



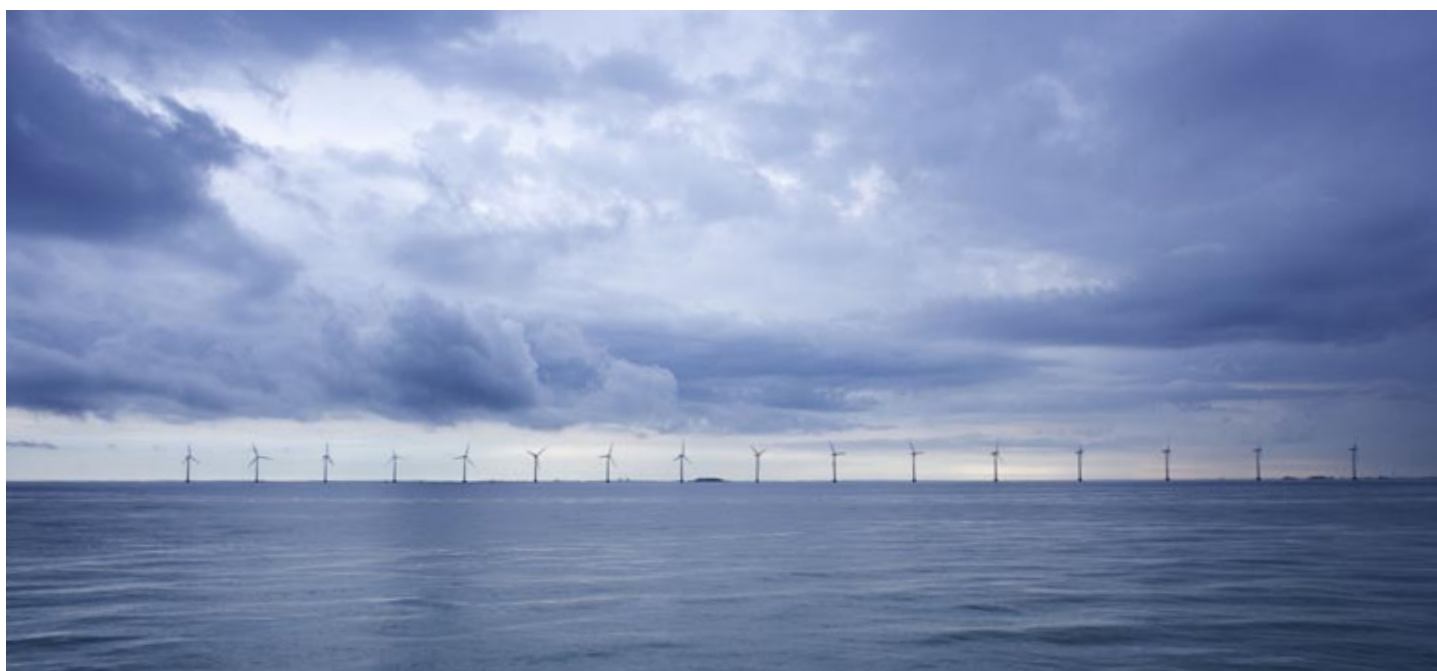
CSI. Corporate Social Innovation Case studies

By Social Action

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DONG – Better Place Denmark

Company Profile:

DONG Energy is one of the leading energy groups in Northern Europe. Their business is based on procuring, producing, distributing, trading, and selling energy and related products in Northern Europe. The company earned DKK 41.6 billion in 2007 (approx. EUR 5.6 billion or USD 8.3 billion).

Yearly revenue:

€ 5,6 billion

Project name:

Better Place Denmark

Project interviewee:

Torben V. Holm, Project Manager, DONG Energy A/S

Bo Lundberg, Vice President Sales & Marketing, DONG Energy Sales & Distribution A/S

Project period:

2008 and ongoing

Related global problem:

Global warming caused by excess levels of CO₂-emissions is acknowledged as one of the greatest challenges of our time. Two of the greatest sources of CO₂-emissions in Denmark come from the production of energy in power plants and the transportation industry. The emission from transportation sources alone makes up 26,7 % of the total emissions.

Project process:

Over the years, DONG Energy has faced difficulties finding efficient uses for surplus wind energy. The challenge is that an increase in wind power production capacity leads to situations, where wind energy in a growing number of situations comes in at times, where other power production assets cannot be turned off. In such surplus situations power has to be exported to Norway, Sweden and Germany in order to maintain the physical balance in the electric system. But as these situations typically arises at night, where the overall demand is low, prices paid for this energy tend to be low.

In August 2007, Torben V. Holm was hired to develop business opportunities that could mitigate this problem. Knowing that one of the most effective solutions could be to store the energy in batteries, the team focused their research in this field. What they found was, that in order for their idea to be successful, they needed to create a demand in the market for the batteries.

In September 2007, DONG Energy was contacted by Better Place. Better Place is a California-based, venture-backed company that aims to reduce global dependency on petroleum through the creation of a market-based transportation infrastructure that supports electric vehicles. Better Place had learned about DONG Energy through Invest In Denmark, a department in the Danish Ministry of Foreign Affairs, that helps foreign companies get insight into Danish companies. After various conversations and meetings over the course of early 2008, DONG Energy and Better Place signed a 'letter of intent' to begin collaborating. DONG Energy and Better Place agreed to create the company 'Better Place Denmark' with external investors also participating. This company will be the platform for rolling out the battery charging infrastructure in Denmark, it will own and lease batteries to owners of electric vehicles and it will operate an IT-center that through wireless communication with the cars will ensure that charging of the batteries is done at times optimal for both car-owners and the electric grid. The business concept and the IT-systems that communicate with the cars is developed by Better Place, while DONG Energy will be delivering the power that ultimately will move the cars.

Better Place Denmark is a new type of project for DONG Energy. "The business concept is new and it connects industries like car manufacturers, battery producers, power companies and electricity distributors that have never collaborated before. Moreover, the scale is international, so it is no wonder that the process at times appears to be less structured than usual", says project manager Torben V. Holm. He adds, that a major challenge is to get enough car companies to sign up for developing and producing the electric vehicles. So far Renault-Nissan have agreed to be part of the project and are currently working on prototype cars.

Project product:

The basic products created by the project consist of a car and a battery. To date the model is based on the following idea - the customer owns the car and rents the battery that stores the energy. The reason why customers rent the battery is due to the batteries' longevity. An electric car will only be able to drive 150-200 km on one charge. Research shows that over 90 % of the Danish car owners drive less than 100 km per day. This means that normally it will not be a problem

for users to recharge their batteries during the night by using a plug at home or by using small recharging stations on the street. Nevertheless, the low energy capacity of the batteries would be a problem in the cases where the car owner wants to drive more than 150 km. The solution is to make it possible for users to switch the battery while in transit. Battery switching stations plan to be set up all over the country so that customers will always be able to change their batteries in the same time span as a normal car would take to fill up on gasoline at a service station.

During the night, wind-power as part of the total electricity production mix is normally at maximum. As wind power is a renewable energy source, the electric cars will thereby cause a minimum of CO₂-emissions. But even in the worst possible case where no wind is blowing and all electricity production is based on fossil fuels CO₂-emissions will be cut by half, because electric motors are much more energy-efficient than conventional engines running on gasoline or diesel. On the other hand, if all energy came from renewable sources, CO₂-emissions would be totally eliminated. And to put things in perspective, a standard windmill produces sufficient energy to keep on average 3.000 cars going year in and year out.

Project business model:

Faced with an economic and environmental challenge, DONG Energy has found a profitable solution that responds both to resolving their surplus energy production as well as an alternative entrance into the transportation business. Better Place Denmark has the potential to become a very large business. This venture will not only be good for DONG Energy as co-owners of the company, but also as the supplier of all the power that is going into the batteries. Their vision is to have 400.000 electrically driven vehicles on the Danish roads by 2020.

