

Comparative Study Of the Differences on CSRR between China and South Korea

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Abstract

With the increase of multinational cooperation in China and Korea, Enterprises need to establish branches in each country, publish CSRR which meeting local requirements. In this paper, we explore differences of Chinese and Korean CSR in background environment, overall content and specific indicators with the method of comparative analysis. We summarized the similarities and differences between the CSRR published in China and South Korea, which provide references for corporations in both countries to fulfill their social responsibility and provide reference basis for enterprises about to enter the market of the other country.

Keywords: corporate social responsibility; corporate social responsibility reporting; sustainability report

1. Introduction

In Asia, Chinese and Korean enterprises started to issue corporate social responsibility report (CSRR) at the end of 1990s. Enterprises in both countries need to establish branches in each country due to business contact and issue CSRR meeting local requirements. This paper aims at exploring whether efforts made by Chinese enterprises regarding CSR over a dozen years have produced the desired result through the comparison of differences and similarities of China and Korea in CSRR. For this purpose, we search ar-

ticles about Chinese and Korean CSR published on domestic and foreign important core periodicals, explore differences of Chinese and Korean CSR in background environment, overall content and specific indicators with the method of comparative analysis, analyze the status of CSR development in China and expect to summarize advantages of each other through comparison and provide reference basis for enterprises about to enter the market of the other country.

2. Literature review

Social Responsibility Report (also called as Sustainability Report and Environmental Report etc.). According to the research of Hansen International CSR Institution, corporate sustainability report is a kind of non-financial reports and originates from corporate environmental report. Social responsibility report reflects what social responsibility enterprises undertake and how they perform social responsibility, and the situation of performance of social responsibility by different enterprises in official form. It needs to be disclosed in public in a certain form. Therefore, many special researches on contents of social responsibility report in various aspects have emerged.

In the opinion of relevant foreign scholars, there are some evidence shows that consumers and other stakeholders expect companies to support social responsibility (Jones, 1997; Maignan, Ferrell, & Hunt, 1999; Smith, 1996). There-

fore, disclosing social and environmental impact report or financial report has become a common practice (Pearce & Doh, 2005). It is important for enterprises to not only perform good corporate social responsibility, but also report these behaviors. KPMG has published a report on corporate responsibility (Kolk, van derVeen, & Hay, 2002) to record the degree of participation of the company in this process. Obviously, the disclosure of these information by the company is helpful for guiding good views on corporate governance, and also investors use this information to make decisions (Poi-tevin, 1990; Ravid & Saring, 1991).

Wang (2012) considered that CSRR mode currently used in China is actually government and non-profit organization double dominant mode. As each department acts on its own, policies and regulations on corporate social responsibility report are not uniform and standard and there are more qualitative reports and fewer quantitative reports. Moreover, many enterprises in China have a poor performance of social responsibility currently and social responsibility information is disclosed by enterprises voluntarily. Therefore, the enthusiasm for disclosing corporate social responsibility is low.

3. Comparative analysis

3.1. Background environment analysis

The Korean government has put forward the economic revival strategy of “low-carbon and green growth”, expecting to realize energy conservation and emission reduction, increase of employment and promotion of economic development through the development of green environmental protection technology and renewable energy. Korea has not established mandatory laws and regulations on

requiring listed companies to release corporate social responsibility report yet. Therefore, their social responsibility reports are released in the form of sustainable development report. In 2003, Korean enterprises published sustainable development report for the first time. In this period of time, reports on corporate social responsibility made by Korean media increased.

In China, periodical release of CSR report has gradually become inevitable work of enterprises. On the one hand, government authority has issued various policies to guide enterprises to release CSR report; on the other hand, trade association and professional research institution have issued industry guidelines and prepared manuals to support enterprises’ preparation and release of CSR report. In addition, media and the public also play an important role in promoting and influencing the publishing of CSR report. Under the driving of various forces, publishing CSR report has become an inevitable choice of enterprises. In 2012, 1708 social responsibility reports were published in total in the Chinese mainland, increasing by 63.76% compared to 2011, among which there were 1408 reports published by enterprises, accounting for 82.44%, and 300 reports published by non-enterprise organizations, accounting for 17.56%. Fig.1 lists the statistics.

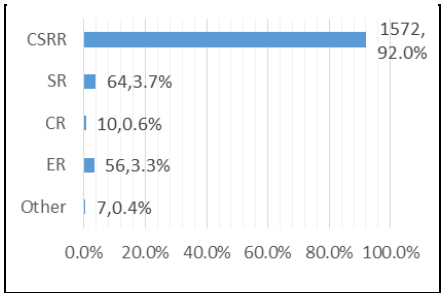


Fig. 1: statistics of report name quantity of Chinese(SR: sustainability report; CR : Corporate Citizenship ; ER: Environment Report)

It can be found through comparison that all corporate social responsibility reports (CSRRs) in Korea are published as “sustainable development report” and most CSRRs in Chinese mainland are published as “social responsibility report”. It is thus clear that CSRRs in both countries have different emphases. Korean enterprises pay more attention to relevant sustainable development strategies and enterprises in Chinese mainland pay more attention to corporate social responsibility.

