Jin Jung Sung (Authenticity):
Creating Shared Value the CJ Way
ABBREVIATED**

Purpose and Learning Objectives

The purpose of the case study "Jin Jung Sung: Creating Shared Value the CJ Way" is to help participants craft an action-oriented definition of creating shared value (CSV) and contrast it with the more widely known concept of corporate social responsibility (CSR). Having assisted participants to meet the challenge of crafting an action-oriented definition of CSV, the case then challenges them to implement the definition by using a CSV project assessment tool.

There are four specific learning objectives:

1) Understand the nature of CSV as an organizational philosophy and differentiate it from CSR.
2) Discover how a firm's historical and cultural environment influences its sense of responsibility to its stakeholders.
3) Demonstrate how implementing a broad philosophy like CSV in a multinational conglomerate influences a firm's global strategy.
4) Organize, interpret, and evaluate CSV investment proposals using a structured assessment protocol.

**** A complete copy of the case along the Teaching Note and supplement documents is available up request from prof@gwu.edu**

I. Introduction

For Sung Hee Kim, Executive Vice President for Global CSV, telling the story of the CJ Group's commitment to CSV to a new audience has always felt like one of the fun parts of her job. She had told the story many times since assuming her role 18 months ago as director of the department responsible for building and nurturing CSV for the $29 billion CJ Group of companies.

This morning, her audience was 17 graduate students from the School of Business at the George Washington University. Taking advantage of GW's reputation for having educated an exceptionally large number of Korean business leaders, the two GW professors leading the program had asked her to showcase CJ's recent and high-profile commitment to CSV as a core business strategy. The GW students were in Korea to study social entrepreneurship and participate in the Jeju World Forum for Peace and Prosperity.[1]

Having considered various paths to a successful presentation, Kim settled on a plan to invite the students to join her as informal consultants to her team of organizational development specialists. The presentation began with the background story of CJ. She explained how it was her job to preserve the longstanding core organizational value of "business patriotism" while simultaneously modernizing it to help shape the emerging global understanding of CSV. Kim remarked that while being very impressed by North American perspectives, she felt that the Southeast Asian experience had much to contribute.

[1] The Jeju Forum (http://www.jejuforum.or.kr/eng/) is premised on the belief that in order to build peace and common prosperity in East Asia, international cooperation based on creative ideas is essential. Modeled after the Helsinki Process, the Forum was renamed Jeju Forum for Peace and Prosperity at its sixth official event in May 2011 and became an annual event, toward the goal of contributing to world peace and international cooperation through providing a continual meeting place for dialogue on topics associated with regional peace and cooperation.

As the presentation progressed, Kim shared with the students her two most pressing leadership challenges. The first challenge, as stated by Kim, was "to demonstrate that CSV is a valid guide to long-term business investment strategies to a short-term–focused and skeptical financial community." The second was "to help strategic business unit leaders within CJ find and fund the innovative projects required to meet CJ's corporate goal of becoming a $100 billion global enterprise by 2020."

To close the presentation, Kim informed the students that her team had recently drafted an internal CSV assessment protocol (see p. 19). With a discreet smile accompanied by a gentle bow, Kim closed her presentation to the students with an invitation to critique and improve the CSV assessment protocol. Students were handed a copy of the assessment tool, were organized into small groups, and were charged by their professors to "help translate CSV from concept to action"—in other words, "help Ms. Kim and her leadership team craft a protocol that works."

II. Country Background

The Korean Context

Public Policy: From CSR to CSV

The evolution of social enterprise in Korea is unique, particularly in its approach to the labor market and provision of social services. Catapulted by the Asian economic crisis in 1997, social enterprise came to be viewed by the Korean government as a means to reconcile social commitments with (a) high-growth capitalism, (b) low social spending, (c) an inclusive society, and (d) the discipline of Chaebol power.[2]

Efforts to accommodate these sometimes-competing aspirations led to the passage of the 2007 Social Enterprise Promotion Act. The Act defined a social enterprise as "an organization that is engaged in business activities, including the production and selling of goods and services, while pursuing a social purpose to enhance the quality of life of the local community through the provision of social services and job creation for the disadvantaged" (Ministry of Employment and Labor, 2007).

This definition was accompanied by policies that promoted the creation of social enterprises while at the same time closely regulating them. In support of the social enterprises, the Minister of Employment and Labor could provide professional consultation for management and production techniques, taxation, labor affairs, accounting, and other related business services. In addition, the state or local autonomous governments could further subsidize social enterprises by renting state-owned land and by reducing or exempting taxes.

