What is the role of business enterprises in a modern society? For centuries, companies have been thinking hard about who they are and why they exist. They have come to the realization that the most certain way to ensure their continued existence is to actively respond to anticipated changes and satisfy the needs of each and every member of society. Today, companies are no longer able to grow or even survive if they only pursue economic value. With 51 years of operation as of 2019, POSCO has been considering this for some time.

The five decades of POSCO’s history have been in line with South Korea’s period of economic development. The company was founded with great anticipation and lofty aspirations on the part of both the government and the public during the drive to prosperity in the 1960-70s. In a country lacking much of the capital and technology to make steel, POSCO fueled national economic development and led industrial modernization under an ideal known as ‘steel patriotism.’ The spirit of steel patriotism, which was conceived as making quality steel to contribute to national economic development, has been at the core of the company’s mission and the values it has drawn upon for the last 50 years. While pursuing this mission, POSCO has also strengthened global competitiveness.

POSCO is now poised to transform itself into a company that will last for more than a century. At this critical juncture, it must redefine its role to meet the shifting needs of the times and create new value. The first task for POSCO to become a 100-year company is to build a new mission to motivate and inspire its employees.

After careful consideration and loads of discussions with employees and stakeholders, POSCO announced a new management philosophy for its pursuit of corporate citizenship in July 2018, ‘Corporate Citizenship: Building a Better Future Together,’ which supports prosperity shared with its people, business, and society. This article explores the meaning and value of its vision for corporate citizenship and how the company is working to connect this idea to its...
business, strategies, and corporate culture.

**Why POSCO is committed to corporate citizenship**

**Why corporate citizenship?**

Many of today’s social issues may seem too complex and diverse to tackle: there are no readily apparent one-size-fits-all solutions and governments alone cannot take on such social issues. A consensus is being reached that fundamental social issues cannot be addressed without corporate participation.

Among several pressing domestic issues described by the Korea Institute of S&T Evaluation and Planning (KISTEP) in 2019, none can be managed by governments alone:  
- low fertility rate and super-aged society  
- social instability aggravated by the widening income gap  
- low growth and subsequent shifts of growth strategies  
- shifting inter-Korean relations  
- job insecurity  
- failure to adapt to climate change  
- manufacturing innovation  
- growing healthy life expectancy and  
- severe natural disasters. In a complex and interdependent society, companies are increasingly being asked to apply their resources and capabilities to the resolution of social issues.

In a rapidly changing society with widely ranging needs, companies consider concepts like corporate social responsibility (CSR) and corporate philanthropy to be not a matter of choice, but a necessity, and they consequently conduct a variety of CSR ac-

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1 In April 2019, the Ministry of Science and ICT (MSIT) and KISTEP released a report titled “Korea Future Issues 2019,” which drew upon a survey of 500 government, industrial and academic experts to select ten important issues based on their likelihood and impact.
activities. According to a survey by the Federation of Korean Industries (FKI), more than 70% of the top 500 South Korean companies by revenue maintained exclusive teams for CSR. These top 500 companies’ CSR spending reached KRW 2.7 trillion in 2017.2

These active CSR activities are based on the public perception that since they make their money from society, companies must return to it a portion of their profits. People believe that as one of the sources of social problems, companies must expend resources to live up to their social responsibility. In many cases, companies bolster their CSR activities in the wake of a breaking scandal or during a severe crisis. Such CSR activities are regarded as a quick
Corporate citizenship is a new identity for the company as it shows a strong aspiration for change. It also represents POSCO’s willingness to go the extra mile in the workplace and society. It is not confined to social contribution, but encompasses business, society, and people. POSCO believes that a virtuous cycle of social and economic value can be built when these three pillars can strike a balance.

fix and far from a genuine effort.

POSCO wishes to alter this approach. Rather than being reactive, companies should transform themselves into actors that address social issues in a more willful and proactive manner. As a member of their communities, companies must become responsible citizens who take the lead in solving social problems and improving society. This is the gist of POSCO’s corporate citizenship.

