



# BUSINESS FOR GOOD

Understanding  
the Motivations  
for Business  
to Create  
Shared Value

November 2020

# CONSULTING TEAM



# RESEARCH FUNDED BY



# EXECUTIVE SUMMARY



# ABOUT THIS RESEARCH

In 2019, a group of local and regional organizations (Hong Kong Social Entrepreneurship Forum, Ernst & Young and InnoFoco Limited) and the global Social Innovation Exchange (together, the “Consulting Team”) came together, with support of the Social Innovation and Entrepreneurship Development Fund (SIE Fund), to understand the motivations of businesses in creating shared value and making recommendations on wider promotion of the business for good concept.

The Consulting Team took a broad definition of “business for good” whereby companies have adopted different strategies and practices to create value for their shareholders and other stakeholders, including customers, employees, suppliers and the wider community.

We looked into the motivations and push and pull factors for companies to adopt a stakeholder-centric approach in doing business through 18 case studies. We also sought to understand whether the younger population will play an increasingly important role in influencing business behaviour. We conclude the study with concrete recommendations on how different stakeholder groups – particularly government, business, educators and the media – can help promote the wider applications of business for good in Hong Kong.

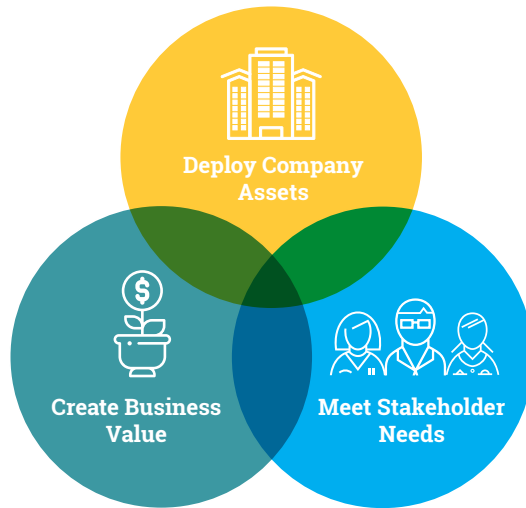
## The Case of Business for Good in the 21st Century

In the first chapter, we set the scene and propose that “doing good” should be a core part of a sustainable business strategy instead of an additional agenda.

The coronavirus outbreak has triggered the biggest global economic, health care and social crisis in centuries. This is a time for all sectors to reflect on their approaches and develop new ways of doing things. And it includes the private sector. In the post-pandemic world, the new business landscape is complex and uncertain. Amongst technological advancements, the widening gap between the have and have-nots, the rise in populism, and an increasingly crowded marketplace, business will be under pressure to reinvent itself and identify new engines of growth for some time.

While it is still a mainstream belief of the local business community that profit generation is the sole purpose of a business and “doing good” remains to be one-way giving or corporate volunteering, the world has become increasingly interconnected. Businesses, big and small, are beginning to co-create value with their employees, customers, suppliers or other key stakeholders based on shared interests and values.

## What is Business for Good? Progression of Business for Good over Time



Chapter 1.2 identified several drivers that doing good is connected to the company's strategic goals such as: customers are more conscious of the social and environmental impact of brands in a competitive and crowded marketplace; companies find it difficult to attract and retain talents; as well as increasing pressures of compliance and disclosure amongst a downward trend in the level of trust in business.

Chapter 1.3 and 1.4 demonstrated this shift back to the original purpose of business (to serve society) in the vast number of ways companies around the world are describing their public purpose. Many of these terms are used interchangeably, and their meaning may be the same or very similar to one another. Some terms are more popular, or relevant, in different parts of the world.

This is not an exhaustive list of business for good terms, but covers the most popular terms and gives a snapshot of the different ways businesses have gone beyond shareholder values to embrace stakeholder and social values.



\* In Hong Kong and some other places, social enterprise is not yet a new legal form but is a recognized strategy to achieve both business and social mission

In this research, we have used the general term “business for good” to describe businesses that have created value for themselves and for society.



