The global financial crisis has impacted everyone, and governments around the world, along with non-governmental organizations and the business sector, have been trying their best to restore confidence and put the world economy back on track. Recovery has not been easy, although there are some positive signs that a turnaround is in sight. The crisis also has brought many social problems to the surface. The journey of recovery will not be easy, because there are many problems to fix: we must stop economic bipolarization, boost stalled economic growth and simultaneously pursue economic and social development. These serious challenges are made even more complicated by escalating uncertainty caused by leadership changes in a number of major countries, growing protectionism and global conflicts, calls for a better financial system, cyber insecurity caused by “hyper-connectivity,” and more. These are reasons for us to go beyond quick fixes and seek a new long-term strategy.

The world is looking for a more resilient economic and social model, one in which each and every entity in society is self-evolving and adaptable to ongoing changes. Resilience is needed because the challenges are hard to anticipate and the only certain thing we can expect is that strong headwinds are awaiting us. Change is affected by many variables, thus making it impossible to predict or control. We need to break the conventional wisdom that sees “change as a threat” and adopt a new perspective that considers “change as a new opportunity.” A majority of executives of leading global business groups now believes that corporate value is enhanced by the ability to

SK’s Vision to Promote Social Entrepreneurship

By Tae-won Chey

The social enterprise movement is fast taking root around the world as a new approach to delivering social services and goods to segments of society that have often been ignored by harsher models of market-based economics. South Korea’s third-largest conglomerate, SK Group, is at the forefront of promoting the movement and is beginning to take its efforts abroad. SK Holdings’ chairman and CEO Tae-won Chey explains.

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adapt to changes and to pursue social and environmental righteousness.

SOCIAL ENTERPRISE A TOOL FOR A RESILIENT WORLD

To be “resilient” means that all entities in society are able to adapt swiftly to changes in the environment, enduring while pursuing sustainable economic growth and social advancement. The emerging concept of “social enterprise” (SE) combines financial self-sufficiency with efficiency in creating social impacts that generate sustainable social value and enhanced quality of social services. In this respect, social enterprise can be an effective platform to achieve a resilient world. There is an increasing global understanding that social enterprises and social entrepreneurship hold a lot of promise as an effective way to alleviate global social problems. Social enterprise can:

• Create innovative and realistic solutions to social and environmental problems by combining impact creation with entrepreneurship, attracting innovative talent.
• Effectively co-ordinate conflicting interests among economic sectors and motivate co-operation by functioning as a bridge between the for-profit and non-profit sectors.
• Provide a new, inclusive channel for the public to more actively participate in social development.
• Facilitate job creation, which establishes the foundation for a healthier economy, as many studies of small- and medium-sized enterprises (SMEs) have shown. This is significant, because SMEs account for the majority of employment in most economies.

Corporate participation in promoting social enterprise benefits not only society but also companies themselves. Such mutual benefits demonstrate the promise of SE as a valuable tool for achieving sustainable growth. Here are some examples:

• Corporate participation in SE amplifies the social impact by integrating a corporation’s core business resources and capabilities, thus leading to more efficient social contribution.
• SE can help create new partnerships or strengthen existing ones with NGOs and government, sharing SE as a common denominator. Such strategic corporate-social impact creation fulfills the expectations of stakeholders — including investors and other sources of funds — that social impacts should be realistic and responsible, thereby further encouraging their participation.
• SE enhances the competency of corporations by encouraging them to explore new undiscovered markets and to re-analyze the value chain.

These examples demonstrate the potential of SE to become an effective means to address global social problems. In fact, there are many cases in which SEs and corporations collaborate to create greater social impact. The creation by SEs of sustainable, strategic socioeconomic value, as well as the mutual benefits that flow to all stakeholders, suggests that SE can be a vital tool for sustainable economic development with resilience.

SK’S SE INITIATIVE: A HOLISTIC APPROACH

As South Korea’s third-largest corporation and one of the top Fortune 100 companies, SK Group has a moral and professional commitment to having a positive social impact beyond maximizing shareholder value. As a result, SK has been eagerly seeking more strategic and co-operative ways to have a sustainable and fundamental social impact. SK has moved beyond mere philanthropic efforts and embraced the concept of social enterprise as a way to have a more strategic impact.

SK started to promote SE as part of its social contribution projects in 2005, two years before the South Korean government enacted the Social Enterprise Promotion Act. SK’s initiatives have been multi-dimensional — taking a comprehensive approach, from establishing, managing and
Nurturing an Ecosystem

SK aims to support SEs by helping equip them with the appropriate tools. Furthermore, it is critical to motivate and support young aspiring entrepreneurs by giving them the right policy and infrastructure support. So SK believes it is imperative to establish an SE-friendly ecosystem that provides opportunities for talented social entrepreneurs to realize their innovative ideas and for investors to make meaningful investments that will improve society.

SK realizes that innovative and passionate people are the solution to most problems. SK’s vision to establish an SE-friendly ecosystem starts with nurturing talented entrepreneurs. The presence of such people is not the question, but rather how to educate, motivate and support them. SK focuses on educating and inspiring social entrepreneurs through the SE-Sang School and an SE-specialized MBA — providing them with appropriate resources, services and connections. SK also incubates SE business ideas through the SE-Sang Contest and Appropriate Tech Contest, providing the winners with financial and managerial aid.