The Better Place Denmark project is turning a potentially costly demand for more wind energy into a profitable business in at least three aspects:

1. DONG Energy gets to sell the energy from the nightly windmill production at a price based on the quotations on the Nordic energy exchange.
2. As co-owner of Better Place Denmark, DONG Energy receives a share of the profit from rental batteries and other services administered by the new company Better Place Denmark.
3. DONG Energy increases the demand for electricity which results in an increased demand for wind produced energy in Denmark.

Why is Better Place Denmark a CSI project?

Better Place Denmark has the potential to contribute to the environment by replacing gasoline driven cars with zero-emission cars and by creating more demand of energy produced by windmills. The societal aspect and the business aspect are part of an integrated system. The more success DONG Energy and Better Place have in their venture, the more CO₂-neutral vehicles will replace the existing gasoline-driven vehicles, making a positive change for the environment.



ISS – Job Development Center

Company Profile:

ISS is a facility service company that delivers integrated service solutions to their clients, where ISS organize, govern and implement the services. Services include cleaning, property service, office support, catering and security.

Yearly revenue:

Denmark: € 1.5 billion / Global: € 5,5 billion

Project name:

Job Development Center

Project interviewee:

Annette Schandorph, Project manager

Jacob Harder, Director of Recruitment and Corporate Social Responsibility

Project period:

2003 and ongoing (The early roots of the project date back to 1993)

Project challenge:

The rate for full-time unemployment in Denmark in 2008 is around 2%. It is therefore difficult for companies to find new employees and expand their business. However, although the unemployment rate is low there are still unused resources in the Danish society. A large part of this group is comprised of people with another ethnical background than Danish. The employment frequency for non-national Danes was 49% in 2006. This is 28% lower than for people from Danish origin. It could therefore be said that the unemployed non-national Danes are an unused resource in Danish society.

Project process:

In 1993 the municipality of Herlev approached ISS with the intention of collaborating. The municipality was faced with the challenge of being able to place some of their unemployed people into the labour market.

After various discussions, ISS offered the unemployed people real world workplace experience through internships and job training. The people undertaking the internships and job training positions play the same role as the rest of the ISS personnel in the various service departments with cleaning, catering, gardening and so forth. ISS gets paid by the Municipality for offering this service and at the same time ISS get extra labour power. Of course this new labour power sometimes needs extra help or training due to language barriers or other social problems.

In 2003 a replacement in the top management of ISS took place. Finn Vestergaard became the new manager of Human Resources. He quickly acknowledged the growing issue that ISS had at the time with recruitment of people. ISS needed to hire 5000 new workers per year, just to keep the workforce up to date. This was becoming more difficult as the unemployment rate in the Danish society decreased. Finn Vestergaard saw the potential in the collaboration with the municipality of Herlev, ISS could meet their high need for new employees.

Continuing in 2003, ISS developed a method with e.g. 'on the job training', mentorship, and education. ISS initiated 4-6 projects instead of the single one with the municipality of Herlev. Since 2003 the method has been developed even further and a Job Development Centre has been established. In 2007 there were 6 employees at the centre and in 2008 there are 16 employees. The centre runs 19 projects in Denmark, mostly in Århus and Copenhagen and they are in the process of describing and communicating the method they have developed.

The nature of the creation of the Job Development Centre has been different than other ISS projects. This project has had a large focus on researching, investigating, testing, learning and changing the concepts and methods to find ways that work best for getting unemployed people into the labour market. Contrary to other projects, where the development has been more linear.

Project product:

ISS has developed a process and system for previously unemployed people to get the qualifications and confidence needed to acquire a job. "These people have got extra needs and we just need to find the right place in our company for them" says project manager Annette Schandorph. The centre is an operational unit within their HR-department.

The Job Development Centre is based on three fundamental service concepts:

1. Instant activation - where the unemployed person can gain employment instantly.
2. Resource clarification - A longer process, where ISS helps the unemployed to clarify what they are able to do and which kind of jobs they would like to undertake. This process ends either by ISS hiring the person or with the person being sent back to the municipal program with recommendations about how the municipality can help this person get access to the labour market.
3. Danish language in the workplace - 18 course modules that are aimed at

teaching the unemployed people about different topics relevant to a Danish workplace, e.g. workplace culture, language, personal hygiene, personal economy etc.

Besides looking for internship positions within their own company, ISS approaches vendors, clients and other companies to create internships for the people who have job interests outside of ISS business areas. ISS has e.g. gotten a couple of people into internships with Dansk Biblioteks Central, where they can learn how to bind books.

The clients are the municipalities and ISS tailors the offers to the individual municipalities, to suit their specific financing situation. ISS work in close collaboration with language schools, rehabilitation centres and doctors.

Project business model:

The revenue of the Job Development Centre in 2007 was 2-3 millions DKK. In 2008 it was 10 million DKK and it is expected to at least double in 2009. Understanding the political environment has been important, with the growing focus on outsourcing from the public to the private sector. The municipalities are planning to outsource the job deployment 100%. This will result in 60 - 100 million DKK for each municipality ISS acquires as a client.

The business model is very similar to ISS's other services. They take e.g. a municipality, who wants to get 125 people trained - ISS calculate their expenses and add a margin to that number and reach a price. Each municipality in Denmark has different budgets, and the contracts are therefore negotiated independently. The final price is calculated in weekly prices, per subscription or through mentor-prices.

The Job Development Centre is also a good business because it supports the recruitment efforts by delivering employees into SS.

Why is the Job Development Center a CSI project?

ISS has managed to bring the unused labour resource into the market. Instead of being an expense for society, the unemployed group are transformed into assets. The people getting the job also grow on a personal level by proving that they can create value and fulfil a role in society. Many of the people have tried to get a job several times before and have been in the public system for years without luck. ISS gives them a second, third and even fourth chance if necessary. In this context, ISS manages an area of responsibility that normally is governed by the public sector, areas such as learning the Danish language, cultural education and some of the important mechanism for integration into the Danish society.

450 people are expected to participate in the program in 2008. The 2007 numbers showed that 60 % of the participants got a job or started an education upon finishing the ISS program. Most of this added workforce is hired by ISS. The project not only addresses a societal challenge, but it also helps ISS with their internal recruitment issue by integrating new labour to the company. The project puts ISS in a favourable position where they can train and recruit unemployed people while making a profit on the performed service.



GRUNDFOS – GRUNDFOS LIFELINK

Company Profile:

With an annual production of more than 16 million pump units, Grundfos is one of the world's leading pump manufacturers. Circulator pumps for heating and air-conditioning and other centrifugal pumps for industry, water supply, wastewater and dosing are their major products.

Yearly revenue:

16,814 Billion DKK

Project name:

Grundfos LIFELINK

Project interviewee:

Peter Todbjerg Hansen, Managing Director for Grundfos LIFELINK A/S
Lars Denning, Technical Manager for Grundfos LIFELINK A/S

Project period:

4th. quarter 2007 and ongoing

Related global problem:

Water plays a pivotal role for sustainable development, including poverty reduction. Currently over 1 billion people lack access to safe drinking water. Providing access to safe drinking water and adequate sanitation are among the Millennium Development Goals agreed by UN Member States at the Millennium Summit in 2000.

Project process:

At the end of 2006, Grundfos Chairman Niels Due Jensen traveled to Thailand

and experienced first hand how people in rural areas drank contaminated water. He thought that Grundfos should be able to help solve this problem with its competencies in water treatment and pumping business. Upon arriving home, the idea for LIFELINK was born and set into motion. After a pre-project research and evaluation phase, the project kicked off at the end of 2007. Over the course of 10 months, 3 people in Grundfos have led the development of the project from the idea phase to preparation for installations into the first test country - Kenya.

Project product:

The essential component of LIFELINK is a Grundfos water pump system. Groundwater is pumped from a borehole into a water tower by using a Grundfos Sq-flex submersible pump. When the user requires water they can access it from the dosing station in the water kiosk besides the water tower. The pump is powered by solar panels that is mounted on the top of the tower.

