

Stanford SOCIAL INNOVATION^{Review}

Leping Supplement
Social Investment Funds With a Conscience
By Noriko Akiyama

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Singapore University of Social Sciences (SUSS), an autonomous university, incorporates applied learning at all levels and a curriculum highlighting social impact in the community. The polytechnic education, as an industry-oriented alternative to junior colleges, began offering cross-disciplinary programs to provide students with essential skills in business management, social sciences, and social innovation. Both the Republic Polytechnic and Ngee Ann Polytechnic in Singapore offer degrees in business and social enterprise.

ACSEP encourages future do-gooders by awarding scholarships and prizes to students who have a proven dedicated effort toward social impact. Leveraging the NUS Business School's offering of a Field Service Project, ACSEP allows students to get hands-on experience in a consultancy capacity. This kind of experience exposes business students to real-life challenges in new social ventures.

Higher learning institutions also serve as incubators to support every step of the entrepreneurship journey. For instance, NUS provides training and development, ideation challenges, and exposure to the startup community to unleash their students' potentials. NUS Enterprise Social Venture Lab provides incubator support for students' networks and partnerships. NUS Enterprise partnered with Singtel Innov8 and the Media Development Authority of Singapore to transform a light-manufacturing construction site into a startup hub called BLOCK71, which has locations in Singapore, San Francisco, Jakarta, and Suzhou. In order to expand the ecosystem globally and assist social ventures with scaling beyond Singapore, BLOCK71 maintains strategic partnerships with established corporations and government agencies.

After students graduate, universities remain committed to helping them to do good in the business world. Social ventures looking for funding support have resources at NUS Innovation and Entrepreneurship Practicum Grant and Lotus-NUS Fund. The NUS Social Venture Lab, an initiative started by NEC, provides incubator support for students' and faculty members' innovation-based social ventures. The advantage of being a social startup incubating with NUS Enterprise is that the social entrepreneurs will continue receiving support services, including access to incubation and accelerator facilities, expert mentoring, and community networking, to help the social venture take off even after graduation.

While Singapore's government and universities are committed to building a vibrant ecosystem for social entrepreneurship and social innovation in Singapore, more work can be done for the social good, and we suggest three issues for consideration. First, Singapore can retain more local talents if it increases its support for its entrepreneurs by providing them with a domestic market that allows them to scale at home and abroad so that the country can benefit from all the good our entrepreneurs are doing.

Second, educational institutions need a viable way to better balance the pressure of global rankings and their responsibilities of tackling major social challenges. Inundated with output pressures, universities can be slow in identifying the social needs of surrounding communities and delay taking an active role in the ecosystem for impact.

Third, Singapore can continue to be a leading force in social innovation only if it continuously analyzes and evaluates its strengths and weaknesses. In doing so, Singapore can accomplish great things with fellow ASEAN member states. For instance, cross-sector collaboration between Singapore and China could explore how the Belt and Road Initiative could encourage international trade, improve regional infrastructure, and be a boon to the employment sector. Being mindful of these priorities is essential for Singapore to further advance its role as a leading smart sustainable city in the world. ♦

Social Investment Funds With a Conscience

Cross-sector ecosystems in Japan use impact investing to solve the country's greatest social challenges while generating financial returns.

BY NORIKO AKIYAMA (Translated by Ken Ito & Oliver Carrington)

When Kamakura Investment Management Co., Ltd., launched its flagship mutual fund Yui 2101, the asset management firm's president, Yasuyuki Kamata, was told by many people in the industry, "Social investment is such a naive idea, you cannot make any profit." Eight years later, Yui 2101, which leverages private capital to earn financial and social returns, boasts an asset under management (AUM) of 38.6 billion yen (\$340 million) from more than 19,000 investors as of the end of November 2018.

Yui means "connect" in Japanese. Yet behind this simple name is the founders' message of uniting all people who share the same vision of realizing a sustainable society. Kamata started the firm with three partners in 2008. Along with a financial return, Kamakura Investment Management funds seeks investment opportunities in both traditional companies that have a proven track record and social ventures that are typically ignored by investors. Kamakura also acts as an ecosystem by finding ways that companies it invests in can team up to solve Japan's social problems. For example, Tsumura, a leading pharmaceutical manufacturer of traditional Chinese medicine, invested about 300 million yen (\$2.7 million) in 2018 into My Farm, a social enterprise that uses abandoned farmlands to support local farmers.

Kamakura's fund manager at the time said that he had connected the two companies after identifying areas of opportunities for the two to collaborate: "Companies we invest in share common values and a desire to create something good for a better society." Along with his colleagues at Kamakura, the fund manager believed that collaboration between large corporations and venture businesses could mutually benefit both firms while also doing good for society. However, such partnerships often fall apart because of a mismatch in production volume required by the large corporation and the production capability of small venture firms.

From the outside, Tsumura and My Farm seem to have nothing in common. Tsumura is a listed pharmaceutical manufacturer that's been around since 1936, with equity capital of 30.1 billion yen (\$276 million) in 2018, while My Farm is an unlisted company that's been around since 2007, with equity capital of 170 million yen (\$1.6 million). Besides supporting local farmers, My Farm is a school that teaches organic, pesticide-free agriculture to encourage people to take up farming as a profession.

