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# Case Study: Does Korea Telecom's (KT) Sustainability Achievements Follow the Ten Steps Approach?

Young-eun Lee<sup>\*</sup> & Adam H. Cave<sup>†</sup>

## Abstract

Many companies have reduced greenhouse gas emissions and gone paperless, shrunk packaging and eliminated hazardous substances from their products. They also have dramatically reduced the amount of water and energy they consume and the amount of waste they produce. They have attracted highly engaged employees and have written supplier Codes of Conduct and started monitoring supplier performance. This case study compares a practical application of Korea Telecom's (KT) initiatives on sustainability with the theoretical viewpoint of the "Ten Steps to Sustainable business in 2013" from the Ivey Business Journal. As a result, we can see that eight out of the ten steps matched KT's initiatives and provided support for KT's top placing in the Dow Jones Sustainability Indexes (DJSI) for the third consecutive year. Thus, we can deduce that this theoretical viewpoint is to a large extent a practical application in the real world, and in this case, KT.

**Keywords:** Sustainability, telecommunications, business strategy, corporate social responsibility,

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## INTRODUCTION

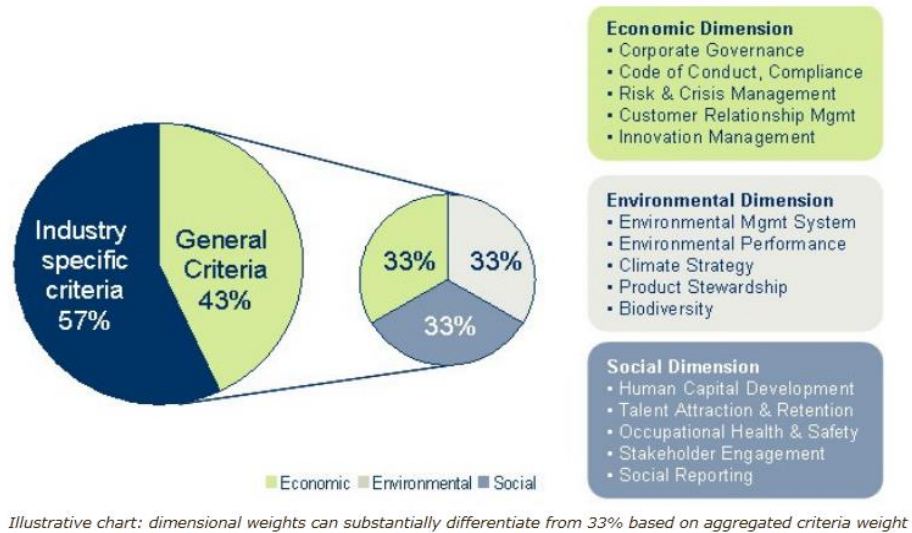
On September 14, 2013, in recognition of its achievements including corporate social responsibility, KT was selected as the Global Super Sector Leader in telecommunications in the Dow Jones Sustainability Indexes (DJSI)<sup>1</sup> for the third consecutive year.

The selection was made based on scores in three main categories: economic, environmental and social. The information collected in the RobecoSAM corporate Sustainability Assessment concerns factors that have a decisive impact on companies' future business success. Factors considered include corporate governance, customer privacy protection, eco-friendliness and contribution to society.

KT's scores in environmental and social areas were almost double the average of competitors', particularly in strategies to contribute against climate change and for green management. It also performed well in strengthening nation's telecommunications services environment and in expanding its communication technology for more age and social groups.

