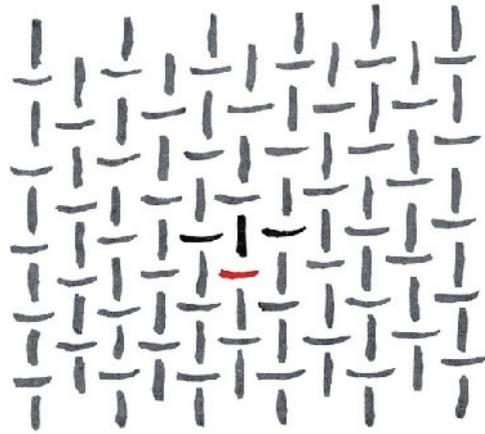


The Beautiful Foundation was founded in 2000 as a national community foundation.  
 The purpose of the foundation is to create and promote philanthropy among the general Korean public as a way to establish a sustainable and systematic culture of giving at all levels of society.



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ISBN 89-958799-5-5  
 89-958799-0-4 [set]

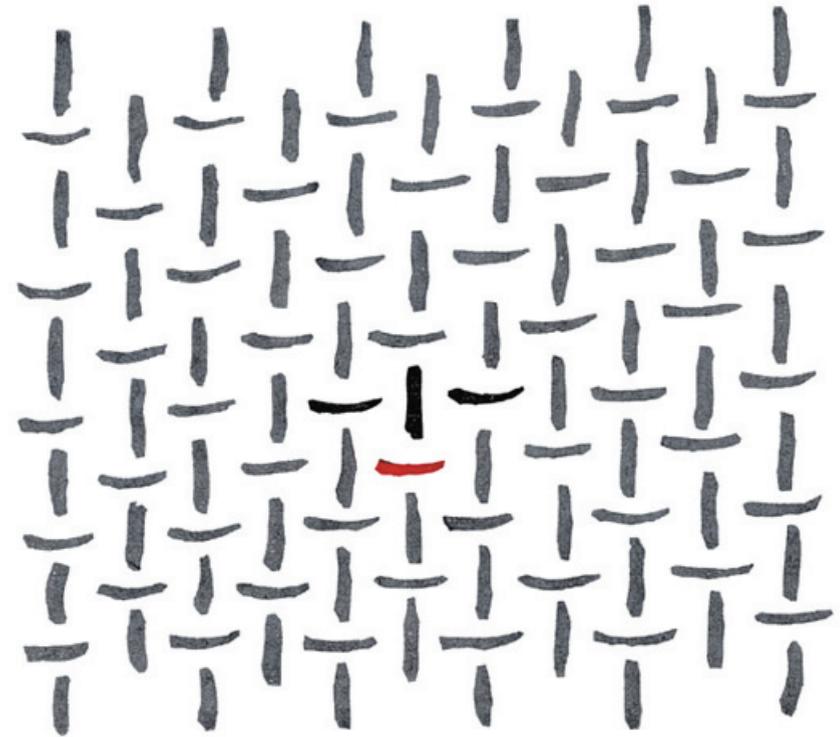
Cover Picture  
 "We can make a beautiful world if we lean on each other with a smiling face"

Woodprint by Chul Soo Lee  
 Korea's famous woodprint artist, Chul Soo Lee,  
 allowed the Beautiful Foundation to use his pieces for free

Giving Korea 2007

# Giving Korea

THE BEAUTIFUL FOUNDATION 2007



아름다운북

아름다운북

K Giving  
Korea 2007



**The Beautiful Foundation** was founded in 2000 as a national community foundation. The purpose of the foundation is to create and promote philanthropy among the general Korean public as a way to establish a sustainable and systematic culture of giving at all levels of society.

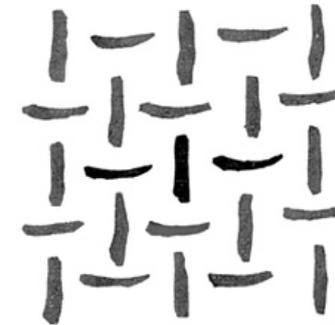
**The Center on Philanthropy at the Beautiful Foundation**, by conducting research and study and by running educational programs, strives to boost the level of expertise and professionalism of non-profit practitioners, and hopes to become a cornerstone in the effort to raise the standard of the culture of giving.

# K Giving Korea 2007

Researched, Written and Published at



The Center on Philanthropy  
at the Beautiful Foundation



## Giving Korea 2007

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**Publisher** The Center on Philanthropy at the Beautiful Foundation

**English Translating** Chung Jinouk

**English proofreading** William E. Sharp

**ISBN** 978-89-958799-5-5 94300

978-89-958799-0-4 (set)

**ISSN** 1976-4510



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Printed in Republic of Korea

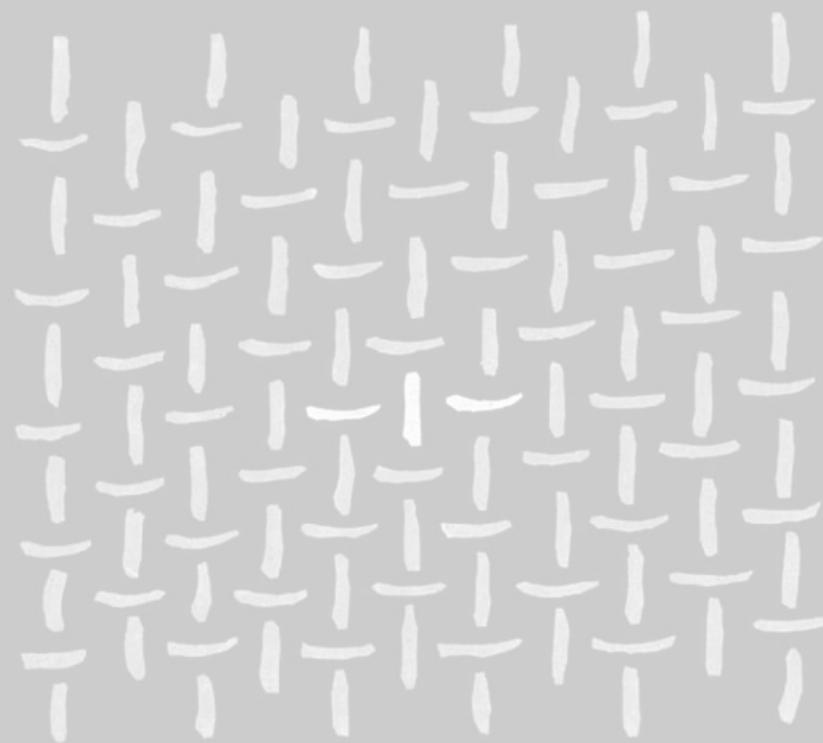
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## Foreword

In November 2007, the Beautiful Foundation successfully held the 7<sup>th</sup> International Symposium on Giving 'Giving Korea 2007' .

The Beautiful Foundation, whose goal is to help develop philanthropy beyond charity and toward change, publicizes the trends and challenges experienced by South Korea's giving culture through the annual Giving Korea symposium.

Since 2001, the Giving Korea symposium has alternated between publishing the results of research on individual and corporate giving in South Korea. This year's theme is corporate philanthropy. Reflecting back upon our previous research, the culture of individual giving and corporate philanthropy seems to be gradually taking root as an important social norm in this country.

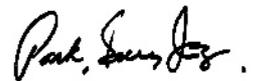
Recently, there is a growing consensus among South Korean companies that corporate social responsibility is a critical element, not only in the sustainable growth of a business but also in the development of the community. The previous ostentatious, charity-driven, one-off corporate giving is evolving into more strategic, sustainable, problem-solving.

Giving Korea 2007 presents two interesting papers: the first explores current trends and challenges in corporate philanthropy in Korea; the second treats the

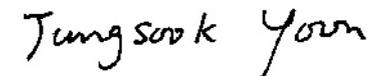
relationship between Corporate Social Responsibility and public preferences for companies. The latter in particular establishes that, over the long term, CSR is positively connected to improved corporate image and public trust.

We hope this English version of Giving Korea 2007, the fourth of its kind, is used as a helpful guide for researchers and other private sector groups overseas to learn more about the giving culture of Korea and the projects undertaken by our research center, the Center on Philanthropy at the Beautiful Foundation.

Finally, we would like to extend our deep gratitude to the researchers who shared their expertise, along with Research & Research. Inc. who contributed to the survey for this project, whose combined efforts made Giving Korea 2007 even more successful.



Park Sang jung  
Chairperson



Yoon Jung sook  
Executive Director



Status of Corporate  
Philanthropy in Korea

01

# 01

## Status of Corporate Philanthropy in Korea: An Analysis of the 2007 Corporate Philanthropy Survey

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## 1. Introduction

### 1) Background

Corporate philanthropy is generally understood to be the practice of corporate social responsibility (CSR). In 2000, the United Nations launched the Global Compact in order to establish a basic framework for social responsibility by which businesses may abide and recommended that companies join the initiative. The Global Compact encourages businesses to perceive the market and the civil sector not merely as targets for marketing, but as partners in society. It further allows corporations to enter the realm of civic participation, exercising both responsibilities and rights.

There are a number of definitions of CSR, but all consider a broad range of corporate activities which surpass commercial interests to be areas of corporate accountability to society. Therefore, it can be concluded that corporate social responsibility is the obligation of entrepreneurs to take actions aimed at not simply the welfare of their own commercial entity but at the well-being and benefit of society as a whole.

Corporate social responsibility accompanies substantive responses to social issues or demands. CSR can be seen as an investment in society, implying that to become a socially accountable business is to invest in the local community. Corporate participation in local regions pertains not merely to the concerns of their employees but to a range of community issues. Business and communities are interdependent. It is vital to make the relationship a virtu-

ous cycle of mutual benefit.

Corporate philanthropy in South Korea began in earnest in the 1990s, but has its roots in the 1970s among the large conglomerates. Nascent CSR practice included contributions to the national defense fund, disaster relief, and reactive donations to needy neighbors in the form of supplemental funds for governmental efforts. It still remains an important portion of corporate giving among South Korean companies. However, the both the scope and scale of corporate philanthropy in South Korea are rapidly expanding. According to a survey of 192 South Korean companies conducted by the Beautiful Foundation in 2005, more than 90% of the respondents have practiced corporate philanthropy, expending a total of more than 3.5 billion won<sup>1</sup> annually for the purpose (Han, 2005).

Despite its recent rapid expansion, however, experts point out several challenges facing South Korean CSR practice. One of the most frequently cited issues is the tendency of large companies to allocate a disproportionate amount of resources to limited areas of concern. Insufficient partnership with nonprofit civic organizations and lack of efficient compilation of relevant data and information are additional detriments to be addressed.

Both CSR specialists within corporations and civic activists agree that a systematic repository of knowledge about corporate philanthropy is direly needed. The biennial survey of the CSR practice of South Korean companies conducted by The Center on Philanthropy at the Beautiful Foundation is of

grave importance given that South Korea remains short of reliable statistics on this issue. The 2007 survey, the third of its kind since the inception of the survey on corporate philanthropy in 2003, is expected to present reliable information including the type, scale, motivations, and methods of CSR practice among South Korean businesses as well as trends in relation to previous years. It will also serve as a platform to maximize the positive impact of corporate philanthropy in South Korea by mobilizing businesses, nonprofit bodies, and private resources engaged in corporate philanthropy.

## 2) Purpose of the Research

This research is designed to identify the current status of CSR practice among South Korean companies. The following categories are investigated:

- Experience with CSR practice
- Business units and staffing dedicated to CSR practice
- Content of CSR practice
  - Size of donations (by type and beneficiary)
  - Methods (by beneficiary and funding source)
- Motivations and plans for CSR practice
- Perceptions of the impact of CSR practice
- Employee volunteering
  - Participation rate and hours of employee volunteering
  - Company support for employee volunteerism
- Experience with cause-related marketing

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<sup>1</sup> 1,000.00 KRW is approximately 1.00 USD.

## 2. Research Methods

### 1) Sampling

Purposive quota sampling based on sales volume was carried out on all companies listed on the Korea Exchange as well as the top 100 unlisted companies in terms of sales volume.

A total of 257 companies were surveyed, including 168 public corporations, 30 unlisted companies, and 59 small and medium-sized enterprises. Given that a number of previous studies were criticized for an over-representation of large businesses, this research included 59 small and medium-sized enterprises using a sampling frame to bridge the gap. Although the samples selected for this research may fall short of fully representing the business community of South Korea, this project attempts to rectify problems evident in previous research by diversifying the sampling criteria.

The average number of employees is 1344, 1605, and 219 for listed, unlisted, and small and medium-sized companies, respectively.

**Table 1. Company statistics**

(unit: number, %, persons)

	No. of cases	Percentage of sample	Average number of employees
Company	Listed	168	65.4
	Small and medium-sized	59	22.9
	Unlisted	30	11.7
	Total	257	100.0

### 2) Survey tools

A structured questionnaire was used for this research. The survey questions were crafted mainly to reveal the experiences of the respondents with CSR practice, their perceptions regarding CSR-related policies, and the respondents' profiles. The details of each category are shown in Table 2. Major variables from the 2005 CSR survey by the Beautiful Foundation were used in this survey in an effort to maintain continuity and consistency with the previous research. Questions on dedicated CSR units and staffing as well as employee volunteering were newly added. Questions on the types and beneficiaries of corporate contributions were modified.

**Table 2. Construction of Questionnaire**

Category	Question
Experience with CSR practice	Experience with CSR practice
	Willingness to engage in CSR practice
Dedicated CSR units and staffing	Status of dedicated CSR units
	Status of dedicated CSR staffing
	Projections about deploying dedicated CSR staff
	Profile of CSR staffing
Company's experience in CSR practice	Consultations with giving professionals
	Amount of donation by type
Corporate giving in 2006	Amount of donation by beneficiary
	Methods of donation
	Funding source
Engagement in CSR practice	Special areas of concern
	Motivations behind CSR practice
	Determining factors and obstacles to CSR practice

Company's experience in CSR practice	CSR accomplishments	Results of CSR practice
		Highly satisfying CSR experiences in the past and the rationale
		Desirable CSR practice and the rationale
		Consistency between the corporate mission and CSR practice
	Employee volunteering	Promotional approaches in relation to CSR practice
		Plans to expand the current CSR practice
	Cause-related marketing	Current status of employee volunteering
		Level of interest in volunteering among employees
		Company support for employee volunteering
	Perception of CSR-related policies	Experience with cause-related marketing
Methods		
Respondents profiles	Results of CRM engagement	
	Awareness of tax benefits for corporate donations	
	Willingness to increase the amount of donation if tax benefits expand	
	Role and position at work	
	Number of years with the current company	
	Socio-demographic characteristics	

### 3) Data collection and analysis

The survey questionnaires were sent to the subjects via either email or fax. Data were collected through telephone interviews from July 16 to August 16, 2007. SPSSWIN 12.0 was used for statistical analysis.

## 3. Findings

### 1) Experience with CSR practice and dedicated units

#### (1) Experience with CSR practice

The survey asked the participating companies to report their experience with CSR practice. 75% of the 257 total respondents have participated in CSR practice. Among small and medium-sized enterprises, however, only 29% have been engaged in CSR practice. Listing on the Stock Exchange and participation in CSR practice were not significantly related.

The percentage of companies with CSR experience is lower than the 90.1% recorded in 2005, due to the inclusion of small and medium-sized enterprises in the sampling. The CSR participation rate of companies when excluding small and medium-sized enterprises is around 90%, similar to 2005.

Table 3. Experience with CSR practice (N=257)

(unit: %)

Company type	Yes	No
Listed	89.9	10.1
Small and medium-sized	28.8	71.2
Unlisted	90.0	10.0
Total	75.9	24.1

When companies are compared by size, larger companies show higher participation in CSR practice: 98.1% of businesses with over 1,000 employees replied that they have CSR experience, while the figure among companies with

100-300 employees stands at 68.3%, the lowest among the categories by size.

