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# THE ROLE OF CORPORATE SOCIAL INNOVATION: FROM CSR 1.0 TO CSR 3.0

The story of how Intel learnt to create a vibrant social ecosystem to unleash social innovation and tackle China's social and environmental challenges



## INTEL INSIDE China: The Origins of Intel's Approach to Corporate Social Responsibility (CSR) in China

In the early 1990s, the Chinese information and communications technology (ICT) industry was still in its infancy. It was by no means certain that China would become the global leader in ICT production, consumption, and R&D that it is today, despite the government's strategic intent to promote the local industry. At the time, the global ICT industry was dominated by vertically integrated companies, confining the nascent PC industry to a handful of large multinational corporations in China. China had yet to develop a vibrant independent hardware and software vendor community.

Intel recognized that to grow its business in China, it had to first help China grow. Under the stewardship of the then-CEO and cofounder Andy Grove, Intel China's strategy focused on enabling a vibrant horizontal computing industry based on open standards. Intel began systematically engaging local stakeholders across the industry, leveraging its experience and resources to help local companies "crawl, walk, and run." As part of this strategy, Intel established the Intel Architecture Development Lab in 1994 in Shanghai

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advanced hardware and software products based on Intel's architecture. The Lab included a specific team to enable independent software vendors to develop best-in-class consumer and business applications based on the latest technology. It organized multiple large-scale events to bring global and local players together and form partnerships. Intel also brought its flagship Intel Developer Forum to China to introduce the latest technology to local developers. And in 1998, Intel Capital, Intel's strategic venture capital arm, began operating in China to further stimulate the industry's growth.

Through these collaborative efforts, and others, with companies, policymakers, academics, and end users across the industry, Intel gained real-time knowledge and insight, enabling ideas to quickly cross-pollinate and innovation to thrive. More importantly, it played a key role in ushering in an era for collaborative innovation based on open industry standards, catalyzing a vibrant ICT sector that has formed the foundation for Intel's business success in China today.

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By 2012, according to IDC, the PC industry in China had surpassed that in the U.S. to become the world's largest market mostly with Intel Inside.

## BOX 1: The Evolution of CSR in China

CSR has been evolving rapidly in China over the last five years, in part from a more discerning middle class of consumers, and in part from increased pressure from traditional and social media. Historically, Chinese businesses regarded CSR as philanthropy. But, as the government realized that China could no longer afford to grow at the expense of social stability and environmental sustainability, Chinese businesses also began to identify CSR as their contribution to addressing these more complex issues. Now it is clear the current Chinese leadership has elevated CSR to a national priority by driving smart, inclusive, and sustainable development for a “Beautiful China” (as China’s new leadership declared in 2013).

Despite the heightened attention, social challenges such as education, health care, elderly care, pollution, and the wealth divide are so complex that no single government or organization can tackle them on its own. Cross-sector and cross-border collaboration is required among policymakers, businesses, nonprofits, academia, development agencies, and citizens around the world. In China, there is a unique opportunity to leverage the support of the Chinese government to create an enabling environment for collaboration and innovation to flourish.

Over the last 30 years, multinational companies have played an indispensable role in advancing China’s economic development through foreign direct investment, technology transfer, local talent development, and creating shared economic value both for China and for corporate shareholders. With the business landscape now rapidly shifting away from an investment-driven, resource-intensive, export-led growth model, the real opportunity for multinational companies is to move up the value chain to create shared economic and social value to grow together with China. As such, it is imperative for corporate social responsibility to embrace the opportunity of corporate social innovation.

As Intel’s strategy evolved, it continued to promote the use of ICT in China as a tool to drive China’s economic transformation and social development. Not only had the ICT industry dramatically grown itself, it had enabled tremendous growth in other industries. Inspired by this, Intel began to explore how the very same approach of building an enabling ecosystem and fostering cross-sector collaboration might be applied to addressing China’s prevailing social and environmental challenges. Intel recognized that its contribution was not just in the way that technology

enabled new solutions, but in how enabling the development of the technology ecosystem stimulated the entire industry, fostering and multiplying the impact of those solutions. Similarly, new forms of thinking—social innovation—just like new forms of

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technology, could also be applied to enable new social solutions. But to achieve this, it was crucial to build a vibrant “social ecosystem” to develop, test, use, scale, and share new approaches to solving social problems.

