



# Giving 2009 Korea

Corporate Giving of Korea 2009

**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.

## Giving Korea 2009

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# 2009 Giving Korea



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at the Beautiful Foundation





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## Foreword

The Beautiful Foundation has been organizing its annual International Conference on Giving Korea since 2001 in order to bring to light trends in South Korean giving culture and some of the challenges it faces. The Center on Philanthropy at the Beautiful Foundation has undertaken yearly research projects alternating between individual giving and corporate social responsibility. This year's topic is corporate giving.

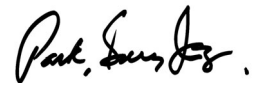
The 9<sup>th</sup> International Conference on Giving Korea, themed "A New Paradigm for Corporate Social Responsibility Responding to Changing International Economic Conditions," was held on November 10, 2009. This year's symposium focused on the relationship between corporate giving and the worldwide economic crisis that began in 2007 and sought a new strategy for CSR able to accommodate a tumultuous business environment. The philanthropic activities of South Korean companies, which had witnessed steady growth until 2007, were somewhat affected by the economic downturn and remained focused within a limited range of areas of concern.

Giving Korea 2009 attempted to identify strategies for sustainable corporate giving independent from economic vagaries and showed that although the overall amount of corporate giving did decline in 2008, South Korean businesses made efforts to maintain stable levels of giving. In particular, it was encouraging to see the top 300 companies based on sales volume actually giving more, despite deteriorating business conditions. Another meaningful finding was that corporate governance is positively related to amount of giving.

The CSR experiences of domestic and international enterprises were presented at the 9th Annual Giving Korea symposium together with the results of Giving Korea 2009. They highlighted the need, as well as some relevant strategies, for more creative, participatory, and synergic CSR practices that can convert the ongoing economic hardships into new opportunities for CSR.

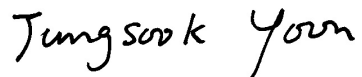
We hope this English version of Giving Korea 2009 helps promote the giving culture of South Korea while contributing to the further development of philanthropic culture around the world.

Finally, we would like to extend our deep gratitude to all the researchers who so generously shared their expertise with us, and to Naver HappyBean (<http://happybean.naver.com>) who co-sponsored Giving Korea 2009.



Sang-jung Park

Chairperson of the Beautiful Foundation



Jung-sook Yoon

Executive Director of the Beautiful Foundation

## 발 간 사

아름다운재단은 2001년부터 매년 ‘국제기부문화심포지엄 Giving Korea’를 통해 한국 사회 기부문화의 현황과 과제를 발표해 왔습니다. 아름다운재단의 기부문화연구소는 개인기부문화와 기업사회공헌을 주제로 매년 번갈아 연구해왔으며, Giving Korea 2009는 기업사회공헌을 주제로 진행하였습니다.

2009년 11월 10일에 열린 제9회 ‘국제기부문화심포지엄 기빙코리아’는 <글로벌 경제환경 변화에 대응하는 기업사회공헌의 새로운 패러다임>을 주제로 진행하였습니다. 이번 국제기부문화심포지엄에서는 2007년 시작된 세계 발 경제위기의 영향으로 매년 성장해 오던 한국 기업사회공헌이 전반적으로는 주춤하는 경향과 함께 편향적 성장을 보이고 있음에 주목하여 이러한 힘든 시기를 슬기롭게 극복할 수 있는 기업사회공헌의 전략을 모색하였습니다.

Giving Korea 2009 조사 결과는 경제환경 변화에도 지속가능한 기업사회공헌의 전략을 찾고자 했던 이번 Giving Korea 2009는 2008년 한국 기업의 기부가 전반적으로 하락하였으며, 경제변화의 대응하여 현 수준의 기업사회공헌 활동을 유지하려는 기업들의 노력을 볼 수 있었습니다. 그러나 이러한 악조건 속에서도 한국의 상위 300대 기업의 경우 오히려 기부를 늘리는 고무적인 현상과 함께 기업지배구조가 좋은 기업일수록 기부금이 높다는 의미있는 결과를 발견하기도 하였습니다.



더불어 Giving Korea 2009 연구 결과는 ‘국제기부문화심포지엄 Giving Korea 2009’ 현장에서 발표되고, 해외와 국내의 기업사회공헌 사례발표를 통해서 이러한 경제환경 변화의 위기를 기회로 삼아 더욱 창의적, 참여적, 상생적 기업사회공헌을 도출하라는 메시지와 적용가능한 해법이 제시되기도 하였습니다.

아름다운재단에서 영문으로 발간되는 ‘Giving Korea 2009’가 한국사회의 기부문화를 세계에 알리고 한국을 넘어 전 세계기부문화발전에 이바지하는데 도움이 되길 기대해봅니다.

마지막으로, ‘기빙코리아 2009’ 연구조사에 참여하여 전문성을 나눠주신 여러 연구자분들과 연구조사비용을 협찬해주신 네이버 해피빈(<http://happybean.naver.com>)에 진심으로 감사드립니다.

아름다운재단 이사장  
박상증

아름다운재단 상임이사  
윤정숙





01

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Corporate Giving in South Korea :  
An Analysis of 2009 Survey Results

# 01

## Corporate Giving in South Korea: An Analysis of 2009 Survey Results

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# 1. Introduction: Purpose of the Survey

Corporate social responsibility (CSR) is no longer a foreign term to many South Koreans. A number of enterprises, particularly the large conglomerates, have become interested in it and begun participating in a wide range of philanthropic activities. More than simply an efficient use of corporate resources with companies serving as providers of public services, corporate philanthropy, which began in earnest in South Korea in the mid 1990s, is a manifestation of a spirit of social solidarity as demonstrated by commercial enterprises acting as responsible members of society. While the primary goal of a business is considered to be contributing to society through production and employment, support for and participation in public services which benefit consumers, the local and international communities, and the state can be perceived to be a form of social accountability assigned to commercial enterprises. Since the United Nations launched the Global Compact in 1999 to highlight the significance of CSR, numerous enterprises from across the globe have signed on to the initiative. Similarly, the Global Reporting Initiative (GRI), a report which details the economic, environmental, and social impacts of their business activities, is published by member companies. More groups are adopting the GRI report as a record of their corporate social responsibility, a departure from traditional reporting limited to financial status and environmental impact. In the meantime, the International Organization for Standardization (ISO) is planning to introduce an international standard to recognize corporate social responsibility, ISO26000, in November 2009. The organization will present guidelines for seven categories, including environment, human rights, labor, governance, fair business practices, consumer is-

sues, and participation in local communities. Despite its non-binding nature, once it is established as a standard for international commerce, the ISO26000 index is expected to become an important benchmark for the assessment of business management.

While an increasing number of companies are showing an interest in corporate philanthropy, there remains a lack of substantial data describing its condition in South Korea. This research was commissioned by the Center on Philanthropy at the Beautiful Foundation as a continuation of the biennial series of surveys on the CSR practices of South Korean companies begun in 2003. The main purpose of this survey is to investigate the status of philanthropic activities by South Korean businesses.

Previous studies on corporate social responsibility have revealed that South Korean organizations are highly aware of the corporate responsibilities perceived by the society at large: they are reasonably reactive to social issues or support for the underprivileged (Han, 2007). However, it has yet to be determined whether this is a unique characteristic of the corporate character demonstrated by South Korean enterprises or a characteristic typical of the global development of a culture of CSR.

This research is designed to examine the level of corporate philanthropy practiced by South Korean companies as well as their perceptions of and attitudes toward corporate social responsibility. The results of this study can be compared with survey results from previous years. Furthermore, members of business and civic circles may use it as a reference when investigating the CSR status of South Korean corporations.

## 2. Survey Methods<sup>1)</sup>

### 1) Sampling

The population of this survey includes all companies in South Korea. Listed and unlisted companies were identified in order to determine the population. 315 out of a total of 1,800 listed companies as well as 89 out of the top 1,800 unlisted companies based on sales volume were selected as samples. Samples from listed companies were derived from two groups of companies ranked 1-300 and 301-1800, while those of unlisted companies were plucked from those ranked 1-1800. Taking as the population the entirety of companies included in the sampling frame, survey questionnaires were transmitted to the subjects via either email or fax. Follow-up emails and/or phone calls encouraged response.

**[Table 1. Sampling process]**

Population	Listed	Ranked 1-300 based on sales volume
	Listed	Ranked 301 - 1800
	Unlisted	Ranked 1 - 1800
Effective samples	Total: 404 (unit: company)	
	Listed	Ranked 1- 300: 54 cases (response rate 18%, sample proportion 13.4%)
	Listed	Ranked 301-1800: 261 cases (response rate 17.4%, sample proportion 64.6%)
	Unlisted	Ranked 1-1800: 89 cases (response rate 4.9%, sample proportion 22.0%)
Sampling	By type (listed/unlisted)/by sales volume (Purposive Quota Sampling)	
Standard error	Listed	Ranked 1- 300: $\pm 1.51\%P$ ( $p < .05$ )
	Listed	Ranked 301-1800: $\pm 5.51\%P$ ( $p < .05$ )
	Unlisted	Ranked 1-1800: $\pm 10.31\%P$ ( $p < .05$ )

1) The survey was conducted by Research & Research, Inc.

## 2) Data collection and analysis

Data were collected by means of a structured questionnaire and trained interviewers. Survey questionnaires were distributed and returned by either email or fax from June 22 to August 14, 2009. The data collection process was monitored in order to maximize the accuracy of the data.

The questionnaire includes eight categories: dedicated CSR units and staffing, experience with CSR practice and corporate giving in 2008, manners of engagement in CSR practices, CSR accomplishments, employee volunteering, cause-related marketing, perception of CSR-related government policies, and respondent profiles (See Table 2. For the survey questionnaire, see Appendix.). SPSSWIN 17.0 was used for statistical analysis.

[Table 2. Construction of questionnaire]

Category	Question
Dedicated CSR units and resources	Status of dedicated CSR units and staffing, number of staff, position, year of instigation, possession of a corporate foundation
CSR activities in 2008	Experience with CSR practice, amount of donation, plans to expand the scale of CSR practices, beneficiaries, methods of donation
Manner of CSR activities	Funding sources, forms of CSR practice, groups of special concern, impetus for engaging in CSR activities, determining factors and obstacles to CSR practice, reasons for discontinuing CSR practice
Impact of CSR activities	Assessment of CSR accomplishments, perceptions of the impact of CSR, levels of satisfaction, relatedness to business area, future plans
Employee volunteering	Employee volunteering programs, company support, average hours of volunteering per employee, participation rate, recipients of employee volunteering
Cause-related marketing	Experience with cause-related marketing, perceptions of the impact of CRM
Perception of CSR-related policies	Awareness of CSR-related tax benefits, willingness to increase the overall amount of donation
Demographics	Role and position at work, number of years with the current company, number of years with the current role, sales volume of the company



## 3. Findings

### 1) Status of CSR practices

#### (1) Experience with CSR practice

This research defines corporate social responsibility (CSR) or corporate philanthropy practice as follows: a set of activities undertaken by a company for the purpose of promoting social good or assisting individuals or organizations that undertake such activities by providing support including cash, value-in-kind, professional services, volunteer labor, or other forms of assistance that are unrelated to the conventional operations of a company.<sup>2)</sup>

62.6% of total respondents reported participating in CSR practice since the establishment of the company. 88.9% of the listed companies in the rankings of 1-300 based on sales volume reported doing so, along with 52.9% of those ranked 301-1800 and 75.3% of unlisted companies. Larger organizations showed greater participation in CSR.

As to reasons for failure to participate in CSR, “financially unable” (82.1%) was the most common, followed by “don’t feel the need”(47.7%), and “don’t know how to engage”(27.8%). 51% of the companies reporting no CSR experience showed a willingness to participate in CSR in the future if conditions are right.

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2) This definition was also presented in the survey questionnaire for the respondent’s reference.

## **(2) Corporate Giving in 2008**

Among the companies with some CSR experience, 60.5% said they participated in philanthropic activities in 2008. Larger companies showed an elevated rate of participation: while 83.3% of the top 300 listed companies based on sales volume responded positively for 2008, it was a mere 43.5% in the 301-1800 bracket. Meanwhile, 79.1% of unlisted companies participated in CSR practice in 2008. Compared to figures from the 2007 Beautiful Foundation CSR survey, the participation rate has dropped across all categories. In 2006, the figure reached 92.3%. This may in part be a result of the deterioration in business conditions that began in 2007<sup>3)</sup>.

## **(3) Average amount of donation in 2008**

In 2008, companies donated an average of 3.7 billion won: top 300 companies averaged 13.4 billion won while those from the 301-1800 group gave an average of 0.4 billion won, and an average of 1.8 billion won was tallied for unlisted companies. This is a drop of 1.5 billion won from 5.2 billion won in 2006. By company size, large conglomerates from the 1-300 rankings contributed 2.4 billion won above the year before (11 billion won in 2006). When restricted to the top 100 companies, the average amount of donation jumps to 24 billion won from the 17 billion won recorded in 2006. In summary, fewer companies, whether large or small, participated in CSR practice in 2008. Furthermore, large corporations increased their donations by a major amount while small and medium-sized companies sharply scaled back their philanthropic contributions.

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3) Another interpretation might be that the increased sample size allowed the status of the CSR practice of small and medium-sized companies, which had been criticized for under-representation, to be more accurately reflected. Even so, it seems true that the engagement of those companies with CSR practice has sharply reduced.

#### **(4) Forms and beneficiaries of corporate giving**

When analyzed in terms of tax regulations, statutory donations amounted to 37.2%, designated donations 31.3%, and exemption donations 15.3%<sup>4</sup>). This may suggest that either tax benefits are inconsequential to South Korean organizations when selecting beneficiaries of donations or that companies are under-informed of the tax incentives related to corporate philanthropic giving.

Social services are among the principle recipients of corporate giving. In 2008, a considerable proportion of donations were allocated to social services and education/scholarships. 46.5% of South Korean corporate giving went to social welfare services, followed by education/scholarship (19.9%), support for civic organizations (5.9%), and culture (5.7%). Given that most of education/scholarship funds are provided to students from low-income families, it is safe to assume that donations to the underprivileged make up over 65% of total corporate donations. Compared with the 2007 survey (54%), this is an increase of 11 percentage points. This may be due to rapidly deteriorating economic conditions prompting companies to devote their efforts more to social welfare services than to other areas of concern.

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4) Statutory donations: 100% deductible; exemption donations: 50% deductible; designated donations: 5% deductible; other donations: not deductible

## 2) Units and staff dedicated to CSR practice

Around 9.1% of the companies surveyed maintain a dedicated CSR unit and 8.7% support dedicated CSR personnel. In total, 18% possess either a dedicated CSR unit or personnel. Meanwhile, 32.8% go without a dedicated unit or personnel but task staff with philanthropic activities. As a result, around 50% of the companies surveyed contain CSR-related personnel within their organization. Most dedicated CSR staff are permanent employees.

Among companies with a dedicated CSR unit or personnel, more than 77% replied they had installed the unit or staff at some point after the year 2000, reaffirming that the phenomenon of dedicated CSR units in South Korean companies is a recent occurrence.

A total of 16.6% of companies surveyed support a self-funded corporate foundation. The size of the company was significantly related to the presence of corporate foundation.

## 3) Methods of CSR practice

### (1) Funding sources and methods of CSR practice

As to source of CSR funding, 81% of companies reporting CSR practice pointed to corporate profits, 52.3% to employee donations, and 35.9% to CEO and/or executive donation. Cause-related marketing and profits from fundraising events amounted to 12.4% and 7.8%, respectively.

The most common form of CSR practice<sup>5)</sup> was cash donation (90.2%), followed by volunteering (70.6%) and in-kind donation (52.9%).

## **(2) Impetus for and determining factors of CSR practice**

According to this survey, South Korean companies carry out philanthropic activities in order to fulfill corporate social responsibilities (85%)<sup>6)</sup>. Other factors driving CSR practice include “to assist marginalized individuals” (49%), “to improve societal image of company” (25.5%), “to fulfill CEO’s intentions” (17.6%), and “to enhance employee unity and morale” (11.8%). In conclusion, a sense of social responsibility and altruistic motivation appears to impel South Korean companies to undertake corporate philanthropy. The perception of a social responsibility appeared to be more common among larger enterprises.

When asked about the determining factors for CSR practice, respondents chose “CEO’s inclination” (82.4%) and “employee consensus” (58.2%) first, then “social pressure” (34.6%) and “tax benefits” (9.8%). “Shareholder resolution” (2.6%) was not considered to be an important factor in determining a company’s CSR practice.

As to obstacles impeding philanthropic activities, “inadequate human resources and expertise” was the most prevalent reply at 50.3%, followed by “lack of information” (37.9%), “budget shortages” (30.7%), “lack of legal institutions and government support” (23.5%), “absence of a dedicated unit” (22.9%), and “lack of intra-company cooperation” (11.1%).

