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Master's Thesis

企業社會責任—金融業案例研究

**Is Corporate Social Responsibility a Marketing Tactics or a
Good Cause? A study on Financial Industry**

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中華民國一〇三年六月

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國立政治大學

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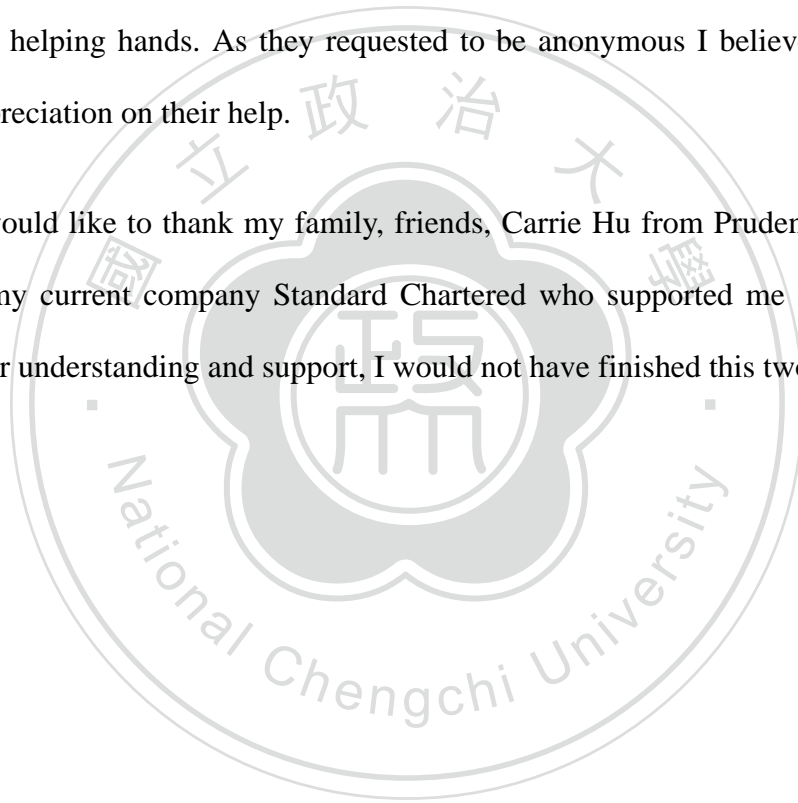
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Abstract

Is Corporate Social Responsibility a marketing tactics or a good cause? A study
on financial industry

By

Yolanda Chan

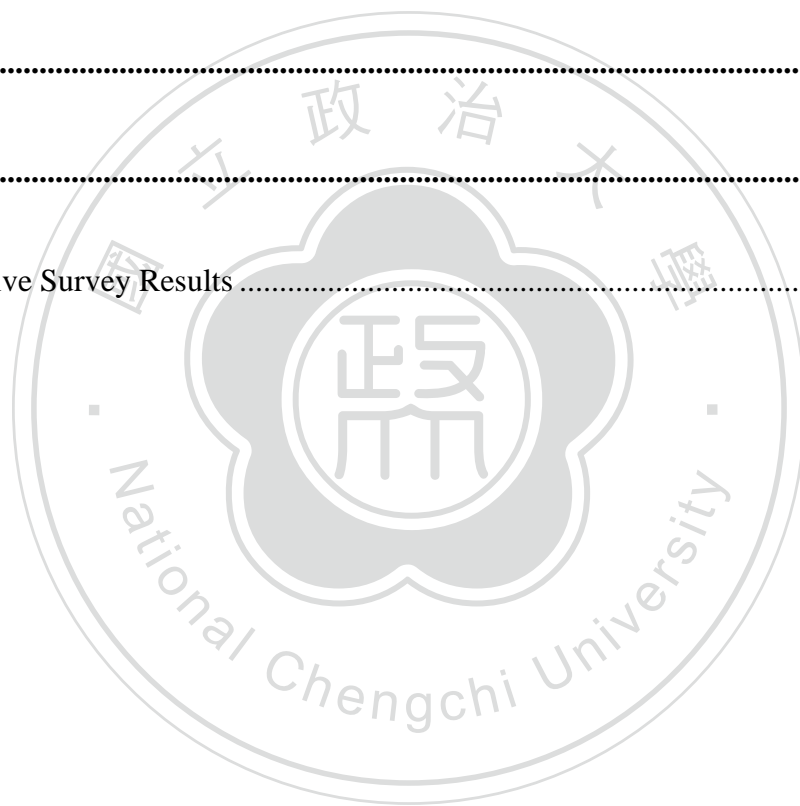
Corporate Social Responsibility is emerging in Taiwan. The thesis is to examine whether corporates in Taiwan are truly implementing corporate social responsibility by studying the practice in financial industry. In this paper, qualitative and quantitative surveys were conducted to the stakeholders of financial industry in order to evaluate their attitude, practice and effectiveness of financial industry on corporate social responsibility.

Keywords: Corporate Social Responsibility, Corporate Citizenship, Financial Industry, Banking Industry, Business Ethics

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1. Introduction

In the 21st century, when the business community is well developed in terms of their business model and ecosystem for various industries, some corporates are more aware of what they can do for the society. Taking the FMCG giant Unilever as an example, after securing ample market share in the world, they are putting what they can do for the society on a more sustainable development into consideration. Therefore their research and development department worked to find out a shower gel that helps save the water usage- as water wastage is directly derived from the use of shower gel. The laboratory of Unilever therefore refined the formula of their show gel, trying to make it more water-dissolvable that save the time you need to rinse the foams after application and eventually saving the volume of water used.

Some may argue that this is how a corporate is trying to make an excuse to conceal how they are impacting the environment. However, public is now more aware of how a company is impacting the society and corporate social responsibility has become one of the consideration for purchasing decision making.

In this article, I aim at taking the financial industry in Taiwan as example to elaborate how the practice of corporate social responsibility, how public perceive corporate social responsibility, how corporate responsibility serves the purpose of corporate and the effectiveness. By examining the practice in the industry, public's perception and corporates initiatives, I wish to find out if financial industry is using corporate social responsibility as marketing tactics or concealer to their negative issues, as argued by many, or a good cause to help the society.

2. Corporate Social Responsibility

Corporate social responsibility first defined in 1960s and 1970s, when public were more aware of how the profitability of a company was also impacting the society and environment.

In 1973, Davis defined CSR as *“the firm’s consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm...(to) accomplish social benefits along with traditional economic gains which the firm seeks.”* (Davis, 1973: 312)

This becomes the classical definition of CSR as Davis pointed out how a company should also consider what they can bring to the society besides profitability.

When time evolved, other academia including Carroll and Frederick further elaborated the definition of CSR by observing *“the social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given pointed of time.”*(Carrol, 1979:500) and *“the fundamental idea of ‘corporate social responsibility’ is that business corporations have an obligation to work for social betterment”*. (Frederick, 1986:4)

In the 90s, Donna J. Wood referred CSR to a form of corporate self-regulations integrated into a business model, in her article *“Corporate Social Performance Revisited”* in Academy of Management Review. (Wood: 1991). Wood stated that the CSR policy in a company serves as a built-in and self-regulating mechanism to monitor and ensure the company is actively fulfilling the compliance with the spirit of the law, ethical standards and international norms.

