

# Business for Good in East Asia



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# Leading the Charge

Businesses in East Asia cross boundaries and create alliances to solve complex social problems that the world has never experienced before.

BY JAFF SHEN & FAN LI

*The Analects [of Confucius] and the abacus are inseparable.*

—Shibusawa Eiichi, “father of Japanese capitalism,” 1840-1931

How many companies in the world are more than 200 years old? The Bank of Korea identified 5,586 in 2008, and more than half of them are located in Japan. What is the secret of a long-lasting business? According to that research, the answer is: Focus on earning the trust of customers, employees, and communities. This is the core value of *sampo-yoshi* philosophy, which was practiced by traditional Omi merchants who were successful and active in every part of the country during the Edo and Meiji periods. Translated as “three-dimension satisfaction,” *sampo-yoshi* suggests that businesses should seek to ensure satisfaction for the three primary stakeholders: the buyer, the seller, and the community.

Fast-forward to 2016, when the Social Innovation Laboratory Kyoto in the city of Kyoto (home of some of the oldest companies on the planet) launched a new certificate program called the “Kyoto Sustainable Enterprise for the next thousand years.” The certification has four indexes by the name *shiho-yoshi* (four-dimension satisfaction): the company, the customer, society, and the future of mankind.

Moving from three dimensions to four is more than a modern interpretation of what it means to be a good company. East Asia is one of the most dynamic and fastest-growing regions in the world. Export-led economic development in Japan and Korea in the postwar era and in China after the 1978 reforms unleashed a wave of prosperity that swept across the region and lifted millions of citizens out of poverty, resulting in a solid middle class that has emerged in most countries. The meteoric development comes, however, with a price: Economic growth has become the one and only goal. As Jinglian Wu points out in the opening article of this supplement, only 15 years ago economists and business leaders in China believed that as long as entrepreneurs ran their businesses well and made profits, they inherently fulfilled their social responsibilities.

East Asian countries are among some of the richest in the world today. According to a UBS Wealth Management and PwC private banking report in 2018, “New Visionaries and the Chinese Century,” more than half of the new billionaires worldwide are from Asia, with China leading the way and minting more than two new billionaires

every week. Significantly, nearly all new entrants are self-made instead of being inheritors of previous generations’ wealth. At the same time, it has also become clear to these nations that wealth and profit don’t promise sustainability or happiness. Asian societies have started to seek solutions by studying theories and best practices from the West, as well as by looking for answers from their own traditions and philosophy that have served those societies for hundreds of years. The challenges of the modern world are of unparalleled complexity compared with those of the last century, however. They include external issues, such as terrorism, and internal ones, such as aging demographics, lack of access to education, and widening income inequality. Governments don’t have the resources to address these issues on their own, and non-profit organizations don’t have the capacity to scale solutions to meet all needs. Complex social problems demand disruptive and innovative efforts to define root causes and address them in a systematic way. The key question is, how can those societies and those actors pursue cross-sector collaborations that foster social innovation in East Asia?

## WHICH SECTOR LEADS?

In 2017, Leping Foundation collaborated with *Stanford Social Innovation Review* (SSIR) for the first time to produce a supplement that examined how social innovation is evolving in China, Japan, and Korea. We recognized at that time that despite the growing amount of resources and talent devoted to social innovation, and the increased attention that the concept is receiving in East Asia, few studies have explored how this region as a whole is adopting and diffusing social innovation to solve problems. The supplement received widespread attention and triggered considerable interest, which encouraged us to continue this collaborative learning effort by diving deeper into the topic.

Among the new trends we have seen in this growing field, one that stands out is a movement of “business for good” led by multiple players across the region, from large companies to family businesses to B Corps and social enterprises, and indexes/tools such as United Nations’ Sustainable Development Goals (SDGs), environmental, social and governance (ESG) criteria, and social impact bonds.

Businesses in East Asia are traditionally seen as “fast followers” of those in the West. However, as a result of information technology and other new technologies, innovation is happening not only in developed economies, such as those of Japan, Korea, and Singapore, but also in hybrid economies like China’s. From conventional areas such as automobiles and high-speed railways to emerging fields such as renewable energy, big data, AI robotics, and e-commerce, East Asian countries have emerged as technology powerhouses in the global market. Digital giants like Alibaba and Tencent have created social platforms for more than one billion users to interact in new and novel ways, from connecting with friends and family to picking up a shared bike, from paying bills to launching a business online. But the size of these countries means that new ideas create new problems as well. Consider, for instance, the oversupply of bike-sharing programs in China. Rapid growth has vastly outpaced demand and overwhelmed Chinese cities. Thousands of bicycles have been abandoned, forcing governments to remove them from the streets and store them at “bicycle graveyards.” This is just one example of the unforeseen negative impact of pioneering practices generated by the global sharing economy.

Businesses in East Asia have another reason to play a critical role in promoting social innovation: an underdeveloped third sector compared with those in the US and European countries. Although nonprofit organizations developed rapidly in the last 20 years in Japan, Korea, and

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China, the structure of a strong state that has a strong grip on power, and a weak civil society that emphasizes economic rather than political rights, remains unchanged. In this environment, it is hard for the third sector alone to scale solutions.

#### NEW INSIGHTS

This supplement features case studies and research that demonstrate the potential of business to foster social innovation in Northeast Asia and Southeast Asia. Articles examine the largest environmental organization in China, which is run by 900 business leaders; the social enterprise that developed what is now the most popular gay social network app in the world; and the businesses across East Asia that drive societal change in the region by implementing global indexes such as the SDGs Goals and the Benefit Impact Assessment tool.

In each of these articles, the ideas that separate “for-profit” and “for-public” organizations are blurred. The creativity and determination featured in the case studies illustrate the potential that businesses have when they play a leading role in promoting social innovation and solving major problems in the region. At the same time, a fundamental shift from maximizing profits for shareholders to a stakeholder economy that prioritizes sustainability and inclusiveness requires more than cherry-picking a few goals on the SDG chart. Instead, businesses need to prioritize sustainability and inclusiveness by redesigning their strategy to create long-term shared value.

Articles in this supplement demonstrate that social innovation led by businesses in Asia is an emerging field that takes many different

forms, and one of the keys to success is cross-sector collaboration that allows businesses to identify the right role to play to maximize their impact. Whether it’s the “collective philanthropy” of 900 business leaders in China, the first health-care social impact bond issued via a partnership between a new foundation and the city of Kobe in Japan, or an LGBT group in China that took a long and winding road to grow into a multimillion-dollar social enterprise, breakthroughs require a deep understanding of local culture. Raising awareness is not always enough, but a first step might be bringing about changes in people’s subconscious behavior.

The good news is that younger generations in East Asia, powered by new technologies, approach societal problems differently than older generations. Whether they are next-generation philanthropists devoted to establishing an ecosystem to support social innovation, or thousands of students who are taking classes on social innovation and sustainability at universities across Asia, this generation sees social issues as part of their mission from day one. They don’t care about format or identity; they are happy to blur the boundaries between business and philanthropy to pursue both profit and purpose. For them, business is a tool to do philanthropy better. Above all, they agree that a healthy society needs to be more diverse and inclusive.

This supplement seeks to provide insight and inspiration on how businesses and leaders in East Asia are responding to new social challenges. At a time of increasing social division within and between countries, we believe that these articles offer hope that entrepreneurs in Asia, like their counterparts in the West, are taking on those new challenges. ♦

# Shifting to a Stakeholder Economy

As society looks to the business world to solve the most pressing social and environmental issues, corporations are changing the way they are structured to fulfill their duties and new responsibilities.

BY JINGLIAN WU

**I**n the present day, society looks to businesses to address not only economic issues but also social problems—a change in expectation that came about in just the last two centuries.

In the 19th century, the social system was roughly divided into two sectors, private and public. Although this structure was viable under conditions of the time, it became fundamentally flawed as issues in the public sector became increasingly complex and costly.

