Social Impact Information as the Cause for the Formation of Ties in Enterprises

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Abstract
This paper examines the effectiveness of social impact information as the cause for the formation of connections that lead to the new business creation process in companies. The aim is to present a valid context in innovation processes in enterprises. The finding will provide new viewpoints in the use of information systems by companies. The paper uses interview data and analyzes the case of the collaboration that succeeded in new business creation between Ben & Jerry’s Japan and Swan Bakery, which employs individuals with disabilities. In addition, the paper analyzes another case Carepro, which developed cheap simple medical examination. Results suggest that social impact information is effective as a cause for the formation of connections that become the source of innovation processes.

1. Introduction

According to the 2013 Annual Report on Japan Government Measures for Persons with Disabilities, the total number of disabled in Japan is 7,410,000. Of these, 3,230,000 between the ages of 18 and 64 years are targeted by employment policies, of which, 1,240,000 are physically disabled, 270,000 are intellectually disabled and 1,720,000 have mental disorders (aged 20–64). The 2013 Statistics on Employment of the Disabled in Japan show that 409,000 have regular employment in private-sector companies. As of June 2013, a majority of companies—57%—had a workforce with less than the legal requirement of 2.0% disabled persons. The actual proportion of the disabled in the workforce is 1.76%, which continues to fall below the legal requirement.

According to the 2007 overview of national livelihood survey by Japan Ministry of Health, Labor and Welfare, the proportion of non-testee of medical examination of the past year is 34.5%, more than 30 million people for persons 20 years of age or older. In addition, the proportion of non-testee is more than 45% in housewives and unemployed.

Both of employing disabled and non-examinee of medical examination is social issue. Meanwhile, we can see some companies that try to solve social issue. We call the information of such a corporate activity the social impact information.

Kamei and Ohashi [1] clarified the mechanisms that lead to the occurrence of dynamic innovations by analyzing companies categorized as resource-constrained small and medium-sized enterprises and identified the synchronization cycle of architecture and connections in radical innovation process. However, to begin with, what exactly is the initial trigger for formulating this synchronization cycle and creating this dynamic cycle?

Can social impact information, which creates the ground for success, become the cause for innovation opportunities? In this paper, we investigate a case study, and examine the effectiveness of social impact information as the cause of the formation of connections from open relationships that lead to the occurrence of the innovation process.

2. The relationship between enterprises and the social issues

2.1. Creating shared value

Porter and Kramer [2] criticize traditional capitalism and CSR activities and promote creating shared value (CSV), which advocates the importance of the issue of social value as the fundamental role of enterprises. It is an approach in which social activities do not conflict with profitability, but rather bring about a synergetic effect. In other words, through initiatives, companies can internalize external costs associated with societal issues and create the source of competitive strategy to generate profits. (Nonaka and Konno [3]).
2.2. Realization of efficiency and high-value added by companies that employ the challenged

KAMEI [4] employs an architectural framework to describe processes at manufacturing sites where the intellectually disabled play an active role. Our methodology comprises an analysis focused on three companies that have enhanced performance by hiring the intellectually disabled. First, this study reveals that process architectures can be divided into modular processes constructed by the disabled and integral processes constructed by those without disabilities. Together, they form a multi-layered “integral outside, modular inside” process. Figure 1 illustrates the process architecture in which the modular processes contain A–C and B–D process elements with one-to-one interactions and X represents the integration of those processes.

![Figure 1. Multi-layered process architecture](source)

3. Occurrence process of radical innovation

3.1. Literature Review

In previous studies on the lifespan of enterprises, Geus [5] stated that enterprises have life spans, and McGrath [6] stated that it is difficult to build sustainable advantage in a world of increasing complexity and an intensely changing environment. Thus, it is vital for the cycle of temporary competitive advantage to turn quickly. Innovation can be classified into incremental innovation and radical innovation. (Dewar and Dutton [7]). In addition, Dyer, Gregersen, and Christensen [8] remark with regard to radical technology, “The incorporation of completely new elements in new product architecture components will lead to new connections.”

In discussing growth strategies of small and medium-sized enterprises and inter-organizational relations, Yamakura [9] views the knowledge that is formed in process of interaction between the two organizations is relationship-specific and fixed in relation to inter-organizational cooperation. According to Badaracco [10], enterprises have to deal with environmental change by destroying the boundaries between internal and external, or making these boundaries vague.

Chesbrough [11] perceives networking outside the company as a way to create value through open innovation. From an architecture perspective, Kishi [12] proposes the architecture of a closed world in an open relationship to change the quality of innovation from incremental to radical.

