



Achieving ESG Amidst 4th Industrial Revolution and the Pandemic With Human-Centered Stakeholder Relationship Management

Kyobo Life

Kyobo Life Insurance Company, one of the biggest life insurers in South Korea, was established in 1958 after the devastation of the Korean war based on the founding mottoes of "Promotion of National Education" and "Formation of National Capital" which were considered as the 2 fundamental elements for the development of the country's future.

Therefrom, the company's world first Education Insurance Product which received recognition from the IIS for its insightful creation based on the company's founding mottoes and its commitment to the society, and has become a unique brand of the company – Korea Education (Kyo) Insurance (Bo) Company, since its foundation.

For the past 61 years, the company has been fully committed to honest and sincere management in pursuit of mutual prosperity with all stakeholders including customers, financial planners, employees, investors, local communities and the government. Kyobo Life has worked tirelessly to put its core values of customer-centricity, honesty and sincerity, challenge and creativity into action.

Introduction

Insurance companies are now faced with the challenges of COVID-19 crisis coupled with Digital Transformation leading to enhanced demand for "sustainability."

Against this backdrop, Kyobo Life's Human-Centered Stakeholder Relationship Management geared toward UN's Sustainable Development Goals and ESG objectives stands out as an exemplary case for the global community. In 2010, Kyobo became the first Korean insurer to join the United Nations Global Compact, an initiative based on CEO commitments to implement universal sustainability principles and to take steps to support U.N. goals.

Kyobo Life soon adopted the SDGs framework after its initial introduction in 2015. Out of the total 17 goals of SDGs, the company first selected 7 goals, in which it can best participate and implement according to its own business nature and strength, and the company continues to be engaged in these activities.

Recognizing such efforts, Dr. Shin received the International Council for Small Business' (ICSB) Humane Entrepreneurship Award, that was created to support and promote the UN SDGs. The ICSB also invited Dr. Shin to its forum held at the U.N. headquarters in New York in May 2018. He became the first Korean businessperson to deliver a speech there. In Korea, In 2019, Dr. Chang-Jae Shin received the Korean Sustainability Leader CEO Award in Korea.

Chairman and CEO Dr. Chang Jae Shin

Capsulizing Dr. Chang Jae Shin's management philosophy into one word is nearly an impossible task, however, all of the descriptions on Dr. Chang-Jae Shin boils down to the vocabulary "Life." Dr. Shin has dedicated and committed his entire life journey as the "Life Company CEO" for over two decades and as "Life Creating Professor" at Korea's top university for 18 years.

He was born into a family deeply rooted in Korea's patriotic movement which inspired the founding of Kyobo Life in 1958 by Dr. Chang-Jae Shin's father, Founder Yong-Ho Shin, under the mottoes to "Build the Nation's Capital" and "Promote National Education."

Founder Yong-Ho Shin was a business person but at the same time also an education focused leader. He believed without hesitation and doubt that when people are respected as human beings, they can unleash their potentials. The Founder aspired for the company's employees to be honest and sincere, self-developing and cooperating with peers and contributing to our society. These characteristics have been the guiding principles for cultivating employees and leaders at Kyobo.

The Life Creating Professor at Seoul National University Discovering True Wonders of Life

Another factor that influenced Dr. Chang-Jae Shin was his experience as a medical resident. Because of the hierarchical organizational culture back then, superiors quite often verbally and physically abused subordinates by forcing subordinates to drink extreme quantities of alcohol, leading them to suffer physically. Whenever he witnessed and himself endured these situations, he deep down inside determined that he would not be like "them." Later, he became an infertility doctor with expertise in the test tube baby program. His discovery on the true wonders of life took place while observing fertilization process involving one sperm out of hundreds of millions of sperms fusing with an ovum. He also witnessed many couples suffering from infertility and miscarriages which enabled him to understand how precious human life is. He mentioned in a presentation that he "realized that all human beings are unique and special in their creation. And that each person must be respected. "

The Life Company CEO of Kyobo Life Insurance Co., Ltd. Practicing Human-Centered Stakeholder Relationship Management

Dr. Chang-Jae Shin describes life insurance as “humanitarian.” His perspective on Life Insurance is that it is based on humanism emphasizing the value of love and respect for human beings. He reiterates that Life Insurance can spare loved ones from anxiety by helping them to prepare for unexpected adversity. This is how Dr. Chang-Jae Shin became focused on Human-Centered Stakeholder Relationship Management.

