

Firms at a crossroads in reinventing CSR

Kang views innovation as key to bringing business and society back together

By Yang Sung-jin

Businesses often view corporate social responsibility as a cost they have to bear in order to maximize profits. The assumption here is that company's core business, especially profits, and CSR projects are not directly related.

Kang Joo-hyun, founder and executive president of Global Competitiveness Empowerment Forum (www.g-cef.org), thinks otherwise.

"Korean companies are yet to fully embrace the idea that CSR should be upgraded to a business strategy that integrates their core business with societal needs," Kang said in an interview with The Korea Herald.

In fact, not only Korean firms but also many enterprises elsewhere appear confused about what they should do to turn their CSR projects into a driver that can spur corporate innovation and bring real benefits to communities.

Kang, a leading expert on CSR who studied the subject at Harvard Kennedy School, said the history of capitalism has to do with the stubbornly persistent view that societal needs and corporate aims always clash with each other.

"In the narrow definition of capitalism, businesses were required to take responsibility for their balance sheets only. By doing so, the theory goes, companies generate new jobs and pay taxes, leading to benefits for society," Kang said.

The notion, elaborated persuasively by American economist Milton Friedman, has been challenged in the aftermath of dramatic corporate scandals that disrupted not only business sectors but also communities in recent decades. A fierce call for ethical management ensued in the post-Enron scandal period.

On the other hand, corporate philanthropy won some converts during the Reagan administration, a period when a smaller government warranted bigger support from corporations. Sustainability was also floated as a key idea to deal with a growing number of environmental problems linked to surging corporate investments.

Enter TBL (triple bottom line) that encompasses economic, social and environmental aspects. Unlike previous management ideas measuring corporate success in only economic terms, TBL claims that a company's responsibility lies with stakeholders rather than shareholders. Employees, business partners, NGOs, governments, local communities and anyone affected by a company's action are stakeholders, a group that companies should strive to serve.

TBL, also known as "people, planet, profit," is an expanded set of values and criteria that should be noted and adopted by more Korean firms, Kang said.

"The key is that non-financial aspects are as important as, or perhaps more important than, financial aspects in determining a company's success," she said.

Currently, corporate citizenship, CSR and sustainability are used together as keywords that stress the importance of non-financial aspects in the operations of a company.

Global industrial sectors are also moving in that direction. For instance, in November last year, the International Organization for Standardization launched an international standard providing guidelines for social responsibility, ISO 26000.

Korea is also trying to catch up, though much is yet to be done.

"About 10 years ago, corporate philanthropy gained traction among Korean firms, followed by a rise of ethical management movement. In recent years, green growth and environment-friendly management have been added to the trends," Kang said.

Kang predicted that Korean companies would be under growing pressure to come up with effective CSR initiatives in the coming years.

"Many Korean firms are still stuck with philanthropy activities, as if charity projects are sufficient," Kang said. "A more systematic approach is needed to upgrade CSR to CSI (corporate social innovation) and en-



Kang Joo-hyun, executive president of Global Competitiveness Empowerment Forum (GCEF) The Korea Herald

gagement with the local communities."

Corporate responsibility involves mostly a reactive approach, resulting in contingency plans and risk management to appease the disgruntled communities. Another problem is that charity and CSR projects have long been handled by peripheral business divisions, not core units that can set up an overall business strategy.

"Because of the yawning gap between CSR initiatives and corporations' key business strategy, Western companies are now struggling with social responsibility fatigue," Kang said.

This type of decoupling threatens to wipe out motivation on the part of companies faced with greater uncertainties in the global economy.

"Innovation is what matters most," Kang said. "Redesigned products and innovated services could and should help resolve societal problems, which in turn lead to bigger profits and benefits for all."

Previously, it was believed that businesses could achieve growth and secure profits at the expense of societal needs. By adopting CSI, in contrast, the two sides can go together toward shared benefits.

Is this a socialist ideal? Kang said it's far from a socialist agenda as global companies have already undertaken innovations that also meet societal needs, proving that they can create economic value by creating societal value.

GE's Ecomagination is a widely known example of such innovation and its sales surged to \$18 billion in 2009, and the revenues from those items are projected to grow at twice the rate of total company revenues.

Coca-Cola also nurtured a successful case of tapping into innovation by serving communities. When it entered the African market, it confronted a rugged and unfriendly terrain whose access was fairly limited for the company's large trucks. The company set up a distribution center in which local people were hired to deliver bottles of Coca-Cola on bicycles. Its strategy, based on a mix of business innovation and social needs, led to the company's dominance in the region's beverage market while creating jobs for local people.

"What's notable in this famous success case is that solving social issues such as poverty and unemployment actually helped Coca-Cola's core business and boost its profit," Kang said.

Kang, whose English name is Angela, is now working with major firms both at home and abroad to incorporate such innovation into their business strategy through GCEF, drawing on years of her own experiences in the corporate sector.