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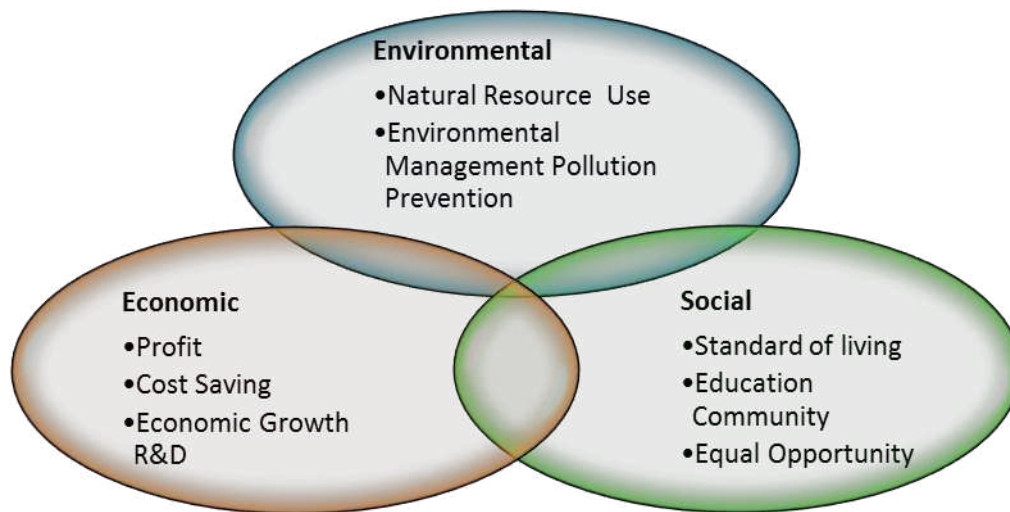
<sup>1</sup> **Dow Jones Sustainability Indexes (DJSI)** were launched in 1999 as the first global sustainability benchmarks. The indices are offered cooperatively by RobecoSAM and S&P Dow Jones Indices. It tracks stock performance of companies in terms of economic, environmental and social criteria and serve as benchmarks for investors who integrate sustainability considerations into their portfolios and provide an effective engagement platform for companies who want to adopt sustainable best practices.



**Figure 1 – RobecoSAM’s Industry-Based Analysis 2014**

## SUSTAINABILITY

Business sustainability refers to business models and managerial decisions grounded in financial, environmental and social concerns (Rowe & Bansal, 2013). Sustainable companies create long-term financial value, know how their actions affect the environment and actively work to reduce their impacts, care about their employees, customers and communities and work to make positive social change, and understand these three elements are intimately connected to each other. As a result, sustainable companies thrive, surviving shocks like global recessions, worker strikes, executive scandals and boycotts by environmental activists (Montgomery & Ramus, 2007).



**Figure 2 - Three spheres of sustainability (Adams, 2006)**

### **Ten Steps to Sustainable Business in 2013**

In order to analyze KT's achievements in this paper the following is a list of ten initiatives, as stated by Ivey Business Journal, January-February, 2013, that will help companies become more sustainable, in order of importance:

1. Create smart, integrated public policy.
2. Engage value chain members, including industry and NGO partners.
3. Build a national dialogue on responsible consumption.
4. Create organizational structures that support sustainability.
5. Embed sustainability in corporate culture.
6. Provide clear and equitable directives regarding Aboriginal rights and entitlements.
7. Create conditions that support sustainability-related innovation.

8. Incorporate a social license to operate into business strategy.
9. Prepare organizations and society to mitigate and adapt to climate change.
10. Lessen the burden of sustainability reporting.

## **SECTION II**

### **KT Corporation**

KT Corporation is a South Korean integrated wired/wireless telecommunication service provider. KT focuses on information & communications business, and has the largest portion of the South Korean local telephone and high-speed Internet business (KT Sustainability Report, 2013). KT actively led Korea’s transition to the information era and played a key role in promoting the growth of Korea into a globally recognized IT superpower. KT constantly seeks new business area, such as media, virtual goods, and global business with its domestic businesses experiences.

### **KT’S Sustainability**

KT, four years since the first implementation of olleh management system and one since its second, experienced remarkable, sustained growth in non-telecommunication-related subsidiaries despite fall in operating profits last year due to declining wired network profits, bold investments in LTE business, and expanded marketing efforts (KT Sustainability Report, 2013). Sales reached 23.8 trillion won, a 10% increase from 2011.