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5) The sum exceeds 100.0 due to multiple responses.

6) The sum exceeds 100.0 due to multiple responses.

## 4) Assessment of CSR accomplishments

### (1) Assessment of the impact of CSR practice and levels of satisfaction

66% of those responding to this survey answered they lacked a CSR assessment scheme. 20.3% reported having such a program, while 9.8% said they rely on both internal and external evaluations of their CSR performance. Considering that only 18% of the respondents maintain a dedicated CSR unit or personnel, it is unsurprising that such a small number of companies perform a systemized evaluation of their CSR practice.

As to perceptions of the impact of CSR practices, most of the statements offered in the survey received average or below average scores. In particular, the responses averaged 2.74 on a 5-point scale to a question asking if CSR practice contributed to improved business performance, demonstrating the perception that CSR practice is not positively correlated to business performance. "Help improve the organizational culture" and "help resolve or prevent social issues" earned 3.16 and 3.07, respectively.

A question inquiring into satisfaction with CSR experiences received slightly more than an average score. Management (3.48) appeared to be the most content. CSR personnel assigned 3.43 and general employees 3.38 to the question.

### (2) Future plans

When asked about plans to adjust their CSR practices in relation to the current economic downturn, 68% stated they will maintain current levels.

23.5% of the companies surveyed plan an expansion and 8.5% a reduction from present levels. Those with a plan to expand the scale of their CSR practices pointed to “to implement corporate social responsibilities” (47.3%) and “to support vulnerable populations” (23.3%) as reasons for doing so.

## 5) Employee volunteering and Cause-related Marketing (CRM)

Among 75.8% of the companies with CSR experience, employees are reported to be engaging in additional volunteer efforts. Furthermore, employee volunteering was more prevalent among larger companies. The average participation rate of employee volunteering was 49.3% and employees volunteered an average of 52.5 hours per year. As with donation, social services (86.2%) was the most common field for volunteering.

Regarding company support for employee volunteering, employees were rewarded with “positive performance evaluations” (19.8%), “cash (allowance)” (17.2%), and “paid compensation leave” (12.1%).

Meanwhile, 16.3% of companies surveyed practiced some level of cause-related marketing. Company size and the presence of a dedicated CSR unit seem to be positively correlated to CRM participation. 60% of the respondents with CRM experience responded that it contributes to improved business performance.

## 6) Perceptions of CSR-related policies

Only 15.3% of the respondents claimed to be very well aware of the tax incentives linked to corporate donation. 53.2% said that they are aware such systems exist but were unclear of the details. A hefty 31.4% of those responding to the survey confessed they are completely unaware of them.

To a question asking whether they would be willing to raise their amount of corporate giving in the event of an increase in tax benefits, 20.5% marked "Yes", 63.6% "Don't know", and 15.8% "No (it would be maintained at the current level)"



## 4. Conclusion

The data used in this research boasts remarkable representativeness by surveying the largest number of companies among all studies on corporate social responsibility conducted in South Korea. In particular, this study addressed the issue of under-representation of small and medium-sized companies, a target for criticism in previous studies, by increasing their representation. In future studies, it is hoped that an increase in representativeness could be secured through increasingly descriptive samples.

In 2008, the CSR practices of South Korean companies shrank to a certain extent, due in part to rapidly-worsening global economic conditions. In the case of large conglomerates, however, the average amount of donation rose despite the overall reduction in philanthropic efforts. This could be attributed to their practice of earmarking CSR budgets separately from general business accounts, as a result of which the scale of CSR efforts remained insulated from the deteriorating business climate of that year. In addition, large companies, facing an economic crisis, might have felt heightened social pressure to fulfill their social responsibilities. Compared with the 2007 survey results, the 2009 survey presents a sharp increase in corporate donations to social services and education/scholarship and a drastic cutback in other sectors, including civic organizations, the environment, and culture.

In these sluggish economic conditions, most companies planned to maintain their current level of CSR practice; however, some are seeking to expand

their philanthropic efforts, believing that for-profit businesses are obligated to respond more actively in a down economy to the economic hardships of the underprivileged.

However, corporate giving in South Korea is disproportionately concentrated on social services and needs to diversify its beneficiaries. To this end, it is essential to create a repository of knowledge and data on corporate philanthropy. A CSR knowledge storehouse that facilitates information sharing, education, and technical support for corporate philanthropic activities would enable a more systemized and efficient application of corporate social responsibility efforts.

South Korean CSR practice additionally requires further advancement through stronger partnerships between corporate and civic societies. It seems to be a positive development that a growing number of enterprises are attempting to improve their expertise in CSR by directly engaging in philanthropic efforts. However, an enhanced partnership with nonprofit organizations would enable businesses to magnify the impact of their CSR efforts by tapping into the expertise and public spiritedness of the civic sector, while allowing civic organizations to boost their capabilities by taking advantage of corporate resources. This partnership would benefit both the business and civic sectors through an increasingly empowered civil society helping to create a more positive business environment and strengthen the foundation from which to address social issues from the perspective of public interest.

In addition, it is critical to develop strategies linking philanthropic efforts

to business performance in order to increase the sustainability of corporate philanthropic activities. This will necessitate a system which evaluates CSR achievement. Currently, few South Korean companies support a CSR evaluation scheme, let alone external assessment organizations. Businesses are viewing their CSR achievements negatively and the impact of corporate philanthropy seems to be considered purely at the emotional level. A systematic assessment of CSR practice in terms of both business performance and resolution of social concerns would help increase the value and sustainability of corporate philanthropy.

## References

Han, D.W., Status of Corporate Philanthropy in South Korea, 2007, Giving Korea 2007, The Beautiful Foundation  
[www.beautifulfund.org](http://www.beautifulfund.org)

# Key Findings of Corporate Giving in South Korea: An Analysis of the 2009 Survey Results

November 10, 2009

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## Research Objectives

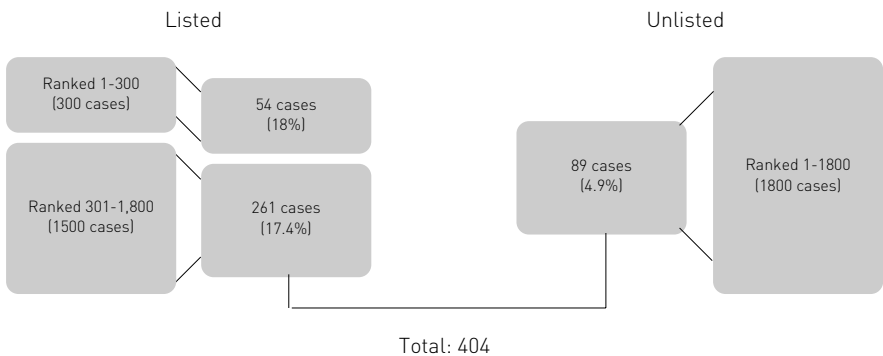
To better identify the status and scale of the philanthropic activities of South Korean businesses

To investigate the perception of and attitudes toward corporate philanthropy among South Korean businesses during rapidly deteriorating economic conditions

To compile and utilize data on corporate social responsibility in South Korean enterprises

# Research Methods

Item	Content
Population	<ul style="list-style-type: none"> <li>• Listed: Ranked 1- 300 based on sales volume</li> <li>• Listed: Ranked 301-1800</li> <li>• Unlisted Ranked 1-1800</li> </ul>
Effective samples	<ul style="list-style-type: none"> <li>• Total: 404 (unit: company)</li> <li>• Listed: Ranked 1- 300: 54 cases (response rate 18%, sample proportion 13.4%)</li> <li>• Listed: Ranked 301-1800: 261 cases (response rate 17.4%, sample proportion 64.6%)</li> <li>• Unlisted Ranked 1-1800 : 89 cases (response rate 4.9%, sample proportion 22.0%)</li> </ul>
Sampling	• By type (listed/unlisted)/by sales volume (Purposive Quota Sampling)
Standard error	<ul style="list-style-type: none"> <li>• Listed: Ranked 1- 300: <math>\pm 1.51\%P</math> (<math>p &lt; .05</math>)</li> <li>• Listed: Ranked 301-1800: <math>\pm 5.51\%P</math> (<math>p &lt; .05</math>)</li> <li>• Unlisted Ranked 1-1800 : <math>\pm 10.31\%P</math> (<math>p &lt; .05</math>)</li> </ul>
Survey method	• A structured questionnaire was distributed and returned by either fax or email
Period	• June 22, 2009-August 14, 2009 (40 days)
Survey agency	• Research & Research
Statistical analysis	• SPSSWIN 17.0



## Construction of Questionnaire

Category	Question
Dedicated CSR units and resources	Status of dedicated CSR units and staffing, size of staff, position, year of instigation, corporate foundation
CSR activities in 2008	Experience with CSR practice, amount of donation, plans to expand the scale of CSR practices, beneficiaries, methods of donation
Manner of CSR activities	Funding sources, forms of CSR practice, groups of special concern, impetus for engaging in CSR activities, determining factors and obstacles to CSR practice, reasons for discontinuing CSR practice
Impact of CSR activities	Assessment of CSR accomplishments, perceptions of the impact of CSR, levels of satisfaction, relatedness to business area, future plans
Employee volunteering	Employee volunteering programs, company support, average hours of volunteering per employee, participation rate, recipients of employee volunteering
Cause-related marketing	Experience with cause-related marketing, perceptions of the impact of CRM
Perception of CSR-related policies	Awareness of CSR-related tax benefits, willingness to increase the overall amount of donation
Demographics	Role and position at work, number of years with the current company, number of years in current role, sales volume of the company

## What is corporate philanthropy?

A set of activities undertaken by a company for the purpose of promoting social good or assisting individuals or organizations that undertake such activities by providing support including cash, value-in-kind, professional services, volunteer work, or other forms of assistance that are unrelated to the conventional operations of a company.

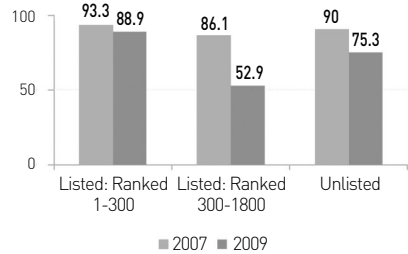
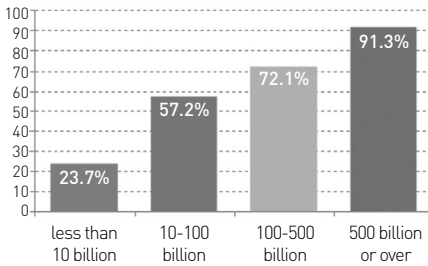
## Experience with CSR practice

**62.6% responded "Yes"**

Listed: Ranked 1-300	88.9%
Listed: Ranked 301-1800	52.9%
Unlisted	75.3%
KOSDAQ	48.5%

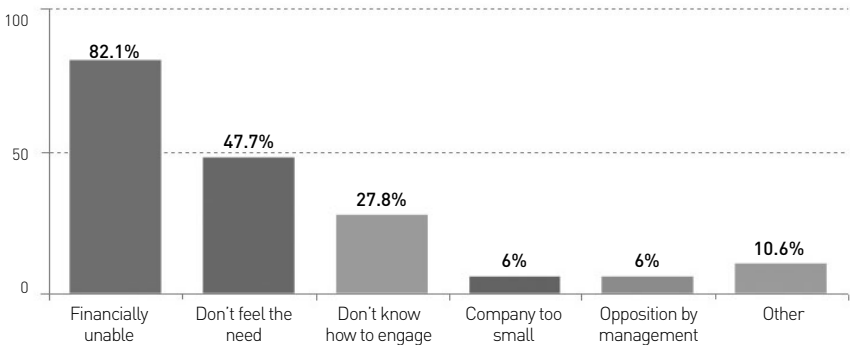
Giving Korea 2007  
"Yes" 75.9% (N=257)

The greater the sales volume, the higher the participation rate



## Reasons for failure to participate in CSR

multiple responses  
N=153



Willingness to participate in CSR in the future 51%

The larger the company, the greater the willingness to participate

## Experience with CSR practice

**Year 2008** **60.5%-Yes**

Listed: Ranked 1-300 83.3%

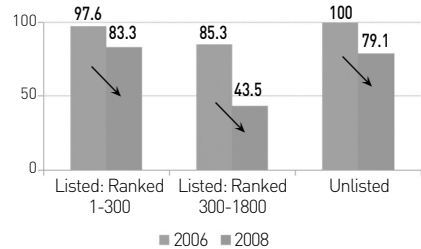
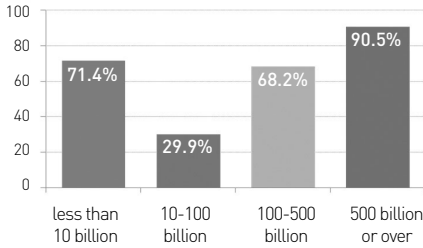
Listed: Ranked 301-1800 43.5%

Unlisted 79.1%

KOSDAQ 48.9%

Giving Korea 2007  
"Yes" 92.3% (N=257)

The greater the sales volume, the higher the participation rate



## Corporate Giving in 2008

**Average corporate donation** **3.7 billion won**

Listed: Ranked 1-300 13.4 billion won

Listed: Ranked 301-1800 0.4 billion won

Unlisted 1.8 billion won

KOSDAQ 0.2 billion won

Giving Korea  
2007  
5.2 billion won

Compared to donations in 2007

**"Increased"** **45.8%**

"Decreased" 18.3%

"Not changed" 35.9%

Plans to expand the scale of CSR

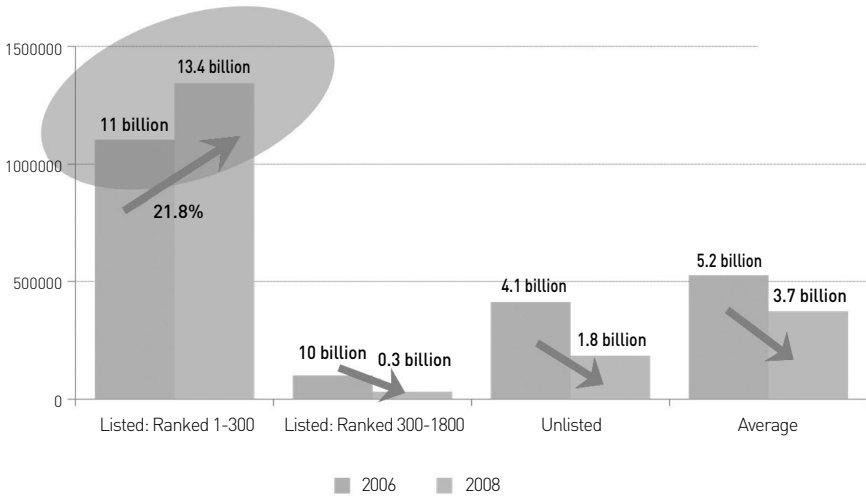
**Maintain current level** **41.8%**

Will expand 35.3%

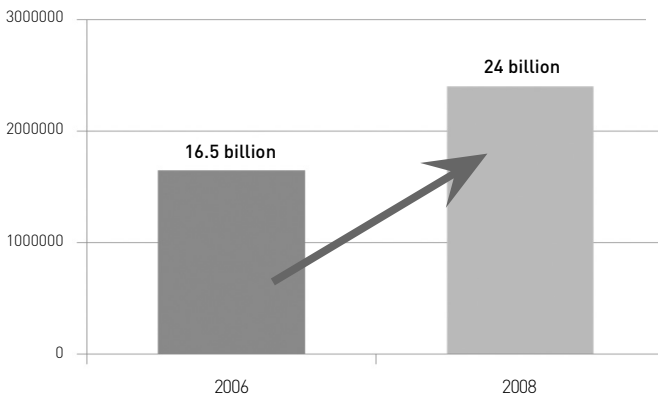
Will shrink 0.7%



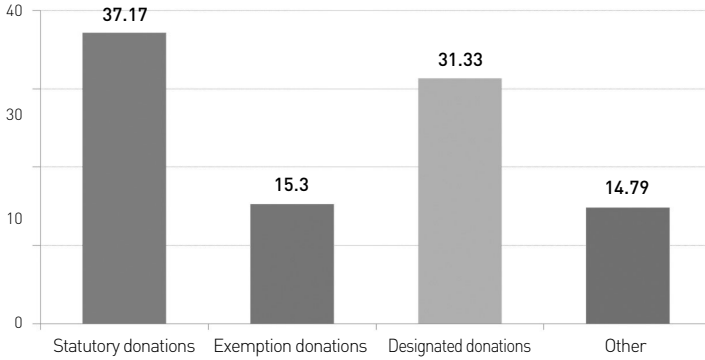
## Average amount of donation by company(2006 vs.2008)



