

A Study on Determinants of Social Environment (Economy, Politics, Society and Finance) In the Fourth Industrial Revolution

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Abstract

The social responsibility of a company is to make social contributions through its management activities. Businesses should strategically build practical links between business and society through social contribution. This is another way in which companies contribute to society. If companies have a vision of contributing to society, business activities themselves should be able to create value in society. Efforts to strengthen social contribution activities by enhancing value are critical, because social responsibility is a channel to realize corporate values and visions. Thus, corporate social responsibility (CSR) and public contribution actions are strategically linked. The point of paper is to examine the correlation between the social environment the Fourth Industrial Revolution and the social responsibility of an enterprise for its corporate value. This study established a research model through a prior study and the results of the study were derived from empirical analysis. The core results of this report are as presents. First, it was shown that corporate social responsibility of public value creation give significant influence on the improving factors of social environment (economy, politics, society and finance) in the Fourth Industrial Revolution. Second, the social environment give significant influence on entrepreneurship in the economic, political and financial situation, but the social situation of the social environment in did not have a significant impact on entrepreneurship. It has been empirically demonstrated by this paper that corporate social responsibility of public value creation is not an investment in the vague worth of the social environment. Thus, an entity can enhance its value in economic, political and financial areas by routinely performing its social responsibilities on the basis of profits generated by its management activities.

Keywords: Social responsibility, Economy, Politics, Society, Finance, Corporate value

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1. INTRODUCTION

There has been a sturdy require to excite corporate social responsibility in various fields of the public recently. The numeral of clients aggressively expressing social responsibility with individualism, boycotts and investments is increasing (Hamann 2003). Companies agree on the need for social responsibility but are passive in

social contribution activities. This is because corporations consider social contribution to be an expense, not an investment. Corporate social responsibility is not mandatory. Therefore, companies are not financially certain about the value of social responsibility, such as investment.

Corporate stakeholders cannot make strategic decisions about social responsibility that are

effective for a company. They can analyze the relationship with the company and then prioritize social responsibility activities to strategically associate with the company (Carroll and Shabana 2010, Cheong and Cha 2017). Strategic social contributions emphasize social concerns. Social responsibility must be pragmatic and linked to business activities, which is related to the way companies engage in social contribution activities. To be a company with a vision to contribute socially, it is necessary to create values that fulfill social responsibilities for business activities. They should develop key businesses and combine the corporate value of social responsibility. In order for a company's social contribution to be a tool to realize its values and vision, it must be strategically combined with its activities. Corporate management is all about social contribution. Corporate social responsibility should be viewed as a corporate economic presentation and as providing strategic benefits and increased corporate value to companies through improved customer relationships.

The point of this report is to analyze the influence of social responsibility of public value creation on the improving of social environment and the increasing of corporate value. It is established with previous studies to analyze the study model and research results were derived from empirical analysis. First, corporate social responsibility of public value creation gives influence on the social environment (economy, politics, society, finance) in the Fourth Industrial Revolution. Second, the influence of the increasing of corporate value was analyzed.

2. THEORETICAL BACKGROUND

2.1. CORPORATE SOCIAL RESPONSIBILITY

The conceptions of CSR were first suggested by researchers in the 1930s and set in taking shape in the 1960s. It is CRS to behave in a way that is constant with the goals and the increasing of values (Choi et al. 2016, Cho 2016).

CRS has a straight achieve on maintaining corporate competitiveness in the market. It means the strategic effect of improving corporate competitiveness. Strategic social contribution is a strategy of maximizing profit while actively fulfilling CSR. This is a element of the market

strategy for creating corporate value. Factors affecting corporate value vary by individual company, depending on the company's social contribution activities. It is effective to strategically participate in social contribution activities according to the circumstances of each company (McWilliams 2006, Cho 2018). In order to promote corporate social contribution activities, it is important to actively change society using resources and technology (Shin 2012).

2.2. SOCIAL ENVIRONMENT (ECONOMY AND POLITICS)

In order to effectively carry out the social functions of the economic side, firms decide on the direction to maximize profits in market competition (Fredrick 1984, Hamann 2003). The purpose of companies that pay attention to social responsibility is still to maximize profits. Profit seeking is at the heart of modern capitalism. Corporate profits should be returned to society as social responsibility. CSR is taken advantage of large corporations to apply supporting power on the public. Large companies have the greatest capacity to perform social responsibility. There must be a essential and efficient means to organize what large corporations do politically through social responsibility.

