

## **Corporate Social Responsibility (CSR) Implementation in South Korea: Lessons from American and British CSR Policies\***

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*The primary purpose of this research is to distinguish between government-led and society-led implementation of corporate social responsibility (CSR). The first part of this paper works to answer the question of why CSR has remained largely a Western phenomenon. Then, through a comparison between the United Kingdom and the United States, research for this study suggests that the U.K. tends to adopt the top-down approach whereas the U.S. adopts a bottom-up approach towards CSR. The second part of this research revolves around what these findings suggest in order to advance the overall CSR program within South Korea. It argues that South Korea needs to adopt more of the top-down approach for the better enactment and implementation of CSR.*

**Keywords:** *South Korea, corporate social responsibility, CSR programs, CSR policies, civil society, social development*

### 1. INTRODUCTION

Living in a time of a globalizing era brings about a vast majority of new issues that pertain to both the national and international society. These issues contain economical, political, cultural and social dimensions, and as the world continues to shrink, current issues entail various aspects of each. Corporate social responsibility (CSR) is one of these emerging concepts, one that is slowly but surely growing in importance. It is a concept that has been trending and growing at a rapid pace, not only because of its necessity in making improvements within national societies but within the international realm.

Corporate social responsibility remains open to interpretation through its elusive and indefinable nature and fluctuating attitudes, which remain contingent on different time frames (Snider, Hill, and Martin, 2003). In an attempt to define the broad concept, however, social responsibility specialist H. Gordon Fitch has defined CSR as “the serious attempt to solve social problems caused wholly or in part by the corporation” (Carroll, 1999). Another CSR specialist, Joseph W. McGuire, went further by stating “business must act ‘justly,’ just as a proper citizen should” (Carroll, 1999). The World Bank and the World Business Council on Sustainable Development (WBCSD) have defined CSR as the method in which businesses contribute to development in a way that is both good for business and good for development (SIDA, 2005: 15). According to the United Nations Global Compact (2013), CSR issues entail human rights, labor, environment, and anti-corruption as well as additional areas in business and peace, business for development, financial markets and corporate governance.

The objective of this paper is to provide a comparative analysis of the CSR-oriented

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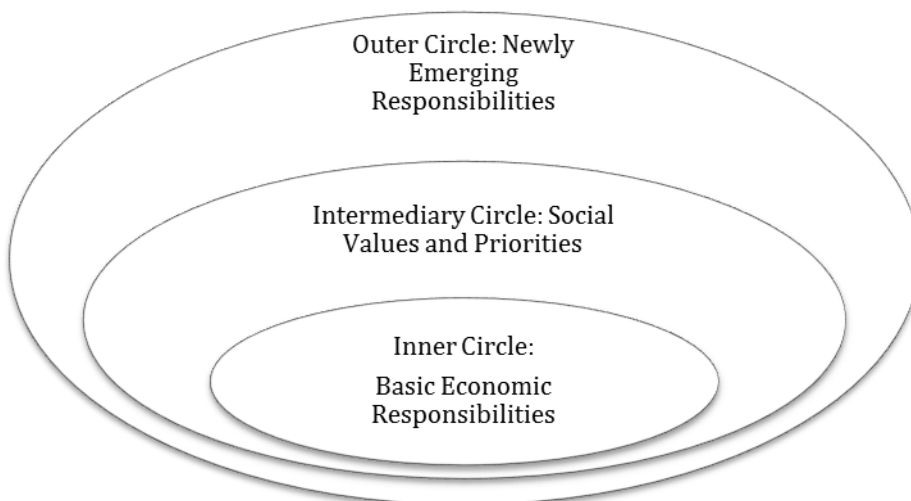
implementation policies of the United Kingdom and the United States and suggest recommendations for the weaker CSR approaches existing in South Korea. The study provides a general view of social responsibility, rather than actual responsibility practices, in order to examine how corporations follow the conceptualization of the CSR construct. Because the content of CSR has evolved over time through various historical, cultural, political and socio-economic drivers, certain presumptions will be made during this study. The first is that this paper does not adopt a set definition of CSR since there is no universal agreement on the definition of CSR. The second is that there are distinctive differences between the American and British models of CSR. This is further explained throughout the course of the paper. Third, that the definition of CSR works in agreement with the stakeholder theory, which assumes that corporations must keep accountable to all stakeholder groups within a society, including shareholders, investors, employees, customers, the community and the government (Nadica and Vladimir, 2011). Last, CSR is not only business ethics but also social ethics, meaning that CSR pertains not only towards the business community but also the overall social community.

## 2. VARIATIONS OF CSR

The Committee for Economic Development (CED) defined various levels of CSR by articulating “a three concentric circles definition of social responsibility” in its 1971 publication *Social Responsibilities of Business Corporations* (Carroll, 1999). This three-circle concept works to define CSR and the levels that should be implemented within it:

The inner circle contains the clear-cut basic economic responsibilities that provide clear and efficient execution of products, jobs and economic growth. The intermediate circle exercises the economic function of the inner circle and adapts to the changing social values

**Figure 1.** The CED’s three concentric circles definition of social responsibility



Source: Modified from the CED’s three concentric definition.

and priorities within a community. For example, this circle adjusts itself to include current social issues such as environmental conservation, strong employer-employee relationships and satisfying customer needs (Carroll, 1999). The outer circle establishes responsibilities that emerge as recent social issues and remain in its early stages. These responsibilities are ones that businesses should assume from the involvement of actively improving the social environment, such as poverty and urban blight (Carroll, 1999).

For decades, corporations worldwide focused on inner circle activities and took on only the basic economic responsibilities they felt compelled to, through the notion that the economic component is the basic part of business and that the fundamental responsibility for a business's reason for survival is to profit. Now most corporations in various parts of the world are starting to take on social responsibilities that exist within the intermediate and outer circles. This is because of what Carroll describes as the transition between the classical to the modern view of businesses and their social responsibilities.

