

Social innovation in action: collaboration, shared value and a new business model

By [Klaus Dieter Rennert](#)

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A recent report from Chatham House, the international affairs think tank, noted the vital importance of cities to the global economy, calling them motors for growth. The report stated that cities produce innovation, and will increasingly do so with interconnected technologies coming to the fore. However, they face enormous and increasingly common challenges: gridlock; insufficient housing; poor waste management; lack of clean water and safety.



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This chimed with new research we conducted with Frost & Sullivan on the topic of social innovation. In it, Frost & Sullivan defined social innovation as "the deployment of technology and new business models to bring positive change to the lives of individuals and societies". Social innovation has a significant role to play in addressing global 'mega challenges' posed by rapid urbanisation, such as connectivity and energy efficiency. In fact, the research identified that social innovation presents a \$2 trillion market opportunity by 2020. That is a phenomenal figure, which requires great collaboration across regions and value chains if it is going to be fulfilled.

Why it matters

The aim of social innovation is to achieve a sustainable society in which environmental and economic needs are addressed in a balanced way. Chronic modern-day challenges are well known: the food-water-energy nexus, how to deliver smart mobility and transport hubs, developing health care data exchanges and e-health systems are just a few.

Collaboration between corporations, people, communities, business disciplines, cities and countries is necessary for social innovation to thrive.

In delivering tailored local solutions and services, stakeholders need to communicate at every step of the value chain because value chains are, as a result of high levels of innovation, circular with feedback loops and continuous improvement. How well companies collaborate will influence their competitiveness. One way to do this is through the creation of shared value, sharing the principles of social innovation with suppliers and partners and this is a trend that is predicted to grow.

How big are the opportunities?

High-opportunity industries for social innovation are energy, water, transportation, healthcare, manufacturing, construction and natural resources. Looking at manufacturing and construction specifically, these sectors will begin to develop further through the fourth industrial revolution - Industry 4.0 - where the Internet of Things, data analytics and cloud computing will normalise smart manufacturing and process digitisation. Such developments will not play out in isolation, but across industries, creating opportunities for social innovation investors.

Now businesses and industries have woken up to the reality that innovation is no longer just a simple strategic option for financial gain, but has a meaningful and imperative responsibility to human challenges.

How do we get there?

The core component of successful social innovation is sustainable profit and this requires strategic planning. In order to deliver high-impact social innovation, companies need to align their vision and ethos with mega trends. Forward-thinking corporates need to develop their business models to look at societal impact, as they do profit. A model that does this in a scalable, replicable and cost-effective way will be a strong competitor. Corporate social innovation also needs to engage in technology and information analytics because it will enable them to create integrated solutions.

At Hitachi we're already adopting this approach. Outside of Japan, Hitachi has been entrusted to run a smart city project in Maui, Hawaii, to link and secure the island's renewable energy sources so it can meet its target of obtaining 40% of its electric power generation from renewable energy sources by 2030. In collaboration with partners, including the State of Hawaii, Hawaiian Electric Company and the Hawaii Natural Energy Institute, Hitachi will build the smart grid system and handle project management in its role as the company responsible for demonstrational research.

And examples range all the way from whole cities through to individual hotels. Take the Hilton Istanbul, where Hitachi worked with the hotel to co-create a system that could manage grey water flow in the city. One of the Hilton's sustainability goals is to reduce water consumption by 10% over a five-year period and, thanks to this collaboration, the Hilton Istanbul is now at the forefront of this challenge, leading the way by using new technologies to save water.

We have seen collaboration all across Europe, from construction companies using Hitachi's IT systems to connect machinery and improve efficiency, to the NHS in Manchester where Hitachi's data platforms are being piloted to help clinicians tackle the issue of diabetes. The partnerships are long standing and sustainable: a prime example being the collaboration between Hitachi's rail services and the UK Government. Hitachi entered the European market back in 1999, and in 2004 it was named as the preferred bidder to supply trains for the Channel Tunnel Rail Link, HS1. Hitachi has since won a contract to supply its 122 Class 800/801 trains to the UK's Great Western and East Coast Main Lines. Working with the UK Government, we're helping to increase speed, capacity, reliability and comfort, tackling the megatrends putting impact on existing infrastructures.

In all of these cases, we collaborated with businesses and other stakeholders, such as governments, in order to use innovation to tackle larger societal challenges of sustainability and efficiency. By recognising that the challenges fall into mega trends of societal problems, appropriate measures can be taken to tackle these.

In the face of modern challenges, corporates, governments and NGOs are asking how to innovate in useful and serious ways. The answer it seems is leveraging technology, creating hybrid business models and recognising the interconnectedness of mega trends and challenges. Make innovation social and do this strategically, and you have a real opportunity.

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