**Table 4. Experience with CSR practice by company size**

(unit: %)

Number of employees	Experience with CSR practice	
	Yes	No
less than 100	88.2	11.8
100-300	68.3	31.7
300-500	89.5	10.5
500-1,000	93.9	6.1
1,000 or more	98.1	1.9

As to reasons for not participating in CSR practice, companies without CSR practice attributed their inaction to “financial reasons” (50%), “don’t feel the need” (24%), and “don’t know how to participate” (19.4%). While the numbers when compared by company type did not differ significantly from the above, a higher number of small and medium-sized companies (24%) chose “don’t know how to participate”, as compared to listed companies (12%). 68% of companies without CSR experience are willing to participate in CSR practice, but around 23% answered they do not have any plans or are not interested in CSR practice.

**Table 5. Reasons for failure to participate in CSR practice (N=62)**

(unit: number, %, persons)

Company type	Financial reasons	Don’t feel the need	Don’t know how to participate	Objections from the management	Other
Listed	64.7	17.6	11.8	11.8	17.6
Small and medium-sized	47.6	23.8	23.8	4.8	9.5
Unlisted	–	66.7	–	–	33.3
Total	50.0	24.2	19.4	6.5	12.9

## (2) Units and staff dedicated to CSR practice

More than 60% of the companies surveyed have a dedicated CSR unit or personnel. When only companies with CSR experience are considered, 13.3% have a dedicated CSR unit and personnel; 9.7% have dedicated CSR personnel; and 38.5% do not have a dedicated unit or personnel but have some staff in charge of philanthropic activities. In general, listed companies and unlisted companies with large sales volume were more likely to have a dedicated unit compared to small and medium-sized businesses. It is also attributable to this factor that more listed than unlisted companies have such a unit.

**Table 6. Dedicated CSR unit and staffing (N=195)**

(unit: number, %)

Company type	Have both dedicated CSR unit and personnel	Have only dedicated CSR personnel	Do not have dedicated personnel but have someone in charge of CSR-related activities	Do not have any unit or personnel related to CSR practice
Listed	11.9	8.6	37.1	42.4
Small and medium-sized	5.9	11.8	41.2	41.2
Unlisted	25.9	14.8	44.4	14.8
Total	13.3	9.7	38.5	38.5

There was also a correlation of the size of the company with the deployment of a dedicated CSR unit or personnel. Among large conglomerates with more than 1,000 employees, 27% have both a dedicated unit and staff. The proportion of large companies with no CSR unit or personnel was 25%, the lowest among the categories by size. Meanwhile, about 60% of companies with less than 100 employees lack a dedicated CSR unit or personnel.

**Table 7. Deployment of dedicated CSR unit and/or personnel by company size (N=195)**

(unit: %)

Number of employees	Deployment			
	Dedicated unit and personnel	Dedicated personnel	Staff in charge of CSR-related activities	No CSR unit or personnel
less than 100	6.7	.0	33.3	60.0
100-300	9.8	7.3	31.7	51.2
300-500	11.8	5.9	47.1	35.3
500-1,000	3.2	9.7	45.2	41.9
1,000 or more	26.9	11.5	36.5	25.0

In general, companies with a dedicated CSR unit have a working-level CSR unit under the management support division (42%) or under a higher division that exclusively deals with corporate philanthropy (31%). In some cases, the unit belongs to public relations or marketing divisions.

**Table 8. Organizational assignment of the CSR unit**

(unit: number, %)

Assignment	Number	Percentage
Management support division	11	42.3
Corporate philanthropy division	8	30.8
Public relations division	3	11.5
Marketing division	2	7.7
Other	2	7.7
Total	26	100.0

**Note**

- Management support division: A division that operates businesses of general affairs, human resources, management support, and management innovation.
- Corporate philanthropy division: A division that manages social services, community services, and social cooperation.
- Public relations division: A division that is in charge of public relations and PR design.
- Marketing division: A division that deals with marketing and consumer-related businesses.

Regarding the staffing of CSR units of the 21 companies who answered they have a dedicated unit, the total number of staff and their positions is as follows: executive-level (directors) 21; middle managers 73; and general staff 373. On average, each company with a dedicated CSR unit has one dedicated executive-level officer, 3.5 middle managers, and four general staff members. In the meantime, about 15% of the companies that do not have a dedicated CSR unit or personnel responded they have a plan to establish such a unit or personnel in the future.

**Table 9. Number of persons assigned to the CSR unit**

(unit: number)

Position	Number of persons	Average number per company
Executive-level (director)	22	1.0
Middle managers	73	3.5
General staff*	83	4.0
Total	198	9.4

## 2) Corporate giving in 2006

### (1) Experience in CSR practice in 2006

Of the companies with past CSR experience, 92.3% answered that they performed CSR practice in 2006 as well. In the case of unlisted companies, 100% were engaged in CSR-related activities in the same year. Meanwhile, 82.4% of small and medium-sized companies participated in CSR practice.

**Table 10. Experience in CSR practice in 2006 (N=195)**

(unit: number, %)

		Yes	No
Company	Listed	92.1	7.9
	Small and medium-sized	82.4	17.6
	Unlisted	100	–
	Total	92.3	7.7

## (2) Amount of donation

According to the analysis, companies gave an average of 5.2 billion won<sup>2</sup> in 2006, an increase of 1.7 billion won from 3.5 billion won in 2004. Although the number of companies that gave less than 10 million won increased by 7.0% and that of companies that gave more than 500 million won decreased by 6.8% compared to the 2005 survey, the average is higher than in the past

**Table 11. Amount of donation made in 2006 (N=180)**

(unit: %)

Company type	less than 10 million won	10 million-100 million	100 million-500 million	500 million or more	Average
Listed	18.7	25.2	11.5	23.7	6.1 billion won
Small and medium-sized	14.3	50.0	14.3	14.3	164.8 million won
Unlisted	–	11.1	33.3	29.6	4.1 billion won
Total	15.6	25.0	15.0	23.9	
Average amount of donation per company		5.2 billion won (sd=37.8 billion won)			
Average amount of donation per company		2.2 billion won (sd=9.7 billion won)*			

\* Average amount of donation of companies excluding the one highest.

<sup>2</sup> 1,000.00 KRW is approximately 1.00 USD.

since companies making major gifts gave more in 2006. The company that made the largest donation in 2006 gave 439.1 billion won. The average amount of giving of the remaining companies stands at 2.2 billion won. Meanwhile, listed companies gave an average of 6.1 billion won, unlisted companies around 4.1 billion won and small and medium-sized companies around 160 million won.

In 2004, eight of the companies surveyed gave 10 billion won or more, with an average amount of 45.8 billion won and the highest 139.5 billion won. In this year's survey, the number of companies in the above category has decreased to seven, but their average amount of contribution has increased to 93.4 billion won, with the highest amount being 439.1 billion won.

**Table 12. Companies with major gifts: comparison between 2005 and 2007**

(unit: billion won)

	No. of companies	Minimum value	Maximum value	Total	Average (standard deviation)
Year 2005	8	10.9	139.5	366.2	45.8(40.6)
Year 2007	7	10.9	439.1	653.7	93.4(155.7)

The survey results show that the amount of donation rose proportionately with the size of the company: an average of 29.9 million won was given by companies with less than 100 employees in comparison to the average of 17.0 billion won by companies with 1,000 or more employees.

Table 13. Average amount of donation by company size

Number of employees	Average amount of donation (standard deviation)	(unit: million won)	
		Minimum value	Maximum value
less than 100	29.86 (35.50)	3	110
100-300	87.46 (207.68)	0.5	1,050
300-500	169.23 (269.79)	2.5	955
500-1,000	1,679.46 (4,696.04)	2	21,770
1,000 or more	16,966.34 (72,162.98)	2	439,131.63

**(3) Type of donation**

When sorted into type of donation based on tax regulations<sup>3</sup>, 37% were classified as designated donations, 32 % as statutory donations, 16.7% as “other”, and the remaining 23.5% as exemption donations. It is notable that as in 2004 designated donations remain prevalent over statutory donations, which accrue greater tax benefits. However, the figure for statutory donations (32%) has increased from 24.3% since 2004, indicating that more South Korean companies are taking into account tax incentives upon donation. Meanwhile, companies gave for other motivations as well, irrespective of tax breaks: 16.7% of the total contribution was allocated to the “other” category.

<sup>3</sup> Korean companies' contribution differs from the degrees of taxation benefits by a subject entity donated or its purpose. A Statutory donation recognizes all the amounts (up to 50%) of payment as a necessary expense or as income deductible. Exemptions donations accept a loss referred to in the Restrictive of Special Taxation Act for the purpose of a specific policy and recognize deductible expenses for 50%. And there are contributions designated by presidential decree considering the public interest where the deduction (Designated donation) is up to 5% of the amount from income amount of the year minus statutory contribution and a carried over loss. And the percentage of inclusion in deductible expenses for other donations is 0%.

Table 14. Proportions of donations by tax category (N=180)

Company	(unit: %)			
	Statutory donations	Exemption donations	Designated donations	Other donations
Listed	32.2	9.1	39.1	18.4
Small and medium-sized	41.5	8.0	30.3	17.8
Unlisted	25.7	33.4	32.2	7.2
Total	32.0	12.7	37.3	16.7

**(4) Donation by recipient**

According to analysis by recipient of donation, social services enjoyed the highest allocation of donation with 39.3%, followed by education/scholarship (19.5%), culture (9.1%), and support for civic organizations (7.3%). Considering

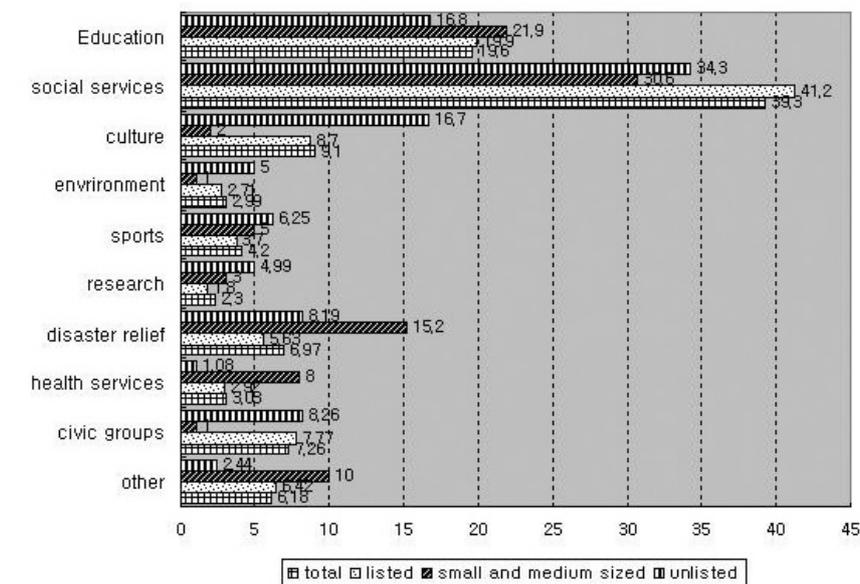


Figure 1. Proportions of donation by recipient

that education/scholarship is in practice support for the needy, the total amount given to social services accounts for around 60% of the total corporate contributions. Proportions by beneficiary do not vary greatly from 2004.

### (5) Channels of donation

Companies preferred to reserve discretion over planning and carrying out their philanthropic activities, including selection of recipients (33.8%). The second most preferred method was providing grants to fundraising organizations (14.3%), followed by transferring funds to their corporate foundation (9.3%).

**Table 15. Channels of donation by company type (N=180)**

	Direct giving	Fund transfer to corporate foundation	Donation to public interest foundations	Donation to fundraising organizations	Donation to Community Chest of Korea	Donation to local government agencies	Donation to culture /arts groups	Other
Listed	31.98	11.93	7.95	17.37	10.40	4.01	5.45	6.06
Small and medium-sized	43.33	0.42	8.33	3.33	3.08	24.36	0.83	10.91
Unlisted	35.79	1.88	4.07	5.79	9.44	15.86	13.29	6.40
Total	33.75	9.31	7.46	14.31	9.45	7.55	5.95	6.60

When analyzed in terms of a correlation with the deployment of a dedicated CSR unit and/or personnel, companies with a CSR unit and/or staff preferred direct giving, including the selection of recipients. For example, companies with a dedicated CSR unit and staff allocated 46.2% of their total donations on direct giving, and companies with dedicated CSR personnel gave 49% of their donations directly without going through a charity or other

organization

**Table 16. Channels of donation by the deployment of dedicated CSR unit and/or personnel (N=180)**

	Direct giving	Fund transfer to corporate foundation	Donation to public interest foundations	Donation to fundraising organizations	Donation to Community Chest of Korea	Donation to local government agencies	Donation to culture /arts groups	Other
Dedicated unit and personnel	46.18	16.77	5.75	4.67	7.82	2.92	2.56	1.91
Dedicated personnel	49.29	10.00	.00	16.71	9.12	9.00	1.86	.00
Staff in charge of CSR-related activities	38.81	6.02	8.75	14.38	8.08	5.21	7.10	5.60
None	21.83	10.74	7.71	16.57	11.59	11.33	6.02	10.12
Total	33.75	9.31	7.46	14.31	9.45	7.55	5.95	6.60

## 3) How to engage in CSR practice

### (1) Funding source

When asked about the funding of donations, 80.0% pointed to “corporate profits”, 51.7% “employee donations”, 29.4% “CEO and/or executive donations”. While companies do not show major distinctions in the types of funding source, listed companies exploited an array of funding sources in the most diverse manner. On the other hand, small and medium-sized companies were more heavily dependent on the CEO and/or executives for donations, compared to listed and unlisted companies.

**Table 17. Funding of CSR practice (N=180, multiple responses)**

(unit: %)

	Company profits	Employee donations	CEO and/or executive donations	Events earnings	Cause-related marketing	Other	Total*
Listed	79.1	53.2	30.2	10.8	5.8	7.9	187.0
Small and medium-sized	64.3	42.9	35.7	-	-	7.1	150.0
Unlisted	92.6	48.1	22.2	7.4	-	7.4	177.7
Average	80.0	51.7	29.4	9.4	4.4	7.8	182.7

\* The sum exceeds 100.0 due to multiple responses.

In general, larger companies depended more on company profits and employee donations for CSR practice. In the case of small and medium-sized companies with less than 100 employees, the proportion of “company profits” was relatively high with 83.3%, while “employee donations” was the lowest with 25.0%. In terms of the diversity of funding source, companies with 300-500 employees tapped into the most diverse range of resources, while companies with less than 100 employees relied on just a few resources. The proportion of CEO and/or executive donations was the highest in companies with

**Table 18. Funding of CSR practice by company size (N=180, multiple responses)**

(unit: %)

Number of employees	Company profits	Employee donations	CEO and/or executive donations	Events earnings	Cause-related marketing	Other	Total*
less than 100	83.3	25.0	25.0	8.3	-	8.3	149.9
100-300	70.3	62.2	29.7	2.7	5.4	8.1	178.4
300-500	81.3	62.5	43.8	12.5	6.3	18.8	225.2
500-1,000	83.3	56.7	36.7	6.7	3.3	3.3	190.0
1,000 or more	92.0	48.0	18.0	16.0	6.0	8.0	188.0

\* The sum exceeds 100.0 due to multiple responses.

300-500 employees with 44% and the lowest in big companies with 1,000 or more employees, coming in at a mere 18%.

## (2) Forms of CSR practice

As for the forms of CSR practice, cash giving was most prevalent with 86.7%, followed by volunteering (64.4%), in-kind donations (57.2%), expertise (16.1%), price discounts (4.4%), and stock donations (2.2%). The use of cash giving and volunteering as major means of CSR practice was common among the companies surveyed. However, bigger companies seem to tap into more diverse resources.