For the formation of ties, Granovetter [13] suggests that weak connections perform a crosslinking function within a network that lead to the possibility of information with no redundancy; Hansen and Lovas [14] demonstrate the superiority of weak connections in the transfer of knowledge. Watts [15-16] and Watts and Strogatz [17] have advocated the superiority of information transmission in small-world networks.

Based on the aforementioned claims regarding inter-organizational cooperation in dealing with environmental changes, one can see the importance of various viewpoints and uses in the context of comparison between weak and strong connections in network utilization. In addition, new knowledge is presented in accordance with the context and shifting dynamics of architecture. However, regarding the relationship between two parties in inter-organizational cooperation, nothing can be found describing the dynamic process changes and synchronization of network and architecture.

3.2. The synchronization cycle of connections and architecture in the radical innovation process

Kamei and Ohashi [1] described a process by focusing on connections and architecture, and synchronizing these elements dynamically to elucidate the dynamic processes in the two-party collaboration between organizations. In a highly uncertain environment, changes in connection strength may be described by dynamically by describing the architecture system as “open” or “closed,” as well as “integral” and “modular,” in relation to the dynamic changes in connections within the vital new business creation process required by companies to achieve sustainable growth. Continual complexity and uncertainty is accompanied by resource limitations for small and medium-sized companies. This paper validates the idea that small and medium-sized companies that have a strong tendency to specialize,
based on the research theme of how best to find and use external resources and create original processes, and through interviews of stakeholders in a medium-sized tent manufacturer, are changing dynamically in four stages in the new business creation process between two parties, based on the architecture and strength of connections. In addition, the synchronization cycle of connections and architecture in the radical innovation implementation process is shown in Figure 2. Small circles represent the organizations that enclose the process, and the depth of the outlines shows the strength of modularization as a modular. In other words, thicker circle outlines indicate stronger modularization. Arrows indicate the correspondence between the function and process, and represent correspondence between the newly added processes and functions amongst the two parties forming ties. In other words, the one-to-one relationship is modular, and a many-to-many relationship is shown as an integral. Additionally, the large round frame shows a closed reduction and the thicker circle outline indicates a stronger closed reduction; conversely, a thinner outline indicates a weakened closed reduction. In Figure 2, the two parties initially in an open modular relationship with weak connections gradually shift to one with strong-ties and a closed integral to make innovation feasible. After innovation is complete, the relationship returns to one with an open modular.

4. Analytical perspective and hypothesis construction

4.1. Analytical perspective

Kamei and Ohashi [1] identified that innovation processes required for a corporation to realize sustainable growth are cyclical in nature as weak connections that are formed from open relationships gradually strengthen and then weaken again. However, there is no mention of the context that leads to the occurrence of the first weak connection. Porter and Kramer [2] suggest that companies can internalize external costs associated with societal issues and create the source of competitive strategy to generate profits [3]. Kamei [4] focused on enterprises that proactively employed individuals with disabilities (a major societal issue) and analyzed relevant processes to elucidate the mechanism of how they enhance their corporate value.

This paper presents information on how two companies are induced to form connections that can trigger innovation processes and impact society. This information is called social impact information. This research will provide new viewpoints in the use of information systems by companies.

4.2. Hypothesis construction

The objective of this paper is to validate the claim that social impact information is an effective cause for the formation of connections, which are the source of dynamic changes in connections in the new business creation process of enterprises as clarified by Kamei and Ohashi [1].

The following is set as the hypothesis.

[Hypothesis]
Social impact information is an effective cause of the formation of ties that are the source of dynamic changes in connections in the new business creation process of companies.

5. Research and analysis

5.1. Theme and method

The theme of the present study is to clarify the cause of the formation of connections, which are the source of new business creation processes that utilize external costs, an important challenge and measure for enterprises to survive. This paper takes as a case study the establishment of collaboration between Swan Bakery, a high-end bread manufacturing enterprise that employs individuals with disabilities, and Ben &
Jerry’s Japan, a high-end ice cream manufacturing enterprise, and conducts a process analysis. Moreover, this paper takes as a case Carepro, which provide cheap simple medical examination. After the search for, and meeting with, parties that serve as the external resources of an enterprise, this study analyzes in what kind of context is an effective cause that leads to innovation processes formulated. This paper examines whether social impact information, demonstrating the employment of individuals with disabilities and development of cheap simple medical examination is an effective cause of innovation processes. As a method of analysis, interviews were conducted with the concerned enterprises.