As defined by Stanford University, social innovation is “the process of inventing, securing support for, and implementing novel solutions to social needs

Social innovation is both an approach and a result: a way of thinking and the application of that thinking to solving social problems

and problems.” As with technological innovation, social innovation is thus both an approach and a result: a way of thinking

and the application of that thinking to solving social problems. As the Chinese government began to shift its direction toward more inclusive and sustainable development, and with Intel’s experience in China, it was clear to Intel that to solve social problems China would need to aggressively build out its social infrastructure, just as it had built out its technology infrastructure to grow the ICT industry. By following a similar approach, Intel could help China create

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Intel’s CSR team recognized it would require a paradigm shift on the part of businesses to embrace corporate social innovation. CSR teams would require a mandate to create shared business and social value, and the freedom to partner with the government and other key stakeholders to achieve transformative and

systemic impact. The goal would be to create a new driving force for China’s development, one that would be more sustainable than in the past. Intel believed this concept of taking an issue-centered approach and building an ecosystem of organizations to address the issue represented a new way of thinking about CSR (see box 2), and coined it CSR 3.0.

For Intel’s purpose of creating a vibrant social ecosystem, Intel’s team knew that they needed the corporate community to fully participate, and took it upon themselves as part of their CSR 3.0 strategy to inspire the broader business sector to embrace this paradigm. This paper explores the contribution and process of helping create this ecosystem and is part of this effort to engage others.

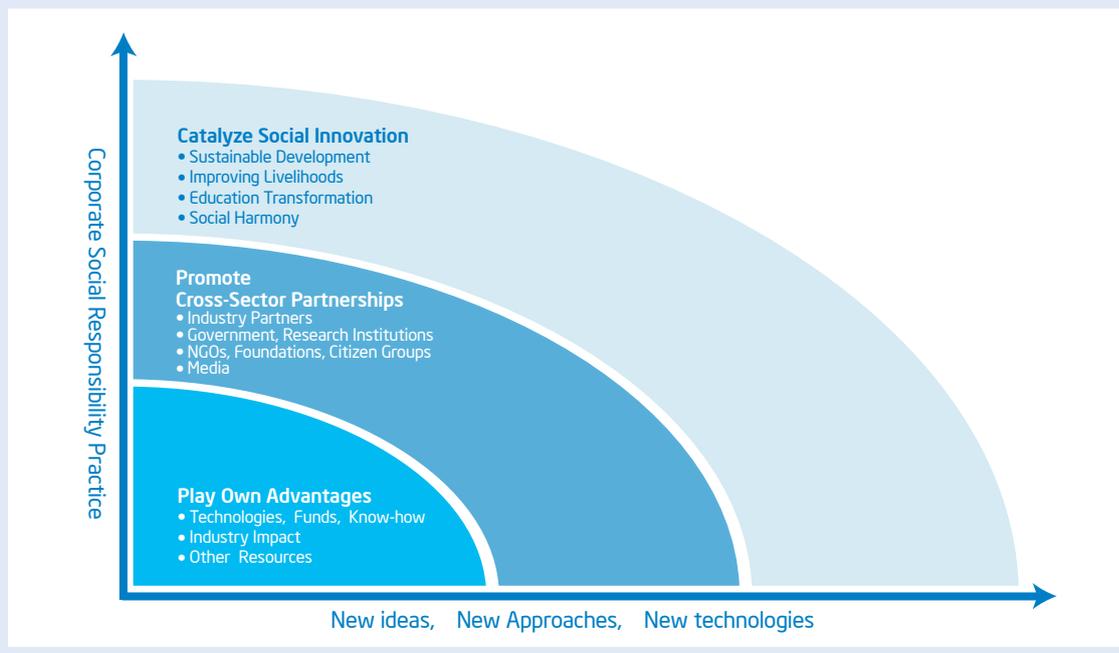
## BOX 2: The Evolution of CSR

The thinking behind CSR has evolved over the years. The CSR of today rethinks the concept of value creation and the role of collaboration, mobilizing resources at sufficient scale to deliver long-term social change.