## From Global to Local Business for Good in the Hong Kong context

We did a quick global scan and identified several commonly-adopted instruments by governments worldwide towards business for good:



**ESG disclosure requirements – the most widely adopted government action**

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**Recognition schemes - standards, certifications and awards**

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**Governments changing their procurement policy**

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**Economic incentives – channelling funding and investments**

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**Capacity building – via knowledge exchange**

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**Partnership and collaboration – joint force of government and business**

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There is a trend for governments to introduce policies and initiatives to drive business for good, and they usually adopt a mix of strategies to incentivize the business sector, leveraging public and private resources to collaborate on critical social issues. Chapter 2.1 shares examples from Germany, the Nordic countries, Mainland China, South Korea and Singapore.



In Chapter 2.3, we examined the push and pull factors in the Hong Kong context and note there is an inadequate reception for Hong Kong government's "carrot and stick". There exists a knowledge gap and lack of curiosity and need for the conventional business sector to understand and pursue business for good strategies. Although the government has relied on ESG regulations to require businesses to increase transparency on how they "do good", the majority of listed companies prepare their ESG reports as a "box-ticking" exercise.

Our research also suggests there is a lack of discussion of business for good in the city's agenda. A majority of businesses equates the concept with giving back to society, or more specifically helping the disadvantaged. The investment community sees business for good largely from the standpoint of "risk management" with initial emphasis on "climate-related risks" and "environmental aspects" only. Despite the current lack of motivation, regulators expressed a positive outlook for business for good in Hong Kong. The current social focus of ESG is on labour practices etc and not enough focus is placed on community investment and the shared value approach. Hence, **creating shared value could potentially be part of the social component under ESG.**

In Chapter 2.4 the Consulting Team identified local stakeholders based on their relevance with our interview objectives, and conducted 26 stakeholder interviews. A full list of the interviewees is in Appendix 1.

During the interviews, we found that there is a bit of confusion related to the concepts and applications of "business for good" in Hong Kong, for SMEs and corporates alike.

The overall consensus from the interviews is that there are different levels of business for good and it is not necessary to prioritise one over the other. Interviewees **highlight the importance of promoting business for good from the business perspective**, how doing good can help them tackle business challenges, identify new growth areas, attract and retain talents, manage risks, and attract customers as well as investors.

**A key insight is the need to mainstream the imperative of doing good as an integral strategy for doing well.** The interviews underline the paramount importance of the founder/top management of a company to drive the business for good agenda, and the government can play a more proactive role by formulating a strategic and holistic approach to promoting business for good.

## **Understanding the Motivations for Business to Create Shared Value through Case Studies**

The Consulting Team conducted 18 case studies of companies from Hong Kong and around the world embracing business for good. This is a snapshot of different types of activities, not a comprehensive analysis. The write-ups are based on interviews conducted mainly in the third and fourth quarter of 2019.

Since we are interested in what motivates businesses to do good, the cases have been clustered around the primary driver to do good, and are organised around three broad motivation categories. In reality, there are a variety of drivers for these companies to embrace shared value, not just one. The categorisation should not be viewed in a strict sense - rather the motivations are interlinked and not mutually exclusive.

# 1

## **The motivation for doing good in developing new business opportunities**

“ Making money is important, but we think this is the outcome of what we do, not why we do it. We emphasize impact. We truly care about the impact we have on people around us.”

- *NiQ Lai, Co-Owner & CEO, Hong Kong Broadband Network*

These case studies demonstrate that companies can be primarily motivated by finding a new business opportunity concurrently with tackling a societal challenge. We listed seven companies in this section - three from Hong Kong, as well as examples from Taiwan, Philippines, Japan and Canada.

Whilst they are very different companies, they all place societal needs alongside business needs. We can detect a strong correlation between a company's innovation capability and their ability to do good and do well. All of these companies value innovation, and are constantly developing new offerings to stay ahead of the curve.

# 2

## **Leadership and personal aspirations are driving the motivation to do good**

“ I believe it is time for social value to become a 'key financial' and that it be reported on a regular basis. I would invite all our friends and our competitors to do the same.”

- *CHEY Tae-Won, Chairman of SK Group, World Economic Forum*

The case studies under this category have founders or executive leaders as the primary reason for the company's strategy in creating shared value and shifting towards doing business for good. The influence of the founder or leaders are embedded through each of these companies and their core values are directly reflected in the relationship with their employees and the companies' business goals.