**Table 19. Forms of CSR practice (N=180, multiple responses)**

(unit: %)

	Cash giving	In-kind giving	Expertise	Stock giving	Volunteering	Price discounts	Total*
Listed companies	85.6	57.6	18.0	2.9	61.2	3.6	228.9
Small and medium-sized companies	85.7	50.0	7.1	-	50.0	7.1	199.9
Unlisted companies	92.6	59.3	11.1	-	88.9	7.4	259.3
Average	86.7	57.2	16.1	2.2	64.4	4.4	231
less than 100	66.7	41.7	8.3	-	25.0	-	141.7
100-300	83.8	54.1	13.5	-	48.6	2.7	202.7
300-500	93.8	43.8	18.8	-	75.0	-	231.4
500-1000	90.0	56.7	10.0	6.7	60.0	3.3	226.7
1,000 or more	90.0	68.8	22.0	4.0	84.0	8.0	276.8

\* The sum exceeds 100.0 due to multiple responses.

\* A bigger sum means more diverse ways of giving.

### (3) Populations and/or groups of special concern

The survey asked respondents about their areas of special concern. According to the responses, companies cared most about children (51.7%), followed by the disabled (38.9%), the elderly (36.7%), adolescents (21.7%), and no preference (15.6%). The order of the groups of concern remained mostly unchanged from the 2005 survey, especially for children, the disabled, and the elderly. The least-concerned areas include the issues of women, North Korean defectors, and migrant workers.

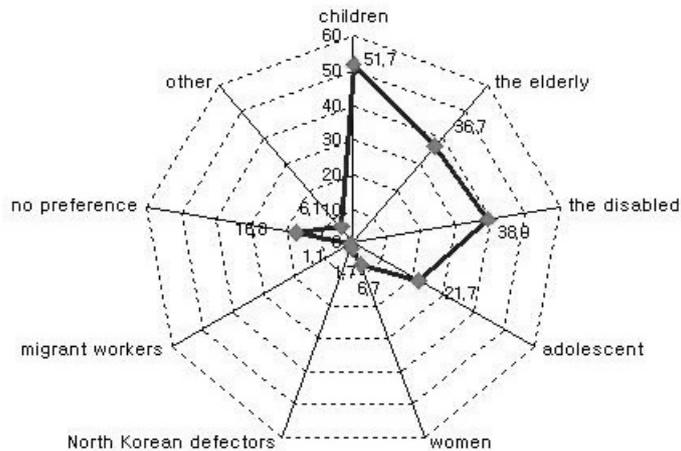


Figure 2. Populations and/or groups of special concern

### (4) Impetus for engaging in CSR practice

Reporting what drives their CSR practice, companies stated “to implement corporate social responsibilities” (80.6%) and “to assist vulnerable populations” (42.8%). Some companies explained that they participate in corporate philanthropy to promote positive public perceptions of the company (26.7%) or to be in accordance with the CEO’s initiatives (22.8%).

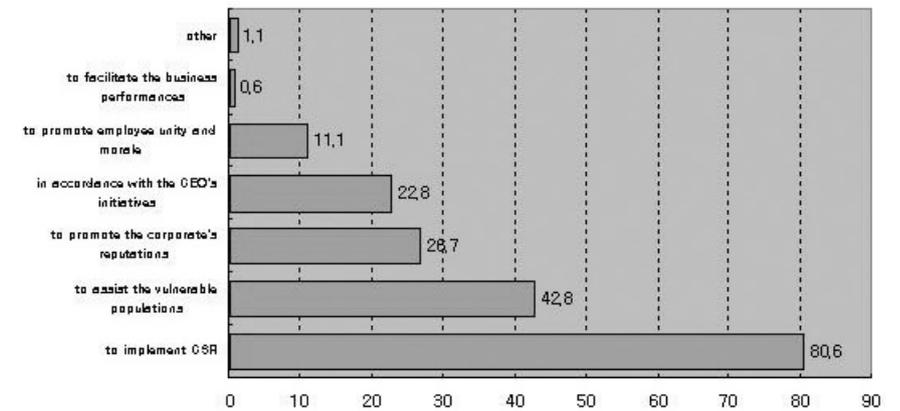


Figure 3. Impetus for engaging in CSR practice

Meanwhile, the answer “to implement the corporate social responsibilities” appeared relatively high among larger companies and “to assist marginalized individuals” was prevalent among smaller companies. In general, the larger the company is more diverse the reasons pointed out for their CSR practice.

**Table 20. Reasons for engaging in CSR practice by company size (N=180, multiple responses)**

(unit: %)

	to fulfill corporate social responsibilities	to promote positive public perceptions of for-profit entities	to assist marginalized individuals	to promote employee unity and morale	in accordance with the CEO's initiative	Other	Total*
less than 100	50.0	33.3	58.3	25.0	16.7	-	183.3
100-300	67.6	18.9	45.9	10.8	32.4	2.7	178.3
300-500	87.5	31.3	31.3	6.3	18.8	6.3	181.5
500-1,000	83.3	33.3	33.3	16.7	23.3	-	189.9
1,000 or more	92.0	30.0	48.0	6.0	16.0	-	192

\* The sum exceeds 100.0 due to multiple responses.

#### (5) Determining factors and obstacles to the promotion of CSR practice

The respondents pointed to “the CEO’s initiative” as the greatest determining factor in the promotion of CSR practice with 77.2%, followed by “employee consensus” (44.4%), “social pressure” (33.9%), and “tax benefits” (6.1%). What is notable is the unusually high position of “social pressure” (66.7%) among unlisted companies.

**Table 21. Determining factors driving CSR practice (N=180, multiple responses)**

(unit: %)

	CEO's initiative	Employee consensus	Social pressure	Tax benefits	Shareholders' initiative	Other	Total*
Listed	79.1	45.3	28.8	6.5	2.9	3.6	166.2
Small and medium-sized	71.4	35.7	21.4	7.1	-	-	135.6
Unlisted	70.4	44.4	66.7	3.7	3.7	-	188.9
Average	77.2	44.4	33.9	6.1	2.8	2.8	167.2

\* The sum exceeds 100.0 due to multiple responses.

Companies who dedicate both a CSR unit and personnel appear to respond more sensitively to employee consensus and social pressure. In contrast, the answer “the CEO’s initiative” appeared significantly highly among companies with only dedicated CSR personnel.

**Table 22. Determining factors driving CSR practice by the deployment of a dedicated CSR unit and/or personnel (N=180, multiple responses)**

(unit: %)

	CEO's initiative	Shareholders' initiative	Employee consensus	Social pressure	Tax benefits	Other
Dedicated unit and personnel	72.0	-	48.0	44.0	8.0	-
Dedicated personnel	88.9	-	55.6	38.9	5.6	-
Staff in charge of CSR-related activities	77.8	2.8	43.1	29.2	5.6	5.6
None	75.4	4.6	41.5	33.8	6.2	1.5

When asked about obstacles facing CSR practice, the respondents chose “inadequate human resources and/or expertise” first (44.4%), and then “lack of CSR-related information” (29.4%), “lack of funds” (27.2%), “inadequate institutional and governmental support” (23.3%), and “lack of dedicated unit” (21.7%). “Inadequate human resources and/or expertise” was indicated as the greatest challenge for unlisted companies and “lack of funds” for small and medium-sized companies.

**Table 23. Obstacles to CSR practice (N=180, multiple responses)**

(unit: %)

	Inadequate human resources/expertise	Lack of information	Lack of funds	Inadequate institutional/governmental support	Lack of dedicated unit	Inadequate company support	Lack of CEO's interest	Other	Total*	
Listed	43.2	32.4	25.9	25.9	21.7	13.9	3.6	12.2	178.8	
Company	Small and medium-sized	21.4	21.4	35.7	14.3	21.4	14.3	-	28.6	157.1
	Unlisted	63.0	18.5	29.6	14.8	22.2	14.8	-	14.8	177.7
Average	44.4	29.4	27.2	23.3	21.7	13.9	2.8	13.9	176.6	

\* The sum exceeds 100.0 due to multiple responses.

Next, the obstacles to the promotion of CSR practice were further examined depending on the deployment of a dedicated CSR unit and/or personnel. According to the analysis, companies with both a dedicated unit and personnel stated “inadequate human resources and/or expertise” and “lack of CSR-related information” as their greatest challenges in implementing CSR practice; for companies with only staff in charge of CSR-related activities or without any unit or personnel, “lack of funds” and “lack of dedicated unit” were frequently pointed out.

**Table 24. Obstacles to CSR practice by the deployment of a dedicated CSR unit and/or personnel (N=180, multiple responses)**

(unit: %)

	Inadequate human resources/expertise	Lack of information	Lack of CEO's interest	Inadequate company support	Inadequate institutional/governmental support	Lack of funds	Lack of dedicated unit	Other	Total*
Dedicated unit and personnel	64.0	36.0	4.0	28.0	20.0	16.0	8.0	8.0	184
Dedicated personnel	38.9	33.3	-	27.8	11.1	16.7	16.7	22.2	166.7
Staff in charge of CSR-related activities	52.8	27.8	1.4	11.1	16.7	27.8	29.2	13.9	180.7
None	29.2	27.7	4.6	7.7	35.4	33.8	20.0	13.8	172.2
Average	44.4	29.4	27.2	23.3	21.7	13.9	2.8	13.9	176.6

## 4) CSR accomplishments

### (1) Perceptions of the impact of CSR practice

The survey findings indicate that companies recognize indirect benefits stemming from CSR practice in terms of improved company image and/or organizational culture rather than direct business returns. When asked if CSR practice directly contributed to improved business performance such as increases in sales, 57.8% of the respondents replied negatively while only 18.9% responded positively. Meanwhile, 74.5% and 59.4% said their CSR practice helped foster a positive company image and organizational culture, respectively.

In response to a question asking if they perceive that their CSR practice has contributed to the prevention and resolution of societal problems, 44.4% of the respondents gave a positive evaluation, while 34.4% answered negatively. Finally, 60% of them did not believe their CSR practice affected central and/or local government policies, while only 17.8% answered positively.

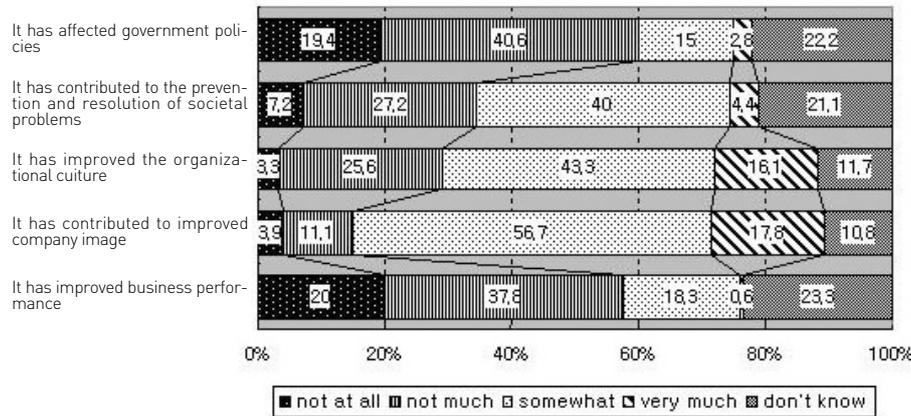


Figure 4. Perceptions of the impact of CSR practice: frequency analysis

The answers were assigned points in order to express the respondents' perceptions of CSR accomplishments in numerical terms. Overall, the scores were not high, with "improved company image" receiving the highest score with 2.99. "Improved organizational culture" such as the promotion of employee unity got 2.82, "prevention and resolution of societal problems" 2.53, "affected government policies" 2.01, and "improved business performance", such as increased sales, 1.99.

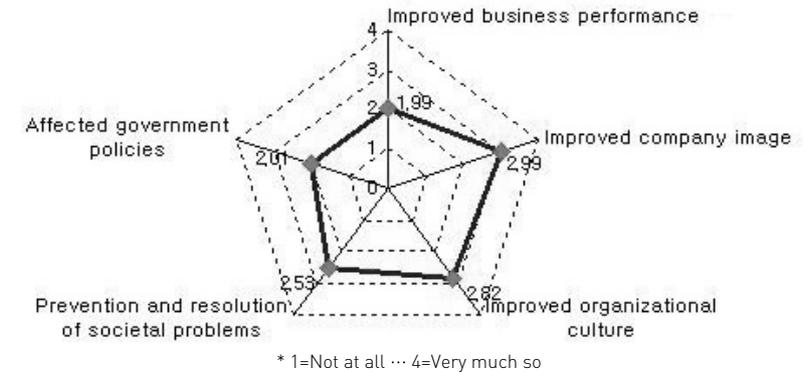


Figure 5. Perceptions of the impact of CSR practice: average scores

## (2) Levels of satisfaction with CSR experience

According to the survey, the respondents seem to be relatively content with their CSR experience. In the case of the management, 49.5% responded they are satisfied and only 7.8% replied that they are not. As for CSR personnel, 47.8% said they are satisfied with the experience, while 10% said they are not. Finally, 38.3% of general employees were said to be satisfied, while 13.9% are discontent.

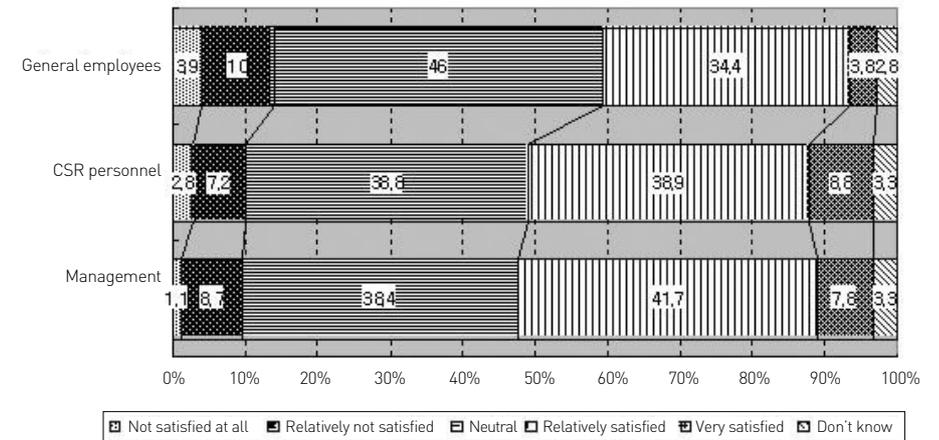


Figure 6. Satisfaction levels of CSR experience

### (3) Willingness to expand the scale of CSR practice in the future

When asked about their projections regarding expansion of the scale of CSR practice, 44.3% of the companies surveyed answered they are planning to “expand from the current level”. 25.9% stated they will “maintain the current level”. With company size taken into account, more companies with 300-500 employees than others said they are willing to expand. Most of the large companies with 1,000 or more employees projected remaining at the current level.

**Table 25. Willingness to expand the scale of CSR practice (N=158)**

(unit: %)

	Will expand from the current level	Will maintain the current level	Don' t know
Listed companies	37.5	29.2	33.3
Small and medium-sized companies	54.5	9.1	36.4
Unlisted companies	70.4	18.5	11.1
Average	44.3	25.9	29.7
less than 100	27.3	36.4	36.4
100-300	25.0	34.4	40.6
300-500	50.0	30.0	20.0
500-1000	29.6	25.9	44.4
1,000 or more	22.7	59.1	18.2

### 5) Employee volunteering

#### (1) Employee volunteer programs and company support

In 57.2% of the companies with CSR experience, employees are engaging in volunteer activities and enjoy support from the company. 14.4% replied they have employee volunteer programs in place but do not provide support at the corporate level. 28.3% have no such programs. When viewed by company type, a hefty 50% of small and medium-sized companies have no employee volunteering even if the company has CSR experience. Employee engagement with volunteer efforts appeared to be relatively active among unlisted companies.

A closer look at employee volunteering by company size revealed that it was most active in companies with 300-500 employees. The level of engagement with employee volunteering was roughly proportionate to the size of the company.