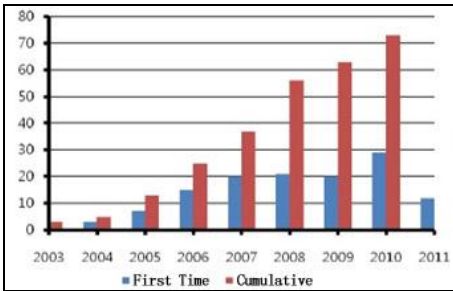


Fig. 2: Publishing of corporate social responsibility report by Korean enterprises

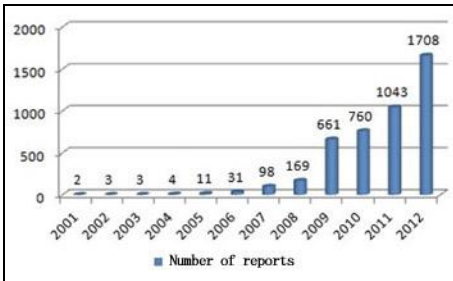


Fig. 3: Publishing of corporate social responsibility report by Chinese enterprises

According to fig.2 and fig.3, we can obtain that the number of CSRRs published by Chinese enterprises has increased significantly since 2008 due to the issuance of mandatory policies and guidelines by state departments; the growth speed of the number of CSRRs published by Korean enterprises has gradually decreased since 2008 as enterprises have formed a habit spontaneously. However, the number of reports increased

sharply after Korea published CSRR for the first time in 2003. Due to the lack of restraint of mandatory policies before 2008 in China, there were few CSRRs published and the growth speed was relatively slow.

3.2. Analysis on overall content

The overall content of social responsibility report of Korean listed companies has the following characteristics:

First, various companies prepare sustainability report according to a uniform standard (i.e. G3 Guideline). This lays a foundation for improving the comparability of reports and establishing a stable and standard report frame system.

Second, the scope of report is based on domestic companies and extends to overseas companies.

Third, most companies provide third-party verification, which strengthens the public trust of report.

Though the data in the analysis report of Xiao et al. (2010) show that over half of enterprises in China and Korea prepare CSRR based on G3 Guideline, with the prevalence of Chinese corporate responsibility rating in recent years, the overall content of Chinese corporate social responsibility report has been gradually differentiated from sustainable development report in Korea. We organize the overall content of social responsibility report of Chinese listed companies according to main contents examined by Rankins CSR Ratings (RKS) during the grading of Chinese corporate social responsibility reports and find that the overall content of CSRR intends to pay attention to the following aspects: 1) Independent published; 2) Speech of senior executive; 3) Responsibility performance plan; 4) Testimony of stakeholders (i.e. third-party verification)

The testimony of stakeholders in CSR report is necessary evidence for enterprises' undertaking and performance of social

responsibility as well as good manifestation of communication and interaction between enterprises and stakeholders. This index is not significant in A-share Chinese listed companies, among which only 7% enterprises release the testimony of stakeholders in CSR report, including 1 in Shenzhen Stock Exchange and 25 in Shanghai Stock Exchange.

Year	CSSR	CSSR Assurance	CSSR Assurance rate
Before	5	0	0.0%
2006	10	1	10.0%
2007	46	4	8.7%
2008	144	15	10.4%
2009	465	38	8.2%
2010	494	50	10.1%

Tab.1: statistics of Chinese CSSR&Assurance

In contrast, Chinese enterprises attach less importance to third-party verification in CSRR than Korean enterprises. Shen et al. (2011) found that, (1) the performance of corporate social responsibility can improve corporate reputation; (2) CSRR can effectively transmit the information manifested by social responsibility and strengthen the positive relation between corporate social performance and corporate reputation; (3) the verification of CSRR has not significantly promoted the effect of social responsibility performance on corporate reputation. Currently, the verification of Chinese CSRR has not exerted its due effect. The public trust of enterprises in the mind of stakeholders and the public is slightly inferior and the objective of improving CSR performance and the public trust of social responsibility report cannot be achieved yet.

It is necessary to emphasize that, according to the data in Xiao's(2010) report, the proportion of Chinese, Japanese and Korean enterprises under investigation following the Guideline on Sustainable Development Report has reached 66.2%, far higher than countries in Europe and America with maturer corporate social responsibility development. This reflects that European and American enterprises

more emphasize their own characteristics when preparing social responsibility report, while East Asian countries pay more attention to the conformance of report to requirements of the specification.

3.3. Analysis on specific indicators

CSRR of most Korean enterprises follows the Guideline on Sustainable Development Report of GRI which defines integrity as follows: major themes and indicators contained in the report and the definition of report boundary should reflect the important influence on economy, environment and society and allow interested parties to evaluate the performance of reporting body during the reporting. We summarize the integrity indicator system of social responsibility reports of Korean listed companies in three aspects - environmental protection, social contribution and corporate governance according to basic contents specified by G3 Guideline, the research of Wang (2011) and the sustainability report of Samsung Company which is Korean leading enterprise.