# 3

## External or stakeholder influence as the key in doing good

“ For a healthy company, we need to have a healthy society.”

- *Emre Zorlu, member of the Founding family*

The case studies in this section have enhanced their business for good commitment as a result of a catalyst. This could be an internal catalyst, such as recruitment and retention of talents. Seeing their workforce as an asset, companies embrace mutual value creation and have worked with employees to design a holistic do good and do well business strategy.




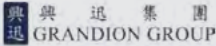
The motivation could also be an external catalyst or influence such as government regulations, new policies or a guiding framework such as the UN Sustainable Development Goals. There are four cases in this section - two from the UK, one from Mainland China and one from Turkey.

A summary table of the 18 case studies is attached below. To read these case studies, please refer to Chapter 3.

## A Summary Table of the Companies in the 18 Case Studies

Company	Description	Doing Good and Doing Well
<p><b>Hong Kong Broadband Network:</b> Purposeful Profits (HKSAR)</p> 	<p>Part of the HKBN Group, a leading integrated telecommunications and technology services provider headquartered in Hong Kong with operations in Singapore, Malaysia, Mainland China and Macau</p>	<p>#clear business purpose drives purposeful profits</p> <p>#progressive talent development and management strategies give staff a stake</p>
<p><b>Humansa:</b> Turning a Social Problem into a Business Opportunity (HKSAR)</p> <p>H U M A N S A 仁 山 樓 社</p>	<p>A holistic health care service provider to address cross-generational caring needs (part of the New World Group)</p>	<p>#ageing society inspired business innovation with data and technology</p> <p>#vision and values to guide sustainable development</p>
<p><b>Stan Group:</b> Sustainable Business via Purposeful Growth (HKSAR)</p> 	<p>Family owned conglomerate with property, hospitality, financial services and innovative businesses with social purposes</p>	<p>#invest in startup community to identify business growth opportunities</p> <p>#employee incentive programmes to cultivate learning and shared value</p>
<p><b>Ayala:</b> Growth via Socially Relevant Business Strategies (Philippines)</p> 	<p>A family business with a 185 year history, and is also one of the oldest and largest conglomerates in the Philippines</p>	<p>#interlink social and economic progress to create value to the business</p> <p>#use a profitable business model to find innovative and socially-relevant solutions to respond to the country's challenges</p>

**A Summary Table of the Companies in the 18 Case Studies**

Company	Description	Doing Good and Doing Well
<p><b>O-Bank:</b> Gain of Unique Market Positioning via Inclusive Product Innovation (Taiwan)</p> 	<p>Taiwan’s first bank “designed from the ground up as a digital native bank”</p>	<p>#engage customers in supporting philanthropic causes</p> <p>#unique market positioning via inclusive product innovation</p>
<p><b>Seven &amp; i Holdings Co. :</b> Building Customer Loyalty and Social Infrastructures for an Ageing Society (Japan)</p> 	<p>A Japanese retail group best-known as owner of the 7-Eleven chain of convenience stores in Japan and the USA with a portfolio including superstores, department and specialty stores, and financial services</p>	<p>#the company as “social infrastructure” as well as retail network</p> <p>#collaborate with local governments to provide social services while make the shops more popular to visit</p>
<p><b>Maple Leaf:</b> Finding New Ways to Grow the Business Sustainably (Canada)</p> 	<p>A major Canadian consumer packaged meats and publicly traded company on the Toronto Stock Exchange expanded their product selection to include meat alternatives</p>	<p>#grow the business sustainably through foresight and needs of future generations</p> <p>#strong leadership to drive the strategy</p>
<p><b>Grandion Industrial Ltd:</b> Co-creating Business Solutions with Stakeholders (HKSAR)</p> 	<p>An apparel supply chain solution provider with production facilities located in Mainland China and Hong Kong</p>	<p>#sustainable value chain empowering young people and senior technicians and providing personalised customer experience</p> <p>#invest in startups that seek to do good and do well</p>