The component that makes this system very interesting is the mechanism with which the water is paid for. A community of typically 300 – 500 people can buy the system with borrowed money from the local bank. Each user of the system is then provided with a key fob, made with Smart Card technology that allows the user to pay for water at the dosing station. To get money onto the key fob, the mobile phone is used and the mobile banking service M-Pesa, developed by Safaricom – An African subsidiary of Vodafone ensures that the user has credit. As an example, a user can visit the local Safaricom vendor and pay e.g. 100 Schilling, which is then transferred into the user's M-Pesa account. From the mobile phone, the user can then transfer the 100 Schilling onto her key fob. When the user connects her key fob to the dosing station, she gets water and money is deducted from her key fob.

The money from her transaction is stored at Safaricom and monthly transferred to a community bank account. The account is used to repay the loan along with a small percentage of the loan that is transferred to a service account, which makes sure, that the community has enough money to after sales service, salaries, profit sharing, etc.

Project business model:

The business model supporting LIFELINK is based on the profit generated from selling the initial water system to the community and on subsequent after sales service charges. This model is possible because in many African countries, they currently pay to acquire safe water. In Kenya, residents pay 3-5 Schilling per 20 liters, a price that LIFELINK aims to match. Furthermore the business model is founded on leveraging the economic power of larger communities and the power of global industrial players. Grundfos provides industrial products, Safaricom provides tele infrastructure and mobile banking and the micro financing institutions provides financing. The Grundfos LIFELINK business model creates opportunity for people having little to spend on water each day, but where a lot of small transactions from many people makes it possible for a community to buy a LIFELINK water system.

The LIFELINK team is currently working on establishing a model for building a profitable local service organization, that will support the communities when

they need after sales service, a real challenge when it can take up to two days to get to the installation site.

The 2015 goal for the LIFELINK project is to touch 1,5 million people in rural areas around the globe. The project is aimed to expand to other African countries, South East Asia and Central & South America.

Why is LifeLink a CSI project?

Water provides the basis for people to lift themselves out of poverty and creates increased economic stability. This system is not just a means for people to get water - it's a growth enabler in the rural communities. When the community has repaid their loan to the bank after 4-5 years, they own the water system and profits generated can afterwards be used for other local development projects. Other benefits from LIFELINK are, that women who can spend up to a half day getting water, will have more time to help out in the household by raising cattle and other income generating activities.

Through LIFELINK, Grundfos is creating jobs because they will start companies in the countries where they have operations. They'll rely on locals to run the sales and service organizations and a couple of locals will be hired by the community to run and maintain the installation.

The system is constructed in a modular way, so that it is possible to connect other elements to it, e.g. water purification. The water platform of Grundfos LIFELINK is just the beginning when it comes to serving the people in the rural areas of the BOP market. Sustainability in terms of economy, environmental and social issues are key factors for Grundfos.



Novozymes – Rethink Tomorrow

Company Profile:

Novozymes is a biotech-based world leader in enzymes and microorganisms. They use nature's own technologies to create biological solutions that improve industrial production. Novozymes sells more than 600 different products that are used in more than 40 different industries and in 130 countries. Their products improve industrial performance and quality while at the same time saving on water, energy, raw materials and waste.

Enzymes are proteins that are found in every living organism: man, animals, plants and microorganisms. They are the tools of nature. They break down and speed up all vital biological processes in cells. Whenever a substance needs to be transformed into another substance, nature uses enzymes to catalyze the process. Knowledge of enzymes has been used for more than 60 years by the detergent, textile, food, feed and many other industries. Today Novozymes' products play a significant role in the production of thousands of everyday products – from the beer we drink or the bread we eat to the fabric in the clothes that we wear.

Yearly revenue:

7,438 Billion DKK

Yearly revenue:

Rethink Tomorrow

Project interviewee:

Claus Stig Pedersen, Senior Director for Sustainable Development
Dr. Vibe Glitsø, Department of Feed Applications

Project period:

2007 and ongoing

Related global challenge:

One of the biggest challenges in attaining an ecologically sustainable society is to break the perceived understanding that economic growth equates to negative environmental impacts and scarcity of resources.

The challenge is two sided:

1. Consumers haven't fully demanded sustainable products.
2. A large number of global industrial producers and manufacturers don't realize how much the economic and environmental performance of their production can be optimized by using for example, biological solutions like enzymes that can aid in cutting energy and resource plundering.

Project process:

In 2007, Novozymes chose to place sustainable development at the core of their business. They turned their brand promise from 'Unlocking the magic of nature', which underlined a reactive use of nature's own biological processes to 'Rethink Tomorrow', a proactive focus on the possibilities of using biological solutions for businesses in the 21st Century.

To understand the possibilities of Rethink Tomorrow, Novozymes strategized on how to stimulate the global demand for more sustainable products and production methods.

Project product:

Among the many initiatives started by the company's progressive strategy, two can be highlighted:

1. Targeting the world's biggest retailers to advise their suppliers about sustainable production.
2. Starting a new life-cycle analysis service to help clients optimize their environmental performance through the use of enzymes.

In early 2007 Novozymes singled out the 100 largest retailers in the world, such as Carrefour, Home Depot, Wal-Mart and Metro in order to influence demand for more sustainable products in the consumer markets. These retailers have the capacity to pressure suppliers such as Nestlé, Procter & Gamble, Unilever and many others to use more sustainable production methods.

In the later half of 2007 Novozymes approached the largest retailer of them all, Wal-Mart – also the world's largest company with \$2000 billion in revenues, 2 million employees (more than the US Army) and 66.000 suppliers. Novozymes wanted to show Wal-Mart the potential of using biological solutions in suppliers' production methods as an alternative to the more traditional and resource intensive industrial production processes.

Novozymes' rationalized that Wal-Mart would be interested in helping their suppliers to attain more efficient and environmentally sustainable production methods that would in turn help Wal-Mart to provide their customers with cheaper products, while at the same time contributing to fulfilling their ambitious sustainability goals of being 100 percent supplied by renewable

energy; to create zero waste; and to sell products that sustain our natural resources and the environment.

As a result of the conversations between Novozymes and Wal-Mart, Novozymes' Senior Director for Sustainable Development, Claus S. Pedersen traveled to Wal-Mart's headquarters in Bentonville in the beginning of August 2007 to advise the 100 largest Wal-Mart-suppliers on how to create more sustainable industrial production methods through the use of enzymes.

Subsequently Claus S. Pedersen was invited to sit in on the Wal-Mart Chemical Intensive Products Value Network – a group of experts that advise Wal-Mart about the environmental sustainability of detergent and cleaning products.

The other practical manifestation of Rethink Tomorrow, is the new life-cycle analysis service that Novozymes provides to several of their high-profile clients. Novozymes' Sustainable Development group goes through the process of conducting a life-cycle analysis of their client's production systems and thereafter engage the clients' management in strategic conversations about how to increase the quality and environmental performance of their products and production processes.

Project business model:

By using an aggressive strategy and going straight to the world's largest company, Wal-Mart, Novozymes actively stimulated pressure on their clients – and Wal-Mart's suppliers – to take advantage of the solutions that Novozymes and other bio-tech companies have to offer.

Novozymes sees its own progressive positioning around sustainable development as being a high-impact business strategy, because the world is inevitably changing. Claus S. Pedersen, Senior Director for Sustainable Development, says “The need for sustainable solutions builds on incredibly strong and well-documented trends in environmental degradation and population growth, meaning that if you as a company have solutions that can contribute to sustainable development, you should bet on them - They will pay off sooner or later, because this is a one-way street.”

Why is Rethink Tomorrow a CSI project?

For every enzyme kilogram that Novozymes sells it saves the environment on average 100 kg of CO₂. In 2007 Novozymes products saved 20 million tons of CO₂ emissions from floating into the atmosphere. That's equivalent to approximately 38% of Denmark's yearly total CO₂ emissions or the annual emissions from 5 million cars. Like windmills and other environmental technologies, enzymes and microorganisms are CSI products. Novozymes' Rethink Tomorrow strategy is characterized as a CSI project in itself because of its creative way to stimulate the global conversation about new products and production methods that enhance the use of enzymes and microorganisms as a path to a sustainable world.