After the Asian financial crisis, when Dr. Chang-Jae Shin took over as CEO of Kyobo Life, the company suffered a KRW 254 billion net loss in 2000. Thus, Dr. Chang-Jae Shin launched an enterprise transformation program and redesigned the company’s Vision and Strategy based on his Human-Centered Stakeholder Relationship Management philosophy.

For Employees and Financial Planners

He believes that if he shares his Vision with everyone that it can become an inspiration and passion for the employees, transforming the employees to become active contributor and not just passive workers.

Dr. Chang-Jae Shin and his management went through countless communication sessions to build consensus with the company employees when launching the enterprise transformation program. He continuously makes a point that “communication” is the most fundamental in management and that the CEO and management must listen to the employees with an open mind. A lot of times, he finds himself losing his voice at the end of the day due to the numerous communication sessions with Kyobo Life staff.

Five Principle of Motivation

Based on Dr. Chang-Jae Shin’s commitment and experiences as a CEO, and his insights into management practice, Kyobo Life established 5 Principles of Motivation:

1. Inspire with Company Vision
2. Share Goal and Strategy
3. Strengthen Job Competencies
4. Manage Performance and Coach
5. Provide Support and Assist Experienced Employees to Work Voluntarily

Dr. Chang-Jae Shin especially highlights empowerment and voluntary actions of employees which are the key factors to improving the productivity of the company. His first focus is on inspiring employees with the company’s Mission. He emphasized to managers that coaching is essential to enhancing the growth and performance of the company’s employees.

Ever since Dr. Chang-Jae Shin took office as CEO, he always made continuous efforts to create emotional connectivity with employees with the ultimate goal to empathize with them. He enthusiastically encourages managers to take an emotional approach rather than carry on a rational conversation as this motivates employees to voluntarily engage.

Dr. Chang-Jae Shin is a very active participant in the company's effort to connect with employees and sales agents. He has been spotted playing the guitar or becoming a chef or even a comedian on stage to connect emotionally. He even went as far as to dye his hair to communicate better with younger employees

As a means to support the dreams of employees, managers have performance indicators tied to employees' job commitment, job satisfaction and promotions. Simultaneously, to assure the satisfaction of Kyobo Life's customers, performance indicators are used for managers to measure the customer service index, persistency rate and etc. These collective endeavors contribute to the shareholders' interest of improving the company's revenue and profit.

For Customers

Naturally, the humanist perspective of Dr. Chang-Jae Shin is incorporated into Kyobo Life's well-known continuous customer-centered management. In 2005, Kyobo became the first insurance company to be inducted into the customer satisfaction Hall of Fame in Korea. With exhilaration and enormous pride, Kyobo erected a copper monument in the lobby of Kyobo Life's Head Office. Unfortunately, after a few years, however, the company became complacent marked by self-satisfaction incurring increasing customer complaints as the quality of customer services deteriorated. So in 2011, after humble reflection amongst employees, the company covered up the monument in shame. All employees had to become more diligent and assiduous to reduce the number of customer complaints. In 2013, Kyobo recovered its reputation by receiving high recognition once again, and the company finally unveiled the monument to the public.

