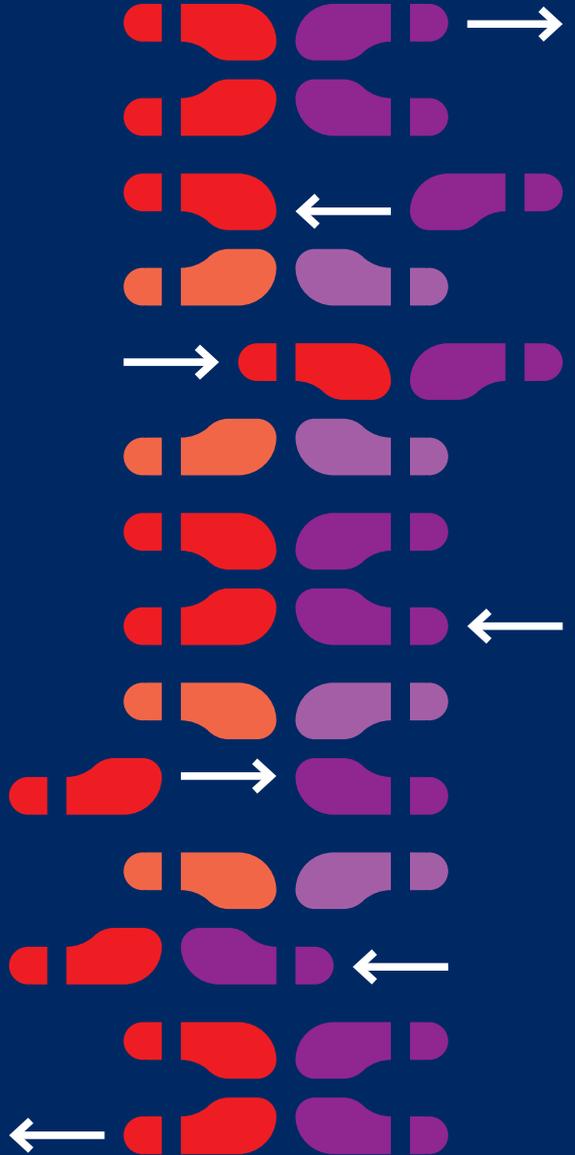
How would you address each of these learnings through your own activities?

- 1 What is your strength?
- 2 How will you collect feedback from your stakeholders?
- 3 How will you make sure you have 'boots on the ground'?
- 4 What prompts will you develop to make sure you are always evolving your process?
- 5 How can you make sure you always focus on the needs of the people you are serving?
- 6 What forms of media will you use to tell your story?
- 7 What habits will you form to continually learn?



Chapter 3

Collaboration and Partnerships



If collaboration is a critical success factor for a corporate innovation and investment strategy that creates positive outcomes, then where do you start when looking for partners? What partnerships already exist in the market that you can learn from?

The Role of our Partners

1

Inter-American Development Bank Group / Multilateral Investment Fund (IDBG/MIF)

Aligning Business and Development Goals

As business and development goals continue to align, the IDBG/MIF believes that corporates will play an increasingly important role in enabling and driving innovative solutions for Latin America and the Caribbean's most pressing challenges. To this end, the IDBG/MIF is actively seeking to partner with companies looking to innovate in the face of shared challenges by leveraging our respective financial and non-financial resources and venturing together in areas with the greatest impact potential. For its part, the MIF will bring to bear its blended financial instruments (catalytic grants, equity, debt), structuring capabilities, thematic and regional expertise, social impact measurement know how, and recognized convening power with the public, private, and civil society sectors to any venturing partnership.

