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MOVING TOWARDS AN INNOVATION-DRIVEN ECONOMY THROUGH HUMANE ENTREPRENEURSHIP: FROM HUMAN 1.0 TO HUMAN 10.0

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The absence of innovation and weakness of humane orientation in Korean SMEs

Currently, Korea's SMEs are: 1) weak in terms of innovation performance and innovation commitment 2) providing low wages 3) offering little motivation incentives for employees and 4) experiencing a vicious cycle of manpower shortage. Let's look at the current problem.

First is the weakness of innovation performance and innovation commitment of Korean SMEs. In particular, SMEs' new technology and innovation achievements are very scarce. The percentage of companies launching new products and services shows the innovation performance of SMEs at less than 3%, very low for OECD countries (OECD, 2015).

The entrepreneurial spirit is required for innovation growth in Korea's SMEs. In 2000, Korea ranked second in the Entrepreneurship Index Monitor (GEM, 2000) which compared companies in more than 100 countries. However, in 2018, Korea lost its rank and fell to 24th among 137 countries (GEDI, 2018).

Second, SMEs offer lower wages and competency development opportunities compared to large corporations. Compared to small and medium enterprises, large companies provide a high-quality education system, long-term employment of the staff, and high productivity. According to the Ministry of Employment and Labor's 2017 survey, the wages of SMEs are 65% (based on the total labor cost) of large enterprises. Indirect labor costs consist of labor costs (national pension, industrial accident insurance premiums, etc.) and welfare costs (Ministry of Employment and Labor (2018)). The education and training costs are 13% of large corporations, and the average tenure of employees is 3.0 years for SMEs and 7.4 years for large companies.

Third is the lack of motivation for employees. The degree of delegation of authority, autonomy given to employees, and motivation is low. Korea is ranked 78 out of 137 countries on the degree of delegation of

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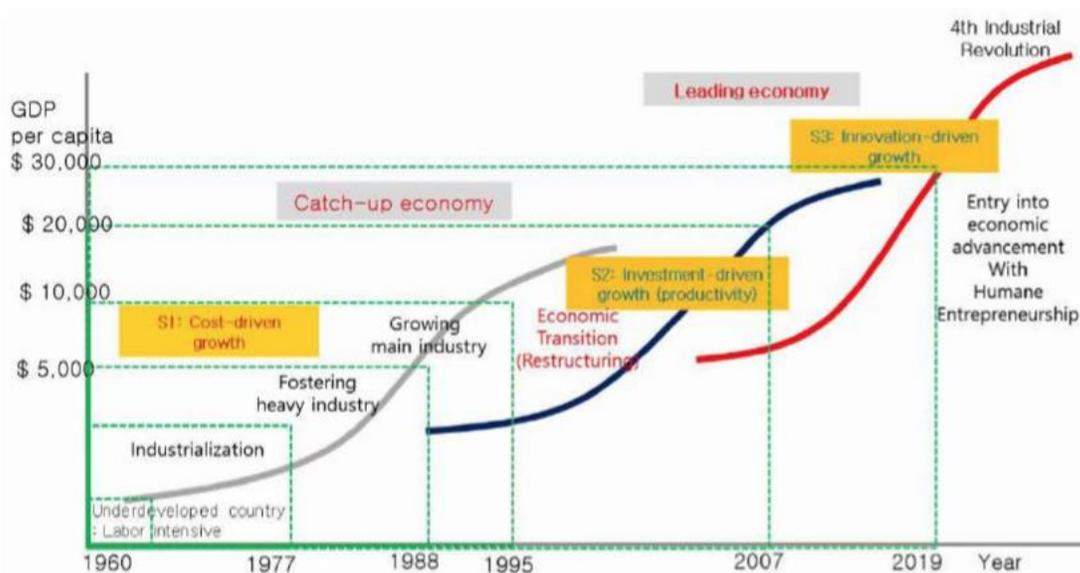


authority to the employees according to the World Economic Forum (WEF, 2017). In terms of motivation for workers, Korea is ranked 59 out of 63 countries based on IMD's 2017 statistics (IMD, 2017).

Fourth, the staff of SMEs is lacking quantitatively. Above all, it is difficult for Korean small and medium enterprises to secure the desired human resources and talent. As of October 1, 2017, the number of short-listed enterprises (SMEs) with less than 300 employees was 253,000 based on the number of commercial workers with five or more employees. In particular, there is a shortage of manpower in production and technology research. Young people do not want to go to SMEs, and SMEs lack the will to raise people. In Korea, young people are avoiding the work of SMEs.