By the 20th century, the deepening of the economic division of labor resulted in an increase in frequency of transactions and complexity of cooperative relationships. Dealing with the modern world's issues, from external ones such as national defense and counterterrorism to internal ones such as environmental protection, equity in education, and the shortfall of social security benefits for seniors, required more resources. As a result, governments found it harder and costlier to deal with these problems over time.

As a result, civil and nongovernmental organizations stepped up to take the lead in addressing society's various needs. The nonprofit sector developed rapidly in the 20th century and made major contributions in the public arena, from community service to citizens' empowerment.

However, it became clear that the third sector had its own challenges, particularly when it came to scaling solutions. Under such circumstances, further breaking the boundaries between the public

**Civil and nongovernmental organizations stepped up to take the lead. The sector developed rapidly in the 20th century and made major contributions, from community service to citizens' empowerment.**

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and private spheres and mobilizing more resources to deal with public affairs were put on the agenda. A trend emerged in the late 20th century among traditional nonprofit organizations and commercial enterprises. On the one hand, many nonprofit organizations no longer relied solely on donations and began to use commercial means to obtain business income to enhance their ability to provide social services. On the other hand, some commercial enterprises no longer regarded economic returns as the sole purpose of operation, but took the initiative to commit themselves to fulfilling more social responsibilities. As a result, a number of hybrid organizations with both a public welfare and a commercial nature, which some call "social enterprises," emerged.

Among them, it was particularly noticeable that many commercial enterprises had set clear social goals for themselves. The emergence of this new type of enterprise was of great significance, because if tens of millions of enterprises could also use the spirit of innovation and entrepreneurship for public good, the power to solve social problems could be magnified hundreds or even thousands of times.

Anyone who knows the history of modern companies knows that in the early 1990s a corporate governance movement was taking place around the world due to the growing belief that the separation between ownership and control led to a flawed structure, whereby executives had total control of companies. Those opposed to the governance practices of the time argued that strengthening the supervision of owners (shareholders) over executives was needed for optimized checks and balances that would keep management from insider control and power manipulation.

In 1995, American economist Margaret M. Blair, whom I met at Yale when I was a visiting scholar, claimed in her book *Ownership and Control: Rethinking Corporate Governance for the Twenty-First Century* that strengthening owners' and proprietors' supervision and control over companies, as pushed by the revolution, would not solve what was wrong with corporate governance. Rather, Blair argued that corporations should be "maximizing total wealth" by providing ownership-like incentives to shareholders and stakeholders. In other words, a company should be responsible not only to shareholders, but also to stakeholders, such as employees, suppliers and distributors, the community, customers, and even society.

At the time, Blair's argument was not taken seriously in the business world. In fact, when I invited Blair to China, most economists in China disagreed with her and considered her ideas flawed. Instead, the popular belief at the time was that entrepreneurs who ran their firms well and made profits were fulfilling their social responsibilities.

## BENEFIT CORPORATIONS

Only after entering the new century, under the impact of contradictions of capitalism that resulted in wealth inequality and the social ideological trend of utilizing business measures to solve social problems, did Blair's arguments gain approval. A new kind of business emerged: the benefit corporation (B Corporation). In 2010, the state of Maryland was the first to enact benefit corporation legislation, and since then, 36 more states have followed suit with some form of legislation.

Benefit corporations are not entitled to tax benefits, though they are required to define their social responsibilities (which the board of directors is responsible for fulfilling) in their articles of incorporation and report performance to the public using a third-party standard.

Besides self-restraint of enterprises, benefit corporations also need help and supervision from the society, to fulfill their social responsibilities. In the US, this issue is solved by nonprofit organizations

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. ♦

# Seeking Common Ground

Through cross-sector partnerships and identifying ways to meet the needs of the community, China-based Blued is a business success story that also proves to be an asset for LGBTQ rights, ensuring that members' voices are both heard and visible.

BY LE GENG, YULIN LI & YONG WANG

**W**ith 40 million registered users around the world (30 percent of which live outside of China) and valued at \$600 million, the Beijing-based app Blued has become a global business empire. In February 2018, Blued—a social platform for gay communities—raised \$100 million in a Series D funding round—its seventh round of fundraising since its establishment in 2012.

Before Blued was founded, it started as a personal website in 2000 that was known as danlan.org (*danlan* means “light blue” in Chinese), which served as an online discussion forum for the gay community. Today, besides being China’s largest gay dating app, Blued is a pillar for the LGBTQ community, offering online and offline services ranging from fertility care to HIV/AIDS prevention education to information about HIV screenings. Users can share updates and photos, watch live broadcasts, play games, and even shop through the app.

While Blued’s business success is impressive, its story shows that even in China, where homosexuality was considered a mental illness until only a handful of years ago (though the situation has vastly improved thanks to globalized thinking that has resulted from access to the Internet), an organization can strengthen the LGBTQ community and advocate for LGBTQ rights while simultaneously being profitable.

## CHANGING HEARTS AND MINDS

Blued’s story begins in the mid-1990s when gay sex was considered a crime and homosexuality was classified as a mental illness in China. At the time, Le Geng, a former police officer, was grappling with an identity he thought was abnormal and different from other people. By the time Geng graduated from the police academy in 1996, the Internet was more accessible in China, and he found solace and support through online LGBTQ communities.

Online activism in China played a big role in uniting ostracized people and reassuring them that they were not alone through the establishment of online communities that shared information and knowledge with one another—essential to physical and mental health and well-being. Online groups, like Boya, Aibai, and Pengyou Bieku (Don’t Cry My Friends) gave people in the LGBTQ community a sense of belonging through shared marginalized identities. As a result of joining these early

digital communities, Geng was eager to share his story. He purchased a manual guide on website design, and his personal blog, Blued Memory, was launched shortly after, in 2000.

Because of his profession and China’s complicated cultural stance on homosexuality, Geng—like many gay Chinese men—lived a double life. By day, he was a police officer chasing burglars in Qinhuangdao, a coastal city in the Hebei province. By night, he was a gay man operating a popular website, Blued Memory, for the LGBTQ community. For six years, Geng ran Blued Memory on his own, relying on his police wages and donations and technical support from Chinese netizens to keep the site up and running.

As readers began to demand more interactions on Blued Memory, Geng put together a team of website owners and friends who ran online gay communities. In 2006, Blued Memory was renamed Blued and rebranded itself as a discussion forum for news and information relevant to the LGBTQ community.

With the support of a new team, Blued quickly became a well-known gay Web portal in China. However, as a gay site, it was repeatedly shut down by regulators and service providers who categorized it as “illegal” or “pornographic.”

Access to the Internet and information began to change the social climate and public attitudes in China. In 1997, consensual gay sex was decriminalized, and in 2001, homosexuality was removed from the country’s list of diseases. When the 2008 Summer Olympic Games were held in Beijing, Xinhua, a state-run media platform published a report on Blued in July to showcase China’s openness to LGBTQ groups and lifestyles.

## GOVERNMENT PARTNERSHIPS

In 2009, Geng and his team moved to a rented residential building in Beijing known to be home to a centralized gay community, as well as

people who are more tolerant of alternative lifestyles. In general, Beijing has more talent and resources to support the growth of its specialized and community-focused network.

Around this time, after learning that some of his friends had contracted HIV and that infection rates were climbing among men who have sex with men (MSM) in China, Geng founded Blued for Good, to offer assistance and services on HIV/AIDS prevention.

At the time, the HIV endemic affecting MSM raised concerns among Chinese health departments, which found it difficult to

identify the community in need of intervention services. Blued for Good, which consisted of a few staffers and volunteers, partnered with the Chinese Center for Disease Control and Prevention (CDC) in Beijing’s Changping District to offer services that included information on HIV/AIDS prevention, HIV screenings, and antidiscrimination education.

Because of its work with the gay community, Blued has been praised and recognized by local and national health departments, such as the CDC, the World Health Organization (WHO), and the

**Because of its work with the gay community, Blued has been praised and recognized by local and national health departments, such as the CDC, WHO, and the Joint United Nations Programme on HIV and AIDS.**

LE GENG is the founder and CEO of Blued. YULIN LI is the founder of Philanthropy Watch Lab. YONG WANG is a journalist, based in Beijing.

