

# Stanford SOCIAL INNOVATION<sup>Review</sup>

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*Leping Supplement*  
**Korea's New Integrated Business Strategy**  
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who provide third-party standards as well as certification according to their own evaluation criteria. In this way, they hope to promote the dual achievements of benefit corporations in commercial and social interests.

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good. Lastly, linked to the benefit of millennial talent is the impact of the millennial consumer. Millennial consumers are more willing to purchase products that are related to a social cause and will use benefit corporation certification as a signal of such a company.

B Lab is a nonprofit organization that uses its own standardized tool B Impact Assessment (BIA) to manage and measure the impact of a business's performance. The enterprises that satisfy their evaluation earn a B Corp certification. At the end of 2018, 2,655 companies from more than 50 countries and more than 150 industries had obtained B Corp certification by B Lab. Examples of well-known B Corps are Danone and Kickstarter. Tools like BIA help shift the business world to a stakeholder economy and strengthen movements that create social value, such as impact investing, fair trade, capital market reforms, and planet-friendly consumer movements.

#### BENEFIT CORPORATIONS IN ASIA

In recent years, enterprises across East Asia have shown a growing interest in the benefit corporation movement. In June 2016, First Response, a leading social enterprise dedicated to delivering first aid training and life-saving services, became the first Certified B Corp in China. By November 2018, 11 enterprises in China were certified as B Corps in such industries as education, consumer goods, technology, and architectural design. Today, hundreds of Chinese enterprises have applied for certification, and more than 500 enterprises use BIA to assess the scope and relevance that corporations have on social impact in China.

East Asia is a leading power in the global economy and possesses impressive innovation capacity. Today, as globalization faces increasing challenges, East Asian economies that have benefited greatly from globalization, especially China, must fight to protect the increasingly connected world by advocating for and practicing an economic development model that can benefit all—not just the few. In conclusion, speeding up the shift to a stakeholder economy has the potential to unlock innovation and solve the world's biggest social issues, therefore building a better society. ♦

There are multiple business advantages of benefit corporation certification. First, these enterprises can use the assessment guidelines to measure and improve their social and environmental impact. This makes it easier for financial institutions to evaluate a company's value potential, helping to attract investors. A second benefit is that it attracts and retains top-tier millennial talent who place a lot of importance on meaningful work that connects to a larger purpose. After being certified, enterprises around the world find that they attract more coveted top talent while simultaneously earning greater loyalty from employees who are passionate about doing

# Korea's New Integrated Business Strategy

Despite financial risks, the traditional business landscape in Korea is shifting to a model that focuses on the pursuit of social good in addition to profitability.

BY JEONGTAE KIM, ANNA KANG & JIHYUN HONG

**I**n May 2018, the chairman of SK Group, the third biggest Korean business conglomerate, along with about 70 of their CEOs and executives, gathered at the Grand Walkerhill Seoul hotel in Gwangjin-gu, Seoul, to discuss management strategies that maximize social value. When the discussion intensified around the high costs associated with business models for social good, SK Chairman Chey Tae-won quieted concerns, saying, "I believe corporations that create social value can become respectable and widely loved in the future. The value of society-friendly as well as customer-friendly corporations will eventually grow due to their social responsibility and innovation, despite the possibility of short-term loss." The SK Group officially began to apply "double bottom lines" perspectives to all of its businesses at home and abroad, the first-ever initiative by a corporation of its size in Korea that would base business success on financial returns and social values combined—or, "double bottom lines."

Korean conglomerates are beginning to shift their objectives, from focusing solely on maximizing shareholder profit to actively seeking benefits of the wider society and concerned stakeholders that include customers, employees, and suppliers—a seismic shift in the way things are usually done. After the Korean War, the country's rapid economic development was mainly driven by conglomerates, like Samsung, Hyundai Motor Company, LG, and the SK Group. From the 1960s to the 1970s, these massive firms, called chaebols, aggressively expanded into new industrial sectors, tapped into lucrative foreign markets, and set themselves up for maximized profitability. Traditionally, the chaebol's goal was to drive the nation's economic growth through sales and profitability. However, modern consumers expect businesses to care about the world. Businesses today are expected to share their wealth for social good and to act responsibly toward citizens, society, and the environment. As a result, corporations came to realize that they need to care for the concerned stakeholders' value in order to survive in the uncertain future marketplace.

Drivers of such changes helping South Korea to move away from a business landscape focused solely on financial returns are in both

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the public and private sectors. One major example is the South Korean government under President Moon Jae-in's leadership. In 2018, it launched a 120 billion won (roughly \$107 million) fund for social ventures, and the fund is expected to expand to 500 billion won by 2022. Financial support like this can bring tremendous growth to the country's social economy ecosystem. Prior to this, the Korean president made a surprise visit to Heyground, a home to more than 70 social ventures and one of the signature buildings in Social Valley at Sungsu, in Seoul, where he announced a series of new policies on inclusive growth and social economy. It was also President Moon who appointed the first secretary to the president on social innovation.

