



## **SUMMARY REPORT**

# **Priorities for Corporate Social Responsibility: A Survey of Businesses and their Stakeholders**

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## **1. Introduction**

Corporate social responsibility (CSR) differs from place to place, industry to industry and over time. It is increasingly accepted that in order to define precisely what social responsibility means to a company, it needs to engage with its stakeholders and take into account their needs and aspirations when designing CSR strategies and programmes. It is difficult to define CSR precisely because it will always have a location-specific context. It is therefore vital to understand the priorities of local stakeholders and take them into account.

To some extent companies need to engage in their own stakeholder dialogue, specific to their own company. But the research presented here should provide the business sector (and others) with some guidance in terms of expectations of a range of stakeholders in Hong Kong. In this research we have identified the CSR priorities of both businesses and their stakeholders in the region. A similar methodology could easily be transferred to other locations, however.

This research was undertaken by the CSR Asia in association with the Centre of Urban Planning and Environmental Management at the University of Hong Kong. The main aim was to find out what Hong Kong businesses and their stakeholders thought were the most important factors in determining what is socially responsible.

## 2. Methodology

In May 2007, the study collected data from businesses and seven stakeholder groups relating to the importance they attributed to fifteen factors associated with corporate social responsibility (CSR). The following table lists the fifteen factors along with abbreviations used subsequently in this report.

<b>Factor</b>	<b>Abbreviation</b>
Published social and environmental policies	Policies
Good health and safety practices	Health and safety
Good environmental performance	Environment
Good corporate governance	Governance
Good human resource management & employment practices	HRM
Community investment and employee volunteering	Community
Codes of conduct on supply chains and factory inspections	Supply chains
Product and service responsibility and responsible marketing	Product responsibility
Philanthropy and charitable donations	Philanthropy
Support for human rights initiatives	Human rights
Partnerships with other business and NGOs	Partnerships
Adherence to international standards and guidelines	Standards
Social and environmental reporting	Reporting
Codes of conduct on bribery and corruption	Corruption
Ongoing stakeholder dialogue	Stakeholder dialogue

Table 1: The fifteen CSR factors with abbreviations used

Questionnaires were sent out to individuals representing a range of businesses and their stakeholders broken down into seven different groups (social NGOs, environmental NGOs, investors, the university sector, media, government, and others). Out of 491 completed questionnaires, the business sector had the highest number of responses (182), followed by social NGOs (93), and environmental NGOs (56). Figure 1 provides a breakdown of responses.

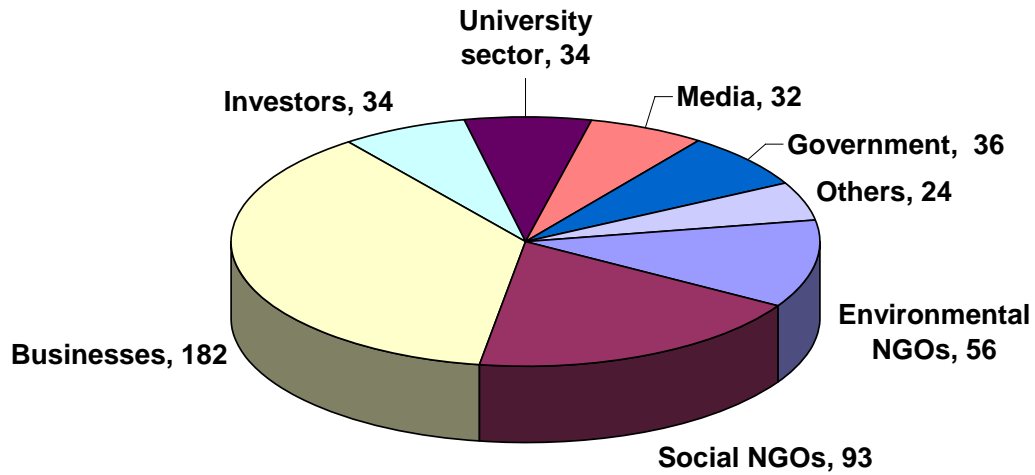


Fig. 1: Summary of respondents

A ranking scale was used for rating the different factors from 3 (vital) and -3 (totally insignificant). Table 1 provides a summary of the rankings.

