

## 중소기업의 사회적책임: 한국 유나이티드제약의 사례를 중심으로<sup>†</sup>

Il Song\*

### Corporate Social Responsibility of Small and Medium Sized Companies: Focusing on Case of Korea United Pharmacy

#### *Abstract*

최근 기업의 사회적 책임 경영이 보편화되면서 대기업 뿐 아니라 중소기업의 사회적 책임도 강조되고 있다. 이 논문은 기업의 사회적 책임과 경영성과 간에 상관관계를 조사한 국내의 선행연구를 살펴보고, 최근 윤리 경영과 사회적 책임경영에 앞서 가고 있는 한국유나이티드제약(KUP)의 중소기업 형 CSR이 어떻게 전개되고 있는가 그 사례를 검토해 보았다.

#### I. Small and Medium Sized Companies and their Social Responsibilities

By far, a company is an economical agency for surviving with profits earned by supplying jobs to society members

and high-quality products and services to consumers and promoting the economic growth of companies. This continued prior to the 1980s. Because the purpose of the company was to make great contribution to national economy according to increase in export. However, entering into the 1980s, the company came to recognize that some of economic profits from society should be given back to society in terms of social contribution activities beyond the economic understanding as

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\* Professor of Hankuk University of Foreign Studies

well as the natural economic activities, as corporate citizenship forming society. activities. It was not until the 2000s that the social contribution activities were emphasized not as selective but as essential management strategy according to the general tendency.

Recently, corporate social responsibility of big companies, and small and medium sized companies including the parties of business, has been socially emphasized at home and abroad, and it led to the requirement for legal, ethical and philanthropic responsibility. According to increase of people's interest and expectation for CSR, moreover, and social change such as the international establishment, for example, ISO 26000, etc., the small and medium sized companies couldn't but be bound to the duty of CSR management.

In this study, it is designed to analyze the present condition of CSR of small and medium sized companies in Korea with review of related preceding studies to research into the positive influence of CSR of small and medium sized companies on management strategy and performance.

Moreover, it seems to need the improvement of CSR management environ-

ment in the near future such as insufficient support of governmental policies, financial difficulties of companies, lack of social understanding on small and medium sized companies, imbalance of governance, etc., when the companies are carrying out CSR.

## II. CSR and Global Environment

### 1. ISO and CSR guideline

ISO is the international standards for Social Responsibility. The establishment of ISO 26000 has been promoted and will be published this year (in 2010). At first the publication was scheduled last year but delayed due to problems between the parties concerned until this year.

The standards for social responsibility are meant to include social responsibilities of the government or private organizations as well as companies, instead of those for corporate social responsibility. Actually, the guideline of ISO is unrestricted recommendation but carries legal binding force indirectly as the country concerned can use substantial regulation in conclusion of international

trades or trade contracts. Besides, ISO shows international standard models for environment management through ISO 1400 series (ISO 14001, ISO 14020-14024, ISO 14031 and ISO 14041-14044).

## 2. UN Global Compact

UN Global Compact was advocated in Davos Forum, in January 1991, and global rules and regulations for the Compact were established in July 16 2000. They were meant to let leaders in economic fields firmly establish corporate practices of ethical management and support public policies of the government in relation to them.

Companies joined in UN Global Compact are bound to report conditions related to practices of rules and regulation at regular intervals.

Korea Association of UN Global Compact was established in 2007, and had 82 members of companies and groups, as of September 2007.

## 3. GRI(Global Reporting Initiatives) Guideline

GRI guideline, published in 2006, has a high position of public trust enough to

provide the largest number of guidelines all over the world in making reports of corporate sustainability.

The reports of sustainability issued by companies are highly possible to give important standards of judgment for investment or loan to investors or banking facilities according to gradual increase of the public trust, furthermore, to be used as important data of judgement for business value and customer's purchase.

## 4. Guideline for MNCs in OECD

It was established for promoting the social responsibility of multinational companies (revised in 2000), including 8 items, for example, information disclosure, relation of employment and labor, environmental problem, bribery prevention, profit for consumer, scientific technology, competition, tax, etc.