What POSCO’s corporate citizenship implies

The concept of corporate citizenship remains relatively unfamiliar in Korean society. The term ‘citizen’ has been widely applied in such ideas as ‘citizen society,’ ‘citizens movement,’ and ‘citizenship.’ Companies have been regarded as simply an actor that accepts or reacts to events in civil society.

However, ‘corporate citizenship’ means that companies should become citizens themselves and seek not only conventional economic value, but also social value as one of the society’s members. With this in mind, POSCO defines corporate citizenship as follows:

*Today, corporate citizenship means that companies must fulfill their responsibility as one of the members of society to enhance corporate value and take part in addressing social issues voluntarily by building a virtuous cycle of growing economic and social value.*

What does corporate citizenship mean to POSCO? Corporate citizenship is more than simply enhanced CSR activities. It is a management philosophy to guide the company over the next 50 years. It is the answer to the ontological question of ‘why do we exist?’ rather than the functional question ‘what do we do?’

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**How POSCO embraces corporate citizenship**

**Redefining the management philosophy and setting a new vision**

In July 2018, POSCO declared the management philosophy ‘Corporate Citizenship: Building a Better Future Together,’ which reflects the reason for being and the ultimate goal of the company.

To realize this philosophy, it also presented the vision of ‘With POSCO.’ ‘With POSCO’ indicates company’s desire to be on the same side with other members of society, accompanied by its determination to become an organization worthy of pride and self-esteem.

There are three areas of focus for achieving this vision: ‘Business With POSCO’ in which value is created together with business partners, ‘Society With POSCO,’ involving efforts to establish a better society, and ‘People With POSCO,’ building a corporate culture of trust and creativity. These three thrusts of business, society, and people mean that the company will seek balanced growth among the areas of economic performance, social value, and employee wellbeing.

**Business With POSCO** is the primary sphere for creating economic value. The company is expanding its scope of business from steel into other areas and entering new business fields in an effort to diversify and seek balanced growth over the coming 50 years. The key to balanced growth is how it can foster a sound and sustainable ecosystem in alliance with business partners such as suppliers and customers. Society With POSCO aims to go beyond conventional corporate philanthropy in order to develop empathy for various social issues and take an active part in addressing them. By doing so, it can create social value and drive meaningful change. This is the core sphere
for realizing the management philosophy of corporate citizenship to create a better society. Finally, People With POSCO is the sphere supporting an environment encouraging employees to voluntarily participate in corporate citizenship activities. The gist of this movement is to inspire a corporate culture of mutual trust and understanding among employees and business partners based on respect and consideration.

POSCO takes great efforts to practice the values it deems important, such as putting substance first, emphasizing execution, and pursuing benefits. It achieves value management, win-win management, and innovative management by putting substance before formality, emphasizing execution over reporting, and pursuing substance rather than justification.

POSCO’s core values are ‘Safety,’ ‘Win-Win,’ ‘Ethics’ and ‘Creativity.’ ‘Safety’ means that the utmost priority is given to respect for people, and position holders must take the lead in encouraging a routine of safe behavior with a focus on actions. ‘Win-Win’ means practicing consideration for and sharing with others, pursuing mutual prosperity, and continuously growing by creating social value. ‘Ethics’ refers to seeking ethical behavior based on mutual trust between members of society and abiding by the principle of reward and punishment. ‘Creativity’ means taking the lead in solving problems through free and open-minded cooperation.

Systemization and setting the direction of
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management philosophy is only the first step in actualizing corporate citizenship. POSCO is working hard to answer questions including ‘what do we have to do to realize our management philosophy?’ and ‘how do we integrate corporate citizenship into the Group and ensure buy-in from employees and stakeholders?’

**POSCO’s corporate citizenship governance**

POSCO’s determination to participate in corporate citizenship is demonstrated by several recent moves: establishing the Corporate Citizenship Office under the direct control of the CEO; creating the ‘Corporate Citizenship Committee,’ an advisory arm for the Board of Directors; and initiating our ‘Corporate Citizenship Love Letters,’ an open platform for gathering opinions.