Since 2018, Korean state-led companies have been obliged to measure social value performance as a factor in determining business success. For instance, Korea Land & Housing Corporation formulated the social value performance evaluation framework according to 12 social issues, including human rights protection, sustainable environment, and disaster safety, and adopted an internal policy to put the framework into effect. To help the public sector better understand the social economy and how collaboration can occur between public organizations and social ventures, Merry Year Social Company (MYSC), a social innovation consulting firm and impact investor based in Seoul, hosts forums on social value creation. South Korea-based impact investors, such as Crevisse Partners and The Wells Investment, work with the government as general partners (GP), which manage the social impact investment fund with the Korean government as well as investors.

Another shift in South Korea's business landscape is the increasing popularity and success of social ventures or startups that focus on solving social problems while also being profitable. The social venture Marymond, based in Seoul, sells clothes, accessories, and bags designed by women who were sex-slave victims during Japanese colonial rule of the Korean Peninsula. The company donates more than half of its profits to foundations that support survivors. After it was established in 2012, Marymond quickly became one of the most popular fashion brands among young people in Korea, due not only to its quality and trendy design but also to its clear message and benefit to society.

In the learning space, social venture Enuma develops tablet-based tools to promote independent learning in children, especially those who are most vulnerable and marginalized in their communities. Enuma recently launched Kitkit School, a learning tool that supports teaching basic literacy and math skills to children in the most impoverished rural areas and refugee camps in East African countries such as Tanzania, Kenya, and Rwanda. Marymond and Enuma prove that social businesses can earn money, grow a massive customer base, and attract investors, too. They have combined investments of more than 60 billion won (roughly \$54 million) between them.

In hopes of integrating a values-driven approach in business models, corporations collaborate with organizations from different sectors. Life insurance company AIA Korea teamed up with seven social ventures along with MYSC's acceleration services to launch a program named AIA Open Innovation, which develops business models and solutions aimed at creating social values for AIA Korea customers and stakeholders by providing financial grants to startups in the fields of health and fintech.

It's a win-win situation. The social ventures participating in the program get access to a large audience through AIA's massive customer base, while simultaneously AIA is able to provide social values to its customers. For instance, through one of the startups, We-huddling, which uses algorithms and chatbots to recommend healthy eating

options for users that have erratic eating habits, AIA is able to do good by helping customers stay healthy.

Hana Financial Group, one of the largest bank-holding companies in Korea, is leading Corporate Social Responsibility (CSR) initiatives aimed at helping disadvantaged people. One of the programs, the Hana Power-on Challenge, creates employment opportunities by matching underemployed designers with social ventures for a five-month internship; most of the designers go on to land a job. Another program, the Hana Power-on Impact, partners with social ventures to provide jobs and skills training for individuals with developmental disabilities.

To build a strong social enterprise ecosystem, SK developed the measurement tool Social Progress Credit (SPC), which places a monetary value on the social good that a business does. The monetary value can be exchanged for financial incentives provided by SK. The tool allows SK to measure the social good created by its affiliates. The SK Group has more than 80 subsidiaries globally that primarily operate in the energy, chemical, financial, shipping, insurance, and construction industries. SK is committed to partnering with social enterprises and Small and Medium-sized Enterprises (SME) to further drive its corporate social innovation.

In 2018, SK made social good an official part of its business model. The firm swapped out maximizing shareholder profit as the company's mission in its business charter to focus on mutual growth and creating happiness for stakeholders, which encompass shareholders, customers, and employees. Today, social value-driven innovation is a key performance indicator for executives.

Alongside these changes, a global movement of businesses dedicated to supporting socially good causes is growing in South Korea. Increasingly, companies are evolving into sustainable management companies called B Corps. In 2018, there were 10 certified B Corps in South Korea: Dot Incorporation, Instinctus, Ecojun Company, the bread and butter, General Bio, Impact Square, MYSC, SOCAR, Tree Planet, and Hope Makers. The Korean government recognizes a B Corp certification as a key indicator when assessing companies for their social values and impact on society. As a result, the government has led key initiatives to foster the growth of B Corps. For instance, Growth Ladder Fund was created by the Financial Services Commission of Korea to support startups and SMEs. When selecting businesses to invest in, the fund gives high preference to those with a B Corp certification. The Korean ministry of SMEs and startups approved B Corp as one of the key factors in defining social ventures. This definition is applied to the programs managed by its affiliated agencies. The Korea International Cooperation Agency (KOICA) added requirements to its Creative Technology Solution program to encourage enterprises associated with the program to obtain a B Corp certification.

Speaking with SK Group's affiliates at the Grand Walkerhill Seoul hotel in May 2018, SK Group Chairman Chey said that while the pursuit of social good might compromise economic gains temporarily, creating social value is needed for a company's long-term growth and sustainability: "In order to become a company which earns trust from society, our business has to actively pursue social value and reform the way we work, and this fundamental principle is not an exception in the global market."

Korean businesses like SK Group are trying to cope swiftly with the changing tide of integrating social value as a key part of their business model, while other businesses lag behind. This changing tide depends heavily upon the dynamics between the demands of the stakeholders. Nevertheless, this trend—that private firms in Korea are putting much more effort to engage social good with their business—will prove to be unbreakable. ♦