The above definition means that a corporation or organization should have a bottom-up

approaching in terms of business and CSR model in their operations. From the use of raw materials, employment of labor, working environment, supply-chain management, or in other words, along the value chain, corporates should consider how the business decisions made in different stages of production align with compliance, ethical and social standard. A real example is the fair trade campaign in Starbucks. Being a leading international beverage chain, Starbucks is a key player in coffee bean market. Most of the coffee beans are from developing countries in Latin America and Africa. However, coffee farmers are exploited by middlemen and wholesalers in the market. Their hard work is not paid even Starbucks is gaining huge profit. Therefore, Starbucks looked into the important element that made their huge success—the coffee beans. By purchasing the fair trade coffee beans, Starbucks manages the balance between cost and social impact to coffee farmers. This may not be the best example of corporate social responsibility, but this at least shows how a company is making an ethical consideration during their operations. In a Corporate Social Performance (CSP) Model, Wartick and Cochran (1985) reconciled the idea of CSR about public responsibility and social responsiveness by the CSP model. (Table 2.1)

Table 1: CSP model

The Corporate Social Performance Model

Principles of corporate social responsibility

Institutional principle: Legitimacy

Organization principle: public responsibility

Individual principle: managerial discretion

Processes of corporate social responsiveness

Environment assessment

Stakeholder management

Issues management

Outcomes and corporate behavior

Social impacts

Social programs

Social policies

For companies seeking to construct a CSR strategy, they should examine every single element in their business model. Are they offering reasonable wages and working hours to their labors? Are they offering equal work and same wages regardless of gender, race, ages, and family status when considering candidates with the same capability and experience? Are they paying their suppliers at reasonable pricing? Do their suppliers have the same set of standard? When they are producing new products or offering new service, do all these suit the social norm and compliance as well as regulation? Are they having high quality of corporate governance? All these questions are what we view on the CSR of the company.

Besides, one important principle to formulate CSR strategy is that corporate should also put business nature and business model into consideration. For example, for a manufacturing company which energy is the key production inputs, considering energy-efficiency in production is what to be included in the CSR approach. This is to offset the side effect from its business nature when they are making profit. Other examples can be IBM. This IT giant is

putting much effort in talent cultivation. During their transformation from an IT infrastructure company to IT consulting service, human resources is the valuable assets. In their CSR approach, cultivating talents is linked with the pillar about employee and their business model.

2.1. Benefit of CSR

For a company, with the implementation of CSR strategy, there are benefits that can be achieved besides gaining profits.

1) Staff engagement and retention

Companies can engage their staff in the CSR approach in order to help staff for a better understanding of the company. If the CSR approach is bottom-up and comprehensive, the company will provide a desirable working environment and reasonable human resources strategy, as this is one of the key elements of CSR. Besides, employees will be encouraged to participate in the community engagement event within social responsibility activities such as volunteering, fund raising for charity or staff engagement activities. Their sense of belonging will be elevated and the turnover can also be reduced.

Moreover, inclusion and diversify strategy on staff employment will also help break the limitation of selecting talents. When high quality talents are invited to join the company, this also encourages a new thoughts and sounds to break daily routine. The excitement added to the working environment offers staff a more flexible way of thinking that will attract them to stay.

2) Risk management

As a company is constantly in line with a guideline of proper operation, this can be regarded as a daily management of operation process and the implementation of code of conduct. For example, supply chain management is part of the CSR approach. When the suicide scandal of Hon Hai erupted in 2010, critics went to Apple, its key clients. Consumers blamed for the demanding supplier that lead to the 24/7 production line in Hon Hai, making it lose-lose situation for Hon Hai and Apple.

Another example is the improper sewage treatment of ASE, one of the world largest semi-conductor manufacturers, has lead to public concerns and suspension of their production line. In additions to a flaw in image, their profit and stock price dropped. If the corporate social responsibility approach is correctly adapted in a company, this at least could minimize the impact to society, environment and employee, as well as the risk embedded in the above issues.

3) Stakeholders management

For a company in operation, there are many stakeholders involved. From suppliers, customers, shareholders, government, society, to employees, all internal and external stakeholders are those a company has to manage day-by-day. When a CSR approach is implemented, a company can manage the expectation of these stakeholders, as well as engaging them into the operation. Taking ASE as example. When they are found the improper sewage treatment, the creditors may be aware of the possible impact to the cash flow of the company if they are fined or suspended for production. Regulators are also aware of the breach of environmental protection law, shareholders worry about the plunge in share price and impact on profitability,

while clients may stop buying from ASE. This is a chain of stakeholders ASE will need to manage. If the CSR strategy is correctly implemented, the approach itself serves the purpose of managing the expectation of stakeholders.

4) Brand assets

Corporate image is vital for brand architecture. The ethical aspects of a company can be reflected by whether the company is operating obliged to ethical, environmental and social norms. With a proper CSR system in a company, corporate image can be maintained in a positive way that turn out to be their reputation. This can be the reputation from employees, shareholders, regulators, consumers as well as suppliers. The intangible assets gained will add value to its branding.

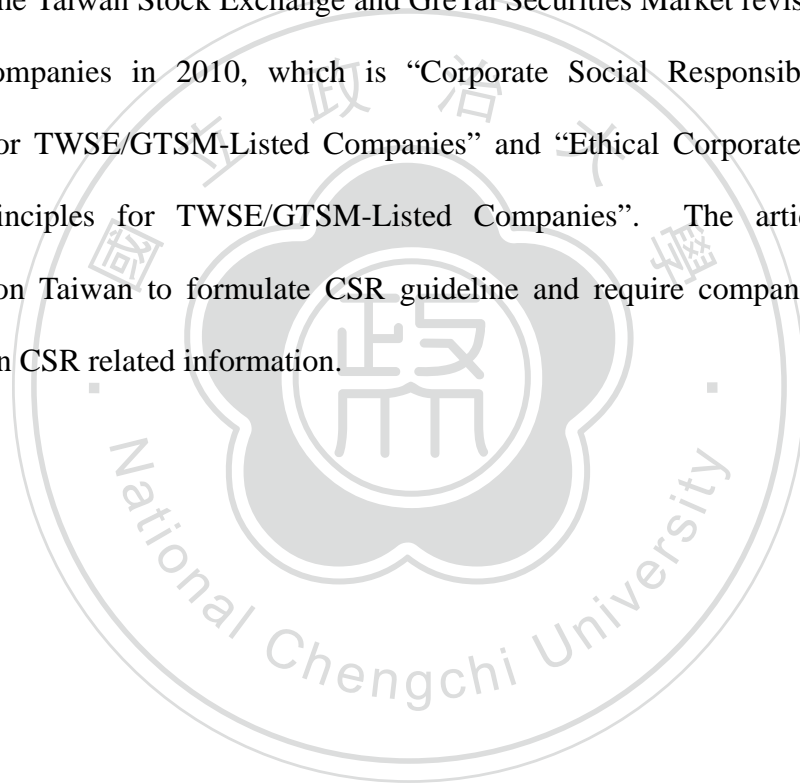
2.2. Regulations on CSR

As mentioned at above statement, CSR strategy covers all the resources from the company. This is not only presented as the output of an event or program. In various countries, regulators require publicly listed company for an annual CSR report and listed companies have to obliged to legal articles on corporate social responsibility. Kyoto Protocol, the protocol aims to reduce carbon emission is one of its kind to require various countries to consider the possible impact to environment and how to adapt a cleaner and more responsible approach to balance economic growth and environmental protection, can also be considered as a CSR regulation, though it does not target at companies.

However, in some countries, particularly in Europe, regulation on corporate social responsibility can be found. In Denmark, its parliament adopted a bill making it mandatory for the 1,000 largest Danish companies, investors and state-owned companies to include

information on corporate social responsibility (CSR) in their annual financial reports in 2008. India also passed a law on CSR. According the revised Company Act, any company having a net worth of rupees 500 crore or more or a turnover of rupees 1,000 crore or more or a net profit of rupees 5 crore or more should mandatorily spend 2% of their net profits per fiscal on CSR activities.

In Taiwan, the Taiwan Stock Exchange and GreTai Securities Market revised their regulations to listed companies in 2010, which is “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies” and “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies”. The article requires listed companies on Taiwan to formulate CSR guideline and require companies for information disclosure on CSR related information.



3. CSR in Taiwan

As mentioned above, listed companies are obliged to the two guidelines on CSR. Common Wealth and Global View, the two reputable magazines in Taiwan, also have CSR awards that encourage companies to apply. These awards are most welcomed among companies in Taiwan, as these trophies have always become companies' brand assets in creating a positive image. Some public relations consulting firms specialized in corporate social responsibility would help companies to roll out plan of CSR activities, award application and leveraging CSR event for stakeholders' engagement.

