

Corporate Social Responsibility

Qǐyè shèhuì zérèn 企业社会责任

The history of corporate social responsibility (CSR) in China has as many variations as it has definitions. Understanding those definitions is key to realizing the varied ways that companies and consumers have interacted in the past and how they will do so in the future.

Corporate social responsibility (CSR) has gained a critical mass of attention in China in the last half decade. ChinaCSR.com, an online publication started in 2003, reports on a wide variety of CSR programs, conferences, and publications in China for both Western and Chinese companies. But many researchers point either to China's opening up in the late 1970s or even to the Communist revolution of 1949 as the start of China's commitment to connecting the ascendancy of industry with the social good. For the former viewpoint, China's reforms in the 1980s and 1990s created an environment where businesses were held to higher standards and made to comply with new laws. As for the latter rationale that CSR has its roots in the founding of the People's Republic of China in 1949, the creation of the *danwei* (work unit) was key to harmoniously placing the interests of the people in direct relation with how they produced goods, how they were cared for, and how they were schooled.

Even though these are simplified histories of the genesis of China's CSR movement, they parallel the disparate ways that companies—and consumers—have come to think of CSR in China. While CSR is generally considered the overarching moniker used for connecting

business with its impact on society, other terms like *sustainability*, *corporate citizenship*, and *green company* are frequently used. Under these vague terms comes a layer of more definitive words, such as *cleantech*, *green building*, *supplier compliance*, *volunteerism*, *product safety*, and *charitable giving*. Understanding that these words can mean both everything and nothing is crucial in determining whether a company is engaging in truly responsible behavior or is merely conducting a “greenwashing” campaign in China under the auspices of its misguided public relations firm.

Current Perspectives on CSR

While perhaps there was some fearful hesitancy a few years ago within the Chinese government to fully embrace a more updated idea of CSR, such as additional costs to exports, the situation has now changed. Not only are there new proposed regulations that would require foreign companies to submit their own sustainability reports within China, but various sectors within the Chinese economy have embraced both domestic and international standards to help propel Chinese businesses to greater heights around the world.

There has been a push recently to influence Chinese companies to comply with the international SA8000 standard for ethical workplace conditions, and in 2005, agencies in China worked with the European Union to formulate the China Social Compliance standard (CSC9000T) for the textile industry. On the heels of a tainted medicine scandal in 2007, a massive push was

initiated to provide a transparent mechanism within which Chinese pharmaceutical companies could operate, and at the same time, the Chinese advertising industry was provided better guidelines to give consumers more trustworthy corporate propaganda from these same drug companies. Individuals are empowered too: Chinese media is filled with daily reports of consumers suing companies because of corporate irresponsibility.

These varying initiatives underlie exactly how companies both define their CSR and undertake to make themselves more responsible to their stakeholders. A key difference between a company operating in China and one operating in Europe or North America is the hierarchy in which those companies place their respective stakeholders. Whereas a British company might focus on its customers and investors as its most vital constituencies, the government sits at the top of the CSR pyramid in China as the important stakeholder in a business. And partitioned further, a software company's primary CSR focus might be education, while a clothing manufacturer might be concerned more with worker safety. Just as every snowflake is slightly different, there is no one way to formulate CSR initiatives across the business spectrum. Any attempt at defining what is and what is not CSR usually comes from the lips of paid "sustainability consultants" who thrive on confusing corporate executives with hollow caveats and hyperbole.

According to ChinaCSR.com, the American chamber of commerce in Shanghai gives awards annually for CSR; a review of award recipients shows the diversity of its projects. In 2008, the award went to FedEx and Orbis for their work in promoting education about and training for the treatment of preventable blindness in China. The overall CSR award for small and medium businesses went to PMI Shanghai International Trading for its efforts in compliance, audit, and environmental initiatives. In addition, a sustainable community development honor was given to acknowledge the partnership between electronics manufacturer Tecsun and Changjiang Civilian Education Foundation.

Outlooks for CSR

While it's important to understand some of the various ideas of how and when CSR developed in China, it is

critical to understand where CSR is heading in the future. With Chinese firms like Haier, Lenovo, and Chery making advances into foreign countries, companies who were once reticent about embracing CSR as a business fundamental are now faced with a global supply chain that can easily cause havoc everywhere in the world if one small link is broken. Companies are proactively reaching out to engage government, consumers, investors, and suppliers in multifaceted initiatives to bolster legal compliance, create better brand equity, strengthen financial oversight, and ensure sound manufacturing principles. One employee in China working in a food processing factory who does not wash his hands can infect food shipped around the world and affect the company's brand over a long period of time. And the Internet now ships bad news around the world faster than companies can react.

Faced with both the opportunity of grabbing new market share around the world and the risk that irresponsibility can impair that growth, Chinese companies are flocking to undertake CSR programs. The United Nations Global Compact and the Global Reporting Initiative have gained steam within China in recent years with more adherents, and more companies are creating CSR director and CSR manager roles. Hong Kong-based hotel chain Shangri-La recently unveiled a new sustainability manager position, and the Shanghai Pudong Development Bank has a team who work together on enhancing the bank's CSR functions.

But some worry that the current financial troubles could impact this trend. ChinaCSR.com speculates that as goes the global economic downturn, so goes funding for corporate expenditures deemed nonessential, including some CSR programs. Many are put on hold until an institution regains financial footing, and in China, CSR program managers are worried about losing traction for their initiatives in China.

The biggest CSR hurdles for Chinese companies will continue to be the same problems that plague their Western counterparts. First, as Chinese companies grow they will have more suppliers around the world. Each supplier is a potential weak point, and so continual oversight is necessary. Next, every company runs the risk of greenwashing. After the Sichuan earthquake in 2008, some Chinese companies were ridiculed for not only giving too little in donations, but also for making the act of donating too much of a public relations gimmick. Finally, full



On behalf of Intel China, Jun Ge, Managing Director, accepted first place winner for the “CSR Excellence in China” Award from Mrs. Brenda L. Foster, President, the American Chamber of Commerce in Shanghai. COURTESY OF DANNY LEVINSON.

commitment from a company’s executive management and board of directors is intrinsic to encouraging corporate social responsibility to be deeply ingrained in all the business processes. Even during recessions, companies must focus on the long-term benefits of CSR.

Danny LEVINSON

Further Reading

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Esty, D. C., & Winston, A. S. (2006). *Green to gold: How smart companies use environmental strategy to innovate, create value, and build competitive advantage*. New Haven, CT: Yale University Press.

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