### **2.1 The Classical View vs. Modern View**

According to Carroll, there are two strong views on the groundwork of corporate social responsibility. The first is the classical view of CSR, in which businesses only need to supply goods and services to society and receive a profit for it (Carroll, 1999). It is similar to the CED's inner circle responsibilities, meaning the only and main concern of corporations should be financial. "Business is primarily an economic institution and it is most socially responsible when it attends strictly to its economic interests" (Carroll, 1999). According to this view, businesses are only required to contribute to economic growth. If business firms try to contribute to society in other ways, it will prove detrimental to society instead. Thus, businesses should focus their efforts on economic growth rather than attempt to fix social problems that have no profit potential (Carroll, 1999). The classical view was once the main outlook towards businesses, but now societies have begun to require more from these corporations.

The modern view shows that business firms maintain the responsibility to contribute to the welfare of society as a whole (Quani and O'Brien, 2000). To do this, they must reach beyond the financial sector of society. The argument of this view is that businesses are a part of the greater society, and as such, they have the responsibility to reach beyond the narrow perspective of profit maximization. This comes through the belief that corporations have other benefits to provide to society rather than just financial increase. This view has particularly grown in popularity due to the belief that businesses firms have brought many negative environmental and social impacts and need to make up for the damages they have caused (Kolk, 2003). CSR has grown through this viewpoint, since it works as a way for businesses to provide non-financial forms of contribution and compensation. Thus, CSR can only become an active program if companies maintain a modern view of business.

A modified view of Carroll's CSR pyramid shows that there are two methods in helping a corporation transition from the classical view to the modern view of CSR. Corporations start with an economic foundation and then build towards either a socio-economic or philanthropic strategy in order to reach the modern method and enact various CSR activities (Carroll, 1999). This bridges the gap between the modern view and the classical view:

Both strategies are used by Western nations, encouraging them to implement stronger CSR policies and ultimately create a better society for various nations worldwide. In particular, the United States has been a prime example of the traditional to socio-economic to

**Figure 2.** Transitions from the Classical to the Modern View of Business



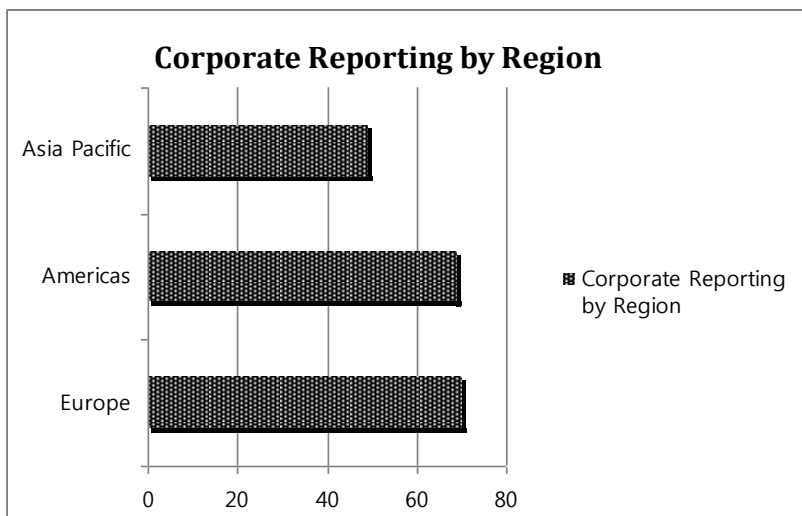
Source: Modified from Carroll’s CSR pyramid.

modern method of CSR while the United Kingdom has worked as the main example of the traditional to philanthropic to modern method towards CSR. Although both methods work successfully, how the countries implement each method plays a key role in its successful transition. Although these two Western countries have shown positive results, it is still often debated as to whether CSR is a fundamental part of the process of development or a currently emerging global norm. This will be further discussed in the following sections.

### 3. WHY CSR IS STRONGER IN THE WEST

CSR activity has been comparatively stronger in some areas of the world due to the active increase and implementation within certain nations along with the delayed attempt of others. This has to do in part with the fact that Western countries have had greater

**Figure 3.** Comparative Corporate Reporting by Region



Source: KPMG Global: The de Facto Law for Business (KPMG, 2013).

advantages and better opportunities for the enhancement of business ethic programs and activities. This contrast between Western and non-Western countries can be seen through the number of CSR reports conveyed by each region.

According to the KPMG International Corporate Responsibility Reporting Survey (2011), CSR reporting was dominant in Europe with a total of 70 percent of companies providing records of their CSR activities with the Americas following close behind with 69 percent. The Asia Pacific, however, stalled with a report percentage of 49 percent.

### **3.1 Reasons for Disparity**

The disparity of CSR reporting between the Western regions and the Asia-Pacific can be explained through a number of reasons. For one, Western countries maintain a strong, clear and developed form of governance that has provided nations the ability to encourage greater CSR practices (Chambers et al., 2003). According to Chambers et al., the 'rule of law' in these countries works to encourage greater CSR practices, allowing both legal and non-legal responsibilities to become acknowledged and enacted. Unlike the Asia-Pacific, Europe and the Americas have invested more time and effort into CSR through the stronger encouragement of socially responsible activities and an earlier establishment of many large corporations. Having a longer history has also allowed these corporations to develop and grow large enough to focus on non-financial activities, whereas the corporations existing in the Asia Pacific have shorter historical timelines. As a result, much of the literature on corporate social responsibility has remained focused on the CSR activities of companies within these two regions in comparison to other areas of the world (Williams and Aguilera, 2008).