KT is engaged in sustainable management practices under the policy of becoming a company respected by society at large, through removing information gap and improving standard of living in the local communities. It hopes to alleviate conflict in society by including information-driven smart society children from low-income, disabled and multicultural families. KT aims to

transform into an IT giant and take charge of distribution of the Korean Wave and find new growth engine, while pursuing value-creating social contribution activities. KT will be developing plans to actualize Millennium Development Goals(MDGs) and Sustainable Development Goals(SDGs) by 2015.

KT is now transforming into a global media group rather than a company employing a wired and wireless communications business model. In a global market without borders, custom duties, or trade barriers, challenging and creative work opportunities can be provided to young people and it will become the greatest engine of growth in a knowledge- and creativity-based society.

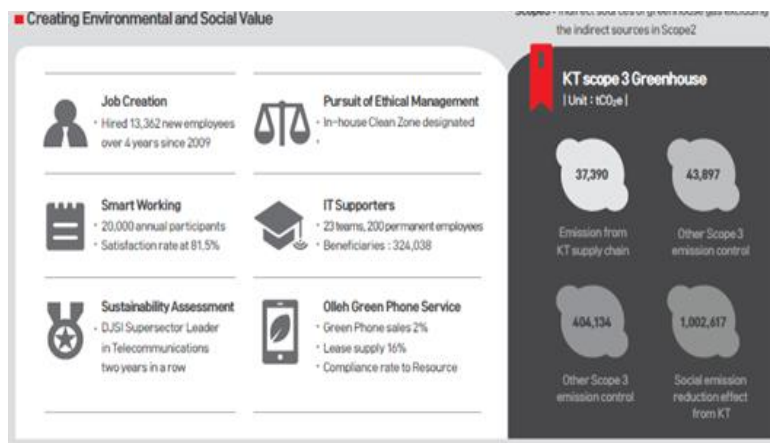


Figure 3: Olleh Management System 2.0

### SECTION III

Section 3 focuses on the comparing of the practical application of KT's initiatives on sustainability with the theoretical viewpoint of Rowe & Bansal's (2013) "Ten Steps to Sustainable business in 2013."

#### 1. Create smart, integrated public policy

Companies need clear, steady direction from governments regarding issues like carbon pricing,



national cap-and-trade systems for greenhouse gas emissions or feed-in tariffs for new energy-generation sources. They also need clarity around the intersection of environmental, energy, economic and social policies. The uncertainty created by governments’ failure to act compounds companies’ existing planning challenges. Only with clear, consistent and integrated policies can companies confidently invest in new technologies, new standards and staff training for sustainability.

KT is contributing to stable electricity supply nationwide by participating in smart load management project using its ICT capabilities and electricity loads in its buildings. It ensures stable power supply and mitigating economic losses and reduces investment in building power stations and environmental damage. KT also continues to strive to develop and apply a system that allows real-time/two-way communication and monitoring for effective load management and load reduction.

Green procurement (millions of won / items)		Green procurement results		
		2010 Amount(items)	2011 Amount(items)	2012 Amount(items)
Eco- friendly products	Green Mark certified	4,308(645)	5,094.9(439)	4,787.9(689)
	GR Mark certified		2.2(1)	468.4(7)
	Energy Mark certified	568(106)	0.1 (1)	4.1(3)
Other eco- friendly products	Reducing hazardous materials			180.3(3)
	Reducing waste		0.9(1)	4.4(2)
	Overseas environmental marks			
	Others		14.4(30)	33.2(120)
Total		4,876(751)	5,112.5 (472)	5,478(823)

**Figure 4: KT’s Green Procurement Results**

KT participated in the Voluntary Agreement for Green Procurement for IP products. It reflects environmental aspects in its specification requirements for procuring telecommunication facilities. KT helps suppliers minimize environmental impacts of their products from the stage of

product development, by providing them with guidelines on environmental friendliness of surface treatment, potential for recycling or reuse, and minimization of packaging materials.