Originally, leading CSR practices asked, "How can our company best make a difference using our unique competencies?" The next stage asked, "How can our company strategically partner with others to address the problem?" Now a more systemic approach has evolved requiring a better understanding of the problem, the overarching solution, and the role of different stakeholders as a part of that solution. This now requires companies to ask, "How can we inspire and drive progress from all key stakeholders that could currently or potentially influence the issue in the future?"

Crucially, focusing on the issue first changes the perspective and reveals new options for how a company can add value as one of many contributors to the solution: for example, through utilizing its networks of suppliers and vendors, its relationships with government, its employee skillsets, its problem-solving abilities, and so on. Creating an ecosystem and "learning network" among all the relevant stakeholders addressing the issue allows ideas to quickly cross-pollinate and resources to be pooled to tackle social problems together.

Intel's CSR 3.0 identified the need to drive social innovation and thus emphasizes building the ecosystem that catalyzes social innovation as the path to sustainable social development and long-term business value creation.



## Evolutionary Learning: Intel's Journey

The development of Intel's CSR strategy in China has been typical of many multinational companies. It started at the community level where Intel strove to be an asset to the communities in which it was operating. This initial program laid a solid foundation for a range of corporate volunteerism, philanthropy, and social contribution programs (CSR 1.0).

In 2000, Intel identified the need to improve the quality of education and launched the Intel Teach program in China with the Ministry of Education. Intel recognized that it could leverage its core competencies in innovation and technology to help China develop new ways of effectively delivering quality. Intel believes that education is key to China's economic and social development, as well as to cultivating the next generation of innovators. Improvements in education create the educated workforce necessary for a competitive ICT industry, and boosts innovation. This, in turn, creates demand for computing and communications, benefitting Intel's business.

Research has shown that the degree of ICT usage correlates directly with economic and social

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development indicators, and therefore the broader use of ICT would enhance national productivity and economic development.

In short, by focusing on education, Intel would not only help contribute

to China's education goal and its economic and social development, but also grow the demand for ICT. This approach, often called "shared value" nowadays, is seen by Intel as CSR 2.0.

Over time, Intel began to shift the Intel Teach program in China toward driving education transformation at a systemic level through advocacy with policymakers, professional development, and teacher-training, and a broad range of cross-sector partnerships—creating an ecosystem for stakeholders to collaborate on and create meaningful and lasting change nationwide. This paradigm shift built on the lessons learned from Intel's work with the ICT industry a decade earlier and elevated Intel's work on education from teacher training alone to catalyzing lasting structural change. It ensured Intel was an indispensable partner in the industry, providing Intel with a unique long-term competitive advantage. To paraphrase a well-known saying, this approach didn't just aim to give the man a fish, or even to teach the man and his village how to fish; it strove to create a healthy fishing industry that would support everyone.

When a devastating earthquake hit Wenchuan in Sichuan province on May 12, 2008, for the first time China's nascent nonprofit sector played an important role in providing disaster relief, bringing complementary resources to those provided by the government. It became clear to Intel that nonprofits had the potential to do much more, and not just in disaster relief. In addressing its many social and

environmental issues, China needed to develop a vibrant social sector to create systemic impact. In early 2010, under the auspices of the Charity and Welfare Department of the Ministry of Civil Affairs (MoCA), Intel, together with the China Foundation for Poverty Alleviation (CFPA) and the Narada Foundation, launched a major initiative, the Innovation Initiative for Nonprofits (IINP).

The goal of IINP was to identify, support, promote, and create a community of leading social innovators. Learning from Intel's previous experiences stimulating the ICT industry, IINP became a focal point in bringing together stakeholders to collaborate, helping individual organizations grow and raising the profile of the whole sector. As of today, the initiative has connected over 900 leading social organizations, academics, and businesses, and has evolved to become a learning network promoting best practices, a platform for collaboration among nonprofits and social enterprises, and an opportunity for academics to undertake research and for policymakers to gain insight into and test out policy ideas. In short, it has evolved into an open social innovation lab, a "think and do tank" for collective impact.