'Lifelong Care Service', is another endeavor of Kyobo under Dr. Shin's customer management philosophy. The service has been launched since 2011 in order to 'optimize the coverage and protection for customers'. Under this service, all Kyobo's Financial Planners pay regular visits to customers to explain any unclear content of existing contracts, check any unclaimed incident, guide health care and other value-added services. Over the past years, 'Lifelong Care Service' has been benchmarked by other insurers and played a catalyst role in changing the culture of the insurance industry into more service centered business than sales centered business. In 2019, the company further strengthened the service by deploying digital tools such as tablets and chatbots to provide more informative and sufficient services to the customers.

The ultimate goal of the 'Lifelong Care Service' is to achieve the company's core objective 'to help people not to despair with hardships in their lives', which is a part of the customer satisfaction management approach of Dr. Shin always pursuing.

For Investors

For the past two decades under Dr. Chang-Jae Shin's leadership, Kyobo exhibited sound financial status with stable increase in net income and capital. Ever since Dr. Chang-Jae Shin launched the enterprise transformation program, Kyobo Life has always put higher priority on Company's Mission rather than profit. Because of Dr. Chang-Jae Shin's medical background, he often compares company management to oxygen. He states "Human beings cannot live without oxygen, but we do not live for oxygen. Likewise, a company cannot exist without profit as it is like fuel. However, a company should not exist merely for fuel."

Kyobo Life seeks positive returns and long-term impact on society, environment and governance of its business. In accordance to Dr. Chang-Jae Shin's management philosophy, the framework defining range of criteria and tools for measurement, management and improvement of ESG performance has been set up last year to extend the scale of investments.

In 2019, Kyobo Life has invested KRW 82 Trillion in socially responsible investments out of which 39.2% in focused on environmental-friendly funds and will continue to increase its scale going forward.

Meanwhile, Dr. Shin's socially responsible and long-term investment philosophy has been acknowledged by the international credit agencies. In 2020, Kyobo Life was given 'A1' rating by Moody's for 6th consecutive years due to the company's excellent business soundness, solid capital adequacy and low financial leverage. 'A1' is the highest credit rating ever received by any life insurance company in Korea. Fitch Ratings, another global credit rating agency, gave Kyobo Life an 'A+ (Stable)' rating for the 7th consecutive year evaluating profitability and financial soundness of

Kyobo Life comprehensively.

For Government and Local Communities

Dr. Shin often described life insurance as humanitarian that is built on genuine love for human beings. It emphasizes the value of love and respect for human beings and can spare loved ones from anxiety by helping them to prepare for unexpected adversity. Extended from this belief, he strives to lead the company as a responsible member of the society through honest business conduct and ethics, and generously sharing with the community.

Under this value, Kyobo Life has carried a very consistent cause to return and share with the society by founding 3 non-profit charity foundations focusing on education, culture and social welfare, and implementing various forms of ESG oriented activities including volunteer works, scholarships, donations and direct investment.

As examples, in 2019, the key projects company launched including 'Wow Dasomi Sound-and-light Program' to support children with hearing impairments, 'Kyobo Life Youth Athletics Cup Championship' project to support sport prospects to be the leading players for the future of the nation, 'Kyobo Dasomi Dream Makers' project for the youth linked to the 4th Industrial Revolution that helps the young generation to grow into digital talents.

In addition, Kyobo Life recognizes that as a member of the local community, it is essential for the company to conduct its business activities responsibly to build a sustainable environment. To meet such goal, the company is committed to reduce its carbon footprint by establishing a foundation for paperless office, and reducing its use of energy, etc.

Digital Innovation Amidst the 4th Industrial Revolution

As the digital technology evolves with the emergence of the 4th Industrial Revolution, it is expected that the insurance industry will undergo a major transformation. Dr.

Chang-Jae Shin has proclaimed the company's willingness for digital innovation in an earnest way by adding the goal of "Preparation for the Era of the 4th Industrial Revolution" in the company's Vision. With thorough due diligence and communication internally and externally, the CEO set the direction of Kyobo Life's digital innovation in 2019 and established a roadmap to the year 2025.

