

# A COMPARATIVE ANALYSIS OF STUDENTS' ATTITUDES TOWARDS FINANCIAL AND CORPORATE SOCIAL REPORTING AMONG JAPAN, CHINA AND SOUTH KOREA

Mineo Tsuji, Osaka Prefecture University  
Yukie Tsuji, Kobe International University

## ABSTRACT

*The objective of this study is to characterize the differences in students' attitudes towards financial and corporate social responsibility reporting among three East Asian countries: Japan, China and South Korea. The questionnaire concerning stakeholders was carried out from 2006 to 2007. Descriptive statistics and Pearson's independent coefficient were used.*

*According to the obtained results, their attitudes differ among these three nations. Japan would like its traditional reporting to be maintained. China orients financial reporting in order that a shareholder can control an entity in the capital market or that an employee is given a chance of success, while South Korea is directed to social reporting to protect a customer or retain an employee.*

*On the other hand, it is common for respondents from these three countries to acknowledge the importance of female management and a superiors' age and that community services weigh the impact on the environment.*

## INTRODUCTION

While it is the International Financial Reporting Board (IASB) that is expected to develop a single set of high-quality, understandable, enforceable and globally accepted financial reporting standards at present (G20, 2009, p.6; IASB, 2011), other international organizations were also engaged in international harmonization of accounting several decades ago (Daley & Mueller, 1982, p.42; Choi & Mueller, 1984, pp.498-499; Kuroda, 1989, pp.7-23). Among these organizations, in particular, the Organization for Economic Co-operation and Development (OECD) and the United Nations (UN), which were members of the Consultative Group of the International Accounting Standards Committee (IASC, the predecessor of the IASB), had been concerned with non-financial information as well as financial information in usable form about the activities of multinational enterprises referred to by the OECD and transnational corporations named by the UN.

Internationalization of accounting standards has been a cause of conflicts. The UN General Assembly was eager to provide political power among its 153 member nations, especially with respect to controlling the activities of transnational corporations. The OECD with 24 member countries represented the industrialized Western nations in order to establish, if nothing else, a counterweight to the UN (Choi & Mueller, 1984, pp.470-476). The UN's reporting standards were embodied in the annexed lists of minimum-disclosure items for a transnational corporation and its member companies (UN, 1977, pp.45-79). The lists are divided into two parts, financial information and non-financial information, and each part has two sections, enterprise as a whole and individual member company. The list of minimum items of the first section of the second part required information on labor and employment, production, investment programs, organizational structure and environmental measures at the international level. The list of the second section of the second part required the same five items as the first section and the first item of labor and employment was even more detailed than in the first section: description of labor relations policy, number of employees at year end and annual average, number employed by function, number of women employees by function, number of national employees by function, average hours worked per week, annual rate of labor turnover, absenteeism, accident rate, description of health and safety standards and employee costs.

The OECD issued its Declaration on Investment in Multinational Enterprises in 1976. The annex to this Declaration contained reporting guidelines for multinational enterprises. The guidelines on Disclosure of Information in 1976 indicated that enterprises should publish financial statements and other pertinent information relating to the enterprises as a whole, comprising in particular: structure, geographical areas, operating results and sales by geographic area and sales in the major lines of business, significant new capital investment by geographic area, a statement of the sources and uses of funds, average number of employees in each geographic area, research and development expenditure, policy of intra-group pricing and accounting policies (OECD, 1986, pp.13-14).

Aside from this harmonization of accounting, the concept of corporate social responsibility (CSR) has been discussed and expanded since the 1980's because of issues relating to global business, environmental pollution, moral hazard and so forth. Many reports on CSR prepared and presented by Japanese entities appear to have been based on the guidelines of the Global Reporting Initiative (GRI), which can be understood as a pioneer in the importing of CSR information in financial report (cf. Kolk, 2005, p.158; Katsuyama, 2009, p.4).

The IASB's new objective of general purpose financial reporting is to provide financial information about an entity useful to present and potential capital providers (IASB, 2008, par.OB2; FASB, 1978, par.5), while the previous objective was to provide information about the financial position, performance and changes in financial position useful to users of financial statements in making economic decisions (IASB, 2001, par.12). IASB concludes that the objective should be broad enough to encompass information that might eventually be provided by financial reporting outside financial statements (IASB, 2008, par.BC1.4).

The IASB Framework, which was adopted in 2001, described the users of financial statements and their information needs: investor's risk, timing and dividends, employee's stability and remuneration, lender's payment when due, supplier's payment and continuation, customer's continuation, governmental allocation and tax, and local economy of the public (cf. Graafland et al., 2004, p.148). It noted that some information needs were common to all users, while not all the needs of these users could be met by financial statements. Investors are the first users that provide risk capital to the entity, and the provision of financial statements that meet their needs would also meet most of the needs of other users that financial statements can satisfy (IASB, 2001, par.10). According to the Framework, managers of an entity are also interested in the information contained in the financial statement though they have access to additional management and financial information and have the ability to determine the form and content of such additional information to meet its own needs (IASB, 2001, par.11).