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CSR 3.0 calls for embracing a "We" versus "I" paradigm and working with other stakeholders from all sectors to better identify the root causes of social issues, identify effective partnerships,

deploy resources more effectively at a cross-sector level, and strive for systematic solutions for collective impact. To further paraphrase the original saying, social innovation calls for not being satisfied with

simply creating a healthy fishing industry, but for identifying what is limiting the industry and its social impact and then working with the fishermen, their customers, and others to revitalize, grow, scale, or even revolutionize the fishing industry.

Intel has now begun applying this same approach across a range of other issues, such as the low-carbon economy and aging:

- To contribute to China's 2020 carbon intensity goal, Intel established the Digital Energy Solution Center (DESC) with other companies and industry associations in China. DESC brings together the private sector, nonprofits, government, and other stakeholders to find ICT solutions to energy conservation, low-carbon development, and sustainable growth. It has published research reports to identify the challenges and potential solutions to low-carbon development in China, such as the 2011 report *Information Communication Technology Promotes China's Low-Carbon Economic Development*.

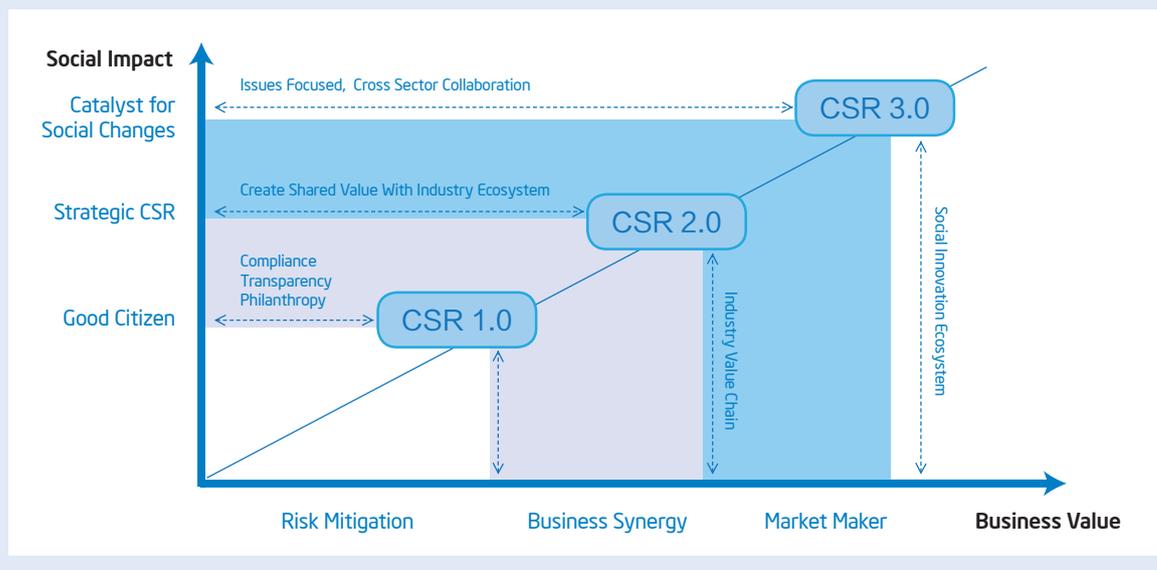
- In 2012, Intel China published the report *Sustaining the Golden Thread: An Economic Approach to Aging for China* and co-hosted the Aging Care Service Seminar to discuss how ICT solutions can be a tool to meeting the needs of the elderly, such as preventing chronic diseases or improving relationships with families and friends. The initiative aims to facilitate cooperation among China's policymakers, researchers, and business leaders, and to trigger more in-depth thinking about the potential role of ICT to address aging-related problems. Internally, Intel established a dedicated business organization to look into such issues and to explore opportunities for ICT to help the elderly live better lives.

## BOX 3: From CSR 1.0 to CSR 3.0

CSR 1.0 is primarily focused on reducing negative impacts to society and supporting social issues through philanthropic or social contribution programs at a community level.

CSR 2.0 takes a more strategic and collaborative approach; companies work with value chain members to identify win-win opportunities where their core competencies can create shared value for society and themselves, or that are closely related to their business.

CSR 3.0 takes into account a company's broader ecosystem, and works to strengthen that ecosystem to provide systemic solutions to social problems through cross-sector partnerships for long-term and fundamental improvements to society.