There is also a distinction between those nations that consider CSR as an optional part of the developing global norm and other nations that see it as an essential part of the process of development. While some regions often consider CSR as a voluntary social norm, Western countries have adopted the notion that CSR is a vital and fundamental part of the process of development. Western societies opt to believe that social issues must be taken into account as a nation become more developed, and as a result, people within those countries become more demanding in terms of CSR accountability and CSR implementation.

Developed Western countries also have stronger economic capacity than other regions through well-established corporations that allows for CSR to work as a function of economic wealth (Chambers et al., 2003). Fukuyama has stated that CSR has often been a useful method for large business organizations to gain trust from its consumers, and these large business organizations often originate from Western countries, in comparison to its non-Western counterparts, due to earlier development (Chambers et al., 2003). Non-Western democracies tend to be less economically developed, which sometimes leads to their priorities being fixated on external factors and needs of the material welfare, with some being as extreme as problems of poverty and serious threats of hunger.

A final factor that shows stronger qualities CSR within Western regions has been the increasing power of civil societies (Chambers et al., 2003). The advanced economic development that exists in Western regions provides a stable foundation for the investment and operation of CSR to be recognized. Western countries often have higher levels of social development that generate stronger civil societies. These civil societies are most often produced through societal demands, and they facilitate expectations that accelerate stronger CSR activity from businesses. The growing civil societies within these nations encourage,

expect, and demand more than just financial profit from the business firms that exist within their communities, improving and enhancing CSR activities overall.

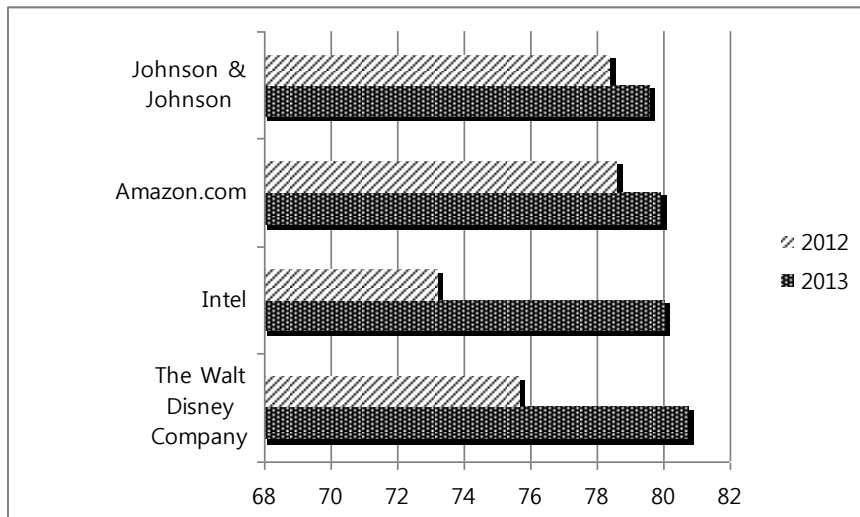
### **3.2 Overall CSR in the US & UK**

The notion of corporate social responsibility has been around for ages, but the modern understanding of CSR has been particularly linked with the United States and the United Kingdom due to their exceptionality in CSR activities. Both countries embraced an early understanding to the idea that the private sector needs to get involved with the community and implement CSR infiltration strategies that contribute to the social welfare of their respective communities. Unlike many other countries, both the U.S. and the U.K. report on socially responsible behaviors, particularly in terms of specific stakeholder groups including stakeholders such as customers, employees, suppliers or the entire community (Snider et al., 2003). Both nations also maintain strong institutionalized principles conveyed through the increasing public focus towards societal problems. This has encouraged the creation of new agencies such as the Department of Environment in the U.K. and the Environmental Protection Agency in the U.S. (Bichta, 2013). Nevertheless, it is important to note that the United States and the United Kingdom encompass different institutional structures and political legacies, and as a result, the development of CSR in the United States and in the United Kingdom remains polarized through the implementation of vastly different tactics and strategies as well as the diversity of various circumstances.

## **4. THE CURRENT STATUS OF CSR IN THE U.S.**

CSR in the United States has been unique particularly due to the help it receives from American corporations that have managed to implement strong CSR activities. According to Smith (2012), companies such as Shell and Nike have become CSR leaders in the global arena. Furthermore, numerous top U.S. corporations exemplify their activities through CSR reports. For example, Washington-based software giant Microsoft was ranked first for CSR reporting in 2012 and over 93 percent of its employees volunteer their time to various social causes through the notion that CSR engagement contributes to the company's business success (Smith, 2012). According to the Global CSR Reprtrak 100, Walt Disney Company also earned the top spot in the citizenship category while another famed American corporation, Google, similarly remains high in CSR rankings due to its strong workplace perception.

Forbes' 2013 Most Reputable U.S. Companies report has shown that there have been strong improvements amongst various U.S. companies in terms of corporate reputations. The x-axis shows the increase of the performance of these four U.S. companies between the year of 2012 and 2013. Although these corporate reputation reports encompass a variety of elements, CSR works as one of the main factors in assisting corporations maintain their reputations. These companies continue to increase their rankings by improving their reputations through providing good products and services, better citizenship activities, improved CSR performances, and overall increased governance.

**Figure 4.** 2013 Most Reputable U.S. Companies

Source: Forbes Reprack 2013 Reputation Report (Reputation Institute, 2013).

#### 4.1 Government

CSR is unregulated within the U.S., meaning that there is no set mandatory CSR report. However, the government has been very influential in encouraging CSR activity amongst corporations. Numerous government agencies have been initiated in order to increase the range of social responsibility regulations, including agencies such as the *Environmental Protection Agency (EPA)*, the *Securities and Exchange Commission (SEC)* and the *Federal Trade Commission (FTC)* (White, 2012). In particular, the U.S. State Department (2012) has shown high dedication towards CSR by providing government-led groups that endorse practical approaches towards various aspects of responsible business conduct. This includes the *Bureau of Economic and Business Affairs (EB)*, which has its own CSR team that “provides guidance and support for U.S. companies to undertake socially responsible corporate activities and ethical business practices that promote sustainable development and engages with business, trade unions, and civil society to adopt and implement exemplary corporate policies.” (The Bureau of Economic and Business Affairs, 2012).