Companies should not validate CSR to base on the economic and political situations, the improving of social environment in order to maximize corporate profits (Clarkson and Stakeholder 1995, Hwang 2019). It is essential for personality corporates to act for the social good and to voluntarily select and implement ethical codes of conduct. Although firms emphasize economic and political situations because of CRS, they are not operated to achieve social responsibility. This practice of social responsibility is not an intrinsic company role but a way to rule the public. With this procedure, the firm can be replaced by a conglomerate and a corporate state can emerge.

2.3. SOCIAL ENVIRONMENT (SOCIETY AND FINANCE)

Companies benefit from social responsibility by improving employee morale and productivity. This is the basis for the dispute that good quality companies have superior principles from a common point of view (Westpladl 1999, Kim and Ko 2016).

Improving company reflection or corporate status is associated with the increasing of corporate value. Corporate value formed by rewarding SCR is an insubstantial benefit. There are a variety of behaviors to determine CSR, by using corporate status indices, analyzing company publications, or using a number of indicators related to corporate accounting (Sintef 2017, Kwak and Cho 2018).

It has been proved through empirical analysis that companies that fulfilled CSR had better economic presentation (Mohr et al. 2001). An examination of the link between CSR and corporate economic presentation proved that large firms with good social contributions performed better. The effects of corporate value and corporate economic presentation on listed companies have been examined (Lee et al. 2017). CSR along with the stakeholders of major companies such as consumers, employees and communities, ultimately give a affirmative influence on company profits.

2.4. CORPORATE VALUE

The creation of corporate value is achieved with a routine management system (Vera et al. 2017). In today's business environment, companies that cannot create value and grow can't survive. Corporate strategy should be constructed in terms of how to pursue value creation. All corporate strategies should focus on the integration of value creation. Strategic social contributions should be made to increase the company's name and efficiency, decrease R&D expenses and conquer barriers such as rigid policies (Lee 2018). If a company's social contribution improves its reputation, employee morale will increase, and reliability and assurance to the corporation will amplify. This helps companies improve production and merchandise worth. Increasing social perceptions of socially contributing firms make these firms credible (Westphal 1999).

Firms that make social contributions typically have long-term benefits. This is called corporate social investment. Corporate philanthropy is not understood from a unilateral point of view such as altruistic or profit seeking perspective. Corporate interests and social responsibility are not separate issues. Indeed, CSR can be regarded as premising to increase corporate value (Park 2018).

3. RESEARCH DESIGN

3.1. RESEARCH MODEL

This study focuses on analyzing the correlation between social responsibility of public value creation and the improving of social environment (economy, politic, society and finances) and the increasing of corporate value. Depending on previous research, the investigate model is presented in [Figure 1].

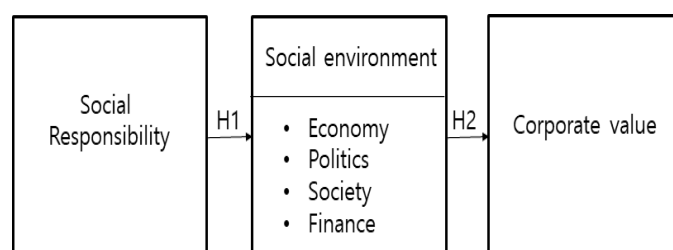


Fig. 1. Research Model

3.2. RESEARCH HYPOTHESES

Hypothesis about social responsibility and social environment: The social environment is divided into four categories: economic, political, social, and financial. There are a lot of reports on CRS of public value creation, the improving of social environment and the increasing of corporate value, and these terms are variously defined by researchers (Fredrick 1984, Clarkson and Stakeholder 1995).

Hypothesis 1: Social responsibility of public value creation gives significant influence on the improving of social environment.

H1-1: Social responsibility of public value creation gives significant influence on the improving of economy.

H1-2: Social responsibility of public value creation gives significant influence on the improving of politics.

H1-3: Social responsibility of public value creation gives significant influence on the improving of society.

H1-4: Social responsibility of public value creation gives significant influence on the improving of finances.