Toms Group – Ghana Project

Company Profile:

Toms Group is a producer of many varieties of chocolates and sweets. The company Toms was founded in 1924 and has since merged with several other candy companies such as Pingvin Lakrids, Anthon Berg and Galle Jensen and taken the name of Toms Group. Toms Group is the largest chocolate company in Denmark.

Yearly revenue:

1,389 billion DKK

Project name:

Ghana Project

Project interviewee:

Jesper Møller, Chief Executive Officer
Mette Andersen, CSR & Corporate PR Manager

Project period:

2007 and present

Project challenge:

In Ghana there are many problems with child labour. The quality of primary education is low, especially in rural areas, since many qualified teachers move to cities. This situation makes it easy for parents in rural areas to have their children work in farms instead of sending them to school. These actions have larger consequences for the country, since the high level of illiteracy prevents development. Today, 42% of Ghana's population are illiterate, and a very large share of these people work in cocoa farms.

Cocoa is the biggest industry in Ghana. Thirty-three percent of Ghana's export is cocoa, accounting for 7% of the country's GNP. The government has therefore taken a protective approach to cocoa production and centralized the export in a government based company called CoCoBud. In practice this means that it is very difficult for a foreign purchaser of cocoa from Ghana to gain insight in the supply chain, not to speak of the difficulty of demanding changes of a specific supplier.

Project process:

Toms Group acquire the majority of their cocoa beans from Ghana. In 2005 they placed very low on a ranking regarding child labour and CSR made by the Danish consumer magazine TÆNK. It turned out that several of Toms Group's suppliers were using child labour in Ghana. Because of the way the Ghanaese government distribute the country's cocoa, the precise origin of the cocoa beans received by Toms Group was placed in a "black box" for manufacturers. Thus, Toms Group received the cocoa beans from a multitude of suppliers not knowing very much about the origins of the beans.

To defend themselves against the bad publicity Toms Group created a CSR committee in 2005 to improve their CSR work. Wanting to engage in their value chain, they applied to Danida for financial help to fund two projects in Ghana. They were approved for the funds. In 2007 they established contact with IBIS, an NGO focused on development projects, as IBIS has expertise in the education area in Africa. At the same time Toms Group started working with the University of Copenhagen and the Ghanaese CRIG (Cocoa Research Institute of Ghana), which is a department of CoCoBud, on a way to ferment the beans in a way that is more sustainable.

Project product:

Toms Group's involvement in Ghana has evolved around two projects:

The first of these is the educational project (running from 2007-10), in which Toms Group has hired IBIS to make sure that a large amount of children in the cocoa areas in Ghana receive better education. They both educate new teachers and improve the skills of the already existing teachers in the cocoa areas, thus motivating the parents to send their children to school instead of setting them to work. About 190 schools and 15.000 children are involved in this project.

The second project is about improving the fermentation of the cocoa beans. The normal way to ferment the cocoa beans is to manually turn the whole pile of cocoa beans (approximately 700 kg) with a shovel consistently. Furthermore every time the pile is turned the palm leaves that are covering the pile have to be replaced, and even though there are a lot of this tree specie in Ghana the amount of leaves used every year sometimes exceeds the amount of leaves in the whole country, thus destroying large parts of the cocoa harvest.

Together with the University of Copenhagen and CRIG Toms Group have rediscovered and improved an old method of fermenting the cocoa beans that requires less physical labour for the cocoa farmers, is more environmentally friendly, makes the cocoa taste better and frees up more time for the farmer to do other things during their day. The concept is based on leaving the cocoa beans in a special wooden tray, in which the fermentation takes place without having to turn

the beans and replacing the leaves. A similar project is now being set up in Bolivia.

Project business model:

Toms Group has its own chocolate production, which is not a given for any large chocolate producer. But because of this fact, involving themselves in the value chain gives them a variety of new possibilities to explore. Simply by engaging in their value chain, Toms Group has learnt many things about their own product, such as how the whole distribution process works.

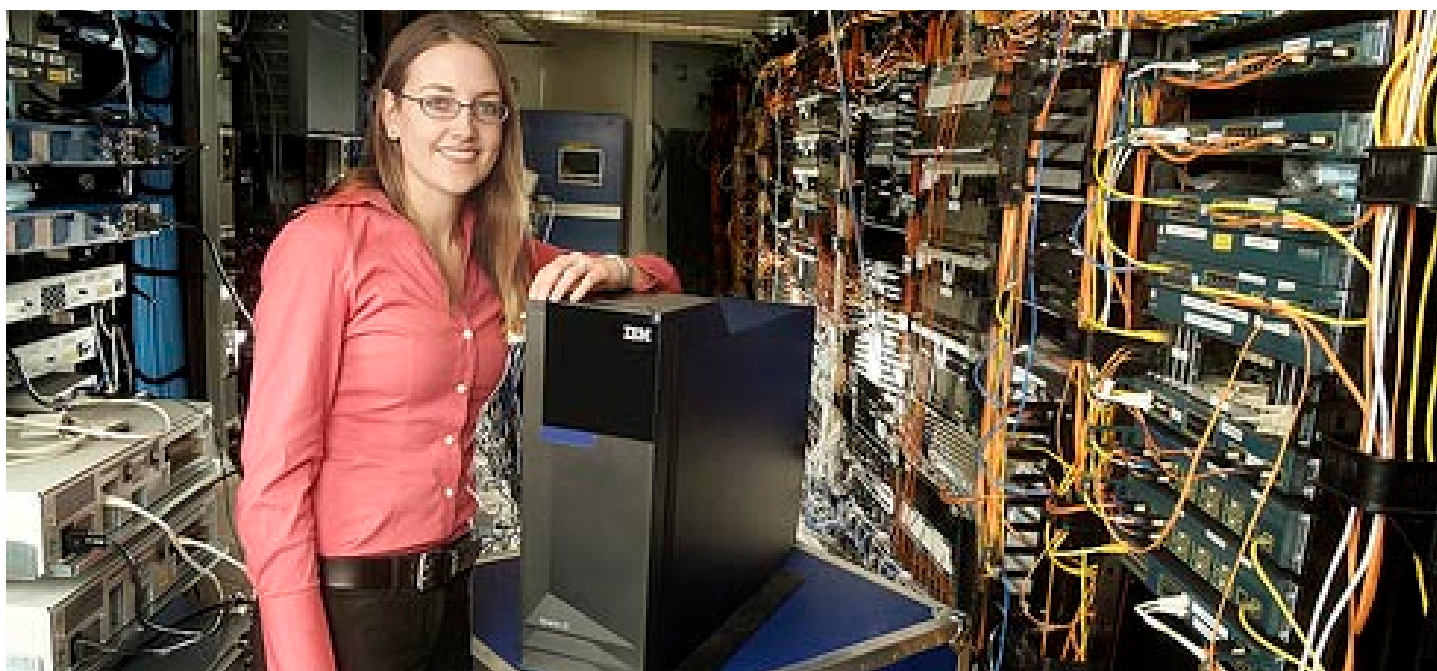
They are currently working on influencing the distribution of cocoa beans as a way to learn the precise origin of every bag of cocoa. This means that they will be able to write the exact village from which the cocoa comes on every bar of chocolate if they want, thus giving their customers a closer relation to the product they buy.

Another important aspect is that cocoa beans, like grapes used for wine, all have a distinct taste. Instead of simply receiving a large amount of cocoa beans from various, Toms Group can begin to experiment with the different tastes and combinations and thus develop new luxury chocolates.

As the Danish population becomes more aware of their health, Toms Group believes it a good idea to move further into the area of luxury chocolate. Among other things, this means focusing on producing better beans and working on the customer's understanding of the product. They are currently taking concrete steps to underline their enforced focus in chocolate flavours and luxury products, such as making their own Anthon Berg luxury chocolate store in Copenhagen. Thus, development in the Danish market makes the initiatives in Ghana cross-pollinate Toms Group's overall business strategies.

Why is Ghana Project a CSI project?