## 5. ILO

ILO announced Declaration on Guidelines for Multinational Companies officially including behavior regulations in relation to CSR of the companies in 1997, constructed Business and Social Initiatives Data Base in 2001, and thus pro-

vides the trend of CSR information.

## 6. World Bank

It provides important guidelines for companies and leaders of companies all over the world to carry out ethical and social responsibility of a company with the request for financial risk management and transparency of corporate governance by making Report on the Observants of Standard and Code in association with IMF.

### III. Ethical Management and Management Performance

#### 1. Cases of Foreign Studies

##### 1.1 Positive Correlation

According to recent studies on relations between ethical management and financial performance of a company, it showed much more positive results rather than negative ones. For example, Vitell Davis (1990) researched that a company where ethical climate is properly formed shows high satisfaction of employees. Moreover, Epstein et al. (1994)

proved that investors regard the ethical behavior patterns which a company has shown in the long term as more important index than short-term profits when investing in the company.

Meanwhile, Pava, and Krausz (1996) reported that a company which produced higher financial performance is more highly conscious of CSR in comparison with a company which produced lower financial performance. Moreover, Waddock, and Graves (1997) verified that financial performance of a company and social evaluation produce positive results, and Stanwick (1998) reported that CSR shows a positive significance in profitability. Similarly, Davidson et al. (1994), Gunthorpe (1997), etc. showed a significant correlation between ethical level and financial performance of a company according to analysis for continuous evaluation of markets on stocks of companies which have committed bribery, tax evasion, etc.

Moreover, Verschoor (1998) verified that the consciousness of the board of directors who emphasize ethical decision-making and social responsibility is strongly correlated to financial performance. Moreover, Cummings (2000), Magolis and Walsh (2001), etc. reported that

there is a positive correlation between social performance and financial performance of a company.

### 1.2 Negative Correlation

There are a small number of results, which show a negative correlation or a significant correlation between CSR behaviors of a company and financial performance.

Vance (1975) reported that a company which has greatly invested in social responsibility shows a result negative to stock prices. Moreover, Aupperle and Carroll and Hatfield (1985) reported there are so many cases that enormous expenses for social responsibility paid by a company causes uneasy financial condition. Moreover, Bartel and Thomas (1985) and Walley and Whitehead (1994) showed a company which has actively participated in environmental protection activities obtains weak financial performance.

Meanwhile, Griffin, and Manon (1997) insisted that preceding studies didn't show a unique conclusion between ethical management and financial performance of a company.

It can be realized that the most important purpose of papers in a negative

position was focusing on earnings of stock holders. Accordingly, the insistence was founded on a point of view that enormous investment in social responsibility shows the negligence of basic responsibility of companies for stock holders.

However, it becomes forceful that CSR activities of a company promote images of the company and are reacted as a strategic variable for realizing sustainable management of the company instead of simple increase of cost as emphasis on normative values.

## 2. Cases of Domestic Studies

### 2.1 Positive Correlation

Federation of Korean Industries researched there is a positive correlation between CSR and management performance (2001), and a market value of a company which is active in CSR is higher than that of a company which isn't active (2003). Especially, according to survey of Federation of Korean Industries for 500 companies based on the total sales, it reported that companies show better management performance after promotion of CSR.

Meanwhile, according to the Korea

Chamber of Commerce and Industry (2006), 86.3% of companies which introduced CSR management obtain a positive effect. Moreover, Samsung Economic Research Institute (2007) reported that the correlation between CSR and general management performance, and between environment management and management performance were shown all positive.

Moreover, Lee and Lee (2000) and LEE and Moon (2007) concluded that ethical climate of a company has a positive effect on management performance. The higher the company's ethicality, the more buying power for the company the consumer has. Particularly, a company which has been mainly recognized as unethical can change an image of the company into positive and recover trust for market.

Park, Shin, and Kwon (2004) showed there is positive correlation between social reputation and financial performance of a company. Wee and Kim showed that there is a positive relation between ethical management and market value of company. Moreover, Kim and LEE researched that CSR management produced positive management performance synthetically because of exerting influence on organizational identification and

solidarity.