Hypothesis about social environment and

corporate value. The social environment can be a decisive factor in business value. In a study of the improving of social environment and the increasing of corporate value, Bowen stated that social responsibility of public value creation influences on the increasing of corporate value (Choi et al. 2016, Seo et al. 2018). Shin's study establish that social activities give significant influence on firm value (Shin 2012, Jang and Kim 2019). The following hypotheses were set.

Hypothesis 2: The improving of social environment gives significant influence on increasing of corporate value.

H2-1: The improving of economy gives significant influence on the increasing of corporate value.

H2-2: The improving of politics gives significant influence on the increasing of corporate value.

H2-3: The improving of society gives significant influence on the increasing of corporate value.

H2-4: The improving of finances gives significant influence on the increasing of corporate.

3.3. EMPIRICAL ANALYSIS AND RESULTS

The survey contents of this study were revised based on the existing research (Vera et al. 2017). A total of 20 questions were included to analyze factors of research. All questions were asked on a Likert 7-point scale. Data collection and sample characteristics:

The survey was conducted on 210 people over 20 years old. It was held from September 12 to October 30, 2018. Ten incomplete questionnaires were excluded. The basic statistics of the survey are as follows: 79% of the respondents were male and 21% were female. In terms of age, those over 50 were the highest at 43.5%. The monthly income was the highest between 3 and 4 million won at 33.5%. University graduates were the highest with 44.5%, and employees of businesses were the highest with 36%. [Table 1] and [Table 2] show that the questionnaire has reliability, concentration validity, and discrimination validity (Barclay 1995).

Table I. Reliability and Internal Consistency

Variables	Factor Loading	AVE	C. R.	Cronbach's α
Social responsibility	0.776	0.743	0.931	0.876
	0.882			
	0.923			
	0.932			
Economy	0.851	0.767	0.908	0.848
	0.892			
	0.871			
	0.956			
Politics	0.975	0.836	0.977	0.966
	0.966			
	0.966			
	0.956			
Society	0.897	0.826	0.974	0.960
	0.956			
	0.965			
	0.897			
Finances	0.897	0.889	0.960	0.938
	0.956			
	0.832			
	0.845			
Corporate value	0.941	0.770	0.930	0.899
	0.892			
	0.892			
	0.892			

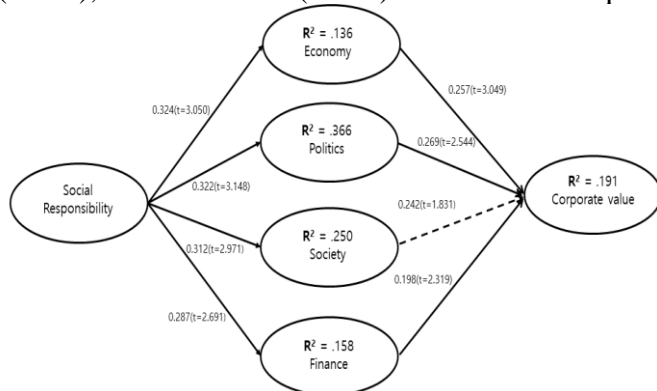
Table II. Correlation and Discriminant Validity

Variables	AVE	1	2	3	4	5	6
Social responsibility	0.675	0.821					
Economy	0.645	0.356	0.814				
Politics	0.712	0.643	0.354	0.887			
Society	0.723	0.524	0.456	0.411	0.879		
Finances	0.798	0.321	0.432	0.398	0.345	0.865	
Corporate value	0.661	0.443	0.578	0.599	0.454	0.343	0.812

3.4. VERIFICATION OF RESEARCH MODEL

For the structural model analysis, the hypothesis was verified using Smart PLS 2.0. The path coefficient and the coefficient of determination (R^2)

were derived. If R^2 is greater than 0.26, the model fits. If R^2 is less than 0.26-0.13 or 0.13, the suitability is medium or low (Cohen, 1998). As shown in Figure 2, the coefficients of determination of politics (0.366) and society (0.250) are high. The coefficients of determination of the economy (0.136), finance (0.158) and enterprise



value (0.191) are intermediate.

