



# Collaborating for systemic transformation

Stephen Wong

September 2017

# What are the most effective ways of Church getting involved in solving social problems?

- Raise charitable offerings and donate to NGOs and missionaries?
- Set up NGOs and get subventions from the Government or the Community Chest?
- Organize more volunteer teams to do home visits?
- Yes, all of the above, but most importantly, I would argue:
- Empower each person in the congregation to rise up and transform his/her sphere of influences in business, the Government, NGOs, academics etc., as I define Church (Ekklesia) as a group of transformers and not as a buildings or organizations.

# Ekklesia in the Marketplace

- This is indeed the “best of times” and “worst of times”.
- Worst of times: Wealth Gap, Social Mobility, Housing Price, Fiscal and Monetary Problems... Clearly, these problems are bigger than just the Church, the NGOs, or even the Government.
- Best of times: Green shoots of transformational mindset are seen in business, finance, NGOs, Government in the name of Social Innovations.

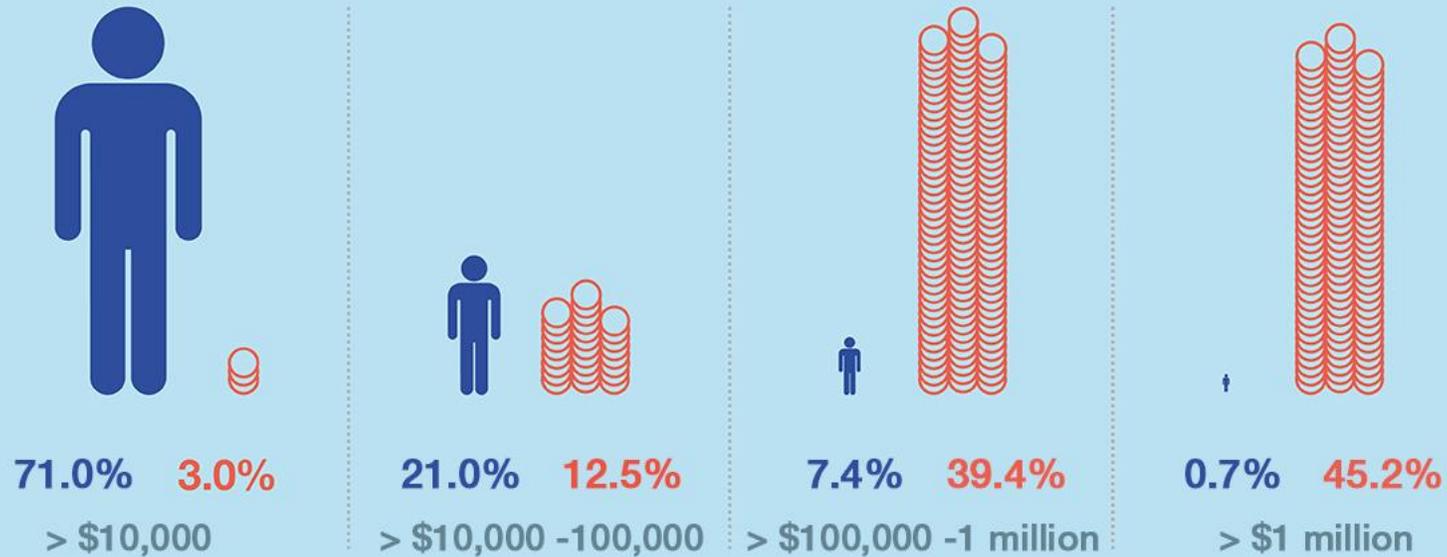
# How is the **world's wealth** shared amongst its population?



% of the world's population



% of the world's wealth



"Wealth" is defined as the marketable value of financial assets plus non-financial assets (principally housing and land) owned by an adult, less debts  
Source: Global Wealth Report 2015, Zurich: Credit Suisse