**2. Engage value chain members, including industry and NGO partners**

Effective collaboration is essential in accelerating sustainability across a value chain or an industry. Companies can do everything possible to improve their environmental and social impacts within their own operations, but the big advances are made when companies align actions of suppliers, distributors and all other members of their value chains. Business leaders need to collaborate with industry peers, suppliers and even environmental organizations to reduce negative impacts and potentially come up with new products and processes.

KT’s management goals include creation of new national economic growth engines. It is actively engaged in creating an ecosystem for virtual goods and ICT convergence industries and expanding open Eco-novation. It also established Five Contents New Deal Promises, Three Don’ts of shared growth, and Three Dos of software growth. These efforts and investment are leading to the development of related industries, more business opportunities, and high-quality jobs.

**Table 1**

**Three Don’ts for suppliers and contractors, Three Do’s for developing small companies and venture companies.**

3 Don’ts	3 Do’s
1. Don’t waste SMEs’ resources	1. Do purchase ‘value’, not ‘labor’
2. Don’t steal SMEs’ technology and ideas	2. Do support for software companies’ competitiveness
3. Don’t compete with SMEs’	3. Do offer support for software

Since launching the business result sharing program in 2006, KT has constantly been establishing programs for promoting joint growth with partner companies, including financial support for technology development, joint procurement programs for cutting purchasing costs, and free training for partner company employees. Other programs include preventive measures for lowest bidding, larger compensation for maintenance and repair service, strengthening foundations for independent growth of competitive small and medium enterprises (SMEs), and billing and financing support. KT plans to build fair business relationships with partner companies, strengthen competitiveness of partners, help partners develop new markets, and create new value through shared growth to achieve sustained growth and prosperity via a forward-looking strategy emphasizing shared growth.

KT developed a sustainability guideline and an assessment standard for our suppliers for the first time in the telecommunications industry in 2012. The guideline and the standard reflect the global standard as well as the benchmarking of advanced European telecommunications companies such as Portugal Telecom, Telefonica, and BT. This provides KT’s suppliers with a framework in which they can fulfill their social responsibility, prevent risks that can arise on the supply chain, and growth together in a mutually sustainable manner. From 2013 onward, KT will internalize the sustainable SCM system by requiring our suppliers to comply with the sustainability and sustainability assessment in the areas of environment, society, product, and business operations.

Category	Material suppliers	ITC construction partners
Number of Partners	170	276
Sustainability Indices	ESG+Product 48 indices	ESG+Construction 36 indices
Remarks	Graded assessment (5 points)	Re-selection assessment (1 point)

• ESG :  
 Environment Social  
 (labor, human rights, social contribution)  
 Governance  
 (ethics, risk management)

**Figure 5: KT’s Sustainable supply chain management**

### **3. Build a national dialogue on responsible consumption**

Companies can only do so much without support of customers. If consumers are unwilling to buy or pay more for environmentally responsible or fair-trade products, sustainability movement will stagnate. Businesses need consumers to engage in national dialogues about sustainability so they can make informed decisions about sustainable living and responsible consumption.

KT is putting green labels on consumable materials, updating the green information twice a month, based on data provided by Korea Environmental Industry & Technology Institute while conducting education to promote the purchase of ecofriendly products. In 2012, the responsibilities, rights, scope and procedure for carrying out the ‘Agreement on green procurement’ were codified in order to establish green procurement guidelines. Green products receive first priority for purchase if price and quality is the same as regular products. A green procurement Web site provides an overview of KT’s green procurement activities, future directions and goals, green purchasing procedures, and a searchable list of green-certified products that can provide assistance to KT staff and employees procuring green supplies.

### **4. Communicate sustainability goals throughout the organization**

Sustainability or Corporate Social Responsibility (CSR) remains largely silo-ed in many companies, the responsibility of a single department or even a single employee. The company’s vision of sustainability should be effectively communicated so that everyone, regardless of their role, understands and embraces that vision (Kaplan & Minton, 2012).