Fig. 2 Verification of Research Model

Hypothesis 1 shows that Social responsibility of public value creation gives significant influence on the improving of social environment. Social responsibility of public value creation was found to give significant influence on the economic, political, social, and financial situation of the improving of social environment. In Hypothesis 1-1, social responsibility and economy ($\beta = 0.324$, $t = 3.050$, $p < 0.05$) have significant effects. The economy means the meaning of CRS, wide reflection of society and business, community concern contributions, and intentional contribution of companies. In Hypothesis 1-2, social responsibility and politics ($\beta = 0.322$, $t = 3.148$, $p < 0.05$) were found to have a significant effect. Politics means improving the supporting power of company caused by social behavior, location goals for the community good and ethical norms of the company. In Hypothesis 1-3, social responsibility and society ($\beta = 0.312$, $t = 2.971$, $p < 0.05$) were found to have a significant effect. Society means workers and the simplicity of community directors. In Hypothesis 1-4, social responsibility and finance ($\beta = 0.287$, $t = 2.691$, $p < 0.05$) were found to have a significant effect. Finance means the value brought about by social actions and the adequacy of economic business.

Hypothesis 2 had a significant effect on the

improving of social environment (economic, political, financial) and the increasing of corporate value, but the improving of society did not give significant influence on the increasing of corporate value. In Hypothesis 2-1, economic and corporate value ($\beta = 0.257$, $t = 3.049$, $p < 0.05$) were set up to give significant influence. The increasing of corporate value implies comprehensive corporate reputation due to enhanced company image, enlarged social asset, company and improvement and corporate social activities. In Hypothesis 2-2, politics and enterprise value ($\beta = 0.366$, $t = 2.544$, $p < 0.05$) had a significant effect. In Hypothesis 2-3, social and business values ($\beta = 0.242$, $t = 1.831$, $p > 0.05$) had no significant effect. In Hypothesis 2-4, finance and firm value ($\beta = 0.198$, $t = 2.319$, $p < 0.05$) were found to have a significant effect. Among the social environment, the economy, politics, and finances had an effect on corporate value, but society did not influence on the increasing of corporate value. Among the Hypothesis 2, H2-1, H2-2, and H2-4 were adopted and H2-3 was rejected.

Table III. Hypothesis Test Results

Hypothesis Path	Standardized Coefficient (β)	t-value	Decision
H1-1: Social responsibility → Economy	0.324	3.050	Accept
H1-2: Social responsibility → Politic	0.322	3.148	Accept
H1-3: Social responsibility → Society	0.312	2.971	Accept
H1-4: Social responsibility → Finance	0.287	2.691	Accept
H2-1: Economy → Corporate value	0.257	3.049	Accept
H2-2: Politic → Corporate value	0.269	2.544	Accept
H2-3: Society → Corporate value	0.242	1.831	Reject
H2-4: Finance → Corporate value	0.198	2.319	Accept
$t=1.97^*$, $p < 0.05$			

4. CONCLUSION

This paper investigated the relationship between social responsibilities of public value creation, the improving of social environment and the increasing of corporate value through empirical research. Empirically, social responsibilities of public value creation plays significant role in the increasing of corporate value.

The main results can be summarized as follows. First, social responsibilities of public value creation give significant positive impact on the improving of social environment (economic, political, social and financial). Second, in the social environment, the economy, politics, and finances had an effect on corporate value, but society did not. This paper empirically demonstrates that social responsibility is not mandatory, but is not an investment in the vague value of the social environment. Firms must continue to work for their profit. To this end, corporate social responsibility is an appropriate corporate activity that can increase the value of a corporation. In order to improve social responsibilities of public value creation, the improving of social environment and the increasing of corporate value, corporate must practice social responsibility by developing a form that can straight or in a roundabout way link major commerce behavior.

It is necessary to raise the future value of the company and manage risks that may occur in the future. Many domestic as well as global companies are adopting social responsibility. As can be seen from various cases, a company that fails to fulfill its social responsibilities brings down that company's image. It is true that this leads to huge operating losses, and it has many implications. As shown in the success stories of social responsibility, companies should strive to become a socially respected company by providing another social value to customers. It is true that the purpose of a company is to pursue profits, but the managing of social responsibility is necessary for the company to ensure continuous profits. The more companies that fulfill their social responsibilities, the higher the quality of life of society will be. Consider what makes true business success possible.

Based on this research, a research model of corporate social responsibility of public value creation, the improving of social environment, and

the increasing of corporate value was presented. In future research, it is necessary to expand the parameters for the social environment in various ways.

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