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# Innovating a Socially Conscious Business

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In my previous post, I argued that even though it's unpopular among some business theorists (as well as some of you who left comments, which I very much appreciate), there's a reason why a top-down approach to innovation remains so prominent: it works. Or to be more precise, based on my experience, top-down works when you work it right.

Consider the innovation process we used to launch a new breed of business to attack the growing epidemic of food insecurity in America. Panera Cares are cafes where people eat tasty, nutritious food in an uplifting environment—and pay whatever they can afford. Our innovation was to create an experiment in human nature, where we let customers decide what to pay. Those who pay a little more than our suggested price help those can't cover the full amount.

Creating our cafes of "shared responsibility," where we partner with local communities to raise awareness about the one in six Americans who live in food insecure households, was very much a top-down effort. But we employed several bottom-up innovation strategies, while avoiding that approach's pitfalls. Here's what we did:

**"No one is as smart as every one."** Even in a top-down innovation process, ideas for creating novel products and services should bubble up from every part of the organization, as well as beyond it. The inspiration for creating Panera Cares came from one of our franchisees, Paul Saber. Over dinner one night, Paul challenged me with a question: What are we doing corporately that people can immediately identify as something that goes well beyond serving our products? What's Panera's version of the Ronald McDonald House? Panera donates $100 million in product and cash every

year to organizations that are helping people in need. But Paul made me realize it was past time to look beyond philanthropy and put our problem-solving skills to work in the communities that have given us so much.



Brian Williams of NBC Nightly News ignited the idea for Panera Cares. He aired a report about Denver's SAME (So All May Eat) Café, which feeds people without requiring them to pay for the meal. They act on the belief that guests will do the right thing and leave whatever they can afford. Although the report was inspiring, it included a sobering detail: *it took many years of struggle* for the founders to develop the capabilities to launch SAME. And it hit me. Panera opens a new café several times a week. We can do this.

**A small, self-managed team.** With top-down innovation, companies typically take a taskforce approach to developing and deploying a potentially game-changing idea. But I've found that innovation-by-committee is far too cumbersome a process. People inevitably view a foreign idea through the lens of their particular function, be it legal, financial, operations, etc. You can imagine how our CFO or CLO might have reacted, had I immediately proposed that Panera, a publicly traded company, launch a series of cafes where customers decide what to pay. It's hard to get to "yes" when people's first instinct is to (understandably) say "no way."

Instead, we flew under the corporate radar by forming a small test team comprised of myself, project manager Kate Antonacci, and Marianne Graziadei, formerly our VP of Operational Tools & Services. The three of us began by taking a trip around the country, where we visited a series of pay-what-you-can cafes as well as soup kitchens. Our intent was simply to listen and learn from others' experiences. We found that most operated out of very small facilities that were feeding 40 or 50 people a day in the back of a church. There was a yawning opportunity to help many more people, if we could innovate an approach that operated on the scale of a typical Panera.

**Make a rendering of the future you want to create.** Just like a small design team, we set about summoningthe concept we hoped to create. When we first considered this experiment, we thought

we'd create a place that would serve baked goods and coffee. But as we traveled the country and saw people's pain firsthand, we began to imagine a more robust place—a place that would draw lots of people by offering high-quality, nutritious food in a warm, inviting environment. We realized if we were going to create a magnet for those who could pay as well as for those who could not, and do so with great positive energy, we had a perfect model in Panera.

To drive the scale we hoped to operate at, we came to believe the concept required the credibility of the Panera name. We wouldn't cut any corners. It was going to be Panera without price tags. We'd call it, Panera Cares.

**Iterate, Iterate, Iterate.** Like a software startup that throws a not-ready-for-prime time service onto the Web to glean people's feedback, we continually road-tested our concept with anyone we could learn from. For example, we originally thought we'd use cash registers, so when guests came in, they'd feel real pressure to pay. But we couldn't see how we'd protect people's dignity if we were spying on them, to see if they'd pay what we thought they owed. So we borrowed an idea from one of the pay-what-you-can cafes for a different kind of payment mechanism: a donation box. That was a tough decision, because by protecting people's dignity we were potentially permitting them to take advantage of us.

We also created a menu with suggested donations for each item, to help customers understand what's needed for the café to sustain itself. Ultimately, with a donation box, guests would decide what to pay, without any pressure from us. But the café would survive only if community members stepped up and supported it.

**Forget conscripts—look for volunteers to grow the cause.** As we moved from planning to launching, our start-up team needed the help of many others in the organization. And the fact is, as word of our crazy Panera Cares scheme worked its way through the company, many wanted to join the effort (even though they'd still have to continue with their "day jobs"). People are most enthusiastic when they're doing things they want to do, as opposed to what they are assigned to do. And we certainly benefitted from their passion.

We just set one rule: you had to be all in. When you showed up for a meeting, you couldn't view the project solely from your day-to-day role within the company, whether it be logistics, legal, marketing, or some other function. When people step beyond their narrow field of expertise, they are far more likely to see what's possible (as opposed to what's improbable), even in a radically different business model like Panera Cares.

**Launch, then strategize.** This instance of fulfilling our higher business purpose played out in reverse order: first we launched Panera Cares—in Clayton, Missouri, a suburb outside St Louis. Once we were assured the café was self-sustaining—that is, it was generating enough donations to cover its direct costs—we pulled back and began to define a strategy for building out a Panera Cares platform for attacking food insecurity.

Over the course of several months, even as we were planning the next Panera Cares cafés, we talked through the concept with various constituencies within the Panera network. As we did, a larger, more sweeping rendering began to crystallize. We defined an aspirational vision—to eliminate food insecurity in the US—as well as a mission, which is to be a change agent in that battle. And we began to map out how we'd leverage our competencies in a sweeping Panera Cares effort that we'll roll out next year.

If we had taken the approach of most top-down efforts—strategize first and then launch—we'd probably still be trying to persuade people that Panera Cares is a risk worth taking. By launching first and succeeding, we laid a foundation for the strategizing that followed.

**It takes total commitment from the top.** As of today, we've launched four Panera Cares cafes (with another planned before the year is out) and we're on track to serve one million meals, many to people who are struggling with food insecurity. Equally important, local communities have stepped up to the challenge of sharing the responsibility for solving a societal problem that can never be fully solved, but demands our best efforts nonetheless.

Now, I'm all for grass-roots innovation and radical ideas that work their way up from below to challenge the mindsets of those who manage the organization. I certainly don't think I'm the smartest guy in the room—far from it. But I could see what Panera Cares needed to be, and I had the drive—and, yes, the power—to overcome the skeptics and summon the resources we needed.

It takes many heads, hands, and hearts to bring a new business model like Panera Cares to life. But it's the CEO, as "innovator in chief," who must take the lead in making that happen. And it's the CEO who must be held accountable for the end result. As always, I welcome your thoughts.