## Average amount of donation when restricted to the top 100 listed companies 2006 vs. 2008



## Forms of donation



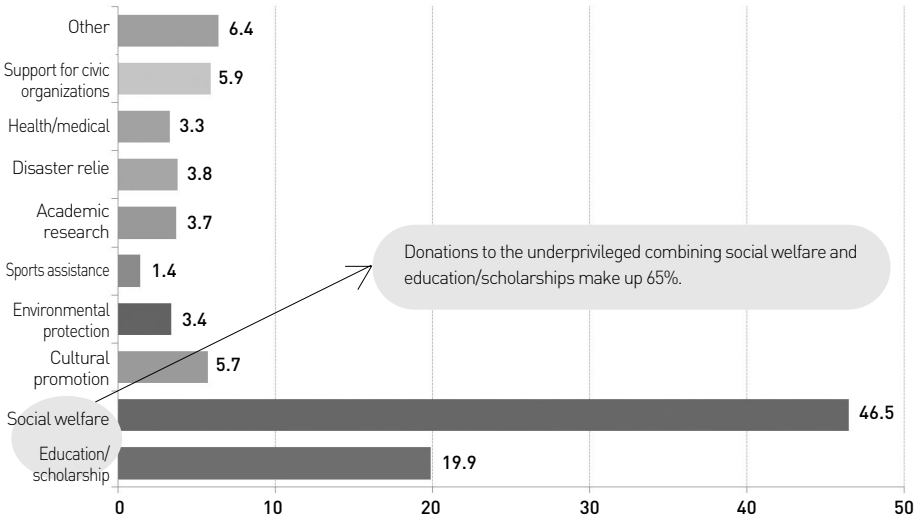
Statutory donations: 100% deductible

Exemption donations: 50% deductible

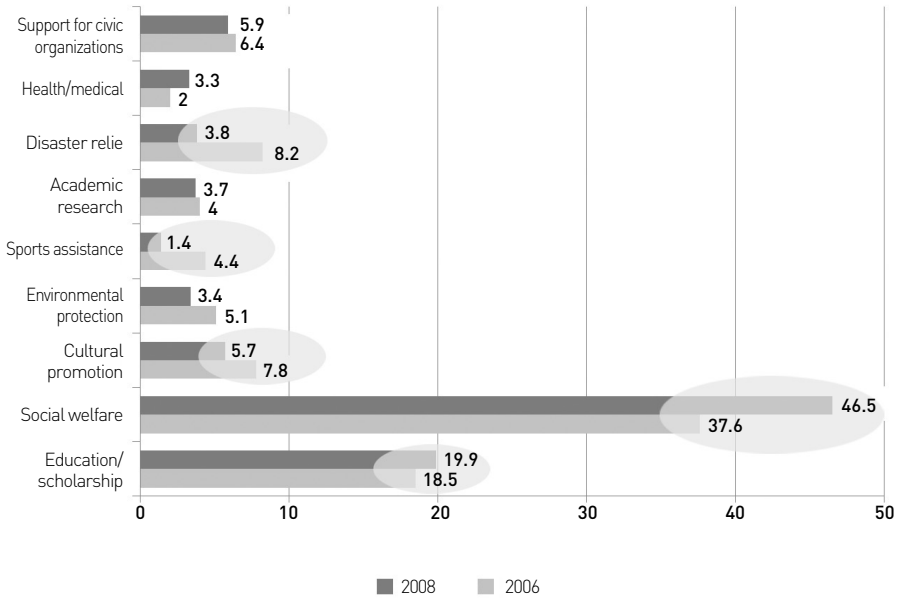
Designated donations: 5% deductible

Other donations: not deductible

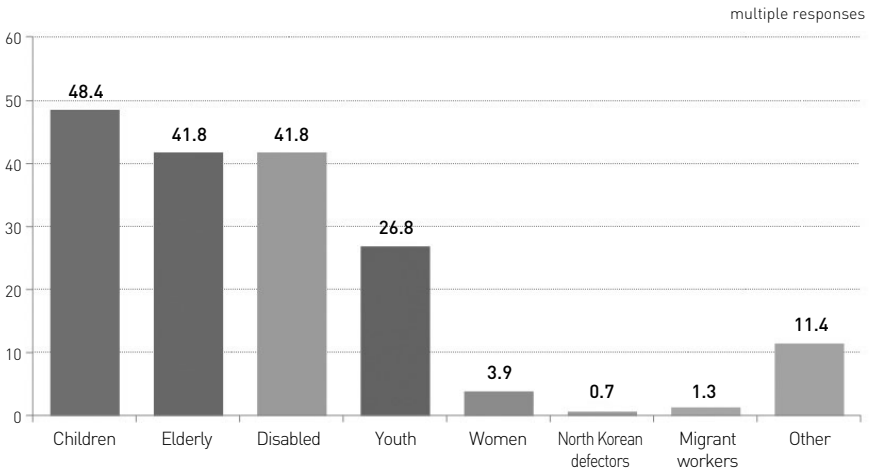
## Recipients of corporate giving



## Recipients of corporate giving : 2006 vs. 2008



## Groups of special concern



## Units and staff dedicated to CSR practice

**Both organizational and human resources 9.1%**

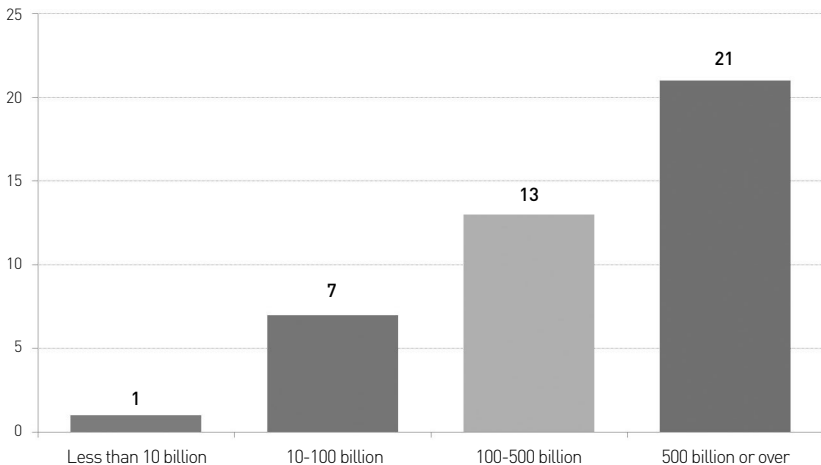
Dedicated human resources only 8.7%

Some personnel in charge 32.8%

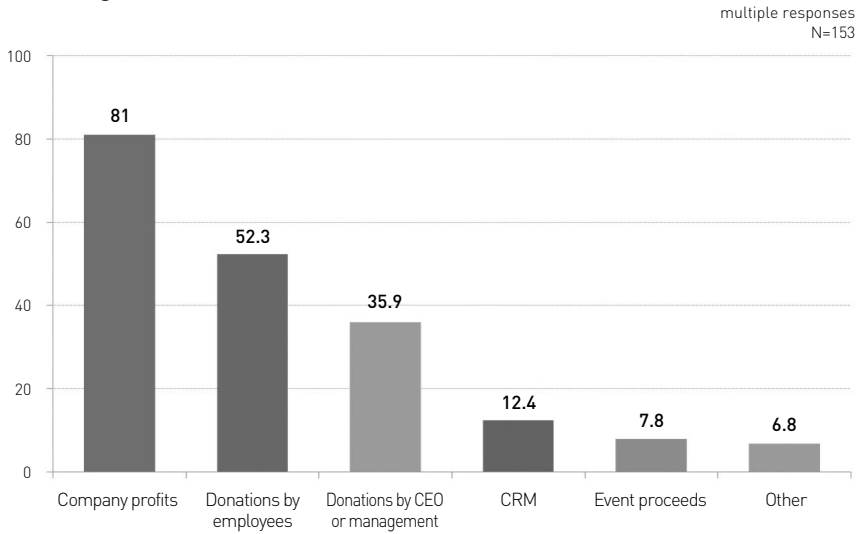
**50% of the total respondents have human resources allocated for CSR activities**

- ⊙ Most dedicated CSR staff are permanent workers (2.2 persons on average)
- ⊙ 77.3% of companies with dedicated CSR staff have installed that staff at some point after the year 2000.
- ⊙ 16.6% of companies surveyed keep a self-funded corporate foundation.
  - The size of the company was significantly related to the presence of corporate foundation.

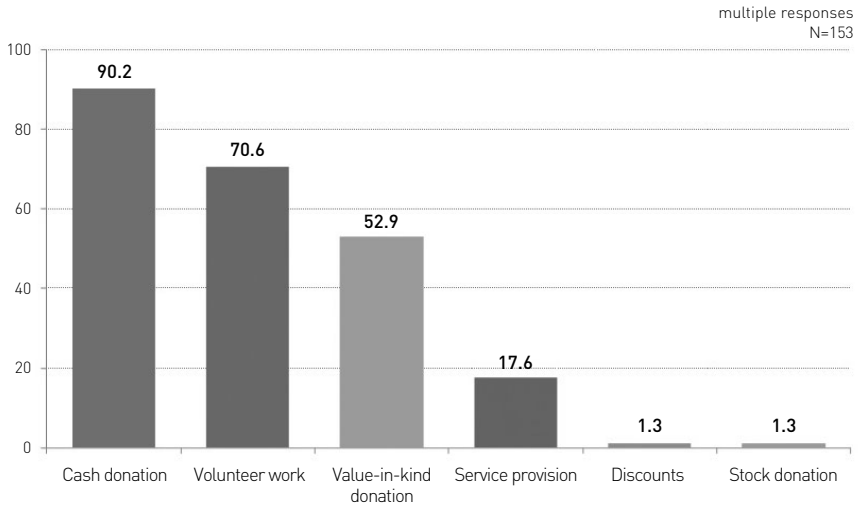
## Number of corporate foundations



## Funding sources



## Methods of CSR practice



## Impetus for CSR practice

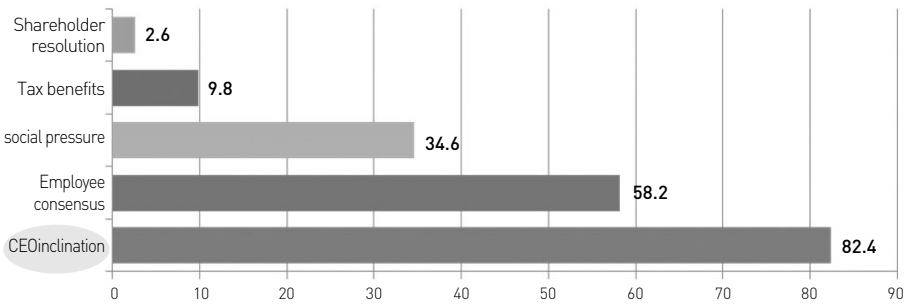
<b>To fulfill corporate social responsibilities</b>	<b>85.0%</b>
To assist marginalized individuals	49.0%
To improve the social image of company	25.5%
To fulfill CEO's intentions	17.6%
To enhance employee unity and morale	11.8%

Reflecting the sense of responsibility and altruistic attitudes of the company

**Larger companies show a higher level of awareness of social responsibilities.**

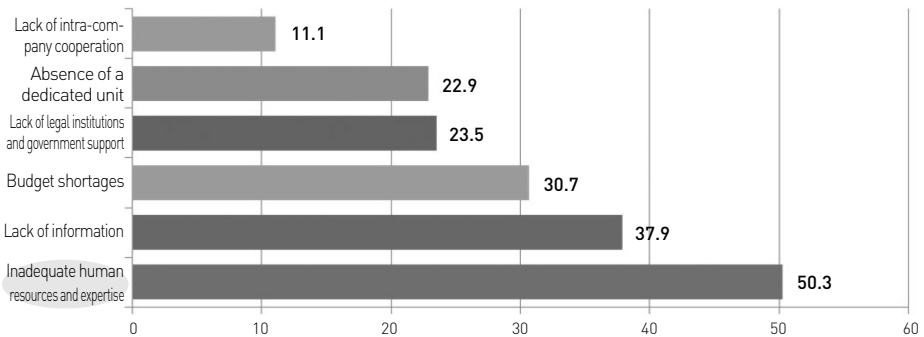
## Determining factors of CSR practice

multiple responses  
N=153



## Obstacles to CSR practice

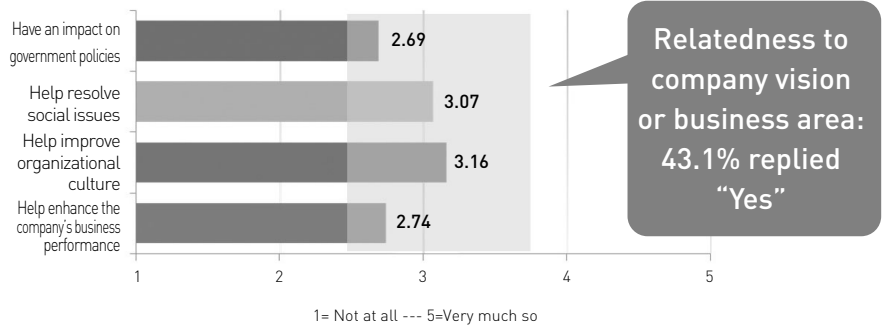
multiple responses  
N=153



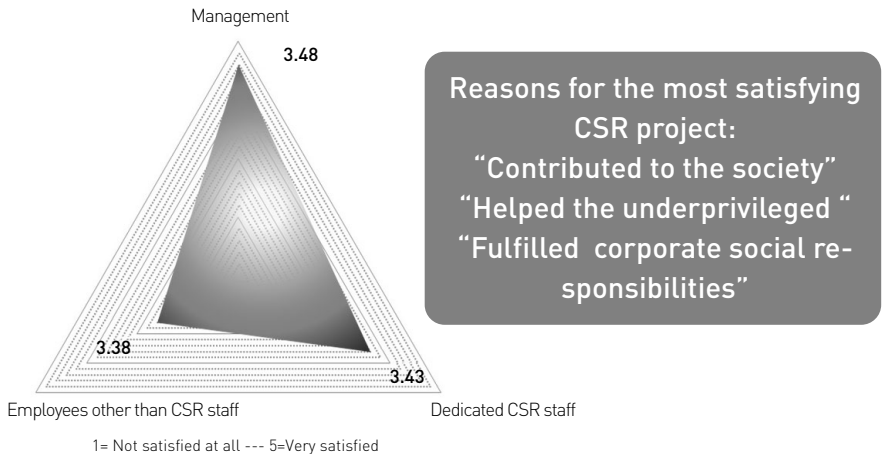
## Assessment of CSR accomplishments

<b>No assessment</b>	<b>66.0%</b>
Have a CSR assessment scheme	20.3%
Have both internal and external evaluations	9.8%

## Perceptions of the impact of CSR practices



## Satisfaction with CSR experiences



## Plans to adjust CSR practices in relation to the current economic crisis

<b>Maintain current levels</b>	<b>68.0%</b>	} <b>Most companies plan to maintain current levels.</b>
Expand	23.5%	
Reduce	8.5%	

### Reasons for expanding the scale of CSR practice

To implement corporate social responsibilities	47.3%
To support vulnerable populations	22.3%

## Employee volunteering

<b>Yes</b>	<b>75.8% (58.2% enjoy company support)</b>
No	24.2%

## More prevalent in larger companies

Average participation rate : 49.34%

Average volunteering hours per year: 52.52 hours

**Social services is the most common field for volunteering 86.2%**

## Methods of company support

Positive performance review	19.8%
Cash (allowances)	17.2%
Paid compensation leave	12.1%

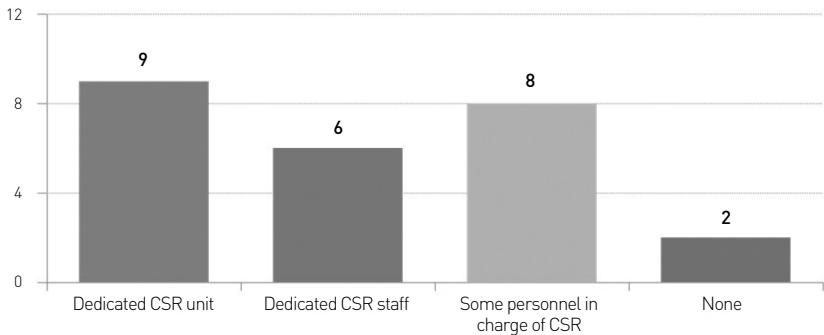


## Cause-Related Marketing

**Yes** **16.3%**

Company size and the presence of a dedicated CSR unit are positively correlated to CRM participation.