2

Big Society Capital

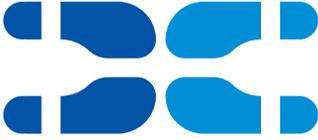
Business Impact Challenge: Aligning Social Investment and Corporates

Big Society Capital runs the Business Impact Challenge to help companies develop and accelerate ideas that generate profit while achieving positive social impact, drawing on Big Society Capital's experience of identifying, developing, investing and measuring the social impact of over 40 social investment deals in the UK. The Business Impact Challenge is a tailored programme that provides companies the opportunity to develop cross sector partnerships, receive ongoing constructive advice and support in structuring their proposals, and access to co-investment funding from Big Society Capital for viable ideas.

Ways to Collaborate

We've collected a series of examples of where companies have successfully developed strong relationships with others to help them achieve their objectives:

“The whole is greater than the sum of its parts.”
Aristotle



1 Company / Company Collaborations (Non-Competitive)

Companies that seek to create similar positive outcomes, but operate in different industries, can helpfully find ways to collaborate when they each bring their human, technical and financial capital to the table to create joint ventures.

Example

DrX Capital is a joint venture investment company launched by **Novartis** and **Qualcomm** with a capital commitment up to \$100M. Each party has a unique and complementary set of expertise and assets it lends to the fund development - making the whole greater than the sum of its parts.

Value

By operating as a team with a shared purpose, each company is able to learn from the partnership and fill the gaps in their own experience and industry intelligence in accessing new spaces.



2 Company / Company Collaborations (Pre-Competitive)

Sometimes collaboration is needed within an industry in order to catalyse businesses to operate in new ways. This is the realm of 'pre-competitive collaboration' where companies that would often be in competition with one another drop their armour in order to change the system conditions in which they operate.

Example

Mars and **Danone** operate in overlapping markets. They also have a shared, long-term interest - a focus on creating greater resilience in their supply chain. For this reason the two large food multinationals joined forces to launch the Livelihoods Fund for Family Farming. This investment fund aims to eradicate rural poverty by restoring degraded ecosystems through large-scale sustainable farming practices with an integrated landscape approach. Fund investors include companies seeking to transform their supply chains, private impact investors and public development institutions seeking to maximize their social and environmental impact. <http://www.livelihoods.eu/about-us>

PepsiCo and **Coca-Cola** also collaborate on recycling through the Regional Initiative for Inclusive Recycling (IRR) together with **IDB**, **AVINA** and **REDLacre** (recyclers LatAm association). According to their partner, IDGB/ MIF, these mass consumption companies have a shared interest in integrating informal recyclers into the formal recycling market to strengthen the value chain and reduce environmental impact, while also fostering socioeconomic benefits for recyclers.

Value

By operating in a pre-competitive collaboration, these partnerships have the potential to change the entire industry in which they operate by each contributing resources and sharing the risk, for much more transformative returns.



3 Company / Government Collaborations

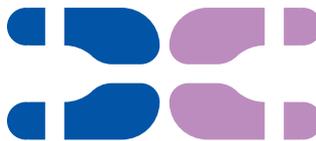
Governments can be effective partners for companies when united by a similar purpose. This might involve addressing access issues to health or education in the country or finding more efficient ways to deliver social services where involving the private sector can create multiple wins.

Example

Dementia affects over 47 million people worldwide. In the absence of any known cure, the number of people with dementia is expected to increase exponentially. To address this challenge, the **UK government** initiated and facilitated a partnership of committed investors to establish the USD\$100 million Dementia Discovery Fund – an innovative venture capital fund that aims to identify a disease modifying treatment or cure for dementia. The fund brings together expertise and resources from the UK government, national social sector organizations, and global pharmaceutical companies, with support from **JP Morgan**. The UK government made a cornerstone investment into the Dementia Discovery Fund of about USD\$22 million. Alzheimer's Research UK, a charity, committed another USD\$5 million, GlaxoSmithKline committed USD\$25 million, and Johnson & Johnson a further USD\$10 million. Pfizer Inc., Biogen Idec, Takeda and Eli Lilly and Company are contributing the rest and other investors will be able to join later on.⁴⁹