The State Department often cooperates with the private sector through the Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises and the EB’s U.S. National Contact Point for the Guidelines (The Bureau of Economic and Business Affairs, 2012). According to the U.S. State Department (2012), the EB has its own CSR team that plays a primary role in the engagement of corporations, taking on responsible business ethic practices by:

1. Promoting a comprehensive approach to CSR in consultation with other bureaus, agencies and U.S. embassies abroad.
2. Providing guidance and support for American companies engaging in socially responsible and forward thinking corporate activities.

3. Partnering with the business community, trade unions, associations, NGOs, and other members of civil society to encourage the adoption and implementation of corporate policies that help companies do well by doing good.

In consideration to civil society partnerships, government agencies such as the *Bureau of Democracy, Human Rights and Labor (DRL)* also work with various civil society actors in order to apply social policies that increase contributions to global development. Other agencies focus on initiating government efforts in the implementation of the United Nations (UN) Guiding Principles on Business and Human Rights (The Bureau of Economic and Business Affairs, 2012).

#### **4.2 Voluntary CSR Reporting**

CSR reporting is when companies provide a record of their CSR activities in order to keep track of the measures they have taken in participating and assisting in their communities. This type of reporting helps encourage stronger CSR activities within a nation, but it is currently not part of the U.S. government's regulatory compliance measures. Because reporting remains voluntary, CSR activities are not as heavily regulated as those in other developed nations (Cecil, 2010). As the leading global economic power, however, the U.S. has taken into consideration the importance of CSR reporting and analyzing an organization's environmental and social performance. There are now an increasing number of companies that are issuing CSR reports annually, partly due to the large number of businesses that want to demonstrate leadership and partly due to the need to address calls for increased transparency within the nation (Cecil, 2010). These types of reports have been utilized by famed U.S. brands and have shown that brands such as Gap, Nike and Disney have greatly improved their CSR policies (Cecil, 2010). Furthermore, the number of CSR activities has simultaneously increased with the number of reports.

Because there is no required framework, there are many different frameworks for CSR reporting and a variety of names for the reports that exist under the CSR reporting umbrella. This includes *environmental reports*, *social reports*, *climate change reports*, *carbon reports*, *triple bottom line reports*, and *sustainability reports* among others (Cecil, 2010). Many corporations within the U.S. have been producing sustainability reports with the Global Reporting Initiative's (GRI) Guidelines since 1999 (Global Reporting Initiative, 2013). According to the GRI, the U.S. became the world's largest GRI reporting country in 2010, with the number of reports increasing by 30 percent from 140 in 2009 to 183 in 2010 (Harry, 2012). The reports also showed that companies with CSR reports were able to gain advantages over their non-reporting competitors (Harry, 2012).

#### **4.3 Socio-Economic Approach**

One of the main differences between the U.S. and the U.K. is that the United States uses what Carroll defines as the socio-economic approach towards CSR while the United Kingdom uses a philanthropic approach (Carroll, 1999). In the U.S., corporations often opt to address important social and economic issues through their CSR policies (Williams and Aguilera, 2008). This means that companies often feel compelled to demonstrate they can conform to desirable behavior by meeting social expectations and advertising their commitment to addressing important community issues (Maignan and Ralston, 2002). This



can be seen through the way U.S. corporations often obtain good brand images through the use of CSR. Most recently, a number of apparel and organic food companies have begun a trend in publicizing their environment-friendly products. Clothing company American Apparel implemented an equal opportunity program for its employees, resulting in an improvement of its brand image and making it more desirable to its customers, while Toms 'one for one' shoes donates a pair of shoes to an underprivileged child in Africa every time a customer buys a pair of their products. Utilizing this type of advertisement allows for a higher level of social progress to be accomplished even through the corporation's desire and commitment to profit, creating a "halo effect" for the corporation and improving the natural, social, political and economic environment within which it operates (Hartman, Rubin and Dhanda, 2007).

## 5. THE CURRENT STATUS OF CSR IN THE U.K.

The U.S. government began to assume responsibility for corporate social behavior in the 1890s, but the U.K. adopted the notion that businesses should partake in social responsibility activities in the early 1800s (Bichta, 2013). This was further encouraged by the government-led push toward greater reporting and transparency (Maignan and Ralston, 2002). Now, the United Kingdom remains Europe's strongest CSR actor and is officially recognized as the top CSR actor in the international realm. This achievement has come through the top-down approach utilized by the U.K. government.

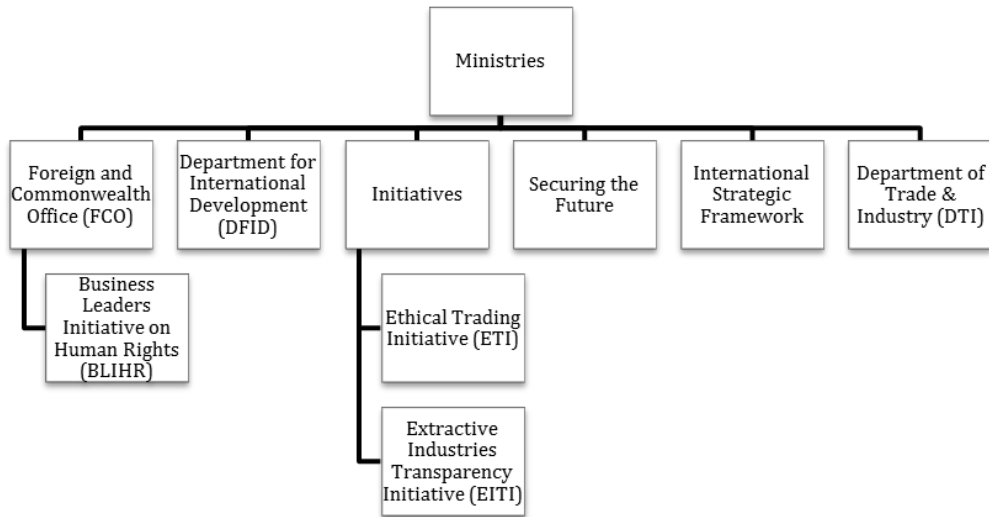
### 5.1 The Role of the U.K. Government in CSR