**A Summary Table of the Companies in the 18 Case Studies**



Company	Description	Doing Good and Doing Well
<p><b>Esquel Group:</b> Sustainability-Driven Leadership (Mainland China/HKSAR)</p> 	<p>A vertically integrated textile and apparel company known for its sustainability practices, employing over 55,000 people around the world</p>	<p>#resilient workforce based on shared values</p> <p>#progressive staff development and management policies to guide business decisions</p>
<p><b>China Light &amp; Power:</b> Creating Shared Value with Systems Level Vision (HKSAR)</p> 	<p>Wholly owned by CLP Holdings Limited, a company listed on the Hong Kong Stock Exchange providing highly reliable power supply to over 80% of the city's population</p>	<p>#ensure good supply of talents for the entire industry</p> <p>#leverage expertise and resources of internal and external stakeholders</p>
<p><b>LAWSGROUP:</b> Passion Drives Business Transformation (HKSAR)</p> 	<p>A leading apparel manufacturer, which has also expanded into retail and property development businesses</p>	<p>#nurture entrepreneurs</p> <p>#use a stakeholder-centric approach to identify opportunities creatively</p>
<p><b>SK Group:</b> Embedding Social Value Internally and Building a Social Enterprise Ecosystem (South Korea)</p> 	<p>The third largest conglomerate in South Korea involved in the chemical, petroleum, energy industries, telecom, construction, shipping, high-speed internet and wireless broadband</p>	<p>#help to build social enterprise ecosystem</p> <p>#embed social value in internal decision-making and convert corporate assets into infrastructure for sharing</p>

**A Summary Table of the Companies in the 18 Case Studies**

Company	Description	Doing Good and Doing Well
<p><b>Outblaze:</b> Purpose and Scalable Impact Through Technology (HKSAR)</p> 	<p>A digital media products and services company which pioneered in cloud computing services and multilingual communication services for online communities</p>	<p>#growth opportunities by understanding user needs</p> <p>#unique partnership with a social enterprise and youth for game testing</p>
<p><b>Jenston Technology:</b> Building A Happy Workforce (HKSAR)</p> 	<p>A system integration consultancy and managed service provider for audio-visual solutions and collaboration technologies</p>	<p>#CSR activities aligned with staff development</p> <p>#co-create workplace culture with employees</p>
<p><b>Zorlu Holdings:</b> A Sustainable and Smart Life for All Stakeholders (Turkey)</p> 	<p>One of the biggest corporate groups in Turkey, operating across a wide variety of industries including electronics, textile, energy, real estate development etc</p>	<p>#UNSDGs as guide to motivate internal change</p> <p>#employees committed to spreading values of the organisation</p>
<p><b>Ping An:</b> Addressing Social Challenges in Rural Communities as a Strategy to Deepen Market Penetration (Mainland China)</p> 	<p>A Chinese holding conglomerate in the insurance, banking, asset management and internet finance businesses</p>	<p>#alleviate rural poverty by empowering people with technology</p> <p>#new rural investments to build strong multilateral collaborations</p>



**A Summary Table of the Companies in the 18 Case Studies**

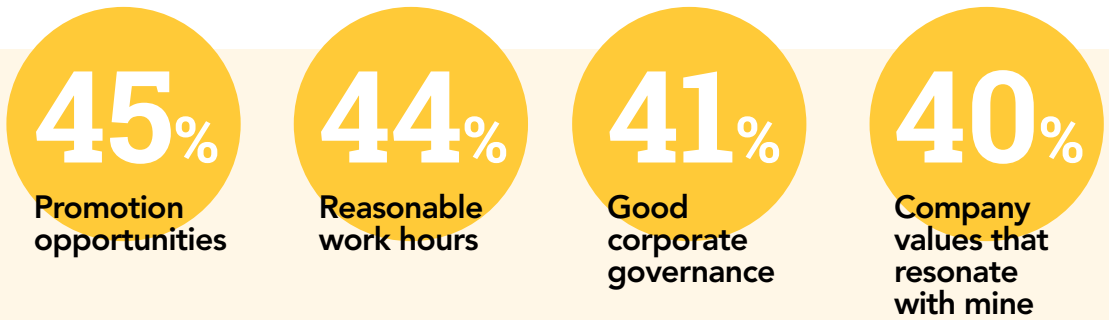
Company	Description	Doing Good and Doing Well
<p><b>Landsec:</b> Creating Value for All Stakeholders (UK)</p>  <p>Landsec</p>	<p>One of UK's largest commercial property development and investment companies</p>	<p>#social value as a way to stay competitive</p> <p>#understanding supply chain deeply for social impact</p>
<p><b>Sodexo:</b> Drive Change Across All Business Segments from Within (UK)</p>  <p>sodexo QUALITY OF LIFE SERVICES</p>	<p>A French-origin food services and facilities management company</p>	<p>#regulatory framework opportunity to strength</p> <p>#social value driven culture</p>