Joint United Nations Programme on HIV and AIDS. In November 2012, the Department of Health invited Geng and 11 other representatives working on HIV/AIDS prevention to take part in a conference chaired by China's vice prime minister Li Keqiang, then director of the State Council's committee on HIV/AIDS prevention and treatment. A photo of Geng shaking Li's hand was widely shared in media reports and social media groups, increasing Blue's clout and popularity among the public.

### SOCIAL NETWORK CAPITAL

By 2012, Blue had developed into an influential organization, transforming from its humble beginnings as a personal blog into a platform that offered HIV/AIDS prevention services and partnered with government agencies to respond to the needs of the gay community. Yet, Blue was far from being a sustainable operation and relied on advertising revenue and government funds to make ends meet. It desperately needed to find a business model that was profitable.

Also, Blue could no longer rely on Geng's police wages after a documentary featuring him led to his resignation from the police force. There was still much work to be done for the LGBTQ community, but Geng had a hard time finding talent to add to a team when he was already struggling to maintain current team members' meager salaries.

Around this time, social and economic development was flourishing in China. Geng realized that the gay community was more than a community of friends; it was also a large group of consumers whose needs and interests Blue understood well. After this realization, Geng identified marketing opportunities in entertainment, shopping, and movies that were targeted at gay and lesbian consumers in order to maximize the potential of his base, and to even extend it further.

In 2011, Geng participated in a Social Entrepreneur Training Course organized by the British Council in Beijing, where he learned about the concepts of social enterprise and social entrepreneurship. After the training, Geng rebranded Blue as a social enterprise dedicated to providing services to a disadvantaged minority group and destigmatizing gay culture in China.

Next, Geng and his team developed the mobile social networking app Blue, which was launched in 2012 with features that enabled authentication of profiles, the ability for users to broadcast live, a timeline with endless streams of photos and videos, and group chats that users could join. Blue's high traffic, recognition by the government, and large gay user base made it an influential platform, especially after it received 3 million yuan (\$450,000) in its first round of funding. The following year, investments in Blue reached a whopping \$30 million.

Thanks to its new investments, Blue expanded its products to include live broadcasting in the vertical market in December 2015, allowing it to sell virtual gifts and coins to users. The revenue from these sales is shared with broadcast hosts. The app also introduced short videos and joint gaming operations. As one of the few Internet traffic sources for the LGBTQ community, Blue attracted advertisers—including big brands like JingDong, Taobao, and Durex—and revenue generated from advertising increased 20 percent between 2015 and 2016.

In May 2017, Blue expanded its services to include overseas medical consulting in countries such as the United States and Canada to provide sexual and reproductive health services to minorities and people who have dealt with infertility.

Today, Blue is available in 11 languages. It is also among the leading gay apps in Thailand, Vietnam, Indonesia, Malaysia, and other Southeast Asian countries; recently, it has expanded into Mexico, Brazil, and India. Blue continues to grow internationally, and in August 2018,

the organization sponsored the Gay Games 10 in Paris, a worldwide sports and cultural event that promotes acceptance of sexual diversity.

### PROFIT WITH A CONSCIENCE

Blue's profitability does not jeopardize its social mission to provide information and services for HIV/AIDS prevention, acceptance of sexual diversity, and antidiscrimination advocacy. Blue shares information vital to the LGBTQ community through its app and online platform.

HIV/AIDS prevention education, free screenings, an online portal that connects users with local labs, and consulting are its priorities. And a large number of resources have been secured to ensure that these priorities are met and made easily available to the community. Additionally, ten percent of the organization's advertising revenue is donated to a campaign for charity purposes.

Today, Blue has a dedicated team of eight full-time staffers and more than 150 volunteers in Beijing working in its HIV/AIDS prevention initiatives.

**The story of Blue shows that there is always a chance to seek common ground by recognizing and meeting the needs of the LGBTQ community in China. Blue gives its members much-needed visibility.**

In Beijing, Blue developed four Blue Happy Testing offices with the CDC to offer free HIV testing and health and medical consulting services for MSM. In 2016, more than 22,000 people in Beijing accessed these free services. Through partnerships with local grassroots organizations, Blue established 15 more testing offices in the cities of Qingdao, Chengdu, and Shenzhen.

In addition, Blue has developed an online system, or online testing lab, that connects users with more than 200 HIV testing centers nationwide. Through its online data bank, Blue devel-

oped a digital platform for 46 HIV/AIDS organizations across the nation to provide education and intervention programs and services. The Internet has enabled Blue to extend its HIV/AIDS prevention activities to Thailand, Indonesia, and Vietnam. Blue also contributed to research programs for Tsinghua University, Sun Yat-Sen University, Beijing CDC and the national CDC. Blue is currently applying, alongside North Dakota State University and Emory University, for a research grant on Internet-based innovation funded by the National Institutes of Health in the United States.

The story of Blue shows that there is always a chance to seek common ground, despite people's differences. By actively responding to the government's need for HIV/AIDS prevention, Blue was able to build partnerships with agencies at the local and national levels. By tapping into marketing opportunities targeted at gay and lesbian consumers, Blue became sustainable and profitable. More important, by recognizing and meeting the needs of the LGBTQ community in China, from health care to entertainment to culture, Blue gives its members much-needed visibility. ♦

**Editor's Note:** In January 2019, Blue (among other social networking apps) was accused by Chinese media of failing to prevent minors from misusing the app, resulting in the spread of cases of HIV/AIDS. In response, Blue released an official statement that repeated its longstanding policy of zero tolerance of users under 18 years of age, and added that it will review its internal governance and technological capability to ensure that such incidents won't happen again. This problem is not unique to Blue; all social networking platforms must make serious efforts to ensure that users are not harmed when they are connected to others.

# The SEE Way

Entrepreneurs have launched a bold new democratic practice to save the environment in China.

BY YONG WANG & YULIN LI

Philanthropy is the spiritual home for entrepreneurs," entrepreneur Luming Ai said at the 18th annual conference of Yabuli China Entrepreneurs Forum, in 2018. Ai, who started his first business in 1988, is the chairman of Wuhan Dangdai Science & Technology Industries, the largest private company in China's Hubei province, with more than \$4 billion in assets as of 2017.

Launched in 2004, the Alashan Society of Entrepreneurs and Ecology (SEE) is the first nonprofit in China that was founded by a group of entrepreneurs to focus on ecological protection for the country. In November 2017, Ai was elected as SEE's seventh president. He, along with 900 other business leaders, make up SEE's founding members. Currently, SEE is the largest funder in the environmental protection area in China.

## AN ENTREPRENEURIAL AWAKENING

In the westernmost part of Inner Mongolia Autonomous Region lies a seedbed of endless sandstorms threatening to Beijing. Alxa Desert is expanding at a rapid annual rate of 1,000 square kilometers, or about the size of a medium county town, and impacting southeast coastal areas as well as parts of Japan and Korea. In 2003, Liu Xiaoguang, then a general manager of Beijing Capital Group, visited Alxa Desert with other entrepreneurs. In the face of endless yellow sand, entrepreneurs at the meeting started to think about what they could do. Liu was the first one to put forward the notion to found SEE.

Liu believes that influential business leaders like him have a responsibility to do good for their country. Liu is joined in his environmental cause by high-profile business leaders, such as Wang Shi, founder of China Vanke, the largest real estate enterprise in China; Shi Yuzhu, founder of Giant Interactive Group, one of China's most successful gaming companies; and Feng Lun, chairman of Vantone Investment Group, one of the oldest real estate companies in China. Wang and Feng became the second and fourth presidents of SEE, respectively.

In June 2004, nearly 100 entrepreneurs gathered at Alxa and declared the establishment of the SEE, a membership organization governed by entrepreneurs. Each member commits to donating 100,000 yen (about \$14,000) every year. Following the principle of "one person, one vote," all members will participate in the governance of SEE. Liu was elected the organization's first president.