Setting up foundation is one of the popular practices among large scale cooperates. Most of the foundations serve for education and charity purpose. Hon Hai has a Yongling Foundation separately operated to support education, research on health issues and elderly care. Formosa Plastic also has a Wang Jan-yang Social Welfare Foundation that supports medical services in remote area and rare diseases. Delta Electronic, Xinyi Properties, and other renowned corporates also run their own foundations to support different causes. Some corporates would run the foundations separately and will "donate" the operation fee to its subsidiary foundation in order to achieve the purpose of tax deduction.

Some large-scale enterprises with a sophisticated public relations team would appoint a CSR specialist or sustainability officer. It is very rare to see a company setting up sustainability or CSR department. The specialists or team are responsible to communicate the CSR approach internally and externally to the company's stakeholders, daily office operation, handling media requires, organizing large scale activities, planning volunteering activities for staff engagement, drafting marketing materials for the foundation or the corporates in CSR aspects.

As most of them are under the corporate communications team, the background of these specialists is mostly public relation professionals.

Many listed companies in Taiwan would publish a CSR annual report to showcase their effort in CSR. Besides, from media- printed or electronic- you can also find a lot of media coverage, mostly advertorial, reporting the good cause they are doing. Companies awarded the CSR awarded would also share their experience in cultivating their CSR efforts. The names of the awards would also become the marketing materials of the corporates.

Looking into the judging criteria of these awards, the evaluation of these awards is more comprehensive now. From the very beginning, the awards mostly contributed to the CSR projects with large capital or human resources input or amount on a CSR project. For example, in 1996 when Common Wealth started ranking the Benchmark Corporates in Taiwan, CSR was only one of the criteria among others as benchmark corporates. The magazine then held an independent award in 2007. For companies to be included to its CSR Top 50, they have to gain high score in four elements namely corporate governance, commitment to market and consumers, social engagement and environmental protection. For the one from Global View, the magazine sets similar criteria for the judging panel but they are also opened for the application for CSR project.

Besides media, government is also encouraging corporate responsibility. Ministry of Economic Affairs (MOEA) has set up a website in 2011 to promote the concept of corporate social responsibility. Besides, the ministry also encourages the publication of CSR annual report as a way to guide corporates for a more comprehensive CSR approach. For public utility sectors and state-owned enterprises, they are compulsorily required for an annual

publication of CSR report. However, the role of MOEA is more like guidance to CSR rather than enforcing the execution of corporate social responsibility.

Some public relations consultants are also providing tailored-made service on CSR approaching. Some companies even list “awarding winning strategy” as one of the key services. Mostly, these companies are approached by corporates with needs of media arrangement and event management for a CSR event.

3.1. CSR in Taiwan Financial Industry

Across various industries in Taiwan, financial industry seems to have a more sophisticated corporate social responsibility approach. From banking, securities to insurance, you can see loads of media reporting about the CSR activities from the industry. An interview reporter also revealed that he received media invitation for these events almost every day.

There are dedicated CSR, or sustainability, specialists in most of the financial institutions. Most of them are under the public relations, or corporate communications or corporate affairs department. Few of them have a dedicated team for CSR or sustainability team in the department but this is still rare. The team can be found in mostly large-scale financial corporates, international firms or the foundation/ trusting fund of the financial institutions.

Large-scale international banks in Taiwan such as Citi Bank and Standard Chartered Bank have a team of 2 to 3 people under their Corporate Affairs Department responsible for communicating the CSR or sustainability strategy internally and externally. These companies have a global theme or key pillar to support their sustainability programs. Taking Citi as example, they have a Citi Foundation that serves as the key platform for Citi to demonstrate

the corporate social responsibility. With various scopes including environment protection, microfinance, financial access and building, Citi has a solid foundation in corporate social responsibility. The bank also encourages employees for local community engagement. The engagement does not limited to generic volunteering, but also welcomes any forms of community service initiated by the employees where they can make use of their knowledge to contribute to the society.

In Taiwan, female immigrants who are married to Taiwanese as well as aborigines are the two groups with lower financial literacy. The female immigrants who are also regarded as “foreign wives” mostly have lower education level and their marriages are more unstable. Most of them are married to male with lower social status and are unemployed after coming to Taiwan due to lower education level as well as cultural barrier. If they are deviced, they are forced to become financial independent but they have low level of financial literacy. Therefore Citi partnered with an NGO to offer financial knowledge to these women. Their employee then can make use of their profession in financial knowledge to educate the women about concept on financial management such as book keeping, while the social workers from NGO will help check the results and status of these women.

Another international bank in Taiwan, Standard Chartered, is having most of its markets in Africa, Asia and Middle East, which are with long daily sunlight exposure. The exposure to solar and ultra light is blamed to be the cause of eye disease. Due to poverty in these markets, avoidable blindness is not well treated and has led to other health problem. Therefore in 2004 Standard Chartered launched a global program “Seeing is Believing” to help people in developing countries to prevent avoidable blindness. Under this large umbrella, the bank has developed various activities in the world. For Taiwan, as the medical standard is high, lack of

medical treatment is not a key problem. Standard Chartered's initiative for "Seeing is Believing" becomes promoting inclusion to the blinds. The bank adopted the theme of its global program and changed the content into inclusive employment opportunity to the blinds. "Standard Chartered Visually Impaired Employment Advisory Council" was established in 2013 with the funding from Standard Chartered to help the blinds for a more diversified employment opportunities in Taiwan, as the blinds are limited to work as message workers mostly on the island.

Another example can be seen in Prudential Financial in Taiwan. The financial giant is one of the first foreign insurance companies entering Taiwan. For them, what means to corporate sustainability is "doing business the right way". After the 2008 financial crisis, they are one of the few financial institutions who were not impacted by the crisis. Obligation to legal and compliance are the key focus of the corporates and it is consistent in every of its markets. The rationale of having this as their key pillar of CSR is that most of their assets under management are pensions, insurance or annuities of their clients, which are the assets that offer clients with financial securities in their future. These assets have to be well managed when growing their scales. By aligning their business nature to the corporate social responsibility, they reward the society with its intuitive nature of the business.

It is also worth noticing that these international financial institutions have a more complete scope in terms of corporate social responsibility. From supplier management to client management, there are guidelines derived from the core value of their CSR pillars. For example, Citi, Prudential and Standard Chartered required their suppliers to oblige to anti-bribery laws. For employees, "Inclusive and diversity" working environment is guaranteed. For community, employee volunteering is encourage while some of them even

offer volunteering leaves to encourage large variety of community service. For environment, these companies all promote energy saving. Standard Chartered even stops providing paper cups for guests due to environment concerns. Prudential turned off all the light during lunch break to save unnecessary use of energy.

When interviewing the foreign financial institutions in Taiwan, they all stated clearly that corporate social responsibility is not the duty of public relations departments nor is only about charity. It is a good cause that embedded in every element of the companies and is represented by every employee. For example, diversification and inclusion employment means how every employee are evaluated and recruited at the same standard regardless to their sexuality, gender, race, family status and age. This has to be supported by all employees rather than a few managements who determined the talent acquisition policies. The employees have to understand and support the idea before it can be entirely implemented.

3.2. How CSR is Measured

Besides, these companies have a clear key performance index (KPI) in measuring the effect of their social responsibility. It is worth noticing that the KPI they are referring to is the output of the activities or initiatives. It could include the people benefited, such as the 41 million people reached by “Seeing is Believing”, the global program of Standard Chartered, or the 450 local projects to helps the NGO for community improvement supported by the partnership of United Way and Citi Taiwan, or the 15,000 hours of employee volunteering from HSBC. The KPI has to be set, particular for those projects seeking for capital investment, at the early stage of planning to assure the capital can go well to the beneficiaries.