Ranking	Explanation
3	Vital
2	Very important
1	Important
0	Neutral
-1	Less important
-2	Not important
-3	Totally insignificant

Table 1: Ranking system used in the survey

### 3. Findings

Good environmental performance ranked first among the fifteen factors while good health and safety and corporate governance ranked second and third, respectively. Philanthropy ranked last among the fifteen factors. Table 2 lists the ranks and mean scores of the fifteen factors. It should be noted that all factors are positive meaning that, overall, businesses and stakeholders see all elements as important.

Factors	Overall results	
	Rank	Mean score
Environment	1	2.147
Health and safety	2	2.094
Governance	3	1.939
HRM	4	1.853
Corruption	5	1.843
Supply chains	6	1.684
Stakeholder dialogue	7	1.635
Policies	8	1.415
Reporting	9	1.358
Product responsibility	10	1.316
Partnerships	11	1.193
Community	12	0.980
Human rights	13	0.953
Standards	14	0.890
Philanthropy	15	0.501

Table 2: Ranking of 15 factors

The top five factors identified by businesses are approximately the same as the top five factors in the overall ranking (see table 3). There does therefore seem to be a degree of consistency between businesses and their stakeholders therefore. Although the nature of different stakeholder groups is not the same, they seem to have similar concerns relating to priorities for CSR in Hong Kong.

Businesses		Non-business stakeholders	
1	Health and safety	1	Environment
2	Environment	2	Health and safety
3	Governance	3	Corruption
4	HRM	4	Governance
5	Corruption	5	HRM
6	Supply chains	6	Supply Chains
7	Stakeholder dialogue	7	Stakeholder dialogue
8	Product responsibility	8	Policies
9	Policies	9	Reporting
10	Reporting	10	Partnerships
11	Community	11	Product responsibility
12	Partnerships	12	Human rights
13	Human rights	13	Standards
14	Standards	14	Community
15	Philanthropy	15	Philanthropy

Table 3: Comparison of businesses and non-business stakeholders

Factors	ALL		Businesses		Environmental NGOs		Social NGOs		Investors		Government	
	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score	Rank	Score
Environment	1	2.147	2	2.215	1	2.786	5	1.860	5	1.735	3	2.486
Health and safety	2	2.094	1	2.298	5	1.804	4	1.903	4	1.824	1	2.571
Governance	3	1.939	3	2.122	10	1.411	9	1.452	1	2.324	2	2.514
HRM	4	1.853	4	1.972	13	1.161	1	2.204	7	1.500	5	2.143
Corruption	5	1.843	5	1.834	8	1.500	7	1.613	2	2.088	4	2.429
Supply chains	6	1.684	6	1.525	4	1.929	2	2.172	8	1.324	9	1.457
Stakeholder dialogue	7	1.635	7	1.464	3	2.018	5	1.860	9	1.000	6	1.914
Policies	8	1.415	9	1.099	2	2.232	10	1.226	6	1.647	7	1.714
Reporting	9	1.358	10	0.983	5	1.804	13	1.140	3	1.941	7	1.714
Product responsibility	10	1.316	8	1.337	9	1.464	12	1.194	11	0.794	11	1.229
Partnerships	11	1.193	12	0.890	5	1.804	3	2.054	12	0.412	10	1.400
Community	12	0.980	11	0.945	14	0.911	11	1.215	13	0.294	11	1.229
Human rights	13	0.953	13	0.829	12	1.232	8	1.548	15	-0.353	14	0.629
Standards	14	0.890	14	0.669	11	1.250	14	0.806	10	0.971	13	1.114
Philanthropy	15	0.501	15	0.486	15	0.893	15	0.441	14	-0.265	14	0.629

Table 4: Rankings and mean scores of the 15 CSR factors amongst selected stakeholders

Although there is consistency in general between businesses and their stakeholders, table 4 reveals some important underlying differences that will be important for businesses to bear in mind.