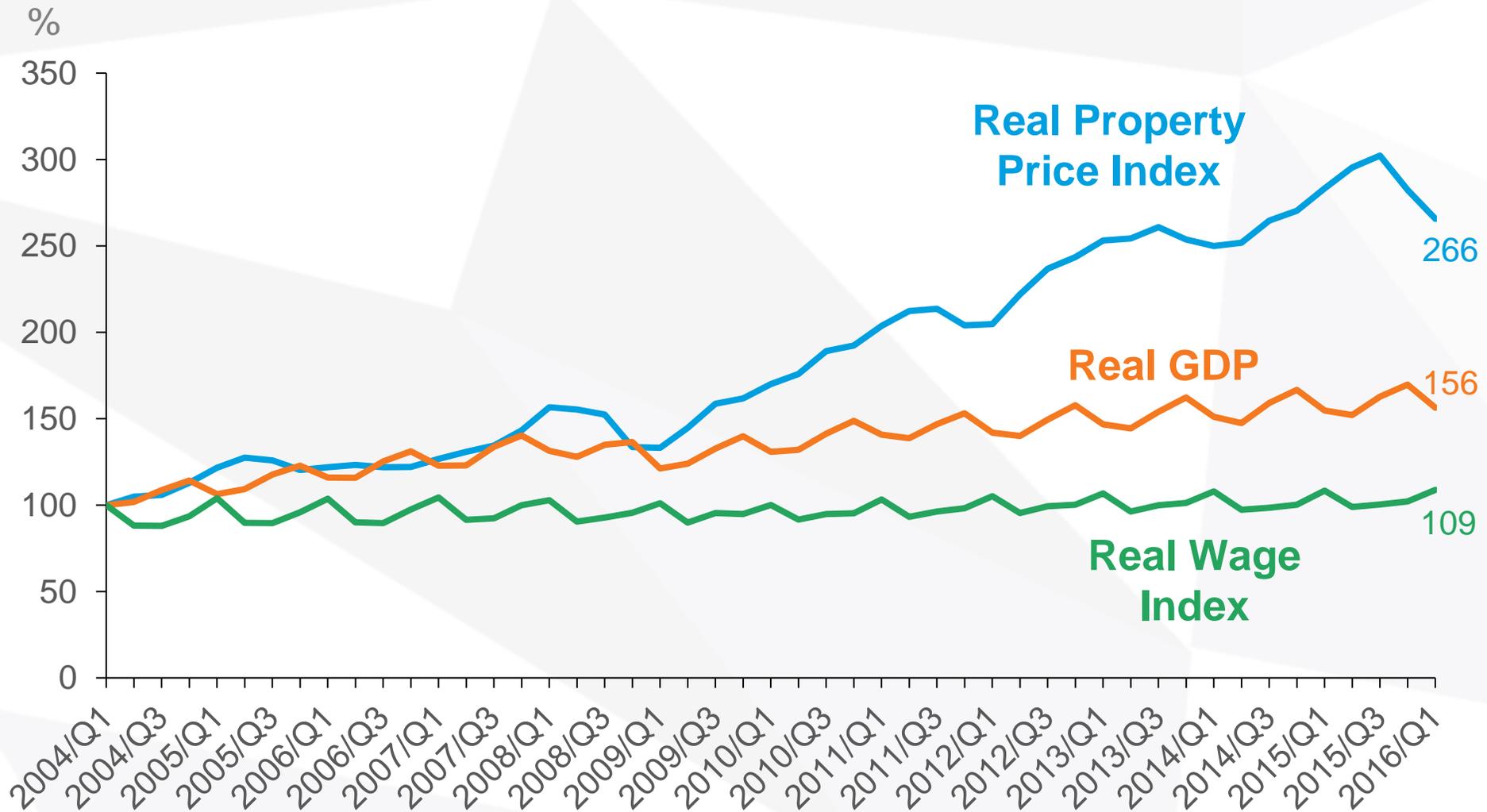
Wealth (USD)

## On top of the world

Happiness ranking of  
selected countries 2012-2014

<b>1</b>	Switzerland
<b>2</b>	Iceland
<b>3</b>	Denmark
<b>4</b>	Norway
<b>5</b>	Canada
<b>6</b>	Finland
<b>7</b>	Netherlands
<b>8</b>	Sweden
<b>9</b>	New Zealand
<b>10</b>	Australia
<b>24</b>	Singapore
<b>38</b>	Taiwan
<b>46</b>	Japan
<b>47</b>	South Korea
<b>72</b>	<b>Hong Kong</b>
<b>84</b>	China
<b>158</b>	Togo

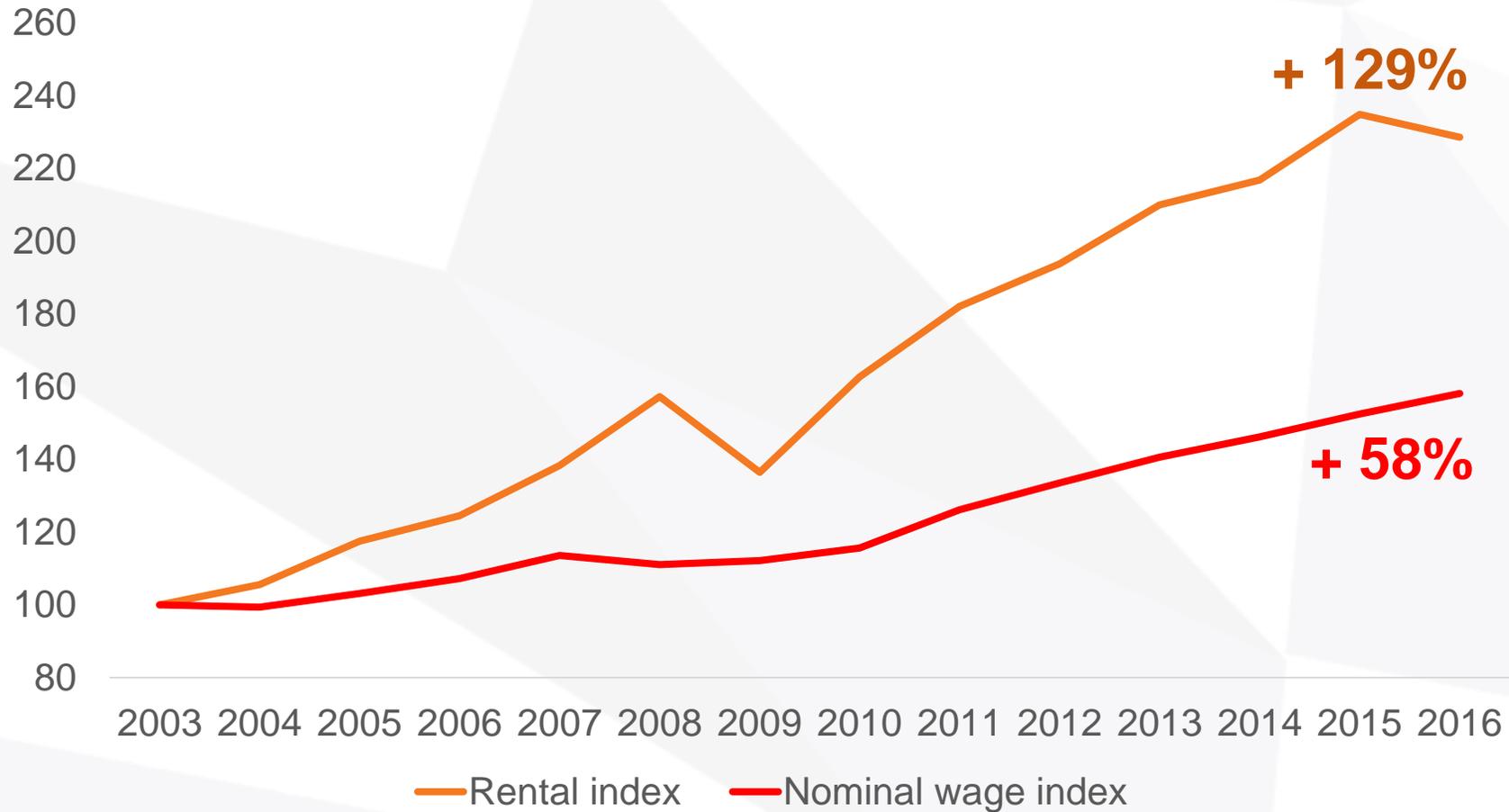
# Property Prices Outrun the Real Economy