To achieve this goal, Kyobo Life has reformed its management organization and dedicated new operational task forces to accelerate the process strategically. In 2019, one of the major ongoing activities - "Accelerating Customer-Oriented Digital Innovation" has achieved fruitful results, including development of an AI enabled chatbot, creation of more digital based contents, and participation in various industry academia-research cooperation projects. In addition, the use of RPA (Robotic Process Automation) allowed the company to reduce the stress of employees, increase their productivity at the workplace, and secured new growth engines through open innovation based on the strategic partnerships with new digital partners in both domestic and foreign markets.

Dr. Chang-Jae Shin is determined to continuously strengthen the company's business competitiveness through digital transformation and innovation, securing new future growth engine, and ultimately strive to lead the company to be loved by all stakeholders by providing greater value.

'Of the people, By the people, For the people'

Dr. Chang-Jae Shin always raises one critical question in his talks at different conferences. "Can we manage a company to be like heaven? "

He explains that in heaven, leaders satisfy the needs of the employees, and employees satisfy the needs of the customers, which enables the satisfied customers to contribute to the company's profit. He quotes Jesus Christ as having mentioned "Do unto others as you would have them do unto you" and Buddha's teaching of "Helping oneself by helping others." Dr. Chang-Jae Shin has faith that if employees are treated equally as business partners and not simply as business tools, that the company will be able to motivate employees to bring out their voluntary commitment".

Based on Dr. Chang-Jae Shin's Human-Centered Stakeholder Management, stakeholders are interdependent on each other, but they are not binding and can move away freely whenever they desire. Thus, for the sustainability of a company, he enunciates the value of helping stakeholders to maintain their loyalty toward the company. To maintain sustainability, Kyobo Life communicates and shares the Company's Vision, Mission and Core Value of the company with the stakeholders so as to facilitate cooperation with each other in executing the Company's Mission. Second, the company continuously endeavors to maintain a good balance among all stakeholders as it is intrinsic that no specific group sacrifices itself for the benefit of another. And third, for a good balance, Kyobo Life ceaselessly innovates to seek a win-win relationship instead of tradeoffs among stakeholders.

Dr. Chang-Jae Shin stated that "Money is like a shadow, when you try catching it, you cannot, but when you move forward, it follows you." He revealed that he has often seen many companies pursue short-term profit, rather than winning the hearts of the employees and their customers. He says, in these cases, stakeholders lose faith in the company, resulting in poor financial performance. This then leads to a 'vicious cycle' where the company focus shifts heavily to numbers. On the contrary, when a

company consider the value of all stakeholders, namely, employees and customers, superior financial performance can be achieved. A company can create a 'virtuous circle' through this approach where profit is maximized and all stakeholders including shareholders can prosper.

In order to make good decision, Dr. Chang-Jae Shin acknowledged that he had to "think hard, do extensive research, study history, literature and leadership. He describes the job of a CEO as Chief Empowerment Officer, Chief Entertainment Officer, Chief Energizing Officer, Chief Envisioning Officer, Chief Educating Officer, Chief Encouraging Officer for the company. He especially ensures that he backs up his words with actions and takes the initiative to play all of those roles. As a CEO, he portrays himself as an acrobat balancing the complex and conflicting demands from every stakeholder.

At a speech by Dr. Chang-Jae Shin delivered at the UN, he concluded with extraordinary remarks on how more and more, our society requires companies to create, not only economic values, but also humane values. From this perspective, Dr. Chang-Jae Shin promised his commitment and dedication to the endless journey of Human-Centered Stakeholder Relationship Management. Dr. Chang-Jae Shin shared Abraham Lincoln's quote by applying it to company management.

"All stakeholders must have strong ownership of the company. All Stakeholders must directly or indirectly participate in company management. All stakeholders must be the ultimate beneficiaries of company management. For me, company management must be all about 'Of the people, By the people, For the people'.