<b>Businesses</b>		<b>Environmental NGOs</b>		<b>Social NGOs</b>	
<b>Rank</b>	<b>Factors</b>	<b>Rank</b>	<b>Factors</b>	<b>Rank</b>	<b>Factors</b>
1	Health and safety	1	Environment	1	HRM
2	Environment	2	Policies	2	Supply chains
3	Governance	3	Stakeholder dialogue	3	Partnerships
4	HRM	4	Supply chains	4	Health and safety
5	Corruption	5	Health and safety	5	Environment
		5	Partnerships	5	Stakeholder dialogue
		5	Reporting		

<b>Investors</b>		<b>University</b>		<b>Media</b>	
<b>Rank</b>	<b>Factors</b>	<b>Rank</b>	<b>Factors</b>	<b>Rank</b>	<b>Factors</b>
1	Governance	1	Corruption	1	Governance
2	Corruption	2	Governance	2	Reporting
3	Reporting	3	Environment	3	Corruption
4	Health and safety	4	Product responsibility	4	Environment
5	Environment	5	Health and safety	5	Health and safety
		5	HRM		

<b>Government</b>		<b>Others</b>	
<b>Rank</b>	<b>Factors</b>	<b>Rank</b>	<b>Factors</b>
1	Health and safety	1	Health and safety
2	Governance	2	Governance
3	Environment	3	Environment
4	Corruption	4	HRM
5	HRM	5	Policies
		5	Supply chains

Table 5: Top Five Ranks across all the sample groups

It is worth identifying where some interesting differences do occur:

### **3.1 NGOs**

It is noticeable that the ranking of factors amongst of environmental NGOs and social NGOs are rather different when compared other stakeholders. Not surprisingly, the environmental NGOs rank good environmental performance and social and environmental policies as the most important two factors. There are also keen to see more stakeholder dialogue and good health and safety.

The social NGOs tend to prioritise human resource and labour issues rather more. This may reflect the fact that a number of the responses in this sector came from a range of labour organisations. In that regard, human rights are ranked as a higher priority than any other stakeholder group.

Both NGO groups see stakeholder dialogue and supply chain management and factory inspections as important.

### **3.2 Investors**

Investors seem most interested in factors that directly affect them and not surprisingly rank governance and codes of conduct on bribery and corruption as their most important elements. They are also keen to see companies report. Interestingly, these top 3 ranking are shared by the media group perhaps indicating that these are elements associated with information and transparency.

There are no negative ratings for the mean scores of any of the 15 factors except among investors. Investors gave human rights a mean score of -0.35 and for philanthropy the score was -0.27, demonstrating that these two issues were seen on average as having very little importance.

Figure 2 demonstrates that investors were the only stakeholders giving these elements a negative rating, although for most others scores were relatively low.