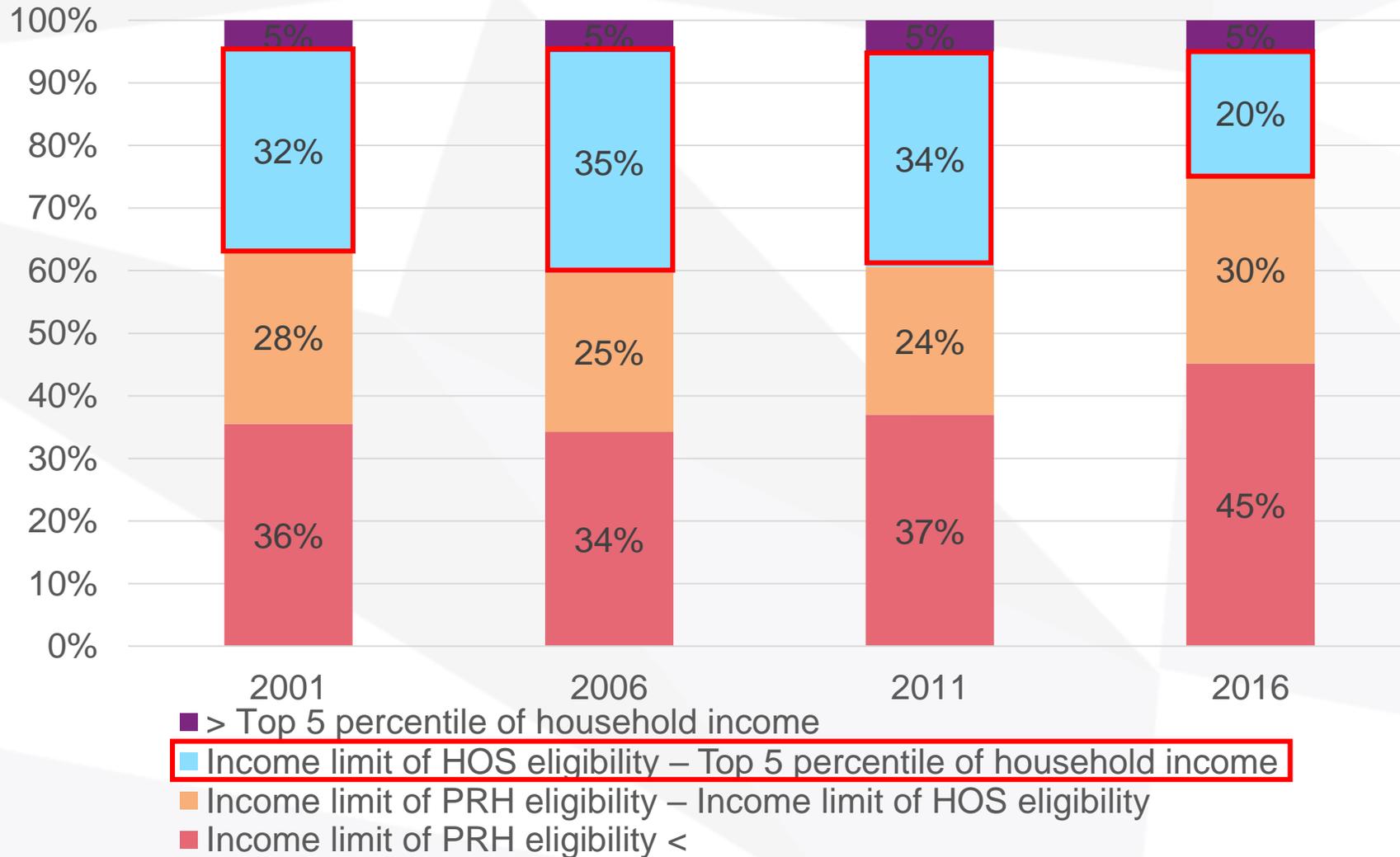
Sources: Economist, Census and Statistics Department