**60% responded “CRM contributes to improved business performance.”**



## Awareness of CSR-related tax benefits

**Very well aware** **15.3%**

Somewhat (that it exists) 53.2%

**Don't know/no response** **31.4%**

## Willingness to increase the amount of donation if there were increased tax benefits for CSR activities

Yes 20.5%

Maintain at current level 15.8%

**Don't know/not interested** **63.6%**

# Summary

- ◎ **63% of companies surveyed** have experienced CSR practices.
  - Although the figure has declined from the 2007 survey (75.9%), this might in part be due to the increased sample size.
  
- ◎ **CSR participation rate in 2008 : 61%**
  - The figure has plummeted from 2006 (92.3%).
  - Possibly attributed to the recent economic downturn.
  - Participation in CSR has been in decline regardless of company size.
  
- ◎ The average amount of donation in 2008 was **3.7 billion won**.
  - A reduction of 29% from 2006 (5.2 billion won).
  - Larger companies (top 100 based on sales volume) gave more (1.7 billion → 2.4 billion won).
  
- ◎ Despite the sluggish economy, companies **plan to maintain the current level of donation**.
  - Maintain 68%, expand 24%, reduce 9%
  
- ◎ The biggest impetus for CSR practice: **“to implement corporate social responsibilities”**
  - The CSR practice of South Korean companies is based on an awareness of social responsibilities and willingness to help the underprivileged.
  - This has been consistently found in studies on CSR.

- ⊙ Reasons for failure to engage in CSR practice: **“financially unable”**
- ⊙ The greatest amount of donations went to **the underprivileged**.
- ⊙ **9% of companies surveyed** have a dedicated CSR unit.
- ⊙ **50% of companies surveyed** have dedicated CSR staff.
- ⊙ The most decisive factor for CSR practice is **“CEO’s intentions”**.
- ⊙ **76% of companies surveyed** have active employee volunteering.
- ⊙ Companies marked **“average” for their CSR accomplishments**.
- ⊙ For the level of **satisfaction** with CSR experiences, they gave **“more than an average score”**.
- ⊙ Companies do not seem to respond sensitively to CSR-related tax benefits.

# Summary of interviews

## ⊙ Interview

Date: October 7, 2009

Interviewee: 2 company workers in charge of CSR

Method: in-person and written interview

## ⊙ Focused Group Interview

Date: September 22, 2009

Venue: FGI room at Research & Research

Participants: 5 manager-level members of nonprofit organizations

Moderator: Choi Kyoung-in

(Team leader, The Center on Philanthropy at the Beautiful Foundation)

Co-moderator: Han Dong-woo

(Social Welfare Professor, Kangnam University)



[www.ehow.com/way\\_5269835\\_interview-techniques](http://www.ehow.com/way_5269835_interview-techniques)

## Interview with CSR staff

It is clear that more companies are showing interest in CSR.

Companies tend to focus CSR activities on public benefit rather than business performance.

Companies seek CSR activities that serve the spirit of philanthropy and meet the needs of society.

Financial pressure from the recent economic downturn has not dramatically affected CSR practice. Companies hope to plan a philanthropic program that would give practical benefits to society.

CEO's concern and willingness is the most decisive factor in implementing CSR practice.

Nonprofit organizations need to be more sensitive to the needs and interest of companies.

## Focus group interview with nonprofit group managers

As economic conditions are rapidly changing, corporate donations are unevenly focused on a few areas of concern or organizations.

It can be clearly observed that corporate donations are affected by the nature and policy directions of an incumbent government.

Although there has been little change in the total amount of corporate donation, two extremes in terms of recipients can be seen: some nonprofit groups are receiving more than before while others are experiencing deprivation.

CSR activities are determined by the combined judgment of the CSR staff and the CEO. The CEO decides the area and scale of donation and the CSR staff craft the details.

With more CSR experience, companies increase the number of self-planned CSR projects, which changes the type of cooperation between companies and nonprofit organizations.

# Implications

- ⊙ This research used the largest sample of any CSR-related study conducted in South Korea, elevating the representativeness of the research.
- ⊙ Although many companies reduced the scale of their CSR practice due to the recent economic downturn, **large corporations have not altered or have even increased their donations.**
  - Large companies tend to earmark separate budget items for philanthropic efforts. Also, there may have been increased social pressure for large conglomerates which accompanied the darkened economic conditions.
- ⊙ Companies plan to maintain their scale of donations despite the sluggish economy.
- ⊙ Corporate donations are concentrated in areas that serve the underprivileged, such as social welfare services. Other areas such as culture, environment, and civic organizations lack support.
  - This necessitates a system that enables information sharing, education, and technical support related to CSR.
- ⊙ **Cooperative efforts between enterprises and the civic sector are needed to further develop CSR programs.**
  - With more companies raising their proportion of self-directed CSR programs and accumulating expertise in CSR, the partnership between companies and the civic sector is evolving.

- An enhanced partnership with nonprofit organizations would enable businesses to magnify the impact of their CSR efforts through tapping into the expertise and public spiritedness of the civic sector, while allowing civic organizations to boost their work capability by exploiting corporate resources.

- ⊙ It is critical **to develop strategies linking philanthropic efforts to business performance.**

- It is necessary to develop a system to evaluate CSR achievement.
- This will increase the sustainability of corporate philanthropic activities.





02

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## Corporate Giving Trends in a Deteriorating Business Environment

# 02

## Corporate Giving Trends in a Deteriorating Business Environment

Sang-gyung Jun

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Researcher, The Center on Philanthropy at the Beautiful Foundation

E-mail [sjun@hanyang.ac.kr](mailto:sjun@hanyang.ac.kr)

## Summary

This study analyzed 1,618 listed, non-banking companies in order to investigate trends in corporate donations, both by quarter and by year. According to the analysis of quarterly and yearly developments in corporate giving over the 20 years since 1981, the overall philanthropic outlays of South Korean enterprises have been declining since the mid 1990s. The average amount of donation among listed companies in 2008 totaled roughly 800 million won, accounting for a mere 0.12% of revenues. Meanwhile, 22% of all publicly-traded companies have never practiced corporate giving. These findings imply that most companies hesitate after giving a token amount just for show and a limited number of companies provide the bulk of total corporate donations.

Industry effect and corporate governance structure turned out to be the most influential factors affecting the amount donated by a given company. Consumer-oriented industries such as consumer services, food/beverages/cigarettes, and pharmaceuticals/bio-industries showed a higher rate of participation in corporate giving. Firms with enhanced corporate governance in terms of protection of shareholders' rights and transparency in management similarly demonstrated an amplified giving tendency, suggesting that improved corporate governance positively affects corporate philanthropy. This also implies the possibility of a virtuous cycle between corporate value and corporate giving: if organizations raise their donation level as a result of supporting corporate social responsibility (CSR), they are more likely

to win the hearts and minds of the public, leading to increased sales volumes and a consequently improved corporate value.

When comparing amount of giving relative to the size of an organization by corporate group, mid-range corporate groups those ranked 6-15 among all South Korean listed non-banking enterprises, exhibited a higher giving tendency than the top five corporate groups. However, both inclusion in the SRI (Social Responsibility Investment) index and deployment of dedicated CSR committees failed to demonstrate a significant impact on the amount of corporate giving.

In terms of quarterly trends, philanthropic expenditures tend to be concentrated in the fourth quarter, which averages 200 million won more in donations than do other quarters. The proportion of giving relative to sales revenues was also significantly higher in the fourth quarter. These findings suggest that corporate philanthropy in South Korea is being practiced as “a year-end event,” rather than being pursued as an ongoing business strategy.

# I. Research objectives

A great demand for academic research into the implications of corporate social responsibility (CSR) in South Korea exists in response to the increased social pressure on companies to act as responsible corporate citizens. A majority of South Korean enterprises claim CSR to be an important aspect of their business activities. Accordingly, CSR practices are manifested in a number of forms, including deployment of a dedicated CSR committee or unit or the publication of CSR reports.

Organizations also practice CSR through donation. If it can be assumed that such philanthropic giving represents a significant portion of CSR-related expenditures, an analysis of these philanthropic expenditures may provide indirect but meaningful insights into corporate social responsibility.

This research examines yearly and quarterly donations by 1,618 listed non-banking companies. The philanthropic expenditures subject to analysis include the market value of both cash and value-in-kind donations provided by the companies.

The research agenda is summarized in the following investigative points:

## **1) Time series analysis of philanthropic expenditures**

A time series analysis was conducted on the amount of philanthropic giving by non-banking enterprises listed on the Korea Exchange (KRX) and the Korean Securities Dealers Automated Quotations (KOSDAQ) beginning in

1981. In particular, a comparison is made with the amount of donations provided in the first half of 2009, a situation of deteriorating business conditions, with the same period one year before in order to determine the impact of the economic downturn on corporate giving.

## **2) Analysis of quarterly variations in philanthropic expenditures**

This paper attempts to determine if companies tend to execute a lump sum philanthropic outlay when they find themselves with excess cash in the fourth quarter, considering philanthropic donations to be “unspent budget”. It then sets out to identify the reasons.

## **3) The correlation between corporate governance and corporate giving**

## **4) The impact of the deployment of a dedicated CSR committee and inclusion in the SRI index on corporate giving**

## **5) If belonging to a large corporate conglomerate affects giving**

## **6) The impact of the structure of corporate ownership on corporate giving**

## **7) Analysis of other variables that may affect philanthropic giving (industry, corporate governance, revenue, advertising expenses, and entertainment expenses)**

Through the investigation of these corporate philanthropic expenditures, this research is expected to complement studies that analyze reports of CSR activities published by companies. However, that CSR data made public by companies may not accurately reflect the level of their CSR practice since it is difficult to distinguish those companies that adopt CSR as part of their major business policies from those that are engaged in CSR practice simply for the sake of their corporate image.

For example, some companies may adopt CSR as a central management policy in order to gradually expand the practice, even though they do not maintain dedicated CSR committees. On the other hand, some companies, despite supporting a dedicated their CSR committee and releasing periodical CSR reports, may not engage in philanthropic activities in the practical sense. Therefore, if only ostensible factors such as equipping a dedicated CSR committee and publishing CSR reports are used to determine cross-sectional variations of the CSR efforts of companies, there is a greater chance to confuse “true” CSR devotees with “counterfeit” ones. It also seems difficult to objectively draw a distinction between the two.

For companies, corporate giving is a direct CSR expense. Hence, this research on corporate philanthropic spending is expected to complement direct analyses of CSR activities.

## II. Data and variables

### A. Data

The sample set subject to analysis includes a total of 1,618 non-banking companies listed on the KRX and KOSDAQ as of the second quarter of 2009. Companies in the banking sector were excluded due to accounting practices distinct from non-banking sectors; instead of being cataloged independently on a financial statement, philanthropic giving is included among non-operating expenses.

This research undertakes analyses of both yearly and quarterly financial data. While yearly financial statements from public South Korean companies have been available since 1981, the systematic compilation of quarterly data began only in 2000. Accordingly, the time period of analysis for yearly corporate giving is 1981-2008, but only from 2000 through the second quarter of 2009 for quarterly giving. The yearly data will generate a longer time series, while the quarterly data may offer insight into the impact on CSR practices of the economic recession of the first half of 2009.

### B. Measurement of variables

The amount of philanthropic donation reported in income statements was used to determine the size of and variations in donations. Those financial figures represent the reported amount of cash and the market value of in-kind



donations given by the company during the financial year in question. Variables were identified to measure the cross-sectional differences between companies. The following three variables were primarily used to measure the quantity of giving:

1. Give: amount of donation (cash and the market value of in-kind donation)
2. Give1(%): amount of donation/sales revenues
3. Give2(%): amount of donation/general administrative expenses

The time value of the money involved was reflected in order to perform the time series analysis on a more accurate basis by using the consumer price index to state all monetary figures, including amount of donation, in terms of 2008 value.

Explanatory variables that affect the size of and variation in giving include corporate governance ranking, deployment of a dedicated CSR committee within the company, inclusion in the SRI index as created by the KRX, membership in a large corporate conglomerate, and equity ownership structure. These variables will be explained later together with the implications of the findings.

### III . Yearly trends in corporate giving

A time series analysis was conducted on corporate giving after all monetary values were converted via the consumer price index into 2008 values. Figure 1 shows the time series trend of philanthropic donations by listed companies from 1981 to 2008. The diagram (Fig. 1.A) depicts the average amount of donation by year of all listed companies and demonstrates that corporate giving has experienced a steady decline since the mid-1990s. Figure 2 shows the time series trend of the amount of giving in proportion to average sales revenues (GIVE 1) and the amount of giving against general administrative expenses (GIVE2). These proportions have also been diminishing since the mid 1990s.

Apart from the variations in the absolute and relative sizes of donations, Figures 1 and 2 suggest that corporate giving is highly sensitive to changes in overall economic conditions. As shown in Figure 1, companies drastically reduced their philanthropic expenditures during the economic downturns of 1996, 1997, 2001, 2007 and 2008. Figure 2, which illustrates changes in the amount of donation relative to revenue and general administrative expenses, demonstrates that the rate of reduction of donation in negative economic conditions is more drastic than that of revenue or general administrative expenses.

The declining trends in both the absolute amount and proportion of giving could be partly attributable to the relatively low CSR participation among smaller companies newly listed on the KOSDAQ, which opened in 1996. As a

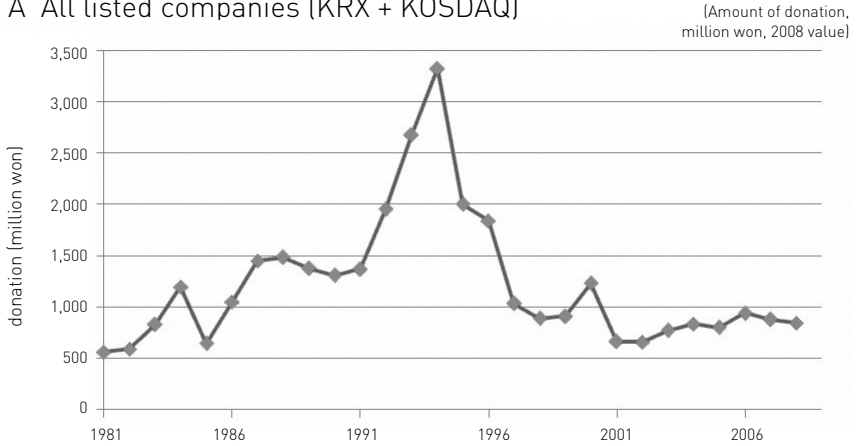
result of the launch of the KOSDAQ in 1996, the total number of listed companies surged. If the CSR practices of these newly listed companies were immature, as is the case with many start-ups, their inclusion in the samples might have impacted the overall averages.

In order to determine the feasibility of this assumption, a separate analysis was conducted purely with companies listed on the securities market. As presented in Figure 1.B and Figure 2.B, the time series trend is common to both the KRX and the KOSDAQ. That implies that the increase in the number of small companies introduced with the KOSDAQ did not significantly affect overall average donations by listed companies.

In particular, the proportion of donation by KRX-listed companies, as shown in Figure 2.B, is nearly identical to that of the KRX and KOSDAQ combined. Based on these findings, this paper primarily describes the giving trends among all listed companies, regardless of whether on the KRX or KOSDAQ.