Some banks such as Standard Chartered would also evaluate if the employees are having the same set of value to the company, which the value about corporate social responsibility is already embedded to their aspirations. The KPI can also be found among every staff. Standard Chartered calculated the total employee volunteering leaves annually and monitoring the coverage of staff volunteering among the group. HSBC also has the same measure. Reason of counting the amount of volunteering is to track if the employees are having work life balance. For some financial institutions, the KPI puts on the beneficiary. Citi's financial education program track the progress of their trainees about the financial management skill. This is checked by their book keeping behaviors and usage of wealth management tools including saving account, credit card and insurance.

By setting up the KPI in both quantitative and qualitative aspects, these financial institutions not only can monitor the cash flow of the program, as well as to make sure these activities and initiatives well aligned with social expectation and public's need.

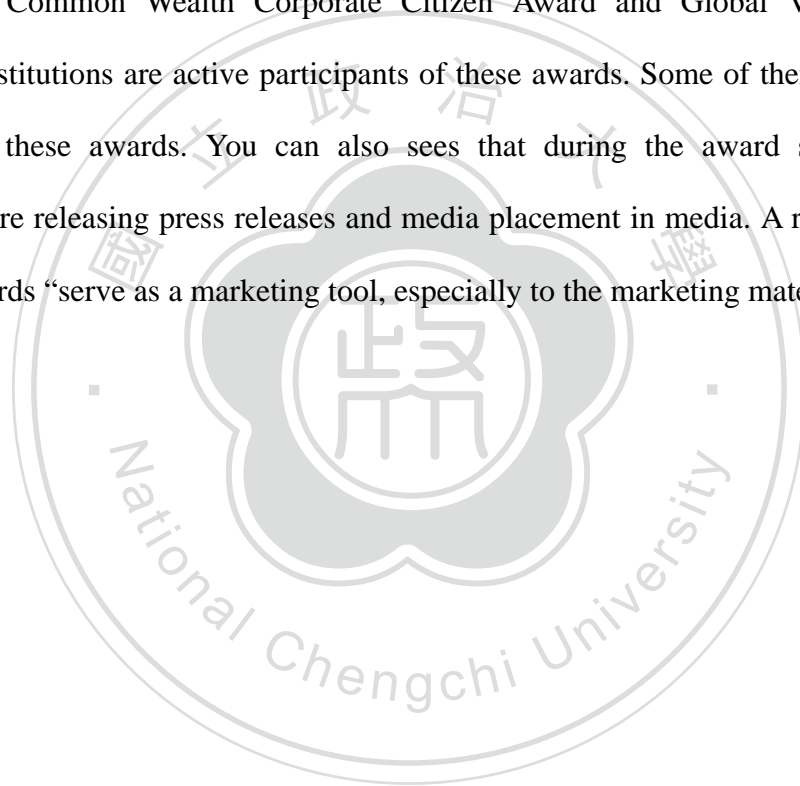
Looking at the financial institutions in Taiwan, these companies have their own interpretation on corporate social responsibility. As most of the such as China Trust Commercial Bank Financial Holdings, Cathy United Financial Holdings, Taishin Financial Holdings, etc, are listed in Taiwan Stock Exchange, which are obliged to the article about corporate social responsibility on TWSE. When you read the newspaper every day, you would find a lot of reporting in the advertorial pages regarding the charity events of these local corporates. Comparing to international financial institutions, the corporate social responsibility of local financial institutions are less comprehensive and more event- and regulator-oriented.

Financial Supervisory Commission (FSC), the regulatory body to the finance industry in Taiwan, has been encouraging financial institutions for skill-based volunteering. An official from a local corporates reflected that these local financial corporates tend to spend the least effort in CSR in order to gain the best return. This can also be translated as how most local corporates are operating in Taiwan. The least effort means as least as extra effort to be spent for the event, and the event can leverage their business for the activities. Financial education events for clients' children are most often seen. These banks, securities houses and insurance companies can invite their staff as volunteer teachers to teach their clients about the product concepts on banking and investments. FSC requires banks or insurance companies not to conduct any sales activities outside banks or offices, though, these corporates are already benefited from a branding effect that these participants are already having impression on the companies offering these activities.

Some large financial institutions also reveal their efforts on social responsibility by the charity funds. China Trust Commercial Banking (CTBC) Financial Holdings, Fubon Financial Holdings, Cathay United Financial Holdings have their own charity funds. These funds mostly donate money to a large array of beneficiary, from victims of natural disasters, to children from under privileged or remote area or students. These funds offer donation based on their applications by individuals or NGOs. The non-profit organizations or non-profit organizations are closely cooperated with these charity funds. Occasionally these charity funds would hold a press event to announce their annually plan or annual results. A NGO told during the interview that these charity funds from financial industry "sometimes are quite dominative in driving the media angles of these press events. They always wish us to endorse their good cause to the public." A reporter also revealed that sometimes they've got pressure

from the financial institutions on media coverage, particularly from local financial holdings whose management was sued for bribery crimes, is pushing particularly hard on media exposure, together with huge spending on media placement to secure prominent media coverage.

CSR awards are also welcomed by these corporates. Currently there are two key CSR awards in Taiwan, Common Wealth Corporate Citizen Award and Global View CSR awards. Financial institutions are active participants of these awards. Some of them are also frequent winners of these awards. You can also see that during the award seasons how these corporates are releasing press releases and media placement in media. A reporter commented that the awards “serve as a marketing tool, especially to the marketing material to clients.”



4. Is CSR a Good Cause or Marketing Tactic?

When these financial institutions are actively participating in CSR and delivering a good cause, how does the public think about it? Are these corporates doing well enough at corporate social responsibility? Are these corporates having comprehensive CSR planning and strategy to make the good cause count? In order to examine how the public perceives the CSR effort of the financial industry, survey to the public as well as industry practitioners to examine if the CSR initiatives are delivered to public.

4.1. Qualitative Survey

A qualitative survey was conducted with interviews to associates from financial industry, media, public relations agency as well as NGO/NPO. A total of 18 associates were interviewed, 7 from financial institution, 5 from media, 3 from PR agency and 3 from partnering NGO/NPO. The purpose is to have a complete understanding in comprehensive perspectives from various stakeholders involved. The interviews focus on asking questions include:

Financial institution:

1. What is the CSR strategy of your company?
2. Who is the key beneficiary?
3. What are the key performance indicators of your CSR program?
4. What is your partnership with NGO?
5. And other follow up questions based on the answers.

Media:

1. Do you know the beneficiary of the CSR event by financial institutions?
2. Do you know the purpose of the CSR activities?
3. What do you think is the news values of these activities?
4. What do you think is CSR?
5. Other follow up question based on the answers

Public relations agency:

1. How do your clients pitch you on their CSR activities?
2. What is the KPI to evaluate the event you planned?
3. What do you think is CSR?
4. What would you help them to identify the beneficiary and purpose?

NGO/NPO:

1. What is your relationship with the partnering financial institutions?
2. How would you manage the relationship with them?
3. How do you regards their CSR activities?