## Understanding Gen Y and Gen Z in Hong Kong

Our survey with 1,000 Gen Y (aged 25-34) and Gen Z (aged 18-24) in Hong Kong shows that:

**Business for good factors are very important in Gen Z's employer choice:**

**Top 4 most important factors:**



**7 in 10**

Gen Y & Z believe business for good practices can address key business challenges

**8 in 10**

believe business for good will become more important in influencing consumption and employer choices

**57%**

of respondents think that Hong Kong is lagging behind international companies in adopting business for good practices

**25%**

of Gen Z see themselves as important change agents

From international experience, the community plays an important role in influencing business behavior. In particular, the Gen Y (aged 25-34) and Gen Z (aged 18-24) in Europe and North America have increasingly demonstrated their preferences for brands and employers with purposes and values that resonate with theirs. The Consulting Team conducted qualitative and quantitative research to understand if Gen Y and Z in Hong Kong share similar attitudes as their international counterparts.



### Some of the key findings are:

1. Utilitarian factors are still the top considerations of the respondents in terms of consumption and employer choices. However, some business for good factors are also considered quite important, especially to Gen Z when it comes to their employer choice.
2. Business for good factors are ranked more important than CSR factors
3. Business for good factors are expected to become more important in future
4. Hong Kong is considered lagging behind in adoption of business for good practices vis-a-vis international practices
5. Business environment is the greatest hurdle for the adoption of business for good practices
6. Different views amongst Gen Y and Gen Z on the change drivers, with the media and government topping the list for Gen Y; and Stock Exchange/ investors and young people themselves for Gen Z.

Our qualitative and quantitative research have generated similar and consistent findings and insights. Gen Y and Gen Z in Hong Kong share appreciation of and welcome business for good practices. Although the concept is not a significant factor in their consumption choice, it is more influential in their employer choice and particularly in the case of Gen Z. Advertising means very little to the respondents in their choices, which begs the question of the value of advertising spending and the return of investment in influencing consumption choice or building brand loyalty. It also seems that CSR practices do not carry a lot of weight in influencing the youngsters' consumption and employer choices.

Please refer to Appendix 5 for the report on Quantitative Research Detailed Findings.

## Recommendations

### How to Motivate Change and Promote Business for Good

In the final chapter, we provided a series of recommendations that businesses can review and initiate themselves, ways to incorporate shared value in their business strategies. We also explored what the government and other stakeholders can do to encourage businesses to change in the pursuit of doing good.

Our recommendations are organised into 4 categories and explore what should be done, how it could be done, and who can support the changes to take place:



#### **1. Linking business for good to the company's core business**

Tackling social challenges should be seen as a new business opportunity, rather than as additional, loss making side projects or CSR/philanthropy.



#### **2. Employees as a resource for doing good/Employees as assets**

Internal influences are important drivers for companies to embrace business for good, and they have co-created their purposeful mission with employees, and paid special attention to employees' wellbeing.



#### **3. Understanding and responding to the changing aspirations of young stakeholders**

Businesses should understand the changing preferences of young stakeholders as consumers and global citizens. This is a significant factor to drive businesses to do good as strategic foresight and business development.



#### **4. Enhancing the role of government as an enabler in recognizing and promoting business for good**

Government should set up a high level task force to promote shared value, recognize the contributions of pioneering companies, and review procurement or other policies to encourage business to provide solutions to social issues, and raise community-wide understanding of the business for good imperative.