In 2008, SEE registered the SEE Foundation to make it easier to accept donations. Since then, tens of millions of yuan have been raised every year. In 2014, the SEE Foundation became a public foundation. SEE's 2017 annual revenue was 201 million yuan (\$29.19 million), while expenditures totaled 88 million yuan (\$12.78 million).

YONG WANG is a journalist based in Beijing. YULIN LI is the founder of Philanthropy Watch Lab.

## BUILDING INVESTMENT

China's entry into the World Trade Organization provided rapid growth in the first decade of the 21st century, making it the second-largest economy in the world. Consequently, the number of entrepreneurs and their disposable wealth also increased alongside the nation's economic growth.

SEE benefited from this prosperity. When Ren Zhiqiang, chairman of Huayuan Real Estate, was elected SEE's fifth president in 2014, his goal was to recruit 200 members during his term. By the following year, membership was at 506, and membership has continued to increase each year; in 2018, there were more than 900 members.

Ai, who joined SEE in 2013, comes from a generation of entrepreneurs who received a socialist education and felt a duty to take on environmental and social responsibilities after China's economic reform initiated in 1978. In order to continue the important work his generation has done for the environment, Ai is dedicated to the next generation of entrepreneurs. During his tenure as vice president of SEE, he recruited 61 members of the millennial generation, noting that their future welfare is in their hands: "Today many young people return after studying overseas, where they already have gained the awareness of environmental protection and philanthropy. Now they can join SEE to discuss with their peers how businesses can help protect the environment and advance philanthropy."

While SEE's membership has grown, the organization continues to insist on principles of equal participation, democratic decision making, checks and balances, transparency, and supervision both internally and publicly. This form of governance is unique in China. In recent decades, the practice of "concentrating power to accomplish big things" made great contributions to China's economic growth. Quite a lot of entrepreneurs are accustomed to making quick decisions by concentrating power. In the nonprofit sector in China, organizations that strictly follow practices of democratic decision making in which all members participate are rare.

Ai became SEE's first vice president in 2015. He made three promises in his campaign: to spend 50 percent of his time on SEE's management and operation, to donate 12 million yuan (\$1.73 million) in two years, and to recruit another 50 millennial members. He had already honored those promises when he ran for the presidency for the second time in 2017—a vote he won to become SEE's seventh president.

Along with Ai, several young candidates were elected: five were born in the 1980s and two in the 1990s. All were of different ages, had diverse experiences, and came from different sizes of enterprises in a wide range of industries. They have distinct opinions and approaches and yet have made the same vow to fight for environmental protection. In fact, their divergence was greater than their consensus. SEE's debating culture was unique among China's nonprofits.

## CROSS-SECTOR COLLABORATION

SEE has three main focus areas: prevention and control of desertification, building green supply chains and pollution control, and ecological protection and nature education.

In order to tackle the first focus area, SEE works with local farmers and herdsman to grow sacsaoul and tamarisk trees and use water-saving irrigation technology to delay the desertification process. In 2014, SEE launched the 100 Million Sacsaouls project to increase the existence of sacsaouls in key ecological zones in Alxa. SEE also introduced technology that grafted the expensive herb cistanche onto sacsaouls.

SEE taps into its advantage of being a club of entrepreneurs by cooperating with many big enterprises. It closely works with the Ant Financial Services Group under Alibaba via the virtual social media

game Ant Forest. Users can grow a virtual tree by gathering enough green energy through walking, bicycling, paperless-online working, or the digital payment application Alipay and more. When the user plants one tree in Ant Forest, SEE plants one sassaoul in the desert in reality. Users can literally see the growth of the tree by satellite image, which encourages more people to contribute to environmental protection.

Through this initial work, members of SEE realize that business, including their own companies, has a big impact on environmental protection. The organization's second focus area revolves around building sustainable supply chains, and every SEE member is required to practice what he or she preaches in their own businesses. In 2016, the organization worked with the real estate industry to improve the environmental performance of suppliers of steel, cement, aluminum alloy, and timber. The initiative resulted in the white paper "Green Supply Chain in Real Estate Industry in China," and a preliminary list of up-to-standard suppliers was created for real estate enterprises. The organization's efforts also revolve around creating a set of environmental standards that industries are recommended to follow. For instance, SEE funds an NGO to evaluate the environmental data transparency indexes of many industries, and the pollution data of each enterprise is made public. This transparency has pressured more than 3,380 suppliers to change their systems to comply with environmental requirements; pollution data covers 364 cities.

Besides building awareness through its environmental projects, SEE is committed to the growth of environmental NGOs in China; most of them are still at a nascent stage with very few resources available. As of August 2018, SEE had funded 277 environmental NGOs with grants totaling 27 million yuan (\$3.89 million). Located across China's 31 provinces, cities, and autonomous regions, these NGOs are active in such areas as pollution prevention and control, ecology and environmental protection, and garbage reduction. In 2012, SEE launched the Hand-in-Hand project, which provides nonrestrictive funds totaling 300,000 yuan (\$43,237) for three consecutive years to environmental NGOs. The project also helps build a team of advisors to support the growth and success of these NGOs. Between 2013 and 2018, the project funded 54 organizations with grants totaling more than 10 million yuan (\$1.44 million).

From working with locals to educate them on water-saving systems to projects like Blue Soldier, which makes pollution data public, to projects like Free Fly, aimed at saving the most endangered waterfowl and its habitats, SEE is tackling environmental issues on all fronts.

SEE has grown as an important environmental organization in China. As a charismatic leader widely respected by entrepreneurs in the private sector, Ai sees his priority as SEE's president is to "passing down SEE from generation to generation." Led by Ai, SEE has reformed its organization structure to attract more forces to join. Local Project Centers are initiated by SEE members, and there were more than 23 centers by the end of 2018.

Under Ai's leadership, SEE founded the Environment Philanthropy Institute in 2018. "We want to pass on our core values such as business for good to strengthen our capacity to grow even bigger. We may not find the best solutions to many issues, but it's important to pass on some basic values and concepts," he says.

SEE has received numerous awards from the government for its work. In the coming years, SEE will find ways to cooperate further with the government to leverage more resources. "Who is the largest-capacity provider in environmental protection in China?" Ai asks. "Not entrepreneurs. Not the public. But the government. The government is the biggest-capacity provider. We need to admit that and join hands." ♦

# Managing for Ambiguity

Sustainable enterprise is increasingly relying on artful thinking and Eastern philosophy to innovate Western business models for global practice.

BY NOBUYOSHI OHMURO

**H**ow can effective sustainable enterprises tackle social issues and, in the process, employ the important contributions that Eastern philosophies can make in this area? The model proposed here can stimulate innovation and concurrently address social issues while working toward important global priorities such as the United Nations' Sustainable Development Goals (SDGs), a collection of 17 global goals covering social and economic development issues, set by the United Nations General Assembly in 2015. However, this model requires flexibility and even a certain level of ambiguity in areas that cannot be explained by theory and rationality. At the same time, there is still a need for the "science" of Western business practices. In other words, the best model combines Eastern and Western approaches.

## OPEN INNOVATION AND ART THINKING

We face a range of complex and diverse social issues across the globe. This situation also provides a range of opportunities to modify certain social structures. Solutions that make use of market mechanisms have come into the spotlight.

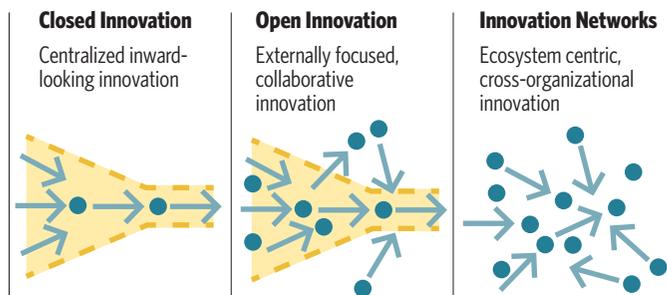
Solving social issues is not solely the province of government and nonprofits. In principle, the role of government is to serve the public good, but government is often unable to see the details of social problems. As a result, government tends to focus on symptomatic treatment of social issues and does not have the tools to solve them at a fundamental level. This can also be seen, however, as a great opportunity for business to flourish while tackling social issues. Also, given that a lot of social problems have been created by the market, often it is ultimately only the market that can resolve them.