4.2. Quantitative Survey

Besides the qualitative survey with these stakeholders, a quantitative survey was also conducted to understand how the public perceives the CSR initiatives. With 206 effective sample collected, the questions are set to testing the understanding to CSR from public, how they regard CSR and if CSR would help them value the companies, in order to check if

corporates and public is thinking at the same way. Scenario questions were also set to stimulate interviews about thoughts on CSR. Questions were set as below:

1. Have you ever heard of these CSR initiatives?

- CTBC Charity Foundation
- United Way
- Prudential Spirit of Community Awards
- Fubon Cultural & Educational Foundation
- Equator Principle
- Seeing is Believing
- None of the above

2. Do you know the purpose and beneficiary of these initiatives?

- Yes
- No

3. CSR of a corporates should be in high profile or low profile?

- High profile (to Q4)
- Low profile (to Q5)

4. What is the reason of being high profile in CSR?

- Promoting good cause to society
- Help encourage more people to join
- Arousing public interest in joining the good cause
- Others

5. What is the reason of being low profile in CSR?

- Not necessary as this is good cause to help others

- Real help is more vital than promotion
 - Purpose of CSR is to help others
 - Others
- 6. Does CSR awards help improve your preception to a company?**
- Yes
 - No
- 7. Does CSR annual report help improve your perception to a company?**
- Yes
 - No
- 8. Do you think philanthropy equals to CSR?**
- Yes (to Q10)
 - No (to Q9)
- 9. If not, what is also included in CSR?**
- Reasonable working environment and packages
 - Code of conduct
 - Environmental protection
 - Transparent corporate governance
 - Reasonable pricing to clients and suppliers
 - Others
- 10. What do you think is the purpose of promoting CSR?**
- Encourage positive value to society
 - Promoting corporate image
 - Minimizing negative news
 - Part of public relations

- For tax deduction
- Others

11. Will CSR offset the negative feelings to a company with poor service?

- Yes
- No

12. Will CSR offset the negative feelings to a company which management is with scandals?

- Yes
- No

13. Will CSR offset the negative feelings to a company laying off staff in large scale?

- Yes
- No

14. If a company does no charity event but is with good employee benefits, will it affect your positive feeling?

- Yes
- No

5. Survey Analysis

5.1. Qualitative Analysis

Financial Institutions

For financial institutions, international corporates know well about what corporate social responsibility means. Their mother companies, or what they regard as group level, offer high flexibility for them to localize the projects or activities in order to fit the needs of local beneficiaries or local regulations. In order to track the results of their activities or initiatives, key performance index are defined. For example, an auditing to human resources department on inclusive recruitment process, putting Equator Principle into consideration when they are working on the due diligence of a financing project, strict internal auditing and compliance to assure obligation to local and international regulations, or encouraging skill-based volunteering as the best way to optimize resources when rewarding the society. These companies know well that CSR is implemented via every person and department of the companies.

For local financial corporates, an associate admitted that “we are not as comprehensive as the international firms. For much management in my company, or other local financial institutions I have worked for, CSR is monitored by how much money we donated and how many CSR awards we have gained”. However, she said that the CSR initiatives are more external focused, which are mostly about on helping external stakeholders, such as supporting an NGO for a project or program. These program has to be more multi-purpose in order to better “leverage the resources” and “media exposure must be generated if senior managements participated in these event”. Another manager from a local financial holdings

also said that when his company is donating money, tax deduction is one of the concerns as “in many Taiwanese companies, the mindset of CSR is how they can best utilize the good cause. Tax deduction seems to be a must as they are listed and need to tell their shareholders why this money is on balance sheet.” Media exposure becomes an essential responsibility to the corporate communications team. He added “you can’t deny they are doing good cause, they are just leveraging this opportunity to gain positive media exposure. To gain media exposure, a photo call with cheque donation seems to be the best way.” As they wish to use the least resources to achieve both good cause and media exposures, routine money donations and senior management attending volunteering events are always highlighted. These companies also have other internal corporate initiatives but the focus is on external stakeholders.

Media

For media who covered news on financial holdings are always invited to the media event of CSR activities in financial industry. Though many of them don’t know who the beneficiaries are, they are still happy with how these companies are rewarding the society. From their points of view, local financial corporates are pushing hard on media exposure. “Sometimes I received called from the organizers asking why there was no reporting from me as I attended their event”, a senior journalist from local newspaper said. She also pointed out that she understands CSR is not only about philanthropy, it is also about how a company is doing business right, and other interviewees from media know that too. However, Taiwanese companies, or Taiwanese managements in international corporates “are so affected by the traditional mind set of Taiwanese culture about how they can best utilize resource to gain best results. Money donation seems to be the easiest way for them to achieve this purpose”. With a

media event formulated with ceremony, or “photo-call”, they can donate money, show their good cause by just selecting beneficiary and then having ink on newspaper the next day.

In media perspectives, they receive loads of press release from various companies every day, covering a large array of news from products, business development and CSR. With loads of news reporting to handle on limited pages available on the newspapers, CSR event are always at lowest priority as they are less newsworthy and are with less importance to their readers. They appreciate the good cause but not how the corporate communication officers push them for media coverage. “A local financial holding even buy spaces on newspaper to secure media coverage for their CSR event since their managements are so nervous about it”. Since these CSR events would help promote a positive image, some companies are inviting their management with scandal to attend these events in order to save their reputation, a journalist from general newspaper revealed.

PR agency

When receiving a request on proposal, the public relations consultants would help generate a media strategy for the CSR event. “These companies already have their own set of CSR principles and are just pitching a PR firm to generate a better media plan.” These financial institutions usually have good relations and connections with reporters covering financial industry. To reach greater array of audience, the PR agency is responsible to tailor news angles that fits the appetite of general news reporters or social welfare reporters. “Mostly it is the requirement from local companies or local managements about having extensive media exposure for the event. Foreign companies or management would rather spend the budget on the CSR initiative itself”. Some companies would event request “I want a CSR award this

year and request us to design a CSR strategies for them”.

NGO/ NPO

These Non-government organizations or non-profit organizations welcome the contribution from financial institutions and their good cause, “but sometimes I feel stressful when they are pushing hard for media exposure”, all the interviewees revealed. The partnership with these financial corporates would help them for better visibility to public due to better publicity on media and this resulted in better donation received. “Sometimes it’s not easy to persuade public to donate for a special cause. Their donation would help on this. However, they are sometimes too focus on media values and may not be able to deliver the donation to the right person”. For example, the media sometimes reported a special social problem, such as insufficient lunch boxes for elementary schools in remote areas, these companies would allocated their donations to the item and neglect other needs.

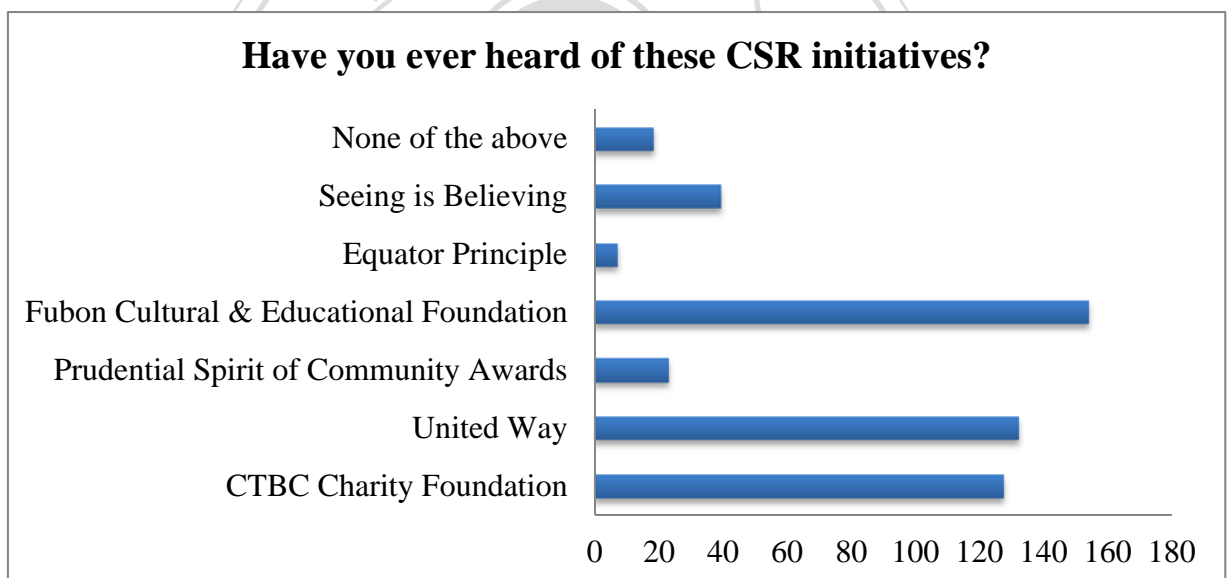
Another example is volunteering. “They want to maximize the resources and would leverage volunteering events for their staff engagement. For some volunteering events such as the volunteer zoo keepers, mentally handicapped bakery helpers, you can see the ratio of volunteers is too high”. For the NGOs or NPOs, they appreciate the event initiated by financial institutional but would also appreciate a larger variety of good causes.