The relationship between Toms Group "doing-good" initiatives and the way the company profits are very indirect, without just being about branding. One could argue that the CSI project is about linking defensive CSR activities to more proactive CSI strategies. Starting to take some active steps in the CSR area and engaging in the wellbeing of the people in the Ghanaese value chain, Toms Group has found new possibilities that are now helping them to not just improve their existing products, but also to create new products. Thus, Toms Group turned the challenges that the company faced into new and interesting opportunities. Instead of switching supplier when their image was in jeopardy, Toms Group gained access to an otherwise closed supply chain by engaging in NGO work. These moves also opened up the possibility for new product innovations that are now being used to expand Toms Group's product line while at the same time creating a proud culture internally in the company.



IBM – Big Green

Company Profile:

International Business Machines Corporation, abbreviated IBM and nicknamed “Big Blue”, is a multinational computer technology and consulting corporation headquartered in Armonk, New York, United States. The company is one of the few information technology companies with a continuous history dating back to the 19th century.

IBM manufactures and sells computer hardware and software, and offers infrastructure services, hosting services, and consulting services.

Yearly revenue:

€ 72 billion

Project name:

Big Green

Project interviewee:

Tim Mondorf, Nordic Manager for Energy and the Environment

Kim Østrup, Vice-President, IBM Denmark

Project period:

2007

Related global challenge:

A company’s data centre normally doubles its energy consumption every 5 years. As data centres have been in use in the corporate world for several decades, their combined energy consumption emits CO2 levels that are

comparable to global air traffic. The global demand for IT-driven solutions will increase with coming generations, creating a challenge on how to manage data and data centres in an environmentally smart way. IT will increasingly play a major role in providing solutions to basic logistical problems such as traffic jams, airport flight patterns and taxi-centre efficiency. Therefore new IT solutions will have an increasingly important role as society demands the same IT services with a lower energy consumption level.

Project process:

In January 2007, IBM-Denmark held an internal conference to discuss and strategize on IBM's long-term growth strategy. Diverse topics that could impact IBM's future business were discussed such as 'intelligent food labelling' and 'energy and the environment'. Work groups were established around the different topics to understand the future potential of each area. During the coming months the work group met on a regular basis to discuss the addressed topics from the conference in relation to actual project proposals, investment budgets, possible organisational adjustments and so forth. After various discussions the IBM-Denmark management team chose energy and the environment as the new strategic business focus going forward.

In late spring of 2007, IBM-Denmark achieved their first 'green data centre project', which involved reducing the energy consumption of the data centres at the University of Aalborg in Jutland. This was an important milestone, since the new business strategy proved that IT could both save the customer resources, be profitable for IBM and be helpful to the environment.

During this period IBM gained a lot of internal momentum around the topic of energy, partly because of a global marketing strategy called "Going Green" that was focused on energy and the environment. IBM Global also used experts such as Jeremy Rifkin and Jonathan Friedman to help them understand the scope of their business potential. In the autumn of 2007 IBM Denmark launched a nordic audit of IBM's own energy consumption. This was another important milestone since IBM-Denmark found that regarding energy, an 80% CO₂ reduction was possible on major data centres.

The management strategy to invest in 'green IT' by focusing on innovation has been crucial in allowing IBM-Denmark to invent and implement green IT solutions across the different IBM departments. As Tim Mondorf, Nordic Manager of Energy and the Environment says: "If I would have been sitting in CSR or marketing or PR it would have been much more difficult for a guy like me to push the changes that were needed."

Today, IBM has various clients from all industries buying the products that the new 'green IT' strategy has developed.

Project product:

IBM-Denmark has two main climate technology products:

1. Energy-efficient IT solutions such as server centres that demand less energy and emits less CO₂.
2. Helping to get the energy saving message across to IBM's clients at the

same time as IBM gains new knowledge on the clients' energy systems and logistics. With this knowledge, IBM can open up new tailor-made energy efficient technology solutions for each client. For the consultancy service, IBM has developed a set of tools that the IBM consultants use to divide the client's corporation into different processes that can be optimised. One such tool is a poster of a stereotypical corporation visualised as a house divided into different rooms illustrating the different processes (ie. "Supply chain", "Building Installations", "Telecommunication", etc.).

The consultants look for new opportunities by focusing on the already existing inefficient processes that consume tons of energy. It is often within these identified inefficient areas where IBM locates the opportunities to implement green IT. In the cases where a process proves both highly efficient for the client's core business and high energy demanding, IBM is more depended on external factors such as the client's corporate strategy, fundraising and national legislations.

Project business model:

Client demands for energy-efficient IT solutions have increased dramatically in the last years. Today, 'green IT' is among the product that are experiencing the highest growth rates of all products for IBM Global. The focus on green IT has already helped IBM gain new clients that formerly used competitors' products and services. The growing demand for energy-efficient IT solutions is reflected in the number of people working in this field in Denmark. Today a wide number of IBM'ers across client teams and solution areas are working on green IT-related projects.

Furthermore, the focus on energy-efficient solutions at IBM-Denmark is now redefining how they consider their products. IBM Denmark now develops 'climate technologies', not only IT. This term suggests to clients that IT is one of the many varieties of solutions to climate change. "We think of ourselves as a Danish climate technology comparable to Vestas and Danfoss" Tim Mondorf says.

Why is Big Green a CSI project?

With energy prices steadily increasing it makes sense to invest in technology that saves energy. IBM has taken this logic to new levels by investing heavily in new energy-efficient IT solutions. The higher the energy prices, the more it will be financially sound to invest in IBM's energy-efficient IT solutions. With the many green initiatives, where energy-efficient data centres and energy- focused consultancy are just two of many new products, IBM is tackling the climate issue by focusing on innovation. Unlike industries like the building or transportation sector, the IT industry is working on the potential to innovate and engineer products that decrease energy spending. This is partly due to the non-physical nature of the product, which has helped IBM to have new energy-efficient products available within a short time frame. "Every industry will be affected by the climate change issues and as a company we have reacted very fast on this issue and have tried to drive the industry as a whole", says Tim Mondorf. The next challenge for IBM will be to set-up more energy measurement tools to collaborate with energy consultants to drive ambitious measurable results.



INNOCENT – Innocent Company

Company Profile:

Innocent is a British food company that produces a variety of types of natural fruit smoothies. Innocent currently has a market share of 70 % in the UK and is in the process of expanding to new markets.

Yearly revenue:

75 million British Pounds

Project name:

Innocent Company

*The operation of the whole Innocent Company is our CSI case.

Project interviewees:

Christian Fischer, General Manager – Nordic Region .

Richard Reed, Co-Founder.

Project period:

1998 to present

Project challenge:

Food as a product has moved away from being 100 % natural. Chemicals, colors and textures are often added to ensure a long lasting shelf life. Our hectic lifestyles many times leave us no alternative but to choose low quality and non-nutritious food. In Denmark alone the consumption of fast food among young people has increase by 33 % from 1995 to 2004.

Food production and distribution is formed by an elaborate supply chain system with the involvement of many players. It is often the case that companies do

not take into account the relationships in the supply chain thus affecting the quality of the product, the impact on the environment and society.

Project process:

In 1998 three young professionals went on a skiing holiday together. They began talking about their busy lives in the corporate world and realized that the last time they had eaten in a healthy manner was when they visited their mother. This conversation led them to want to create a healthy and easy product for fast moving city people.

As a first step, they set-up a booth in a small music festival in London, where they made and sold smoothies. In preparation for the event, they bought lots of fresh fruit and other quality ingredients. They placed a big sign next to two garbage bins (one read yes, the other no) and asked the question – “Should we quit our jobs and start making smoothies instead?” They let people taste their smoothies and at the end of the day the YES bin was full. It was after this that the three young men quit their jobs and established Innocent.

After a year of research and development the first Innocent smoothies were sold in April of 1999 at Out to Lunch, a local sandwich shop.

Innocent started out wanting to be West London’s favorite little smoothie company, they then moved onto be London’s favorite smoothie company, then the UK’s favorite and today they aim to be Europe’s favorite little smoothie company.