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Despite their differences, both firms needed something from the other: Tsumura's goal to expand herbal medicine production locally—most of its medicinal plants are grown in China—was made possible with My Farm's work in running farms and delivering agricultural education programs in Japan. My Farm is responsible for training and educating Tsumura employees in agricultural management and the cultivation of plants. In addition to training programs, My Farm helped Tsumura access farmlands and the network of farmers that the manufacturer needs for production. In return, Tsumura provided My Farm the financial investment it needed to grow.

"Sharing human talents is a great way to reveal new capabilities," a fund manager at Kamakura says. "We don't want to [invest in companies solely with] money. We see our investees and customers as part of our family." Aside from making financial investments and identifying ways for companies it invests in to work together, Kamakura hosts workshops for investor relations professionals. Kazuma Nishitsuji, founder and president of My Farm, said that Kamakura is the kind of gatekeeper that social ventures need to become "a successful company."

Similar to Kamakura, Japan Social Impact Investment Foundation (SIIF), founded in 2017, is a cross-sector ecosystem that uses a variety of approaches to support sustainable developments in Japan. In 2017, SIIF invested in Japan's first health-care social impact bond (SIB) in the cities of Kobe and Hachioji. In Kobe, SIIF invested in a 30 million-yen (\$274,000) project that provides nutritional therapy to a group of 100 diabetic people. Currently 320,000 people in Japan undergo dialysis, which costs 1.5 trillion yen (\$13.7 billion) annually. If the project improves the health of the 100 participants, Kobe's city government will repay investors a maximum internal rate of return of about 5 percent to cover part of the medical costs. SIIF encouraged private investors, such as Sumitomo Mitsui Banking Corporation, to get involved in impact investing. In Hachioji, SIIF invested in a 9 million yen (\$82,000) project that sent a letter prepared by AI technology analyzing 12,000 individual data and clinical data for improving colorectal cancer screening rates.

In March 2018, SIIF invested 30 million yen (\$274,000) in an intermediary called Plus Social Investment (PSI), established in Kyoto in 2016, which connects impact investors with regional impact-driven enterprises. PSI also works with local financial institutions to introduce PSI's investment products that support local impact-driven enterprises to their retail customers. PSI structures investment products for local enterprises. Then, local financial institutions introduce such products to their customers. According to the Bank of Japan, over 50 percent of Japanese households' 1.8 quadrillion yen (\$16.4 trillion) in assets is kept as cash and deposits. Also, regional financial institutions face a structural challenge for their businesses to survive as they face aging communities and declining economies. New investment products developed by PSI provide a way to employ Japan's underutilized household assets for revitalizing regional economies.

As impact investment is still a new practice in Japan, SIIF is looking into ways to measure the social impacts created in order to encourage more investments in impact-driven enterprises and causes. Fumi Sugeno, senior program officer at SIIF, said, "In Japan, utilization of private capital for social issues is attracting government interest. More and more private investors are starting to pursue a double bottom line."

As interest from investors continues to increase, organizations like Kamakura and SIIF aim to help social enterprises capitalize on the opportunities. "Development in social enterprises is lagging behind the increased interest from investors," Sugeno says. "SIIF would like to nurture the demand side to connect social ventures with investors and create a cycle of funds flow throughout the country." ♦

Next-Generation Philanthropy

Asia's second wave of philanthropists are eschewing traditional philanthropic models in favor of more expansive, hands-on approaches.

BY BRAD GLOSSERMAN, FAN LI & YULIN LI

Asian philanthropy is undergoing a profound cultural change triggered by generational differences. These differences have been understudied; one of the few such assessments was conducted by UBS and INSEAD in 2011. It reached several important conclusions, most notably that the older generations tend to be more cognizant of the importance of giving to their communities; younger generations, on the other hand, tend to be more internationalist in their outlook. The study also found that the older generations tend to give more to "traditional" sectors such as education and health, whereas younger generations accord greater value to causes relating to the arts and culture, the environment, and civil rights. And, the older generations are often more comfortable with patriarchal models of governance, while next-generation philanthropists tend to prefer collegial or managerial models of governance, and they are much more open to social enterprise and social value investment models.

An examination of a representative sample of second- and third-generation philanthropists from wealthy families in Northeast Asia analyzes differences between their practices and those of their parents and identifies commonalities across generations. This does not purport to be an exhaustive analysis but is instead a starting point for continued research, iteration, and improvement.

BREAKING OUT OF THE WEALTH BUBBLE IN SOUTH KOREA

Kyung Sun Chung is founder and now the chief imagination officer (CIO) of Root Impact (RI), a Korean nonprofit organization whose mission statement is "Changemakers for Changemakers who endeavor to bring positive changes in the world." Established in 2012, it aims to build an "Impact Ecosystem" that will help social entrepreneurs with their mission, solve pressing issues, and sustain business growth. Like a lab, explains Chung: "Root Impact is doing experiments," not just to assist social enterprises but also to accumulate hard data that can measure the impact of its work and "prove that what we are doing is good for society." Building on its reputation as a pioneer of impact investing in South Korea, RI has launched initiatives like D-Well in 2014, which offers space to young social entrepreneurs and NGO leaders to live together, and Heyground in 2017, a coworking community that provides pro bono legal, financial, technical, and wellness services to more than 500 people and 70 social ventures. Chung insists that it is not an incubator but a collaborative: "We are working together; we are not enriching them."

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