**Table 26. Employee volunteering and company support (N=180)**

(unit: %)

	There are employee volunteer programs with company support	There are employee volunteer programs but no company support	There are no such programs
Listed companies	53.2	15.8	30.9
Small and medium-sized companies	42.9	7.1	50.0
Unlisted	85.2	11.1	3.7
Total	57.2	14.4	28.3
less than 100	16.7	16.7	66.7
100-300	43.2	10.8	45.9
300-500	75.0	-	25.0
500-1000	56.7	13.3	30.0
1,000 or more	57.9	14.5	27.6

The survey also uncovered that companies with employee volunteer programs in place tend to give more on average. However, there was no apparent correlation between the amount of donation and company support associated with employee volunteering: the average amounts of giving were 8.1 billion won and 7.6 billion won without and with company support, respectively. On the other hand, there was a significant distinction in the average amount of giving between companies with employee volunteer programs and companies with no such programs; the latter gave an average of 335 million won.

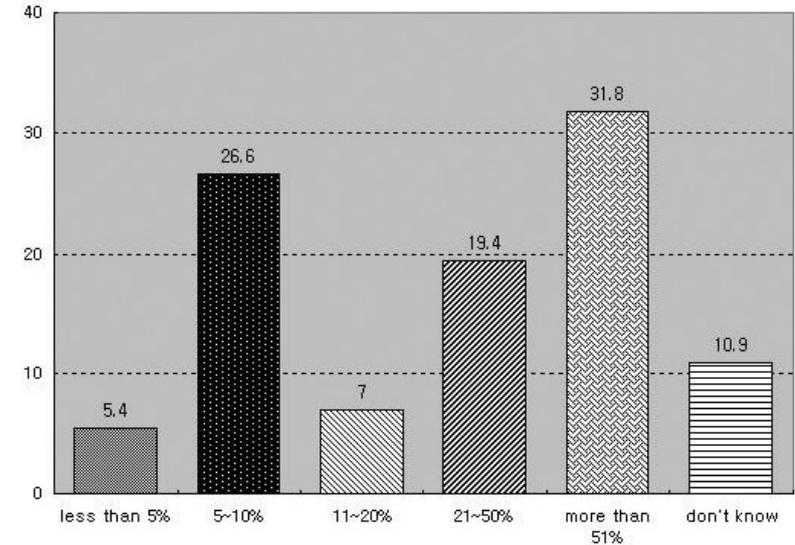
**Table 27. Employee volunteering and average amount of corporate giving**

(unit: million won)

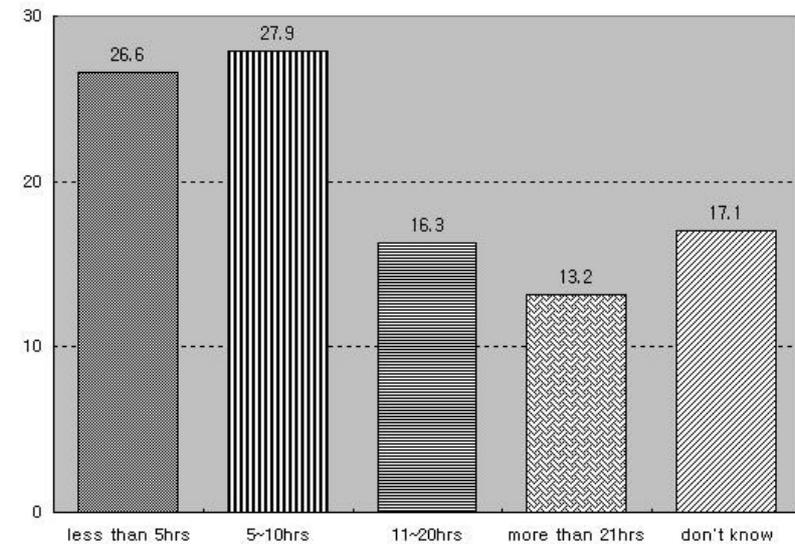
	Average (standard deviation)	Minimum value	Maximum value
There are employee volunteer programs with company support	7,614.8 (50,647.0)	2	439,131.6
There are employee volunteer programs but no company support	8,119.4 (24,399.0)	8	99,400
There are no such programs	334.7 (1,033.6)	0.5	60,000

## (2) Employee participation rate in volunteer efforts

Companies that have employee volunteer programs assumed the average participation rate of employee volunteering to be around 40%. 32% of the same group of companies reported that over 50% of their staff was engaged in volunteer activities; and 19.4% assumed it to be around 20-50%. 5.4% said less than 5% of the total staff was involved in volunteer efforts.



**Figure 7. Participation rate of employees in volunteer**



**Figure 8. Annual average hours of volunteering per employee**

In terms of annual average hours of volunteering per employee, “5-10 hours” was most common with 27.9%, followed by “less than 5 hours” with 25.6%. Considering only employees with volunteering experience, their annual hours of volunteering were 13.3 hours on average.

### (3) Recipients of employee volunteering

According to this research, employee volunteering was mainly conducted in the social and environmental services sectors. Considering the areas of volunteering, 84.5% of employee volunteering was allocated to “assistance to social services facilities”, followed by “environmental protection activities” (50.4%), “visits to elderly living alone” (48.8%), and “volunteering in needy communities” (41.9%).

**Table 28. Areas of employee volunteering**

Areas	Assistance to social services facilities	Environmental protection	Visits to elderly living alone	Volunteering in needy communities	Disaster relief	Traffic safety	Other
Percentage (%)	84.5	50.4	48.8	41.9	31.8	7.0	10.1

In the meantime, companies rewarded employees for their volunteer efforts through positive performance evaluations (17.1%), incentive bonuses (14.0%), or paid compensation leave (7.0%).

## 6) Cause-related marketing (CRM)

### (1) Experience with cause-related marketing

Around 16.7% of the companies surveyed replied they had been engaged in CRM. The experience appeared more commonly among small and medium-sized companies (28.6%) and unlisted companies (25.9%) compared to listed companies (13.7%).

**Table 29. Experience with cause-related marketing**

		(unit: %)	
		Yes	No
Company	Listed	13.7	85.6
	Small and medium-sized	28.6	71.4
	Unlisted	25.9	70.4
	Total	16.7	82.2

When CRM experience was considered in relation with the deployment of a dedicated CSR unit and/or personnel, companies with such units or personnel were more actively engaged with CRM than others. About 32% of the companies with both a CSR unit and personnel, and 33.3% of those with ded-

**Table 30. Experience in CRM by the deployment of dedicated CSR unit and/or personnel (N=180)**

	(unit: %)		
	CRM experience		
	Yes	No	Don't know / No response
Dedicated unit and personnel	32.0%	68.0%	.0%
Dedicated personnel	33.3%	66.7%	.0%
Staff in charge of CSR-related activities	11.1%	86.1%	2.8%
None	12.3%	87.7%	.0%
Total	16.7%	82.2%	1.1%

icated CSR personnel conducted CRM. In contrast, CRM experiences among companies with staff in charge of CSR-related activities and those with no such unit or personnel were infrequent with 11.1% and 12.3%, respectively.

## (2) Perceptions on the impact of CRM

The survey findings show that many companies perceive that cause-related marketing positively affects their business performance. Companies with CRM experience stated it had a positive impact via sales increases and/or improved corporate image. With 20% regarding it as “very helpful” and 66.7% as “a little helpful”, a total of 86.7% gave a positive evaluation to the results of CRM activities. Although 3.3% answered it was rarely helpful, none answered it was not helpful at all.

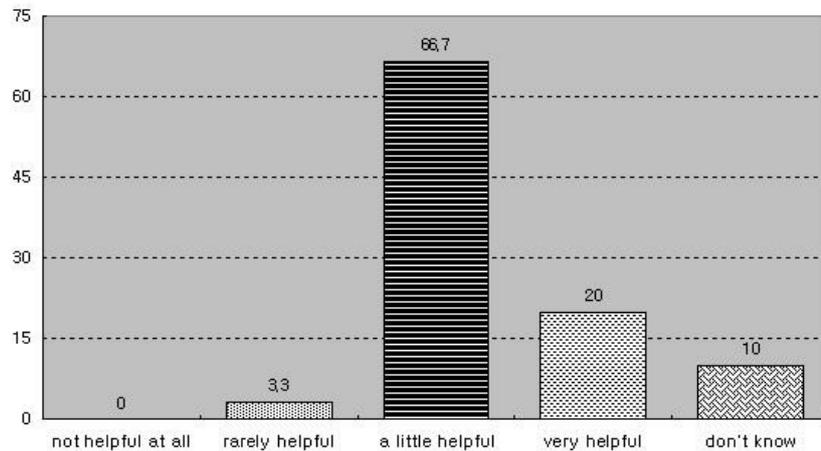


Figure 9. Perceptions of the impact of CRM

## 7) Perceptions of CSR-related policies

### (1) Awareness of CSR-related tax benefits

Apparently, companies are not well aware of tax benefits associated with corporate donations. 66.7% of those responding to this survey said they are “aware that such system exists (but do not know the details)” and 7.7% said they are “not aware of it at all”. Only 23.6% said they are “very well aware of the system”. Companies that have deployed a dedicated CSR unit or personnel showed a higher awareness level of the system (50%), compared to others.

Table 31. Awareness of CSR-related tax benefits (N=195)

(unit: %)

	Awareness of CSR-related tax benefits			
	Very well aware of the system	Aware that such system exists (but do not know the details)	Not aware of it at all	Not interested
Dedicated unit and personnel	50.0	46.2	3.8	
Dedicated personnel	26.3	63.2	10.5	
Staff in charge of CSR-related activities	14.7	76.0	9.3	
None	22.7	65.3	6.7	5.3
Total	23.6	66.7	7.7	2.1

### (2) Willingness to increase the amount of donations should tax incentives increase

When asked if they would be willing to raise the amount of philanthropic giving should there be an increase in tax breaks, 25.3% responded affirmatively to “will increase donations”, 21.0% to “will maintain the current level”,

and 47.1% to “Don’ t know”.

In comparison with companies without CSR experience, companies with the experience showed more willingness to expand corporate donations with 46.7%.

**Table 32. Willingness to increase the amount of donations should tax incentives increase (N=-257)**

(unit: %)

	Don’ t know	Will increase donations	Will maintain the current level
Listed companies	47.6	22.6	26.8
Small and medium-sized companies	52.5	22.0	6.8
Unlisted companies	33.3	46.7	16.7
with CSR experience	43.1	29.7	24.6
without CSR experience	59.7	11.3	9.7
Total	47.1	25.3	21.0

## 4. Conclusion

### 1) Summary

#### (1) Interest and participation in CSR practice by South Korean companies

This research demonstrates that South Korean companies are actively engaged in CSR practice. Of a total of 257 companies surveyed, 76% had experience in CSR practice, out of which 92.3% carried out CSR programs in 2006. However, the participation rate of small and medium-sized companies in CSR initiatives was below 30%. Companies pointed to financial constraints for not participating in CSR; encouragingly, 68% of them were willing to engage with corporate philanthropy in the future.

In addition, over 40% of companies currently engaged in CSR practice intend to expand their activities further. The bigger the company is, the more they are willing to do so.

#### (2) Dedicated CSR unit and/or personnel within the company

23% of the companies participating in the survey deployed a dedicated CSR unit and/or personnel, while 39% simply assigned staff to deal with philanthropic activities. The probability of having a dedicated unit and/or personnel was higher among larger companies. Also, the CSR business was generally located under a management support division or an exclusive CSR division, or, occasionally, under public relations or marketing divisions.

The 21 companies who reported a dedicated CSR unit have a total of 198 staff members, averaging nine dedicated CSR specialists per company. 15% of the companies without a dedicated unit or personnel indicated plans to designate one in the future.

### (3) CSR performance in 2006

The average amount of donation made by a company in 2006 was 5.2 billion won. This was an increase of 1.7 billion won from 3.5 billion won in 2004, attributable to the fact that companies making major donations increased their amount of giving. The average amount of contributions of the companies that gave more than 10 billion won was 93.4 billion won. In comparison, it totaled 45.8 million won in 2004. The bigger the company is, the more they gave. The average amount of giving by companies with less than 100 employees was 29.9 million won, while that of companies with 1,000 or more employees was around 17.0 billion won.

Concerning donation types as defined by the government's tax incentive scheme, designated donations were most prevalent, followed by statutory donations, other donations, and exemption donations. It is notable that companies gave more designated donations than the statutory donations that accrue greater tax benefits, following the pattern established in 2004. However, the proportion of statutory donations in 2006 went up to 32% from 24.3% in 2004, indicating that more South Korean companies are taking into account the tax benefits associated with philanthropic donations.

The social services industry, receiving around 60% of the total donations,

remains of great interest to many companies compared to support for cultural or civic groups.

The typical company's preferred approach to corporate philanthropy was direct planning and implementation of CSR projects based on corporate earnings and/or employee donations. Cash donations were most popular. Employee volunteering and in-kind donations appeared relatively common as well.

In terms of areas of concern, children's issues enjoyed the greatest attention, followed by issues of the disabled (38.9%) and the elderly (36.7%). The areas of least concern included women, North Korean defectors, and migrant workers.

As for the impact of CSR practice, companies perceived indirect rewards such as improved corporate image and/or organizational culture rather than direct outcomes in business terms. While the overall satisfaction level was high, the management showed more contentment than general employees.

### (4) Motivations, determining factors, and obstacles in CSR practice

When asked about major factors that drive CSR practice, many companies pointed to "fulfill corporate social responsibilities", and then to "to assist marginalized individuals". Not many, but some companies indicated "to promote positive public perceptions of for-profit entities" and "in accordance with the CEO's initiative". In general, bigger companies hoped to fulfill corporate social responsibilities and smaller companies to assist communities of

acute need through their CSR practice.

The most influential factor in the promotion of CSR practice in South Korea seemed to be the CEO's initiative. Employee consensus and social pressure were also dubbed important factors. Noticeably, a higher proportion of unlisted companies chose "social pressure", compared to other company types.

Meanwhile, "inadequate human resources and expertise" turned out to be the biggest obstacle standing in the way of more active engagement with CSR practice. "Lack of CSR-related information", "inadequate funds", and "inadequate institutional/governmental support" were also major challenges.

#### **(5) Employee volunteering and cause-related marketing (CRM)**

More than 70% of the companies with CSR experience featured employee volunteer programs, and corporate support was made available in 57% of these. Companies with employee volunteering efforts in place gave more than others, on average.

The average participation rate of employee volunteering was around 40%; the annual average per capita time spent volunteering was 13.3 hours. Employee rewards for volunteering include positive performance evaluations, incentive bonuses, and paid compensation leave.

In terms of CRM, about 17% of the companies polled carried out cause-related marketing activities. It was further observed that small and medium

companies and unlisted companies were more actively pursuing CRM. Also, companies with a dedicated CSR unit and/or personnel demonstrated greater CRM experience. When it comes to perceptions of its impact, CRM received very positive evaluations from the participants in terms of improved business performance. The respondents practicing CRM believed it has contributed to the improvement of sales and/or corporate image.

#### **(6) Perceptions of CSR-related policies**

According to this survey, South Korean companies are seemingly not well aware of CSR-related tax incentives. Seven companies out of ten were "aware that such a system exists (but do not know the details)"; less than a quarter of all respondents were "very well aware of the system".

When asked about their willingness to raise the amount of philanthropic giving should the tax benefits increase, around 25% replied they would increase donations, while 21% said they would maintain the current level.

## **2) Implications**

### **(1) Strong interest and participation of South Korean companies in CSR**

This research reveals that South Korean companies possess a relatively strong interest in CSR practice, as shown by the high participation rate (over 75%) of the companies polled. Although many small and medium-sized companies had yet to commit themselves to CSR initiatives due to financial con-

straints, most of them demonstrated their willingness to join the trend in the future.