Project product:

As they have grown, Innocent has scaled up the focus on the sustainable front of their business from creating only a natural product as the outcome to trying to incorporate sustainability into the whole supply chain of the product.

Sustainable actions include:

Innocent produces smoothies out of 100 % natural ingredients. They do not add sugar, water or concentrates.

Innocent collaborates with the Carbon Trust, a government-funded independent company that helps business and the public sector to cut carbon emissions. The goal of this collaboration is to find sustainable solutions by looking at the hard facts of the supply chain system. Through this process, they have found that it is not the mangoes from India that produce the most CO₂ (although the transportation is lengthy) but rather the plastic bottle containing the finished product. As a direct solution, Innocent have created the first plastic bottle made from 100 % recycled material.

Innocent also works very closely with their manufacturers and suppliers and helps them to find solutions to improve their environmental performance in relation to water, energy, waste consumption and so forth. In 2008 Innocent helped one of their manufacturers shift to green energy. They began the process by calculating how much money the manufacturer could save on a long-term basis by shifting to green energy.

On the supplier side Innocent works with Rainforest Alliance to secure fair production of the fruit they buy. Rainforest Alliance is an international non-government organization whose mission is to protect ecosystems and the

people and wildlife that depend on them by transforming land-use practices, business practices and consumer behavior. Unfortunately, not all varieties of fruits are covered by Rainforest Alliance. In response to this, Innocent have made their own certificate focusing on organic production and the working conditions of the fruit farmers. As part of the certificate Innocent train and help the farmers that are supplying them with fruit to live up to the standards set by the certificate and to optimize their production. To date, they have managed to optimize 1/3 of the farms and are aiming at 100 % in the near future.

Project business model:

For Innocent the most important aspect of their product is quality. By training their suppliers to grow better organic fruit, Innocent secures a higher quality for their product. The final product – the smoothie – is 60% taste, 30% health and 10% ethics according to co-founder Richard Reed. Quality is the key most important thing in the product. This helps Innocent create a luxury product with one the highest sale price on the market.

Innocent secures a steady production of the required fruit by incorporating their ethical initiatives into their production cycle. They make sure not to treat the farmers unfairly or to erode the land. By helping the manufacturers to be greener e.g. use less energy, Innocent reduces their production costs and save money by helping their manufacturers to create a cheaper product.

Having sustainability as the galvanizing force that moves the company forward secures the business position on the market in the long term.

The ethical approach brings talented, engaged and committed people and it keeps them in the company for a long period of time. Today there are 275 employees at Innocent. They have a market share of 72 % in U.K. and they sell two million bottles of smoothies a week. Their smoothies are sold in England, Ireland, France, Belgium, Holland, Germany, Switzerland, Austria, Denmark, Sweden and Norway. They have offices in London, Dublin, Paris, Amsterdam, Hamburg and Copenhagen, Stockholm and Vienna.

Why is the Innocent Company a CSI project?

Innocent is changing the standards for how we think and execute on integrated ethical systems within a company. They rethinking the limits of their capabilities as a company, they are making new standards for the industry and inspiring other industries to change their approach. As Christian Fischer says, “ If we can do it, so can you”.

Innocent see themselves as responsible for their suppliers, manufacturers and employees. As a business they have the power to make changes in all the touch point of the supply chain. The long-term strategy is to create a better business for themselves, by securing a higher quality and steady supply.

Innocent is plowing the way for new standards and new business models.



Interface Floor – Fairworks

Company Profile:

Interface is the world's largest manufacturer of modular "http://en.wikipedia.org/wiki/Carpet" \o "Carpet" carpet for commercial and residential applications and a leading producer of commercial and residential broadloom as well as commercial fabrics. Their latest yearly report (for 2007) shows that they sit on 59 % of the carpet tile market in the Americas and a large percentage in Europe and Asia as well.

Yearly revenue (net sales):

1,08 billion USD

Project name:

FairWorks

Project interviewee:

Karin Laljani, Senior Vice President, Market Strategy and Sustainability
Nigel Stansfield, Senior Director, Product Design & Innovation
Neelam Chhiber, Director of Industree Crafts Foundation

Project period:

2004 to present

Related global challenge:

As is the case with most products in the world there does not exist a Fairtrade certificate for carpets. In India there is a very rich culture of traditional handicrafts, including carpet weaving, but many of these crafts are being eradicated by the booming economy. Poverty forces many artisans to give up their traditional craft and work in growing modern industries.

Project process:

Interface has made great achievements in meeting environmental challenges. Since 1996 they have reduced their Greenhouse Gas Emission by 60%, as well as the amount of waste sent to landfill by 70%, and have managed to save about 372 million US dollars while undertaking these initiatives. As a next step, Interface wanted to incorporate social sustainability into their products and in 2004 they created an innovation network consisting of among others the Senior Director of Product Design and Innovation, Nigel Stansfield, architect and concept designer Niels Peter Flint, internal and external business strategists, a learning professor, chemists and others. Interface only had one question to get the initiative rolling – “How can we incorporate a social dimension into our products?” An internal Interface strategy team got the inspiration from a Television for the Environment (TVE) programme called Micro-macro. And searched for a business model to execute the micro-macro concept; through The Worlds Business Council for Sustainable Development (WBCSD) the Interface Innovations team found The Sustainable Livelihood’s model – which is the strategic model for FairWorks. Interface chose to focus this new initiative on India since the location was already covered by their European organization and because of it’s rapidly expanding economy. The next step was to come up with some concrete concepts for actual products within the FairWorks category, which later resulted in the Just product range. A three-day workshop was set up in India. Architects, weavers, NGO’s (including Industree Crafts Foundation) among others attended the workshop that focused on making socially responsible business models that combined the skills and history of India as a base for the new products. For more information on the timeline of the project please go to: “<http://www.interfaceflor.eu/internet/web.nsf/webpages/>

Project product:

In early 2008, Just in the FairWorks series was launched; it is comprised of modular floors made from river grass, banana leave fibres and coir. The FairWorks project is about combining traditional handicrafts with modern mass industry – ‘micro-macro’. The artisans make the modular floor using their traditional handicrafts but they mainstream the products, adjust them to the western taste and mass-produce them for the western market. The materials used are all natural and environmentally sustainable and do not use nylon and oil as traditional carpets do. The Indian NGO Industree Crafts Foundation has made a fair trade certificate that applies to a large variety of handicrafts including carpet tiles. Thus Industree Crafts Foundation assures that the artisans make a fair wage while performing their traditional crafts. Interface has close contact with the artisans through Industree Crafts Foundation who have good contact with the local population.

Project business model:

The business model is quite similar to the Max Havelaar Fairtrade concept, except that the NGO that is certifying the products also is the contact and middle player between Interface and the artisans. Max Havelaar is an organization that is only directly involved with the certification of the products, whereas Industree Crafts Foundation is very much involved in the creation of the products and the employment of the artisans.

FairWorks is a concept based in the idea of “deep luxury” which means that the

luxury you pay for as a customer isn't just a specific brand of a higher quality produced under the same circumstances as any other brand. What you pay for is the knowledge of experience that is embedded in the handicraft. The combination of traditional handicrafts in combination with mass production is something new in the world of flooring and in time Interface hopes to be able to change a large part of their portfolio into FairWorks products.

It has been quite costly to execute the FairWorks project because everything is new for all parts involved. The project started with a clean slate, which means that they had to rethink several part of their process, such as user-involvement. To understand the benefit of the FairWorks project you have to see the effect on the whole business. The FairWorks project isn't making a lot of money on it's own yet, but it is excellent for making contacts and new ideas because of the involvement in the value chain and the way it opens up for further innovations inside the company. Besides, FairWorks is considered a very long term project and it is important to move forwards slowly, doing it right, and learning along the way. Interface is now considering dispersing the FairWorks project into other regions of the world as well, thus developing a similar process with other cultures.

Why is FairWorks a CSI project?