Value

Companies can find government partners crucial to facilitating the establishment of investment vehicles. Governments can be highly effective in brokering partnerships between a range of cross-sector actors, including commercial competitors. Government engagement can also support mitigation of investment risk. For example, the UK government has just launched a global trade and investment campaign around the social economy.⁵⁰



4 Company / Social Enterprise Collaborations

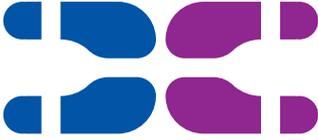
Companies can benefit by working with expert social enterprises that have a deep understanding of the particular outcome areas the business wants to focus on. They can also bring a level of trust that consumers might not lend to a corporate operating on their own.

Example

Hewlett-Packard entered into a partnership with **Fundacion Paraguaya** to develop a visual survey tool called Poverty Stoplight. This tool can be used by governments, NGOs and other businesses to assess poverty across a consistent set of indicators, and aggregate this data to a level where it can be a useful tool to develop targeted interventions and track progress.

Value

By developing this partnership with a leading social enterprise, Hewlett-Packard experienced multiple business benefits. Paul Ellingstad, who managed this programme at Hewlett-Packard, describes how the collaboration delivered a “real world demonstration and client reference of mobile solutions innovation, which was heavily utilized as a reference for commercial client engagement. And, the solution/service was also commercialized.” In addition to this, Hewlett-Packard further benefited from the profile of this innovative collaboration in places like the World Economic Forum.⁵¹



5

Company / Social Investors Collaborations

Companies looking to create positive outcomes can benefit from working in partnership with social investors by learning how to structure, conduct due diligence and measure social as well as financial returns. They can also help companies identify deals they may not otherwise be able to uncover through their traditional networks.

Example

PayPal has partnered with **Village Capital** to support fintech entrepreneurs working to improve access to financial services for low-wealth people and businesses. PayPal will make its employees in each market available to share their skills and expertise with the startups by serving as speakers, ongoing programme advisors and one-on-one mentors. Village Capital has picked 10 Mexican firms to support.⁵²

Asda, in the UK, has teamed up with social investment intermediary Social Investment Scotland to build social enterprises' capacity to deliver products onto the supermarket's shelves. Social Investment Scotland is managing Asda's specifically designed Social Enterprise Supplier Development Academy, which provides social enterprises with mentoring, advice and support to pitch their product to Asda. Should Asda decide to stock the product, the enterprises can also access tailored social investment.

Value

Companies working with social investors can learn how to relate to a different stakeholder group, how to design the right support models and, ultimately, how to structure a measurement system that will allow them to understand the return of both financial and social capital. Social investors can also introduce corporates to new sectors they may not otherwise be able to access.



6

Company / Foundation Collaborations

Companies and foundations are increasingly working together to tackle large challenges where not one institution can create the necessary solution.

Example

Swiss Re, **Veolia** and **Rockefeller Foundation** have joined up to create an infrastructure reliance partnership. The shared purpose is to speed up the economic recovery in wake of catastrophes and to build up city-based resiliency strategies. Under the partnership agreement, Swiss Re and Veolia will work with cities to understand the risk exposure of critical assets under current and future climate scenarios. The two firms will work to develop a pilot for the initiative.⁵³

Value

By working with a foundation, companies can engage with a neutral partner and leverage expertise captured through previous research and grant-making across similar topic areas.

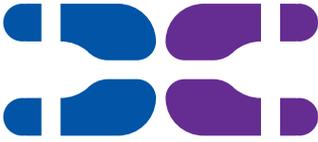
7

Company / Development Bank Collaborations

Working with a Development Bank can help companies navigate the full innovation and investment process in regions where they may not have existing experience. Development Banks can effectively facilitate the structuring of programmes and initiatives, leveraging their local expertise. In the case of investment funds, they can also contribute critical cornerstone investment funding needed to attract further investors.

Example

TRANSFORM is a partnership between the UK's Department for International Development (DFID), Unilever, and the Clinton Giustra Enterprise Partnership (CGEP).