III. The CJ Group and CSV

The Path to CJ's CSV Management

The CJ Group traces it's beginning to 1953 and the establishment of the CheilJedang Corporation. During its first four decades, CheilJedang concentrated on expanding its footprint in agriculturally related enterprises. In 1958 it began producing flour, in 1973 it added animal food supplements, and in 1980 it launched its processed food product lines. It was in the processed food sector that CJ excelled.

[2] The top 10 Chaebol accounted for approximately 84% of South Korea's GDP in 2012.

The 1990s were a particularly significant period for CJ. It was during this decade that CJ transitioned from a primarily food and agricultural firm into a "culture/lifestyle" business. Early in the decade, in 1993, CJ formally declared independence from the Samsung Group, and Jae-Hyun Lee, the first grandson of Ho-Am Byung Chull Lee, assumed leadership of CheilJedang.

The new leadership decided to reshape the firm's business model by crafting its definition of a culture-driven business and reorganizing into four business areas: Food and Food Services, Bio and Pharma, Home Shopping and Logistics, and Entertainment and Media. By 1995, the company was ready to boldly invest $300 million in U.S. based DreamWorks, winning the right to distribute the then-neophyte studio's movies in all of Asia outside Japan. At the same time, CJ entered the movie theater business to lay the foundation for a comprehensive entertainment company.

CJ became part of, and arguably the leader of, *Hallyu*, or the Korean wave. *Hallyu* refers to the exponential increase in the popularity of South Korean culture around the world over the past three decades. In 2013, Korea earned $5 billion from its pop-culture exports, and the government pledged to double this figure by 2017. The largest contributor to Hallyu is the Korean entertainment industry, with CJ at its center.

With the expansion of expressways and growing industrial needs for logistics and distribution, CJ also entered the logistics business. Lee also purchased a small home shopping company, envisioning that the TV and online shopping would drastically grow. Indeed, it quickly became the largest home shopping company in Korea. Now, CJ O Shopping operates in seven countries, helping small and medium-sized Korean manufacturing companies sell their products through its network.

In addition to placing emphasis on growth, Chairman Jay-hyun Lee also emphasized philanthropy and corporate responsibility. His philanthropic philosophies, in the tradition of his grandfather, emphasized sustainability, business linkage, and participation by employees (authenticity). In 2005, he started the CJ Welfare Foundation to provide direct support to underprivileged children in a systematic and continuous way. A year later, he established the CJ Culture Foundation to provide an environment and opportunity for artists to be successful.

In an acknowledgment of its success and in the search for continued progress, CJ refined its philosophy in 2010 with a program entitled "2020 Great CJ." The new direction called for it to move forward to create a lifestyle company influencing the world beyond territorial and cultural borders. Its goal is to achieve number one status as a global culture industry firm with core competence by being the First, Best, and Different, a philosophy encapsulated by the term "ONLYONE." More specially, CJ charted a course with very definitive target outcomes—to create a world in which people can enjoy daily happiness by watching two or three Korean movies a year, eating Korean food like Bibimbap once or twice a month, watching one or two Korean TV dramas a week, and downloading and listening to one or two Korean music tracks every day.

Evaluation of Projects

Based on this understanding of CJ Group and its principles, participants were asked by Ms. Kim to review the five projects that follow and rate them using the form Project Assessment Worksheet:
Creating Shared Value (CSV).

<u>Project 1 : CJ Korea Express: Senior Total Distribution Service Inc.</u>

Employment of the elderly via parcel delivery actually began in 2007 when several parcel delivery companies created delivery jobs for seniors as an expression of CSR. However, in the absence of an

efficient operating system and systematic partnerships with stakeholders, these efforts proved unsustainable.

In response to the lessons learned, in 2013 CJ sought to create a new sustainable model aimed at generating both economic and social benefits. Toward that end, CJ Korea Express established an independent logistics company, “Senior Total Distribution Service Inc.”

Senior Total Distribution Service Inc. operates in partnership with the Ministry of Health and Welfare and the Busan municipal government. According to terms of the partnership, CJ Korean Express is responsible for training senior employees and providing eco-friendly, easy-to-drive electric carts and supply chain-consulting solutions. Its government partner, the Ministry of Health and Welfare, provides financial support for senior employees, a business site, and a senior resource service.