# Wage Growth Lags Behind Rental Growth

Rental and Nominal Wage Index (2003=100)



# Middle Class are Shrinking Fast



Sources: 2001, 2006, 2011, 2016 Population Census and By-Census, Housing Authority and Legislative Council documents

# Gini Coefficients (GC)

	2001	2006	2011
Hong Kong*	0.488 (0.436)	0.490 (0.436)	0.489 (0.430)
Singapore@	0.454 (0.419)	0.470 (0.418)	0.473 (0.423)

	2003	2005	2010	2012
United States^	N.A. (0.374)	0.486 (0.38)	0.499 (0.38)	0.513 (0.39)
United Kingdom^	0.502 (0.335)	0.503 (0.335)	0.523 (0.341)	N.A. (0.351)

\*Refer to GC based on **pre-tax pre-transfer** household income of **economically active** households, while numbers in brackets represent GC based on income **after Government transfers & taxes**.

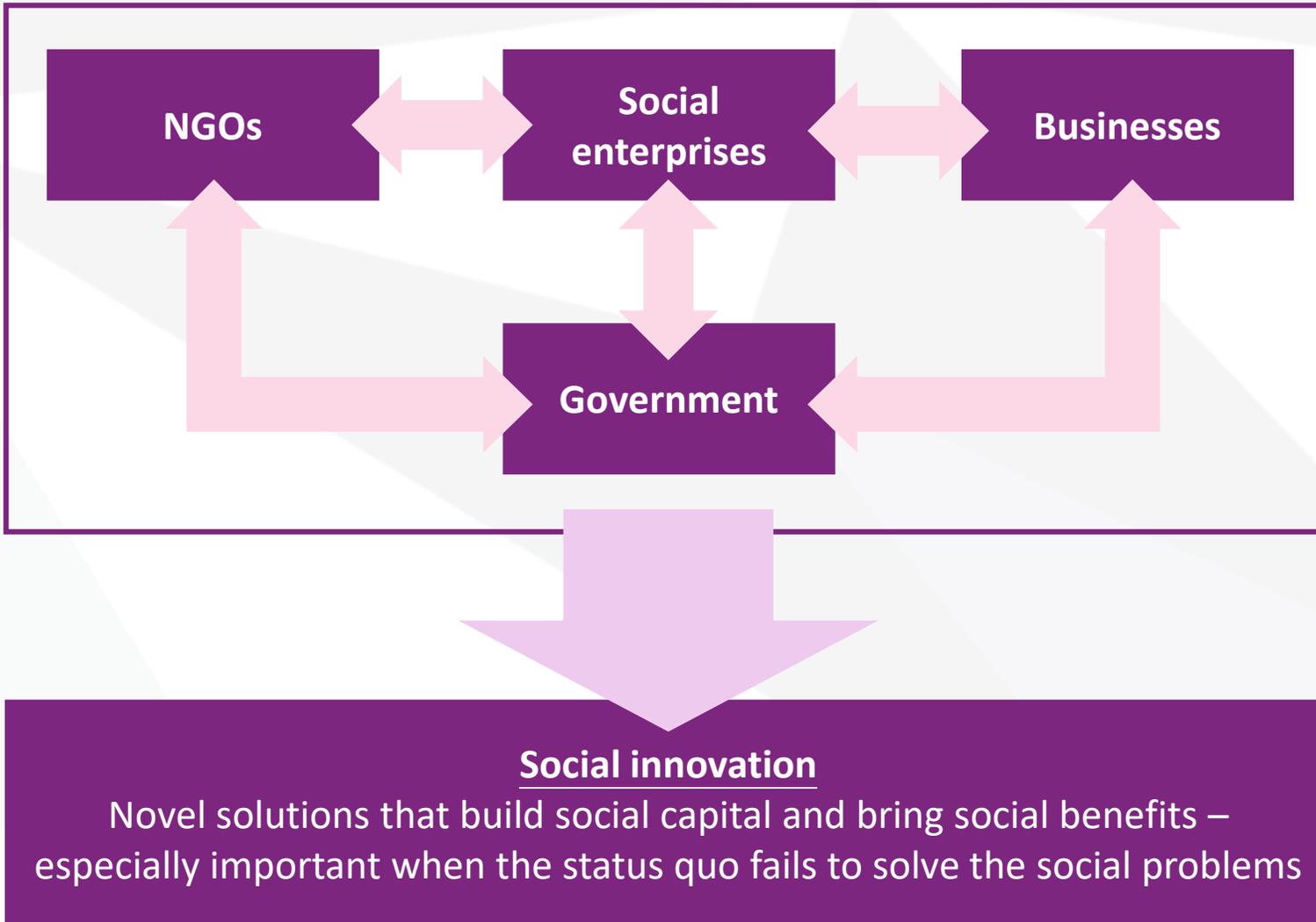
@ Refer to GC based on income from work **before Government taxes and transfers** **for employed resident households**, while figures in brackets represent the counterpart GC **after Government taxes and transfers**.