5.2. Research and analysis

The research examines two cases. The research of the first case examines the context—from an initial meeting to the first sale—that caused the formation of ties by citing as an advanced case study the development of “Ice cream with Specially made Brownie” at Ben & Jerry’s Japan and Swan Co. Ltd., which employs individuals with disabilities. The procedure of the survey analysis included 1, an overview of the two companies, 2, an outline of business development, and 3, descriptions of interviews with concerned parties. The second case is Carepro. The cheap simple medical examination has become widespread recently. One of the reasons is business collaboration with other companies. We examine what caused the formation of ties.

6. Case studies

6.1. Swan Bakery & Ben & Jerry’s Japan

6.1.1. Swan Bakery. Swan Co. Ltd., which runs the Swan Bakery Chain, was founded in June 1998 with a seed capital of 2 million dollars. Masao Ogura, the late president of Yamato Transport Co. Ltd., the company that developed the Kuroneko Yamato overnight delivery service, founded the Yamato Welfare Foundation in 1993. Swan is a limited liability company that was established with the assistance of Yamato Welfare foundation, and became a special subsidiary of Yamato Transport in 2001. Since the opening of its first store in Ginza, Swan has grown to become a bakery chain that now has 4 company-operated stores and 24 franchise stores. Of the 500 employees across the chain, about 300 are disabled, of which about 70% are intellectually disabled. The total company sales, including stores and headquarters, are valued at about 8 million dollars, and the company is profitable. The stores offer nearly 50 varieties of bread, at prices averaging approximately from 2 to 3 dollars, which are somewhat higher than bakery items bought at convenience stores. Average per-customer lunch prices are estimated to range from 8 to 10 dollars.

6.1.2. Ben & Jerry’s Japan. Ben & Jerry’s, a well-known U.S. brand, manufactures ice cream for sale in 35 countries. Ben Cohen and Jerry Greenfield founded it in 1978 in South Burlington, Vermont, it became a subsidiary of Unilever in 2000, but with respect to the expansion of Ben & Jerry’s ice cream, it is being run by independent board members that include Cohen and Greenfield.

In Japan, the first directly managed store was opened in Omotesando Hills, which is located in Tokyo’s Minato Ward, in April 2012. Currently, there are four such stores. Ben & Jerry’s Japan, which has five full-time employees, also sells ice cream at more than 140 upscale grocery stores in the Kanto area. Further, the Omotesando Hills store had the biggest sales and the number of customers of the entire Ben & Jerry’s stores in the world in 2013.

At the directly managed stores, there are 18 flavors such as vanilla and strawberry that can be selected as cup and cone combinations. They cost about from 4 to 8 dollars. In addition, there are 3 to 5 varieties of ice-cream sundaes, with each costing about 6 dollars. Since the 1980s, the company has been manufacturing, with the use of natural ingredients as raw materials, under the theme of “co-existence and co-prosperity” and plans to make all the products sold worldwide as fair trade certified products by 2015. The mini-cup ice cream sold in Japan is the first product in the country to receive fair trade certification.

6.1.3. The development of ice cream with brownie.

Swan has been the production partner manufacturing brownies for Ben & Jerry’s Sundae since before the first store opened at Omotesando Hills. The brownies used for the Sundaes sold at the four directly managed stores in Japan are a Swan Bakery product.

6.1.4. Interview with Manager at Swan Co. Ltd.

Below is a summary of an interview with Hiromitsu Hara, Division Manager at Swan Co. Ltd. The interview was conducted in the Head Office conference room in Ginza, which is in Tokyo’s Chuo Ward, on 6/6/2014, from 16:00 to 17:00. The interview was conducted using a one-to-one, face-to-face method, after the author’s explanation of the purpose.

Question 1: How did you encounter Ben & Jerry’s?
I remember that it started with a phone call a few years ago from a Ben & Jerry’s sales representative who had watched a television program about Swan. This representative was interested in the way in which Swan provides high value-added breads by employing individuals with disabilities. The representative wanted to form some kind of collaboration with the directly managed stores that Ben & Jerry’s would open in Japan. Swan was also interested in Ben and Jerry’s social activities and felt that a collaboration with the company could enhance our corporate value.

