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Obstacle factors of corporate social responsibility implementation: Empirical evidence from listed companies in Taiwan

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ABSTRACT

This study is an initiative to integrate corporate social responsibility (CSR) and apply mind-mapping techniques to demonstrate the mind map of CSR implementation and obstacles faced by companies listed on the Taiwan Stock Exchange (TWSE) and Gre Tai Securities Market (GTSM) in Taiwan. In addition, this study takes the initiative to conduct a compressive questionnaire on CSR of those companies listed. The results show that "shortage of human resources" is the major obstacle to CSR implementation and that "no mandatory regulations" is the first priority in terms of needing improvement for CSR implementation. In addition, an independent sample *t*-test produces a mean score of 73% for the items on CSR reports as regulated by the Global Reporting Initiative (GRI) is reported. Moreover, a factor analysis is used to identify four dimensional factors (namely, "company resources," "regulations and international environment," "knowledge of CSR" and "capital" variables) as the effective predictors. This research also determines that cross-level obstacles to CSR implementation are correlated and demonstrates a view of "cross-level ecosystem of obstacle factors of CSR implementation." Finally, the results of Asia-Pacific Economic Cooperation (APEC) members to disclose CSR information after the financial crisis are also compared and analyzed with our research in this study.

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1. Introduction

Since 2001, financial crises in the world economy such as the fraud and bankruptcy of Enron Corporation in the United States, the accounting scandal at WorldCom in the United States and the global financial crisis of 2008 created a series of financial drawbacks that adversely affected investor rights worldwide. Such financial crises have widely been deemed to be due partially to lack of corporate social responsibility. CSR is defined as the continuing commitment by businesses to contribute to economic development while improving the quality of life of their workforce and their families, as well as of the community and society at large. In general, CSR is driven by business and is recognized as a key to business growth. CSR for business growth can create or destroy development and must be carefully monitored (Laura, Josep, Antonio, Atle, & Francesco, 2008).

Most corporations owned by the Organisation for Economic Co-operation and Development (OECD) member countries saw the value of CSR and found it an important philosophy for operating their corporation to meet the needs of humans. The tactics of setting up CSR networks play an important role in improving communal and societal development. Recently, Russia started focusing on the subject of CSR, which it defined as the responsibility of firms to ensure the long-term value of corporations; guarantee the social stability, safety, and prosperity of citizens; protect the environment; and observe human rights during the development of their businesses.[1]

In 1999, UN Secretary-General Kofi Annan called on global business leaders to create a Global Compact[2] in which companies agreed to live up to nine fundamental principles that, if fully implemented, would shape the world economy. In October 2008, the Danish Parliament (Folketinget) passed an amendment to the Danish Financial Statements Act, which required large businesses in Denmark to include CSR policies in their annual reports.[3] The act forced all large businesses to report on their CSR efforts, even if they had not implemented a CSR policy. In 2009, 89% of businesses in Denmark provided CSR information, 91% of reporting businesses stated that they work with CSR, and 69% of businesses showed their CSR policies. In January 2009, the Norwegian government proposed their first CSR white paper policy based on CSR within the global economy to the Norway Congress house.[4]

As Jose, Pablo, & Carmen (2006) pointed out, the concept of sustainable development became the major concept of companies after the Brundtland Report[5] in 1987. They found that the GRI sustainable development report became one of the guidelines for organizations to form CSR report. In addition, they found that Australia's report focused on the facts of product, management, and finance and Slovenia's report focused on facts related to labor, society, and environment. Both countries should have enhanced incentives for preparing a CSR report and used these incentives to prepare their reports on societal and financial efficiency. Golob and Bartlett (2007) compared CSR guidelines and reported on standards between Australian and Slovenian guidelines, which most countries used.

In 2003, the Securities and Futures Institute in Taiwan started the Information Disclosure Transparency Ranking System (IDtrs). In 2004, the question, "Does the company in its annual report disclose how it assumes social responsibility?" was added as another disclosure item for evaluation purposes. For the second year, 54 (5.5%) companies disclosed CSR in their annual reports, and during the ninth year, 567 (46%) companies made such a disclosure. Effectively, less than half of the companies made this disclosure. In 2011, the question, "Does the company on its website disclose its Corporate Social Responsibility Report?" was added as another disclosure item. Forty-six (0.04%) companies listed on the Taiwan Stock Exchange (TWSE) and Gre Tai Securities Market (GTSM) received points, and 35 of them disclosed CSR reports on the basis of the standard of GRI G3 (Wu, Liu, Yeh, Chen, & Yu, 2011), indicating a significant improvement in the implementation of CSR in Taiwan.

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[1] OECD, Centre for Entrepreneurship, SMEs, and Local Development.

[2] UN Global Compact.

[3] The Ministry of Foreign Affairs of Denmark (2013). Twentieth and Twenty-first Periodic Report of Denmark concerning the international convention on the elimination of all forms of racial discrimination.

[4] Corporate Social Responsibility and Reporting in Denmark—Impact of the Legal Requirement for Reporting on CSR in the Danish Financial Statements Act (2010).

[5] From Wikipedia, Our Common Future, also known as the Brundtland Report, from the United Nations World Commission on Environment and Development (WCED), was published in 1987. Its targets were multilateralism and interdependence of nations in the search for a sustainable development path.