Since the Financial Accounting Standards Board (FASB) focused on information for investment and credit decisions (FASB, 1978), the IASB's new Framework concluded that present and potential capital providers are the most prominent users of an entity's financial reports (IASB, 2008, par.BC1.19). While capital providers include equity investors, lenders and other creditors, and they have common information needs, each of their information needs is not changed from 2001 to 2008 in fact. Providing information useful in assessing management's stewardship is a broader objective than decision-usefulness (IASB, 2008, par.BC1.26). In addition, managers and the governing board of an entity do not have the same relationship with the entity as a capital provider since they are responsible for preparing financial reports of which they are not the intended recipient (IASB, 2008, par.OB8).

While information covered by the IASB is limited to that provided by general purpose financial reporting of an entity, the OECD and the UN deal with a wider range of corporate reporting. The latest edition of the OECD Guidelines mentions disclosure items as follows (OECD, 2008, pp.15-16): activities, structure, financial situation and performance as a whole and along business lines or among geographic areas, disclosure policy, accounting standards or policies under which both financial and non-financial information are compiled and published, basic information of the parent enterprise and its main affiliates, and material information on the financial and operating results of the company, company objective, major share ownership and voting rights, members of the board and key executives and their remuneration, material foreseeable factors, material issues regarding employees and other stakeholders and governance structures and policies.

In the process of the international harmonization or convergence of information provided in financial and CSR reporting, it is significant of an entity to acknowledge the reasons for the differences in stakeholders' attitudes towards financial and CSR reports between nations (cf. Heslin & Ochoa, 2008). As with citizens in the usual sense, corporate citizens have been searching for ways to align self-interest with the larger good of society (Smith, 1994, p.159). The objective of this study is to characterize the differences in students' attitudes towards financial

and corporate social responsibility reporting among three East Asian countries: Japan, China and South Korea.

## HYPOTHESES

Although there were a variety of competing global standards for non-financial or CSR reporting, the UN Global Compact and the GRI Guidelines were considered (Chen and Bouvain, 2009). The UN Global Compact consists of ten principles in the four areas as follows (UN, 2011): i) human rights, the protection of internationally proclaimed human rights and non-complicity in human rights abuse; ii) labor, the freedom of association and the recognition of collective bargaining, the elimination of forced labor, the abolition of child labor and the elimination of discrimination; iii) the environment, precautions against challenges, greater responsibility, and the development of friendly technologies; and iv) preventing corruption in all forms including extortion and bribery. In this connection, according to its guidelines, the GRI designated examples of stakeholder as follows (GRI, 2011, par.4.14): civil society, customers, employees, local communities, shareholders and suppliers.

Comparison between the recommendations of the OECD and the principles of the UN reveals that the OECD takes a less negative view of enterprises than does the UN. The OECD is often referred to as ‘the rich man’s club’ because its members are industrialized nations which are home to most of the world’s multinational enterprises. The UN represents a much broader spectrum of countries and is significantly influenced by concerns for developing nations (Arpan & Radebaugh, 1985, p.349). Here, in order to indicate whether and how there are differences in stakeholders’ attitudes towards financial and CSR reporting between Japan, China and South Korea, we propose the following hypothesis:

*H1: Primary Stakeholders differ among Japan, China and South Korea.*

However, these characteristics of stakeholders in some countries may be temporary where national systems are determined by environmental factors. In the late of 1970’s, for example, six countries - France, West Germany, Japan, the Netherlands, the United Kingdom and the United States - were referred to as the vital nations in terms of their influence of economic power on the world economy. And hence, each of them could have been a barrier against international harmonization of accounting (Mason, 1978, p.40). If the same kind of the test were carried out at present, what names of nations could be named as vital?

In introducing a market-based economy, the government of China has established closed relationships with the IASB (Suzuki, 2007, p.294). In China, IFRS was required for some domestic listed companies, while it was not permitted in Japan and Korea in those days (Deloitte et al., 2003). Here, we propose the following hypothesis:

*H2: A people who has a positive attitude towards financial information is a growth oriented nation.*

Many observers have noted that the emphasis on hard work, individual drive, and economic achievement, pridefully described as the Protestant ethic in the West, is more characteristic of the Japanese, who have no Christianity. These traits are strongly characteristic of all the peoples of East Asia - the Chinese and Koreans as well as the Japanese - who derive their underlying culture from ancient China and its Confucian attitudes (Reischauer & Jansen, 1995, p.170). Then, we propose the following hypothesis:

*H3: The impact of Confucianism on students' attitudes is decreasing.*

A framework for analyzing the impact of culture on the development of accounting systems internationally was once proposed (Gray, 1988; Nobes, 1998). Among Asian nations, Japan has been studied as an object of the objects of international classification of accounting or disclosure and of country studies in international accounting (Mueller, 1968; Da Costa et al., 1978; Frank, 1979; Nair & Frank, 1980; Nobes & Parker, 1981; Nair, 1982; Nobes, 1983; Mueller et al., 1987; Nobes, 1988; Gray, 1988; Eddie, 1990; Nobes, 1998). In particular, the studies of Nobes will interest us. Because the discussions about the reasons for international difference in financial reporting were clearly related to the topic of classification of financial reporting systems, he categorized some large Japanese entities into the U.S. GAAP group (Nobes, 1998) though he had included Japan into the same group as Germany (Nobes, 1983) before the study in question. Additionally, his earlier study had grouped Japan into the American one (Nobes, 1981).