5.2. Quantitative Analysis

Besides understanding the thought of stakeholders from these corporate social responsibilities, a quantitative survey was conducted to understand how the public perceives the “good cause”.

The first question is to test knowledge of public on the social responsibility. The names mentioned include those with high profile (Fubon, CTBC), with low profile (Seeing is Believing from Standard Chartered, Prudential Spirit of Community Awards) as well as more internally obliged initiatives (Equator Principle). As expected, for those CSR initiatives with media and publicity efforts are more well-known to the respondents. Taking Fubon Cultural & Education Foundation as example, more than 75% has heard about it. On 3% of respondents have heard about Equator Principle, since this is more operational CSR initiatives. (Table5.1)

Table 2



Although many of them have heard of these initiatives, more than a half (53%) respondents are not aware of the beneficiaries of these CSR activities. This may imply the messages communicated through the CSR are mostly about the corporates itself rather than the content of the activities, or the content of the initiatives is not properly communicated that leads to the lack of understanding to the event.

When looking at the good cause, 70% of respondent think that corporates should be high profile for their CSR initiatives. Among these 70% respondents, 51% think publicly talking about CSR could help promote the good cause to society and attract people to join together. This may reflect that public still hope to leverage corporates' effort to improve the society and are having expectation on what a corporates can do to the society.

Interestingly, some indicators for CSR do help a company for its image among public. A respective of 83% (Table 5.2) and 76% (Table 5.3) respondents would change their perception to a company in positive way if the company has gained a CSR award or published CSR annual report. This may because these reports offer public with a better understanding to its corporate social responsibility, while the awards serve as endorsement to their CSR and help build up a positive image to public. This also tells why financial institutions in Taiwan are so eager to hire a PR agency for CSR award winning strategy.

Table 3

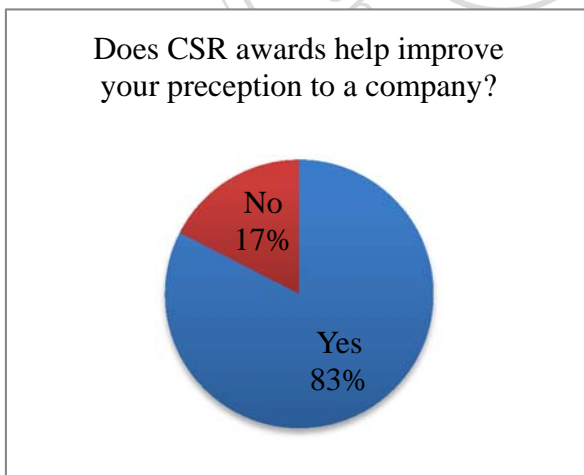
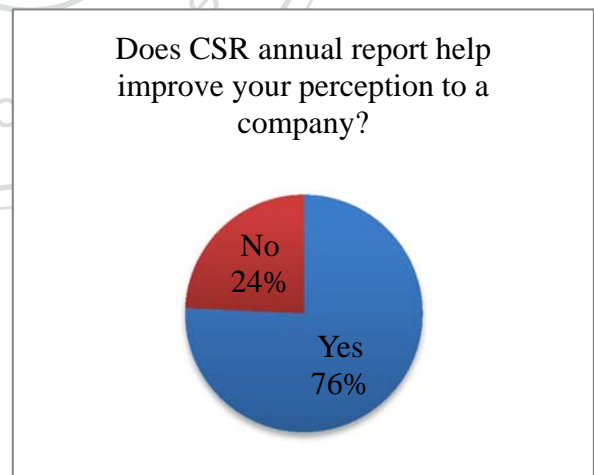


Table 4

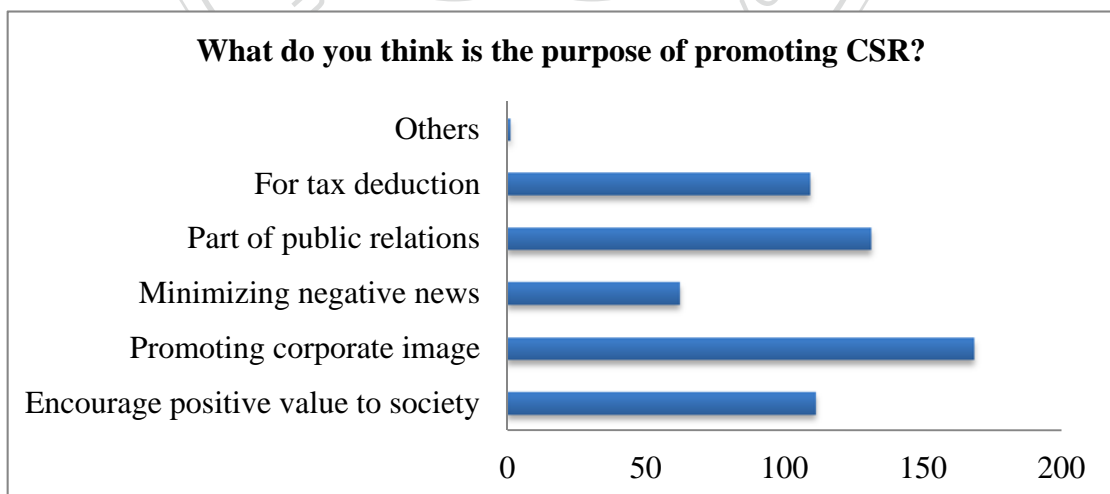


When the respondents were asked to look deeper in CSR, 60% regards philanthropy as the same to CSR, showing that public is not aware of what is the intrinsic value of CSR. Among

the other 40% who stated other CSR initiatives, most of them understand there are other components in CSR including reasonable working environment and package, code of conduct, environmental protection, transparent corporate governance and reasonable pricing to clients and suppliers. This reflects there is still room to improve public understanding to CSR.

Besides, when corporates are eager to gain media exposure, 82% still regards this as marketing tactics to promote corporate image. Only 54% think the publicity is aiming to encourage positive values to society (Table 5.4). This may implies public is getting used to the CSR activities from corporates as marketing tools. It is quite contradicted that respondents are fine for corporates to be high profile in CSR while they regard this is as tools for brand building. Is corporates, or financial institutional overusing CSR that public is having inertia to the good cause they are doing? This is what corporates should rethink as corporate citizenship is more than brand building.

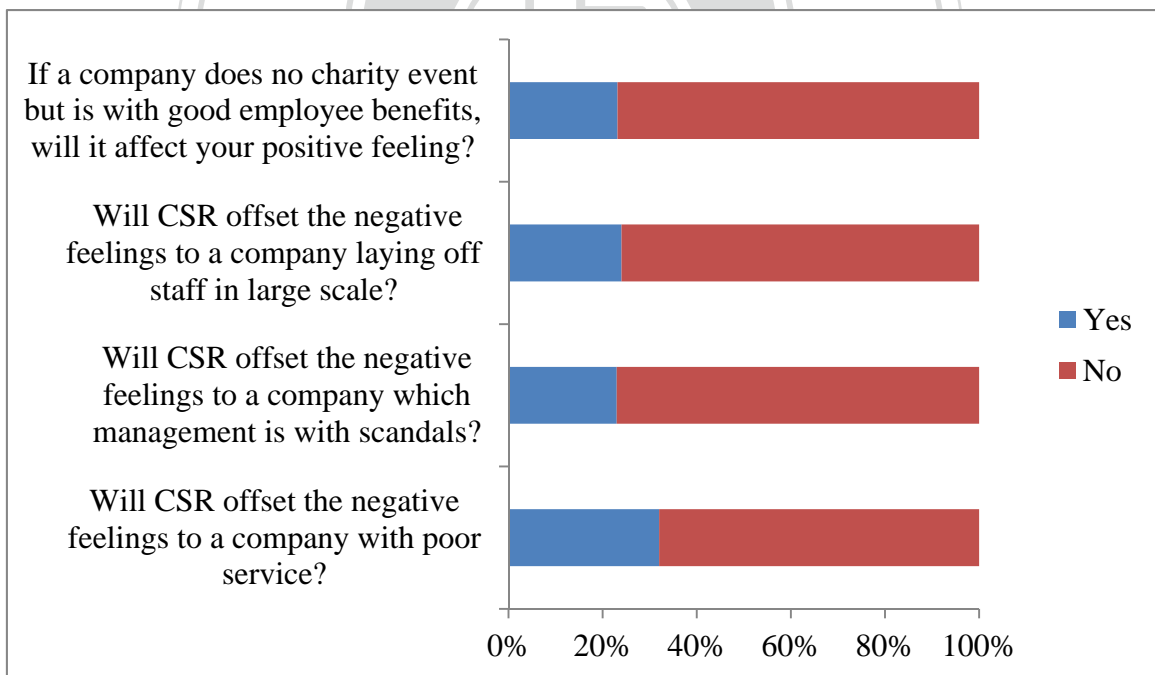
Table 5



In order to test the how CSR would change their perception to a company, some scenario questions (table 5.5) were asked including “Will CSR offset the negative feelings to a