As Intel continues on its journey, it has developed a portfolio of activities that spans the breadth of CSR 1.0 to CSR 3.0. There remains a need for local-level community activities that engage communities and employees, just as there continues to be a need for strategic programs with key partners that align closely with the business. Emerging issues also call for more ambitious approaches that catalyze entire ecosystems of stakeholders. Intel looks forward to collaborating

with other stakeholders to find new approaches and new solutions to China's social and environmental challenges.

## Five Steps to Launching a CSR 3.0 Strategy

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Revamping a CSR strategy is an exciting proposition, yet it can also be daunting. Based on Intel's journey, the following may help:

1. Establish a CSR champion or group that is part of the company's senior management and strategic decision-making process. Empower the champion as a change agent to explore and test innovative approaches that can transform the business model in line with societal expectations and opportunities.

2. Identify the most pertinent societal issues to focus on in China and identify where these align with the business's strategic intent and core capabilities that would maximize shared business and social impact. Two key considerations that should be discussed internally are:

- How to align the corporate vision and mission with the prevailing government and societal

imperatives, taking into account economic, social, and environmental factors.

- How to identify and explore opportunities to create sustainable shared business and social value to support market access, market development, license to operate, and enhance reputation.

3. Map the issue-specific stakeholder ecosystem and convene key stakeholders across social organizations, academia, government, businesses, media, and others.

4. Dismantle boundaries between sectors by mobilizing and rallying both internal and external stakeholders in the ecosystem to collaborate and innovate to develop and scale effective solutions.

5. Create an open feedback platform to capture real-time learning from rapid experimentation and scaling in the field to guide future efforts.

## Concluding Thoughts

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This overview attempts to convey Intel's journey of corporate social innovation in China as well as its latest thinking and practices. It is intended to inspire and kick-start more discussion, debate, and engagement with like-minded fellow travelers. The societal, environmental, and economic issues are so serious and the business opportunities for creating solutions so immense that the stakes are now higher than ever.

Across the globe, strains on social and environmental

systems are causing increased volatilities across borders and impacting quality of life. It is time to rethink how we collaborate and innovate. It is time for a paradigm that looks far enough into the future and broadly enough across sectors to realize lasting structural change. CSR 3.0 holds the promise that it can achieve these benefits at scale. It is in the best interest of all to consider the lessons and advantages of reimagining how corporations relate to society, and how corporate social innovation can be a strategy and path to business success and sustainability.

## Acknowledgement

In late 2010, Yin Gefei, Vice President of WTO Tribune approached Intel. He was intrigued by Intel's approach to CSR and thinking around the CSR ecosystem. He sought to further explore and elaborate on the concept, and share this kind of thinking with other businesses in China. Yin and Yu Zhihong, Chief Editor of WTO Tribune, had long been strong advocates of the CSR movement in China. We hit it off instantly, both sharing the same aspirations to contribute to China's inclusive and sustainable development through our learnings. This marked the beginning of our journey.

On Christmas Eve in 2012, in a coffee shop near the Olympic Park, we analyzed previous experiences and mapped out an outline. Much of this thinking around the social ecosystem grew out of Intel's earlier work on enabling technology and the ICT industry ecosystem around the turn of the millennium and our pioneering work around social innovation since 2009 that is now being driven by Cinnovate, an independent NGO incubated by Intel. We have also engaged extensively with other leading CSR experts here in China to get their feedback on this concept, in particular, Chen Feng, Deputy Director, Research Bureau of State-owned Assets Supervision and Administration Commission, Guo Xiuming, Director of the Legal and Policy Division, Ministry of Industry and Information Technology (MIIT), Professor Yang Dongyu, Beijing Guanghua School of Management, Li Weiyang, Director of CSR Division, State Grid, and Wen Li, CSR Expert from PetroChina (CNPC). Their feedback has been invaluable in shaping our evolving thinking. Our Chinese CSR Ecosystem White Paper was subsequently launched in Dec 2013, and the feedback well exceeded our expectations. Many approached us for an English version to share with a wider English speaking community, leading to this abridged and adapted version.

This paper was written with the support of Keagan Rubel, InnoCSR and Adam Lane, BSR. Without their patience, dedication and professionalism, this would not have been possible.

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