From the early 1990s through 2002, Kang had worked in the areas of PR, marketing and sales at firms including Clarins Korea and Namo Interactive Inc. In 2003, she decided to shift her focus toward a non-profit sector and began to work for a Korean partner of International Youth Foundation, which implemented the corporate philanthropic programs for Nokia and Lucent Technologies.

A turning point came when she flew to Boston and received a Mid-Career Master's

Continued on Page 15

Ssangyong aims at 20% of SUV market

Under new vision, automaker seeks to achieve yearly sales of 160,000 vehicles by 2013

By Kim Yon-se

Ssangyong Motor has set the goal of pulling up its market share in the local sport utility vehicle industry to 20 percent within five years, from the current 14 percent.

The automaker unveiled the local market share target during its "new vision declaration ceremony 2011" at the Yi-Choong Culture Center in Pyeongtaek, Gyeonggi Province, on Tuesday.

Ssangyong said that it would achieve 4 trillion won in yearly revenue with yearly sales of 160,000 vehicles by 2013.

It also established "Aspiration 2016," under which it plans to sell 300,000 vehicles, recording sales revenues of 7 trillion won by 2016.

Ssangyong said it would expand its sales infrastructure in Korea and is seeking a way to establish a domestic hire-purchase finance company.

With these and other marketing and brand initiatives, the carmaker is targeting to grab 20 percent of the local market in the SUV sector, company executives said.

To accomplish the goal, Ssangyong is considering launching five facelift models by 2013 and four completely new models by 2016. The company also said it would develop and launch electric vehicles.

"Today we have taken a giant step in the march toward reclaim-



Ssangyong Motor chairman Pawan Goenka (center) and CEO Lee Yoo-il (second from left) pose during an event to unveil the automaker's new vision and strategies at the Yi-Choong Culture Center in Pyeongtaek, Gyeonggi Province, on Tuesday. Ssangyong Motor

ing Ssangyong's rightful place as a key player in the global automotive community," company chairman Pawan Goenka told 3,300 employees who attended the ceremony.

Company CEO Lee Yoo-il said, "The goal we have set may be challenging, but given the tenacity and determination of the Ssangyong team, I am sure we will achieve it."

Ssangyong Motor also unveiled its project to expand global market share.

It plans to cooperate with its majority shareholder Mahindra &

Mahindra Ltd., in strengthening its overseas sales network and advance into fast growing emerging markets.

To begin with, the carmaker will commence using India-based Mahindra's existing network in South Africa by March 2012, the company said in a statement.

Mahindra & Mahindra and Ssangyong are looking for joint-marketing opportunities in emerging markets. They regard Africa as the next frontier for automotive growth.

Company executives said Africa was comprised of very diverse

markets that range from the mature market of South Africa to the rapidly expanding ones of oil-rich nations.

With Mahindra's assistance, Ssangyong is poised to move to local manufacture of its vehicles in India and Egypt.

Ssangyong and Mahindra will cooperate across the value chain, especially in R&D, product development, purchasing and sales to generate economies of scale for mutual benefit that shall significantly enhance Ssangyong's cost

Continued on Page 15

Volume Up! Finding the right volume for CSR

The left side of the volume (-)	The right side of the volume (+)
What Kang says companies should avoid	What Kang says companies should do
Shorttermism	Longtermism
Decreasing costs	Increasing investment
Business as usual	Value driven
Shareholder oriented	Stakeholder oriented
Authority	Participation
Superficial implementation	Internalized collaboration
Separation of each department	Vertical and horizontal integration
Reactive	Proactive
Peace-at-anyprice principle	Crisis management
Complicity in human rights	Human value centered management
Restructuring	Job sharing
Pollution or greenwash	Sustainability
Bribery	Anti-corruption
Money laundering	Transparency
A low price and quick return	Fair trade procurement
Quick fix to social issues	Corporate Social Innovation
Philanthropy-wash	Corporate Social Responsibility
Seasonal charity	Corporate Community Involvement

Source: GCEF

Festival, Make me a King

Frustrating day in the modern day everyone dream of deviate, the deviation that can be implemented through the festival and anyone can be a hero in the festival. The 'Mask' and 'Mask dance' around the Andong International Mask Dance Festival, so, wear the king's mask to be king, the queen's mask to be a queen, there is a magical day during the festival.

Many kings in the Andong history, sometimes a new turning point of comfort and warmth, with a break to recharge, that they had a gift time could be found, as the during the festival, the king and experience the special guest of andong. The mysterious magic of the festival, with vibrations of daily life should go to create a memorable celebration.

Andong Mask Dance Festival

Andong Mask Dance Festival 2011
Festival, Make me a King
Andong area (Mask dance Park, Hahoe village)
www.maskdance.com

2011.9.30(Fri) > 10.9(Sun)