KT has selected “sustainable growth as a global leader” as its main sustainability target and is working to boost channels of communication with customers and stakeholders. The company has also established its top five priority goals (i.e. Business Ethics, Customer Satisfaction, Environmental Management, Win-Win Partnerships, and Social Responsibility) to ensure that major issues are reflected in business decisions. The company has created the Sustainability Committee to accomplish the goals efficiently, of which the head of Public Relations Office was appointed as the chair and the responsible officers are members. The Corporate Governance Committee under the Board is responsible for receiving a report on the progress of sustainability and ensuring that senior management supervises the company’s sustainability in connection with the Sustainability Committee’s operational process.

In 2012, KT formed a CSV team composed of 199 employees tasked with creating shared value. Retiree knowledge sharing programs bring social responsibility together with new job creation, and the program will be expanded into a global CSV to allow KT to create even greater shared value in overseas countries where KT maintains a presence.

## **5. Embed Sustainability in Corporate Culture**

Relatively short tenure of CEOs represents a challenge for a sound sustainability strategy, which requires long-term investments. Organizations, large or small, have to embed sustainability in

their own corporate structures, so that sustainability strategies do not lose momentum with a new CEO.

Since its privatization in 2002, KT has observed the core principles of corporate governance in accordance with the global standards, with its management consisting of management specialists and an independent Board of Directors (Jin, 2005).

By splitting the roles of the CEO and the chair of the Board of Directors, the company established an objective, independent governance system, and has worked hard to enhance good governance by establishing the “KT Governance Charter” and creating the Corporate Governance Committee. As a result, the company received the Best Award in the 2011 Corporate Governance Review conducted by the Korean Corporate Governance and Sustainability Center. In the same year, the company received the highest rating (A+) in the Environmental Social Governance evaluation.

KT has worked hard to establish an ethical corporate culture by expanding its Business Ethics infrastructure. The company implements a project to enforce Personal Professional Ethics so that employees perform their duties based on business ethics. Personal Professional Ethics are applied to all types of work performed at KT as guidelines for best work practices. While also working with suppliers to establish Business Ethics, the company selects and awards employees who represent the best examples of business ethics through the Business Ethics Contest. KT also operates other business ethics infrastructure including Clean KT Campaign and the company’s Help-line in order to allow KT’s ethical management practices to develop further.

## **6. Provide clear and equitable directives regarding Aboriginal rights and entitlements**

Engagement between Aboriginal communities and resource development companies is crucial as expectations evolve and the number of development projects increases. But differing perspectives of companies and communities can pose a challenge for constructive interactions. Companies and Aboriginal communities can differ in the way they see, for example, each party’s responsibilities and the desired outcomes of the process. Once companies and Aboriginal groups have clarity regarding contractual obligations, they can focus on building mutually beneficial, long-term relationships.

As for KT, KT adopted the cumulative voting and paper voting processes to protect the rights of minority shareholders, and makes it a rule to return 2,000 in dividends per share for a minimum of three years (fiscal years 2012- 2014). As for the results of the fiscal period of 2012, the company paid 487.4 billion won in dividends as determined at the annual shareholders’ meeting held in March 2013.

## **7. Create conditions that support sustainability-related innovations**

Harvard Business Review proclaimed in 2009 that, because growing the top and bottom lines are the goals of corporate innovation, “smart companies ... treat sustainability as innovation’s new frontier”, (Rowe & Bansal, 2013). Despite that perspective, many business leaders still see sustainability-related innovation as risky. Large companies have investors that demand rising, quarterly earnings as well as big brands that represent massive investments of time and resources. NBS’s 2013 report, *Innovating for Sustainability*, revealed ways companies can reduce their impact on the environment, create positive social change that benefits business, and re-imagine their business models. Three things business leaders could start doing today to drive innovation: look for trends in emerging economies or unrelated industries; initiate

partnerships with universities and colleges to fill internal knowledge gaps; and institute incentive programs that reward employees for suggesting ideas that save energy, reduce material use and improve products (Nidumolu, Prahalad & Rangaswami, 2009).