Unilever is a global fast-moving consumer goods company which, through its Sustainable Living Plan, has committed to help 1 billion people improve their health and wellbeing, while reducing the environmental impact of its products. **DFID** leads the UK's work to end extreme poverty. It is ending the need for aid by creating jobs, unlocking the potential of girls and women and helping to save lives when humanitarian emergencies hit. **CGEP** creates enterprises that enhance the livelihoods of women through equipping them as entrepreneurs. Through these women CGEP also serves remote populations through creating 'last-mile' distribution networks for products.

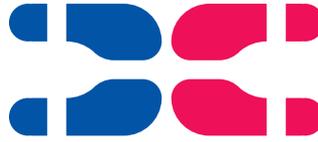
The partnership will use market-based approaches to meet low-income household needs in developing countries around water, sanitation and hygiene (WASH) and energy. It will fund and provide technical and operational support to business and research projects to create:

- Transformative, and financially viable, social businesses capable of meeting WASH and energy needs.
- Research that informs how businesses can deliver more effective behaviour change. A particular focus will be on the use of mobile and digital technologies.

“Building multi-stakeholder partnerships is key to the IDBG/MIF’s work, as shared interests call for a shared response. For example, working together with the International Youth Foundation, the NEO (New Employment Opportunities for Youth) Alliance brings together corporations – Arcos Dorados, the Caterpillar Foundation, CEMEX, Microsoft, and Walmart – governments, and civil society organizations to simultaneously address the youth unemployment and skills gap problem in Latin America and the Caribbean. Together, we aim to train one million youth over 10 years, improving the quality of the workforce and the employability of youth across the region.”

Elizabeth Boggs Davidsen

Chief of the Knowledge Economy Unit, IDBG/MIF



Value

Companies are able to work with trusted partners in the market who also have an understanding of the local dynamics that can ‘make or break’ any given initiative.

8

Company / Wholesale Finance Collaborations

Working with Wholesale Finance partners can help companies both structure and fund new deals.

Example

In 2015, **Interserve** won Big Society Capital’s Business Impact Challenge and together with **ClubFinance** and **Catch 22** where they are creating an innovative joint venture to allow community organisations, charities and social enterprises to deliver on public service contracts at scale. The Public Services Lab (PSL) is on track to launch in Summer 2016.

www.clubfinance.co.uk
www.catch-22.org.uk/

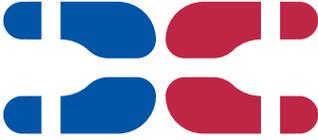
Value

Big Society Capital has been working closely with all three partners to make the joint venture a reality. Furthermore, by working together as a cross-sector collaboration, the group’s submission to the Impact Challenge was strong because of the different networks and experience each partner brought to the project. Market testing drew experience from different audiences and added varied perspectives.

“We’ve been working closely with Interserve and their partners since they applied for the Business Impact Challenge. As their proposal has developed, we’ve assisted with market engagement activities, developing the business plan and financial model for the new venture and have sought to bring an objective point of view as the business case is refined.”

Christine Chang

Senior Investment Director, Big Society Capital.



9
Company / Professional Service Firm Collaborations

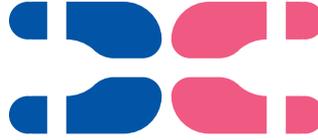
Structuring corporate innovation and investment initiatives can be complex. Proper due diligence, in particular, can pose a challenge for companies when engaging in new areas. Working in partnership with savvy professional service firms can provide the support needed to develop world class corporate programming.

Example

BBVA developed Momentum Project to support social entrepreneurs in Spain and, increasingly, Latin America. In addition to providing training and support, the bank also engaged with PwC where, through a due diligence process, they help ensure that all participants comply with specific legal, tax & labour related standards.

Value

By working with a professional services firm, BBVA was assured that their investment model was sound and that they were able to deploy their capital in an effective way.