Meanwhile, Lee, Hong, and Hwang (2007) suggested that ethical values of the chief executive officer of multinational company exert positive influence on management performance.

## 2.2 Negative Correlation

Moreover, Kwak and Kim (1993) researched the relation between social performance and financial performance of a company using KEJI of Citizen's Coalition for Economic Justice in 1992, but didn't verify a special correlation between them. Also, Chang (1996) reported similar results. He didn't finally verify a special correlation between items of KEJI and financial performance of a company, where items of KEJI are respectively specified as an independent variable and financial performance of a company as dependent variable.

Moreover, there is a negative result that companies which have taken part in environment protection activities don't obtain so good financial performance (Park and IEE, 2002). Cases of foreign companies as discussed above show similar results. However, Park and IEE (2002) diagnosed that the result can be obtained from inappropriate investment strategies of a company, and insufficiency of in-

stitutional movement for environment protection led by the country.

## IV. CSR of Small and Medium Sized Companies

### 1. Characteristics of CSR of Small and Medium Sized Companies

CSR of small and medium sized companies is different from one of big companies in aspects of management conditions and company environments.

Small and medium sized companies include labor intensive types of companies in general, has the economic power remarkably inferior to big companies due to relatively low value added. Accordingly, the investment in CSR comes to be burden. However, according as there are so many cases that the company's success or failure depends on stable relations between labor and capital, there are many positive cases of CSR relating to the relations between labor and capital.

Moreover, in many cases, Korean small and medium sized companies form outsourcing or buyer relationship with big companies or multinational business. Likewise, according as small and medium

sized companies try to find their company's survival strategy in company value chain, there are many cases that their CSR had closer relationship perpendicularly with big companies than independent relationship. Particularly, multinational companies or big companies have received requests for CSR fulfillment at a regular level more and more as terms and conditions of business according to global practice of CSR.

However, in small and medium sized companies, it is natural that self-esteem and loyalty of employees to their company is far better in comparison with other companies and it is continued to management performance if CSR management is executed (Cone, 2007).

### 2. CSR Advantages of Small and Medium Sized Companies

When CSR management is carried out, it helps the success to make a new agreement with multinational companies and companies in advanced markets. Because CSR management stimulates international companies or big companies to share their values and the quality of their products and services in compliance with international practice. Moreover, it is ea-

sier to ensure latent consumer through improvement of social images and make a close relationship with consumers.

Moreover, the practice can be expected to reduce an absence rate or a separation rate and promote productivity by influence on loyalty and self-esteem of employees according to the indication of Cone (2007), ultimately to promote the environmental efficiency.

Besides, new images or reputation obtained from CSR management can lead to education and vision, and innovation of organization, personnel, marketing over all through introduction of new techniques and risk management.

## V. Case of CSR of Korea United Pharmacy (KUP)<sup>1)</sup>

### 1. Love for Agricultural Village

KUP took actively part in 'Movement

for 1 company-1 village in association with National Agricultural Cooperative Federation, Munhwa Daily, etc. in August 2004. It set up sisterhood relationship with the village, Dongdae-ri, Jeondong-myeon, Yeonki-gun, Chungchungnamdo, in 2007, where factories of KUP are located, and has promoted active exchange, since formation of relationship for the movement with the village, Jadong-ri, Seo-myeon, Cheolwon-gun, Kangwondo in May 2004.

In 2004, KUP presented medical supplies to people living in Jadong-ri, they gave rice and raw rice wine in return for them. Since then, the practice has been continued. Moreover, the event of helping hands for agricultural villages has been annually performed during the rice-planting season, in May. Two sisterhood-relationship villages operate farms to let employees and their family to visit at any time and experience everything of agricultural villages.