Question 2: What about the collaboration thereafter?
Once we had understood each other’s ideas and discussed what could be done, it was eventually decided that Swan would provide the brownies for the Sundaes sold at the Omotesando Hills store, the first directly managed store in Japan. The recipe was received from Ben & Jerry’s and repeatedly tested at Swan. After getting the final clearance from the R&D department of Unilever, we were able to provide the brownies at the opening of the Omotesando Hills store. The texture of brownies is affected by the mixing of air during the manufacturing process, but the process is essentially the same as baked goods, such as fondue cakes and financiers already being manufactured at Swan. However, since it is important that the brownie and ice cream go together, the recipe for the ingredients and the humidity settings were received from Ben & Jerry’s. Repeated trials were difficult, but Ben & Jerry’s enthusiasm toward product mission, sales mission and social mission was contagious and we never gave up on the product development. After the product was developed, the manufacturing was outsourced to Takaki Bakery Co. Ltd., and products were supplied under the Swan brand to Ben & Jerry’s four directly managed stores.

Question 3: Please tell us about the progress of future projects.
Apart from supplying brownies, Ben & Jerry’s cup ice cream has been sold at the Swan Bakery’s directly managed stores since April 2014. As the customer segments targeted by Ben & Jerry’s match the high-end female clientele targeted by Swan, the cup ice cream is selling well. We would like to expand this gradually to the 24 franchise stores.

6.1.5. Content of interview with Ben & Jerry’s Japan. Below is a summary of an interview with Unilever Japan Customer marketing K.K. Ben & Jerry’s Japan Brand manager Hiroko Hamada, who is responsible for the expansion of Ben & Jerry’s in Japan. The interview was held at the Head office conference room of Unilever Japan Customer marketing K.K. located in Tokyo’s Meguro Ward on 6/4/2014 from 16:00 to 17:00. The interview took place in the presence of Assistant Manager Nomoto from the same company was conducted using a one-to-one, face-to-face method, after the author’s explanation of the purpose.

Question 1: Please tell us about the collaboration with Swan
As Ben & Jerry’s Japan Brand Manager, I have been involved with the overall expansion of the company in Japan since January 2013. With respect to the project of making Swan a partner, I am involved in the marketing alliance regarding the sale of mini-cup ice creams at the Swan Bakery stores and the provision of Sundae brownies to the directly managed stores. Since the 1980s, Ben & Jerry’s has collaborated with New York-based Greyston Bakery, which been supplying the brownies used for the Chocolate Fudge Brownie, one of the mini-cup ice-cream flagship products. Greyston Bakery was established in 1982 with the objective of supporting low-income people. It supplies cakes to first-class hotels and three-star restaurants. It is an organization that manages both business and social activities. Ben & Jerry’s wanted to open a directly managed store in Japan for the first time, and was looking for a partner who could help create the local Japanese flavors. Swan was introduced to us.

Question 2: What was important when selecting a partner?
Apart from product mission and sales mission, Ben & Jerry’s emphasizes social activities as a guideline for implementation. Ranging from food sustainability to social justice with respect to manufacturing ice creams, the objective is to give back to society through activism. With respect to selecting a partner with whom a cooperative relationship is to be built, we carefully examine the organizational objective, what the organization would like to achieve and how, and emphasize on compatibility with its brand, viewing from various perspectives before conducting a stringent selection. In addition to a mutual understanding of social activities, we think of the kind of collaboration and the kind of story that can be built together. Swan’s initiative of employing individuals with disabilities is not just a legal obligation. Rather, their goal is generating sustainable profit with employment of the disabled as its final objective. There is something in common here that Ben & Jerry’s brand could relate to. We believe that we decided to have them develop the brownie for the Sundae when we
thought about the kind of partnership we wanted to build.

**Question 3: What were the conditions for manufacturing with respect to starting the project?**

Regarding the introduction of the brownies at stores, the manufacturing regulations at Unilever are stringent and the R&D standards are strict. For example, the brownies must go along with the ice cream and must be delicious. The manufacturing process required is different from that of brownies that are delicious at room temperature. A mutual understanding that we want to offer brownies that the customer considers delicious leads to issues being resolved together with Swan. With respect to manufacturing conditions, we have formulated a business relationship.

**Question 4: What is the assessment of Ben & Jerry’s Homemade Inc. headquarters?**

When Jerry visited Japan, we showed him around Swan. He commended Swan’s efforts that are deeply rooted in the Japanese community.

### 6.2. Collaboration with Carepro Co.Ltd.

According to the homepage, the company was founded in 2007, with capital of about 0.15 million dollars. The head office is in Nakano-ku, Tokyo. The president of the company is Takashi Kawazoe, the founder. The company provides simple medical examination service, for example, blood test service by self-exsanguination, to prevent life-style related diseases for non-testee of medical examination. They provide the service for about 5 dollars once.