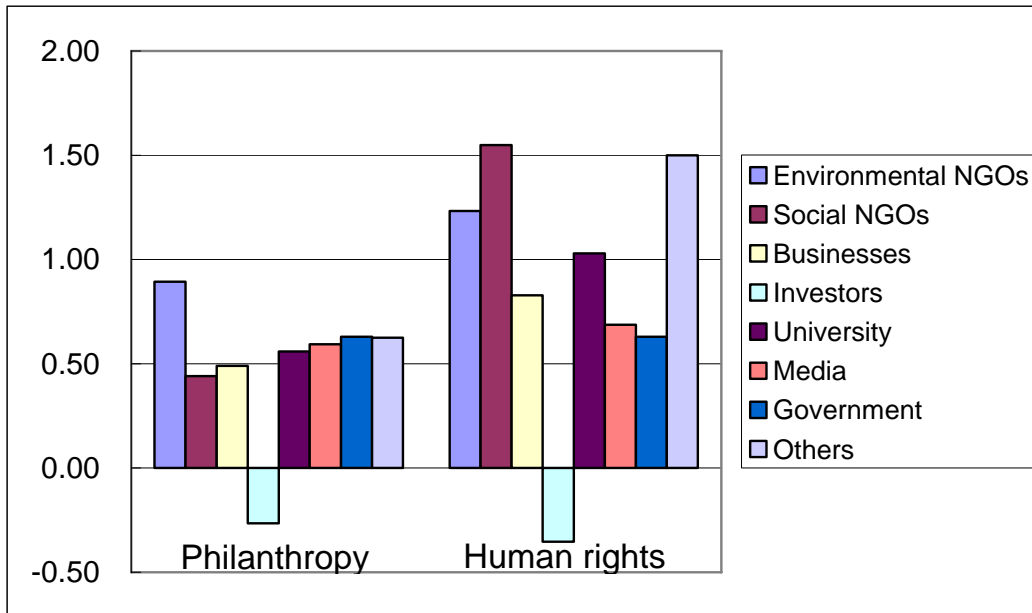


Fig. 2: Mean scores of different stakeholders for philanthropy and human rights

### 3.3 The top five factors

The distribution of responses between businesses and non-business stakeholders for the top five factors can be seen in figures 3 to 7. Although the distribution of responses is relatively similar there are some interesting characteristics. In terms of good environmental performance, more businesses than non-business stakeholders consider it to be vital. Over fifty percent of businesses see good health and safety practices as vital. More businesses than non-business stakeholders see good corporate governance as very important or vital. More businesses than non-businesses see human resource management and good employment practices as vital. But in terms of codes of conduct on bribery and corruption more non-business stakeholders see the issue as vital.