Project 2 :One Village–One Product

Given the extensive array of high-quality local agricultural products, CJ O Shopping decided to select unique products to share with customers on its TV home shopping channel, Internet, and catalogs. Working in partnership with experts and farmers from the Korean Venture Agriculture College, CJ O Shopping selects a prospective product based on quality, technology, reliability, and contribution to the environment.

To prepare farmers for the program, CJ, in cooperation with Korean Venture Agriculture College, established training courses to educate farmers on agricultural, marketing, and management skills. Only farmers who have successfully completed the curriculum can enter the “One Village–One Product” selection process. To benefit the development of the local community, approximately 2% of total sales of the products are placed in a fund to assist farmers and fishermen.

New products are aired during nonprime time. No commission is charged for the sale of the One Village–One Product selections if total sales volume remains below $300,000. When total sales of a featured product reaches the required threshold, it becomes a normal product, commission is charged, and it receives the option to be aired during additional time zones. The intent of this design is to benefit both the company and the provider since the company is now able to deliver a unique and superior product while the farmer is encouraged to develop and make available the item of high quality and of particular economic value to the local production community.

Project 3: Returnship for Women

To improve Korea’s access to the talent in its female population, CJ Group launched the “Returnship Program” in 2013. The returnship program is targeted at women who have been absent from the workforce for more than a year due to maternity or childcare responsibilities. The program provides career-interrupted women with a 6-week internship in an area related to their past work experience. Returnees who prove to be excellent during this internship are provided with an opportunity to be rehired as regular employees of the CJ Group.

The returnship program offers three options for those participating. The first option is a 4-hour workday; the second is a 6-hour workday; and the third is a traditional 8-hour workday. To assist those for whom a full-day working schedule is burdensome because of child care requirements, the program includes a “returnship care system” in which supervisors are flagged and given warnings if they require recipients from the program to work overtime, creating an imbalance between work and home. Supervisors who receive five or more warnings receive a downgraded report in their yearly evaluation. In addition, the

program also runs a mentor system in which a colleague called a “buddy” helps female interns in their working life.

Project 4: Toto’s Workroom

To make Toto’s filmmaking class happen, CJ E&M built partnerships with government organizations and sponsors and drew on talent from its internal labor market. For example, in 2011 to launch the program in China, CJ E&M partnered with the Korean Ministry of Culture, Sports and Tourism, the Korean Arts and Culture Education Service, and the Communist Youth League of China. In Indonesia, following a similar path, CJ partnered with the Korean International Cooperation Agency and local agencies.

During the class, celebrities and film directors serve as volunteer mentors and instruct the children on filmmaking. The filmmaking class includes an introduction to filmmaking, writing scenarios, shooting, acting, editing, and marketing. Students in the program show their movies to parents and other members of their local community.

Project 5: Vietnam Pepper Project

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Project Assessment Worksheet:
Creating Shared Value (CSV)

Project Name: _____ Assessor: _____

Instructions: Rate each element from 1 (lowest possible score) to 7 (highest possible score).

1. **Alignment**
   The CSV project is appropriate if it is:
   - Aligned with the overall CJ business strategy
   - Related to the strategic business unit/line of business
   - Associated with a company core competency
   - Aligned with the CJ CSV mission

1	2	3	4	5	6	7

2. **Business value**
   The CSV project is appropriate if it:
   - Evidences substantive economic potential as a business opportunity, i.e., "How much economic value will this investment add to the firm?"

1	2	3	4	5	6	7

3. **Social value of the CSV business**
   The CSV project is appropriate if it:
   - Produces meaningful social outcomes, some of which might be intangible. Social outcomes include things like number of people employed, income earned by participants, and positive feedback from either participants or other stakeholders.

1	2	3	4	5	6	7

4. **Core competency development**
   The CSV project is appropriate if:
   - The sponsoring business unit acquires or significantly enhances a core competency via sponsorship. For example, will the project help create a different and unique problem-solving system?

1	2	3	4	5	6	7

5. **Reputation**
   The CSV project is appropriate if:
   - The project is recognized by key stakeholders as valuable with respect to enhancing positive working relationships with (a) other businesses, (b) government entities, (c) nongovernmental organizations, or (d) any other significant stakeholder in the network.

1	2	3	4	5	6	7

Total score for this project: _____ out of a possible 35 points.