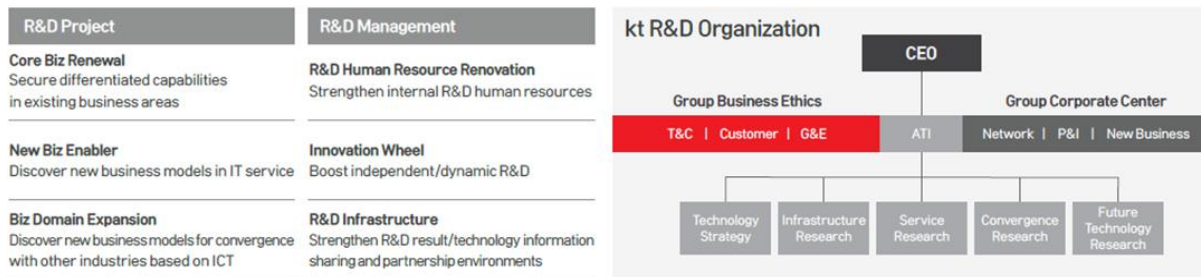
With the launch of olleh 2.0, KT focused on reorganizing job training programs as a reflection of its commitment to developing top talent for future growth industries and preparing for transformation into a global ICT industry leader. In order to fulfill the company's social responsibility of creating jobs, KT has increased annual hiring, and is expanding its recruitment into a variety of other businesses and social groups to boost the entire ICT industry. In 2013, KT continues to effectively manage human resources developed and create a management pool to place the best personnel in the right places.

By creating a 'Great Workplace', KT works hard to encourage employees to become spontaneously engaged with ownership, creativity, and commitment, improve its competitiveness, and assist in employees' personal development. Instead of centering on improving work processes, KT redirected its corporate culture innovation activities towards increasing customer satisfaction through fundamental solutions like achieving employee satisfaction, and towards developing a 'virtuous cycle' in which customer satisfaction strengthens the company's competitive position in the market.

The KT R&D center is working hard to create new value and a new world through technological and industrial convergence to reach its goal of "developing and enhancing future key technologies and services that can drive KT Group's mid-term growth strategy." Other than securing competitive edge in existing markets, KT is working to create new growth engines. With virtual goods, KT is moving into new markets and new industries through infrastructure



innovation. It is researching new technologies and services to be combined with ICT to keep up with global trends toward convergence, working with major universities, industries and other companies through open collaboration to maximize results. In addition, continuous technology management innovation allows the company to help boost effectiveness and efficiency of its R&D to meet and exceed global standards.



**Figure 6 - KT Research & Development efforts**

## **8. Incorporate a social license to operate into business strategy**

Maintaining social license is a strategic imperative, so sustainability managers wonder how they can frame sustainability as a way to manage risk and create efficiencies. Social license to operate refers to community members' tacit willingness to let a company operate in their region. Maintaining the company's social license to operate means generating shared benefits for both the company and affected stakeholders. Business leaders have to find ways to systematically incorporate community into all strategic decisions (Harrison, Bosse & Phillips, 2010).

KT is still in the process of incorporating a social license to operate into its business strategy.

## **9. Mitigate and adapt to climate change**

The physical impacts of climate change will redefine entire industries, not to mention the industries that rely on them. Climate change – global warming caused by human-generated greenhouse gases – is not an isolated issue. It is a recurrent theme in business conversations and is starting to overlap with other sustainability issues, such as carbon policy, water quality and sustainable supply chains (Jacobs, Singhal & Subramanian, 2010).

KT regards green IT as an imperative element in corporate social responsibility, and expects green management to provide new business opportunities, ultimately leading to green growth. To create new growth opportunities based on green IT, KT established its green vision "Green KT and Green KOREA". The company has also revamped its previous greenhouse gas inventory system in order to better fulfill environmental requirements. The company has also begun to calculate and management Scope 3 carbon emissions that are indirectly related to the scope of

KT's business activities.

KT expects environmental management based on green IT technology to not only allow the company to achieve its energy conservation goals but to become a future growth engine. As a part of these efforts KT established "Green KT, Green Korea" as a company vision for carrying out sustainable green growth and has been actively engaged in related activities for the past five years. KT has established three sub-visions to ensure sustainable green growth as part of the company's green management policy.