Although many companies engaging in CSR activities maintain dedicated CSR teams, such teams are limited by their disconnection from key management activities. For this reason, POSCO established a Corporate Citizenship Office in January 2019 under the direct oversight of the CEO, encouraging the management to take a keen interest in the issue and participate fully in the decision-making. The Office has expanded its role from traditional CSR activities to serving as a strategic control tower and communications channel for integrating and coordinating corporate citizenship activities related to business, society, and people.

The Corporate Citizenship Committee launched in March 2019 is an independent consultancy arm of the POSCO Group that provides advice on the Group’s corporate citizenship strategies and global environmental, social, and governance (ESG) trends. The Committee is comprised of seven members: three external experts, two internal directors, and two outside directors. By appointing three external experts in economics,
management, social science, or law, the Committee can offer specialized and objective monitoring and consulting on corporate citizenship. The outcomes of the Committee’s quarterly meetings are shared with and discussed by the management of affiliates via the Corporate Citizenship Strategy Council and Corporate Citizenship Executive Council.

Corporate Citizenship Love Letters is a communication channel opened in July 2018 to directly collect opinions and provide an open platform for interactive communication with stakeholders. It has become a key driver and reliable foundation for corporate citizenship activities. Corporate Citizenship Love Letters is open to everyone, including employees, and registered opinions are reviewed and answered by the pertinent teams. Participants can submit opinions anonymously or choose to openly share their thoughts. Responses to anonymous submissions are posted on a board for open answers. This platform is not simply for hearing opinions from stakeholders, but also for giving them a direct opportunity for fundamentally setting and implementing corporate citizenship strategies.

In addition, the company is conducting academic and working-level research on corporate citizenship in coordination with various research institutes and is endeavoring to spread the concept of corporate citizenship across society to ensure a sound ecosystem for corporate citizenship. POSCO Research Institute, a think-tank within the POSCO Group, analyzes CSR trends and reviews case studies from other companies in order to set strategies for the POSCO Group. It also seeks to develop innovative solutions to social issues through its networks with various experts.

Moreover, in March 2019 the Corporate Citizenship Research Institute (CCRI) was established under the Research Institute for Conver-
The company’s determination to pursue shared growth with suppliers is a win-win strategy that produces economic value for all. It has become a definitive corporate citizenship activity that creates social value by fostering a sound business ecosystem.

Engaging employees in corporate citizenship
The first step in changing a corporate culture is engaging employees. POSCO is making its best efforts to motivate employees to practice the management philosophy of corporate citizenship. Without a full understanding of the meaning and necessity of corporate citizenship, employees might consider corporate citizenship to be a lofty ideal, but not primary among their key tasks and goals. In particular, a top-down approach to change is insufficient to engage a millennial workforce, which is a major component of today’s human resources. Empathy is important in this regard. The only means for corporate citizenship to succeed as a management philosophy is to engage employees to practice corporate citizenship at work.

The company started with ‘building awareness of corporate citizenship’ for the first year of the new management philosophy. POSCO has offered both e-learning and off-line lectures on corporate citizenship to employees from different departments and backgrounds. The company has emphasized that corporate citizenship starts with doing your best at work and going the extra mile to co-exist with local communities. The company collects opinions from employees through the online communication channel ‘Corporate Citizenship Love Letters’ and through meetings, workshops and discussions with relevant departments as it endeavors to instill interest not only among POSCO employees, but also in partners.
and suppliers.

As the next step following awareness-building, POSCO released a ‘POSCO Charter of Corporate Citizenship’ in July 25, 2019. The Charter defines how the employees should conduct themselves as company representatives and members of the community. For POSCO, it is a central guide and reference for employees to support day-to-day activities and decision making. It ultimately reflects the core values and overall company culture.

**POSCO’s major corporate citizenship activities**

**Pursuing mutual growth with partners and suppliers to facilitate a robust business ecosystem**

POSCO’s fundamental competitiveness stems from the capabilities of its business partners. About 18,000 workers or 52% of the 35,000 field workers at the Pohang and Gwangyang Steelworks are dispatched from one of POSCO’s 97 partner companies. This means that in order to create an innovative ecosystem, cooperation with partners is more important than purely seeking competitiveness. This is also a meaningful effort for addressing a variety of chronic issues at work, such as reducing the gaps between large and small companies and addressing abuses directed at subcontractors by companies in a superior position.