By teaming up with an NGO, Interface has actively created a Fairtrade certificate that gives their business an opening into the area of social entrepreneurship. The FairWorks project certificate guarantees that the employees make a fair wage and that they are able to continue their traditional handicrafts. For Interface this concept of mainstreaming traditional handicrafts means that they have found a way of getting the traditionally based artisans integrated in the global economy and at the same time are creating a very special niche for the company itself. Thus, Interface ends up with a different kind of luxury product that takes into account a respectful and socially responsible cooperation with Indian artisans.



Nokia – Nokia Data Collection

Company Profile:

Nokia is the world leader in mobility, driving the transformation and growth of the converging internet and communications industries. Nokia makes a wide range of mobile devices with services and software that enable people to experience music, navigation, video, television, imaging, games, business mobility and more. They also provide equipment, solutions and services for communications networks through Nokia Siemens Networks.

Yearly revenue:

EUR 51058 million

Project name:

Nokia Data Collection

Project interviewee:

Gregory R. Elphinston - Director, Community Involvement and André Erthal, Head of the Community Group

Project period:

2006

Project challenge:

Many areas around the world that have limited access to information and communication technology (ICT) still use pen and paper as the principle means of data collection for public health, environmental conservation or agricultural supply chain management, among others. This means of collecting data can lead to potential human error when inputting data and requires large numbers of people working long hours to collect the data.

The lack of communication technology infrastructure also slows NGO and government intervention when there are outbreaks of disease, disasters or initiatives are undertaken to eradicate varying types of infestations.

Project process:

In late 2006 Nokia was approached by the UN Foundation to develop a solution for collecting data from the worldwide employees of the UN Foundation. The intention was to use mobile phone technology as the means to acquire data from the employees. As part of the solution, the UN Foundation wanted to collaborate with the Pan-American Health Organization, who also had a need for more efficient data collection. Nokia's decision to work with the UN Foundation on developing the Data Collection Project was driven by its desire to use mobile communications as a means to help society, which is one of Nokia's overall Community Involvement strategy streams.

In order to test the software and overall idea, Nokia paused the collaboration with the UN Foundation and the Pan-American Health Organization and worked with the Instituto Nokia de Tecnologia, a Nokia-funded non-profit research and development center situated in the Amazon Rainforest in Brazil, to develop the technology for data collection. While the software was being developed, the Community Involvement group assigned to the project approached other organizations, mainly national and provincial governments like the Amazonas State Health Ministry and Philippines Department of Agriculture, IGOs such as UNDP, UNFPA and NGOs like Save the Children, Red Cross, and Net Hope (an association of 26 of the largest NGOs in the world) to understand their needs for data collection, as well as to find a niche in the market and develop a suitable business model.

Nokia conducted the first pilot project in 2008 in collaboration with the Brazilian Ministry of Health in an effort to fight back against a contagious disease outbreak. The pilot has to date saved many lives and has been very successful. As part of the next phase, Nokia plans to continue work with the UN Foundation and the Pan-American Health Organization.

Project product:

The Nokia Data Collection is software that uses mobile phones as a means to collect data. The solutions provided by the software are mainly aimed at NGO's and government organizations, which need to collect and analyze data from field personnel working in areas, that are geographically distanced.

The software enables the exchange of questionnaires and interview results over mobile networks in near real-time. Questionnaires are created on a PC using the system's Survey Creator module. These questionnaires are then distributed to the mobile phones of the field personnel. When the field workers finish their surveys, they send the data back to the server, from which it can be integrated into the organization's existing systems for immediate analysis. It also provides GPS location information for each record which heightens the safety for field personnel and gives a quick visual impression of the collected data, e.g. when setting up quarantine zones in disease outbreaks.

Project business model:

The business model for the Nokia Data Collection project is based in Nokia providing the data collection software for free and then generates profit by selling their phones that the software is optimized to run on.

Nokia wants to demonstrate their social responsibility as a company and at the same time increase awareness of the indirect possibilities of their product, as they expect almost every major organization to be using mobile phones for data collection of disasters, famine, and epidemics within the next 5 years.

Nokia expects that Nokia Data Collection will become an everyday service offered to the enterprise market (incl. governments and NGOs) and that the proliferation of service providers will drive down costs. The primary bottleneck in the scaling of the Data Collection software will be to train enough small and medium scale businesses to deliver training and IT-integration services to the Governments and NGO's, who want to use the software – a challenge that Nokia is currently working on solving.

Nokia will not necessarily own this market but will likely contribute to it in ways that will result in perceived leadership. This project is already beginning to change the way Nokia employees view their roles and the company.

Why is Nokia Data Collection a CSI project?

There are a series of key points that directly identify the Nokia Data Collection project as a CSI project. Nokia's Data Collection software, offers a service that can be cheaper, faster, and more accurate compared to competing services. The solution's successful societal impact lies in accurate and timely data that provides the base for making good decisions and reactions on critical issues, such as human health, biodiversity and agriculture.

The project supports Nokia's business, both through product sales and employee motivation and equally importantly by providing a solid argument that can encourage national governments to crank up their investments in solid mobile network infrastructure. Lastly the project can become a valuable asset for Nokia in building the world's most loved brand.



Phillips – Smile Project

Company Profile:

Royal Philips Electronics of the Netherlands have positioned themselves as a Health and Well-being company, focused on improving people's lives through innovation. As a world leader in healthcare, lifestyle and lighting, Philips integrates technologies and design into people-centric solutions, based on customer insights and a brand promise of "sense and simplicity".

Yearly revenue:

€ 27 Billion

Project name:

The SMILE Project (Sustainable Model In Lighting Everywhere)

Project interviewee:

Lars B. Hansen, Nordic support manager and Nordic Green Switch Manager
Corinne Jeanmaire, Program Manager for New Sustainable Business Initiatives

Project period:

2004 and ongoing

Project challenge:

Approximately 2 billion people worldwide have no access to electricity. For them nighttime means either darkness, the flickering light of a candle or a kerosene lantern. However as oil prices continue to rise dramatically few can now afford to buy kerosene, which has major societal and economic consequences, e.g. shops, kiosks and street vendors can't light their merchandise at night, children and adults cannot study in the evenings without eyestrain and fishermen, who often work in the middle of the night, cannot use the necessary light in their boats.

According to The Christian Science Monitor, about 1.5 billion people worldwide use kerosene to light their homes, but the fuel is dangerous. Separate reports by the Intermediate Technology Development Group and the World Health Organization indicate that indoor air pollution from kerosene and similar fuels used for indoor lighting and cooking cause more than 1.5 million deaths annually.

Project process:

In 2004 Gerard Kleisterlee, the CEO of Philips, underlined the importance of companies like Philips reaching out to emerging middle class consumers in developing countries around the world, as well as people at the so-called 'Base of the Pyramid' – the 4 billion consumers, who live on less than 2 \$ a day. As one of several 'base of the pyramid' initiatives across the Philips organization, Philips Lighting division started the process of bringing good lighting solutions to people in communities without solid connection to the electricity grid.

By the end of 2004, a Philips team from India and the Netherlands met in India to conduct the initial research to understand the context and user needs around lighting and to build networks with local NGOs. Based on their findings, Philips developed a series of product concepts that were taken back to the NGOs and people in India for feedback. From a handful of concepts presented, two lighting product concepts Kiran and Uday were chosen. The first versions of the two products were produced in the second half of 2006 and in late 2006 a commercial pilot project was conducted in 4 Indian states to further test the products and possible business models for selling the products in India. For the pilot project Philips partnered with the local community organizations: Development Alternatives, Development of Humane Action Foundation and MART Rural Solutions, which proved essential for understanding the Indian market and context. During the 3 months that the commercial pilot lasted, Philips sold 101 Uday Lantern and 304 Kiran torches, bringing light to several thousand people since each lantern supports 4-5 people. Later the pilot project was scaled up to include 8 Indian states. The project was given the grand title 'Sustainable Model In Lighting Everywhere' (SMILE).

In 2008 Philips launched The SMILE Project in Ghana in collaboration with the Dutch government, international development organization World Vision and local Ghanaian NGOs KITE, SolarNow and NewEnergy. The goal for this SMILE collaboration is to make sure that 10 million people in 14 Sub-Sahara African countries have access to renewable energy lighting solutions by 2015.