10
Company / Supply Chain Collaborations

Companies have natural collaborators working through their supply chain. These partners generally have aligned incentives. Where one succeeds so will the other, creating a clear opportunity for a virtuous cycle.

Example

ECOM, a worldwide coffee trader and processor, partnered with **Starbucks**, the **IDB Group** (through the **Inter-American Investment Corporation** (IIC) and the **MIF**) and the **International Finance Corporation** (IFC) to provide funding to farmers in their supply chain for plantation renovation due to the roya coffee fungus in Central America. This USD\$30 million loan program, which will be administered through Atlantic, ECOM's subsidiary in Nicaragua, includes USD\$12 million each from the IIC and Starbucks, and USD\$3 million each from Atlantic and IFC. The Global Agriculture and Food Security Program (GAFSP) is providing a first-loss guarantee for the IIC and IFC loans. The MIF is providing USD\$500,000 in technical assistance to build Atlantic's capacity to manage this lending program and help farmers to implement sustainable practices. Atlantic will be the lender interface, and Starbucks will purchase the certified coffee from Atlantic.

Value

By working with existing partners in the supply chain, both ECOM and Starbucks are able to leverage existing relationships which reduces transaction costs. By bringing in development finance institutions, they are able to share risk and leverage additional funds to on lend to farmers. All actors involved have a similar vested interest in insuring the resiliency of the farms and thus are incentivised to ensure the investments made see a positive return.



11 Company / Academic Institution Collaborations

Companies have worked with academic institutions for decades - leveraging the research developed by universities and applying it to their business strategies and engaging with tech-transfer offices which help academic-developed IP find commercial homes. Increasingly companies and universities are finding new ways to collaborate, such as in the co-development of training programmes for entrepreneurs.

Example

In addition to working with **PwC**, **BBVA** also engaged in a partnership with Spanish business school **ESADE**. Together they developed a curriculum to help social entrepreneurs selected for Momentum Project receive best-in-class training on how to develop their business model and prepare it for scale.

Value

By working in partnership with **ESADE**, **BBVA** was able to access the academic expertise and leading research needed to develop an effective training programme that helped prepare the entrepreneurs and ensure a high likelihood of capturing a return on investment for those selected for ongoing funding.

12 Company / NGO Collaborations

In the past, many businesses would have been wary of choosing an NGO as a collaboration partner. Instead their form of engagement would often involve a reactive response to a campaign where the company may have been implicated and/or targeted. But today we see a radical shift in the role of many NGOs. They can be incredibly powerful partners to help companies understand and activate innovation and investment initiatives focused on the creation of positive outcomes for both the business and wider society.



Example

WWF has activated a satellite organization called **WWF-X**. Its purpose is to radically transform 10 industries in the next 10 years, unlocking innovation, markets and finance in one single end to end programme.

“ At RBS, I designed and deployed the core of the WWF-X approach which worked brilliantly for the business. It recognised the need to create both business and community value. This process was so successful the model was then taken up to an industry level – where we work with coalitions of companies to identify a problem, de-risk it and speed up the adoption of proven technologies/innovations to scale.”

Marcela Navarro

Co-Founder of WWF-X

Value

By working with leading ‘fourth sector’ organisations like **WWF-X**, who are uniquely positioned to de-risk a business transformation process, companies will find it easier to accelerate the adoption of tested and proven innovations in their value chains.

“ The MIF often serves as a bridge between the corporate and civil society worlds. For example, through a project co-financed by the MIF, Danone is partnering with World Vision Brazil to expand the company’s inclusive distribution model, ‘Kiteiras’, which trains low-income women to sell Danone yogurt door-to-door. To improve saleswoman retention and meet company sales targets, this collaboration builds on World Vision’s close relationship with these communities, tying in Danone’s marketing, sales, and logistics support. Low-income women are earning a steady income, the Kiteiras model is now profitable and growing quickly and Danone is trying to replicate its success in other markets.”

