
Corporate Social Responsibility & Sports through the Case Study of SK

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Corporate social responsibility (CSR) means that businesses actively carry out social responsibilities in a wide-range of areas, not to mention economic and legal responsibilities. CSR is a key part of strategies for sustainable businesses. Some are skeptical about CSR, because some businesses actively use CSR activities to divert criticism against their human rights violations or unfair labor practices. In addition, some consumers perceive CSR activities as part of profit-driven marketing. As such, there is a call for businesses to take a new direction in the area of social responsibility, and there is growing need for CSR activities to expand their scope to include the environment, media and sports. During the session, SK's CSR case was presented to see how CSR is applied to sports, and discussions were held on the future direction of CSR.

Moderator

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Presenter

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Discussants

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Kim Ki Tak: CSR activities can be defined as a normative system for business activities, which must meet demand and expectations of corporate stakeholders and the overall society by addressing social and economic problems caused by business activities.

Opinions are divided over CSR. Those who are for CSR argue that CSR is ① an indicator of a matured civilization and an act of future-oriented social value; ② an effective business vehicle that have positive impact on corporate sustainability and profit generation; ③ a necessity because social disasters would disturb normal business operation in

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the future, if today's social problems are overlooked. Those who are against CSR argue that ① CSR is an obstacle to profit maximization; ② corporate profit-seeking itself is an act of social contribution; ③ excessive CSR poses existential threat to businesses; and if businesses gain stronger social control through social responsibility activities, it may cause the collapse of the pluralistic society.

Charity activities as part of CSR can be characterized by donation of corporate profits and strategic social contribution. Strategic social contribution activities include volunteering, donation and public projects. Volunteering includes support for children without parental care, health and medical aid programs, advisory services or other activities organized by companies or their employee clubs. Donation is financial or product contributions to non-profit organizations, such as cash gifts, education program sponsorships and support for the less-privileged. Public projects include social contributions, where businesses take initiative in supporting culture, art, sport, education and research, development of the local community and environment protection. Recently, sports related CSR is drawing attention. Today, SK's case will be presented as an example.

CSR is known to affect financial performance, employee engagement, corporate reputation among consumers, loyalty, consumer attitude toward brand and brand image. However, recent studies show that businesses' social contribution can have different impacts according to its objective and motive.

SK's Sports CSR

SK has carried out sports CSR activities, which break down

to 1) SK sports clubs (club management and sponsorship), 2) SK subsidiaries, which use sports-related content and 3) SK sport organizations. It may sound like corporate marketing that SK operates sport clubs, organizes sports events, sponsors players and holds tournaments. However, these activities contribute to promoting sports, which in nature is a public good. In other words, with underlying idea that sport is a channel to share joy and enhance happiness with fans, SK sports clubs carry out social contribution activities. CSR activities by sport clubs and organizations can affect not only themselves but also related parent company and the entire group.

[Case 1] SK Telecom Open Golf Tournament

- Book donation to the Miracle Library in Seogwipo, Jeju: SK donated 852 books (worth KRW 80 million) to the Miracle Library, the same number of birdies and eagles recorded by top 60 players.

[Case 2] SK Wyverns

- A Home Run for Love: SK helped low-income patients with incurable disease to receive artificial joint replacement surgery according to the number of home runs hit by Wyverns' player Choi Jeong (28 beneficiaries in 2013).
- Baseball programs in Laos: SK supported baseball programs in Laos, through Coach Lee Man-soo, owner of a baseball club.
- Scholarship programs for aspiring baseball players.
- Happy Plus Baseball Team: an educational program, which sponsors baseball team activities for children with ethnic minority background.

[Case 3] Jeju United FC

- Happy Sharing and Happy Wings Campaign: When Jeju United wins its games at home, its players will visit those with underprivileged or minority ethnic backgrounds or the elderly living alone and hand-deliver donations (cash, gift certificates, goods or services) provided by sponsors (18 companies).
- Those who spent more than KRW 50,000 at SK LPG or oil stations in Jeju can get voucher to home game tickets.

- The voucher and the purchase receipts can be exchanged to home game tickets at the ticket box.
- Some 0.5 liters of heating oil will be set aside for every purchase receipt exchanged, which will go to the underprivileged at the end of the year.

Limitations of CSR

However, CSR is facing its limits due to the following: ① as businesses go nationwide and worldwide, the beneficiaries of CSR have expanded to include an unknown number of people; ② it is increasingly difficult to maintain consistency in CSR policies in a fast-changing environment with political uncertainties; ③ there is a growing call for CSR; ④ CSR becomes a business objective and at the same time it constrains business activities; and ⑤ it is demanding to strike a balance between the economy of the business and CSR.