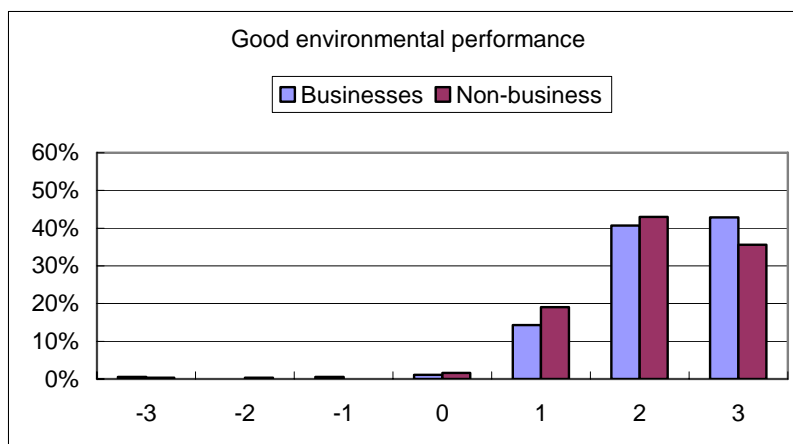


Fig. 3: Allocation of responses for good environmental performance

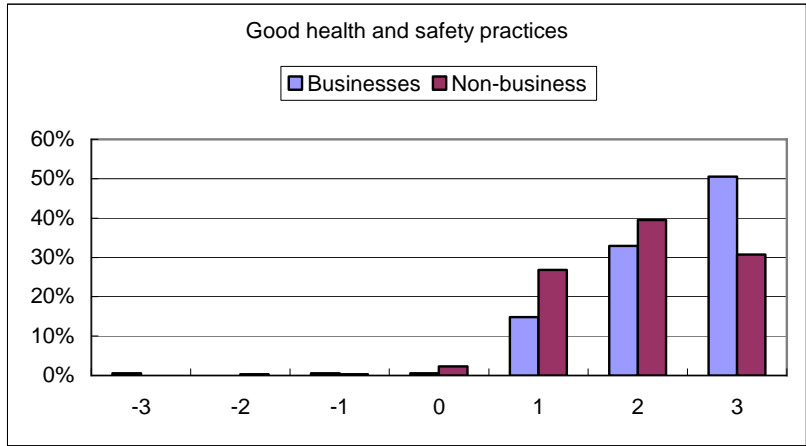


Fig. 4: Allocation of responses in good health and safety practices

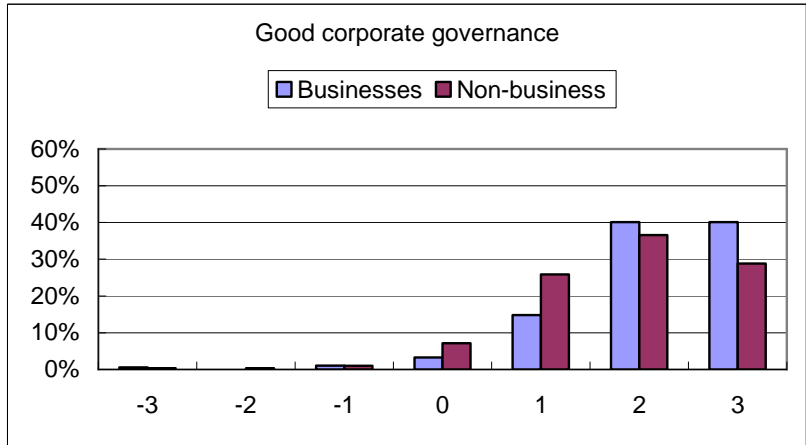


Fig. 5: Allocation of responses on good corporate governance

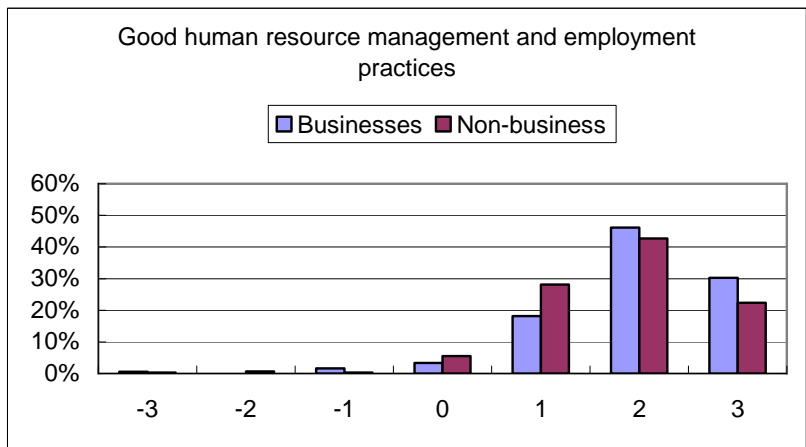


Fig. 6: Allocation of responses in good human resource management and employment practices

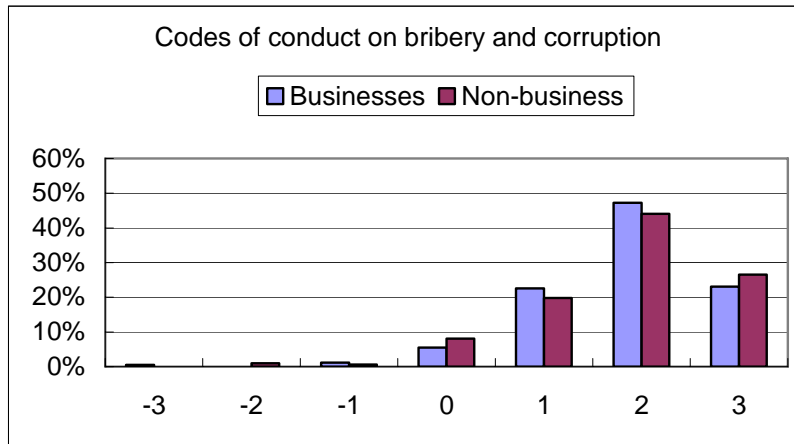


Fig. 7: Allocation of responses for codes of conduct on bribery and corruption

#### 4. Statistical analysis of the survey data

Although the ranks of factors across the surveyed groups are fairly consistent further statistical analysis does show up some interesting differences between groups. The statistical analysis undertaken of the survey data offers us a different view to the characteristics of each of the groups.

Statistical analysis has been applied to the mean scores produced by each stakeholder group. Differences in the mean and variance of mean emerge when each single factor is analyzed across the surveyed groups. In other words we find significant differences in the strength of preference across the factors.

To test for mean and variance of mean difference, the analysis employs a Independent Sample T-test<sup>1</sup> for two-group mean comparisons and an ANOVA (F-test)<sup>2</sup> for three-group overall variance of mean comparisons.

Based on table 6 we can see that there are there are 9 out of 15 factors where a statistically-proven difference in mean score exists between businesses and their non-business stakeholders. The results disclose that business and their stakeholders do have different views on a number of the factors.

<sup>1</sup> The Independent Sample T-test is carried out based on assumption of equal variance between two groups and a significance level of 5%.

<sup>2</sup> The ANOVA (F-test) is carried out based on assumption of equal variance across all groups and a significance level of 5%.

<b>Means comparison between businesses and non-business stakeholders</b>			
<b>Factors/Stakeholder groups</b>	<b>BUS (1)</b>	<b>Non-Bus (2)</b>	<b>Significant Difference</b>
Policies	1.099	1.605	✓
Health and safety	2.298	1.971	✓
Environment	2.215	2.104	
Governance	2.122	1.828	✓
HRM	1.972	1.780	✓
Community	0.945	0.997	
Supply chains	1.525	1.777	✓
Product responsibility	1.337	1.301	
Philanthropy	0.486	0.508	
Human rights	0.829	1.032	
Partnerships	0.890	1.375	✓
Standards	0.669	1.019	✓
Reporting	0.983	1.579	✓
Corruption	1.834	1.848	
Stakeholder dialogue	1.464	1.738	✓

Table 6: Comparison of means for businesses and non-business stakeholders

Businesses consider the following factors to be relatively more important than their stakeholders: health and safety, governance and human resource management.