The SMILE project team is still in pilot project mode and the team is learning more and more about how to establish the right business models for selling lighting products at the base of the pyramid. The SMILE project has become part of Philips' business plans and has sales targets to meet in 2009.

Project product:

The core of the SMILE Project consists of two lighting solutions: Kiran, a hand-cranked flashlight, uses long-lasting light emitting diodes (LEDs) and is aimed at users with no access to electricity. Uday, a rechargeable portable lantern, is aimed at middle-class users with erratic power supplies.

Philips has developed a modified version of the Uday lamp that runs on solar

power, for the SMILE project in Ghana. The initial model had a small solar panel attached to it, but the SMILE team is now testing, how they might use a central solar panel as a charging station for the lamps and in that way bring down the overall cost.

Project business model:

The business model for the SMILE project is founded in selling lighting products that are high quality, durable and affordable for the consumer.

In the pilot projects in India, the Uday lamp was typically sold for 37 USD. This price was based on the comparison of how much people in India usually spent on lighting from Kerosene lanterns and candles, which amounts to between 35 - 42 USD per year.

When it comes to creating a profitable business from selling their lighting products in rural areas, Philips is facing two main challenges: Accessibility (how to make the product easily accessible to consumers in rural areas) and affordability (how to keep the cost of the product sufficiently low for the consumers to afford it).

To make the product accessible in the rural areas in India, Philips tested several business models, such as using Women self-help groups to go out and sell the products, selling the products via local NGOs and using Philips' own channels. Corinne Jeanmaire, who is Program Manager for New Sustainable Business Initiatives at Philips, concludes that: "If you want to reach volume, you need to take a mixed approach to distribution and sales. You cannot rely on putting the products in one channel only, because you would not get sufficient volume fast enough."

When it comes to affordability, Philips learned from their pilot projects in India, that the functionality of both products was good, but the cost was too high for many people. At the same time the team discovered, that many people didn't need as much light as provided by the two products. Therefore Philips is currently developing new and more affordable products with less light intensity, along with trying to bring down the cost of the current versions of the Uday and Kiran products. Another business model that Philips is currently looking into in order to enable people to buy a lamp for the household is through microfinance and Philips is collaborating with microfinance institutions to provide people with these financing opportunities.

The SMILE project will not only have a direct impact on the Philips business through products sales, but will also help to build the Philips brand both in mature and emerging markets and support Philips' aim to be more public about these projects e.g. through The Dow Jones Sustainability Indexes – a set of global indexes that track financial performance of leading sustainability-driven companies.

Why is SMILE project a CSI project?

With the SMILE project, Philips demonstrates that modern lighting seems to have significant potential to improve people's livelihoods. The products increase the time that can be spent on being active in their community; vendors can

sell their products at night and students can study during the evening. Besides creating positive impact through the products themselves, SMILE is founded on establishing a business model, that enables local economic growth and entrepreneurship.

As people, who are currently at the 'base of the pyramid' get more affluent, Philips hopes to be able to provide them with other products. Philips believes people remember who provided them with light, when they didn't have any. The long-term goal is to contribute to helping people lift themselves out of poverty, help to eradicate the Kerosene lantern and to make subsequent progress in terms of market share and being a preferred brand for the people they are serving through the SMILE project.

How have we done it?

We interviewed 10 companies in total – 5 Danish companies and 5 international companies with an office in Denmark.

The Danish companies are:

DONG, Grundfos, ISS, Novozymes, Toms Group

The international companies are:

IBM, Innocent, Interface, Nokia, Philips

The companies were selected based on criteria presented in this Matrix.

The Five criteria categories

These five focus have been created for us to have a filter to look at the case projects to be able to decide, which case projects are more interesting for this study.

The Corporate Social Innovation (CSI) case project should be an answer to a business challenge or opportunity that should also represent a solution to a social or environmental challenge.

When we say global environmental challenges, we are among other things referring to our changing climate, the loss of biodiversity, eco-system services and freshwater resources. Furthermore we're referring to humanity's Ecological Footprint, that is over 23% larger than what the planet can regenerate.

The global social challenges, that we're currently facing and that we're focusing on for this study are:

The growing global population

Hunger

Disease

Poverty and economic stagnation

Lack of sanitation

Lack of clean drinking water

Human rights

Labour standards

Corruption

Illiteracy and a need for education

These are the 5 criteria we have been looking at to select 10 project cases:

1. Social or environmental innovation
2. Social or environmental outcomes
3. Social or environmental impact
4. Social or environmental process
5. Social or environmental business

1. Social or environmental innovation

The case project should attend a value proposition, that is more attracted than other related products and services. The premise is with corporate social innovation as it is with any other innovation, that it need to create added value for the target customer

One part of the project is about generate knowledge and realizations, but the project should of course also be able to translate this knowledge into a concrete product or service that has already been or will be introduced into the market.

The outcomes of the CSI will be competitive in the a market and be able to gain market-share over similar products with a less environmental or social profile. Another possibility, that the product or service is able to define a new market space for itself.

2. Social or environmental outcomes

The product or service, that is the outcome of a CSI project should be able to produce direct positive social or environmental impacts. The product or service should be able to create measurable impact on the problem it was created to address. Examples of this might be in form of reduced CO2 emissions, less material use, less chemicals used, people trained to be able to hold a regular job or number of people provided with clean water, job created in the community. These are all outcomes that should grow proportionally with the number of product or services sold.

3. Social or environmental impact

While the previous criteria (“Outcomes”) deals with short-term, immediate benefits of the project, this criteria deals with the long-term impacts of the project. We will be looking at the project’s ability or potential to create a ripple effect in the market affecting the general level of environmentally or socially positive products and services.

We will try to look for whether the company through their CSI-project is using the scale of their business to support their CSI-strategy (another formulation could be something like, is the company fulfilling its potential, when it comes to implementing their CSI-strategies – Could they have more positive impact than they do, relative to their size).

A CSI project is likely to start as a pilot project with a strong ability to scale – we're curious to whether the CSI projects are designed to be scaleable and how this is done in praxis.

Lastly we are looking at whether the knowledge and concrete stories generated by the project is relevant to the global sustainable development and whether it can inspire others to do similar projects in their own context.

It might become challenging to compare the impacts of the different case projects, if they deal with different areas, such as climate change, water shortages, resource depletion etc. – how do we compare 100 jobs created with a reduction of 1000 ton of CO2 emissions?

However scale of impact will probably reveal itself, as the different CSI case projects will probably have different degrees of impact from gaining efficiencies in an existing product, to more radical innovations, that will be game-changing and have a larger measurable impact.

4. Social or environmental process

To what extent has the project has engaged in a learning process to figure out the best possible solution, through generating alternatives solutions and through looking for complementary technologies and partners? We're looking to understand the process CSI projects evolve through. How do they structure their work to create an impactful solution in the end.

There are two aspects of this – internal collaboration and external partnerships. How does the project owners engage with and involve relevant players within the company? And how and when are relevant potential partners and resources included in the projects?

We're looking to understand whether companies are using research and development methods in actively understanding how they can commercial solutions to environmental and/or social problems. And whether companies set out to create CSI based on an intention of doing something good for their customer, the environment and society. Which one comes first – profit or doing good?

5. Social or environmental business

As the fifth and final part of our focus we want to understand the CSI projects from a business perspective.

What business model does support the CSI-project? Is the model the same as other of the company's product, is it an adapted version or does the project utilize a completely new business model?

We also want to understand to what extent the CSI-project represents a growth area for the business both short-term and long-term. How does the CSI-project perform compared to more traditional projects and what does the growth

projections look like in the future?

Another interesting aspect to look into is whether the CSI-projects are being evaluated differently than other new business opportunities in the company. Are the positive societal effects measured? Are the effect on the image of the company and the motivation and satisfaction of its employees measured? Does the evaluation account for a longer ROI-horizont, than more traditional business development projects?

We would like analyze and look into the potential for the project to influence the company's core competencies and core business. Is it part of a larger plan for taking the company in a more sustainable direction?