In June 2014, the cumulative users are 0.25 million. The collaboration partners has become widespread from railway companies to supermarkets. For example, in the corner of the station that the railway company lend, Carepro provide the medical examination service, lung age inspection, bone density inspection, blood vessel age inspection, for about 5 dollars each. The cooperation companies supported Carepro’s purpose, and lent the corner of the station and stores for them to provide the service.

### 7. Considerations

In this section, we consider the dynamic changes in the relationship between Ben & Jerry’s and Swan from the perspective of the formation of ties in the context of the development project of the Sundae with brownie.

As the first stage, Swan Bakery had employed individuals with disabilities and built a process to manufacture high value-added breads. Their bakeries at locations such as Ginza and Akasaka had been accepted by customers with a high standard of taste. Ben & Jerry’s, which was established by Ben Cohen and Jerry Greenfield, was based on the philosophy of co-existence and co-prosperity. The companies had been introduced to each other through a third party. A representative of Ben & Jerry’s, who learned about Swan’s hiring of individuals with disabilities on television, also approached the company. The two sides developed mutual appreciation of each other’s business philosophy. Here, very weak connections are formed due to social impact information, namely the employment of individuals with disabilities. Figure 3, left chart shows the “weak connections formed due to employment of individuals with disabilities” in the open market. Ben & Jerry’s, which was to be an external resource for Swan Bakery, already had a deep interest in social impact information before their first meeting. Interviews indicate that the context of employment of individuals with disabilities had formed the background that led to the easy formation of ties. Porter and Kramer [2] show that CSV is the ideal way for enterprises in the future and suggest that, through initiatives, companies can internalize external costs associated with societal issues and make it the source of competitive strategy to generate profits. In the future, the employment of individuals with disabilities may be of interest to not only handful of businesses but also many corporations. That would lead to the widespread formation of ties caused by such social impact information. Carepro, in the sector of healthcare, has the social impact information that they try to prevent life-style related diseases by cheap simple medical examination for housewives and unemployed people. By such social impact information, the company could tie-up with many companies.

As the second stage, in the high-level manufacturing method brownies requested by Ben & Jerry’s, Swan responded by utilizing the manufacturing know-how cultivated through its bread-manufacturing process. On the other hand, Swan also gradually deepened understanding of Ben & Jerry’s enthusiasm for ice-cream manufacturing. At this point, the Sundae with brownie development project gets promoted. An explanation based on “The Synchronization Cycle of Connections and Architecture in the Radical Innovation Process” in Kamei and Ohashi [1] shown in Figure 2 reveals that Swan and Ben & Jerry’s Japan formed weak connections due to social impact information, namely, the employment of individuals with disabilities in an open market. They understood each other’s manufacturing capabilities and enthusiasm, and gradually developed an open

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relationship. Thereafter, they developed a closer relationship and exchanged integral information about the collaboration. The collaboration was being established in the context of employment of individuals with disabilities, indicating a situation in which connections were gradually strengthening. The study clarifies that the social impact information in this case study, namely, the employment of individuals with disabilities, is the cause of the formation of weak connections at the start of the progress of the project and is the context in which the ties gradually become strong. Figure 3 shows the “gradual strengthening of ties from weak connections in the context of social impact information,” namely, the employment of individuals with disabilities.

However, with respect to the progress of the actual project, Ben & Jerry’s R&D department has confirmed the development capabilities of Swan based on the stringent standards of the parent company, Unilever. In other words, the transition to the project stage of the establishment of strong connections requires that it be accompanied by the content of the relevant social impact information. In this case study, the management of the manufacturing process cultivated through bread manufacturing at Swan and the high value connected to the high level of manufacturing capabilities is a major factor in the project transition. In other words, as a prerequisite of the strengthening of ties, what is important is not the employment of individuals with disabilities from the perspective of welfare but the establishment of a framework to gain a competitive advantage through activities of individuals with disabilities and generate profits.

Figure 3. Gradual strengthening of ties from weak connections in the context of social impact information

8. Conclusion

The study supported the hypothesis that social impact information is an effective cause for the formation of ties that are the source of dynamic changes in connections in the new business creation process of companies. This finding will provide new viewpoints in the use of information systems by companies. Further, for the hypothesis to hold true, it is important that the two parties that are forming ties mutually understand the social impact. For the transition from ties to new business creation process to occur, business capabilities such as technological and manufacturing capabilities are essential.

This study is qualitative study, so it has limitations of nonquantitative research. However, we can show the process dynamically by putting the phenomena concerned with the formation of ties into focus. To validate the hypothesis more clearly, we should study more cases.

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References