^Sourced from OECD database. Refer to GC based on “market income **before taxes and transfers**, while figures in brackets are GC based on **disposable income, post taxes and transfers**.





# Major Stakeholders in Social Innovation



## Why social enterprises?

- They are mainly startups that engage in social businesses
- Startups tend to exhibit more true innovation, which is more difficult to be achieved by incumbent companies

## Why businesses?

- Business are the most important as they engage in creation of resources and are scalable
- They also have the capacity and sustainability to achieve social innovation as they control majority of resources in the society

# Disruptive Social Innovation?

## 1. Shared Value

- Porter & Kramer (2011): *Companies could bring business and society back together if they redefined their purpose as creating “shared value”—generating economic value in a way that also produces value for society by addressing its challenges*
- Firms can achieve this in three ways:
  - a. Reconciving products and markets
  - b. Redefining productivity in the value chain
  - c. Building supportive industry clusters at the company’s locations
- Nestle, an early practitioner of the shared value approach, had drawn criticism during the drought in California in 2015 when its bottled water plant continued to drain 80 gallons of water annually and sold the water back to the people at hefty profits
- Nestle stressed that the company did affirm the human right to water and by selling bottled water people would gain access to high quality water as well as drinking less high-calorie drinks

# Disruptive Social Innovation?

## 2. Sharing Economy

- An economic model in which individuals rent assets owned by someone else when the assets are being underutilized
- Can be found in communities where people informally share resources
- Sharing helps promote social harmony and create social capital
- **In recent years the definition of sharing economy can now be expanded to any technology enhanced economy for the convenience of service providers. Sometimes these services, such as GoBee.Bike, do not involve underutilized assets**
- **These new services may focus on business efficiency while undermining social capital. For example, Uber shifts economic risk and cost by classifying all of its drivers as independent contractors. This has liberated Uber from higher labor force costs and more robust insurance policies, which do provide value to both drivers and passengers in traditional economies**

# “Sharing is the new buying”



# Disruptive Social Innovation?

## 3. Green Finance

- Capital raising and financial investments flowing into projects, products and companies that support the development of a more sustainable, low-carbon and climate-resilient economy (FSDC, 2016)
- Includes green bonds, green loans, listings of green sector companies etc.
- Eligible projects cover water treatment, wind energy, low-carbon buildings etc.
- **Greenwashing: Using the proceeds raised in projects other than the stated green projects. Sometimes much of the proceeds may also be used to paid original debt obligations instead**
- **Certain green projects are not green enough. For example, clean coal technology is included in definitions of green projects in some jurisdictions**
- **Motivations of the issuers in an under-developed investors market?**

# Disruptive Social Innovation?

## 4. Corporate Social Responsibility (CSR)

- The European Commission (EC) has defined CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”
- Corporate social responsibility concerns actions by companies over and above their legal obligations towards society and the environment (EC, 2011)
- Should be company-led and self-regulated
- **Since CSR relies on self-assessment, assurance, ratings and awards, internal standards can be manipulated while still presenting a socially responsible image to the public**
- **In 2015 Volkswagen was revealed to have equipped cheat devices on its diesel cars since 2009 in order to evade clean air standards while the actual emissions levels were much higher than allowed**

# Disruptive Social Innovation?

## 5. Environmental, Social and Governance (ESG)

- Environmental criteria looks at how a company performs as a steward of the natural environment
  - Social criteria examines how a company manages relationships with its employees, suppliers, customers and the communities where it operates
  - Governance deals with leadership, executive pay, audits and internal controls, and shareholder rights
  - The ESG Reporting Guide of HKEx comprises: (a) “comply and explain” provisions; and (b) recommended disclosures
- 
- **Before the Gulf of Mexico oil spill in 2010, BP had been highly rated by ESG analysts and its stocks were part of many British pension funds. Many investors had also engaged BP to understand the firm’s safety record. At the end, the oil spill and its associated financial loss proved that the investors had mostly underestimated the ESG risks of their investments**

# Disruptive Social Innovation?

## 6. Divestiture

- Divestiture refers to the process of selling an asset and can take the form of spin-off, equity carve-out or direct sale of assets
- Assets that can be divested include a subsidiary, business department, real estate, equipment and other property
- Sometimes companies and investors may divest assets due to political or social reasons, such as assets contributing to global warming
- **In 2015, State Street Global Advisors launched its SPDR S&P 500 Fossil Fuel Free ETF. In spite of its name, it owned stocks of companies which engage in offshore-drilling, coal & natural gas burning and gasoline refining**
- **Later in 2016, State Street changed the name to SPDR S&P 500 Fossil Fuel Reserves Free ETF in order to clarify the fund's strategy of avoiding firms with coal, gas and oil reserves. This may imply the difficulties in fully divesting assets which are associated with political and social risks**

# Moral & Ethical foundations for Social Innovation

## 1. Bringing purpose back to businesses

- Seeking higher profits does not necessary fit with the general interest of the society and high firm profits are not always indicators of economic success

*“His employers constitute the third order, that of those who live by profit. It is the stock that is employed for the sake of profit which puts into motion the greater part of the useful labour of every society...But the rate of profit does not, like rent and wages, rise with the prosperity and fall with the declension of the society. On the contrary, it is naturally low in rich and high in poor countries, and it is always highest in the countries which are going fastest to ruin. The interest of this third order, therefore, has not the same connection with the general interest of the society as that of the other two.”*

*The Wealth of Nations, I.11.3*

# Moral & Ethical foundations for Social Innovation

- Bill Gates: “We spend 10 times more on male baldness than on malaria, which kills one million children and sickens 200 million people annually, undercutting their education and economic progress.”