The government has worked as the most prominent CSR actor within the United Kingdom and it has worked to deliver the world's most successful government approach to CSR. This success came through the government's regulation of business responsibility practices by incorporating CSR policies into national laws in the 1990s. Former Prime Minister Tony Blair focused on CSR as a necessary condition for corporations and pursued strategies and guidelines that would converge businesses into policymaking within the nation (Birgit and Carolin, 2006). The Blair administration promoted CSR and adopted several laws and regulation policies that would encourage business responsibility activities, including the adoption of the *Statement of Investment Principles* in 1996, where stockholders would be encouraged to consider a company's CSR activities when making investments. The government also maintains a website to show the transparent methods in which corporate social responsibility is being conducted in a professional and visible manner.<sup>1</sup> This website provides lists of companies that are recognized for their efforts in CSR issues.

The most powerful agency for CSR, however, has been within the *Department of Trade and Industry (DTI)*. The DTI maintains responsibilities in trade, business, economic development, and innovation amongst others that work to enhance better business practices. Through the Department, the Ministry in the DTI works as the main responsible agency for CSR within the United Kingdom. The CSR minister works within the Ministry, and under the mandate of the DTI, the minister's task is to determine the government's goals and priorities by creating a standardized framework for social and environmental reporting. This

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<sup>1</sup> [www.csr.gov.uk](http://www.csr.gov.uk)

**Figure 5.** Government ministries in the U.K. handling CSR policies

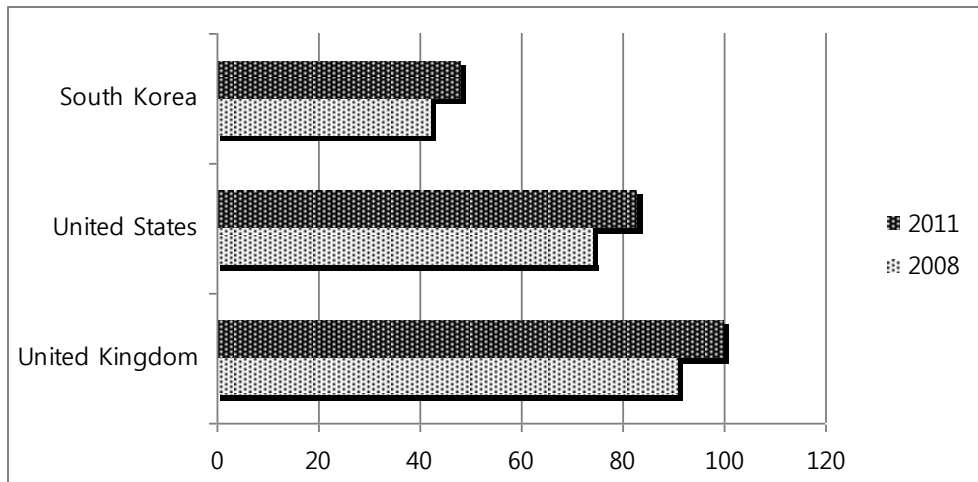
Source: Modified from the U.K. Ministries.

is usually enacted through meetings with businesses and nongovernmental organizations (NGOs), ones in which define the government's goals and priorities and, ultimately, the government's effort in lending greater international weight to CSR (Birgit and Carolin, 2006). Both the Ministry and the CSR minister positions were established in 2000 and are the only ones that exist worldwide (Birgit and Carolin, 2006).

## 5.2 Transparency & Mandatory Reporting

In 2004, the British Parliament enacted the Corporate Responsibility Bill, regulating on British companies and requiring a published report each year (Birgit and Carolin, 2006). The regulation expanded the social responsibilities of corporations to provide care towards both the society and the government, along with its corporate responsibilities, and it also made it liable for companies to pay for damages towards human rights and environmental abuses not only committed within the nation but outside the United Kingdom as well (Birgit and Carolin, 2006). The nation now has the highest rates of social reporting within the region, even though European countries already lead the world in these metrics, as well as within the entire world.

The graph shows a comparison of the percentage of CSR reporting between the three countries studied in this paper. The United Kingdom started off with a high percentage of companies reporting on their corporate responsibility initiatives in 2008, with a reporting of 91 percent, only to increase to 100 percent in 2011 through the legal obligations required by the government. Although reporting is not regulated in the United States, the nation trailed behind with an increase from 74 percent in 2008 to 83 percent in 2011. South Korea, on the other hand, has a much lower amount of providing sustainability reports, slowly increasing their numbers from 42 percent to 48 percent within the three-year period. South Korea reached only about half of the reporting of the U.K. by 2011.

**Figure 6.** Percentage of companies reporting on their responsibility initiatives

Source: Modified from Birgit and Carolin's research.

### 5.3 Philanthropic Benefits

A philanthropic approach is when businesses utilize CSR in order to contribute to the community and improve the quality of life. More often than not, businesses in the U.K. enact CSR activities and programs under the assumption that corporations reap benefits by profiting from the public. As a result, corporations implement CSR because they owe an obligatory contribution to the community and because it is seen as the right thing to do. This suggests that companies should also provide the basic requirements of social issues such as health care provision, employee's rights and environmental protection (Hartman *et al.*, 2007).