The apparent result of the financial big bang in Japan has been an attempt to bring the financial system in Japan more in line with that of the Anglo-Saxon system. As the ratio of cross-held shares has been decreasing, so have been the informal Japanese networks of firms known as Keiretsu (Tricker, 1994, p.40; Ide & Takahashi, 2009, p.11). Since the Companies Act presently requires a listed company to select either with the board of company auditors or with the committees, the corporate governance in Japan has been changed (Tricker, 1994, p.19; Takei, 2006, p.125). How about the status of lenders in a main bank system (Kuroda, 2001, pp.1840-1842), the status of suppliers in Keiretsu (Nakane, 1970, p.95) and the status of employees in lifetime employment system (Reischauer and Jansen, 1995, p.320; Yoshimori, 1996, p.31)?

The Japanese financial big bang has led to the development of new accounting standards and the revision of present standards (Sakurai, 2001, p.1702), one of which is the Accounting Standards for Post-retirement Benefits. The Standards were published by the Business Accounting Deliberation Council (BADC) in 1998 and were judged adequate to be effective from the years beginning on or after 1 April, 2000 (BADC, 1998, par.5.1). An analysis of the textile industry in Japan demonstrated that some stakeholders of Japanese companies have gravitated more toward the style of their Anglo-Saxon counterparts during the decade following the financial big bang (Tsuji, 2010).

Considering the convergence or adoption of IFRS in G20 countries, the findings of the international classification studies of financial accounting may reveal that not only financial accounting standards but also CSR practices will result in the convergence into the Anglo-Saxon system in the long run (cf. Nobe, 1998; Newson & Deegan, 2002; Aguilera et al., 2006; Chen & Bouvain, 2008), while culture as the collective programming of the mind is plausible cause of accounting differences (Gray, 1988).

## METHODOLOGY

The study started in Japan in December 2006, targeting both Japanese university students and Chinese university students and ended in Korea in October 2007, restricted to Korean university students. Of the sample, the total number of the subjects was 564: 355 Japanese (62.9%), 95 Chinese (16.9%), and 114 South Korean (20.2%). The female percentage of the subjects was 40.8%: the Japanese was 39.2%, the Chinese was 64.2%, and the South Korean was 26.3%. The age distribution was as follows: the maximum was 38, the minimum was 18 and the average was 20.9. The Japanese average age was 19.6, the Chinese was 24.3, and the South Korean was 22.1.

We asked only the Chinese students to indicate why they came to the Japanese universities as overseas students (CHIREA): bachelor degree, linguistic training, employment in Japanese companies or others reasons. Bachelor degree was selected by 37.9% of them, employment in Japanese companies was selected by 25.3%, linguistic training was selected by 16.8%, and an additional 20.0% of them either chose other reasons or had no answer. Because almost all of the South Korean students were researched in South Korea, we did not ask the Korean students to answer the same question as the Chinese students on reason for overseas studying.

The questionnaire items in the study were grouped into four parts: respondents' attributes, prominent stakeholders, attitudes towards stakeholders and East Asian society.

The first part was relevant to the attributes of the respondents: gender (ATTGEN) and age (ATTAGE). The second part related which stakeholder an entity should in principle serve primarily (STAPRI) and secondarily (STASEC), banks, customers, employees, government, local communities, managers, shareholders or suppliers. The respondents chose one of the alternatives that most likely expressed their personal fair values or philosophy.

The third part of the questionnaire consisted of five sections, each of which treated the attitudes of the respondents toward or consciousness of five stakeholders, that is, managers, shareholders, employees, customers and the local community. The first section asked five questions to a manager of a parent entity, namely, i) primary stakeholder (MANPRI): banks, customers, employees, government, local community, shareholders or suppliers, ii) corruption forced by circumstances because of profits (MANCOR): tax evasion, environmental pollution, exploitation of labor, defective product, bribery or refusal of compliance, iii) corruption to be



prevented in spite of profits (MANPRE): tax evasion, environmental pollution, exploitation of labor, defective product, bribery or refusal of compliance, iv) primary segmental information (MANSEG): sales and profits along business lines, sales and profits along geographic areas or employees' number along geographic areas and gender ratio, and v) independence in decision-making of a foreign subsidiary from a parent (MANIND): full independence, materials decided by a subsidiary, materials decided by a parent or dependent. The item ii) MANCOR relates to an implicitly minor stakeholder and the item iii) MANPRE has a relationship with an implicitly primary stakeholder from a manager's perspective. It is natural that every respondent acknowledge that any business should work against corruption in all its forms, including items listed above. At the same time, it is difficult to eradicate corruption in fact. We thank the respondents for any academic results which might contribute to a society.