At the same time, a recent evolution in innovation—from a closed model to a more open one—is in the process of becoming more ecosystem-centric. Of note is the trend away from the maximization of corporate value and toward maximization of social value, as shown in "The Evolution of Innovation" (opposite page). Thus, innovation emerges from relationships with society and diverse stakeholders, and corporations must adapt to this by integrating social awareness and economic values. Such a change brings a new perspective to innovation theory.

Analysts of innovation theory are beginning to pay attention to a concept known as "art thinking," explored in depth by New York University professor Amy Whitaker in her book, *Art Thinking: How to*

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## The Evolution of Innovation



SOURCE: Open Innovation 2.0 Yearbook 2013

## Points of Contrast

FACTOR	OI1.0	OI2.0
<b>Purpose</b>	<ul style="list-style-type: none"> <li>Improving the efficiency of research and development</li> <li>Creating a startup business</li> </ul>	<ul style="list-style-type: none"> <li>Solving the common social issues</li> </ul>
<b>Collaboration</b>	<ul style="list-style-type: none"> <li>One-on-one relationship</li> </ul>	<ul style="list-style-type: none"> <li>Ecosystem of various parties concerned collaborate in a multilayered way</li> </ul>
<b>Initiative</b>	<ul style="list-style-type: none"> <li>Companies</li> </ul>	<ul style="list-style-type: none"> <li>Citizens</li> <li>Users</li> </ul>
<b>Characteristics</b>	<ul style="list-style-type: none"> <li>Citizens and users do not participate in OI process</li> <li>Build a win-win relationship</li> </ul>	<ul style="list-style-type: none"> <li>Citizen participation and cocreation</li> <li>Orchestration</li> </ul>

SOURCE: NEDO

*Carve Out Creative Space in a World of Schedules, Budgets, and Bosses.* Previously, what was known as “design thinking” had been favored, but its rigid adherence to logic left a feeling that something was lacking in this era of open innovation. The importance of ambiguity came into focus. Art thinking involves depicting the future as we want it to be and applying art production processes to the field of business. Innovation can be born out of this ambiguity. This approach has had an impact on corporate models, as “Points of Contrast” (above) shows. Stimulation of innovation requires identification and interfacing with social issues. The corporate world cannot afford to ignore this.

As approaches to innovation and the tackling of social issues have come to embrace vision and ambiguity, effects can be seen in corporate business models. Currently, corporate modeling is becoming more of a hybrid of economic concerns and social ones. This movement started in the 1980s with the concept of stakeholder management, in connection with development of the “corporate social responsibility” (CSR) concept. Since the 2010s, other models, such as Michael Porter and Mark Kramer’s “creating shared value” (CSV) as a business strategy, and Rosabeth Moss Kanter’s “great company” and John Mackey and Raj Sisodia’s “conscious company” as corporate models, have emerged.

The latest corporate model, known as “sustainable enterprise,” is defined as

one in which the corporation contributes to the building of a sustainable society through its management style while minimizing conflict between stakeholders. This style does not deprioritize stakeholders, but it still works toward the important development goals such as SDGs. The key principles revolve around the provision of a product or service that addresses social issues, causes no unnecessary harm, and contributes to the enlightenment of minds. Among these three elements, the emphasis is on avoiding generating new social problems rather than solving existing ones—see “Three Elements of Sustainable Enterprise” (below).

From an innovation perspective, business models featuring this kind of management style make sense. Current innovation theories favor collaboration between a variety of stakeholders (Open Innovation 2.0). The emphasis in open innovation has shifted away from maximization of economic value in the corporation toward finding resolutions to common social problems. Accordingly, it has become crucial to nurture relationships with society and position the businesses as entities that help deal with social issues, or, at the very least, don’t contribute to them.

This business model is more mission oriented than the model to maximize profit. There are several examples of sustainable enterprises worth looking at in depth, notably Patagonia from the United States, Lush from the United Kingdom, Eko Plaza from the Netherlands, and Ikeuchi Organic from Japan. Ikeuchi is one of the best-known towel makers in East Asia: It manufactures only 100 percent organic cotton towels. The cotton it uses is grown organically, and most of it has been sourced from the same farms for many years. It uses low-impact dyeing methods, which are deemed suitable for babies and toddlers under 3 years of age. The products are made with wind-generated power at the first 100 percent wind-powered factory in Japan since 2002.

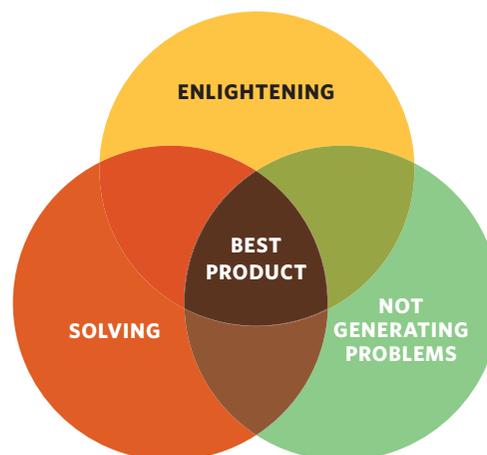
As these cases demonstrate, there has been a global diffusion of this business model. What these examples have in common is a commitment not to create social problems or harm. For example, Ikeuchi Organic defines its mission as “making textiles with the utmost safety and minimal environmental burden.” Patagonia’s company philosophy includes “Build the best product” and “Cause no unnecessary harm.” It is clear that doing no harm is considered to be as important as endeavoring to solve existing problems—and in reality existing problems are not being tackled. This is because it is extremely difficult to focus on issues that are hard to visualize and are consequently virtually incomprehensible.

This is largely due to a predilection for separating the economy from

society. Under these conditions, society and economics are dealt with separately in accordance with such schools of thought as CSR or CSV. Ultimately, the integration of business and society needs to be considered if both are to thrive. As a result, this has created a need for a business philosophy that does not create new social problems, does not cause harm or loss to stakeholders, and integrates economics and society.

We need an approach that involves a business model that tackles social problems, and a business model that encompasses society and business and integrates the two.

## Three Elements of Sustainable Enterprise



### INTEGRATING EASTERN PHILOSOPHY

One way of making headway on this conundrum has been the exploration of Eastern philosophies. Business leaders such as

Yvon Chouinard, founder of Patagonia, are enthusiasts of Zen Buddhism, the heart of which is *zazen* (sitting meditation), the most direct way to see into the mind. Historically, it has been an uncommon approach but is gaining traction in business situations around the world. Many large companies, even Google, have introduced “mindfulness” as a tool for the management of creativity and innovation.

One often-seen feature of Eastern schools of thought is the concept of the bird’s-eye view—taking in things in a comprehensive manner. In Eastern medicine, root causes of health problems can be identified in the bird’s-eye view, though they may remain unidentifiable or invisible to the Western approach. The Eastern approach strips off layers until the essence of the problem is visible. For example, this means that you can approach the essence of the problem by setting aside logic and rationality. This way, the risk of disregarding what is not yet understood, which can be a feature of the Western approach, is avoided. The whole entity is focused upon, including elements about which little or nothing is known.

There is, therefore, an aspect of this approach that coincides with art thinking, in the sense that one maintains one’s awareness of the invisible, or that which is not yet readily identifiable. Eventually, this ambiguity can secure the emergence of innovation and the sustainability of the company. Consequently, a vision can be crystallized whereby social issues can be tackled. This explains the adoption of Eastern philosophies or art thinking by many companies in recent years.