# Moral & Ethical foundations for Social Innovation

## 2. Enlightened utility function with social wellbeing on a long term horizon

- The happiness we gain from the beauty of an orderly societal system prompts us to promote the wellbeing of the society

*“The same principle, the same love of system, the same regard to the beauty of order, of art and contrivance, frequently serves to recommend those institutions which tend to promote the public welfare...We take pleasure in beholding the perfection of so beautiful and grand a system, and we are uneasy till we remove any obstruction that can in the least disturb or encumber the regularity of its motions. All constitutions of government, however, are valued only in proportion as they tend to promote the happiness of those who live under them...From a certain spirit of system, however, from a certain love of art and contrivance, we sometimes seem to value the means more than the end, and to be eager to promote the happiness of our fellow-creatures, rather from a view to perfect and improve a certain beautiful and orderly system, than from any immediate sense or feeling of what they either suffer or enjoy...Even the weakest and the worst of them are not altogether without their utility. They serve at least to animate the public passions of men, and rouse them to seek out the means of promoting the happiness of the society.”*

*The Theory of Moral Sentiments, IV.1.11*

# Moral & Ethical foundations for Social Innovation

## 2. Enlightened utility function with social wellbeing on a long term horizon

- The happiness we gain from the beauty of an orderly societal system prompts us to promote the wellbeing of the society

*“The same principle, the same love of system, the same regard to the beauty of order, of art and contrivance, frequently serves to recommend those institutions which tend to promote the public welfare...We take pleasure in beholding the perfection of so beautiful and grand a system, and we are uneasy till we remove any obstruction that can in the least disturb or encumber the regularity of its motions. All constitutions of government, however, are valued only in proportion as they tend to promote the happiness of those who live under them...From a certain spirit of system, however, from a certain love of art and contrivance, we sometimes seem to value the means more than the end, and to be eager to promote the happiness of our fellow-creatures, rather from a view to perfect and improve a certain beautiful and orderly system, than from any immediate sense or feeling of what they either suffer or enjoy...Even the weakest and the worst of them are not altogether without their utility. They serve at least to animate the public passions of men, and rouse them to seek out the means of promoting the happiness of the society.”*

*The Theory of Moral Sentiments, IV.1.11*

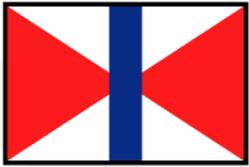
Profits – Business = Air – People



# Integration of Economic and Social Objectives



# Examples of businesses that engage in social development



Swire Properties has developed a new SD 2030 vision to be the leading sustainable development performer in the industry globally by 2030. The vision will be built on Places, People, Partners, Performance (Environment) and Performance (Economic).



Grosvenor, one of the world's largest international private property groups, has a “living cities” philosophy with eight attributes which guides its strategy in investing in and managing properties that contribute to the sustainable success of cities.



The Wallenberg family has actively worked to support excellence in research in Sweden and internationally. The family believes true scientific breakthroughs are accomplished by state-of-the-art projects and by world-class researchers who are given a high degree of independence.

# Examples of businesses that engage in social development



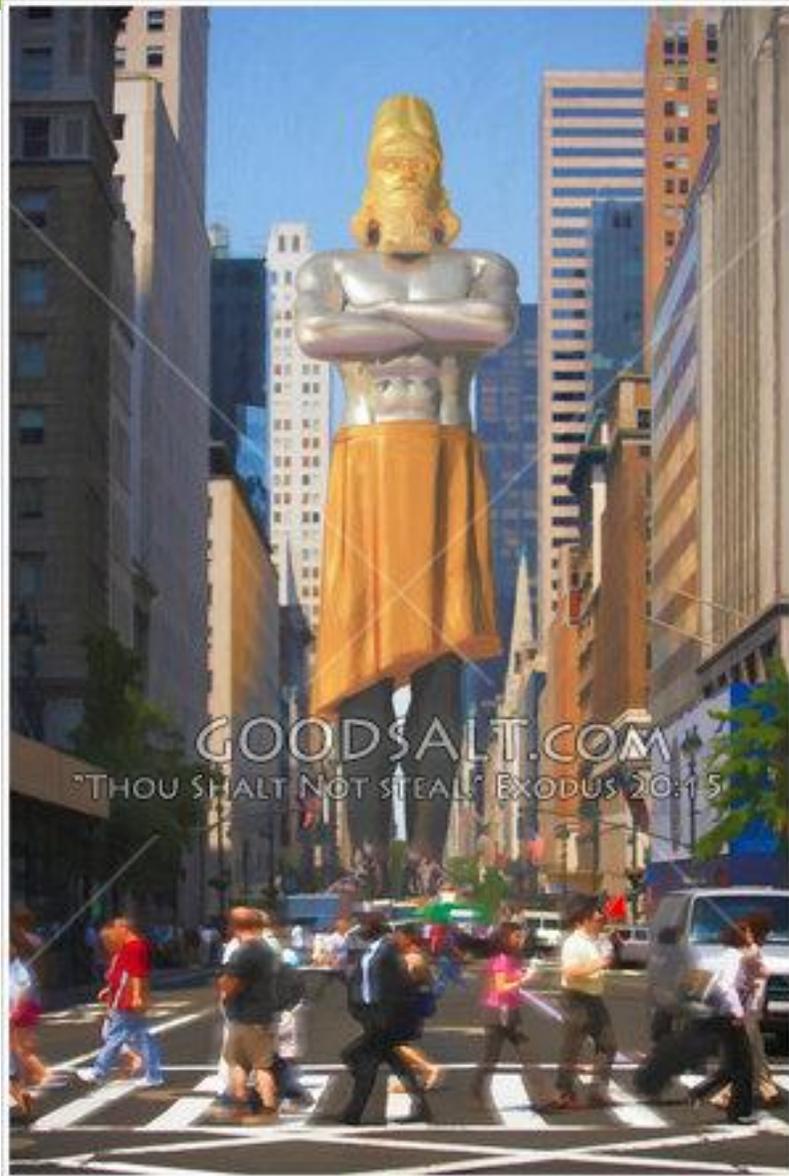
Warren Buffett has strongly supported renewable energy and he noted in his 2015 annual letter to shareholders that he now owns 7% of wind generation and 6% of the solar generation in the U.S.