Emergence of Creating Shared Value (CSV)

CSR's limits started to draw attention to creating shared value (CSV), a new business concept introduced by Harvard Professor Michael Porter. CSV departs from the conventional understanding of CSR, charities and sustainability and pursues economic success by simultaneously meeting social demand and challenges and generating both economic and social values.

SK's CSV Case

[Case 1] Since its announcement of a social campaign, 'Shared Happiness' in 2013, SK Telecom (SKT) has taken a lead in CSV activities using its information and communication technologies (ICT). SKT has started to introduce ICT to traditional Korean markets, which face growing challenges. The Shingui market in Incheon has launched its own membership program using SKT's ICT solution and enjoyed sales increase through a joint marketing with Incheon-based professional baseball club, SK Wyverns.

[Case 2] 'Bravo! Restart,' a start-up support program, is another success case. The

program brings baby boom generation's expertise together with SKT's capability. The first group of applicants (nine teams) was selected in July, 2013 and they have materialized their business plan and started to generate sales. The second group of applicants (13 teams) selected in March 2014 are now working to realize their business ideas, while SKT provides systemic support throughout the start-up program.

Baik Ki Bok: Companies are making various activities as part of their social contribution. In particular, SK Group has carried out various CSR, such as an Academic Quiz and diverse activities in the sports arena.

History behind the emergence of CSR

CSR has fundamental issues, which go beyond moral obligation: businesses should carry social responsibilities. CSR is a recent development in 6,000 years of human history as it was only 200 years ago that businesses emerged as a vehicle to create social wealth. However, the creation of social wealth is plagued by negative side-effects such as the wide gap between the rich and the poor, environmental destruction, corruption, commercialism and labor abuses. Such problems prompted new economic models such as Capitalism 4.0 and shared growth. Growing criticism against the wealth creation by businesses led to new alternatives such as cooperatives and social corporations. In response to anti-business sentiment, businesses have aggressively pursued CSR and CSV. Accordingly, such backgrounds should shed light on recent CSR and CSV activities in the sports arena.

Evaluation of CSR: Need for qualitative, not quantitative evaluation

SK has made significant investments and carried out successful CSR through sports. Nevertheless, there is need to evaluate SK's CSR compared to that of other companies. In addition, SK investments should be more about how they are done, not how much the amount is. It is desirable to evaluate sports-based CSR in terms of how it brings beauty, hope and dreams to people.

Currently, there are few multinational or large corporations without CSR activities. Most companies are engaged in CSR. However, proper evaluation of CSR has yet to be done. It is necessary to develop an evaluation index for CSR. The index should evaluate

not just the quantity, or the input of money, but also the quality of investments.

Kang Young Soon (Professor, Jeju National University): CSR starts from consumer awareness. Since the global financial crisis, “ecosystemic capitalism” emerged, and CSR and CSV started to attract growing attention. However, consumer awareness is essential to keep businesses engaged in ethical activities such as CSR and CSV.

Need for Group-Wide Comprehensive CSR Activities

SK Group and its group companies have carried out various CSR activities. However, it is necessary to coordinate CSR activities across the group in a way that can enhance SK Group’s brand value. In addition, it will be effective to target group-wide CSR, CSV activities to certain regions such as Jeju.

Cho Dong Sung (Emeritus Professor, Seoul National University): The evaluation of business performance should include social earnings as well as corporate earnings. In addition, I believe it is necessary to assign CSV to the planning and budgeting department, rather than the corporate social responsibility department.

Lee Dong Nam: Many sports clubs are engaged in various CSR activities. I agree with the presenter about the need for CSR with story-telling, rather than one-off events. In addition, the session enabled a new perspective of CSV. Jeju United has carried out CSV activities together with local businesses targeting soccer fans visiting the stadium. There is need for greater engagement from diverse stakeholders to promote social responsibility activities. Jeju United will look for various ways in this regard.

Policy Implications

- Many social issues can be addressed during the process of quantitative and qualitative growth in the sports industry: It is necessary to expand the sports market by making aggressive investments in the sports business such as professional sports clubs.
- Along with existing social responsibility activities, various projects should be developed to create shared values.
- The concept of created shared value does not negate or replace conventional charity or social responsibility activities. It is desirable to maintain or expand existing activities as much as businesses can, and at the same time use CSV as an additional tool to drive the sustainable and future-oriented growth and aggressively tackle social problems.