The second section listed three items as to shareholders, namely, i) request to an entity, exception dividends or higher stock prices (SHAREQ): employment, customer satisfaction, environmental protection, compliance, tax payment or community service, ii) sacrifice by circumstances necessary for shareholders' benefits (SHASAC): employment, customer satisfaction, environmental protection, compliance, tax payment or community service, and iii) maximum acceptable percentage of sacrifice by circumstances necessary for a society (SHAMAX) : 0% - 20%, - 40%, - 60%, - 80% or - 100%. The item ii) SHASAC is relating to an implicitly minor stakeholder from a shareholder's perspective.

The third section formed three items as to a full-time employee of a parent, namely, i) primary information needs (EMPINF): remuneration, stability, safety, education, gender ratio or promotion, ii) same treatment as full-time employees of a parent (EMPSAM): a part-time employee of a parent, a full-time employee of a subcontractor, a full-time employee of a subsidiary or a foreign full-time employee and iii) participation in management (EMPPAR): yes or no.

The fourth section stated an item as to a customer and a consumer, namely, i) a source for a defective product's information (CUSSOU): the Internet, its manufacturer, mass media, government or friend. The fifth section listed an item as to local community, namely, i) request to an entity (COMREQ): employment, environmental preservation, tax payment, compliance or infrastructure.

The fourth part as to eastern Asian society (Nakane, 1970; Reischauer and Jansen, 1995) consisted of two sections, gender and time. The gender section contained four items, i) ratio of female colleagues from a manager's perspective (GENMAN), 0% - 20%, - 40%, - 60%, 80%, - 100%, ii) ration of females in management from a shareholder's perspective (GENSHA), 0% - 20%, - 40%, - 60%, 80%, - 100%, iii) request to the CEO in addition to performance from an employee's perspective (GENCEO), gender, nationality, age or pedigree, and iv) request to the immediate boss in addition to performance from an employee's perspective (GENBOS), gender, nationality, age or pedigree. The time section contained just one item, i) period of time of employment (TIMEMP): - 3 years, - 5 years, - 10 years, - 20 years or lifetime employment.

In order to make it clear that there are differences in attitude towards financial and CSR information among these East Asian nations, descriptive statistics and Pearson's independent coefficient were used.

## RESULTS AND DISCUSSION

### Stakeholders

To understand which stakeholder the respondents in principle recognized as primary and secondary, we had them select each one of eight kinds of stakeholders. Table 1 presents a detailed profile of the primary stakeholder and secondary one of each country.

According to the descriptive analysis of variables, perception of the primary stakeholders turned out to be entirely different among these three nations. The Japanese students considered managers (50.1%) and shareholders (34.6%) as primary, whereas Chinese students regarded shareholders (45.3%) and South Koreans considered customers (57.9%) as such. The answers of these three groups also vary on the secondary stakeholder. Japanese respondents considered secondary stakeholder as shareholders (32.4%), managers (31.3%) and employees (25.6%), while Chinese respondents regarded secondary stakeholder as managers (37.9%) and South Koreans selected employees (36.0%) and customers (21.9%).

In total, in the case of the Japanese students, managers (40.8%) and shareholders (33.5%) were much more prominent than the other designations of stakeholder. Employees (16.6%) and customers (5.6%) were clustered into the middle, while government (0.4%), suppliers (0.3%) and local communities (0.1%) were the lowest. On the other hand, the stakeholders were grouped into three groups by the Chinese students. The most significant group consisted of shareholders (28.4%) and managers (27.4%). The next was composed of customers (10.5%), employees (10.0%) and government (8.9%); while the lowest was made up of local communities (2.1%), suppliers (0.5%) and banks (0.0%). As for the South Korean, the most prominent stakeholders were customers (39.9%) and employees (26.8%). The next were government (9.2%) and shareholders (8.3%) and the remaining were all less than five per cent for each.

Pearson's independent coefficient regarding stakeholders resulted in Table 2.

### Managers

Management has the primary responsibility for preparation and presentation of financial and CSR reports of an entity. The Japanese students considered customers (28.5%), employees (22.5%), suppliers (21.1%) and shareholders (20.3%) as prominent; while the Chinese students regarded customers (29.5%) and the Korean students selected customers (39.5%) and employees (24.6%) as such.