The company’s determination to pursue shared growth with suppliers is a win-win strategy that produces economic value for all. It has become a definitive corporate citizenship activity that creates social value by fostering a sound business ecosystem. One informative example is the ‘benefit sharing’ scheme initiated in 2004. The program aims to reach a consensus between POSCO and partner companies on the goals of cost savings, quality improvement, and more. It provides monetary rewards and guarantees the purchase of improved products if these goals can be fulfilled. Through this scheme, POSCO Group had conducted 4,742 projects with 1,915 small and medium-sized partner companies as
of late 2018. Fifty percent (KRW 366 billion) of the gains were returned to these companies. Moreover, it has helped small and medium-sized enterprises (SMEs) elevate their technology by offering such incentives as long-term contracts and joint patent ownership. As an example, POSCO supported Manbo Heavy Industries, an SME based in Gwangyang, in developing absorption technology and eventually replaced obsolete absorption equipment at the POSCO Gwangyang Steelworks with the improved versions.

Another illustration of its SME support program is Quick Six Sigma (QSS), which was introduced in 2011 to reduce defects and inconsistencies in manufacturing processes and seek innovation that boosts productivity. QSS includes such activities as cultivating a creative mindset among employees, cleaning workplaces to reduce losses, and ‘My Machine,’ which aims to improve equipment performance. Since 2013, POSCO has applied knowhow from successful QSS projects and expanded the program to help SMEs improve their productivity and pursue innovation. Through 2017, 775 improvement projects were conducted. The project is regarded as a model case for shared growth between large companies and SMEs.

In line with QSS, since 2015 the company has conducted a smart factory program to help SMEs adopt IT technology in their factories to make production processes more intelligent, optimized, and eventually waste-free. Production lines are made smarter by improving three areas over six months: energy efficiency control, production line automation, and online work management.

From its launch in 2015 until July 2018, 101 companies had participated in the program. The company plans to increase the share within the program of companies not actually doing business with POSCO to nearly 50% in an effort to more widely share opportunities. In addition, the company uses its training facilities, human resources, and institutions to operate diverse education and training programs that enhance the work performance and core capabilities of SME employees.

### Being at the forefront in addressing social issues and making society better

The steel industry is a massive processing industry that dramatically influences the local economies of areas in which steelworks are located. Steelworks in return cannot sustain their operations if they are not provided with a vast range of material and human resources from the local community. This is why local communities in the 53 countries in which POSCO is doing business are its most important stakeholders and partners for shared growth. Pohang and Gwangyang in South Korea are the two definitive examples.

The key objective of its corporate citizenship strategy is improving the quality of life of local residents. The company’s corporate citizenship activities are focused on ensuring local communities are inclusive, safe, and resilient, mainly in four areas: education; support for the vulnerable; support for culture and recreation; and environmental protection.

- **Education** is POSCO’s core CSR activity. The
POSCO Education Foundation (POSEF) operates 12 schools in regions including Pohang and Gwangyang. The POSEF contributes to closing the education gap by granting scholarships to local low-income students. POSTECH has provided the foundation for turning Pohang into an advanced center for science and has become a symbol of the city of Pohang.

- The company operates various programs and volunteer groups to **empower the vulnerable classes in local communities**, including low-income citizens, the disabled, and multicultural families. ‘POSCO Steel Village’ is a representative project that utilizes POSCO’s steel products and construction techniques to build safer houses and ensure basic services supporting healthy lives for local residents. Over nine years (2009-2018), 50 steel houses were built in South Korea, and houses and bathrooms were supplied for needy residents near PT Krakatau POSCO, a joint venture between POSCO and PT Krakatau in Indonesia. This project has been named as an ‘Excellent Practice’ by the United Nation Partnerships for SDGs on the UN SDGs (Sustainable Development Goals) website.

- POSCO also conducts Mecenat projects that offer high-quality cultural performances to local residents who otherwise have only limited access to **art and cultural events**. Furthermore, it sponsors the Pohang Steelers and Jeonnam Dragons FC professional **football clubs**.