The dichotomy that often dominates Western thought can result in a categorization of the subject at hand into two aspects. This dichotomous approach does not lend itself to finding realistic approaches to innovation or to social problems. But given that a scientific approach is sometimes necessary in business, this mind-set has its value. A more Western approach favors separation of invention and innovation. Both business and innovation require nescience, such as art thinking, and science, led by Western philosophy, as well as a bird’s-eye view (Eastern philosophy) that connects them. Corporate management needs to incorporate aspects of both Eastern and Western philosophies.

For a fully integrated approach to society and economics, analyses that rely purely on Western schools of thought fall short, so the development of management modes and styles informed by Eastern philosophies is needed. The program offered by the Johns Hopkins Carey Business School and Maryland Institute College of Art in a joint MBA/MA in design leadership is a step in the right direction. It shows how art thinking and design thinking can complement each other, and also how visions for the future can be set forth within an art context, while the design context creates a business platform for that vision. It specifically integrates the philosophy of the CEO with the business side of the equation. The curator brings meaning to these relationships, and consequently the nurturing of these curators will be increasingly important.

To manage the ambiguity, corporations need to set vision, enable free interpretation for stakeholders, and govern the ambiguity’s interpretation through communication with management. As a result, corporations are required to supplement the science of management with conceptual aspects like vision and philosophy.

The most appropriate corporate model is one of sustainable enterprise—specifically, one that incorporates Eastern philosophy. This sustainability will not only be good for individual companies but also enable the achievement of a sustainable society. ♦

# Creating a Vibrant Social Innovation Ecosystem

Nurturing current and future leaders and improving governance in Singapore is transforming the entire business community and their collective social responsibility.

BY SWEE SUM LAM & LING HAN

**G**rowing up in Singapore, CEO and cofounder of Manila-based BagoSphere Zhihan Lee loved solving problems through research. When he was an engineering science major at the National University of Singapore (NUS), however, the experiments conducted inside the walls of a lab didn’t grip him with the same excitement. He wanted to find solutions to the problem of unemployment, and specifically how to create the most direct and efficient pathway to employment for high school graduates.

BagoSphere prepares underprivileged youth in rural areas of the Philippines with the skills needed for jobs in high demand. The social enterprise offers a four-week vocational training program in English, as well as education to learn the relevant technical and soft skills required to transform these youths into employable workers in the service sector, especially at call centers. Lee’s entrepreneurial path illustrates how immersive experiences during his university years became instrumental in his founding of BagoSphere.

Universities in Singapore understand that cultivating a socially conscious business culture on a national level requires hands-on immersive experiences for young people. Exposure to the global startup culture helps motivate young Singaporeans to envision their contributions beyond the country. In Lee’s case, the National University of Singapore Overseas Colleges (NOC) program gave Lee the opportunity for extensive travel and learning experiences. During this time, he realized how doing business with a social consciousness could benefit communities in Singapore and beyond. Before launching BagoSphere, Lee led a youth expedition in Laos, took classes at Stockholm School of Entrepreneurship from NOC Stockholm, and participated in NOC India, working with a social enterprise in rural IT sourcing. All these overseas experiences provided by the universities helped to cultivate this young Singaporean’s socially conscious mind-set when starting his own business.

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## A NATIONAL OBJECTIVE

There are 470,000 businesses operating in Singapore, making it a leading entrepreneurial hub in Asia. In recent years, Singapore has ranked consistently in the top five countries worldwide in which to start a social enterprise, and the World Bank's 2018 report titled "Doing Business" ranked Singapore second among 190 economies in business regulation and the ease of establishing operations.

The country's increasing growth in the social enterprise sector is the result of strategic collaborations in the public-private-people (3P) sectors. Former president Tony Tan Keng Yam launched the President's Challenge Social Enterprise Award in 2012 to "inspire more individuals, particularly our youths, to develop business ventures that also serve social causes." As a result of the series of initiatives promoting social enterprises, more than 65 percent of respondents in the 2016 Public Perception of Social Enterprises Survey reported awareness of the social enterprise sector. Since 2010, results from the survey, conducted by Asia Centre for Social Entrepreneurship and Philanthropy (ACSEP), increased fivefold. The rising awareness has translated into more discerning buyers who value social mission and quality equally. And during the country's National Day in 2018, the holiday parade's theme song, "We Are Singapore," featured social entrepreneur Yinzhou Cai of Geylang Adventures. Yinzhou has spearheaded many social initiatives, from offering free haircuts for migrant workers to establishing a sustainable tourism model in the red-light district. Pictures of Yinzhou, dubbed a "Young Change Maker" with the message "I am a Social Entrepreneur. We are Singapore," were placed throughout university campuses and bus stops to promote awareness of the social enterprise sector.

In addition to the country's efforts to increase public awareness in social entrepreneurship, the Singapore government recognizes that

cross-sector partnerships are needed for an ecosystem that supports innovation and social impact, because "not all problems can be solved by merely business or [the] social sector," says Hsieh Fu Hua, the former president of the National Council of Social Service (NCSS).

There are three emergent trends promoting the social enterprise sector in Singapore and transforming the country's social architecture. First, intermediary organizations like the Singapore Centre for Social Enterprise (raiSE) are established to improve cross-sector coordination and raise public awareness about the evolving sector. Established in 2015, the government-related agency currently counts more than 400 social enterprises as member organizations, a 32 percent jump since 2016. raiSE aims to support social enterprises addressing a social or developmental need by providing resources like a BusinessForGood directory, a VentureForGood fund, and the event FestivalForGood, which is the largest gathering for social enterprises in Singapore. Between 2016 and 2017, FestivalForGood attendees increased fivefold, and the festival in 2018 hosted more than 8,000 attendees. Aside from awareness, the FestivalForGood offers corporations ways to make social enterprises part of their sustainability journey.

While public awareness has increased, the financial sustainability of social enterprises is still a challenge. ACSEP works with raiSE to assess how the depth of public awareness about social enterprises is linked to actual consumption.

Second, building and strengthening an ecosystem that supports a do-good business culture requires major participation from the public and private sectors, and several firms have stepped up to the task: Temasek Trust (a philanthropic arm of the Singapore sovereign wealth fund, Temasek Holdings), the Singapore Totalisator Board (Tote Board), DBS Foundation, SG Enable, SPRING Singapore (the Standards,

Productivity, and Innovation Board under the Ministry of Trade and Industry of Singapore), the Singapore International Foundation, and the Singapore National Co-operative Federation (SNCF) provide funding to build capacity and collaboration in the sector.

Besides quasi-governmental intermediaries, Singapore-based private investment networks, such as Asian Venture Philanthropy Network (AVPN), Impact Investment Exchange Asia (IIX), and Transformational Business Network Asia, stimulate growth in the sector by connecting social good businesses with global partners and investors. Accelerators and incubators like Base of the Pyramid (BoP) Hub, Singtel Future Makers, and Impact Hub Singapore offer learning platforms for cross-sector collaboration among business ventures, technologists, and manufacturers. In 2011, Ashoka Malaysia & Singapore opened its doors as a resource hub for young social innovators. The organization recently elected its first cohort of fellows looking to make systematic change throughout Asia. Besides mentorship, the organization will provide up-and-coming young social innovators with the cross-sectoral resources they need to survive beyond the first two to three years of their operations.

Third, Singapore is setting the bar high for other countries to follow when it comes to the role that government plays in promoting a “do good” business mentality and culture. For instance, the Singapore Exchange (SGX) made it mandatory for all listed companies to report their environmental, social, and governance practices starting in 2017. This mandatory sustainability reporting on a “comply or explain” basis could assert influence on companies to examine their code of corporate governance from the perspectives of sustainability and strategic development.

In addition to these initiatives, the National Volunteer and Philanthropy Centre (NVPC) is funding research to examine if and how state-led programs can create lasting impact in the sector. NVPC

partnered with the NUS Business School to establish the Company of Good Fellowship Program, which has more than 1,000 participating for-profit enterprises learning how to do good in more strategic, sustainable, and impactful ways.