The average amount of corporate donations increased as well. The 2006 figure of 5.2 billion won rose by 1.7 billion won from 3.5 billion won in 2004. This can be partly attributed to major companies' having increased their amount of giving. Considering that several companies that traditionally make major gifts were left out as part of the random sampling process, however, the increase does not seem to be unique to 2006. Although corporate giving in South Korea has yet to see more active participation from small and medium-sized companies, it is manifest that CSR practice among South Korean companies is expanding at a rapid pace.

The growing interest and engagement of South Korean companies in CSR is a highly desirable phenomenon, reflecting the greater attention paid to social issues by for-profit organizations. With the concerns of the public more depoliticized and the role of the state repositioned between the market and civil society, people's expectations for the changing role of for-profit businesses are higher than ever. In fact, several recent surveys show that South Koreans trust for-profit entities more than the government or religious organizations.

In this survey, around 80% of the companies replied that they practice corporate philanthropy in order to fulfill the social responsibilities of business. Corporate social responsibility starts from the company's self-perception as a participating member of society, meaning that business entities are also required to exercise their due rights and responsibilities as enlightened

citizens. The CSR practice of companies has greater implications than simple resource mobilization to alleviate the shortage of public services. CSR plays an important role in enhancing the sustainability of society through cooperation between a diverse range of players, including the government, businesses, and the nonprofit sector. By the same token, the norms of social responsibility can be applied to labor unions, civic groups, and nonprofit organizations. Within this perspective, the number of companies engaged in this initiative must grow significantly if CSR is to take root in South Korean society. Meanwhile, over reliance on the huge conglomerates might cause CSR to be perceived as a practice exclusive to them or a form of quasi-taxation imposed on major corporations. Businesses should be allowed to establish best CSR practice that reflects their business environments and conditions as well as the demands of society.

## **(2) Expansion of dedicated CSR units and personnel in partnership with civil society**

A strong interest by companies in CSR is further reflected in the deployment rate of a dedicated unit and/or personnel. Of the companies participating in this survey, 21 organizations had a dedicated CSR unit averaging nine staff members. Apparently, deployment of a dedicated CSR unit and/or personnel is a growing trend among South Korean businesses. Despite the fact that these units appear mainly in large businesses, it is encouraging that the number of dedicated CSR units and personnel has increased over the past few years.

Deployment of a dedicated CSR unit and personnel aids the accumulation

of expertise in CSR. Defining CSR as an integral part of a business also enhances the systematization and sustainability of CSR-related activities. In this regard, it is highly encouraging to witness growth in the number of dedicated CSR units and personnel, bringing escalated enterprise and social values to CSR practice in the South Korean economy.

However, there is a concern that cooperation with the civic sector might be distorted or weakened as the capability and expertise of companies with CSR grows. In fact, an increasing number of companies plan CSR projects on their own and provide direct support to nonprofit organizations. This survey also showed that over 35% of the respondents had independently planned and implemented CSR projects. Direct implementation of projects appears more frequently among companies with a dedicated CSR unit and/or personnel. This is not to argue that corporate support for nonprofit groups which suffer chronic shortages of resources is an inherently negative practice. Rather, over reliance by nonprofit groups on corporate resources should be guarded against.

Moreover, questions may be raised regarding company-led CSR programs over the degree of public benefits delivered. Rationality and the fulfillment of social responsibilities may be compromised by emotional engagement. Companies can ease these concerns by involving CSR experts in their philanthropic efforts. Given the gravity of most social issues and the great need for support, however, it would be more effective for companies to work in partnership with specialized organizations in the civil sector which have accumulated information and expertise in the field. CSR practice depends on the discretion and will of business but it must proceed in a manner which maxi-

mizes public benefits.

There are a number of public interest organizations, fundraising organizations, and associations equipped with expert knowledge and proficiency regarding a variety of issues. Not only are these organizations highly aware of the significance and needs of such issues but they are key repositories of data. Should the level and quality of CSR in South Korea expand, it is essential for companies to partner with sound, capable nonprofit groups. A strengthening of the civil sector drawn from cooperation between the two parties will increase the sustainability of CSR practice.

### **(3) CSR and the CEO' s willingness**

Surveys of South Korean companies consistently report that the key motivation behind CSR practice is to fulfill the social responsibilities of business. It is highly desirable and encouraging to see companies taking actions as responsible members of society. However, more in-depth research is required to determine whether this perception of the importance of CSR among South Korean businesses truly reflects a reality or is merely a social desirability effect often witnessed in a social survey.

Another important finding of studies, including this paper, is that the CEO' s willingness is the most critical factor in engaging in CSR practice. This may indicate that CSR is viewed as part of an organization-specific culture but not part of the formal activities of business. Employee consensus seemed to play a relatively important role in some companies; but shareholders' resolution failed to prove influential. It is not clear whether it is attributable to

the typical management styles of South Korean businesses or it is a phenomenon peculiar to CSR practice. It is clear, however, that the CEO's initiative is of the utmost importance in CSR practice in South Korea's business environment.

#### **(4) CSR practice skewed toward social services: time to move beyond reactive charity**

According to this survey, the social services sector remains dominant among the recipients of corporate philanthropy. South Korea has a social welfare network at the state level, but the system is arguably in poor shape and the delivery of services is inadequate. Despite growing interest and efforts demonstrated by the government such as increasing budgets, social welfare services fall far short of societal demands and expectations. Accordingly, the gap between the demand and the supply has been bridged through the efforts of the private sector. CSR practice by South Korean businesses was largely influenced by the benevolent giving of individual philanthropists in the early days of the industrialization era. The practice of charitable giving, mostly in the form of scholarship funds for marginalized adolescents, played a pivotal role in supplementing substandard state-level social welfare services through the Japanese colonial occupation, the Korean War, and the development era. Although the 1990s witnessed more vigorous CSR-related activities by the business sector, their areas of concern have remained focused on direct support for impoverished individuals and communities. This may be partially due to the fact that, as described above, South Korea's CSR practice is easily swayed by the CEO's commitment or management philosophy, which in many cases has been inherited from the

early industrialization era.

Given that the integrity of CSR is completed through recognition and support not only from the CEO but from the shareholders, employees, and other stakeholders, the experience of South Korean businesses in CSR currently seems far too short to accommodate a diverse range of social issues. On the one hand, compelling reactive charity programs may need to be featured in a company's CSR goals to win over a spectrum of diverse stakeholders. This does not mean that the receipt of the bulk of attention from businesses by social services is a serious problem. However, it is not desirable in the long term for the recipients of CSR practice to be limited in terms of sectors. Corporate philanthropy projects should be distinct from the programs of social service organizations. Furthermore, if companies over-expand direct support for the needy, the role of the government to protect a minimum livelihood of its people through the social welfare system could be compromised and relegated to the private sector.

What is greatly needed is for companies to create a fertile field in which charitable activities can flourish. Through such endeavors, companies can help nurture a giving culture and the value of giving across society.

The complex problems of modern society demand a multidisciplinary approach to their solution. Multi-dimensional policies and systems encompassing economics, environment, culture, education, and more should be inter-linked. Central and local governments, the civil society, the business sector, and individuals need to unite in addressing these issues. CSR should find its proper roles and positions within this cooperative network, and identify best

strategies and planning.

In this era of globalization, the political and economic boundaries of nations become ambiguous, but the importance of local communities surfaces. While the disintegration of traditional local communities was a definitive vice of capitalism, the restoration of local communities has evolved into a key concern for this era. Accordingly, close cooperation between community members has become a critical prerequisite to overcoming a diverse array of freshly emerging social problems. Local communities experience a number of problems, but they also have the resources to resolve them. Changes in local communities means changes in the surroundings as well as changes in the family and individuals. This may point toward one of the most effective CSR strategies for companies to adopt.

#### **(5) Need to build a repository of knowledge and information about CSR**

This survey uncovered that about 20% of the companies without CSR experience stated they did not know how to engage in CSR practice, while 30% of the companies who have already carried out the practice pointed to lack of information as one of their greatest obstacles. Furthermore, only 23% of the respondents indicated that they are well aware of tax incentives associated with corporate philanthropy.

This survey suggests a pressing need to compile a database and systematize knowledge and information about CSR. Conceivably, it is a matter not only pertaining to businesses but to the entire nonprofit sector. The concentration of CSR practice on the social services industry can be partly attributed

to the lack of information sharing.

In the case of the United States, several organizations including the United Way, the Foundation Center, and the Conference Board produce an extensive amount of data about CSR and keep it available to donors and beneficiaries as well as researchers. In South Korea, CSR-related data are compiled through the annual Giving Korea, published by the Center on Philanthropy at the Beautiful Foundation, and CSR White Paper by the Federation of South Korean Industries. However, systematic compilation of comprehensive, nation-wide data has yet to be established.

A CSR knowledge and information storehouse can help spur CSR initiatives across South Korean society and maximize their effectiveness. This knowledge dynamo should embrace all disciplines, including social services, education, environment, and culture. In addition, the data should be freely accessible for maximum utilization of the knowledge base, which might call for government initiative in the implementation process. The fortification of a knowledge and information system like this is essential in an environment where collaboration between the public and private sectors is of unprecedented significance.

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Corporate Social Responsibility  
and Public Preference

02

# 02

## Corporate Social Responsibility and Public Preference

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### Summary

This research analyzes whether activities for corporate social responsibility could affect public preferences for companies. Rather than directly investigating the relationship between corporate value and corporate social responsibility (CSR), we focus the effect of CSR on corporate preference in order to mitigate the causality problem. According to our analysis, variables related to the intensity of CSR efforts have a significant and positive impact on people's preference for a given company. The positive impact of these variables on corporate preferences is indicative of the positive effect of the philanthropic efforts on business performance. This research has further found that the positive correlation between CSR and corporate preferences is a general phenomenon rather than the one confined to a specific profession, gender, or age.

The positive impact of CSR, however, was not significant in regard to consumer product preference, while showing a strong significance in job preference among job seekers. This result indicates that CSR has a long-term, indirect effect on corporate value rather than producing an immediate outcome.

Keywords: corporate social responsibility (CSR), corporate preference, product preference, donations, corporate value

## 1. Background

Consumer preference for companies has two major influences in terms of corporate value. First, preferred companies enjoy a more favorable marketing environment. If all other conditions, such as price point and perceived quality, are equal consumers will purchase products from companies they favor. These companies also stand better positioned to compete for qualified talent. If wages and other employment conditions are similar, job seekers are demonstrably more likely to pursue preferred companies. In addition, the company's edge in marketing and talent will over time contribute to corporate value.

Recently more South Korean businesses, aware of the importance of corporate social responsibility, are becoming engaged in a variety of philanthropic practices. However, empirical analysis of the impact of CSR on corporate value in South Korea remains lacking.

Several studies have attempted to examine the direct relationship between the CSR practice of companies and its impact on corporate value. However, this type of research tends to come up with causality problem, meaning that the positive association of CSR with corporate value could be an imagined result drawn from an inverted relationship. There are a number of papers striving to prove that growth of corporate philanthropy is commensurate with the business performance and corporate value of companies (Seifert, Morris & Bartkus, 2004; Adams & Hardwick, 1998; McGuire, 1998).

In this research, the impact of CSR initiatives on individuals' preferences is investigated rather than the direct connection between CSR and corporate value in order to minimize causality problem.

It is assumed that the net effect of philanthropic expenditures is determined by the impact that the CSR efforts have on boosting corporate image and improving relationships with stakeholders. If the philanthropic efforts of a company play a key role in enhancing its corporate image and reputation, it would in turn strengthen its edge in consumer preferences for products and in talent attraction. In that case, it would be anticipated that companies would take the initiative in CSR as part of their effort to maximize their corporate value.

## 2. Relationship between CSR, corporate preference, and corporate value

At the genesis of the research into corporate social responsibility, some researchers, including Milton Friedman (1970), argued against its effect. Ongoing debate took place for some time over its relationship with business performance<sup>1</sup>. Since that time, however, increasingly positive estimations of the impact of CSR have followed, including in Korten (1996) and Godfrey (2005).

The arguments on this issue are mainly focused on whether the CSR initiatives of companies could affect corporate value. A number of empirical

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<sup>1</sup> The main idea of Milton Friedman (1970) is: corporate social responsibility violates the rule of corporate law that prohibits a corporation's director from any activity that would reduce profits for its stockholders. In this regard, the company should not engage in CSR programs which violate the property rights of its stockholders. Social responsibility is the shared responsibility of individuals, not corporations. If they wished to do so, the stockholders or the customers or the employees could separately expend private funds on the particular action.

studies have been undertaken in the effort to establish the need for CSR or a possible relationship between CSR efforts and business performance. Porter and Kramer (2002) argue that since long term social and economic objectives are closely intertwined, CSR enhances the ability to provide products, expand demand for business, encourage fair and productive competition, and advance industry as a whole, all of which will eventually lead to the overall improvement of business performance. They emphasize the need for “strategic” CSR initiatives that would replace traditional charity-based programs. A recent report released by the United Nations Environment Programme (UNEP) similarly contends that the CSR efforts of businesses have a positive impact on corporate value. It goes further in saying that the link between these influential factors and business performance can be quantified.

Studies that detail the positive effect of CSR point out that increasing CSR-related spending contributes to the company’s long-term brand image, resulting in favorably affecting consumers’ purchasing decisions (Stroup and Newbert, 1987; Varadarajan and Menon, 1988; Miller, 1992; Garfield, 1993; Arnott, 1994; Carringer, 1994; Caudron, 1997; Brown and Dacin, 1997; Ogrizek, 2002; Bhattacharya and Sen, 2004).

Furthermore, there are a number of papers demonstrating that CSR positively affects the relationship with employees, suppliers, government authorities, and other stakeholders, in addition to consumers (Varadarajan & Menon, 1988; Dean, 2003-4; Masamitsu, Toshiro, Keiko, 2005; Jones & Hiller, 2005; Kotler & Lee, 2005).

The net benefit of CSR expenditures is deemed to rely on how substantial an impact CSR programs may have on improving corporate image and the relationship with stakeholders. If philanthropic efforts by a company play a significant role in boosting its corporate reputation, it would create a virtuous

cycle of synergistic advances in augmenting consumer preference for its products and attracting qualified potential workers.

### 3. Sample and data

This research analyzes survey results in conjunction with financial data from South Korean companies. Using the corporate financial data, proxy variables are constructed for CSR activities and analyzed to determine their explanatory power for preference for companies. Preference by industry is measured based on the frequency of a company being chosen as ‘preferred’ by survey respondents.

#### 3.1 Survey of company preference

This study investigates the preference of survey respondents for companies sorted by industry and determines whether the philanthropic activities of a company have an effect upon the formation of such preferences. It is assumed that the frequency of the company being selected as a ‘preferred company’ serves as a reflection of public preference.

The sample consists of 289 total subjects, including 149 university students and 140 salaried employees, resulting in an approximately 50:50 ratio between the two groups. The proportion of men to women is 71% to 29%. The ages range between 20s and 50s, with 59% in their 20s, 31% in their 30s,

and 10% in their 40s or over.

All the university students sampled are juniors or seniors, majoring in Business Administration. Undergraduate business majors tend to be biased in favor of the belief that the major goal of firms is the maximization of corporate value. Therefore, our sample is more likely to underestimate the role of CSR in business compared to students in other majors. This could potentially lower the level of significance of in explaining the role of CSR in corporate preferences.

Preference for a given company is categorized into two parts: employment preference and product preference. Appendix 1 refers to the survey questionnaire and company list used for this research. As demonstrated in the questionnaire, the survey respondents were allowed to choose a preferred company while the likelihood of employment and variations in labor conditions were controlled in an attempt to diminish the subjects' selection bias. Similarly, key differential factors such as price point and perceived quality were controlled in the survey of preference in product selection.

The preference for a given company, in terms of employment or product purchase by industry is determined based upon its rate of selection as a 'preferred company' by survey respondents.

### 3.2 Sampling of companies and measurement variables

The companies sampled for this survey are comprised of recognizable South Korean conglomerates listed on the Korea Stock Exchange and KOS-DAQ markets. Lesser-known small or mid-sized companies were excluded in the sampling due to concern that the significance of the responses might be

compromised.