company with poor service?”, “Will CSR offset the negative feelings to a company which management is with scandals?”, “Will CSR offset the negative feelings to a company laying off staff in large scale?” and “If a company does no charity event but are with good employee benefits, will it affect your positive feeling?” The finding is interesting. Though 83% respondents would have a better feeling to corporates with CSR awards, CSR initiatives would not offset the negative image of companies. Over 70% would not change their perception to companies with large-scale layoff (76%) and management in scandal (77%). When some companies are using CSR to conceal the negative image, public is still clear about what they are doing is for corporate image, as shown in previous questions.

Table 6



6. Findings

6.1. Sustainability Becomes the Responsibility of PR

An official who works for an international bank responsible for sustainability first stated in the interview that “corporate social responsibility should not be owned by corporate communications department. It is important for corporate planning”. Reason for this is that many elements with corporate social responsibilities are closely linked with business and operation and “this should be deeply embedded to the DNA of every staff and manager”. She took “Equator Principle” as example. The principle is used to evaluate the impact to environment when doing due diligent of a financing project. This is the responsible for business and the compliance team.

However, due to severe margin position under the over-banking environment in Taiwan, these lending projects still tend to put profit as the first priority. Business side always regards donating money or volunteering as corporate social responsibility. From time to time, employees rely heavily on the timely profit machine and they may not be able to align with this guideline. To compensate this, companies still tends to use philanthropy as key CSR initiatives, aligning media exposure. The responsibility will gradually goes to a department with capability in event planning and media relations, that is corporate communications team.

6.2. Award and Media Exposure as Important KPI for CSR

Financial institutions, no matter local or international, are eager to apply for CSR awards. As Common Wealth and Global View are two reputable magazines in Taiwan, the awards granted by them are regarded as endorsement to their CSR effort. While some companies are even

designing a program to fit the criteria of gaining the awards, it shows that some financial institutions are still not craving their CSR strategies in a right way, since the awards has apparently become the benchmark of CSR practice.

However, some criteria of being the award winner are to evaluate a single project versus a holistic corporate social responsibility approach. These awards should not be regarded as endorsement of CSR effort. Leveraging the reputation of these magazines, corporates would also use the award winning for their marketing or public relations plan by distributing press release, placing advertorials in these magazines as well as making use of the name on their marketing materials such as mail drops to clients.

Besides awards, media exposure is also a vital performance indicator of these CSR activities. Press release, media interview or advertorial are always seen as a way to profile corporate image as a responsible company by leveraging CSR efforts. As the output of corporate citizenship is intangible, media exposure are used to measure the effectiveness of CSR initiatives since it is easy to be noticed. A local financial corporates is even using its charity fund to profile a management who were sued for bribery and advertorials are often seen on Commercial Times, one of the newspapers read by government official.

6.3. Room for Improvement for Local Corporates

When interviewing various financial institutions and the PR agencies, we can found that due to an integration of resource from group or mother companies, international financial institutions are having a more comprehensive corporate social responsibility scheme. They are always with an all-round program driving from back office to front line to cover various pillars such as environment, corporate governance and community engagement. This also

thanks to better acceptance and thicker culture in CSR overseas that offers more flexibility in developing social citizenships. When these international corporates entered Taiwan, they brought along this mind set and are gradually influencing local corporates about what corporate social responsibility is.

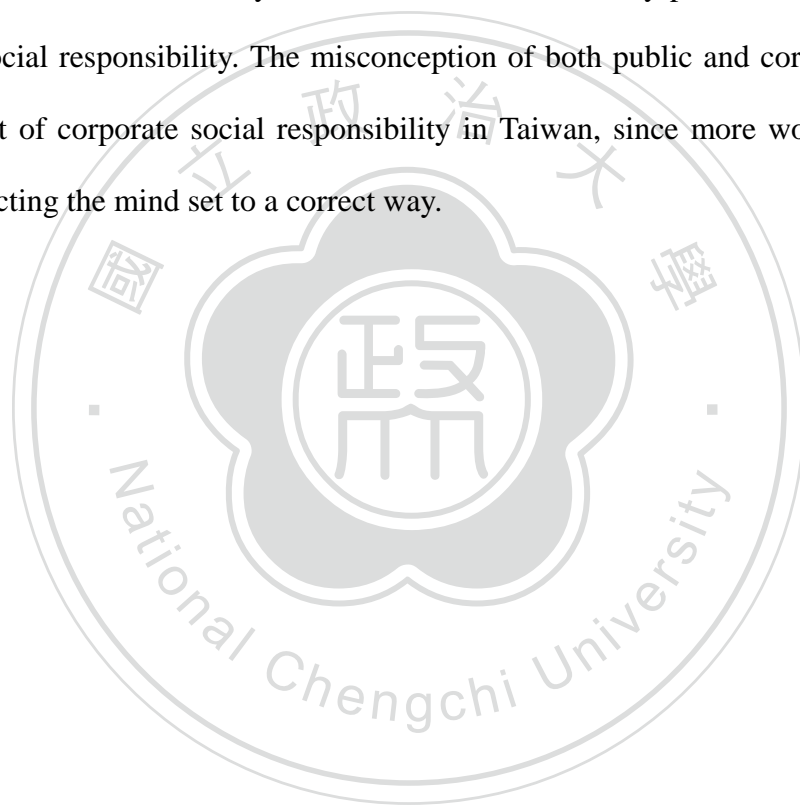
Corporate social responsibility didn't emerge in Taiwan until 2000s. Local financial corporates embrace the concept about rewarding the society. However, they are not getting the essence of corporate social responsibility. There is lack of systematic planning on their initiatives across every operation in the companies. They tend to start planning CSR in a less painful way by replying on the corporate communication department. Therefore philanthropy seems to be easily defined as CSR in a company. More than 85% local banks in Taiwan have their charity funds. Public also tends to notice the charity events with senior management attendance and publicity from these local banks. From time to time, local financial corporates see the benefit of holding these charity events that they would try to leverage these events for their branding, since they wish to have a cost-efficient approach when donating money for charity.

Moreover, as listed companies are obliged to the CSR regulations of TWSE and OTC market, some listed financial holdings would just meet the minimum requirement on CSR by spending less effort and capital just as to meet regulator requirement.

6.4. Public Is Still Lack of Understanding CSR

Corporate social responsibility is still a green idea among public and corporates. This concept emerges when multi-national corporates are introducing the concepts to Taiwan when they entered Taiwan. With internet and information explosion, public is getting information about

CSR easily. However, sometimes public would still mix philanthropy with corporate social responsibility. Being employees of a company, an individual itself is a member to execute corporate social responsibility as this is embedded in the policy, such as internal control and audit, and code of conduct. Public doesn't aware of this and tends to recognize charity event as CSR. Donating money, publishing CSR annual report or volunteering day are only parts of CSR initiatives. From the survey results, we see that not many public sees the full picture of corporate social responsibility. The misconception of both public and corporates may hinder development of corporate social responsibility in Taiwan, since more work may need to be done in directing the mind set to a correct way.