As such, SMEs lack the will to innovate, and have a lack of qualitative motivation. It is also difficult to secure talent for innovation through the efforts of SMEs themselves. It is difficult for SMEs to innovate if it is difficult to retain employees compared to large corporations. SME innovation vulnerabilities and employee motivation are becoming a critical issue. We need a policy to break this vicious circle.

This is a people-centered innovation growth policy. The people-centered innovation growth policy is meant to expand investment in SME employees, those who are the source of innovation and differentiation. Among its goals is to nurture people through core policies, to support the development of employee competencies, and to support the motivation of employees. As shown in <Figure 1>, the Korean economy is divided into investment-oriented type and innovation-driven (Goh, 2005). This needs to shift from an investment-driven economy to a people-centered economy.



Innovation-Driven Economy with Humane Entrepreneurship

Human 1.0: A company that uses only 10% of the ability and commitment of its employees. Human 10.0: A company that uses 100% of the ability and commitment of its employees.

In order to move towards an Innovation-Driven Economy, SMEs should become Human 10.0 companies.

Humane Entrepreneurship is the main focus of the UN MSME Day. It is a source of innovation and quality job creation for SMEs. This concept could greatly help companies that want to innovate, and for entrepreneurs who want to create and foster decent jobs.

Entrepreneurs dream, and this dream becomes the foundation of their companies. They share this dream with their employees. This shared dream creates a more inspired, enthusiastic, and empowered workforce. Similar to what has been done in Korea, our team aims to apply Humane Entrepreneurship to Chinese companies.

Humane Entrepreneurship activities are summarized and reported as follows:

1. October 1, 2018: 10 Best Humane Enterprises selected

Sponsored by the Korean government, we have selected the 10 Best Humane Enterprises that have successfully created decent jobs, fostered innovation, and achieved growth. The impressive stories of employees and innovative growth among the selected companies were broadcasted by KBS for the whole country and the world.



2. October 17, 2018: People-Centered Economy and Humane Entrepreneurship for Innovation-Driven Growth in Korea

At the general meeting of the National Economic Advisory Council (NEAC, www.neac.go.kr), I proposed a policy direction for 'People-Centered Economy and Humane Entrepreneurship for Innovation-Driven Growth in Korea'.

3. November 26, 2018: Special Meeting for Guidance of Humane Entrepreneurship in ISO37000

- Key theme: ISO37000, Humane Entrepreneurship and Innovation-Driven Growth [○] Time: November 26 (Monday) 09:30-11:30 AM
- Venue: NEAC 12F Meeting Room
- Speaker: Yao Xin, Wei Min, Cui Ning, Chai Jinyan (CCPIT, China)
- Hosted by National Economic Advisory Council / Ministry of SMEs and Startups [○] Organized by Korea SMEs Trade Association / ACSB (Asia Council for Small Business)
- Discussants: Ministry of Trade, Industry and Energy

Korean Agency for Technology and Standards Ministry of SMEs and Startups

Ki-Chan Kim (Chairman of Innovation-Driven Economy Division, National Economic Advisory Council)
Hermawan Kartajaya (Chairman of ACSB),
Sook Rae Kim (Korean Agency for Technology and Standards) Chang Seok Song (Professor of Soongsil University)

Yong Jin Kim (ACSB Secretary General, Professor of Sogang University)
Zong-Tae Bae (Professor of KAIST)
Sang Myung Lee (Professor of Hanyang University)
Hyung-Cheol Lee (General manager of Ministry of SMEs and Startups, Republic of Korea) Na-Young Chung (General manager of National Economic Advisory Council, Republic of Korea)

4. December 5, 2018: Awarding of the Entrepreneurial Mayors and Regents Champions of Indonesia

At the Awarding of the Entrepreneurial Mayors and Regents Champions of Indonesia, I did a lecture for mayors and governors with the Minister of Cooperatives and SMEs Puspayoga, and the Vice Minister of Internal Affairs at the Glass House / Pacific Place on December 5, 2018, at 6.30-9.30 PM.

My lecture was panelled by the Regent of Trenggalek (Vice Governor of East Java Elect Dr. Emil Dardak) and Hermawan Kartajaya, President of ACSB.

They gave feedback on my lecture through Mckinsey's 7S Model. Shared Value is the key. The comments from their 3S viewpoint were especially impressive. The strategy is for tomorrow, the structure is for today, and the system was made yesterday. We need strategic action to prepare for tomorrow's innovation. The structure is to empower employees.