Elizabeth Boggs Davidsen

Chief of the Knowledge Economy Unit, IDBG/MIF

The Practitioner's Guide

Activity

Collaboration

Who could you see working with from each of the following categories and what could you do together?

Write the answers that immediately come to mind in the spaces below.

Can you think of ways in which your business might work with a stakeholder from each of the categories below? Which ones do you think would be the easiest to navigate? Which would help you achieve the most value?

Partner

Idea

Company / Company
(Non-Competitive)

Company / Company
(Pre-Competitive)

Company / Government

Company / Social Enterprise

Company / Social Investor

Company / Foundation

Company / Wholesale Finance

Company / Development Bank

Company / Professional Service

Company / Supply Chain

Company / Academic Institution

Company / NGO

Partnership Checklist

Building relationships with partners isn't always easy. Here are a few questions to ask when you find yourself engaging with potential collaborators:

**Is this an equal partnership?
Where is the reciprocity?**

Partnerships built upon the principle of reciprocity - where each partner both gives and receives - have a greater chance of success over the long term. Mapping upfront the needs and objectives of each party will help establish this reciprocity from the outset.

**Have expectations been set upfront?
Are there any areas which could be misinterpreted or require greater clarification?**

Each partner will be engaging in the collaboration for a particular reason and with a particular outcome in mind. Outlining these expectations clearly - and creating space where they can be discussed to ensure they are absolutely clear to all involved - is a critical step in initiating a strong and trust-based relationship. It can also help protect each party from unhelpful surprises down the road.

Are all partners clear on their tolerance for risk?

Different partners will inevitably hold different risk profiles. This awareness upfront can also create the conditions where there is a quick identification of where risks are and a process to address them head-on as a group.

Is there a process for regular feedback on how the collaboration is progressing? Can you be candid in this feedback?

Partnerships are like all relationships. They need to be well-maintained to keep working and benefit from regular check-ups. This maintenance can happen easily through regular 'check-ins' where partners openly discuss how the relationship is going. Are things working? Is there anything that can be improved? Setting some upfront principles to these meetings which underscore the importance of trust and openness can make sure things that need to be said are given the space to be discussed, even if things aren't going well (especially when things aren't going well!)

What kind of chemistry do you have with the potential partner? Have you met in person? Do you need to?

Ultimately, effective partnerships come down to the people who are involved. The effectiveness often comes down to the intangible connection that gets built between the people who are the points of connection between organisations. Do you like the person you are working with? Do you understand them? Would you be happy to be stuck in an airport with them? If you answer no to any of these questions you might need to spend some more time upfront building the relationship before progressing further. Or find another partner to work with!

Taking the Next Steps

With this guide, we have set out the first overview of usable tools for corporates grappling with the challenges of how to use their people, financial and relationship resources, while considering how this can support the society they operate within, the business strategy and wider business outcomes.

Our work deliberately focuses on the emerging areas of investment, innovation and collaboration. While plenty of research focuses the different types of outcomes corporates can make - this does not necessarily enable organisations to make informed decisions and choices on the basis of their own circumstances, attitudes and desires.

The guide draws on our analysis of corporates responses to developing key relationships in a complex and uncertain environment, to enable growth. While this empirical evidence has informed our approach, it is not possible to be entirely scientific about very personal and emotional convictions. It is more of an art than a science.

So what is your best next step?
What action can you take today?
What action can you take next week?
What action can you take in a month?
What is your aspiration for one year from now?

Outcome Briefs

1 AgTech and Food-Related Business Investment

Overview

Agtech is one of the fastest growing areas of both innovation and investment. As the world gallops towards a planet with nearly 10 billion people, there is a clear need to improve efficiencies in food systems - and technology may end up playing an important role.