	Japan: Number (%)	China: Number (%)	Korea: Number (%)
<b>Primary stakeholder:</b>			
Banks	0 (0)	0 (0)	0 (0)
Customers	16 (4.5)	14 (14.7)	66 (57.9)
Employees	27 (7.6)	3 (3.2)	20 (17.5)
Government	2 (0.6)	9 (9.5)	8 (7.0)
Local communities	0 (0)	0 (0)	3 (2.6)
Managers	178 (50.1)	16 (16.8)	7 (6.1)
Shareholders	123 (34.6)	43 (45.3)	7 (6.1)
Suppliers	0 (0)	0 (0)	0 (0)
<b>Secondary stakeholder:</b>			
Banks	2 (0.6)	0 (0)	0 (0)
Customers	24 (6.8)	6 (6.3)	25 (21.9)
Employees	91 (25.6)	16 (16.8)	41 (36.0)
Government	1 (0.3)	8 (8.4)	13 (11.4)
Local communities	1 (0.3)	4 (4.2)	7 (6.1)
Managers	111 (31.3)	36 (37.9)	5 (4.4)
Shareholders	115 (32.4)	11 (11.6)	12 (10.5)
Supplier	2 (0.6)	1 (1.1)	3 (2.6)
<b>Total:</b>			
Banks	2 (0.3)	0 (0)	0 (0)
Customers	40 (5.6)	20 (10.5)	91 (39.6)
Employees	118 (16.6)	19 (10.0)	61 (26.8)
Government	3 (0.4)	17 (8.9)	21 (9.2)
Local communities	1 (0.1)	4 (2.1)	10 (4.4)
Managers	289 (40.8)	52 (27.4)	11 (4.8)
Shareholders	238 (33.5)	54 (28.4)	19 (8.3)
Suppliers	2 (0.3)	1 (0.5)	3 (1.3)

	Japan	China	Korea
STAPRI	GENCEO -.114* GENBOS -.187**	CHIREA .408** STASEC .489**	STASEC .297** GENCEO -.230*
STASEC	MANIND -.105* COMREQ .106*	CHIREA .249* STAPRI .489** CUSSOU .291** GENMAN .291**	STAPRI .297**
** = significant at 0.01, * = significant at 0.05.			

The Japanese students selected exploitation of labor (52.7%) as corruption forced by circumstances because of profits; the Chinese students chose exploitation of labor (32.6%) and environmental pollution (23.2%), while the Korean students chose bribery (21.1%) or gave no answer (9.2%). The Japanese students selected, as corruption to be prevented in spite of profits, refusal of compliance (34.6%) and defective product (30.1%), the Chinese students chose refusal of compliance (36.8%) and defective product (25.3%), and the Korean students specified defective product (26.3%) and exploitation of labor (21.1%).

**Table 3: PEASON'S INDEPENDENT COEFFICIENT OF MANAGERS**

	Japan	China	Korea
MANPRI	MANCOR -.179** GENCEO .125*	CHIREA .235* SHAREQ .225* COMREQ .321**	MANCOR .189* MANPRE .286** MANSEG .276** MANIND .295** SHAREQ .214* EMPPAR .245** GENMAN .259**
MANCOR	MANPRI .115* MANPRE -.179** EMPSAM .122* GENSHA .106* TIMEMP -.142**	GENSHA .261* GENCEO .229*	ATTAGE .209* MANPRI .189* EMPSEG .271** COMREQ .215* GENCEO .275**
MANPRE	MANCOR -.179** GENBOS .115* TIMEMP .128*	SHASAC .214*	MANPRI .286** MANIND .278** EMPPRA .255** COMREQ .234* GENMAN .278** GENCEO .253** GENBOS .341**
MANSEG	ATTGEN -.116* SHASAC .154** TIMEMP -.143**	ATTAGE -.220*	MANPRI .276** MANIND .295** SHASAC -.249** EMPPAR .404** CUSSOU .330** GENMAN .197* GENCEO .194*
MANIND	STASEC -.105* SHAREQ -.111* EMPSAM .111*	GENCEO .255* GENBOS .365** TIMEMP .218*	ATTAGE .219* MANPRI .284** MANPRE .278** MANSEG .295** EMPPAR .308** COMREQ .200* GENCEO .360** GENBOS .368**

\*\* = significant at 0.01, \* = significant at 0.05.

As segmental information, the Japanese students required sales and profits along business lines (68.2%), the Chinese students required sales and profits along geographic areas (45.3%) and along business lines (41.1%), and the Korean students required sales and profits along business lines (73.3%).

In relation to the independence in decision-making of a foreign subsidiary from a parent, the Japanese students selected materials decided by a parent (49.9%), the Chinese students specified materials decided by a subsidiary (40.0%), and the Korean students chose materials decided by a parent (36.8%).

Pearson's independent coefficient concerning managers resulted in Table 3.

### Shareholders

Apart from dividends or higher stock prices, as a shareholder, the Japanese students selected customer satisfaction (49.6%) and compliance (24.5%) from an entity, while the Chinese students selected customer satisfaction (46.3%) and compliance (17.9%) and the South Korean students selected customer satisfaction (73.7%).

On the other hand, the Japanese students selected community service (44.8%) and employment (39.2%) as sacrifice by circumstances necessary for shareholders' benefits, the Chinese students chose community service (41.1%) and employment (27.4%), and the Korean students indicated community service (46.5%) and employment (27.2%). In addition, as the maximum acceptable percentage of sacrifice by circumstances necessary for a society, the Japanese students selected 0% - 20% (42.8%) and - 40% (43.4%), the Chinese students chose 0% - 20% (48.4%) and - 40% (31.6%) and the Korean students chose 0% - 20% (61.4%) and - 40% (27.2%).