The degree of the relationship of CSR activities with the maximization of corporate value may differ by industry, leading to a prediction that the perception of the importance of CSR might also fluctuate to some degree. For example, industries such as the consumer goods industry, in which image and reputation among consumers play a critical role in determining sales, are more likely to be engaged in philanthropic initiatives. On the other hand, the capital goods industry, in which sales are less dependent on direct consumer contact, may be less concerned with CSR. Given this distinction, it is reasonable to analyze CSR activities by industry.

For the purposes of this survey, the top 15 South Korean companies in each of seven major industry categories were selected based upon sales amount, with the exception of the material/energy industry in which only 14 companies were chosen. These industries include: 1) information technology/communication; 2) medicine; 3) material/energy; 4) industrial goods; 5) economy-irrelevant consumer goods; 6) economy-relevant consumer goods; and 7) banking. Although the banking industry was included in the survey, it was excluded from the quantitative analysis utilizing corporate financial data. Due to their independent accounting approach, the banking industry does not include the category of donation in their books, complicating the result analysis when non-banking and banking companies are lumped together. The fundamental data for this research was extracted from the FnGuide Database, a web-based South Korean financial database which provides information on listed companies.

**Table 1. Descriptive Statistics**

This table represents the descriptive statistics of samples included in the quantitative analysis. The variables are defined as the following: TA=Total Assets; TD=Total Debt; TE=Total Equity; GA=General Administrative costs; AD=Advertisement Costs; SERVE= Service expenses; GIVE=Donation; OP=Operating Profit; NI=Net Income; ROA=Return On Assets; Gdumm=Group Dummy, a dummy variable given a value of 1 for a company belonging to a large conglomerate; GIVE 1= Donation/Sales x 100; GIVE 2= Donation/Advertisement Cost x 100; GIVE 3= Donation/General Administrative costs x 100; and GIVE 4 (times)=Donation/Service expenses.

Variables	N	Mean	Std. Dev.	Min.	Max.
TA (mil.won)	89	4,832,471	9,967,806	71,571	63,536,201
TD (mil.won)	89	2,056,312	3,324,370	12,910	20,574,177
TE (mil.won)	89	2,775,727	7,071,623	43,561	45,260,597
SALES (mil.won)	89	4,302,801	8,102,290	21,950	58,927,765
GA (mil.won)	89	762,529	1,675,593	13,964	9,679,079
AD (mil.won)	89	54,288	162,594	3,244	1,515,037
SERVE (mil.won)	89	1,484	1,676	0	9,456
WGIVE (mil.won)	89	11,623	29,416	1	175,249
OP (mil.won)	89	361,117	900,888	-125,291	6,933,933
NI (mil.won)	89	326,788	945,556	-195,962	7,926,087
TD/TA (%)	89	43.98	18.46	7.83	89.93
GA/Sales (%)	89	29.84	26.87	1.45	183.13
AD/Sales (%)	89	4.26	5.87	0.05	38.41
Serve/Sales (%)	89	0.25	0.48	0.00	2.95
ROA (%)	89	6.44	5.96	-17.68	32.93
Gdumm	89	0.89	0.32	0.00	1.00
Give1 (%)	89	0.41	0.61	0.00	4.37
Give2 (%)	89	37.32	86.93	0.01	592.46
Give3 (%)	89	2.06	3.17	0.00	17.37
Give4(times)	81	7.02	20.30	0.00	167.06

Table 1 shows the descriptive statistics of the companies included in the sample. As shown in the table, those large enterprises examined made donations of 11.6 billion won<sup>2</sup>, on average, in cash and/or in-kind contributions in fiscal year 2006. However, a significant discrepancy exists between companies in terms of amount of donation. While the company with the greatest contribution gave a total of 175.2 billion won, the enterprise giving the least donated a mere one million won. The percentage of average amount of donation relative to sales is around 0.41%. The ratio of donation to sales also exhibits remarkable variation across companies. The GIVE 1 variables (donation to sales) of the 89 manufacturing companies employed in the quantitative analysis range from 0.00% to 4.37%. Jun and Han (2006) reported that the total corporate philanthropic expenditure of South Korea was essentially generated from a selectively few companies, while most companies expended relatively little on philanthropic giving. Our research shows a similar phenomenon.

Cash and/or in-kind giving made by companies as part of their CSR efforts is recorded as a part of non-operating expenses in the statement that illustrates the business performance of the company. This study attempts to look into a number of proxy variables of CSR efforts by using cash and/or in-kind contributions of companies and subsequently examining whether those proxy variables have a positive impact on people's preference for a given company.

The relative amount of CSR efforts among companies is measured using proxy variables such as cash and/or in-kind donations standardized by the sales amount. The proxy variables used in this paper are defined as the following:

<sup>2</sup> 1,000.00 KRW is approximately 1.00 USD.

GIVE 1 (%) = Donation/Sales x 100

GIVE 2 (%) = Donation / Advertisement cost x 100

GIVE 3 (%) = Donation / General Administrative costs x 100

GIVE 4 (times) = Donation/Service expenses

GIVE 1 and GIVE 3 are variables measuring donations standardized by sales and general administrative costs, respectively. The amount of donation of a company has a tendency to increase with firm size reflected in sales or general administrative costs. Thus, GIVE 1 and 3 attempt to measure the amount of CSR effort by controlling for this size effect.

GIVE 2 and GIVE 4 measure the size of donation relative to advertisement costs or service expenses. As it is assumed that some part of advertisement or service expenses could be converted to donation, companies actively engaged in CSR practice may reduce those expenses in order to spend more on philanthropic activities. Thus firms actively involved with CSR practices would have higher GIVE variables.

This paper attempts to uncover whether these GIVE variables, proxies for relative intensity of CSR efforts, exhibit a positive impact on the preference for companies.

Meanwhile, other variables expected to affect people's preference for companies need to be controlled. In this analysis, the following control variables are included: 1) company size; 2) profitability index; 3) stability index; 4) advertisement and service expenses; and 5) whether it belongs to a conglomerate or not.

Ln (Sales), a proxy variable for firm size, is measured as the natural logarithm of sales amount in units of 1,000 won. ROA and TD/TA (total debt/total assets) are selected for profitability and stability indices, respectively.

AD/Sales and Serve/Sales are calculated as advertisement and service costs relative to sales amount, respectively. These variables are expected to control the impact of advertisement or service-related activities on preference for a given company. Finally, Gdumm is a dummy variable that takes the value of 1 if the company belongs to a conglomerate, and 0 if not. It could affect people's preference for a company whether or not the company belongs to a conglomerate. Gdumm would control the possible effect of the company being in a conglomerate.

## 4. The impact of CSR on preference for a company

### 4.1 Regression Analysis

A regression analysis is performed to determine the impact of CSR programs upon public preference for a company. Dependent variables were measured by the number of counts of a specific company being chosen as their preferred company by survey respondents. Explanatory variables include four types of GIVE variables representing CSR activities. Control variables that may affect opinions on companies are also included in the analysis: 1) Ln (Sales) for company size; 2) ROA for profitability; 3) TD/TA for financial stability; 4) advertisement and service expenses relative to sales; and 5) whether it belongs to a conglomerate.

Table 2 summarizes the results of this regression analysis, in which a different set of GIVE variables were used for each model. All the GIVE variables

**Table 2. Analysis of public preferences for companies**

This table shows the results of the regression analysis of public preferences for companies. The bracketed values represent t value, while 1%, 5%, and 10% of significance level are marked \*\*\*, \*\*, and \*, respectively. Dependent variables are the number of occurrences of a company being chosen by survey respondents as their preferred company. Independent variables are defined as the following: GIVE 1= Donation/Sales x 100; GIVE 2= Donation/Advertisement Cost x 100; GIVE 3= Donation/General Administrative costs x 100; and GIVE 4 (times) = Donation/Service expenses; AD/Sales = Advertisement costs/Sales x 100; ROA=Return On Assets; TD/TA = Total debt ratio; Ln (Sales) = Ln (Amount of sales in units of 1,000 won); Gdumm = a dummy variable given a value of 1 for a company belonging to a large conglomerate.

Variables	Model1	Model2	Model3	Model4
Intercept	-255.631 [-6.79]***	-229.036 [-5.90]***	-244.686 [-6.40]***	-186.778 [-4.71]***
Give1	10.72 [2.82]***			
Give2		0.06 [2.54]***		
Give3			1.24 [1.91]**	
Give4				0.29 [2.82]***
AD/Sales	1.04 [2.28]**	1.03 [2.26]**	1.04 [2.25]**	0.62 [1.39]
Serve/Sales	7.52 [1.41]	11.68 [2.3]6**	11.91 [2.38]**	12.30 [2.67]***
ROA	0.10 [0.29]	0.50 [1.41]	0.33 [0.91]	0.24 [0.7]
TD/TA	-0.36 [-2.74]***	-0.39 [-2.99]***	-0.39 [-2.95]***	-0.32 [-2.47]***
Ln(Sales)	13.08 [7.62]***	11.68 [6.51]***	12.47 [7.10]***	9.69 [5.23]***
Gdumm	5.48 [0.79]	8.21 [1.19]	8.12 [1.17]	6.97 [1.08]
Fvalue	11.44***	11.14***	10.58***	8.53***
Adj. R.sq	0.29	0.29	0.27	0.25
N	178	178	178	162

were determined to have a significantly positive influence upon people's preference for company.

Among the control variables that might have influence over people's opinions, advertisement costs, service expenses, TD/TA, and company size exhibited some impact. That is, higher advertisement costs and service expenses lead to improved public preferences. Bigger and more financially stable companies with lower TD/TA appear to be enjoying expanded public preference as well.

The positive influence of the GIVE variables, even when other potentially influential variables are controlled, denotes that CSR activities generate positive impact on people's preference for companies. In other words, people tend to favor companies with stronger CSR initiatives and a higher level of cash and in-kind philanthropic contributions.

Although Table 2 demonstrates the positive impact of CSR activities on public preference for a company, one may suspect that the positive relationship between CSR and public preference is confined to a specific group. To explore this possibility, we performed an additional analysis by dividing the subjects into smaller groups.

**Table 3. Analysis of public preference for company by specific respondent group**

This table reports the results of the analysis viewed by specific respondent group. The respondents were segmented according to profession, gender, and age to go through a regression analysis similar to Table 2. The bracketed values under the regression coefficients are t values, while 1%, 5%, and 10% of significance are marked \*\*\*, \*\*, and \*, respectively. Dependent variables are the number of counts of an individual company being chosen by survey respondents as their preferred company. For independent variables, refer to the footnote to Table 2.

Variables	Student	Employee	Male	Female	20s	30s	40s
Intercept	-132.40 [-6.71]***	-123.23 [-6.65]***	-188.84 [-6.92]***	-66.79 [-5.84]***	-152.33 [-6.84]***	-79.28 [-6.31]***	-24.03 [-6.04]***
Give1	6.11 [3.06]***	4.61 [2.46]***	8.45 [3.06]***	2.27 [1.97]**	6.92 [3.07]***	3.11 [2.44]**	0.69 [1.72]
AD/Sales	0.50 [2.10]**	0.54 [2.38]**	0.69 [2.08]**	0.35 [2.52]**	0.60 [2.23]**	0.33 [2.14]**	0.11 [2.25]**
Serve/Sales	3.32 [1.19]	4.20 [1.6]	5.47 [1.42]	2.05 [1.27]	3.98 [1.27]	2.66 [1.5]**	0.88 [1.56]
ROA	-0.02 [-0.09]	0.12 [0.68]	0.05 [0.20]	0.05 [0.47]	-0.01 [-0.05]	0.10 [0.84]	0.01 [0.30]
TD/TA	-0.19 [-2.81]***	-0.17 [-2.58]**	-0.26 [-2.79]***	-0.09 [-2.36]**	-0.22 [-0.84]***	-0.10 [-2.34]**	-0.04 [-2.62]***
Ln(Sales)	6.87 [7.63]***	6.21 [7.35]***	9.72 [7.81]***	3.36 [6.44]***	7.85 [7.73]***	3.99 [6.95]***	1.24 [6.81]***
Gdumm	1.39 [0.38]	4.09 [1.19]	2.41 [0.48]	3.07 [1.45]	2.41 [-0.58]	2.44 [1.05]	0.62 [-0.85]
Fvalue	11.47***	10.74***	12.13***	8.13***	11.78***	9.91***	8.44***
Adj.R.sq	0.29	0.28	0.31	0.22	0.30	0.26	0.23
N	178	178	178	178	178	178	178

Table 3 summarizes the analysis of people's preference for a company by segmented groups. The respondents were categorized by profession, gender, and age. For each group, we conducted regression analysis in a similar manner as Table 2. Four models using GIVE 1, GIVE 2, GIVE 3, and GIVE 4, as in Table 2, were used. Because the four GIVE variables presented the same results, however, only the results of the analysis using GIVE 1 (= donation relative to sales) is reported here.

As shown in Table 3, all the groups by profession, gender, and age displayed are affected positively GIVE variable when they declared their preference for a company. This result validates the assertion that the positive impact of CSR is not confined to a specific group.

#### 4.2 Analysis of survey data

As shown in Appendix 1, Question 3 asks the respondents about subjective factors affecting their preference for a company. The subjects were allowed to select the most important factor in their decision upon a favored company. Figure 1 summarizes the survey results.

According to Figure 1, "corporate social responsibility and business ethics" is ranked as the third most important factor, following "ability to create corporate value" and "corporate image advertising". 51% of the respondents picked "ability to create corporate value" as the most important; 12% chose "corporate image advertising".

11% of the respondents noted "corporate social responsibility and business ethics" as the most critical factor in determining their preference for a company. Only 4% and 2% of the subjects reported "whether it belongs to a

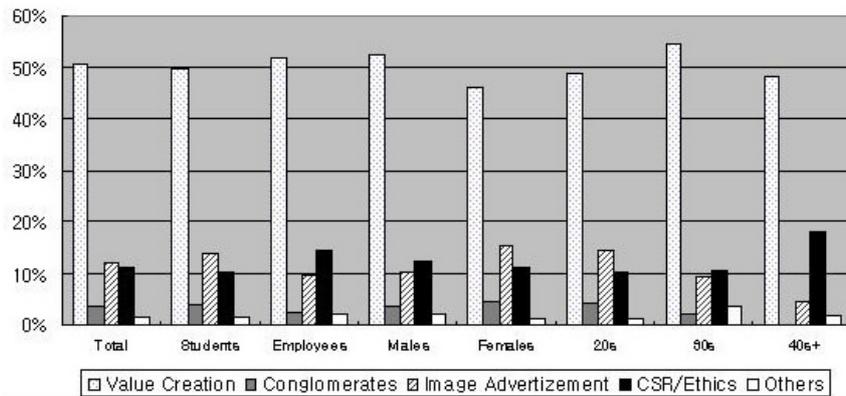
conglomerate” and “others”, respectively. “Other” factors included his/her aptitude, company size, and company location.

It is notable that “corporate social responsibility and business ethics” is more highly credited among people in their 40s or over, as compared to those in their 20s or 30s. However, subgroups by profession, gender, and age failed to show significant distinctions in their answers.

These results explain that the CSR efforts of companies are considered to be nearly as important as corporate image advertising in people’s preference for a company. It maintains consistency with the results obtained from our regression analysis.

**Figure 1. Deciding factors in preference for company**

This figure summarizes the replies given by the respondents when asked about the most important factor in determining their preferred company. A total of 289 subjects including 4-year university students and salaried employees in Seoul answered the survey. 71% are men and 29% are women, with the age range of 20-59.



## 5. Preference in terms of employment or product purchase

It is reasonably expected that individuals will consider their favored company from both the viewpoint of employment and/or product purchase. Accordingly, this section explores public preference for a company in terms of employment preferences and product purchase preferences.