Moreover, executives and employees of KUP have performed the event of preparing Kimchi for the winter every year since 2005. In addition, KUP is taking part in globalization of traditional cultures by making foreigner members of KIH World Village supported by KUP

1) Korea United Pharmacy (Head Office: 154-8, Nonhyeon-dong, Kangnam-gu) is a small and medium business type of multinational company, which holds local subsidiaries in Vietnam, U.S., Middle East, etc. The case was formed on the basis Korea Standard and Consulting United has performed consulting related to CSR management (from June 2008 to April 2009) with governmental support.

and people in Jadong-ri prepare Kimchi together with domestic agricultural products.

## 2. Help for the Alienated

KUP has continuously helped old people without their dependents, teenage-headed households, child-care institutions, in Kangnam-gu, where the head office is located, and in the neighborhood of Yeonki-gun, Chungchungnamdo, where their factories are located, and tried to give profits from local communities back to them.

Employees have visited patients of Holy Family Welfare Hospital and children of Kangnam Child-care Institution in Seoul in New Year's day and Chuseok every year since 1998. Moreover, they have supported medical supplies and healthful foods to old people without dependents, people on welfare, etc., a total of 100 households in the region, since May 1998.

## 3. Korean-Chinese Children Broadcasting Chorus

KUP held a festival for children broad-

casting culture and established a chorus to let Korean-Chinese children learn Korean and build the national spirit.

The festival has been continuously performed since the first Homtamin Cup of broadcasting festival for Korean-Chinese children in China was successfully held in August 2002 in Harbin, a northern city in China. The purpose of the festival is to let Korean-Chinese children take more interested in Korean and Korean writings that have become forgettable and to spread the national culture.

This festival has been performed for 3 days every year since 2002, under the auspices of Heilong Jiang Korean Broadcasting Station and Korean Chinese Teenager Newspaper in China and the sponsorship of KUP. Now, it has become established as an important cultural festival and Korean festival in China.

An inauguration ceremony of KUP Children Broadcasting Chorus was held in December 2006 in Harbin, Heilong Jiang in China. The Chorus was started in the Heilong Jiang Korean Broadcasting Station to spread children's songs of Korea that have become forgettable to Korean Chinese systematically.

#### 4. Together with Global Neighborhood (Sponsor of KIH World Village)

KUP has provided a place that enables foreigners who visit Korea to come in contact with Korean cultures as a main sponsor of 'KIH World Village', Worldwide Linguistic Culture Community, established in February in Daehangno Dongsung-dong. 'KIH World Village', the place for teaching foreigners Korean words and writings and learning all languages of the world, has operated various programs for understanding on Korea of foreigners who are living in Korea.

'KIH World Village' is a business that has been promoted in the course of KUP's development to multinational pharmacy company. As a result, it has produced about 1,000 persons, the Korean language teachers, for last 10 years, and almost 5,000 foreigners of total of 80 countries have learned Korean.

Moreover, it has held various activities for cultural experiences, for example, International Culture Festival, Worldwide Food Culture Festival, Mini Olympic, Global band festival, etc., then it made the space for putting together foreigners and Koreans and enabling them

to feel the same.

#### 5. Development of global talent

KUP has operated scholarship business and programs for talent development to develop global talents home and abroad.

For example, it has offered the scholarship for school expenses, merit aid, etc. to children and teenagers who are descendents of persons of national merit, separately from the establishment of Homtamin Cup of festival for Korean Chinese Children Broadcasting Festival. This is the activity that gives the self-esteem to descendents of persons of national merit who contributed to the national independence and implants the pride in Korean Chinese people.

Moreover, KUP has offered the scholarship to teenagers in Vietnam and Philippines, where global branches of KUP are located, on the 10th anniversary of establishment of relations between Korea and Vietnam in 2002. Scholarship students have been selected through the recommendations of Ministry of Education in Vietnam and Philippines. In case of Vietnam, it has offered the scholarship, the total amount of yearly school

expenses, to 40 students of 11 medical colleges and colleges of pharmacy and 80 students of middle and high schools.

Besides, KUP, that has developed the movement for 1 company-1 village with the village of Jadong-ri, Cheolwon-gun, Kyunggido, has implemented all sorts of global talent development programs for pupils in Chelwon-gun since establishment of sisterhood relationship for talent development program with Cheolwon County Office in 2006.