Pearson's independent coefficient concerning shareholders resulted in Table 4.

	Japan	China	Korea
SHAREQ	MANIND -.111*	ATTAGE .207* MANPRI .225*	GENSHA .189*
SHASAC	EMPSEG -.110*	ATTGEN -.267** MANPRE .214* SHAMAX -.261** EMPPAR -.210*	MANSEG -.249**
SHAMAX	MANSEG .154** EMPSAM .122* CUSSOU .113* GENBOS -.120*	SHASAC -.261* CUSSOU .223* GENMAN .292* GENSHA .267**	GENSHA .201*

\*\* = significant at 0.01, \* = significant at 0.05.

## Employees

As a full-time employee of a parent, the Japanese students primarily required information on remuneration (44.8%), while the Chinese students required information on promotion (40.0%) and the Korean students required information on promotion (32.5%) and remuneration (23.7%). The Japanese students considered that a foreign full-time employee (51.3%) should be treated the same as a full-time employee of a parent; the Chinese students thought that a foreign full-time employee (34.7%), a full-time employee of a subsidiary (29.5%) and a full-time employee of a subcontractor (23.2%) should be so treated; and the Korean students indicated that a full-time employee of a subsidiary (69.3%) should be treated the same.

In addition, 61.7% of the Japanese students wanted to participate in management as an employee, while 81.1% of the Chinese, and 89.5% of the Korean students hoped to take part in management.

Pearson's independent coefficient about employees resulted in Table 5.

	Japan	China	Korea
EMPINF	ATTAGE .137** SHASAC -.110* TIMEMP -.135*	CHIREA .232* EMPSAM .387**	MANCOR .271** CUSSOU .335**
EMPSAM	MANCOR .122* MANIND .111* SHAMAX .122*	EMPINF .387** GENCEO .330**	-
EMPPAR	ATTGEN -.292** ATTAGE -.136* GENBOS -.110*	SHASAC -.210* COMREQ .232*	MANPRI .245** MANPRE .255** MANSEG .404** MANIND .308** MANGEN .206* GENCEO .276** GENBOS .287**

\*\* = significant at 0.01, \* = significant at 0.05.

## Customers and Local Communities

In order to compile or to confirm detailed or reliable information as to a defective product, the Japanese students elected to contact its manufacturer (44.8%) as a customer or a consumer, while the Chinese students chose to use the Internet (35.8%) and to contact its manufacturer (24.2%), and the Korean students selected to use the Internet (54.4%).

As a member of a local community, the Japanese students required an entity to preserve the environment (49.9%) and employ local people (31.3%), the Chinese students required it to

preserve the environment (45.3%), whereas the Korean students required it to employ local people (50.9%).

Pearson's independent coefficient concerning customers and local communities resulted in Table 6.

	Japan	China	Korea
CUSSOU	SHAMAX .113* GENMAN .137**	STASEC .291*	MANSEG .330**
		SHAMAX .223*	EMPINF .335**
		COMREQ .305**	GENMAN .251**
		GENMAN .354*	GENSHA .194*
		GENSHA .235*	
COMREQ	STASEC .106*	CHIREA .291**	MANCOR .215*
		MANPRI .321*	MANPRE .234*
		EMPPAR .232*	MANIND .200*
		CUSSOU .305**	

\*\* = significant at 0.01, \* = significant at 0.05.

### East Asian Society

As potential managers, the Japanese students regarded - 40% (53.0%) and - 60% (36.9%) as the most desirable ratio of female colleagues in management, the Chinese students considered - 40% (55.8%) and - 60% (26.3%), and the Korean students thought - 40% (50.0%) and - 60% (27.2%).

As potential shareholders, the Japanese students regarded - 40% (56.9%) and - 60% (32.4%) as the most desirable ratio of females in management, the Chinese students considered - 40% (53.7%) and - 60% (31.6%), and the Korean students thought - 40% (60.5%), - 60% (19.3%) and - 20% (12.3%) as most desirable.

As potential employees, the Japanese students considered age (63.9%) and nationality (18.6%) as significant factors for a CEO in addition to performance; the Chinese students judged age (49.5%) and nationality (23.2%) as significant; and the Korean students considered age (50.9%) and nationality (19.3%) as significant factors. For an immediate boss of their division, the Japanese students considered age (62.3%) and nationality (19.2%), as well as performance, as significant factors; the Chinese students judged age (40.0%) and gender (25.3%) as significant factors; and the Korean students judged age (64.0%) and gender (14.0%) as significant factors. If they were employees, then the Japanese students wanted to work for the same entity during a lifetime, while the Chinese students wished for - 5 years (35.8%) and - 10 years (26.3%), and the Korean students desired lifetime employment (34.2%) and - 10 years (27.2%).

Pearson's independent coefficient concerning East Asian societies resulted in Table 7.