Figure 1. Yearly trend in corporate giving

1. A All listed companies (KRX + KOSDAQ)



1. B KRX-listed companies

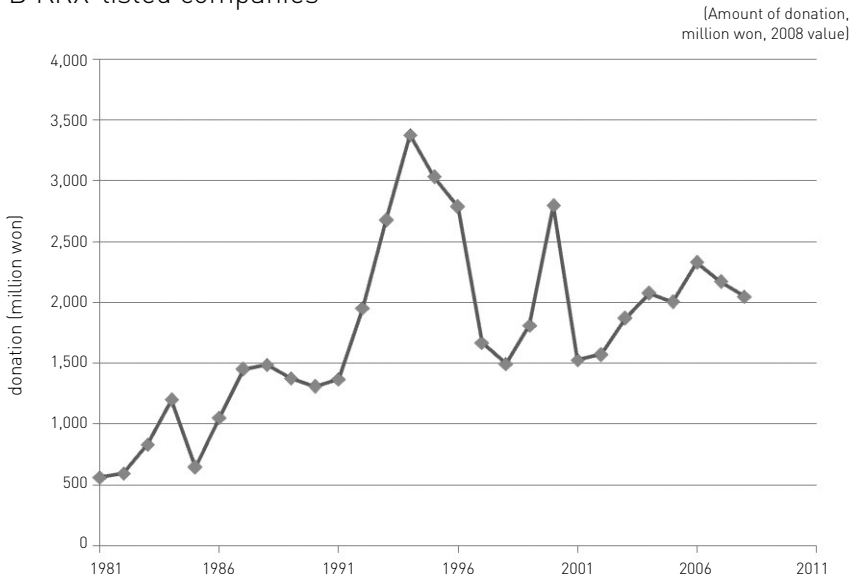
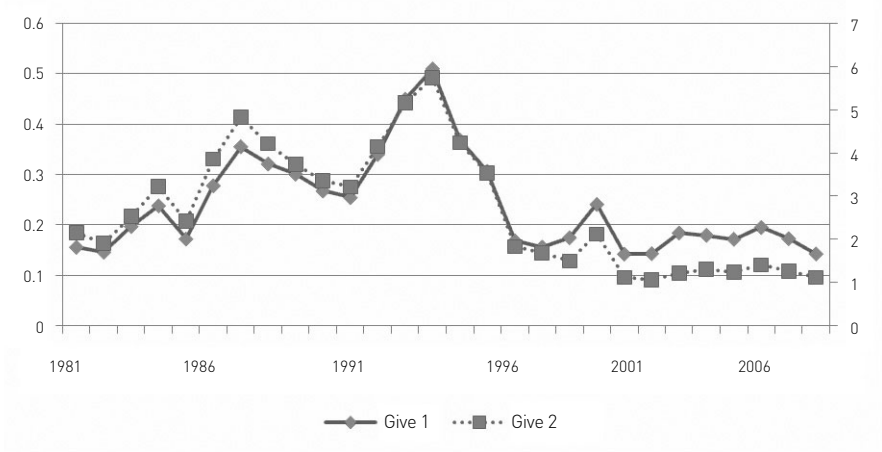
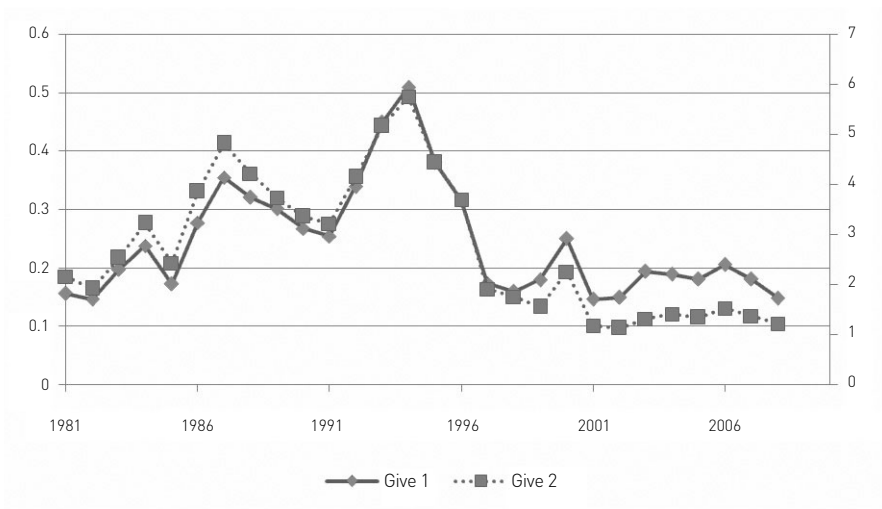


Figure 2. Yearly trend in proportion of giving

2. A All listed companies (KRX + KOSDAQ)



2. B KRX-listed companies



## IV. Cross-sectional analysis of corporate giving

### A. Status of corporate philanthropic outlay

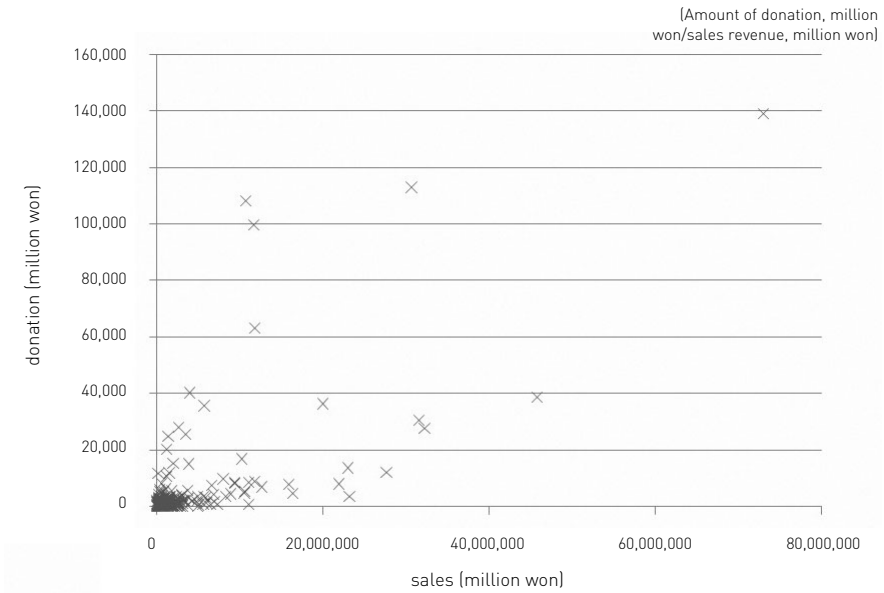
The general character of corporate giving was examined using 2008 data in order to understand the present status of corporate giving. Figure 3 shows the philanthropic expenditures of listed companies in relation to their sales revenues. Since revenue is a key variable in depicting company size, Figure 3 can also be seen to illustrate amount of giving by size of company. Prominent in this diagram is that overall corporate giving in South Korea is sustained by a very few companies. Most of the 1,618 non-banking listed companies gave only a token amount.

This phenomenon can be clearly identified in Table 1, which shows the distribution of listed companies by amount of philanthropic donation. As shown in the table, 22% of the 1,618 companies do not give at all, 31% give less than a million won per year, and 51% dedicate less than ten million won.

Figures 4 and 5 illustrate industry effect in corporate giving. Figure 4 tracks the average amount of giving by industry and Figure 5 the proportion of giving by industry. A noticeable industry effect in corporate giving is apparent. Specifically, consumer-oriented industries such as consumer services, food and beverages, cigarettes, pharmaceuticals, and bio-products give more than other industries. This seems highly predictable since consumer-oriented companies could be expected to make greater efforts to enhance their corpo-

rate images. By the same token, they may participate more actively in philanthropic activities, something proven by the fact that their scale of giving is greater than non-consumer-oriented companies.

**Figure 3. Philanthropic Expenditures: Sales Revenues and Amount of Donation**



**Table 1. Sample distribution by amount of donation (unit: won)**

	0	Less than 100,000	100,000- 1 million	1-10 million	10- 100 million	Over 100 million
No. of companies	362	31	106	320	408	391
%	22%	2%	7%	20%	25%	24%
Sum	362	393	499	819	1,227	1,618
%	22%	24%	31%	51%	76%	100%

Figure 4. Philanthropic expenditures: Amount of donation by industry

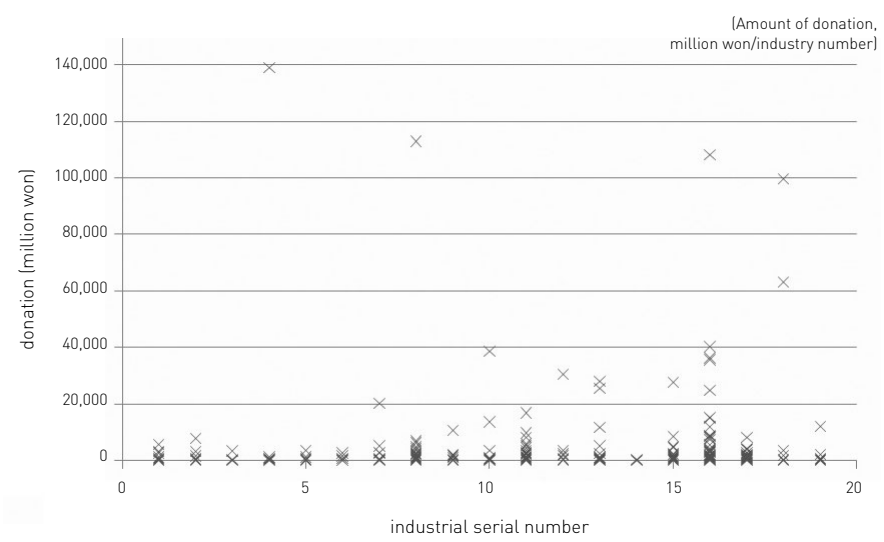
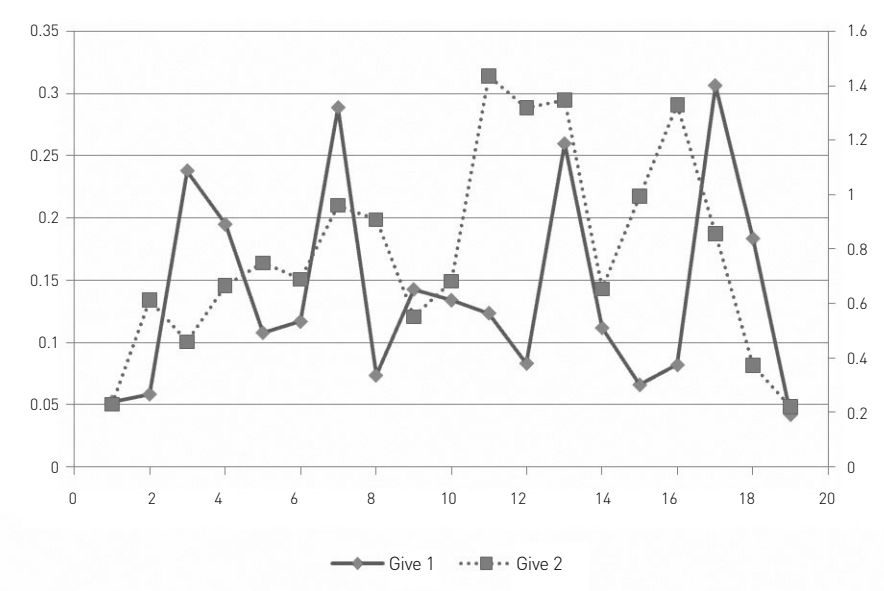


Figure 5. Philanthropic expenditures: Proportion of donation by industry





## Industry Category

1: Consumer durables and garments	2: Display
3: Media	4: Semiconductors
5: Commercial services	6: Living goods
7: Consumer services	8: Materials
9: Software	10: Energy
11: Transportation and logistics	12: Utility
13: Food, beverage, and cigarette	14: Medical equipments and services
15: Automobiles and components	16: Capital goods
17: Pharmaceuticals and bio products	18: Communication services
19: Hardware	

## B. Explanatory and control variables used to analyze amount of giving

A number of factors may impact the amount given by a particular company. As revealed in this research, company size, either represented by sales revenue or general administrative expenses, is among the key variables that affect the amount of corporate giving, as is industry effect. It is a simple matter to assume an impact by these variables on amount of giving. Hence, this research examined the link between amount of giving and publicly released CSR indices and corporate governance variables while controlling general variables.

For the first explanatory variable related to amount of philanthropic expenditures, level of public promotion of CSR was selected. In general, companies that emphasize CSR create a dedicated CSR committee. This research assumed that companies with such units and those included in the SRI index created by the Korea Exchange (KRX) would possess strong CSR initiatives.

It is also expected that in the process of carrying out CSR activities, these companies are likely to increase their amount of donation. This paper looked into whether these companies assume positive attitudes towards philanthropic expenditures.

The enterprises included in the SRI index created by the KRX were assigned 1 as the SRI variable and those excluded were tagged 0 as a dummy variable. Companies included in the SRI index are listed in Appendix 2. The committee variable is a dummy variable that indicates the existence of a dedicated CSR committee, with 1 given to companies with a CSR committee and 0 to those without. Appendix 3 lists companies supporting a CSR committee.

The second explanatory variable for philanthropic spending is level of improvement of corporate governance, for which the 2009 Corporate Governance Points (CGP) as defined by the Corporate Governance Service was used as a reference. The CGP reflects evaluations in five categories, including protection of shareholders' rights, board of directors, public notices, auditing agencies, and profit sharing. The Corporate Governance Service categorized listed companies into five rankings, including "Excellent", "Good+", "Good", "Average", and "No ranking" based on scores earned as of March 2009. Appendix 1 shows companies and their rankings. For the CGP variable, "Excellent" companies were assigned 4, "Good+" 3, "Good" 2, "Average" 1, and "No ranking" 0.

The third explanatory variable is the membership of a company in a large corporate conglomerate. Companies under the umbrella of a corporate group

may strive to live up to an overarching corporate image; also, their management may show greater sensitivity regarding their corporate image. It is assumed that this variable may affect the level of corporate donation. This research appointed dummy variables categorizing large corporate groups into top 5, 6-15, and 16-30 groups based on their rankings by sales volume. GroupD5, GroupD15, and GroupD30 variables are dummy variables, marked 1 for those belonging to the top 5, 6-15, and 16-30 groups, respectively, and 0 for those outside these groupings. Public corporate groups and companies whose principle shareholders are not individuals but rather another company were excluded from the analysis as they do not share the attributes of a large corporate group. To supply corporate standings, rankings of corporate groups released by the Fair Trade Commission in April 2009 were used.

The fourth explanatory variable is equity ownership structure. Corporate ownership may affect level of donation given the broad influence it wields over management decision-making. In general, companies with a higher proportion of insider ownership (the insider variable: insider ownership) are expected to enjoy more efficient decision-making. Therefore, if the management is deeply interested in philanthropic activities, companies with greater insider ownership may donate more. The proportion of foreign ownership (the foreign variable: foreign ownership) and of institutional ownership (the institution variable: institutional ownership) are included in the analysis as control variables since they are likely to impact decisions by management.

Other control variables included in the analysis are defined as below:

**Sales:** sales revenue (company size)

**Profit (Profitability):** operating profit/sales revenue

**AD\_r (Advertisement Ratio):** advertising expenses/sales revenue

**Serv\_r (Serving cost Ratio):** entertainment expenditures/sales revenue

**Debt\_r (Debt Ratio):** debt ratio (debt/asset)

**GASC\_r (General Administration and Sales Cost Ratio):** administrative expense/sales revenue

Table 2 contains elementary statistics related to the variables subject to analysis. The average amount of donation of listed companies in South Korea was estimated to be 800 million won, significantly less than figures announced by the Federation of Korean Industries or in similar surveys. This might be related to the fact that only a small number of companies practice philanthropic donations and usually those interested in CSR tend to be more likely to respond to surveys.

As shown in the table, amount of donation by company varies: while the average amount is 800 million won, the standard deviation reaches 6.5 billion won. Given this unequal distribution of amount of donation, a separate analysis was performed exclusively with companies that gave 100 million won or more. The average amount of donation within this subsample was 3.4 billion won.

Regarding the proportion of donation standardized by company size, the Give1 variable, the proportion of donation relative to sales revenue, was 0.12% for all companies and 0.39% for those that gave 100 million won or

more. The Give2 variable, the proportion of donation relative to administrative expenditures, was 0.81% for the total sample and 2.88% for the subsample.

**Table 2. Descriptive statistics: Give, Give1, and Give2**

Variable	Mean		STDEV	
	Total	100 million won or more	Total	100 million won or more
Give(Million won)	844	3,403	6,533	12,876
Give1(%)	0.2	0.39	2.79	5.09
Give2(%)	0.81	2.88	2.79	5.09
SRI	0.04	0.14	0.19	0.34
Committ	0.02	0.07	0.13	0.25
CGP	0.16	0.51	0.52	0.87
Group D5	0.03	0.11	0.18	0.31
Group D15	0.03	0.08	0.16	0.27
Group D30	0.03	0.07	0.18	0.26
Insider	0.38	0.42	0.18	0.17
Foreign	0.03	0.04	0.09	0.09
Instit	0.02	0.03	0.06	0.07
Sales(Million won)	591,535	2,060,943	3,105,056	6,029,935
Profit	-0.09	0.06	1.02	0.21
Ad_r	0.01	0.02	0.03	0.03
Serv_r	0.01	0.00	0.02	0.01
Debt_r	0.45	0.45	0.26	0.20
Gasc_r	0.30	0.21	0.97	0.24

### C. Empirical analysis results: determinants of donation

This section investigates whether factors such as corporate governance, inclusion in the SRI index, and existence of a dedicated CSR committee affect amount of corporate donation. An empirical analysis was conducted focusing on CSR variables and corporate governance variables while controlling for other variables that may affect amount of donation.

Table 3 demonstrates the results of a regression analysis of decisive factors in donation amount. Panel A gives results for all listed companies and Panel B shows companies with 100 million won or more in donations.

Among the most meaningful findings in this regression analysis was a significant positive relationship between the CGP and giving variables. The CGP had positive regression coefficients against Give1, Give2, and InGive, a log value taken for the amount of donation, indicating that improved corporate governance increases amount of donation. This observation was common in both the total sample and the subsample.

