

COMPLETION REPORT

Effectiveness of Corporate Governance Code Revision on Improving the Value of CSR: comparative Study on Japan and Selected Asian Countries

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CSR has long been established in Japanese corporate culture. Unlike business communities in the other Asian countries that perceived CSR as a cost to companies, Japanese corporations regards CSR as a sustainable business dimension and it is part of their societal norms. Our project (with Dr Kyoko from Tokyo Institute of Technology) examined how Japanese CSR sustain in the long-run relative to her Asian counterparts. Specifically we examine statistically whether CSR in Japanese firms significantly improve firm value, and if it does, whether Japanese firms are enjoying higher value relative to its Asian counterparts. Our findings are as follows.

First, we show that increasing Japanese CSR score can significantly improve firm value, but the positive impact is lower relative to firms in other Asian middle income developing countries. This could implies that Japanese CSR ideology which is restricted by its social norms, may not be flexible to adapt to fast growing business environment and generate benefits to the firms when stakeholder welfare is concerned. It could become a cost for the Japanese firms in the context of long-term sustainability of CSR engagement.

Second, when we study the codes of corporate governance of Japan and other Asian countries on best practices relating to CSR, we find that the only Japan promotes the importance of a balance of interest between shareholders and stakeholders when making CSR decision, while the other Asian countries' codes of corporate governance merely promote the engagement of CSR without considering the interest of shareholders in the context. A sustainable CSR model should be the one that could benefit both shareholders and stakeholders, therefore, it is suggested that the Japanese code of corporate governance can become a learning platform for the other Asian countries.

Third, with empirical analysis, we found that only Japanese corporate governance code revisions significantly and positively improve the relationship between CSR score and firm value. This indicates that the new recommendations on CSR in the revised Japanese code of corporate governance are effective to bring value to the corporations while bringing benefits to the stakeholders.

In summary, our research found that Japan is moving on the right track in promoting a sustainable CSR through revising its codes of corporate governance. Other Asian countries may refer to Japan for their corporate governance reforms to promote CSR for a sustainable economy growth in the region. The official trip to Tokyo Institute of Technology Japan has established a long-term collaboration between the researchers in Malaysia and Japan. The output will be presented in an international conference in Malaysia in August 2017 and subsequently submit for possible publication in an international journal.

We have extended the current project by producing a second paper with Professor Choi from Pusan National University (a team member of this grant). The paper covered a bigger set of sample countries which include Japan and the many other Asian and non-Asian countries. The findings suggest that mitigating the agency issue in CSR decision making is the alternative to promote sustainable CSR. This second paper will be carry for future research and publication. We would like to record our appreciation on Sumitomo grant for allowing us to have resources to work on the paper.

Publication of the Results of Research Project:

Verbal Presentation (Date, Venue, Name of Conference, Title of Presentation, Presenter, etc.)

A verbal presentation on the topic of this project will be conducted in *International Conference of Applied Economics and Policy* on 21-22 August 2017 in Universiti of Malaya, Malaysia. The presenter in the conference will be the project principle - Assoc. Prof. Dr. Hooy Chee Wooi. The title of presentation is “Comparing the Influence of Corporate Governance Code Revisions on CSR Performance between Japan and the other Asian Countries”. Paper presentation in a conference has indirectly motivated the enthusiastic scholars to further extend the research from our study, and maybe, the future collaboration with the potential scholars is possible on the extension of this project.

Thesis (Name of Journal and its Date, Title and Author of Thesis, etc.)

The first paper entitled “Does Corporate Governance Code Revisions matter on CSR? The Evidences from Japan and Asian Developing Countries” by Ooi Chai-Aun, Hooy Chee-Wooi, Kyoko Nagata. This paper will be submitted to an international journal in June/July 2017.

The second paper entitled “Corporate Governance Code Revisions and Value Creation from Corporate Social Performance” by Ooi Chai-Aun, Hooy Chee-Wooi, Choi Jong-Seo.

Scholarly publication is subject to double blind review, so we have to have reserve list of journals for submission. This paper will be submitted to another journal for review about the same time. The list of journals that we targeted are:

1. *Emerging Market Finance and Trade* (EMFT, an ISI journal with international readership)
2. *Corporate Social Responsibility and Environmental Management* (CSREM, an ISI journal with international readership)
3. *Asian Economic Journal* (AEJ, Japan based ISI journal with majority Asian and Japanese readership)
4. *Journal of Japanese and International Economics* (JJIE, Japan based ISI journal with majority Asian and Japanese readership).

Book (Publisher and Date of the Book, Title and Author of the Book, etc.)

Given the limited time and resources, we do not intend to write a book on our findings. The project still has potential value for future research.