**Table 7**  
**PEASON'S INDEPENDENT COEFFICIENT OF EAST ASIAN SOCIETY**

	Japan	China	Korea
GENMAN	CUSSOU .137** GENSHA .637** TIMEMP .105*	STASEC .258* SHAMAX .292** CUSSOU .354** GENSHA .569** GENBOS .227*	ATTGEN -.203* MANPRI .259** MANPRE .300** MANSEG .197* EMPPAR .206* CUSSOU .251** GENSHA .668**
GENSHA	MANCOR .106* GENMAN .637**	ATTGEN -.211* MANCOR .261* SHAMAX .267** CUSSOU .235* GENMAN .569*	SHAREQ .189* SHASAC .201* GENMAN .668**
GENCEO	STAPRI -.114* MANPRI .125* GENBOS .319**	MANCOR .229* MANIND .255* EMPSAM .330** GENBOS .326**	ATTAGE .192* STAPRI -.230* MANCOR .275** MANPRE .253** MANSEG .194* MANIND .360** EMPPAR .276** CUSSOU .194* GENBOS .488**
GENBOS	STAPRI -.187** MANPRE .115* SHAMAX -.120* EMPPAR -.110* GENCEO .319**	MANIND .365** GENMAN .227* GENCEO .326**	MANPRI .205* MANPRE .341** MANIND .368** EMPPAR .287** GENCEO .488**
TIMEMP	ATTAGE .118* MANCOR -.142** MANPRE .128* MANSEG -.143* EMPINF -.135* GENMAN .128*	MANIND .218*	ATTAGE .268**

\*\* = significant at 0.01, \* = significant at 0.05.

## Discussion

The Japanese university students consider that an entity shall in fact be owned or controlled by a manager. Managers try to bear an equal and fair relationship to other stakeholders, and in particular the entity they manage ought to have good, long-term relations with customers. It is believed that these relations will lead to the benefit of shareholders. According to their desirable corporate governance, employees do not always participate in management. On the other hand, lifetime employment and seniority system shall be maintained



and, in certain cases, employees might have to be sacrificed due to circumstances beyond their control. A parent entity shall decide material matters and disclose financial information along business lines and on remuneration. The Japanese will focus attention on their treatment of others, especially foreigners. Despite their larger acceptable sacrifice, they tend to make light of local communities as opposed to the shareholders' benefits. In Japanese society, non-financial information on environmental preservation shall be disclosed as a community service in their CSR reports.

The Chinese university students think that an entity shall be owned or controlled by shareholders in substance as well as in form. Here, it seems possible for them to control the entity through financial reporting (cf. Busse von Colbe, 1994; Kolk & Pinkse, 2006), in other words, in a voice and from an exit in the capital market (Hirschman, 1974). In detail, of course, as there is a difference in concern of institutional investors about CSR between the United Kingdom and the United States, so Chinese voice and exit may operate in the Marxist framework in their own way, Chinese micro-capitalistically (cf. Aguilera et al., 2006; Suzuki, 2007). According to their desirable corporate governance, employees shall participate in management and a local subsidiary shall decide material matters. The Chinese students wish to work for a rational entity during a rational term because they know that employees might be sacrificed by management due to circumstances beyond their control (cf. Jiang et al., 2009). Necessary financial information is regarded as relative to geographic areas. After advancing their interest, entity shall restrict the lawless (Lu, 2008). These students require information on their promotion and treatment comparable with that affected others who work for any type of the group, such as a parent, a subsidiary, a subcontractor, a foreigner and so on.

As far as the interests of customers correspond to these of shareholders, the Chinese students maintain good relations with each other. However, customers use the Internet to search for information on products (cf. Tang & Li, 2009), which may indicate the customers do not necessarily depend upon entities. They tend to make light of local communities as opposed to the shareholders' benefits and they try to minimize their sacrifice in performance of their social responsibilities (cf. Suzuki, 2007, pp.294-295). Their CSR reports shall contain non-financial information on their products and on environmental preservation as community services.

The South Korean university students reflect the philosophy that an entity shall serve or be controlled by a customer, who has own brand equity (Tsuji, 2004, p.16). Here, it appears possible to control the entity through CSR reporting, namely, in a voice and from an exit in the consumer or product market (cf. Lee et al., 2009). They give priority to employees as well as customers, regardless of financial figures. According to their desired corporate governance, employees shall participate in management, and a parent entity shall decide material matters. The entity shall disclose financial information along business lines, and non-financial information on promotion. They require information on employees, whose attitudes might be not toward an organization but toward society (cf. Rodrigo & Arenas, 2008), comparable to that between a parent and a subsidiary as they want to work for the entity for the middle or long-term. Insofar as

the interests of customers correspond to that of shareholders, they maintain good relations with each other. However, customers use the Internet in search for information on products (cf. Unerman & Bennett, 2004), which may indicate that customers do not necessarily rely upon entities. If the shareholders' interests oppose that of local communities, community services may be cut off since they try to minimize their sacrifice in performance of their social responsibilities. Korean CSR reports shall disclose information on gift employment as a community service as well as information on products.