Through Carroll's philanthropic approach, the public sector and other corporate and civil society actors within the U.K. work hand in hand within the field of CSR. A number of civil society organizations, for example, encourage and enhance social responsibility through a variety of means. The Corporate Responsibility Coalition (CORE) brought together over 100 U.K. organizations in 2001 to bind regulations in the private sector (Birgit and Carolin, 2006). The Business in the Community (BITC) is another CSR actor that is supported by both the government and grass-root actors, working as the leading economic initiative in the CSR domain, practicing CSR at both the local level and the broader surroundings with the notion that CSR should be implemented ubiquitously (Birgit and Carolin, 2006).

NGOs, in particular, have demonstrated a high level of philanthropic CSR professionalism. Amnesty International and the World Wildlife Fund have particularly worked as active watchdog organizations for corporate responsibility while executives such as the former CEO of Shell, Geoffrey Chandley, and the current chairman of Anglo-American, Mark Moody-Steward, have worked as intermediaries between business and civil society, breaking the barriers between the different sectors of society and providing the U.K. additional incentives (Birgit and Carolin, 2006). As such, it is undeniable that the combination of these actors has created a strong business ethic environment within the nation and, like the United States, has handled CSR successfully.

## 6. THE CURRENT STATUS OF CSR IN SOUTH KOREA

During the transition from an agriculture-based to industrial-based society, Korea maintained its focus on unrestrained and unregulated economic growth and development, with the government and family business conglomerates, or *chaebols*, spearheading Korea's economic growth through outward-led, export-oriented growth for decades. The business climate was heavily concentrated on economic value during this time, and as a result, economic fairness was not considered to be of vital importance. Other non-financial goals that could become barriers for the nation's financial success were also disregarded, including softer values such as equal wealth allocation, environmental protection, and social issues (Choi, Kwak and Choe, 2010). As a result, the need for companies to demonstrate social concern remained underscored.

Korea is now suffering the consequences for this obstinate form of economic growth and development, one that comes in the form of deterioration in the quality of the environment, social conditions and lifestyle of the people. An example of this can be seen through Samsung Electronics, which remains Korea's largest and most powerful conglomerate. Samsung was recently named one of the largest challenges to current CSR issues. According to the *Center for Good Corporations*, Samsung ranked at the top of challenges to be tackled for CSR. This was due to its employees being exposed to toxic chemicals and substances at semi-conductor plants as well as its notorious "no labor union management". As a result, it can be seen that there are still many limitations to its contribution to society. The graph below also shows their declining contributions in a variety of CSR issues. Areas such as social welfare, culture and even education suffered a severe decline in Samsung's contributions within a span of just one year. These areas, however, are an important aspect of corporate social responsibility. Consequently, it can be seen that even Korea's most famed corporation still lacks strong CSR policies.

Regardless of the actions of corporations, Korean citizens are now beginning to show interest in social development within the community. Through the influence of a post-materialism world and the influence of globalization, many Korean citizens want to enhance human social well-being by finding provisions for both human physiological and social needs. This includes public concerns on the need for decent homes, cleaner environment and better work environment along with better quality goods and services. In addition, investors are learning the need to maintain investments through a long-term perspective, and without CSR, these investments cannot be managed and profits cannot be sustained. Financial profit alone can provide short-term profits, but attention on social provisions will allow for long-term growth opportunities, allowing CSR to strengthen companies by making social challenges become business opportunities.

**Figure 7.** Samsung's contribution to society from 2010 – 2011.

Social Contribution (KRW million)	2010	2011
Social welfare	111,690	95,775
Culture, art	36,368	30,139
Academic exchange	56,947	27,812
Sports	2,795	1,135

Source: Samsung's CSR Office.

### 6.1 Key Criticisms

A number of key criticisms have come from the inefficient methods Korean companies have attempted with CSR, but the two main issues deal with the quality and quantity of CSR reporting. One criticism comes from the fact that there has been a relatively poor understanding of, and reporting on, social issues in Korea (Williams and Aguilera, 2008). Without fully understanding and being aware of what it is that needs to be fixed or changed, there is no tangible method for corporations to implement appropriate CSR programs. As a result, there have been expressed concerns over the quality and lack of materiality in CSR within corporations (CSR Asia, 2010). An example of this lack of understanding can be seen through many of the manufacturing industry companies in Korea. The manufacturing industry remains one of Korea's strongest and most influential industries, yet many of the manufacturing companies provide weak, if any, CSR reports that do not transparently show their social contributions to the community (Samsung Sustainability Report, 2012). In particular, reporting on human rights remains disregarded. In particular, reports on the treatment of employees have remained hidden along with other human rights issues. Even if there has been disclosure on the issue, reports have remained either non-existent or superficial (Samsung Sustainability Report, 2012).

The other key criticism comes from a lack of CSR reporting amongst businesses within the nation. The Korean government does not regulate CSR reporting, as it remains a voluntary part of corporations' activities. As a result, there have been an insufficient number of Korean companies that have proved to effectively implement CSR activities. As of April 2009, there were only 150 companies that have been confirmed to be enacting CSR activities and programs (Samsung Sustainability Report, 2012). Even large and renowned corporations have, for the most part, been lacking in their CSR reports and activities. Famed conglomerates such as Hyundai-Kia Motor Group, Posco, SK Energy, LG Group and Samsung have adopted socially responsible activities, yet only two percent of their profits are spent on CSR activities, according to the Federation of Korean Industries (FKI) (Samsung Sustainability Report, 2012). Both of these problems have to do in part with the amount of corruption that exists in the nation. According to Song et al., Korean companies often have issues with forms of bribery towards bureaucrats, which are often called 'facilitation payments.' The lack of reporting allows many opportunities for companies to take part in this corrupt form of trade that allows illegal political donations (Samsung Sustainability Report, 2012).