7. Conclusion

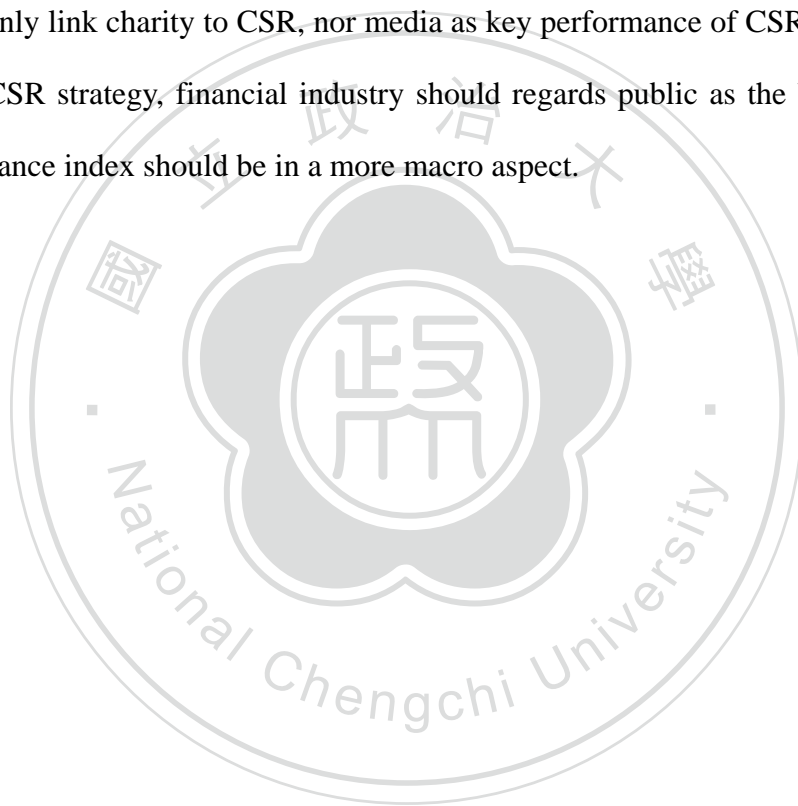
Corporate social responsibility is still a new concept to public and corporates. When Taiwan is known for its over-time culture and low salary, this reflects a lack of understanding about how working environment should be included as CSR. However, employment benefit and reasonable working environment is also a vital part of social responsibility. There should be more education to public, or employees on what CSR is so they can also monitoring the corporates they are working for.

Financing company and people for wealth creation are the key business of financial industry. When talking about CSR, obligation to regulations, ethical selling and conducts should also be included. Financial institution should not only focuses on how much money and how much media value generated from the CSR event, but a holistic and comprehensive social responsibility implementation in their business. Being an industry that is so vital to our daily life, financial industry should also focus on how they should oblige to CSR on daily operation. They should also focus on how the obligation could help the society to develop, rather than media value and the branding effect.

Especially, when Taiwan is linking with international market, CSR can serve as a guideline to improve the society. Finance and insurance industry accounted for 14.8% GDP of Taiwan in 2013. The percentage may not be high but financial industry is the backbone of support economic growth by making international cash flow available. Taiwan financial industry could help Taiwanese corporates to expand overseas. Behind them, a sound financial system is to support these international cash flows. By adapting an all-round CSR system into their operation, financial industry could protect themselves and corporates from risk as well as

avoiding the repetition of 2008 financial crisis. This is the true value of corporate social responsibility.

To conclude, financial industry support corporates growth, corporates is the backbone of economic growth. How to make this chain effect brew properly, corporate social responsibility serves as a catalyst by guiding all these into right direction. Financial industry should not only link charity to CSR, nor media as key performance of CSR approach. To truly embrace a CSR strategy, financial industry should regards public as the beneficiary and the key performance index should be in a more macro aspect.



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Appendix

Quantitative Survey results

1. Have you ever heard of these CSR initiatives?

CTBC Charity Foundation	62%
United Way	64%
Prudential Spirit of Community Awards	11%
Fubon Cultural & Educational Foundation	75%
Equator Principle	3%
Seeing is Believing	19%
None of the above	9%

2. Do you know the purpose and beneficiary of these initiatives?

Yes	44%
No	51%

3. CSR of a corporate should be in high profile or low profile?

High profile (to Q4)	70%
Low profile (to Q5)	30%

4. What is the reason of being high profile in CSR?

Promoting good cause to society	51%
Help encourage more people to join	38%
Arousing public interest in joining the good cause	51%
Others	3%

5. What is the reason of being low profile in CSR?

Not necessary as this is good cause to help others	21%
Real help is more vital than promotion	69%
Purpose of CSR is to help others	36%
Others	2%

6. Does CSR awards help improve your preception to a company?

Yes	83%
No	17%

7. Does CSR annual report help improve your perception to a company?

Yes	76%
No	24%

8. Do you think philanthropy equals to CSR?

Yes (to Q10)	60%
No (to Q9)	40%

9. If not, what is also included in CSR?

Reasonable working environment and packages	87%
Code of conduct	66%
Environmental protection	87%
Transparent corporate governance	82%
Reasonable pricing to clients and suppliers	57%
Others	4%

10. What do you think is the purpose of promoting CSR?

Encourage positive value to society	54%
Promoting corporate image	82%
Minimizing negative news	30%
Part of public relations	64%
For tax deduction	53%
Others	0%

11. Will CSR offset the negative feelings to a company with poor service?

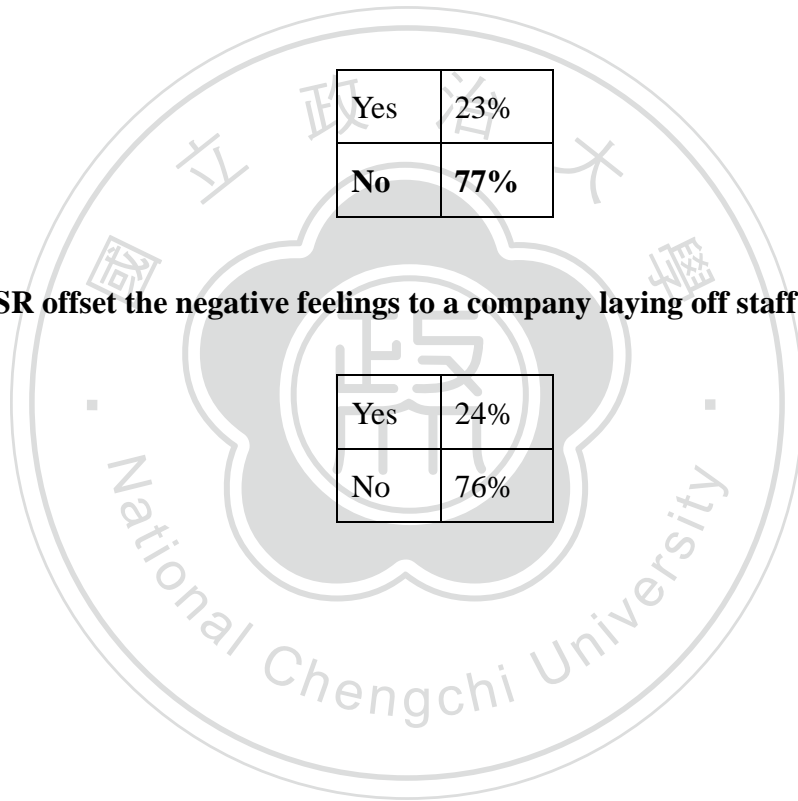
Yes	32%
No	68%

12. Will CSR offset the negative feelings to a company which management is with scandals?

Yes	23%
No	77%

13. Will CSR offset the negative feelings to a company laying off staff in large scale?

Yes	24%
No	76%



14. If a company does no charity event but is with good employee benefits, will it affect your positive feeling?

Yes	27%
No	73%