### UNIVERSITY AS INCUBATOR

The career paths that young people embark on are often dependent on the opportunities afforded to them in their communities. As a result, higher learning institutions act as important centers of societal influences and bear a lot of responsibility for how future generations tackle major social and economic challenges. Universities in Singapore have proved that they are aware of their moral responsibilities and global development.

At NUS, Poh Kam Wong, professor and senior director of NUS Entrepreneurship Centre (NEC), introduced a purpose-driven approach to business-model design that puts social impact and social cause as the primary goal. The module is offered to those inside and outside the NUS Overseas Colleges (NOC) program community. Singapore Management University (SMU) also redesigned their core undergraduate curriculum to enhance multidisciplinary learning through integrating internship and community service. First available during the 2018-2019 academic year, the new exploratory course will encourage students to experiment with classes outside their major or usual sphere of interest. To qualify for an internship with the NUS NOC program, students must complete certain course modules, from business fundamentals to research design processes. The program pairs students with a startup or a business for a yearlong internship.

“We want to build an ecosystem [to support social entrepreneurship], not just in NUS, but in Singapore, or in Asia itself,” says Jie Yi Lee, the executive of NEC who is responsible for building a roster of social enterprises for NEC’s community.

## Southeast Asian Social Innovation Network

BY CAROLYN MCMILLAN  
& MARK ANDERSON

**F**unded by the European Commission and coordinated by Glasgow Caledonian University, the Southeast Asian Social Innovation Network (SEASIN) project aims to develop a network of universities that will help support its goals of achieving sustainable and inclusive growth, social cohesion, and equity in Southeast Asia through intercultural, curricular, and extracurricular activities. Launched in 2016, the project currently partners with four Southeast Asian countries—Thailand, Myanmar, Cambodia, and Malaysia—and involves 15 partners, which include 11 universities and four social innovation partners in seven countries across Asia and Europe.

Collaborating with local universities is the first step to better understanding how higher education institutions may support

social impact in the communities surrounding them. With this knowledge, SEASIN established Social Innovation Support Units (SISU) at universities in Myanmar (Cooperative University, Thanlyin, and Yangon University of Economics), Thailand (Kasetsart University and Thammasat University), Cambodia (National University of Management and the Royal University of Phnom Penh), and Malaysia (Universiti Teknologi MARA and Sunway University).

Through these partnerships, SEASIN promotes and supports university-social enterprise cooperation, social entrepreneurship, and graduate employability with an emphasis on social innovation projects, incubation, and training. The units aim to achieve these goals through a range of learning and teaching tools, from the development of postgraduate programs to creating virtual spaces for sharing best social innovation practices and learning outcomes.

While the SISUs instituted by the eight Southeast Asian universities in SEASIN share an overall aim to support social innova-

tion, generate impact, and demonstrate the value of social innovation to policy makers, each university’s focus is dependent on and adapted to local priorities and reflects the characteristics of the universities themselves, their contexts, and current and potential user needs. For instance, the Universiti Teknologi MARA, Malaysia, spotlights impactful social innovation projects, while the National University of Management, Cambodia, provides space and resources, and Kasetsart University, Thailand, fosters research and impact measurement.

As more universities become aware and committed to their role in social innovation, increasing importance is placed on what the education system can and should do to break down barriers to social innovation and become powerful forces for impact. ♦

For more information on the project, visit [www.seasin-eu.org](http://www.seasin-eu.org).

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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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Chung comes from one of South Korea's richest families. He is the grandson of Chung Ju-yung, founder of the Hyundai group of companies, which dominates South Korea's business landscape. Although he never had a conversation with his grandfather, who died when Chung was just 9, he learned that his grandfather was seen as a social entrepreneur: "He called himself a worker ... a shepherd of public assets, and he said that Hyundai was not his personal asset. He had a duty to make it better and that good business should be good for society."

Wealth "othered" Chung. He was an introvert when he was young, bullied and marginalized in some cases because of his family. He sees RI and other social enterprises as opportunities to help marginalized people. "For me, helping them is like my own salvation." This view is not typical among wealthy South Koreans. Chung criticizes the wealthy who "live in a bubble," taking their good fortune—and their fortunes—for granted.

Chung believes that Korea needs to change and become more welcoming of diversity: Korea is "a homogenous country in which

our parents were educated that each person has to do a certain thing, follow a certain path. Otherwise, you're a failure. Parents try to stop young people from doing the 'wrong thing,' and this blocks potential to become a change maker." This concern drove him to create D-Well in the old town of Seoul, a co-living community for more than 60 residents that offers living spaces at rates well below market price so that they can focus on their social projects. "I want them to feel confident to talk about social impact, about making the world a better place. A healthy society needs to be more diverse and more inclusive," he says.

His goal to change Korean society is outlined in his five-year plan to "strengthen our brand as a thought leader in Korea," he explains. "Now that the government is pushing the social economy and copying our model, we need to make sure that they are doing it right. We need to provide advice to the government—not what they want to hear, but what they need to hear." A central part of that effort will be creating a new type of conversation in Korea. "The younger generation needs

to feel more secure, and there needs to be equal dialogue between the two generations,” he says. Chung has experienced this firsthand.

Chung’s work is influencing business practices in South Korea. Companies are taking a more expansive view of their responsibilities to all stakeholders—not just shareholders—and recognizing that “when they make all shareholders happy, then business can be more sustainable and resilient,” he says. “Companies that do well for the long term have good relationships with employees, society, and others. This is not about doing charity or philanthropy anymore; it’s about being more effective, efficient, and long-term sustainable.”

Chung hopes to spread the RI experience beyond Korea’s border: A second objective is to establish global partnerships and replicate its model overseas. Nowadays, he is more inclined to introduce himself as the founder and CEO of Holistic Growth Initiative (HGI). A social purpose real estate development and impact investing firm, HGI opened a D-Well location in Las Vegas in 2017 with full support from RI and is now working to start a Heyground in New York City. These are the first steps in a larger international expansion process in which RI can share its hands-on experience and knowledge with those partners.

### CHALLENGING TRADITION

They have never met, but Daisuke Kan has a lot in common with Chung. Like the young Korean entrepreneur, this young Japanese entrepreneur feels that “otherness is the core of my identity.” It is a surprising statement from Kan, the executive director at Cheerio Group, a Japanese soft drink company established more than 50 years ago that today sells more than 150 million bottles of drinks a year. Daisuke is the third generation to work in the family business, and his résumé reflects a privileged lineage: a BA from Tokyo University, the apex of Japan’s education system, which he followed with an MBA from Stanford University.

Nevertheless, Kan was always acutely aware of his family’s “outsider” status: His grandfather was from Manchuria. He recounts how he visited a cemetery to “be introduced to his ancestors” and was reminded while there that “we were always a minority.”

That sense of distance has had a profound impact on Kan, who is not alone in believing that Japan is “a country with conformity at its core.” His stay in the United States was eye-opening on several levels. He slowly began to understand the great diversity of the country and learned that “people have their own identity.” He also began to venture out of the bubble of privilege to appreciate how in some cases diversity reflected disparity and inequality. Like Chung, he credits his US experience for shifting his perspective. He visited New Orleans with a group of Stanford students in the aftermath of Hurricane Katrina to assist in the cleanup of the Ninth Ward, which was devastated by the storm. “It was shocking that 10 months after the disaster, some children were still looking for their parents,” he says, shaking his head.

He put that experience to good use after he returned home and Japan was rocked by the March 11, 2011, “triple disaster”—earthquake, tsunami, and nuclear accident in Fukushima—that hammered its northeast coast. He quickly sent 200,000 bottles of drinks to the disaster area from company warehouses and distributed 170,000 of them to victims during the next six weeks.

The disaster in Japan was another awakening for Kan. He had been “reflecting on core values” since his return from the United States and was looking for ways to address social issues that weren’t created by disasters. A business background shaped his thinking in two critical ways: First, he had a full job as the executive director of Cheerio, which meant that he had to make time to work on social issues. Second,

that background impressed upon him the value of entrepreneurial approaches to problem solving. That is, Kan concedes, a challenge for many Japanese, who are not accustomed to such individualized effort and for whom there is still a stigma attached to failure.