## 6. Spread of Classical Culture

KUP is taking the lead of popularization of classical music to improve the quality of Korean culture. It has made the crowd and the employee come in touch together with classical culture with house concerts about 40 times until now from November 2004. Especially, the house concert, held in United Art Center, has provided the space enough for audience to look at players face to face and come in close contact with players.

Moreover, 'United Grand Family Concert' was held to celebrate the 20th anniversary of establishment in May 2007. The concert was full of 700 doctors and pharmacists and their family, and do-

mestic and foreign summit-level players performed the concert together with the audience. Accordingly, it has been estimated as fruits of KUP's efforts to popularize the classical music till now.

## 7. Environment Management

KUP has obtained the certification of ISO 14001 Environment Management System in Jochiwon Factory and Seomeyon Factory in Yeonki-gun, Chungcheongnamdo since August 2005. It has trained all of the employees and executives for environment management since 2009, the time when environment management has been as the core of CSR in the spotlight.

It has done away with oil-fired boiler facilities and introduced gas-fired boiler facilities since the change of heating fuel from oil to city gas, August 2007. As a result, merely in the latter half of last year it brought the reduction of fuel expenses about 10 million won and remarkable reduction in discharge of environmental pollutants.

Moreover, the discharge of dust has been reduced by additional installation of control facilities to reduce dust, the only pollutant produced in places of business of KUP. Moreover, KUP, mainly

aiming at saving energy produced from natural sources, has strengthened education and publicity for leading all of them to perform check-up and saving.

KUP remodeled facilities of rest rooms and wash stands greatly to reduce water consumption and it was designed to recycle 74% of total discharge of waste water. Moreover, training for employees has been continuously performed over 3 times a year, for example, understanding and establishment of environmental goal, management of environment facilities, energy saving, waste reduction and recycling, etc., in order to generalize green management. Moreover, members of municipal assembly, executives and employees keep trying to revitalize the training programs.

## 8. Open Culture

KUP has operated the self-reporting system and the personal interview system. The self-reporting system is for evaluating the degree of skill and difficulty for current business, the volume of business, the degree of job application and self-satisfaction for cooperation with other posts. Accordingly, people should report their present states in detail such as self-satisfaction in relation to their cur-

rent posts and works, their desires for changing their posts, etc.

The systems are scheduled to implement 2 times a year to raise the satisfaction by connection of interests, tastes and abilities of members to their works according to employees' opinions for their works. Particularly, in manufacturing division of Jochiwon factory it is scheduled for the chief of manufacturing division to take charge of personal interviews with each employee to let members to understand their hardships and motives each other according to the monthly personal interview system.

KUP has stipulated procedures of punishment and prize in rules of employment and prize regulations. The prize of KUP is divided into prizes such as prizes for long-term service, employees of merit, exemplary employees, etc. and prize for proposal. Moreover, if a member of joint labor-management consultation makes a recommendation, prize systems are operated well-timely and elastically.

## VI. Conclusion

By far, the case of KUP has been researched. Moreover, the survey the de-

gree of pride of KUP employees was conducted for recent CSR activities of their company.

According to average results of analysis, it shows 3.66 points out of 5, without a big gap by duties. The results displayed the degrees of pride 'Extremely increased' and 'Generally increased' accounted 65% of total responses, and 'Didn't know well' 21% and 'Just ineffective' 14%. The result may be much better than evaluation for the degree of satisfaction and pride in employees of general small and medium sized business. As shown in the case of KUP, of course, it is true that the degree of pride of employees is low in comparison with that of big companies. However, it can be recognized as an exemplary case that CSR management of small and medium sized companies will be settled down in the future.

Moreover, according to cases of domestic small and medium sized companies, it is short of strategical approaches for CSR activities. In general, they have just remained from simple welfare services to corporate advertising, for example, donation, welfare support or image promotion. If companies intend to perform higher social responsibility such as

solving of social problems, first, they establish the version of corporate CSR or core values strategically. Moreover, they should have processes and systems for understanding risks and opportunities which can be produced from social issues.

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