Common among the respondents from these three nations, female management is acceptable at present, though it seems desirable that the number of females in management should be a little smaller than that of males. That their superiors are desirable to be relatively older is common among the three groups of respondents, though the Chinese and the Koreans pay less heed to the age of CEO than the Japanese students (cf. Nyaw & Ng, 1994; Giacobbe & Segal, 2000). The class divisions surviving from feudalism was said to be a determining factor behind their ethic (Reischauer & Jansen, 1995). The impact of Confucianism has been decreasing, so this information shall be disclosed in their CSR reports.

## CONCLUSION AND RECOMMENDATION

Today's businesses are increasingly recognizing that unless they nurture other stakeholders they may never earn sufficient profits for the shareholders. An entity must be careful not to violate any stakeholder group's sense of fairness about the treatment they are receiving relative to others (Kotler & Keller, 2009, p.95). The new corporate philanthropy, CSR, shall be interpreted not as obligation but as strategy. Kotler and Lee (2005, p.7) described as a shift to long-term commitments to specific social issues and initiatives, providing more than cash contributions, sourcing funds from business units as well as philanthropic budgets, forming strategic alliances, and doing all of this in a way that also advances business goals.

In Figure 1, we propose a model of reasons for the differences in stakeholder's attitudes towards financial and CSR reporting among Japan, China and South Korea.

The Japanese students are still in the tradition of Japanese Confucianism and would like not to change. In Japan, an entity shall be recommended to have the people know that they remain what they are in a developed and island nation, in terms of disclosing financial and corporate social information.

Especially, as financial reporting leads to rationalization for decision-making like an invisible hand controlling a growing nation, so the Chinese students could pursue an American dream in a matured market. They tend to orient economic growth and then make society more sustainable. In China, first, an entity shall be recommended to report financial information, and then, shall be recommended to disclose corporate social information.

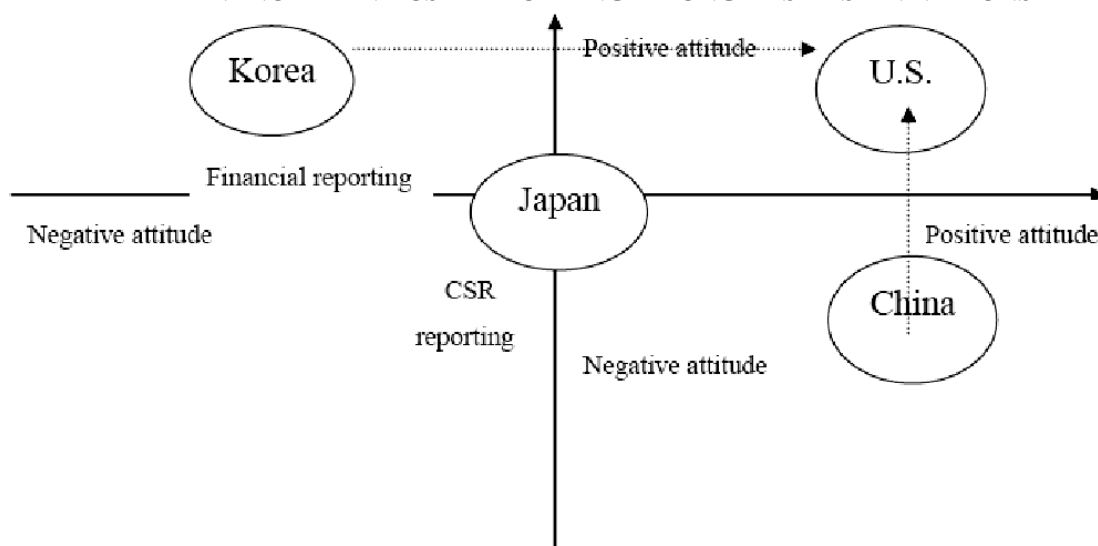
By contrast, the Korean students have high qualitative ethics and give priority to social information relating to customer and employment. Therefore, next to social information, an entity shall be recommended to report financial information.

This study has certain limitations. It ought to be noted that the subjects in this study might be biased. The Chinese respondents were overseas students at specific Japanese universities. Most Korean students were investigated at a Christian university in South Korea. Further studies shall range over data which is not biased.

In addition, when the study was carried out, the Korean unemployment rates of their category were not relatively lower (e.g. OECD, 2010). Future studies have to reveal a relationship between economic statistics and their attitudes for some terms.

At present, IFRS is required from 2011 in Korea in contrast with permission from 2010 in Japan and substantial convergence in China (IASB, 2011). Further studies must investigate the impact of the requirement in Korea on Koreans social attitudes.

**Figure 1**  
**A PROPOSED MODEL OF REASONS FOR DIFFERENCES IN STUDENTS' ATTITUDES TOWARDS FINANCIAL AND CSR REPORTING AMONG EAST ASIAN NATIONS**



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