Back in 2010, Warren Buffett, along with Bill and Melinda Gates, founded the Giving Pledge, which is a commitment by the world's richest people to give away more than half their money to philanthropic causes.

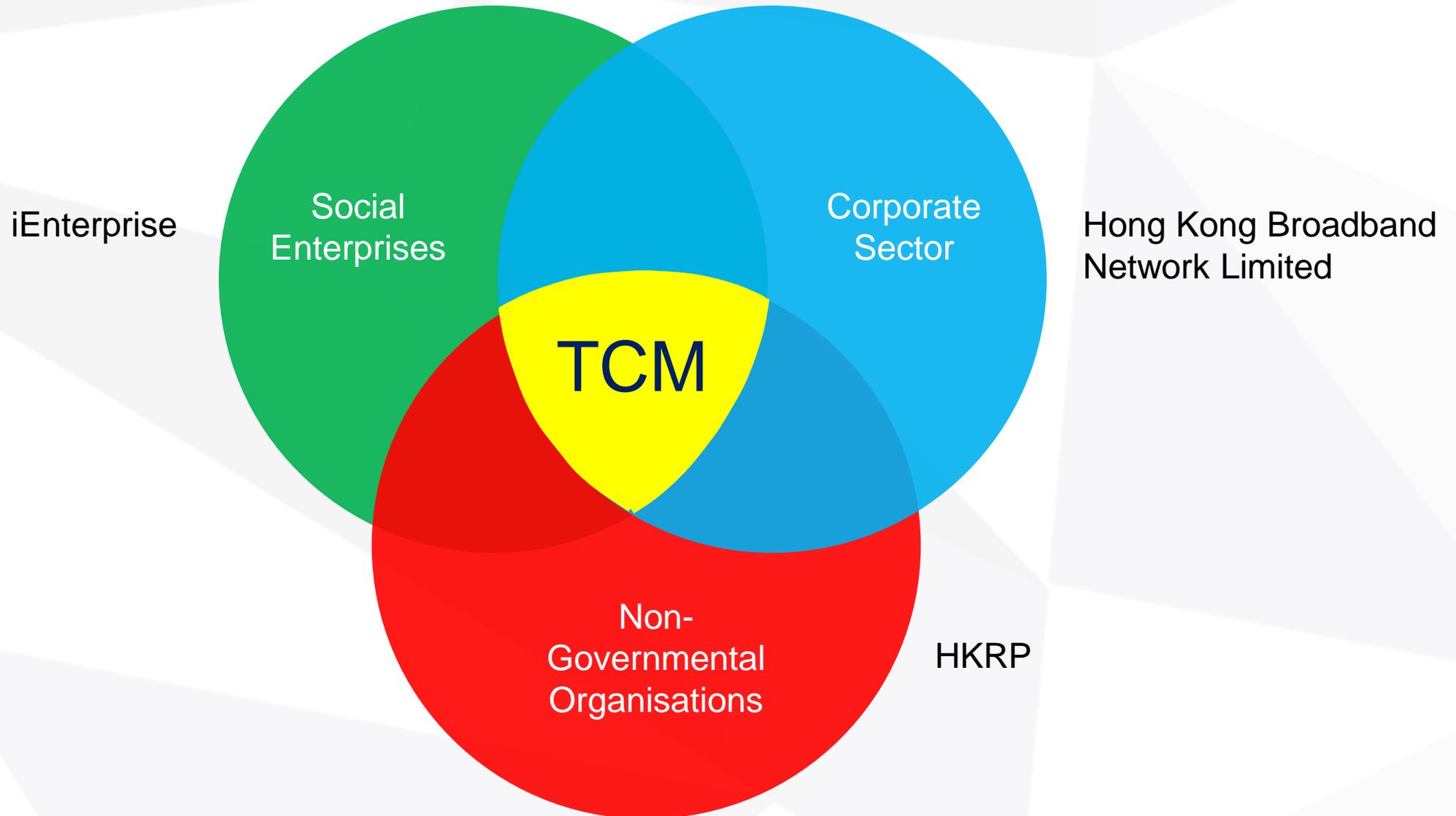
He also said in an interview that “there comes a point where money really has no real utility” but “it can do wonders for people around the world”.