This thinking animates his participation in the Tofu Project, which takes young Japanese entrepreneurs to the San Francisco Bay Area for a one-week boot camp to study innovation and design thinking. It grew out of the Fukushima disaster, but it now seeks to tap the dynamism of the next generation of Japanese to create a new culture of innovation.

Kan’s desire for diversity, along with his friendship with Fumino Sugiyama, prompted his involvement in Tokyo Rainbow Pride, Japan’s premier LGBTQ event, which Sugiyama organizes. When he became involved, the project had only attracted the support of foreign embassies and a few international companies. “I wanted to support my friend and to educate my staff. We needed to humanize LGBTQ issues,” he explains. At first, he offered only financial support, but he has become more involved and has worked to find others to support the project. Cheerio has been the top sponsor of Tokyo Rainbow Pride for the past four years.

### FINDING EFFECTIVE MODELS

On paper, Allen Liang looks a lot like Chung and Kan. Born in 1984, he was educated overseas at the University of Warwick in England and earned a master’s degree at the John F. Kennedy School of Government at Harvard University. He also comes from a life of privilege: He is the only son of Liang Wengen, chairman of the Sany Group, a multinational heavy machinery manufacturing group and one of China’s richest men.

Despite this shared background, Liang has a different perspective from that of Chung and Kan. He believes China’s “second generation rich” are more willing to take up social responsibilities. “Because most second generation don’t grow up poor, they don’t have a strong urge to own money like their parents. They’re more willing to donate,” he says. Speaking for himself, Liang confesses that “whatever choice I make has

little to do with my family background. It’s about my values and my pursuit of happiness. I don’t think spending money makes me happy, nor does earning money. So I choose philanthropy.”

**We’re in the early stage, not just in terms of diversity of this ecosystem, but also in our thinking. Our observation is that in the past, some money was wasted and some acts have generated more damage than benefit.**

Liang has created two nonprofit entities: the Sany Foundation and the Relay China Foundation. Established in December 2013, the Sany Foundation is different from other grantmaking foundations in two ways: First, it is evidenced-based grantmaking. Between 2013 and 2016, Sany’s scholarship project spent nearly 6 million yuan (nearly \$1 million) to support high school freshmen from poor

families in midwest China. The scholarship covers the tuition fees and subsidies for high school, college, master’s degree programs, and studies overseas. This focus reflects Liang’s belief that China’s philanthropy is still evolving, and the most effective approaches remain unproven. “We’re still in the early stage, not just in terms of diversity of this ecosystem, but also in our way of thinking. Our observation is that in the past three decades, some money was wasted and some acts have generated more

damage than benefit." Second, it has a global vision. Most of his staff members have been educated overseas. One particularly successful project has been 3ESPACE. (The "3E" stands for easy, enjoyable, and effective.) The project is aimed at building an innovative and effective ecosystem of philanthropic activities by building communities, giving workshops, and supporting projects. It has supported nonprofits in the education field, such as Serve for China and Art Dream, as well as new media companies working on social innovation, such as BottleDream, and a consulting firm for nonprofits called A Better Community.

The Relay China Foundation, Liang's second initiative, is an offshoot of Relay China (officially, the Relay China Elite Youth Association). The foundation is a nonprofit composed of the second generation of entrepreneurs. Families have to be quite rich to qualify, and membership is only open to those members with working experience in the family business. In 2016, the total assets of Relay China members were roughly 2.3 trillion yuan (a little less than \$400 billion), or 12.8 percent of the total assets of China's private enterprises. Liang is vice chair in charge of philanthropic affairs, and his role is to maintain the nonprofit feature of the organization: "The key thing I do here is push the second generation to think about how to handle their fortune, how to resist temptation and make good use of their fortune. We invite a lot of seniors and teachers to talk to us."

### IMPROVING A GENERATION'S REPUTATION

Liang and members of Relay China are working hard to erase the negative image of the *fu er dai*, China's second-generation rich kids, who are often loathed throughout society because of their boorish behavior. Another group of *fu er dai* is trying to rebrand themselves as the *shan er dai*, or second-generation philanthropists. Niu Ben can be considered a representative of the *shan er dai*. He is the first son of Niu Gensheng, founder of Mengniu Group, China's largest dairy company. In 2004, Gensheng founded Lao Niu Foundation, and shortly thereafter he declared that he would donate all his Mengniu shares. Ben also agreed to donate the 1 billion yuan (\$150 million) worth of shares that would have been his as an inheritor of his father's fortune.

After four years of study in England, Ben returned home in 2012 to run the environmental programs of his father's foundation. Yet, Ben had bigger and brighter ambitions, telling his father that his generation's innovative thinking meant, "Only by having my own foundation can I wholeheartedly devote myself to philanthropy." Unlike other second-generation philanthropists discussed here, Ben is not involved in the family business; instead he became a philanthropic professional immediately after graduation. In contrast to his father, Ben is quiet and keeps a low profile, but he has won recognition for being sincere, honest, and hard-working.

Thus in 2015, Ben, with his sister Niu Qiong, established the Lao Niu Brother & Sister Foundation, a family foundation committed to

child care, youth entrepreneurship, and family philanthropy research and advocacy. Working closely with the Rockefeller Brothers Fund, the Richard Rockefeller Fellowship program supports emerging Chinese professionals who are committed to the development of strategic philanthropy in China. The Lao Niu Brother & Sister Foundation also provides financial support for the China Social Enterprise and Social Investment Forum. It has joined hands with the Sun Future Foundation, founded by Yang Lan, a celebrity journalist, to help the children of migrant workers through arts education.

### BLURRING THE LINE

The snapshots offered here provide important insight into the thinking of second- and third-generation philanthropists in Asia. First, those wealthy families seek to avoid the phenomenon, well known in both East and West, of "the three-generation rich." Chinese warn that "*fu bu guo san dai*" ("wealth never survives three generations"); in Japan, the expression is "rice paddies to rice paddies in three generations." The newly wealthy in Asia send their children to Western countries to acquire modern business skills that can increase their wealth. While there, they are exposed to new concepts of social responsibility and philanthropy. Even without intending to, second- and third-generation Asian business managers return with a new framework to envision responsibility to the family and the community of stakeholders that the family business engages.

A second common feature is a tendency to see the prevailing culture as hostile or an obstacle to be overcome, and frequently the battle starts at home. Several interviewees were troubled that it was customary that family elders imposed choices on children, insisting on conformity to traditional career paths and thinking. (The people we talked to said they were generally free from such constraints, however.) This is part of a "homogenized" society that discourages and often punishes difference. The next-generation Asian philanthropists we talked to see themselves as different from most of their peers, as "outsiders" and sensitive to the needs of others less fortunate than themselves.

A third important commonality is a tendency among these philanthropists to look at their work in ways that are fundamentally different from those of their parents. They seek real and measurable results. Frequently, the first generation were ruthless capitalists and business people when they made their money, but they transformed themselves when they become philanthropists. Whether out of a sense of guilt or a feeling that they are responsible for helping the less fortunate in society, they often write big checks with little regard for how the money is spent. Their children and grandchildren are working to solve problems rather than merely giving money out of a sense of obligation or historical and cultural ties. They are hands-on engagers who focus on key objectives. These philanthropists can be high-maintenance supporters, but they also tend to establish a personal relationship with groups they support, and that can be good in the long run.

This young generation is also happy to blur the line between business and philanthropy. For them, business is a tool, a means to do philanthropy better. That is part of a practical, empirically oriented approach that takes nothing for granted and is constantly testing models and projects to see what works—and, just as important, what does not. At the core of their work is the recognition that giving money is not enough: Successful philanthropy demands an entire ecosystem that will bridge and one day hopefully eliminate this gap between giving money and giving money successfully. ♦

**This young generation is also happy to blur the line between business and philanthropy. At the core of their work is the recognition that giving money is not enough: Successful philanthropy demands an entire ecosystem.**



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