Non-business stakeholders place a higher importance than businesses on the following factors: policies, supply chain management, partnerships with NGOs, international standards and reporting.

In addition, all stakeholders want to see more dialogue with business. They clearly want to be engaged and their views taken into account by the business community. A challenge for the private sector is to create systems for their stakeholders to express their views. As we have seen, many NGOs are keen to work more closely with the business community and build partnerships with them.

Surprisingly, business and investors do not seem to prioritise CSR in the same way at all. The comparison (in table 7) shows a significant mean difference in 11 out of 15 factors. Investors place much more emphasis on written policies and on social and environmental reporting. In the other cases of significant difference a higher priority is put on the factors by business and less priority is placed on these nine other factors by investors.

<b>Means comparison between businesses and Investors</b>			
<b>Factors/Stakeholder groups</b>	<b>BUS (1)</b>	<b>Investors (2)</b>	<b>Significant Difference</b>
Policies	1.099	1.647	✓
Health and safety	2.298	1.824	✓
Environment	2.215	1.735	✓
Governance	2.122	2.324	
HRM	1.972	1.500	✓
Community	0.945	0.294	✓
Supply chains	1.525	1.324	
Product responsibility	1.337	0.794	✓
Philanthropy	0.486	-0.265	✓
Human rights	0.829	-0.353	✓
Partnerships	0.890	0.412	✓
Standards	0.669	0.971	
Reporting	0.983	1.941	✓
Corruption	1.834	2.088	
Stakeholder dialogue	1.464	1.000	✓

Table 7: Comparison of means for businesses and investors

Different priorities for CSR are also observed when businesses, NGOs and other stakeholder groups are compared (see table 8). The analysis shows that differences in variance of mean are shown in 11 out of 15 factors for the group, translating to proven differences in policies, health and safety, environment, governance, supply chains, human rights, partnerships, standards, reporting, corruption and stakeholder dialogue.

<b>Variance of means: Comparison among businesses, NGOs and all others</b>					
<b>Factors/Stakeholders</b>	<b>BUS (1)</b>	<b>NGOs (2)</b>	<b>All others (3)</b>	<b>Overall significant difference</b>	<b>Difference in Groups</b>
Policies	1.099	1.604	1.606	✓	1-2, 1-3
Health and safety	2.298	1.866	2.069	✓	1-2, 1-3, 2-3
Environment	2.215	2.208	2.006	✓	nil
Governance	2.122	1.436	2.194	✓	1-2, 2-3
HRM	1.972	1.812	1.750		nil
Community	0.945	1.101	0.900		nil
Supply chains	1.525	2.081	1.494	✓	1-2, 2-3
Product responsibility	1.337	1.295	1.306		nil
Philanthropy	0.486	0.611	0.413		nil
Human rights	0.829	1.430	0.663	✓	1-2, 2-3
Partnerships	0.890	1.960	0.831	✓	1-2, 2-3
Standards	0.669	0.973	1.063	✓	1-3
Reporting	0.983	1.389	1.756	✓	1-2, 1-3, 2-3
Corruption	1.834	1.570	2.106	✓	1-2, 1-3, 2-3
Stakeholder Dialogue	1.464	1.919	1.569	✓	1-2, 2-3

Table 8: Comparisons of means for businesses, NGOs and other stakeholder groups

In addition to the overall difference in variance of mean across all groups, the F-test also provides another statistic, a Post-hoc analysis, indicating statistically significant difference at 5% level across business, NGOs and all others indicating proven differences group-to-group. The table reveals that even if there is proven overall difference in the comparison, differences can also be observed from some of the individual groups. For example, “1-2, 1-3” for policies refers to a significant different view to policies issue between business and NGOs (1-2) and between business and all other stakeholders (1-3).