The first is "Green of KT" that makes the entire work ecosystem of KT Green; the second, "Green by KT" that makes Korea's entire economy green through the company's green services; and finally, the "Green paradigm by KT" that creates a new paradigm shift through green convergence that will lead to a new growth engine. KT has now moved beyond making plans and is carrying out real measures designed to reduce the company's environmental impact. Energy saving measures lead directly to cost-cutting measures, and commercial operation of solar power generation has enabled KT to both reduce greenhouse gas emissions and generate new revenue.

#### **10. Lessen the burden of sustainability reporting**

A plethora of reporting standards exist today to measure and award sustainable business practice. Some of the better-known global reporting measures include: the Global Reporting Initiative, ISO 14001, the Carbon Disclosure Project and the Dow Jones Sustainability Index. Companies spend a lot of time and resources reporting on their sustainability programs. Companies are calling on investors and third party assessment organizations to create more streamlined reporting methods. Whether that means agreeing on a core set of universal

sustainability metrics or reducing the number of items in a given questionnaire, companies are unanimous in their desire to spend more time doing and less time reporting when it comes to sustainable business practice (Barnett & Solomon, 2012).

Currently, due to the importance KT is emphasizing on reporting its sustainability standards, it has not voiced out plans to reduce time and resources spent on it. However, as time goes by, we can expect KT to use fewer resources to maintain its high standard of sustainability with proper know-hows and skills in the past few years.

## **CONCLUSION**

Many companies have been tackling sustainability for years. They have reduced greenhouse gas emissions and gone paperless. They have shrunk packaging and eliminated hazardous substances from their products. They have dramatically reduced the amount of water and energy they consume and the amount of waste they produce. They have attracted highly engaged employees and have written supplier Codes of Conduct and started monitoring supplier performance.

In this study, as mentioned earlier, we focused on comparing a practical application of KT's initiatives on sustainability with the theoretical viewpoint of "Ten Steps to Sustainable business in 2013" from the Ivey Business Journal. From the analysis of KT through its sustainability report, we could see that it fulfilled eight out of ten steps maintain sustainability and thus, can conclude that these ten steps are relatively true for companies to become a sustainable company and thus, can be trusted. Of course, KT is no exception.

**Table 1 – Checklist of KT’s Adherence to the Ten Steps**

Ten steps to sustainable business	KT
1. Create smart, integrated public policy.	✓
2. Engage value chain members, including industry and NGO partners.	✓
3. Build a national dialogue on responsible consumption.	✓
4. Create organizational structures that support sustainability.	✓
5. Embed sustainability in corporate culture.	✓
6. Provide clear and equitable directives regarding Aboriginal rights and entitlements.	✓
7. Create conditions that support sustainability-related innovation.	✓
8. Incorporate a social license to operate into business strategy.	✗
9. Prepare organizations and society to mitigate and adapt to climate change.	✓
10. Lessen the burden of sustainability reporting.	✗

With increased focus on sustainability and other aspects of company other than just good quality and service, KT has also put in a lot of efforts to improve their sustainability and to maintain its position as the leading telecommunication industry in Korea and also be recognized globally. KT has achieved most of the requirements Ivey Business Journal has stated to become sustainable. It has put in the most effort in the environment sector, with environmental management, responding to climate change, energy efficiency, recycling, eco-friendly products and services, policy participation and more.

With many operational and technical improvements already accomplished, it’s hard to sustain improvements “We already have a business with a small environmental footprint, so it’s increasingly difficult to find ways to further reduce our impact,” said one executive. They recognize that further progress requires a big next step. While none of the accomplishments

above are necessarily “easy,” there is a clear business case for each of them. For the more difficult actions – those on the horizon – the commitments are long term and the profits are uncertain.

Sustainability cannot be achieved overnight, but just as KT has been continuously putting in efforts to maintain and improve it, it has been able to gain a reputation and trust as being a company that cares for its employees and customers, society and environment, as well as economic growth.

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