Though over half of Chinese enterprises under investigation prepare CSRR based on G3 Guideline according to the investigation of Xiao (2010), if Chinese enterprises directly use the international standard, some indicators will be found not applicable to Chinese national conditions and the development stage of Chinese social responsibility. In such a background, Corporate Social Responsibility Center of Economics Division, Chinese Academy of Social Sciences issued the first guideline on corporate social responsibility report preparation in China - Guidelines on Chinese Corporate Social Responsibility Report Preparation (CASS-CSR1.0) - in November 2009, then issued Guidelines on Chinese Corporate Social Responsibility Report Preparation (CASS-CSR2.0) after amendment in March 2011 and established the first social responsibility report evaluation

standard in China - Chinese Corporate Social Responsibility Report Rating Standard so as to improve the quality of social responsibility report of Chinese enterprises.

Korean green development policy makes Korean enterprises regard green development as medium and long-term development strategy and positively research and develop green products. Social responsibility report is very mature in environmental issue. This might be the reason why social responsibility reports of Korean listed companies are named as sustainable development report. It can be found from the sustainable development report of Korean representative enterprise Samsung Electronics in 2013 that reports and strategic guidelines related to environmental protection occupy a large space in the report.

CSRR preparation guideline of Chinese enterprises divides three-level indicators in detail. In contrast to CSRR of Korean enterprises, three-level indicators point to more detailed problems rather than conduct planning and performance appraisal in an overall direction. However, there is no individual indicator specially set up in CSRR of Chinese enterprises as Korean enterprises. Human right is an important measurement indicator in G3 Guideline. The manifestation of human rights of Chinese enterprises which do not list this indicator separately seems shallow in contrast to Korean enterprises.

As corporate social responsibility reports released by Korean enterprises are sustainable development reports and other measurement data and indicators related to economy are mostly reflected in corporate annual report, in terms of interested parties, shareholder responsibility is not listed as secondary indicator and elaborated as general indicator system used by Chinese enterprises. The Deputy Director of World Economy Division of Chinese Academy of Social Sciences, Li

Xiangyang (2002) considered that the primary corporate responsibility is to maintain interests of shareholders, undertake the role of agent and ensure the maximization of interests of shareholders, which is the most basic thing. Meanwhile, Xu (2011) pointed out that the greatest social responsibility of enterprises is to earn money for shareholders and be responsible for shareholders as well as the public. This is not contradictory to the ultimate goal of profit maximization of enterprises.

Ensuring interests of shareholders actually is the basis for enterprises or entrepreneurs to undertake social responsibility. Though enterprises' pursuit for the maximization of shareholders' interests cannot ensure the maximization of interests of other interested parties of enterprises, but on the contrary, if enterprises do not pursue for the maximization of shareholders' interests, interests of other interested parties cannot be guaranteed. That is to say, the pursuit for maximization of shareholders' interests is the necessary condition for realizing interests of other interested parties of enterprises rather than necessary and sufficient condition. Many enterprises have so-called excessive social burdens. In fact, the most essential basis of enterprises is neglected. They neglect the responsibility for shareholders when undertaking peripheral responsibilities such as responsibilities for the government, community and the whole society.

4. Conclusions and inspirations

In conclusion, we summarize the development law of corporate social responsibility in China and Korea through the comparative analysis on CSRR in both countries and provide theoretical basis for the performance of social responsibility of China and Korea in other countries, specifically including:

First, corporate social responsibility development must be closely combined with the economic and social development phase of a country and corporate development phase. For China and Korea, the concept of corporate social responsibility belongs to “imported goods”. Corporate social responsibility development should focus on organically integrating the concept of corporate social responsibility with economic and social development characteristics and practical situation of enterprises on the basis of understanding the international general meaning of “corporate social responsibility” and realizing the localization of the international general concept of corporate social responsibility.

Second, in the cooperation of corporate social responsibility, different countries should fully consider their similarities and differences. For China and Korea, they have many similarities and complementarities in the development of corporate social responsibility and face some common challenges. This lays a good foundation for their cooperation in corporate social responsibility. Meanwhile, the development of corporate social responsibility in China and Korea have many differences. This requires both countries to fully consider their differences during the cooperation in corporate social responsibility so as to ensure the promotion of corporate social responsibility to meet their practical situation.

Third, leading corporate social responsibility management and practice should be in the lead in an all-round manner, including the concept and strategy of corporate social responsibility, CSR organization and management, CSR institutional and resource guarantee, communication with interested parties and CSR practice etc. For China and Korea, the future development direction of social responsibility should be comprehensive and all-round social responsibility management

and practice involving all staff and the whole process. Only in this way can corporate social responsibility development in both countries actually reach a new step and new level and can they jointly create an East Asian corporate social responsibility development mode with unique characteristics.

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