For recommendations specified within each category, please refer to the table on the next page:

## Recommendation 1



### Linking business for good to the company's core business

#### What should/ could be done?

- Incorporate the company's vision with purpose to align direction of activities, to stay responsive in a complex world, and to strengthen motivation for change internally
- Take an asset based approach which takes into consideration the business challenge and capability that matches the observable social challenge
- Take a stakeholder centric approach, nurturing them into assets for creating sustainable returns in the long-run

#### How could it be done?

- Establish a guiding framework of change management to kickstart the business for good journey
- Implement Strategic Foresight processes to prepare for the impact of mega trends
- Repurpose and redefine CSR teams as drivers of internal change to create shared value
- Use a design thinking approach

#### Who can drive the process?

- Bring the Directors on board and embed diversity at the board level
- Get investors and stakeholders informed and involved

## Recommendation 2



### **Employees as a resource for doing good/ Employees as assets**

#### **What should/ could be done?**

- Attract, engage and increase the productivity of employees, by aligning employees with a common purpose
- Go beyond volunteering and focus on social challenges that matter to employees
- See employees as assets for innovation and developing new business opportunities

#### **How could it be done?**

- Start small and find opportunities that can create both social and commercial value
- Establish dedicated internal systems and structures to catalyze change
- Develop a culture of innovation and encourage participation
- Adapt measurement systems to include social value

#### **Who can drive the process?**

- Engage a dedicated senior person to drive and support internal change

## Recommendation 3



### Understanding and responding to the changing aspirations of young stakeholders

#### What should/ could be done?

- View young stakeholders as an asset to stay relevant and find new business opportunities
- Be genuine - strengthen the business' emotional connections to young stakeholders

#### How could it be done?

- Cause marketing as a "Do Good" approach
- Support young entrepreneurs as part of a "do good" strategy
- Establish programmes that nurture and train young people to be future fit for the industry

#### Who can drive the process?

- Business schools to update and redesign curriculum to link doing good with doing well
- Educators to embrace values education and citizenship education to prepare responsible global citizens from a young age

## Recommendation 4



### Enhancing the role of government as an enabler in recognizing and promoting business for good

#### What should/ could be done?

- As convenor and facilitate cross-departmental and cross-sector partnership with high level steering
- Co-create a Manifesto and Action Plan on Developing Business for Good with all stakeholders
- Incorporate Business for Good as part of the Sustainable Development Goals for Hong Kong
- Hong Kong Exchange and regulators to be serious about enforcing ESG disclosure requirements

#### How could it be done?

- Review and create new Public Procurement Policies
- Conduct a SDG mapping exercise to identify which SDGs can provide motivations for businesses to create positive social impact
- Facilitate genuine Public-Private Sector Partnership for service innovation
- Recognize companies who do good and work with intermediaries to motivate and incentivize
- Raise awareness on business for good with various stakeholders, including the media

#### Who can drive the process?

- Identify an appropriate office in the government (such as The Policy Innovation and Coordination Office) to spearhead and coordinate the new agenda with various bureaux and departments
- Identify a few key champions to work on a couple of concrete and actionable programmes/projects as low hanging fruits in a couple of domains such as digital upskilling and community health



# Conclusion

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The Consulting Team thanks the SIE Fund and all the people, companies and entities who have given their valuable time to tell us more about their thoughts and actions to embrace business for good.

We believe the traditional dichotomy that business is for making profits and doing good is for nonprofits should no longer be valid. Indeed, we are convinced that companies are better placed to tackle social challenges in the most effective, innovative, agile and efficient way. The focus should be on how a purpose-driven and stakeholder centric strategy could help business in the following ways:

- Identify new growth opportunities by meeting the needs of customers
- Attract, engage and increase the productivity of employees, by aligning them with a common purpose and upskilling them continuously
- Attract, engage and retain customers (especially the Gen Z) by strengthening the brand's emotional connections with its target customers
- Manage supply chain risks by improving the quality, cost effectiveness, speed and reliability of delivery
- Manage reputation risks by making profits not at the expense of the interests of various stakeholder groups
- Improve the financial sustainability of the business by achieving top-line growth, reducing costs and attracting long term investors

Our research has highlighted specific strategies and approaches that can be taken, and there is a thread that links them all - the need for a new narrative, and companies have a key role in driving this transformation.