By the Numbers

Agtech funding figures surpassed expectations to reach \$4.6 billion in 2015. This was nearly double the \$2.36 billion total invested in 2014.⁵⁴

Key Players

In 2016, Campbell's announced the creation of a new \$125 million USD corporate venture fund focussed on food start-ups. CEO Denise Morrison commented "We believe that defining the future of real food requires new approaches, new business models, smart external development and an ecosystem of innovative partners."⁵⁵ Campbell's joins other companies operating in the food and Agtech arena including Intel Capital⁵⁶ who made an investment in a drone technology focussed on improving crop efficiency. Unilever is also looking closely at food. The Unilever Foundry is a technology accelerator which supports businesses working across key sustainability areas, including a recent challenge on improving global nutrition.

Positive Outcomes

Farmer livelihoods improved. Efficient use of resources. Healthy living for consumers.

2 Urban Infrastructure Investment

Overview

By 2050 66% of all people on the planet will live in cities. Cities account for 70% of the world's GDP and 70% of global greenhouse gas emissions.⁵⁷ To keep up with this expected flow of activity, and minimize the environmental strain this growth will cause - many investment and innovation opportunities have become increasingly attractive especially in the areas of infrastructure development and transportation. This will be particularly important as cities face new investment systems with less government funding, more corporate/private investor involvement paired with an increased demand for urban investment.

By the Numbers

Cities will have to spend \$350 trillion (7x current GDP) in the next 30 years on urban infrastructure. Approximately 40% of urban housing needed in 2030 has yet to be built today.⁵⁸ "Just keeping pace with projected global GDP growth will require an estimated \$57 trillion in infrastructure investment between now and 2030."⁵⁹

Key Players

Hitachi, Siemens and IBM are all exploring ways to play a role in shaping the future of cities. Siemens has created The Crystal, a space to showcase their innovations in London. Open to the public, the Crystal provides a glimpse at the technologies that will help make cities sustainable and resilient in the decades to come.

<https://www.thecrystal.org>

Positive Outcomes

Efficient use of resources relating to water, sanitation, transportation. A greater access to services.

3 Health Investment⁶⁰

Overview

Health is a fast growing industry. It covers a range of both product and service lines ranging from:

- **Healthcare services** primary and acute care models, mental health, rehabilitation, homecare, chronic disease management, dentistry, diagnostics and aesthetics.
- **Digital health** telehealth, clinical and administration software systems, digital patient monitoring and patient engagement solutions.
- **Social care** complex care, elderly and specialist care, supported living and children's care services.
- **Medical products and services** medical equipment, specialty pharma and over-the-counter drugs, contract research organisations and diagnostic technologies.⁶¹

By the Numbers

Venture investments in healthcare were projected to reach \$9.4 billion in 2015, the highest level since 2000.

Key Players

Between March 2015 and March 2016, of the 255 investments in health care businesses, Johnson & Johnson was involved in 44 deals, GSK (SR One) in 24 deals and Novartis in 23 deals.

Positive Outcomes

Improved access to healthcare. Precision medicine also brings greater efficiency in the delivery of health services, which ultimately improves quality of life in both developed and developing markets.

Reading List

This guide builds on extensive research by leading organisations that continue to develop research and case studies on how corporates engage in the creation of positive outcomes (so read the Endnotes!) We highly recommend these resources as references and resources that can support you on your journey.

License To Innovate: Breakthrough Strategies for Impact

Deloitte

http://www.wbcserver.org/web/wbcserver/files/2016/02/wbcserver_deloitte_license_to_innovate_social_impact_final.pdf

Social Innovation: A Guide to Achieving Corporate and Societal Value

World Economic Forum

http://www3.weforum.org/docs/WEF_Social_Innovation_Guide.pdf

#500 Corporations: How Do the World's Biggest Companies Deal with the Startup Revolution

INSEAD

<http://698640.hs-sites.com/500corporations>

Corporate Social Impact Strategies – New Paths for Collaborative Growth

EVPA

<http://evpa.eu.com/research-and-policy/knowledge-centre>

Scaling Social Innovation: An Art or a Science?

Social Innovation Exchange

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