- **Improving the environment around local communities** is the goal of POSCO’s environmental management and a key factor for building trust with local residents. The company has recently increased its investment in the reduction of fine particulates and CO₂ emissions, afforestation and reforestation projects, and solar power generation projects using idle land near local communities.

As part of its corporate citizenship, POSCO is endeavoring to address emerging issues facing South Korean society. The first is the low fertility rate. South Korea is experiencing an unprecedentedly low fertility rate. Despite a massive budget for countermeasures, Korea’s total fertility rate hit a record low of 0.98 in 2018. If this continues, the working-age population is expected to fall by 10% by 2030, and the viability of local communities in which POSCO is doing business, including Pohang and Gwangyang, will come under serious threat. POSCO is taking part in addressing this grave social issue. The company plans to improve the environment for childbirth and childcare in local communities and raise awareness to promote a social consensus. Furthermore, the company is strengthening support for employment and startups in an effort to address youth unemployment. In 2019, it plans to operate job training programs that will provide jobseekers with basic work capabilities and field experience. It will also open an AI and big data academy for university graduates who wish to start their own businesses or work in the AI or big data fields. It is also operating a ‘Business Incubating School’ to help convert entrepreneurial ideas into actual businesses.
Encouraging volunteerism and creativity

The achievement of a corporate culture of volunteerism and creativity will determine the success of the corporate citizenship initiative. Corporate citizenship is unattainable without enterprise-level innovation activities that help all employees fully understand this vision and put it into practice at work. In particular, a culture of creativity is imperative for addressing social issues with the out-of-the-box thinking and open cooperation.

POSCO maintains a deep-rooted culture of volunteerism and giving. In 2018, the annual volunteering hours of POSCO employees averaged 28.3 hours per employee. With roots in a sister village volunteer work program from 1988, POSCO has been conducting various volunteer activities over the last three decades through a group called ‘POSCO Volunteers’ created in 2003. Since declaring its corporate citizenship vision, POSCO has further developed its culture of volunteerism and giving and has worked to create an environment that encourages employees to voluntarily contribute as corporate citizens.

The company has expanded its conventional volunteer programs into talent-sharing programs that take advantage of employees’ work skills, techniques, and specialties. In addition, POSCO has rolled out an idea contest to help employees improve their local communities, called ‘Change my town.’ The POSCO 1% Foundation was initiated in 2013. It is operated through donations from executives and employees of POSCO and its affiliates who donate 1 percent of their salaries, which
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is then matched by the company. To encourage more voluntary participation by employees, the company has expanded the scope of direct participation and disclosed information related to fundraising and management in a more transparent manner. To this end, employees can become members of a fund management committee and directly collect opinions from contributors and independently implement the projects they designate.

Furthermore, it has introduced a ‘Volunteer Service Mileage System’ that clocks the volunteer hours of employees and grants certificates and badges that instill pride in employees. The company has recently revamped its award system. It has created ‘Corporate Citizenship Volunteer Service Award’ to recognize employees of POSCO affiliates, overseas offices, partners, and even external philanthropists for their extraordinary volunteer services. The company changed the conventional ‘POSCO Family Award’ to the ‘POSCO Corporate Citizenship Grand Prize’ for the three sectors of business, society, and people.

What’s next

POSCO’s vision of corporate citizenship is just starting out, and it requires further refinements to succeed. These include an improved understanding by management of corporate citizenship and a determination on their part to lead by example; sophisticating the corporate mission and management philosophy to state clear directions and activities; making value-oriented decisions that take into consideration the sustainability of companies and society rather than short-term profits; increased trust and communication between the management and employees; creating an open corporate culture for a better workplace; hiring people with a mindset balanced between economic and social value; and on-site training for employees, to name just a few. POSCO’s determination to become a positive corporate citizen is becoming all the more meaningful as it spreads the concept of corporate citizenship throughout society and creates a positive impact, eventually contributing to making society a better place for all. Corporate citizenship is not a challenge for POSCO alone, but an issue that many other global companies and communities must consider and undertake. In this sense, POSCO’s corporate citizenship activities merit close attention.