## 7. RECOMMENDATIONS ON THE FUTURE ACTIVITIES OF KOREAN CSR

As one of the G20 countries, Korea needs to play a more powerful role not only within the social issues within the community but the overall responsibility of businesses as well. The best strategy in implementing strong CSR-related initiatives is for Korea to develop its own system of CSR. In order to do this, however, the nation should adopt a CSR mechanism that entails certain aspects of both the U.K.'s top-down approach and the U.S.'s bottom-up approach towards social responsibility. In the top-down approach, the government implements policies that require the enactment of CSR activities, while the bottom-up approach requires civil society and other grass roots organizations to pressure corporations in

the implementation of CSR activities. A balance can be found between the two if Korea begins by adopting a state-led government initiative and then utilizes bottom-up activities employed by civil society actors. Utilizing both of these approaches will ultimately help the nation create a collaborative effort between the government, the private sector and civil society.

### **7.1 The Government as a CSR Driver**

One aspect of strong CSR activity has been proven to come from national governments. The Parliament's mandatory CSR reporting has played a massive role in initiating a top-down approach towards CSR within the United Kingdom, but the Korean government has yet to do so. Although it has adopted a number of policies related to CSR, social responsibility regulations and the desire to reach social objectives by the government have remained insignificant. "In the theory of the modern corporation, it is argued that the government has a potential role to play towards promoting and enhancing corporate social responsibility" (Williams and Aguilera, 2008). This is due to the fact that governments have the capacity to regulate and encourage CSR in ways that are uniquely powerful.

For one, CSR standards established by laws and mandatory regulation set a particularly strong influence on establishing social expectations on responsible corporate behavior. According to McAdams and Nadler (2008), these types of social expectations can work as a "focal point" in which firms structure their social behavior. If the Korean government were to establish these types of laws, society would react by raising social expectations of corporations and enforcing them to enact CSR policies. Creating this type of social awareness would bring about a diverse number of other forces from society, including demands from consumers, institutional investors, the overall community, and NGOs that could all work to interact and create incentives for firms to meet the standards set out in the law (Williams and Aguilera, 2008).

CSR reporting is one of the main tools used to remain accountable to both the government and the overall community, and it works as a great way to allow for constant improvements. Although many Korean companies have begun to take on this strategy, it still lags behind in the amount and numbers of companies that actually implement legitimate reports. According to Chambers et al. (2003), there are at most 52 percent of CSR reports provided annually in Korea. Yet, the number of companies that remain strongly dedicated to their CSR reports remains at 8 percent (Chambers et al., 2003). There are varying lengths of the report, with minimal CSR reports of one to two pages to extensive coverage remaining at 27 percent (Chambers et al., 2003). Mandatory regulations and laws on CSR would not only make reporting obligatory on the part of the corporations, but it would also provide consumers a document that proves the amount of social work a company is providing towards the larger community.

### **7.2 Stronger Civil Society Activities**

Civil society in Korea has recently taken on more activities in consideration to CSR while the government continues to solely observe (Chambers et al., 2003). The power of civil society emerged in the 1970s due to various student and labor protests, encouraging the democracy movement and increasing the power of bottom-up societies within a nation that had been overwhelmingly controlled by top-down institutions (Kim, 2012). As civil society

continued to grow during this era, many issues based on education and labor were addressed. However, the aftermath of these movements have come to show that protests within Korea have remained focused on these issues and that the power of civil society remains attentive towards these issues rather than on business ethics (Neary, 2002).

Although the civil society in Korea has continued to remain active since the 1970s, it also remains very contentious. Korean civil society emerged through the use of demonstrations and protests working to address certain social issues during that time, but the strategies and approaches these movements used then have not changed since. Civil society groups spark issues, but their aggressive methods in applying the implementation of certain causes has proved to be detrimental in effect rather than progressive (Kim, 2012). They have ultimately proven through be unsuccessful because of the inability to cooperate and, consequentially, the groups and the government have maintained an unfavorable relationship (Kim, 2012).

Maintaining a useful, approachable and democratic relationship with the government, however, can only enhance the power of Korean civil society and better enhance CSR. Through an amicable relationship and more attention to CSR activities from various actors, civil society members and governmental groups within the community can create a collaborative effort in pushing corporations to fulfill their social responsibilities. The government has the ability to encourage business ethics and provide reasons as to how CSR would enhance a company's socio-economic development, even without mandatory CSR reporting, and civil society actors have the ability to enact better bottom-up approaches that work in hand with the government's strategy. A strong relationship between the two actors has the ability to impact corporations and ultimately bring about a better CSR environment.

### **7.3 Private Sector Roles**

The private sector in Korea is the most powerful actor within corporate issues and can work the most influential actor for CSR. However, it is difficult to encourage corporations to adopt CSR activities solely for ethical or philanthropic means, as Carroll previously mentioned. If corporations are able to more clearly see the socio-economic benefits that come with CSR, however, then the strength of business ethics and social responsibility can be raised.

An awareness of the benefits that come from "brand-imaging" can encourage Korean companies to take on stronger CSR activities. Brand-imaging is when companies emphasize the way their firms are positively viewed and portrayed. A good brand image tends to appeal and attract more consumers, and as a result, a large number of companies in Korea have begun to focus on improving their images. In a survey conducted by the Korean Chamber of Industry and Trade in 2007, 80 percent of the 500 people surveyed stated that they preferred to purchase goods from companies that champion social causes (Sharma, 2013). Because corporations place paramount importance on their customers, seeking to maximize customer satisfaction by continuously anticipating their needs, a company's reputation can greatly affect its socio-economic standing (Snider et al., 2003). The incentive for a company to implement CSR can lie on a company's reputation, which can be positively reinforced by customers' demands.