The positive relationship between improved corporate governance and giving variables allows for an intriguing interpretation. First, it is important to keep in mind that CGP is related to maximized corporate value and transparent management, but not directly to corporate social responsibility. In this regard, the finding that companies with improved corporate governance are more willing to give is not a result of a mechanical relationship. One possible interpretation is that the positive relationship between improved corporate

governance and giving variables suggests a virtuous cycle between maximizing corporate value and corporate social responsibility. In other words, efforts to improve corporate governance in pursuit of optimized corporate value lead to increased donation. This interpretation is relatively free from the issue of causality since no logical grounds have been laid for expecting increased donation to lead to improved corporate governance.

Furthermore, GroupD15, which represents the mid-sized corporate groups in rankings 6 to 15 based on asset size, has a significant positive relationship with giving variables. This implies that those in the mid-range group give more compared to the top 5 or to lower-range corporate groups.

For the subsample comprised of companies with 100 million won or more in donations, the proportion of insider ownership showed a negative correlation with the giving variables. It can be assumed that companies with a higher proportion of insider ownership reflect the characteristics of owner-run companies rather than those operated by professional managers. Hence, this finding implies that companies managed by an owner are less inclined to give compared to those run by professional managers.

It was presumed that companies with a perceived image of advanced CSR practice are also actively engaged in corporate donation. However, the SRI variable and the committee variable turned out not to be significantly related to the giving variables. Interpretation of this result is somewhat difficult. One possible inference is that the SRI or committee variable does not represent the level of CSR practice at an appropriate level. That is, companies included in the SRI index or those with a dedicated CSR committee might be vocally pro-

moting CSR without actually putting it into practice and therefore not manifesting it as philanthropic expenditures.

On the other hand, a completely different interpretation becomes possible if the SRI or committee variable is assumed to represent level of CSR practice. In this case, the weak relationship between giving variables and CSR variables may imply that corporate philanthropic spending and CSR practice are mutually exclusive activities. Companies that desire to practice CSR independently are likely to deploy a dedicated CSR committee or be included in the SRI index. They may elect to carry out CSR activities by utilizing their existing human resources rather than through donation. If this scenario is closer to existing practices, the CSR variables and giving variables will not be significantly related.



**Table 3. Decisive factors in donation size**

**Panel A: All companies**

	Dependent variable					
	GIVE1		GIVE2		GIVE3	
Intercept	0.334*** (0.00)	-0.102 (0.49)	-3.596*** (0.00)	-3.943*** (0.00)	-21.593*** (0.00)	-28.851*** (0.00)
SRI		-0.003 (0.96)		-0.832** (0.07)		0.049 (0.94)
Committee		-0.112 (0.12)		-0.921 (0.15)		-0.434 (0.64)
CGP	0.102*** (0.00)	0.078*** (0.00)	0.311** (0.04)	0.422** (0.02)	0.517** (0.02)	0.110 (0.67)
GroupD5		-0.072 (0.13)		-0.215 (0.62)		0.189 (0.19)
GroupD15		0.134*** (0.01)		1.888*** (0.00)		0.248 (0.70)
GroupD30		-0.060 (0.17)		-0.781** (0.04)		-0.581 (0.30)
Insider	0.010 (0.81)	0.010 (0.82)	0.083 (0.82)	-0.198 (0.62)	1.615*** (0.00)	1.622*** (0.00)
Foreign	0.050 (0.56)	0.027 (0.75)	-0.968 (0.20)	-0.870 (0.25)	1.333 (0.23)	0.539 (0.62)
Institution	0.103 (0.45)	0.114 (0.40)	0.075 (0.95)	-0.022 (0.99)	0.341 (0.85)	-0.378 (0.83)
lnSales	-0.014** (0.02)	0.007 (0.41)	0.239*** (0.00)	0.263*** (0.00)	1.580*** (0.00)	1.927*** (0.00)
Profit		0.063 (0.15)		0.028 (0.94)		3.002*** (0.00)
AD_r		1.409*** (0.00)		-2.668 (0.49)		20.086*** (0.00)
Serv_r		2.303* (0.10)		16.634 (0.18)		82.507*** (0.00)
Debt_r		-0.009 (0.80)		-0.445 (0.18)		-0.996** (0.03)
GASC_r		0.074 (0.20)		-0.588 (0.25)		2.075*** (0.00)
Industry effect controlled		YES		YES		YES
F Value	7.230	5.020	11.940	3.610	178.350	35.210
Adj R-sq	0.019	0.076	0.033	0.050	0.355	0.410

**Panel B: Companies with 100 million won or more in donations**

	Dependent variable					
	GIVE1		GIVE2		INGIVE	
Intercept	4.136*** (0.00)	3.329*** (0.00)	10.394*** (0.00)	21.481*** (0.00)	5.409*** (0.00)	4.117*** (0.00)
SRI		0.059 (0.50)		-0.121 (0.90)		0.701*** (0.00)
Committee		-0.015 (0.90)		-0.587 (0.64)		-0.209 (0.43)
CGP	0.193*** (0.00)	0.143*** (0.00)	0.209 (0.57)	0.523 (0.19)	0.571*** (0.00)	0.380*** (0.00)
GroupD5		-0.004 (0.96)		0.064 (0.95)		-0.100 (0.62)
GroupD15		0.267*** (0.01)		2.226** (0.03)		0.717*** (0.00)
GroupD30		-0.073 (0.44)		-1.903* (0.06)		-0.667*** (0.00)
Insider	-0.387*** (0.01)	-0.275* (0.06)	-1.597 (0.28)	-2.844* (0.06)	-0.828*** (0.01)	-0.539* (0.10)
Foreign	0.102 (0.68)	0.113 (0.66)	-4.007 (0.14)	-0.814 (0.77)	0.232 (0.69)	-0.007 (0.99)
Institution	-0.045 (0.89)	0.067 (0.83)	-1.555 (0.66)	-2.113 (0.54)	-1.050 (0.17)	-0.864 (0.24)
InSales	-0.188*** (0.00)	-0.155*** (0.00)	-0.342* (0.06)	-0.886*** (0.00)	0.405*** (0.00)	0.444*** (0.00)
Profit		-0.419*** (0.01)		1.597 (0.38)		0.781** (0.04)
AD_r		-0.863 (0.45)		-12.056 (0.32)		-0.551 (0.83)
Serv_r		9.233* (0.10)		13.463 (0.82)		10.762 (0.39)
Debt_r		0.028 (0.83)		0.750 (0.59)		-0.168 (0.57)
GASC_r		0.243 (0.20)		-5.847*** (0.00)		0.595 (0.17)
Industry effect controlled		YES		YES		YES
N	398	398	398	398	398	398
F Value	26.78	5.76	1.74	1.98	90.13	17.55
Adj R-sq	0.245	0.288	0.009	0.076	0.529	0.579

## V. Impact of deteriorating business environment on philanthropic expenditures

### A. Effect of global financial crisis

In general, unfavorable economic conditions prompt for-profit companies to reduce their philanthropic efforts. However, the degree of these cutbacks might be less extreme among companies that practice CSR as part of their long-term business strategies. This section analyzes the impact on corporate donation of the downturn in the world economy which began in earnest in the second half of 2008. It will look into how much corporate donation decreased in the first half of 2009, when the impact of the recession began being felt, compared to the same period the previous year.

**Table 4. The degree of reduction in corporate donations in the first half of 2009**

Variables	Mean		STDEV	
	Total	Companies with 100 million won or more in donations	Total	Companies with 100 million won or more in donations
Decrease1 (%)	0.06	0.18	1.13	1.79
Decrease2 (%)	0.29	0.96	6.29	6.05
Decrease_x (million won)	108	448	1,641	3,290

Definition of variables:

Decrease1=Give1 (1<sup>st</sup> half 2008)-Give1 (1<sup>st</sup> half 2009)

Decrease2=Give2 (1<sup>st</sup> half 2008)- Give2 (1<sup>st</sup> half 2009)

Decrease\_x=Give (1<sup>st</sup> half 2008)-Give (1<sup>st</sup> half 2009)

Table 4 depicts the extent to which the recent economic downturn affected the size of donations. Decrease1 and Decrease2 represent the degree of decrease in Give1 and Give2, respectively. Decrease\_x shows the difference in the amount of donation.

As indicated in the table, all giving variables exhibited a decline in the first half of 2009 compared to the previous year. Amount of donation fell by an average of 100 million won in the full sample and 400 million won in the sample of 100 million won or over donors. The degree of reduction in the amount of donation becomes highly significant when considering the average annual amount of donation, which is 800 million won for the full sample and 3.4 billion won for the subsample. Amount of donation in proportion to company size was significantly reduced as well. The Give1 variable fell by 0.06% in the overall sample and 0.18% in the subsample.

## **B. Analysis of the degree of decrease in amount of donation**

This section investigates a possible link between the type of company and the impact of the negative economy on the amount of donation. Table 5 presents the results of a regression analysis using the degree of decrease in giving variables as dependent variables. Panel A is for the full sample. Panel B shows the same for the subsample.

Dependent variables Decrease1 and Decrease2 represent the degree of reduction in Give1 and Give2, respectively, while Decrease3 is a log value for the difference in the amount of donation. Variables that represent the level of

donation (InGive, Give1, and Give2), which are included as explanatory variables, were measured using the average annual amount of donation. For example, Give1 was defined as the average annual amount of donation divided by average annual sales revenue from 1981 to 2008.

Analyzing Table 5, it is difficult to link the reduction in the amount of donation witnessed in the first half of 2009 to the specific character of companies. Although it was expected that the degree of decrease might be smaller among companies that make philanthropic donations as a part of long-term business strategies, the results of this analysis seem to fall short of supporting this assumption.

On the other hand, the degree of decrease in the amount of donation was larger for companies that had previously given more, proving that the variables that show the level of donation (InGive, Give1, and Give2) have a significant, positive relationship with the decrease variables. Furthermore, the degree of decrease was greater among companies with elevated corporate governance and a higher level of donation. Variables other than the level of donation were not statistically significant.

Table 5. Analysis of the degree of decrease in the amount of donation in the first half of 2009

Panel A: All companies

	Dependent variable					
	Decrease1		Decrease2		Decrease3	
Intercept	-0.011 (0.33)	-0.011 (0.90)	-0.048 (0.55)	0.661 (0.88)	-0.064 (0.81)	-2.793 (0.17)
SRI		0.031 (0.32)		0.225** (0.05)		1.512** (0.02)
Committee		-0.026 (0.55)		0.316 (0.89)		-0.284 (0.76)
CGP	0.027*** (0.00)	0.026** (0.04)	0.157*** (0.01)	0.088 (0.18)	0.914*** (0.00)	0.540** (0.04)
GroupD5		-0.009 (0.76)		0.212 (0.35)		0.314 (0.61)
GroupD15		0.015 (0.64)		0.226 (0.91)		0.458 (0.48)
GroupD30		0.014 (0.62)		0.194 (0.75)		0.003 (1.00)
Insider	-0.007 (0.78)	0.017 (0.58)	-0.065 (0.73)	0.213 (0.52)	-0.014 (0.98)	0.486 (0.43)
Foreign	-0.036 (0.47)	-0.031 (0.55)	-0.420 (0.25)	0.372 (0.25)	0.029 (0.98)	0.219 (0.84)
Institution	0.039 (0.62)	0.054 (0.51)	0.429 (0.45)	0.594 (0.40)	-3.068* (0.07)	-3.15* (0.07)
Give1	0.266*** (0.00)	0.265*** (0.00)				
Give2			0.235*** (0.00)	0.013*** (0.00)		
lnGive					0.480*** (0.00)	0.469*** (0.00)
lnSales		0.000 (0.93)		0.037 (0.82)		0.122 (0.30)
Profit		-0.031 (0.26)		0.196 (0.92)		-1.275** (0.03)
AD_r		-0.093 (0.74)		1.994 (0.95)		3.769 (0.52)
Serv_r		0.573 (0.51)		6.188 (0.74)		15.295 (0.40)
Debt_r		0.028 (0.23)		0.165 (0.13)		0.571 (0.24)
GASC_r		-0.013 (0.72)		0.257 (0.17)		-0.721 (0.34)

	Dependent variable					
	Decrease1		Decrease2		Decrease3	
Industry effect controlled		YES		YES		YES
N	1561	1561	1561	1561	1561	1561
F Value	67.66	10.74	75.59	11.88	140.32	22.58
Adj R-sq	0.176	0.175	0.193	0.192	0.309	0.32

**Panel B: Companies with 100 million won or more in donations**

	Dependent variable					
	Decrease1		Decrease2		Decrease3	
Intercept	-0.048 (0.36)	0.166 (0.64)	-0.236 (0.55)	-0.435 (0.87)	-6.691** (0.03)	-1.110 (0.85)
SRI		0.052 (0.40)		0.588 (0.22)		1.669 (0.11)
Committee		-0.077 (0.34)		-0.201 (0.75)		-1.376 (0.32)
CGP	0.042** (0.02)	0.042 (0.12)	0.226* (0.10)	0.159 (0.43)	0.454 (0.25)	0.334 (0.46)
GroupD5		0.011 (0.87)		-0.095 (0.84)		0.967 (0.36)
GroupD15		0.05 (0.48)		0.182 (0.74)		0.966 (0.42)
GroupD30		0.018 (0.79)		-0.144 (0.78)		0.291 (0.80)
Insider	0.041 (0.68)	0.08 (0.46)	0.223 (0.77)	0.807 (0.33)	1.508 (0.38)	1.493 (0.41)
Foreign	-0.059 (0.72)	0.02 (0.91)	-0.846 (0.51)	-0.423 (0.76)	-0.889 (0.76)	1.111 (0.71)
Institution	0.125 (0.57)	0.12 (0.60)	1.469 (0.38)	1.247 (0.47)	-4.274 (0.25)	-4.367 (0.25)
Give1	0.258*** (0.00)	0.25*** (0.00)				
Give2			0.235*** (0.00)	0.236*** (0.00)		
lnGive					0.972*** (0.00)	0.935*** (0.00)
lnSales		-0.007 (0.71)		-0.011 (0.94)		-0.166 (0.60)
Profit		-0.212* (0.09)		-0.384 (0.69)		-2.973 (0.16)

	Dependent variable					
	Decrease1		Decrease2		Decrease3	
AD_r		0.031 (0.97)		2.041 (0.74)		16.540 (0.23)
Serv_r		1.473 (0.71)		11.013 (0.72)		62.371 (0.36)
Debt_r		0.114 (0.22)		0.996 (0.17)		1.193 (0.45)
GASC_r		-0.125 (0.35)		0.744 (0.47)		-4.671** (0.04)
Industry effect controlled		YES		YES		YES
N	386	386	386	386	386	386
F Value	14.81	2.92	18.17	3.24	8.82	2.29
Adj R-sq	0.152	0.145	0.182	0.165	0.092	0.102



## VI. Concentration of corporate donations in the fourth quarter

### A. Quarterly trend

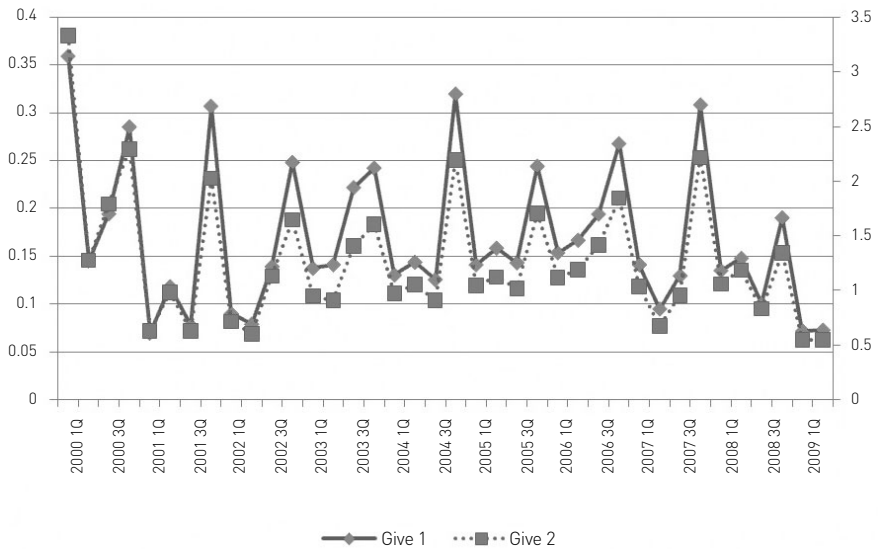
Companies who include philanthropic donations among their core business strategies do not give as a one-off event. Accordingly, their philanthropic expenditures are not expected to be limited to a particular time of year. However, an analysis of quarterly trends in corporate donations reveals that contributions are lumped disproportionately in the fourth quarter.