SK believes that advanced systems and infrastructure will advance SE efforts. Therefore, SK developed an IT platform, SE-Sang Portal, and is developing a global SE IT platform, Global Action Hub, with the United Nations Global Compact. SK also realizes the importance of supportive policies that can accelerate the establishment of an SE-friendly ecosystem. In order to make this happen, SK is using its resources and capabilities to support academic research in this area.

Finally, SK hosts SE forums and participates in global communities to communicate the promise of socially conscious entrepreneurship and its potential to improve society.

Establishment and Support

SK establishes and supports domestic SEs directly and through partnerships with local government agencies and NGOs. Following are some of the most noteworthy examples of SEs established or supported by SK:

• Happy Narae is a maintenance, repair and operations (MRO) company that was turned into a social enterprise.
• Happy School is a school for underprivileged students that offers high-quality after-school programs at a minimal tuition, aiming to decrease disparities in educational opportunities.
• Happy ICT and Happy Web & Media are enterprises that hire underprivileged and/or disabled IT aspirants, provide Internet services such as smart-phone applications development for SEs and improve access for people with disabilities to websites and information technology.
• Happy Green Recycling employs the disabled and helps the environment by recycling the rental telecommunication equipment for the customers of SK Broadband, one of SK’s affiliate companies.
• Happy New Life helps provide employment for newly released prisoners through laundry businesses and offers job training and other educational opportunities.

Among the many SEs that SK has established and/or supported, Happy Narae stands out the most. It was originally a for-profit business with an annual turnover of $120 million that was turned into a social enterprise. SK realized the call for balanced growth and its potential role to participate actively in resolving social issues. Therefore, SK turned this MRO business into an SE that prioritizes the purchase of SE products, thus providing a healthier and broader sales channel. Happy Narae is attracting growing recognition as an SE that supports other SEs and is closely engaged with the corporation’s resources and capabilities.

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GLOBAL APPLICATIONS
Leveraging the lessons learned and experience gained from SK’s SE efforts in South Korea, SK has begun to turn attention to global impact creation overseas. Peru accounts for more than 70 percent of SK’s upstream energy business, which is a crucial part of SK’s overall business portfolio. As a global corporate citizen, SK recognizes its role in the global community and aspires to contribute to local communities in partner countries. In Peru, SK has donated $8.8 million to aid recovery from the 2007 Pisco earthquake, focusing on building schools and hospitals and the development of rural areas.

SK has transformed its philanthropy effort in Peru into an SE model. This is because SK has learned that building infrastructure must be accompanied by building citizens’ capacity for better self-sufficiency and sustainability. In keeping with this lesson, SK’s SE efforts in Peru include My School and My Rural Family. My School (Mi Centro Educativo) uses online portals to test achievement levels of students and teachers. In addition, My School partners with the Pontifical Catholic University of Peru to provide teaching skills training. As of now, there are 37 schools, 468 teachers and 7,034 students using My School services.

My Rural Family (Mi Familia Rural) is currently establishing two centers at Pisco and at Huaytara. These provide internship programs and pro bono consulting services to local farmers to enhance farming skills and productivity. Profits from the sales of seed and farming equipment are used to cover the centers’ operating costs, ensuring self-sufficiency. Also, My Rural Family provides necessary financial services for local farmers in co-operation with a microfinance organization, FINCA.

SK’s SEs in Peru focus on establishing a long-term, sustainable process for local citizens to enhance their competency and use their skills to overcome the cycle of poverty that characterized the past. Based on experiences gained in Peru, SK will keep expanding its SE initiative in other countries to provide social services to local citizens.

LESSONS LEARNED
Through holistic and experimental SE initiatives, SK has learned that the participation of corporations in SE can have a positive impact because it: 1) provides employment for underprivileged workers, 2) enhances the quality of social services provided to the public, 3) inspires the public’s participation in impact creation, and 4) shares a corporation’s resources and capability with the global community.

In addition to creating social value, SK’s SE initiatives also enhance the corporation’s business value by: 1) producing stronger networking with external stakeholders, 2) increasing SK’s reputation as a corporate citizen in social innovation, and 3) providing a mechanism to explore new market needs.

However, SK also recognizes that there is room for improvement. While the potential for SE is widely accepted, there are many challenges ahead. Public awareness of, and support for, SE is still at an early stage; there is a lack of connection between social funding and SEs; many SEs lack the manpower, management expertise and incentives to attract young, competent talent; and there is no standard system to quantify the social value created. All of these obstacles hinder global proliferation of social enterprises.

To overcome these challenges, different sectors need to co-operate to provide a channel to connect SE and social funding, install an incentive system for social investment, more actively support and nurture social entrepreneurs and facilitate agreement on an impact-assessment framework. Most of all, we must continue to keep our faith in SE and mobilize support among leading global groups.

SK has only just started its social enterprise journey; in order to ensure further progress and ultimate success, we must continue to work together in the faith that we can bring about meaningful changes to our society.

Tae-won Chey is Chairman and CEO of SK Holdings, leading SK Group’s business aspirations in energy, telecommunications, trading services and semiconductors.