Providing a general framework showing a company's CSR missions and presenting a guideline of its social responsibility practices would show consumers how serious a company is in its efforts to help the community. Furthermore, making internal efforts towards CSR – such as maintaining positive attitudes towards CSR within various management teams within

a company – would be very likely to have strong influences on firm-level CSR outcomes (Snider *et al.*, 2003). Top management teams often behave according to the norms of the business culture they thrive in, and the business environment in Korea has not necessarily been the most inviting towards CSR. The traditional hierarchical based business system has maintained a focus on financial profit, never leaving much room for any attention on social issues. As such, it has become crucial for management teams within South Korea to alter this business culture and transition from the traditional method to the modern perspective of businesses and CSR.

#### **7.4 Case Study: SBS**

The adoption of civil society activities and the private sector's growing willpower of CSR and its brand-imaging effects has been improving in recent years and can be seen through the Korean broadcasting company, Seoul Broadcasting System (SBS). According to an interview Jun Mok (2013), the head of SBS's corporate brand management and CSR executive director, SBS has been working to enhance its brand image through the use of corporate philanthropy. SBS, MBC and KBS remain the top three broadcasting systems within Korea, and unlike the others, SBS is the only private commercial broadcaster within the nation. "Because SBS maintains a commercial image of a private company, it is portrayed to lag behind its public-broadcasting counterparts, which maintain less commercial roots," he stated. As a result, SBS has found the necessity in taking social responsibility as an actor within the Korean community.

The broadcasting system adopted CSR activities in 1991 and has been working with NGOs in order to raise awareness of social issues. In the 1990s, SBS began working with the NGO, World Vision, and has adopted a total of six NGOs to work with since 2009, including the Community Chest of Korea, Good Neighbors, Save the Children and Good People (SBS, 2013). It is explained that the reasons SBS works with NGOs is due to the bottom-up approach it utilizes in terms of corporate philanthropy. Because the government does not maintain a major role with CSR activities, the broadcasting company has partnered with NGOs to take action. Jun Mok explained that this is due to the major role and influence NGOs maintain within the public welfare system of South Korea. "During the Colonial period and the Korean War, missionary groups were in charge of public welfare rather than the public sector," he explained. Many NGOs, including World Vision and Christian-based NGOs, became major actors within Korea's civil society. "Although the country was focused on the welfare state during the presidential terms of Dae-jung Kim and Moo-hyun Roh, the left-winged governments did not enact as many civil society activities as expected... Social welfare programs that were run by the government were not efficient due to a disorganized structure and system, and instead became a formality."

When asked on whether SBS uses a top-down or bottom-up approach towards this type of corporate philanthropy, he stated that it was a mix of both. Since the Korean government does not regulate private companies in terms of their CSR contributions, SBS is not mandated to contribute towards CSR, but the media company maintains the vision to "make the world a brighter place" and uphold the responsibility it has towards society. Through this, both employees and community members enact bottom-up approaches towards social issues by raising funds to fight various social causes while the corporation raises awareness through various broadcasted programs and mandates company involvement within CSR.

The broadcasting system is the first of the three top TV channels to have a CSR



management department, a case that remains rare even abroad. As of now, there has been constant progress in SBS's CSR program, raising funds since 1997. 24 million people have participated and raised 20 billion Korean won (17.9 million US dollars) in 1997 and up to 1,625 billion Korean won (1.5 billion US dollars) in 2012 to donate to NGOs. In particular, the broadcasting company is working to spend 15% of its profits before taxes in donation funding. This includes providing funds for the SBS Cultural Foundation, which provides social responsibility programs such as education and academia, media, culture and arts, as well as social and future agenda plans for the community. As of late 2012, 362 billion Korean won (324 million US dollars) have been funded and spent on these programs.

Stella Lee, SBS's brand management and communication senior manager, stated during the interview that the process of adopting corporate responsibilities and other philanthropic activities within SBS is still an ongoing process. The company has worked hand in hand with civil society actors, in particular NGOs, yet there needs to be implementation from the government for greater strides within CSR.

## 8. CONCLUSION

The purpose of this study was to illustrate that businesses from different countries have varying amounts of dedication when it comes to socially responsible activities. The United States, the United Kingdom and South Korea all have a variety of principles, processes and implementation strategies that demonstrate fluctuating levels of commitment to CSR. However, it is undeniable that stronger CSR implementation and constructing a top-down, government mandated form of CSR within South Korea would do wonders for the country. Even now, the largest and most globalized companies in Korea are slowly but surely enacting various CSR programs. According to a survey by the Federation of Korean Industries (FKI), 75 percent of the 120 largest companies were engaged in CSR projects in 2006 (Sharma, 2013). The first CSR report was established in 2003 and there are a consistently increasing number of CSR reports each year (Choi et al., 2010). In addition, companies such as Hyundai-Kia Motor Group, POSCO, and SK Energy each have their own CSR department and have adopted their own approaches and techniques in creating socially responsible undertakings. These companies have discovered that they can improve their financial performance, enhance their brand images and reputations, increase sales and customer loyalty as well as acquire greater productivity and quality. As a result, they have dramatically increased the scale of CSR within South Korea. Without the mandate of the government, however, the measure of CSR will remain limited.

Bill Draton, the CEO of Ashoka, stated that it is time for Korea to advance in terms of social development and that this would change the entire community (KDI CSR Conference, 2010). In order to pursue advancement, however, further research on the topic is necessary. The study has yielded some preliminary findings, but research on the globalization effects of multinational corporations and foreign direct investment should be further studied to take into account their roles within the varying growth of CSR. Additionally, the information within this paper has been based on CSR reports, articles, company employees, international organization databases and company websites, and thus research should also be done on specific CSR programs and their practical implications. Only through research and implementation will social development succeed in promoting and improving CSR within the entire community. It may be then that all companies throughout the nation, big or small,

take on CSR activities and benefit the larger society in which these businesses thrive.

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