Figure 6 illustrates average quarterly philanthropic spending by listed companies. As is shown, corporate donations were concentrated in the fourth quarter of each year. Table 6 shows the difference between the average amount of donation in the first, second, third and fourth quarters in a period stretching from the first quarter of 2000 to the second quarter of 2009. According to this table, an average of 200 million won more was donated in the fourth quarter among all companies and 600 million won more among companies with 100 million won or more in donations. The fourth quarter also shows a significantly higher proportion of donations than the remaining quarters.

Several assumptions can be made as to why corporate donations are disproportionately concentrated in the fourth quarter. First, companies may treat philanthropic expenditures as a catchall for surplus budgeted funds.

That is, rather than being planned in advance and executed over the course of a year's routine management, philanthropic donations are made as a one-off event at the end of the financial year, depending on that year's performance. Second, the fact that numerous nonprofit organizations commonly hold fundraising events in the fourth quarter might contribute to the phenomenon.

Figure 6. Quarterly trend in the size of donations



**Table 6. Degree of concentration of corporate donation in the fourth quarter**

Variables	Mean		STDEV	
	Total	Companies with 100 million won or more in donations	Total	Companies with 100 million won or more in donations
4Qtr_1 (%)	0.15	0.45	1.58	2.82
4Qtr_2 (%)	0.71	2.08	3.62	5.47
4Qtr_x (million won)	187	622	1,695	3,066

Definition of variables:

4Qtr\_1=Give1 (4<sup>th</sup> quarter average) - Give1 (1<sup>st</sup>, 2<sup>nd</sup>, and 3<sup>rd</sup> quarter average)

4Qtr\_2=Give2 (4<sup>th</sup> quarter average) - Give1 (1<sup>st</sup>, 2<sup>nd</sup>, and 3<sup>rd</sup> quarter average)

4Qtr\_x=Give (4<sup>th</sup> quarter average) - Give (1<sup>st</sup>, 2<sup>nd</sup>, and 3<sup>rd</sup> quarter average)

## **B. Regression analysis of the concentration of corporate donations in the fourth quarter**

This section reviews whether the level of concentration of corporate donations in the fourth quarter can be explained by variables that represent the character of a given company. Dependent variables 4Qtr\_1 and 4Qtr\_2 are defined as the difference in average Give1 and Give2 between the fourth quarter and the first, second, and third quarters in the period from 2000 to 2009, respectively. 4Qtr\_3 is the log value for the difference in the amount of donation between the fourth quarter and the remaining quarters.

Table 7 shows the results of a regression analysis taking the variables that represent company characteristics as independent variables against dependent variables 4Qtr\_1, 4Qtr\_2, and 4Qtr\_3. Panel A represents the full sample and Panel B shows the subsample with 100 million won or more in donations.

According to Table 7, the concentration of donations in the fourth quarter was particularly intense among companies with a higher level of donation. In other words, the variable that represents the difference between the fourth and the other quarters had a significant, positive relationship with variables that represent the level of donation (amount of donation and proportion of donation). Other significant variables include the mid-range corporate group dummy and insider variables. The concentration of donation in the fourth quarter was relatively weak for mid-sized corporate groups, but strong in owner manager-run companies with a higher ratio of insider ownership.

**Table 7. Concentration of corporate donation in the fourth quarter**

**Panel A: All companies**

	Dependent variable					
	4Qtr_1		4Qtr_2		4Qtr_3	
Intercept	-0.054*** (0.00)	0.361** (0.03)	-0.337*** (0.01)	1.546 (0.19)	-3.752*** (0.00)	-7.844*** (0.01)
SRI		0.051 (0.30)		0.332 (0.33)		0.362 (0.64)
Committee		-0.075 (0.27)		-0.231 (0.63)		0.831 (0.44)
CGP	-0.018 (0.19)	0.012 (0.54)	-0.156 (0.11)	0.016 (0.90)	0.281 (0.23)	-0.092 (0.76)
GroupD5		0.014 (0.76)		0.007 (0.98)		0.573 (0.42)
GroupD15		-0.084* (0.09)		-0.554 (1.00)		-2.503*** (0.00)
GroupD30		0.014 (0.75)		0.152 (0.60)		1.437** (0.03)
Insider	0.077* (0.06)	0.058** (0.20)	0.481 (0.10)	0.45 (0.16)	1.660*** (0.01)	0.862 (0.23)
Foreign	0.008 (0.92)	0.04 (0.61)	-0.281 (0.61)	-0.177 (0.75)	3.305*** (0.01)	2.642** (0.04)
Institution	-0.006 (0.96)	0.01 (0.94)	-0.524 (0.54)	-0.002 (1.00)	-2.545 (0.20)	-3.911** (0.05)
Give1	1.011*** (0.00)	1.085*** (0.00)				
Give2			0.94*** (0.00)	0.958*** (0.00)		
lnGive					0.825*** (0.00)	0.785*** (0.00)
lnSales		-0.019** (0.04)		-0.099 (0.14)		0.338** (0.05)
Profit		-0.135 (0.12)		0.018 (0.98)		0.290 (0.83)
AD_r		-2.004*** (0.00)		-7.143** (0.04)		-16.255** (0.04)
Serv_r		-8.596*** (0.00)		-16.096 (0.34)		-24.554 (0.52)
Debt_r		-0.086 (0.09)		-0.375 (0.29)		-3.082*** (0.00)
GASC_r		0.088 (0.28)		0.735 (0.20)		0.877 (0.50)
Industry effect controlled		YES		YES		YES
N	1530	1530	1530	1530	1530	1530
F Value	153.82	25.26	147.8	23.55	97.63	16.86
Adj R-sq	0.333	0.35	0.324	0.334	0.24	0.261

**Panel B: Companies with 100 million won or more in donations**

	Dependent variable					
	4Qtr_1		4Qtr_2		4Qtr_3	
Intercept	-0.213*** (0.00)	0.412 (0.44)	-1.070** (0.04)	2.996 (0.44)	-8.458*** (0.01)	-2.459 (0.68)
SRI		0.057 (0.49)		0.429 (0.47)		0.258 (0.79)
Committee		-0.051 (0.65)		-0.069 (0.93)		0.909 (0.48)
CGP	0.003 (0.90)	0.013 (0.71)	-0.063 (0.73)	0.112 (0.66)	-0.179 (0.63)	-0.102 (0.80)
GroupD5		0.061 (0.47)		0.123 (0.84)		1.017 (0.29)
GroupD15		-0.082 (0.36)		-0.600 (0.36)		-2.777*** (0.01)
GroupD30		0.018 (0.83)		0.287 (0.65)		2.059** (0.04)
Insider	0.349*** (0.01)	0.260** (0.05)	1.758* (0.06)	1.378 (0.16)	4.070*** (0.01)	3.470** (0.03)
Foreign	-0.063 (0.75)	-0.032 (0.87)	-0.877 (0.54)	-0.533 (0.72)	2.453 (0.30)	2.178 (0.35)
Institution	0.112 (0.66)	0.126 (0.63)	-0.173 (0.92)	0.777 (0.68)	-4.437 (0.14)	-3.944 (0.19)
Give1	1.065*** (0.00)	1.095*** (0.00)				
Give2			0.981*** (0.00)	0.896*** (0.00)		
lnGive					1.169*** (0.00)	1.219*** (0.00)
lnSales		-0.029 (0.30)		-0.191 (0.34)		-0.188 (0.62)
Profit		1.104*** (0.01)		3.612 (0.25)		7.927 (0.11)
AD_r		-4.454*** (0.00)		-17.707* (0.07)		-34.924** (0.02)
Serv_r		-24.330*** (0.01)		-23.275 (0.74)		-124.817 (0.26)
Debt_r		-0.286* (0.08)		-1.634 (0.17)		-5.851*** (0.00)
GASC_r		0.083 (0.73)		0.745 (0.69)		-0.718 (0.79)
Industry effect controlled		YES		YES		YES
N	460	460	460	460	460	460
F Value	42.920	8.240	34.110	6.230	8.700	3.420
Adj R-sq	0.314	0.349	0.265	0.279	0.077	0.152

## VII. Summary of major findings

This research analyzed corporate donations, by year and by quarter, of 1,618 listed non-banking companies from South Korea over the period from 1981 to 2008. According to the results, these companies have been scaling back their donations since the mid 1990s. In particular, philanthropic expenditures by companies dropped sharply in 1996, 1997, and 2001 when the economy was in decline. The overall amount of corporate donation decreased in 2007 and 2008 as well. As for the proportion of donations to sales revenue, philanthropic giving at times of economic downturns declined at a much greater rate than sales revenues, which indicates that the amount of donation relative to the growth of companies has been decreasing.

The average amount of donation by listed companies in 2008 was around 800 million won, a meager 0.12% of average total sales revenues. A surprising 22% of listed companies have never participated in philanthropic expenditures. This implies that corporate donations are made by an extremely limited sliver of organizations, while the bulk of companies give a token amount for the sake of appearances.

Particularly striking is the impact of the most recent economic recession, which began in earnest in 2008, on corporate donations. The average amount of donation in the first half of 2009 plunged by more than 100 million won from the same period the previous year, while the proportion of philanthropic corporate giving to sales revenues dropped by 0.06% percentage points.

Factors affecting size of donations included industry effect and corporate governance: consumer-oriented industries such as consumer services; food, beverage, and cigarettes; pharmaceuticals; and bio industries were more actively engaged in philanthropic donation. Companies with improved corporate governance in terms of protection of shareholder rights and transparency in management also maintained a relatively higher level of donation. This finding can be interpreted to mean that improvements in corporate governance may lead to a positive impact on the level of corporate donations. This positive relationship between corporate governance and level of donation suggests a potential virtuous cycle between company value and corporate philanthropic giving. In other words, if a company supports CSR and raises its level of donation, consumers will demonstrate increased fondness toward the company, which will lead to an increased sales volume and thus to an enhanced corporate value.

In terms of corporate groups, mid-sized groups ranked 6-15, rather than the top five, showed a larger amount of donation relative to company size. However, inclusion in the SRI index and the existence of a dedicated CSR committee did not affect donation size.

Corporate philanthropic donations were seen to be concentrated in the fourth quarter of each financial year. The overall amount donated in the fourth quarter was 200 million won more on average than in other quarters. The proportion of donation to sales revenue was similarly significantly higher in the fourth quarter. As to the clustering of corporate philanthropic donation in the fourth quarter, it is assumed that companies consider philanthrop-



ic expenditures as a destination for surplus funds. That is, companies donate as a one-off event at the end of the financial year rather than making it a part of a long-term management strategy.

The proportion of insider ownership also seemed to affect corporate donation. Companies with a higher level of insider ownership, expressing their nature as owner managed businesses, had a relatively lower level of donation and a more pronounced concentration of donation in the fourth quarter.

Sensitivity to economic conditions and concentration of donations in the fourth quarter was not significantly related to variables of company characteristics. However, organizations with a higher level of donation reduced those donations more dramatically during downturns and focused more on the fourth quarter than other enterprises.

### Appendix 1. Corporate Governance Point (CGP) rankings

Excellent (7 companies)	Shinhan Financial Group	Jeonbuk Bank	KT&G	SK Telecom	
	Woori Financial Group	KT	SK Energy		
Good+ (21 companies)	Daekyo	Doosan Infracore	LIG Insurance	Hana Financial Group	SK
	Daegu Bank	Doosan Heavy Industries & Construction	LG Display	Hynix Semiconductor	
	Daishin Securities	Busan Bank	Korean Reinsurance Company	Korea Exchange Bank	
	Doosan	Samsung Securities	Posco	Korea Electric Power Corporation	
	Doosan Engineering & Construction	STX Pan Ocean	Pulmuone	GS E&C	
Good (60 companies)	Kangwonland	Lotte Shopping	LG Household & Health Care	Hanwha	CJ

	Kyobo Securities	Meritz Fire & Marine	Woori Investment & Securities	Hanwha Chemical	GS Holdings
	Kumho Investment Bank	Mirae Corporation	Il-Yang Pharmaceutical	Hyundai Engineering & Construction	LG Life Sciences
	Daelim Industrial Company	Samsung C&T	Cheil Industries	Hyundai Mobis	LG Electronics
	Daewoo Engineering & Construction	Samsung Electro-Mechanics	KCC	Hyundai Development Company	LG Telecom
	Daewoo International	Samsung Electronics	Korea Gas Corporation	Hyundai Merchant Marine	LG Chem
	Daewoo Shipbuilding & Marine Engineering	Samsung Fire & Marine Insurance	Hankook Tire	Hyundai Motor Company	LS Industrial Systems
	Daewoo Securities	Samchully	Korea Investment Holdings	Hyundai-Steel	OCI
	Daewon Pharmaceutical	Shinsegae	Hanyang Securities	Hyundai Heavy Industries	SK Networks
	Dongkuk Steel Mill	SKC	Hanjin Heavy Industries & Construction	Hyundai Hysco	SK Securities
	Dongbu Fire & Marine Insurance	NHN	Hanjin Heavy Industries & Construction Holdings	Hyundai Fire & Marine Insurance	SK Chemical
	Dong-A Pharmaceutical	LG Telecom	Hanjin Shipping	Hwasung Industrial	S-OIL
Average (123 companies)	KyungDong City Gas	Meritz Bank	SeAH Besteel	First Fire & Marine Insurance	Hansol Paper
	Kyeryong Construction	Mirae Asset Securities	Shinyoung Securities	Choil Aluminum	Han All Pharmaceutical
	Korea Development Corporation	The Willbes & Co.	Ssangyong Cement Industrial	Industrial Bank of Korea	Hyundai Mipo Dockyard
	Korea Zinc Company	Miwon Commercial	CJ CGV	Jinheung Mutual Savings Bank	Hyundai Department Store
	Gwangju Shinsegae Department Store	Bugwang Pharmaceutical	CJ	KSS Line	Hyundai Pharmaceutical
	Glovis	Bookook Securities	Amore Pacific	KTB Securities	Hyundai Elevator
	Kumho Industrial	Pusan City Gas	Asia Papertec	Cosmo Chemical	Hyundai Securities
	Kumho Petrochemical	Pusan Cast Iron	Asiana Airlines	Kolon	Honam Petrochemical
	Kumho Tire	Binggrae	HMC Investment Securities	Taekwang Industrial	Whan In Pharmaceutical

Kia Motors	Sajodaerim Corporation	NCsoft Corporation	Taeyang Metal Industrial	Hyosung
Daesung Industry	Samlip General Food	Yesco	Taeyoung E&C	Phoenix Communications
GM DAT	Sambu Construction	Woori Financial	Telcaware	Huneed Technologies
TS Corporation	Samsung Fine Chemical	Woo Sung Feed	Poong Lim Industrial	KPX Holdings
Korean Air	Samsung Heavy Industries	Wooshin Systems	Poongsan Corporation	LG
Korea Line	Samsung Card Corporation	Woongjin Thinkbig	Hite Holdings	LG International
Daehyun	Samsung Techwin	Woongjin Coway	Korea Electric Terminal	LG Fashion
Dongbang	Samsung SDI	Wiscom	Korea Mutual Savings Bank	LS
Dongbu Steel	Samjinpharm	Uangel Corporation	National Information & Credit Evaluation	NH Investment & Securities
Dongbu Hitek	Samho International	Eugene Securities	Hankuk Paper	S&T Daewoo
Dong-A Steel Technology	Samhwa Paint Industrial	Yuhan Corporation	Hankook Cosmetics	SBS
Tong Yang Major	Seoul Mutual Savings Bank	Yu Hwa Securities	Handok Pharmaceutical	SK Gas
Tong Yang Investment Bank	Sungshin Cement	Ildong Pharmaceutical	Hanmi Semiconductor	STX
DIC	Sungjee Construction	JS Cable	Hanmi Pharmaceutical	STX Offshore & Shipbuilding
Digital Power Communications	Sungjin Geotech	Jeil Mutual Savings Bank	Hanssem	
Lotte Confectionery	Sebang	Jeil Pharmaceutical	Handsome	

\* Rankings are based on the scores as of March 2009 (in Korean alphabetical order).

\* The CGP rankings reflect evaluations in five categories including protection of shareholders' rights, board of directors, public notices, audit agency, and profit sharing.