This is an Annual Event held by ICSB Indonesia, MarkPlus Inc, Philip Kotler for ASEAN Marketing.

5. December 11, 2018: Dialogue with the public at the National Library of Korea

Keynote Speech dialogue with the public at the National Library of Korea: Innovator, Innovative Enterprise and Innovation Driven Korea

Date and time: Wednesday, December 11, 2018 2:00 PM

Venue: International Conference Hall, National Library of Korea, Seoul

Organized by: National Economic Advisory Council

6. December 22, 2018: With the Guangzhou Chamber of Commerce President, and the Korean Consulate General



I have visited Guangzhou and Shenzhen, China with the invitation of the Korean Consulate General. I met with Jack Yao of the CCPIT (Beijing), the Guangzhou Chamber of Commerce President, and the Korean Consulate General. The ACSB conference next year will be hosted with the support of the Guangzhou Chamber of Commerce. We discussed the cooperation between Korean companies and Chinese

companies supported by the Guangzhou Chamber of Commerce and the Korean Consulate General. I hope it goes well.

We agreed to have an awards ceremony for 'Humane Enterprise' selected by the 'Enterprise We Want to Work' index (<https://ko.surveymonkey.com/r/8767XGR>).

7. December 26, 2018: "Humane Entrepreneurship Presentation at Blue House for Korean President

The National Economic Advisory Council was held at the Blue House. It was a meeting to propose policy directions for the President of the Republic of Korea. I have advised on the direction of the economic policy paradigm. The theme of my presentation was "People-Centered Enterprise and Innovation-Driven Growth." The main content is "Humane Entrepreneurship leads to decent jobs and innovation-driven growth."

It was a good time to discuss Korea's economic policies with the vast majority of experts, including the

Deputy Prime Minister, Advisor, and Chief of Staff to Republic of Korea, Secretaries for Policy, and Chief Secretary of the Economy to the president.

Venue: Blue House

8. January 24, 2018: The first graduation ceremony for the Compañia School

The first graduation ceremony for the Compañia School was held for students who study Humane Entrepreneurship together in Seoul. In the interest of Korean society, classes on "Humane Entrepreneurship" were held every Thursday evening. The lecture was led by ministers, ambassadors, professors, and CEOs through talent donation.

The first batch was attended by lawyers, doctors, oriental medical practitioners, architects, TV broadcasters, newspaper representatives, newspaper reporters, and many CEOs. The class for the first batch was held from October 11, 2018 to January 17, 2019. I would like to congratulate all who completed the course.

The class for the second batch will start again in February 21, 2019. Compañia School Principal: Kim Ki-Chan

9. March. 15, 2019: With Peter Drucker Society, Korea

'Humane Entrepreneurship--Peter Drucker's Mission & Entrepreneurship'

I thought of Peter Drucker's question regarding the Pacific Island. 'How can we make society happy? We should be interested in people and humanity.'

In Drucker's five questions, 'What is your mission? Why does it matter?', Massive Vision is born from Massive Transformative Purpose. We must also have a big dream (MTP: Massive Transformative Purpose). We also need to have this dream, so we can become agents for change.

UNIQLO's founder, Yanai Tadashi, acted as a strong initiator in the Japanese economy which lacked vitality. He gained inspiration from Peter Drucker's book. What is his mission? What is his MTP? "I want to change clothes, change common sense, and change the world." He is changing the world.

Peter Drucker Society Korea, Director, Kim Ki-Chan

10. April. 8, 2019: Humane Entrepreneurship at 2019 IPAG-OECD-ICSB Paris Conference

Humane Entrepreneurship. Why? For whom?

We had valuable discussions on Humane Entrepreneurship. SMEs and start-ups should be humane (ICSB HumEnt / ISO 37501 / Inclusive entrepreneurship). Why?

1. For the UN SDGs? For Youth/Employees?

This is because it turns ordinary jobs into decent jobs. This issue is of interest to the ILO/UN/Government. It is very meaningful, but it is not sustainable.

2. For Entrepreneur/Company?

It should, at the very least, be useful to the enterprise. The more humane-oriented, the higher the performance of the enterprise. This is the hypothesis we proposed.

11. May 23, 2019: '2019 SME Conference'

The '2019 SME Conference' was held at the Korea Press Center in Jung-gu, Seoul. The theme of this conference was 'Small and Medium Companies that want to work and pursue innovation and growth'. The conference, which began in 2013, is a ceremony for the winner of the Minister's SME & Start-up Award and the Seoul Newspaper Award. Five SMEs won the prize. After the award ceremony, Kim Ki-Chan, an advisor for President of the Republic of Korea (NEAC) & professor of the business school at Catholic University of Korea, made a lecture titled 'Transformation into a Humane Enterprise and Innovation Effect of Companies'.

