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# Corporate Social Responsibility in East Asia

## What is the current state of CSR in Japan, South Korea, and China and how does it comply with the international guidelines?

### Topic and Research Question

In times of globalisation, corporations have been, on the one hand, the cause for social and environmental degradation, and on the other hand they are considered the solution for the problems they have caused. This can be seen as one reason for the significant growth in popularity of corporate social responsibility (CSR), not only among companies, but also within the scientific world. Furthermore, the overall initiative to report on a firm's CSR commitments has increased worldwide. Studies suggest, however, that CSR is practiced differently in each country, region, and at different points in time.

The aim of this thesis is now to depict the current state of CSR in Japan, Korea, and China and their compliance with the international guidelines. To further examine this, the specific drivers of CSR in the three countries are determined through literature research. Apart from that, the question of the notion of CSR among corporations in the sample countries is tried to be answered with the help of CSR reports. Lastly, the findings try to provide an answer to the hypothesis that a regional pattern of CSR in Japan, Korea, and China, as a shared history and cultural background implies, exists.

### State of the Art

The topic of CSR in a specific country as well as in a comparative perspective has been covered extensively in literature. However, literature on CSR in the Asian region is a relatively new phenomenon and focuses to the largest part on East Asia, respectively on Japan, Korea and China. A comprehensive comparative picture of the CSR dynamics in Korea and Japan is provided by Choi and Aguilera (2009). By comparing factors such as the environmental sustainability index, corruption and ethical practices rankings or social donations, the authors conclude that Japan generally has a better CSR performance when comparing factors of environmental and social responsibility. A similar approach is practiced by other authors (Lin 2010; Welford and Hills 2009). Lin, for example, analyses the situation of CSR in China by taking a deeper look at Chinese CSR initiatives, respectively laws and regulations, governmental instructions and guidelines, as well as NGO standards and organisations. A number of authors already engaged in the idea of an Asian or regional pattern of CSR (e.g. Chambers et al. 2003; Baughn et al. 2007). The topic of CSR in Asia, including the three countries examined in this thesis, is comprehensively discussed

by Sharma (2013) with an overall comparison of CSR in Asia.

### Methodology and Approach

To examine a regional concept of CSR, this thesis focuses on the East Asian region, more precisely on Japan, China, and Korea, the three countries with the highest GDP in the region and among the top fifteen worldwide. To examine the current state of CSR practice in these three countries and to find out whether an East Asian pattern exists, a qualitative research on ten cases per country among the highest listed companies within the Fortune 500 ranking was conducted in this thesis. While smaller companies may also engage in CSR actions, it is though evident that larger firms often act as role models of CSR.

Apart from that, to examine the different prerequisites in the three countries, a number of determining systems that influence a country's CSR characteristics, which were provided by Matten and Moon (2008), was chosen. Respectively the political system, the financial system, the educational and labour system, as well as the cultural system.

Finally, to receive an overview of the respective countries' CSR practices, qualitative data from the most recently published CSR reports was collected. The collected data was then analysed on its content and divided into suitable categories, derived from international CSR guidelines. To set a comparative standard, the most comprehensive and most widely used directive, the Global Reporting Initiative (GRI) guidelines, were used in this thesis, as it already consists of a combination of other codes and guidelines that have been internationally developed. The identified patterns were then further examined for similarities and differences among the three countries.

Through content analysis, using the GRI categories as a conceptual framework, the reports were evaluated, divided into subcategories, and analysed. By open coding the sample reports, the provided information was sorted and categorised accordingly. With this, national and regional differences and similarities could be extracted and compared.

### Main Facts

**CSR reporting:** In line with the growing number of CSR practicing companies, the number of reporting firms has been increasing steadily and is supported by numerous international initiatives. The GRI guidelines look at

economic, environmental, and social aspects that can have an impact on a company's stakeholders. CSR practice and CSR reporting go hand in hand. CSR reporting can be seen as a key tool for corporate communication.

**Drivers of CSR:** Literature suggests that all three countries are influenced by their Confucian heritage. However, other religions and historical events (Buddhism in Japan, Christianity in Korea, communism in China) have had different effects on the three countries' CSR prerequisites. Regarding the political system, the strongest influence can be observed from the Chinese government, as its State Owned Enterprises actually started the development of CSR reporting in the country. While in general all three countries provide voluntary guidelines, issued by several different ministries, it can be assumed that at least for the case of the Chinese SOEs, the voluntariness is rather limited. Both, Japan and Korea share similar numbers of foreign stock owners. However, their influence is perceived stronger in Japan than in Korea. For China, strong influence comes from the stock markets themselves, by issuing binding CSR guidelines. While in Korea as well as Japan, NGOs form a part of the outside pressure to engage in CSR. Chinese NGOs have comparatively little influence. Some form of whistle blower protection or channel exists in all three countries. The strongest, however, is apparent in the Korean system.

### Results

The empirical results support the fact that at least in the three sample countries, the GRI guidelines are the most widely used CSR guidelines. As a country with an almost 100 percent reporting rate, the Japanese sample did not entirely refer to the GRI guidelines, in contrast to their Chinese and Korean counterparts.

Governmental impact can be observed mostly among Chinese companies, referring to the highest number of governmental guidelines in their reports. This is, however, not surprising, as all ten sample companies are actually SOEs, obliged to obey to governmental initiatives.

Korean companies delivered the overall best performance in CSR disclosure and compliance with the international guidelines.

While the focus on environmental issues is strong in Japan, stemming from a history of environmental scandals and a religion of nature worship, Chinese and Korean CSR focus more on labour issues. These interests can be explained by the communist history in

China and strong unions in Korea. Apart from that, there are topics that are equally well or less reported on in all three countries. A lower interest or attributed importance can be observed on product responsibility, society and human rights among the whole sample. Labour practices are focused on strongly in Japan, Korea, and China, though with different emphasis. All three countries' corporations further base their reports on stakeholder interests, supporting the idea of stakeholder theory, as also strongly approved by the GRI guidelines.



### References

All references can be found in the full version of the MA thesis available at <http://othes.univie.ac.at>

### About the Author

Clara Pfannkuch holds a B.A. degree in Japanese Studies from the University of Vienna. As a part of her Master program, her research interest included immigration policies, gender, trade, and development assistance.

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