There are interesting differences in the mean scores of businesses and those of NGOs, therefore. Business places more emphasis on health and safety, governance and codes of conduct on bribery and corruption. But NGOs want to see a higher priority put on social and environmental policies, supply chain management, human rights, partnerships with NGOs, international standards, reporting and stakeholder dialogue.

Analysis of businesses, NGOs and government (see Table 9) also demonstrates notable overall differences in priorities for CSR in 10 out of 15 factors, including policies, health and safety, governance, supply chains, human rights, partnerships, standards, reporting, corruption and stakeholder dialogue.

<b>Variations of means: Comparison of businesses, NGOs and government</b>					
<b>Factors/Stakeholders</b>	<b>BUS(1)</b>	<b>NGOs(2)</b>	<b>GOVT(3)</b>	<b>Overall significant difference</b>	<b>Difference in groups</b>
Policies	1.099	1.604	1.714	✓	1-2, 1-3
Health and safety	2.298	1.866	2.571	✓	1-2, 2-3
Environment	2.215	2.208	2.486		nil
Governance	2.122	1.436	2.514	✓	1-2, 2-3
HRM	1.972	1.812	2.143		nil
Community	0.945	1.101	1.229		nil
Supply chains	1.525	2.081	1.457	✓	1-2, 2-3
Product responsibility	1.337	1.295	1.229		nil
Philanthropy	0.486	0.611	0.629		nil
Human rights	0.829	1.430	0.629	✓	1-2, 2-3
Partnerships	0.890	1.960	1.400	✓	1-2, 1-3, 2-3
Standards	0.669	0.973	1.114	✓	nil
Reporting	0.983	1.389	1.714	✓	1-2, 1-3
Corruption	1.834	1.570	2.429	✓	1-2, 1-3, 2-3
Stakeholder dialogue	1.464	1.919	1.914	✓	1-2

Table 9: Comparison of means for businesses, NGOs and government

Interesting differences emerge between government and business, in particular. Government puts a higher priority on policies, partnerships, and social and environmental reporting.

## 5. Overall importance of CSR

Since we can measure the strength to which businesses and stakeholder groups prioritise the fifteen factors then by aggregating those factors (i.e. taking the mean of the means) we can get a measure of the extent to which different stakeholders consider CSR to be important. To some extent this gives us a measure of how socially responsible businesses *should* be seen to be.

Thus table 10 provides us with a ranking of the importance attached to CSR by each stakeholder group surveyed and business itself. Although differences are not huge, it does seem to indicate that all stakeholders (excluding investors) would still like to see business doing more in terms of CSR.

Overall CSR mean		
Rank	Stakeholders	Mean
1	Government	1.6781
2	Environmental NGOs	1.6131
3	Others	1.5806
4	Social NGOs	1.5125
5	Media	1.4896
6	University	1.3798
7	Business	1.3779
8	Investors	1.1490

Table 10: The overall importance of CSR in Hong Kong



## **6. Conclusions**

This research has identified some interesting findings. Firstly, it can be seen that businesses are not generally out of step with the expectations of their stakeholders when one considers rankings of the fifteen factors associated with CSR considered here.

Secondly, however, the consistency in the rankings does tend to hide some significant statistical differences in the priorities attached to different CSR factors. We have seen that the strength of importance attributed to some factors do vary. In a number of cases businesses have stronger priorities than their stakeholders.

However, there are some areas where stakeholder groups give more priority to factors compared with businesses. Those areas include social and environmental policies, supply chain management, partnerships with NGOs, international standards, social and environmental reporting and stakeholder dialogue. For businesses, therefore, these may be areas to examine further in terms of future CSR programmes and practices.

However, we have also tentatively evaluated the priority that different stakeholder groups attribute to the concept of CSR more broadly by aggregating our fifteen CSR factors. Here we find that Hong Kong businesses do see CSR as important (even though they may not always use that term) but that other stakeholders (excluding investors) may see CSR as even more important.

The aim of the research was to examine which CSR factors are most important to Hong Kong businesses and their stakeholders. The methodology could easily be replicated to other locations. For Hong Kong we find that the quite traditional areas of CSR including environmental performance, health and safety, good governance and human resource management and employment practices still dominate the concerns of both business and their stakeholders. But it should also be noted that all fifteen factors are seen as important and that companies are going to be expected to address all of them if they are to be seen as leaders with respect to CSR.