Companies favored by consumers are likely to be better positioned in product marketing and/or talent recruitment. If extraneous conditions that affect purchasing decisions, such as price and quality are controlled for, consumers will buy products from a favored company. By the same token, if working conditions such as wages are held constant, job seekers will desire employment with a preferred company. Supremacy in marketing and talent recruitment will eventually lead to enhanced corporate value.

**Table 4. Analysis of preferences in employment and product selection**

This table shows the results of the separate regression analyses of preferences in employment and product selection. The bracketed values under the regression coefficients are t values, while 1%, 5%, and 10% of significance level are marked \*\*\*, \*\*, and \*, respectively. Dependent variables are the number of occurrences of an individual company being chosen by survey respondents as a preferred company. For independent variables, refer to the footnote to Table 2.

Variables	employment preference		product preference	
	Model1	Model2	Model3	Model4
Intercept	-257.60 [-4.51]***	-216.58 [-3.63]***	-253.66 [-5.03]***	-241.50 [-4.67]***
Give1	17.50 (3.03)***		3.94 (0.77)	
Give2		0.09 (2.53)***		0.03 (0.90)
AD/Sales	0.98 (1.41)	0.96 (1.37)	1.10 (1.79)*	1.10 (1.81)*
Serve/Sales	5.46 (0.68)	12.44 (1.64)	9.57 (1.34)	10.91 (1.66)
ROA	-0.05 (-0.09)	0.59 (1.08)	0.26 (0.52)	0.41 (0.87)
TD/TA	-0.35 (-1.77)*	-0.40 (-2.02)**	-0.37 (-2.09)**	-0.37 (-2.15)**
Ln(Sales)	13.00 (4.99)***	10.86 (3.94)***	13.15 (5.72)***	12.51 (5.23)***
Gdumm	8.09 (0.77)	12.63 (1.19)	2.86 (0.31)	3.80 (0.41)
Fvalue	6.02***	5.48***	5.64***	5.69***
Adj.R.sq	0.29	0.26	0.27	0.27
N	89	89	89	89

Table 4 summarizes the results of the discrete analyses for preferences for companies in terms of employment and product selection. Likewise in Table 2, four models using GIVE 1, GIVE 2, GIVE 3, and GIVE 4 were examined. However, only the results of GIVE 1 (donation to sales) and GIVE 2 (donation to advertisement cost) are presented here because all four GIVE variables showed qualitatively the same results.

As shown in Table 4, the positive impact of CSR on people's preferences for companies similarly demonstrates strong significance in job seekers' preferences for companies. The impact of CSR on purchasing decisions also exhibits some positivity, but is not statistically significant. Therefore, it can be concluded that CSR efforts by companies are influential mainly in terms of employment, but not much so in product purchase decisions.

Analyses by subgroup were also carried out to validate the robustness of these results. Appendices 2 and 3 show the summaries, which are the results of the analysis of employment preferences and product purchase preferences by subgroup, respectively. Four different models using GIVE 1, GIVE 2, GIVE 3, and GIVE 4 were employed in the analysis. However, only the results for GIVE 1 (donation to sales) are reported here because all four GIVE variables showed qualitatively the same results..

As shown in Appendices 2 and 3, the results presented in Table 4 are universal across all subgroups. In other words, the beneficial impact of CSR is mainly witnessed in employment preference but is not particularly significant in product purchase decisions.

If we assume that product purchase preference has a relatively direct impact on corporate values while employment preference has longer-term, more indirect impact, it would be reasonable to conclude that CSR efforts have indirect influence on corporate value over the long term.

## 6. Summary and conclusion

This study has analyzed the impact of corporate social responsibility on individual preferences for companies. Rather than investigating the direct relationship between corporate value and CSR, we have tried to mitigate the causality problem. Proxy variables for CSR efforts of companies were established through juxtaposing survey responses and corporate financial data. And then we have examined whether these CSR variables has been affecting individuals' preferences for given companies. Preference for company was measured as the frequency of a company being identified by survey respondents as their preferred company.

According to the analysis, the variables measuring the intensity of CSR activities universally exhibit a significantly positive influence over people's perceptions of a company. The positive impact of these variables, even when other potential variables possibly affecting public preferences are controlled for, proves the valuable impact of CSR. This result indicates that the public favor companies with stronger CSR initiatives and greater cash and/or in-kind donations. Furthermore, the positive association of CSR with company preferences holds unanimously across all professional, gender, and age categories.

In particular, CSR efforts weigh heavily with job seekers in terms of employment preferences. On the other hand, CSR shows statistically insignificant influence over individuals' purchasing decisions. These results imply that CSR initiatives by companies have an indirect and long-term, rather than direct, impact on enhancing corporate value.

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**Q 4: Respondent' s profile**

A) What do you do?

- ① Undergraduate student, or graduate student from a program other than Business Administration
- ② Salaried employee or graduate student in Business Administration

B) What is your sex?

- ① Male
- ② Female

C) How old are you?

- ① 20-29
- ② 30-39
- ③ 40+

(The list of companies continues in the next page as well.)

(continued) **Appendix 1 (company list)**

Company name	Q 1 (Employment preference)	Q 2 (Product preference)	Company name	Q 1 (Employment preference)	Q 2 (Product preference)
<b>Information Technology/Communication</b>			<b>Medicine</b>		
SK Telecom			PacificPharma		
KTF			HANDOK Pharm		
KT					
Hanaro Telecom			CKD Pharm		
			Samjin Pharm		
LG Dacom			Hyundai Pharm		
Samsung Electronics			Hanmi Pharm		
			Jeil Pharm		
Samsung Techwin			Greencross		
			<b>Materials/Energy</b>		
NHN			Korea Electric Power Corporation		
Daum					
NCsoft			E1		
Webzen			Korea Gas Corporation		
Neowiz					
Samsung SDI			Daesung		
CJ Internet			SK Gas		
HanbitSoft			S-Oil		
<b>Medicine</b>			POSCO		
Ildong Pharm			LG Chem		
Kwang Dong Pharm			Hyundai Steel		
			SK Chemicals		
Dae Woong Pharm			Daehan Pulp		
			Dongbu HiTek		
DONGKOOK Pharm			Kyung Nong Corporation		
Yuhan Corporation			Kumho Petrochemical		
Dong Hwa Pharm			<b>Industrial goods</b>		
			Doosan		
BORYUNG			Korean Air		

(continued) Appendix 1 (company list)

Company name	Q 1 (Employment preference)	Q 2 (Product preference)	Company name	Q 1 (Employment preference)	Q 2 (Product preference)
<b>Industrial goods</b>			<b>Economy-irrelevant consumer goods</b>		
GS Engineering and Construction			Pacific Group		
SK networks			Nongshim		
Asiana Airlines			Lotte Chilsung Beverage		
Daewoo Engineering and Construction			CJ		
KCC			Lotte Confectionery		
Hyundai Engineering and Construction			Pulmuone		
Doosan Infracore			Daesang		
Doosan Heavy Industries and Construction			Ottogi		
Hyundai Development Company			Orion		
Daelim			<b>Economy-relevant consumer goods</b>		
Hyundai Heavy Industries			Hyundai Motor Co.		
Doosan Construction and Engineering			Lotte Shopping		
Hyosung			CJ mall		
			Kia Motors		
			GS HomeShopping		
			Shinsegye		
<b>Economy-irrelevant consumer goods</b>			Hyundai Mobis		
KT&G			Hankook Tyre		
LG Household and Health Care			Daekyo		
Hite Brewery			Coway		
Amore Pacific			Cheil Industries		
Namyang Dairy Products			Kumho Tires		
Maeil Dairy Products			Hyundai Department Store		

(continued) Appendix 1 (company list)

Company name	Q 1 (Employment preference)	Q 2 (Product preference)	Company name	Q 1 (Employment preference)	Q 2 (Product preference)
<b>Economy-relevant consumer goods</b>			<b>Banking</b>		
SsangYong Motor			Daewoo Securities		
Ace Bed			Samsung Securities		
<b>Banking</b>					
Samsung Fire and Marine Insurance			Industrial Bank of Korea		
Hyundai Securities			LG Card		
KOREAN RE			Woori Financial Group		
Korea Exchange Bank			Shinhan Financial Group		
Daegu Bank			KB		
Pusan Bank			Korea Investment Holdings		
Woori Investment and Securities					

## Appendix 2. Analysis of employment preference by subgroup

This table displays the results of the analysis of employment preference by respondent subgroup. A regression analysis similarly to Table 2 was performed to subgroups by profession, gender, and age. The bracketed values under the regression coefficients are t values, while 1%, 5%, and 10% of significance level are marked \*\*\*, \*\*, and \*, respectively. Dependent variables are the number of an individual company being chosen by survey respondents as their preferred company. For independent variables, refer to the footnote to Table 2.

Variables	Student	Employee	Male	Female	20s	30s	40s
Intercept	-135.39 [-4.42]***	-122.21 [-4.46]***	-186.98 [-4.57]***	-70.6216 [-4.11]***	-154.937 [-4.54]***	-78.1125 [-4.27]***	-24.5472 [-3.98]***
Give1	9.42 [3.04]***	8.80 [2.91]***	13.70 [3.31]***	3.79 [2.18]**	10.79 [3.13]***	5.23 [2.83]***	1.47 [2.36]**
AD/Sales	0.46 [1.25]	0.52 [1.56]	0.62 [1.24]	0.36 [1.74]*	0.56 [1.36]	0.31 [1.4]	0.11 [0.42]
Serve/Sales	2.43 [0.56]	3.03 [0.78]	3.48 [0.6]	1.98 [0.82]	2.94 [0.61]	2.02 [0.78]	0.50 [0.57]
ROA	-0.13 [-0.43]	0.08 [0.30]	-0.08 [-0.19]	0.03 [0.18]	-0.13 [-0.41]	0.09 [0.53]	-0.01 [-0.12]
TD/TA	-0.19 [-1.83]*	-0.16 [-1.64]*	-0.26 [-1.86]*	-0.09 [-1.46]	-0.22 [-1.83]*	-0.10 [-1.60]	-0.03 [-1.52]
Ln(Sales)	6.96 [4.98]***	6.04 [4.83]***	9.53 [5.11]***	3.46 [4.42]***	7.91 [5.09]***	3.85 [4.61]***	1.23 [4.39]***
Gdumm	2.42 [0.43]	5.67 [1.12]	4.15 [-0.55]	3.94 [1.24]	3.40 [0.54]	3.69 [1.09]	1.00 [0.88]
Fvalue	5.82***	5.94***	6.53***	4.41***	6.07***	5.70***	4.38***
Adj.R.sq	0.28	0.28	0.31	0.21	0.29	0.27	0.21
N	89	89	89	89	89	89	89

## Appendix 3. Analysis of product purchase preference by subgroup

This table displays the results of the analysis of product preference by respondent subgroup. A regression analysis similarly to Table 2 was performed to subgroups of profession, gender, and age. The bracketed values under the regression coefficients are t values, while 1%, 5%, and 10% of significance are marked \*\*\*, \*\*, and \*, respectively. Dependent variables are the number of an individual company being chosen by survey respondents as their preferred company. For independent variables, refer to the footnote to Table 2.

Variables	Student	Employee	Male	Female	20s	30s	40s
Intercept	-129.41 [-5.02]***	-124.25 [-4.86]***	-190.71 [-5.14]***	-62.9547 [-4.03]***	-149.717 [-5.06]***	-80.439 [-4.56]***	-23.5087 [-4.55]***
Give1	2.80 [1.07]	1.15 [0.44]	3.19 [0.85]	0.75 [0.47]	3.05 [1.02]	0.98 [0.55]*	-0.08 [-0.16]
AD/Sales	0.54 [1.74]**	0.55 [1.79]*	0.76 [1.69]*	0.34 [1.78]*	0.64 [1.8]*	0.34 [1.59]	0.11 [1.78]*
Serve/Sales	4.20 [1.15]	5.37 [1.49]	7.46 [1.42]	2.11 [0.96]	5.02 [1.2]	3.29 [1.32]	1.26 [1.73]*
ROA	0.09 [0.37]	0.16 [0.66]	0.18 [0.51]	0.07 [0.49]	0.12 [0.4]	0.11 [0.65]	0.03 [0.61]
TD/TA	-0.19 [-2.13]**	-0.18 [-1.98]*	-0.27 [-2.06]**	-0.10 [-1.84]*	-0.22 [-2.17]**	-0.10 [-1.68]*	-0.04 [-2.22]**
Ln(Sales)	6.77 [5.77]***	6.38 [5.48]***	9.91 [5.86]***	3.25 [4.55]***	7.79 [5.78]***	4.12 [5.12]***	1.24 [5.26]***
Gdumm	0.37 [0.08]	2.50 [0.53]	0.67 [0.1]	2.19 [0.76]	1.42 [0.26]	1.19 [0.37]	0.25 [0.26]
Fvalue	5.80***	5.14***	5.89***	3.71***	5.85***	4.51***	4.59***
Adj.R.sq	0.28	0.25	0.28	0.18	0.28	0.22	0.22
N	89	89	89	89.00	89	89	89



Corporate Philanthropy Survey  
Questionnaire

03

ID 1				ID 2			
<h2>Corporate Philanthropy Survey</h2> <p>July, 2007</p> <p>Thank you for taking your time to respond to this survey.</p> <p>Companies in Korea have been working hard to fulfill the basic corporate responsibilities of production and job creation while constantly revitalizing their organizations under harsh economic conditions and intensifying competition. Most people understand the fundamental purposes of a company, but there has been growing public pressure for companies to pay more attention to the socially marginalized and provide them with more support .</p> <p>This study is designed to investigate the Corporate Philanthropy efforts of South Korean companies in order to identify recent trends and present a model for responsible corporate citizenship. Based on the biennial Corporate Philanthropy Survey conducted by the Beautiful Foundation, the results of this study will be shared at the International Symposium on Giving: Giving Korea 2007, scheduled for November of this year.</p> <p>Your response will provide valuable input in further understanding corporate activities for societal enhancement. The content of your response will be kept confidential in accordance with Article 13, Protection of Confidentiality of Statistics Act, and will not be used for purposes other than statistical compilation. Your answers will help advance our study to the greatest extent possible.</p> <p style="text-align: right;">Park Sang jung, Chairperson, The Beautiful Foundation        Ye Jongsuk, Director, The Center on Philanthropy at the Beautiful Foundation        (Professor, School of Business, Hanyang University)</p> <p><b>Corporate Philanthropy Joint Research Team</b></p> <ul style="list-style-type: none"> <li>— Han Dongwoo (Professor, Graduate School of Social Welfare, Kangnam University; Researcher, The Center on Philanthropy at the Beautiful Foundation)</li> <li>— Jun Sang gyung (Professor, School of Business, Hanyang University; Researcher, The Center on Philanthropy at the Beautiful Foundation)</li> </ul>							
<b>Respondent information</b>							
Company name		※ Please write your company name here.					



	Question	Choices			
2-4	How many employees do you have in your dedicated CSR unit?		Full-time ___ persons Part-time ___ persons		
2-5	How many employees are actually dealing with CSR activities?			___persons	
2-6	Which division do the CSR personnel belong to?			___persons	
2-7	Is your company planning to allocate a dedicated CSR unit or personnel?				① Yes ② No
3	When did you first allocate human resources for CSR activities?	Year ____	Year ____	Year ____	
4	How many employees have social welfare degrees and/or experience in the civic sector?	___persons	___persons	___persons	

5. Does your company have external consulting in relation to CSR activities?
- ① Yes, on a regular basis through an advisory committee.
  - ② Do not have an advisory committee but have consulting from external experts.
  - ③ No

#### I – B. CSR activities in 2006

6. Did your company undertake CSR activities last year (2006)? (      )

- ① Yes
- ② No →Go to Q34

7. How much did you donate in total last year? →Please be as accurate and specific as possible.

Donor: Corporate donation KRW \_\_\_\_\_,0,000

Executive donation KRW \_\_\_\_\_,0,000

Donation type: Cash KRW \_\_\_\_\_,0,000

Value-in-kind KRW \_\_\_\_\_,0,000

8. Out of the total donations last year, what is the approximate percentage of each of the following? (For a description of the options, please refer to the Donation Category provided below.) →Please be as accurate and specific as possible.