\* CGP=4 for 'Excellent'; 3 for 'Good+'; 2 for 'Good'; 1 for 'Average'; and 0 for 'No ranking'

## **Appendix 2. Companies included in the SRI (Socially Responsible Investment) index created by the Korea Exchange**

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Kumho Petrochemical, Kia Motors, Industrial Bank of Korea, Daum Communications, Daekyo, Daegu Bank, Daelim Industrial, Daewoo Shipbuilding & Marine Engineering, Daewoo Securities, Daewoong Pharmaceutical, Korean Air, Dongbu Hitek, Dongbu Fire & Marine Insurance, Doosan Infracore, Doosan Heavy Industries, Lotte Shopping, Samsung C&T, Samsung Electro-Mechanics, Samsung Electronics, Samsung Securities, Samsung Techwin, Samsung Fire & Marine Insurance, Samsung SDI, Shinsegae, Shinhan Financial Group, Ssangyong Cement, Amore Pacific, Asia Cement, Asiana Airlines, Woori Financial Group, Woongjin Thinkbig, Woongjin Coway, Yuhan Corporation, Cheil Industries, Pulmuone, Hana Financial Group, Hynix Semiconductor, Korea Gas Corporation, Korea Electric Power Corporation, Hansol Paper, Hanil Cement, Hanjin Shipping, Hanwha Chemical, Hyundai Mobis, Hyundai Department Store, Hyundai Steel, Hyundai Heavy Industries, Hyundai Motor Company, Hyosung, CJ, GS, GS E&C, KB Financial Group, KCC, KT, LG, LG Display, LG Life Sciences, LG Households & Health Care, LG Electronics, LG Fashion, LG Chem, NHN, POSCO, SBS, SK, SK Energy, SK Telecom, S-Oil

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\* For companies listed above, SRI=1; and other =0

## **Appendix 3. Companies with a dedicated CSR committee**

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Kyobo Life Insurance, KB Bank, Kumho Industrial, Kumho Life Insurance, Kumho Petrochemical, Kumho Asiana Group, Kumho Tire, Kia Motors, Daewoo Engineering & Construction, Dongbu Fire & Marine Insurance, Lotte Engineering & Construction, Lotte Hotel, Samsung C&T, Samsung Electro-Mechanics, Samsung SD, Samchully, Shinsegae, Posco Engineering & Construction, Hynix Semiconductor, Korea Gas Corporation, Korea Western Power, Korea Electric Power Corporation, Hanwha Engineering & Construction, Hyundai Engineering & Construction, Hyundai Mobis, Hyundai Steel, Hyundai Motor Company, Hyundai Hysco, GS Caltex, KT, KTF, LG Display, LG Households & Health Care, LG Electronics, LG Telecom, LG Chem, POSCO, SK Broadband, SK Energy, SK Telecom

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\* For companies listed above, Committee=1; and other =0



03

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Corporate Social Responsibility Survey  
Questionnaire

# 03

## Corporate Social Responsibility Survey Questionnaire

Corporate Social Responsibility Joint Research Team

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The Center on Philanthropy at the Beautiful Foundation

Survey collection and data analysis : Research & Research, Inc.

ID						LIST ID					
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## Corporate Social Responsibility Survey

July, 2009

Thank you for taking your time to respond to this survey.

This study is designed to investigate the Corporate Social Responsibility efforts of South Korean companies in order to identify recent trends and present a model for responsible corporate citizenship. Based on the biennial Corporate Social Responsibility Survey conducted by the non-profit Beautiful Foundation, the results of this study will be shared at the International Philanthropy Symposium of Giving Korea 2009, scheduled for November of this year.

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.

Park Sang-jung, Director of the Board, The Beautiful Foundation  
 Park Tae-gyu, Director, The Center on Philanthropy at the Beautiful Foundation  
 (Professor of Economics, Yonsei University)

### Corporate Social Responsibility Joint Research Team

- Dong-woo Han (Professor, Graduate School of Social Welfare, Gangnam University; Researcher, The Center on Philanthropy at the Beautiful Foundation)
- Sang-gyeong Jeon (Professor of Business Administration, Hanyang University; Researcher, The Center on Philanthropy at the Beautiful Foundation)
- The Center on Philanthropy at the Beautiful Foundation, Tel. 82-2-730-1235 (internal. 273)

### Introduction

#### Respondent

Company with a dedicated CSR unit: manager in charge of the CSR unit

Company without a dedicated CSR unit: manager of the general affairs, public relations, or external cooperation unit who is in charge of corporate philanthropy

#### Methods of response: Fax or email

Please either fax or email a completed survey questionnaire.

Company name: Please write your company name here, ( DOM )

SQ1. Company type

- ① Listed company in rankings 1-300
- ② Listed company in rankings 301-1800
- ③ Unlisted company in rankings 1-1800

SQ1. Kosdaq

- ① Kosdaq
- ② Non-Kosdaq

I. CSR Units and Resources

CSR activities are defined as a set of activities conducted by a company for the purpose of promoting social good or assisting individuals or organizations that undertake such activities by providing cash, value-in-kind, professional services, volunteer work, etc. that is unrelated to the ordinary operations of a company.

※ The following activities are not included as CSR activities in this survey:

- 1. Programs targeting a company's workers and families.
- 2. Education or R&D activities performed for the benefit of the company's operations.
- 3. Activities associated with ordinary customer relations such as after-sales service.

1. Has your company participated in CSR activities such as provision of cash, value-in-kind, professional services, or volunteer work, since the inception of the company?

- ① Yes (☞ Go to Q2)
- ② No (☞ Go to Q1-1 and 1-2 in the box below)

1-1. What are the reasons that your company did not participate in CSR



activities? Please select two.

- ① Financially unable
- ② Do not feel the need
- ③ Management objection DUM 011-DUM015
- ④ Don't know how to engage
- ⑤ Other \_\_\_\_\_

1-2. Is your company willing to participate in CSR activities in the future?  
future? (☞ Go to Q35.)

- ① Certainly
- ② If circumstances allow, yes
- ③ Not interested
- ④ Don't know

2. Does your company have a specific unit or dedicated human resources allocated for CSR activities?

Units and/or personnel of a corporate foundation are not included here.

- ① Yes, both organizational and dedicated human resources [eg. We have a CSR unit] (☞ Go to Q2-1)
- ② Dedicated human resources only [eg. We have some staff in charge of CSR within the PR unit] (☞ Go to Q2-2)
- ③ No dedicated human resources, but there are personnel in charge [eg. Someone in the PR unit is in charge of CSR] (☞ Go to Q2-3)
- ④ No (☞ Go to Q4)

2-1. What is the personnel composition of your dedicated CSR unit?

(☞ Please go to Q3)		
	Position	Number (persons)
executive		
manager		
staff		

2-2. How many employees do you have in your dedicated CSR unit?  
Full-time persons, Part-time persons (☞ Go to Q3)

2-2. How many employees are actually dealing with CSR activities?

(☞ Go to Q4) \_\_\_\_\_ persons

3. When did you first allocate human resources for CSR activities?

Year \_\_\_\_\_

4. Is there a corporate foundation established by your company?

① Yes

② No

II. CSR activities in 2008
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5. Did your company undertake CSR activities last year (2008)?

① Yes (☞ Go to Q6)

② No (☞ Go to Q5-1 in the box below)

5-1. Did your company undertake CSR activities in 2007?

① Yes (☞ Go to Q5-2)

② No (☞ Go to Q35)

5-2. What are the reasons that your company did not participate in CSR activities in 2008? Please select two.

① Financially unable

② Do not feel the need

③ Management objection

④ Don't know how to engage

⑤ Other \_\_\_\_\_

6. How much did you donate in total last year? (unit: KRW) (☞ Please be as accurate and specific as possible.)

① Donor: Corporate donation KRW \_\_\_\_\_ , Executive donation KRW \_\_\_\_\_

② Donation type: cash KRW \_\_\_\_\_ , value-in-kind KRW \_\_\_\_\_

7. 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.)

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

8. Did your donation in 2008 increase compared to 2007?

- ① Yes, it increased (~~☞~~ Go to Q8-1)
- ② No, it decreased (~~☞~~ Go to Q8-2)
- ③ It was the same (~~☞~~ Go to Q9)

8-1. How much did it increase? Approximately \_\_\_\_\_ % (~~☞~~ Go to Q9)

8-2. How much did it decrease? Approximately \_\_\_\_\_ % (~~☞~~ Go to Q9)

- ① Financially unable
- ② Do not feel the need
- ③ Management objection
- ④ Don't know how to engage
- ⑤ Other \_\_\_\_\_

9. 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 No, there will be decreased contribution
- ④ Don't know

## 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		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	
	Other	Private donations	

10. In which of the following activities did your company participate last year? What is the percentage of each category in terms of donation amount?	
The sum of the percentages should be 100%.	
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 (            ):	_____ %

11. How did you channel your donation? What is the percentage of each category in terms of donation amount?	
The sum of the percentages should be 100%.	
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 central or local governments	_____ %
⑤ Other	_____ %

(☞ Please be accurate and specific as possible.)

### III, Method of CSR activities

12. 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 \_\_\_\_\_

13. 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 Volunteer work
- ⑤ Discounts
- ⑥ Stock donation
- ⑦ Other (                    )

14. 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 \_\_\_\_\_

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?

Please select two.

- 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 \_\_\_\_\_

18. 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 \_\_\_\_\_

#### IV. Impact of CSR activities

19. How does your company evaluate the impact of CSR practice?

- ① Use an internal evaluation index and system
- ② Employ external experts or organizations
- ③ Managerial Receive both internal and external evaluations
- ④ Improve Do not evaluate
- ⑤ Other (        )
- ⑥ Other \_\_\_\_\_

20. 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 such as an increased sales volume	①	②	③	④	⑤	
Help improve the organizational culture such as building unity among company employees	①	②	③	④	⑤	
Help resolve or prevent social issues	①	②	③	④	⑤	
Have an impact on the policies of the central government or local governments	①	②	③	④	⑤	
Other _____	①	②	③	④	⑤	



21. 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

22. What was the most satisfying CSR project for your company in 2008? Please indicate the reason.

Most satisfying CSR project	Reason

23. What do you think was the most desirable CSR project among all South Korean companies, including yours, in 2008? What is the reason for your choice?

Most satisfying CSR project	Reason

24. How closely are your company's CSR activities related to the company's vision or business area? Q24

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

25. Amidst the recent economic downturn around the world, is your company planning to change the scale of CSR practice? If yes, please indicate the reason. Q25

- ① There will be increased contribution. (reason: )
- ② There will be decreased contribution. (reason: )
- ③ It will be maintained at the same level.

## V. Employee Volunteer Activities

26. 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 Q27)
  - ② Yes, there are employee volunteer programs; no, there is no company support (☞ Go to Q27)
  - ③ No, there are no employee volunteer programs (☞ Go to Q33)
27. What is the participation rate in employee volunteer efforts? (number of employees who have participated more than once/total number of employees x 100%) \_\_\_\_\_%
28. What is the annual average hours of volunteering of each participating employee?  
\_\_\_\_\_ hours
29. 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 \_\_\_\_\_
30. 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

31. 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 \_\_\_\_\_

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

- ① Yes
- ② No

## VI. 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.

33. Has your company ever pursued CRM strategies?

- ① Yes
- ② No (~~☞~~ Go to Q35)

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 No Not much
- ③ Somewhat
- ④ Very much so
- ⑤ Don't know

VII. 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 Don't know

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

VII. Views on Policies related to Corporate Social Responsibility

DQ1. 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 (      )

DQ2. What is your position within the company?

- ① Staff
- ② Assistant manager
- ③ Manager
- ④ Assistant director / director
- ⑤ Executive

DQ3. How long have you been working for your current company?

\_\_\_\_years \_\_\_\_months

DQ4. How long have you been employed in your current role (CSR-related role)? \_\_\_\_\_years \_\_\_\_\_months

DQ5. What were your company's revenues in 2008? KRW \_\_\_\_\_ thousand

Your input will help further promote the culture of sharing.

The results of this survey will be released at the International Philanthropy Symposium of Giving Korea 2009, scheduled for November 10. An invitation to the symposium will be sent to you. Thank you for your valuable time.

Please do not fill out the box below.

Company		Response date	dd	mm	time:
Company address					
Phone (landline)	☎ ( ) -				
Interviewer		Supervisor			
Person in charge of coding		S/V			





04

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Researcher  
(Dong-woo Han / Sang-gyung Jun)

# 04

## Researcher

### **Dong-woo Han**

Professor, Graduate School of Social Welfare, Kangnam University,  
Researcher, The Center on Philanthropy at the Beautiful Foundation

### **Sang-gyung Jun**

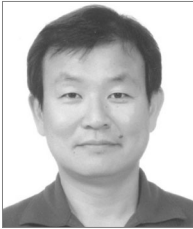
Professor of Finance, School of Business, Hanyang University,  
Researcher, The Center on Philanthropy at the Beautiful Foundation



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# The Status and Challenges of Corporate Social Responsibility of South Korean Businesses

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**Dong-woo Han**

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Researcher, The Center on Philanthropy at the Beautiful Foundation  
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## **Education**

February 1987	B.A., Department of Social Welfare, Yonsei University, South Korea
August 1989	M.A., Department of Social Welfare, Yonsei University, South Korea
August 1995	Ph.D, Department of Social Welfare, Yonsei University, South Korea

## **Recent Positions**

March 2000-present	Researcher, Social Welfare Research Institute, Kangnam University
December 1998-present	Member, Social Welfare Committee, People's Solidarity for Participatory Democracy
June 1999-present	Member of Board of Directors, The Korean Society for Welfare Administration
July 2004-present	Member, Distribution Committee, Korea Foundation for Women
2005-present	Researcher, The Center on Philanthropy at the Beautiful Foundation

## **Academic Society Memberships**

- Member, Korean Academy of Social Welfare
- Member, The Korean Society for the Welfare Administration
- Member, Korea Social Welfare Research Institute
- Member, The Korea Association of Community Welfare
- Member, The Korea Association of Social Welfare Policy
- Member, The Korean Association of Nonprofit Organization Research
- Member, Yonsei Social Welfare Research Club

### **Recent Books**

D. W. Han, et al. (2008) Principles and Reality of Social Welfare Studies, Hakjusa, Seoul

D. W. Han, et al. (2003) Social Welfare Administration in South Korea, Hakhyunsa, Seoul

D. W. Han, et al. (2002) Social Welfare in South Korea, Yupoong, Seoul

### **Recent Papers**

D. W. Han (2008) Factors of Governance Structures to Ensure Accountability in a Social Welfare Organization, Korea Nonprofit Research 7:1

D. W. Han, Y. C. Ha, S. Y. Moon, S. J. Cho (2003) The Impact of Corporate Social Responsibility on Businesses with a Focus on Consumer Analysis, Korea Nonprofit Research 2:2, pp. 125-160

D. W. Han (2003) Finances of Social Welfare Centers: Problems and Implications, Korea Nonprofit Research 2:1, pp. 165-198

D. W. Han (2002) Research on the Relationship between Organizational Performance and the Compatibility between Leadership and Organizational Culture, 2002 Spring Academic Conference, The Academy of Critical Social Welfare

### **Recent Research Reports**

D. W. Han (2007) Status of Corporate Philanthropy in South Korea, Giving Korea 2007, The Center on Philanthropy at the Beautiful Foundation

D. W. Han, et al. (2004) Status of Disaster Management and Rescue Systems in South Korea and their Improvement, Community Chest of Korea

D. W. Han, Y. C. Ha, S. Y. Moon (2003) The Impact of Corporate Social Responsibility on Businesses, Community Chest of Korea

D. W. Han, et al. (2003) Irregular Workers and Labor Unions, The Federation of Korean Trade Unions

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# Corporate Giving Trends in a Deteriorating Business Environment

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**Sang-gyung Jun**

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## Education

August 1994-May 2000      Ph.D. in Finance, The State University of New York at Buffalo, U.S.A.  
September 1992-June 1994      MBA in Finance, The Ohio State University, U.S.A.  
March 1981-February 1985      B.A. in English Literature, Seoul National University, South Korea

## Academic Positions

March 2002-present      Professor, School of Business, Hanyang University, South Korea  
September 2000-March 2002      Professor, The State University of New York at Albany, U.S.A.

## Professional Organizations

March 2003-present      Member of Board of Directors at Korean Securities Association,  
Korean Financial Management Association, The Korean Association  
of Futures and Options  
March 2008-present      Chief Editor of Korean Financial Management Association  
January 2009-present      Member of Board of Directors of Korean Academy Society of Business  
Administration  
March 2005-present      Member of Board of Directors of Korean Association of Financial Engineering  
May 2004-present      Researcher, The Center on Philanthropy at the Beautiful Foundation

## Research Areas

Debt Maturity Structure, Capital Structure, Dividend Policy, Corporate Financing Decisions, Loan Sales and Securitization, Corporate Governance, Corporate Social Responsibility, Emerging Capital Markets, Mutual Funds



# 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.

Contact	The Beautiful Foundation 63-1 Gahoero, Jongno-gu, Seoul, 110-260, Korea
Phone	++ 82 2 766 1004
Fax	++ 82 2 730 1243
Email	give@beautifulfund.org
Web-site	www.beautifulfund.org

# 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.

Contact    The Center on Philanthropy at the Beautiful Foundation  
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