Concept of “Ovarian Lottery”

# 危機，機會？關鍵時刻？



# Tripartite Collaborative Model (TCM) Value Creation



# Examples of Social Innovations in Consumption

- Ethical Consumption
- Fair Trade



# An Example of Collaboration

- Lantau
- Employers / NGOs / Church / VTC



# Examples of Collaborations

## Youth Upward Mobility Mentorship Program

### Four Pillars of the Program:

Provide job opportunities with promotion prospects for students having unsatisfactory results in the HKDSE to enable upward mobility.

Respond to the needs of enterprises for human resources

Equip youth to join the workforce through the mentorship program and peer support group, thus help them develop positive lives.

Facilitate the collaboration between the government, civil institutions, schools and the business sector in promoting socio-economic development mode and refining the existing youth policy.



- Starting from the end of 2015, contacted 130 schools to introduce the program; held 7 Work Experience Day during May and June to provide the students who were interested in the program with more concrete experience.
- Booths were set up in 18 secondary schools in Hong Kong on the DSE result release day in mid-July to recruit trainees and provide students with immediate support.
- Pilot Program 2016: helped 23 grass-roots teenagers aged 18-22 to get the opportunities of study and all-round development. The partner enterprises included are Hong Kong Broadband Network Limited and EGL Tours.

Core team: Dr. Ricky Szeto (Convenor), Dr. Philemon Choi Yuen Wan, Dr. Charles Chan Ching Hai, Mr. Chan Yim Kwong, Mr. Allen Ha, Mr. William Lo, Mr. Wai Bernard Stephen King Him, Mr. William Yeung, Mrs. Patricia Yuen, Mrs. Wendy Chiang Wai, Ms. Agnes Tse, Mr. Edmond Lee, Ms. Susanna Ma

More partner enterprises will join us in the coming year to provide more choices and diverse pathways.



Program Sponsor: Abundant Grace Charity Foundation  
Program Co-organizer: Hong Kong Broadband Network Limited



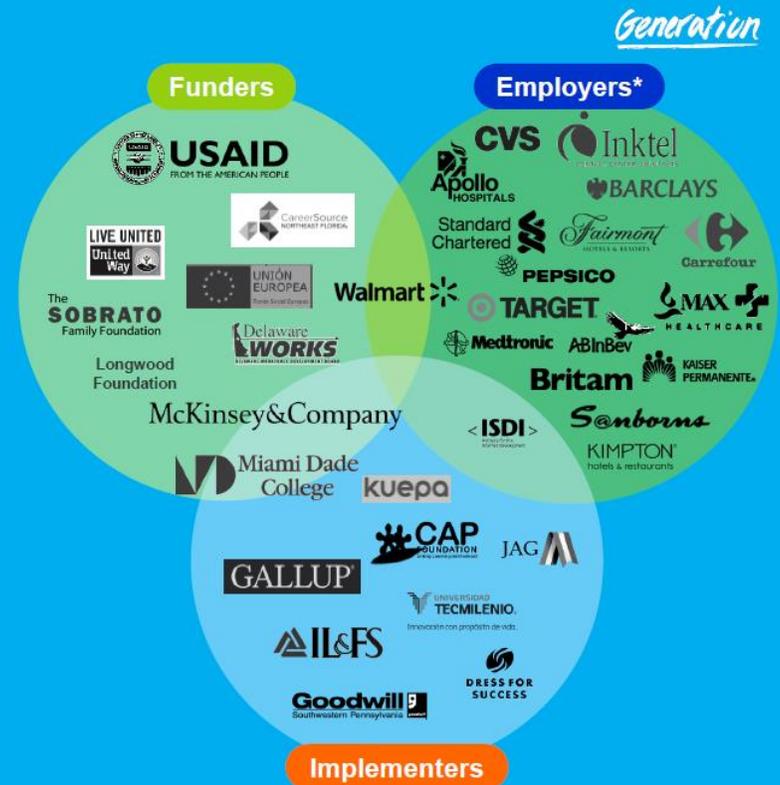
“Our enterprise contributed money, effort as well as labour to support this worthy program. Every contribution matters disregard the amount, so please join the program instead of doing nothing!”  
— Mr William Yeung (Chief Executive Officer of HKBN Ltd.)

“I will feel bewildered about my future with uncertain prospects if I haven't taken part in the YUM program. Thank you YUM!” — YUM participant

“At first I was just thinking about what could I do to train the youngsters... I thought that I was the helper, but actually I was growing up with them at the same time. While we were discussing about study through the sharing of guests, I recalled the days when I entered the job market as a freshman. I gained a more in-depth understanding of myself through the sharing, which served as the starting point for communication between us and made me a recipient of help as well.” — Keung (Christian Canaan Church)

### GENERATION OVERVIEW

We have 1250+ employer partners, deliver Generation through 20+ organizations, and receive implementation support from 60+ organizations



\* representative sample

# 誰是石頭？



有一塊非人手鑿成的石頭，擊在那座大像鐵和泥混雜的腳上，把腳砸碎了。於是鐵、泥、銅、銀、金都一同砸得粉碎，好像夏天禾場上的糠粃，被風吹散，無處可尋；那打碎這像的石頭卻變成一座大山，充滿全地。

但以理書2： 34-35