1	Legal donation (100% deductible)	%
2	Special donation (50% deductible)	%
3	Designated donation (5% deductible)	%
4	Other donations (not deductible)	%
Total		The sum of the percentages should be 100%

## Donation Category

Category	Description	Category	Description
Legal donation	Cash or value-in-kind provided for free to a governmental or a local autonomous body	Designated donation (public interest donation)	Donation to social welfare foundations established under the Social Welfare Service Act
	Cash or value-in-kind provided for national defense and soldiers		Donation to preschools established under the Early Childhood Education Act, schools under the Primary and Secondary Education Act and the Tertiary Education Act, vocational colleges under the Vocational College Act, and online universities under the Permanent Education Act
	Cash or value-in-kind provided for disaster relief		Donation to academic research organizations, scholarship foundations, and technology promotion organizations authorized by the state
	Donation in the form of facility costs, educational fees, scholarships, and/or research funds to private schools, non-profit educational foundations, state-funded vocational colleges, online university-style permanent education facilities, and industry-academy cooperative teams		Donation to culture and arts organizations (including specialized arts foundations and organizations designated under the Culture and Arts Promotion Act) or environmental organizations
Special donation	Contribution to the Culture & Arts Promotion Fund	Designated donation (public interest donation)	Donation to registered organizations established for the purpose of religious services and outreach
	Donation for facilities, education and R&D provided to private schools, technical colleges, national university hospitals and Seoul National University Hospital		Donation to medical foundations established under the Medical Services Act
	Donation for in-company worker welfare fund		
	Donation to the Independence Hall of Korea		
	Donation to the Korea Institute of Industrial Technology and specialized technology institutes		
	Donation to the Community Chest of Korea		
	Donation to a government-funded research center		
	Donation to the Education Broadcasting System (EBS)		
	Donation to the National Cancer Center		
	Donation to the organizing committee of a sporting event		
Other	Other	Private donations	

9. In which of the following activities did your company participate last year?  
What is the percentage of each category in terms of donation amount?

① Education / scholarship:	_____ %
② Social welfare:	_____ %
③ Cultural promotion:	_____ %
④ Environmental protection:	_____ %
⑤ Sports assistance:	_____ %
⑥ Academic research:	_____ %
⑦ Disaster relief:	_____ %
⑧ Health / medical:	_____ %
⑨ Civic groups:	_____ %
⑩ Other ( ): _____ %	_____ %
The sum of the percentages should be 100%.	

10. How did you channel your donation?  
What is the percentage of each category in terms of donation amount?

① Independent planning and implementation (selecting the recipient, etc.)	_____ %
② Donation to a foundation established by the company	_____ %
③ Donation to a public interest organization (The Beautiful Foundation, Korea Foundation for Women, etc.)	_____ %
④ Donation to a fund-raising organization (World Vision, Salvation Army, Korea Welfare Foundation, etc.)	_____ %
⑤ Donation to Community Chest of Korea	_____ %
⑥ Donation to central or local governments	_____ %
⑦ Donation to culture and arts organizations	_____ %
⑧ Other	_____ %
The sum of the percentages should be 100%.	

→ Please be accurate and specific as possible.

## I -C Method of CSR activities

11. What is the source of funding for your company' s CSR activities?

Please select all that apply. (     )

- ① Company profits                      ② Donation by CEO or management
- ③ Donation by employees            ④ Event proceeds
- ⑤ Cause-related marketing        ⑥ Other \_\_\_\_\_

12. What is the form of your company' s CSR activities?

Please select all that apply. (     )

- ① Cash donation                      ② Value-in-kind donation
- ③ Service provision                  ④ Stock donation
- ⑤ Volunteer work                    ⑥ Discounts

13. Are there any special social groups or classes that your company pays special attention to in the course of undertaking CSR activities? If yes, who are they? Please select two. (     ,     )

- ① None                                    ② Elderly
- ③ Disabled                              ④ Children
- ⑤ Youth                                  ⑥ Women
- ⑦ North Korean defectors        ⑧ Immigrant workers
- ⑨ Other \_\_\_\_\_

14. Has your company suspended support to a public interest organization (social welfare institution, civic group, NGO, etc.)? If yes, what were the main reasons? Please select two. (     ,     )

- ① No such suspension
- ② Project expired
- ③ Managerial incompetence of the recipient organization
- ④ Unrelated to company objectives
- ⑤ Support for other organizations seemed more effective

- ⑥ Worsening economic conditions
- ⑦ Change in management attitude
- ⑧ To engage in direct implementation
- ⑨ Other \_\_\_\_\_

15. What are the main reasons why your company commenced CSR activities?

Please select two. (     ,     )

- ① Fulfill corporate social responsibility
- ② Improve societal image of company
- ③ Assist marginalized individuals
- ④ Improve business performance
- ⑤ Enhance employee unity and morale
- ⑥ Fulfill CEO' s intentions
- ⑦ Other \_\_\_\_\_

16. What was the decisive factor in promoting your company' s CSR activities? (     )

- ① CEO' s inclination                      ② Shareholder resolution
- ③ Employee consensus                  ④ Social pressure
- ⑤ Tax benefits                              ⑥ Other \_\_\_\_\_

17. What are the obstacles to your company' s pursuit of CSR activities?

Please select two.(     ,     )

- ① Shortage of human resources and expertise
- ② Lack of information
- ③ Lack of interest from CEO
- ④ Lack of intra-company cooperation
- ⑤ Lack of legal institutions and government support
- ⑥ Budget shortages
- ⑦ Absence of a dedicated unit
- ⑧ Other \_\_\_\_\_

I -D. Impact of CSR activities

18. Are your company's CSR activities believed to help enhance the categories presented below? Please mark appropriately and rank each category.

Category	Not at all	Not much	Some what	Very much so	Don't know	Rank
Help enhance the company's business performance						
Help improve the overall corporate image						
Help improve the organizational culture such as building unity among company employees						
Help resolve or prevent social issues						
Have an impact on the policies of the central government or local governments						
Other _____						

19. How satisfied are you with the results of your company's CSR activities?

	Not satisfied at all ←-----→ Very satisfied				
Management	①	②	③	④	⑤
Dedicated CSR staff	①	②	③	④	⑤
Employees other than CSR staff	①	②	③	④	⑤

20. What was the most satisfying CSR project for your company in 2006?

Please indicate the reason.

Most satisfying CSR project	Reason

21. What do you think was the most desirable CSR project among all South Korean companies, including yours, in 2006? What is the reason for your choice?

Most satisfying CSR project	Reason

22. How closely are your company's CSR activities related to the company's vision or business area?

- ① Not related at all
- ② Somewhat related
- ③ Not too much but not too little
- ④ Relatively related
- ⑤ Very much related

23. What are the main channels of promotion when you promote your company's CSR activities internally and externally? Please rank them depending on the frequency of use.

- ① Online promotion through the company website \_\_\_\_\_
- ② Media release \_\_\_\_\_
- ③ Publish a CSR report or Sustainability report \_\_\_\_\_
- ④ Other( ) \_\_\_\_\_

24. Is your company willing to increase the level of your CSR activities in the future? ( )

- ① No, it will be maintained at the current level
- ② Yes, there will be increased contribution
- ③ Don't know

### I -E. Employee Volunteer Activities

25. Does your company conduct CSR activities through employee volunteer efforts? If yes, does your company provide support to such activities? ( )
- ① Yes, there are employee volunteer programs; yes, there is company support (→ Go to Q25)
- ② Yes, there are employee volunteer programs; no, there is no company support (→ Go to Q25)
- ③ No, there are no employee volunteer programs (→ Go to Q31)
26. What is the participation rate in employee volunteer efforts? (number of employees who have participated more than once/total number of employees x 100) \_\_\_\_\_%
27. What is the annual average hours of volunteering of each participating employee? \_\_\_\_\_ hours
28. What types of volunteer activities does your company conduct?  
Please select all that apply.
- ① Social welfare                      ② Environmental protection
- ③ Disaster relief/rescue              ④ Visits to elderly living alone
- ⑤ Volunteering in poor communities   ⑥ Traffic safety
- ⑦ Other \_\_\_\_\_
29. How interested are your employees in volunteering programs?
- ① Not interested at all                  ② Somewhat interested
- ③ Not much but not too little          ④ Relatively interested
- ⑤ Very much interested
30. Does your company provide support to employees who take part in volunteer activities? If yes, please select all of the following that apply. ( )

- ① None                                      ② Compensation leave
- ③ Cash (allowance)                      ④ Positive performance evaluation
- ⑤ Other \_\_\_\_\_

31. Does your company provide education related to CSR activities or volunteering?

- ① Yes                                      ② No

### I -F. Cause-Related Marketing

Cause-related marketing (CRM) is defined as the strategic linking of a company's operations or business with public interest activities for the purpose of boosting sales or corporate image. For example, a manufacturer that unavoidably causes pollution in the course of its production activities may donate a part of its revenue to environmental organizations or a movie theater may donate a part of its proceeds to the visually impaired.

32. Has your company ever pursued CRM strategies?

- ① Yes                                      ② No (→ Go to Q34)

33. Please give a brief description of any CRM strategies that your company has pursued.

\_\_\_\_\_

34. Has CRM been helpful to your company's business in general (considering the impact on both revenue and corporate image)?

- ① Not at all                              ② Not much
- ④ Somewhat                              ⑤ Very much so                      ⑨ Don't know

## II. Views on Policies related to Corporate Social Responsibility

35. Presently in South Korea, a company's CSR activities are entitled to a certain level of tax benefits. Are you aware of this incentive? ( )
- ① Yes, very much so                      ② Yes, somewhat (that it exists)  
③ Not at all                                  ④ Not interested
36. If the government increases tax benefits for CSR activities, is your company willing to increase the level of your CSR activities? ( )
- ① No (it will be maintained at current level)  
② Yes (there will be an increased contribution)  
③ Don't know  
④ Not interested

## III. Demographics

As emphasized earlier, your personal information will be protected under Articles 13 and 14 of the Statistics Act.

37. What is your role within your company? If you hold concurrent positions, select all that apply. ( , )
- ① Personnel              ② Finance              ③ Accounting  
④ Production            ⑤ Research            ⑥ Distribution  
⑦ Marketing            ⑧ Security            ⑨ Planning  
⑩ Customer            ⑪ International relations  
⑫ PR                    ⑬ Survey              ⑭ Law  
⑮ Secretary            ⑯ Audit                ⑰ Social Responsibility  
⑱ Other (Please specify: )

38. What is your position within the company? ( )
- ① Staff                      ② Assistant manager  
③ Manager                ④ Assistant director/director  
⑤ Executive

39. How long have you been working for your current company?  
\_\_\_\_\_ years \_\_\_\_\_ months

40. How long have you been employed in your current role (CSR-related role)?  
\_\_\_\_\_ years \_\_\_\_\_ months

41. What is your gender?
- ① Male                      ② Female

42. How old are you? \_\_\_\_\_ years old



Thank you for your valuable time.  
Your input will help further promote the culture of giving!

# The Beautiful Foundation, the first community foundation in Korea

## “Beyond Charity Toward Change”

### **The Beautiful Foundation was established by and for the citizens**

The Foundation is a public organization, run by the participation and assistance of citizens. Independent from any specific individual, company or group, the Foundation is operated for the advancement of a society in which citizens play a pivotal role. All the profits of the Foundation go back to benefit citizens and society.

### **The Beautiful Foundation creates a beautiful giving culture**

The Foundation is constantly in need of regular donations and donors rather than temporary acts of compassionate or sympathetic donations. The Foundation tries to spread the culture of giving especially with “The Beautiful 1% Sharing Campaign”. A society where all people give money for a good cause is what the Foundation envisions.

### **The Beautiful Foundation heads for an abundant community**

Many people remain in the dark, suffering from isolation and helplessness. And it is true also that many are dedicating themselves to make society a better place anonymously. The Foundation supports the marginal class as well as the activities for public benefit, which expedite the realization of shared hopes and happiness among an affluent community.

### **The Beautiful Foundation raises public funds**

Not everyone can establish a foundation. However, anyone can keep the money for a good cause in one’s own name within the Foundation. The funds from Donors will be maintained within the Foundation in the Donor’s name, like a never-drying fountainhead, being perpetually used to support citizens and societal endeavors.

### **The Beautiful Foundation sets a new model**

The Foundation is run by experts from various professional areas, armed with capability and morality. Its operation is most efficient and rewarding as to satisfy the wishes of the Donors. Projects and programs of the Foundation are to support sustainable activities for the public benefit. Transparent, fair management and devoted Staffs have created a new model for a public foundation.

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# The Center on Philanthropy at the Beautiful Foundation, Korea's first and only research institute specializing in philanthropy

The Center on Philanthropy at the Beautiful Foundation gathers knowledge on giving in order to share scientific research and reliable statistics as well as to compile a copious amount of data from countries with long-standing traditions of philanthropy. The Center strives to further cultivate the culture of sharing and to empower non-profit organizations in Korea through research, education, publication, and information sharing.

The Center on Philanthropy at the Beautiful Foundation was established to

#### **Raise public awareness of philanthropy**

The Center holds international symposiums on the culture of giving and performs research to raise awareness and support the culture of giving.

#### **Foster research on philanthropy**

The Center conducts and underwrites a broad spectrum of in-depth research and shares data both within and outside Korea.

#### **Hone expertise of grassroots practitioners**

The Center provides educational programs including seminars and conferences to help grassroots practitioners further their expertise.

#### **Enrich activities of non-profit organizations**

The Center investigates NPO management, fundraising, tax and legal issues related to donation, and publish a range of books and materials. It does this in order to maximize the effectiveness of non-profit organizations in Korea, including the Beautiful Foundation.

The Center on Philanthropy at the Beautiful Foundation conducts

#### **Research on the culture of philanthropy**

The Center conducts research on giving trends in Korea. "Yuhan-Kimberly Giving Index of Korea" investigates the status of giving and volunteering among Koreans and their perceptions and attitudes on philanthropy in order to better promote a giving culture and make solid policy recommendations regarding donation.

#### **Research on Corporate Social Responsibility**

The Center conducts research on corporate social responsibility. This research identifies the status of corporate social responsibility among Korean companies and develops an index tai-

lored to Korean business culture to help encourage CSR.

#### **Research on tax and legal issues related to donations**

The Center conducts research on donation-related legal issues and taxation and facilitates the use of new knowledge to improve relevant practices and policies. This research aims to make social systems more open to the promotion of giving culture.

The Center on Philanthropy at the Beautiful Foundation holds

#### **International symposium on giving culture : Giving Korea**

The Center holds an annual international symposium on giving culture entitled 'Giving Korea'. This symposium shares data on giving and the experience of experts with the public. The symposium disseminates up-to-date trends and models in philanthropy from home and abroad to offer insights into producing a more creative and mature giving culture in Korea.

#### **Educational programs**

The Center holds educational programs such as seminars and conferences. In these programs individuals exchange ideas about ways to promote mature philanthropy culture and to help giving take root among Koreans. The Center raises and solves issues regarding donations and offers educational programs on such topics as NPO management and fundraising techniques appropriate to Korea. The overarching aim of the program is to empower grassroots practitioners.

The Center on philanthropy at the Beautiful Foundation produces

#### **Publication of books on philanthropy and NPO management**

The Center produces books on philanthropic issues, the operation of nonprofit organizations and fundraising as a way to cultivate the culture of giving and help improve the efficiency of NPO management and promote more effective and scientific fundraising.

The Center on philanthropy at the Beautiful Foundation networks

#### **Network with overseas philanthropy organizations**

The Center follows international trends in research on philanthropy and maintains partnerships with related organizations to further advance research and a mature giving culture.

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