His lecture began with the question, "How many of the employees at your company are not only physically but also mentally present?" The result was "not even 20%". Only 11% of Korean employees are both physically and mentally present at work.

Professor Kim emphasized that one of the key conditions for good performance is 'empathy'. The amount of empathy in an organization equates to the size of the dream of the employee. The ideas and enthusiasm of employees with big dreams lead to innovation. 'Empathy' is needed to enhance the performance of SMEs.

A person with a positive mind sees a person positively. Therefore, it is possible to cooperate with each other by seeing the strengths of others. After the economic downturn began in the aftermath of the US oil shock in 1975, companies that made money in the midst of recession were eventually "value/vision shared" companies. A company that grows in spite of a recession is a company that ignites the idea of employees. A good entrepreneur with a big vision tries to empathize with employees.

12. May 30, 2019: Conference G 2019 for Humane Entrepreneurship

An audience of 800 people, including many leaders gathered at the Shilla Hotel at 9:00 AM for Conference G 2019. They did not leave until 5:00 pm and were studying hard.

I planned 'Conference G 2019' and became a moderator. It was a very successful event. Ayman El Tarabishy Professor, School of Business, George Washington University and Matthias Holweg Professor, Said Business School, University of Oxford, Chantal Line Carpentier, Chief, UNCTAD New York, were invited as keynote speakers.

'Conference G 2019' was organized by Sisa Journal and I became a moderator. This event was held on May 30, 2019 at the Dynasty Hall of the Shilla Hotel in Seoul. The theme is 'The Fandom Revolution, a company that changes the world.'

I started the concept presentation with some questions. First, is your company kingdom or fandom? A Kingdom is a company that commands, and Fandom is a company that listens. "The most powerful weapon in a company is 'empathy'. Please, invest in empathy.

Second, what makes a company excellent? The answer is a big dream and empathy. There must be a reason for existence. This is the company's dream and mission. The bigger this dream is, the better. These companies are visionary companies.

Share the dream with members of the ecosystem. There must be empathy between the company and its employees. There must be empathy between the company and the customer. They then become your company's Fandom.

13. May 30, 2019: 2nd Graduation Ceremony of Compañia School

The 2nd graduation ceremony was held at the talent donation school, Compañia School (Principal, Kim, Ki-Chan), that teaches Humane Entrepreneurship was. Most graduates are professionals such as lawyers, doctors, CEOs, executives of large corporations, and bank executives.

Venue: Korea Automobile Industry Cooperative Association (KAICA) 5th Floor, Seoul Time: 2019.5.30. (Thursday) 6:30 - 9:00 PM

1. Congratulatory Address:
 - a. Shin Dal-suk, Chairman, Korea Automobile Industry Cooperative Association (KAICA) Umar
 - b. Hadi Ambassador of Indonesia to Korea
 - c. Kim Byung-hwa, Representative of the forum of Compañia School (Attorney Kim & Chang)
2. Overseas Congratulatory Address
 - a. Ayman El Tarabishy Professor, School of Business, George Washington University, US • Chantal Line Carpentier, Chief, UNCTAD New York
 - b. Matthias Holweg Professor, Said Business School, University of Oxford,
3. Award and certificate (Principal, Kim, Ki-Chan)

Conclusion

What makes an excellent SME? Through innovation and the commitment of its employees, SMEs could move towards becoming Human 10.0 companies. The key to evolving from Human 1.0 to Human 10.0 is Humane Entrepreneurship. Over the past year, we have been able to spread Humane Entrepreneurship not only in Korea, but to other Asian countries as well. We have a bigger dream for the next year and hope that through more collaboration, we could make Humane Entrepreneurship a Global challenge for companies worldwide.



About the International Council for Small Business (ICSB)

The ICSB Gazette is a weekly edition of a key topic that ICSB will showcase. The content is varied from research, practice, policy, and education. The editor of the ICSB Gazette is Mr. Kyle Lyon, ICSB Junior Project Manager. He will be soliciting ideas and articles from ICSB members world-wide.



Kyle Lyon

Editor, ICSB Gazette

Kyle is the Junior Project Manager at the International Council for Small Business (ICSB) in Washington, D.C. and the Editor of the ICSB Gazette.

ICSB Executive Director Comment:

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Contribute:

Have a topic you would like to see or an article to share? Please submit for consideration to kyle@icsb.org

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