

The Development and Use of Corporate Social Responsibility (CSR) in China

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Abstract

Currently, companies are expected to conduct their operations and generate more profits by adopting standards of accountability, transparency in the business and finally the most important step towards sustainability. This approach has made companies to work on a responsible and sustainable model called corporate social responsibility (CSR). So we should judge corporations not just on their economic success but also on non-economic criteria such as CSR.

A lot of experiences, such as in Japan, USA and Germany showed that the most successful companies are those that focus not only on profits, but also on its social activities to gain a good reputation in the public opinion, and help in getting young cadres creative and innovative for its continuation and development. And although globalization is one of the most important tools of capitalism and economic dominance, companies and institutions are trying to invest in a range of public and moral obligations.

And in reference to the growing awareness of the importance of corporate social responsibility, China's CSR requires companies to provide not only the quality of goods, services, and employment; however, also the quality of life, health, safety, and environmental protection.

Therefore CSR development in China is a good example for evaluating the effects of global governance on the local level.

The objectives of this article are to clarify and highlight the concept of CSR and to answer some questions such as: is it corporate social responsibility important for business? Does corporate social responsibility have a positive or negative relation with organizations? What is the impact of the use of corporate social responsibility in China?

Keywords: Corporate Social Responsibility, Business, Corporations, Sustainable Development, Profits, Global Governance, China's CSR.

Abbreviations

CSR: Corporate Social Responsibility

CSC 9000T: China Social Compliance 9000 for Textile industry

CNOOC: China National Offshore Oil Corporation

CNPC: China National Petroleum Corporation

SOEs: State-Owned Companies

CSRA: China Social Responsibility Alliance

SASAC: State-owned Assets Supervision and Administration Commission

SEPA: State Environmental Protection Administration

SRI: Socially Responsible Investing

SA8000: Social Accountability (a standard for decent working conditions, developed and overseen by Social Accountability International "SAI")

ISO14000: developed by the International Organization for Standardization, as environmental management standards

ISO9000: developed by the International Organization for Standardization, as quality management standards

OHSAS18000: Standard for Occupational Health and Safety management Systems

COC: code of conduct

CCTV: China Central Television.

NGO: Non Governmental Organizations

Introduction

Recently, corporate social responsibility has an importance over the world, and it is a good way to reach sustainable development. Currently, CSR requires companies to provide the quality of life. Since 2004, CSR has become a prominent issue in Chinese academic and policy forums. And current administrations in China are pursuing CSR through the policy guidelines “of people first,” “concept of scientific development,” and “harmonious society.” So no doubt CSR will become increasingly important in China as the initiatives undertaken by the government, economic organizations and companies to gain the sustainable development.

Corporate Social Responsibility Overview

There are different definitions of CSR, such as: CSR is to merge social and environmental concerns in the business operations of corporations. And it is the conjunction with the stakeholders. Furthermore, it is by creating an atmosphere of trust within companies, which leads to a stronger commitment of employees and higher innovation performance. All these can improve the well-being of society, and fulfill to be good corporate citizen (Geoffrey P. Lantos, 2001, P 8).

The Chinese government explained CSR as follow: “corporations should carry out their social responsibilities by abiding by all relevant laws, regulations, social norms, and business ethics codes, while pursuing economic profits. Corporations are responsible for protecting the interests of shareholders, employees, consumers, suppliers, communities, and other stakeholders. More over corporations have responsibilities to protect the environment (Chloe Yang, 2008, P 2).”

By practicing CSR strategically a company can “do well by doing good”; companies can make profit and make the world a better place at the same time (Oliver Flack & Stephan Hebllich, 2007, P 247).

The Pyramid of CSR

There are four kinds of social responsibilities that companies should follow:

1. **Economic responsibilities:** by providing goods and services to social members, and create fresh wealth and new jobs.
2. **Legal responsibilities:** by following laws, and regulations issued by federal, state, and local governments (Carroll Archie, 2001, P 499).

3. **Ethical responsibilities:** to do what is right, just, and fair, and to avoid or minimize harm to stakeholders.
4. **Altruistic responsibilities:** contribute financial and human resources to the community, to improve the quality of life, And to participate in voluntary and charitable activities (Carroll Archie B, 1991, P 7).

These responsibilities can be depicted as a pyramid as follow:

Figure 1: the Corporate Social Responsibility Hierarchy



Source: William B. Werther, Jr. David chandler, 2010, P 6.

The Importance of Corporate Social Responsibility

1. CSR can support the creation of an atmosphere of trust within companies, which leads to a stronger commitment of employees and higher innovation performance.
2. By following laws and regulations; enterprises can play an important role in preventing and combating corruption and bribery.
3. CSR may play a positive role in fostering development in third countries by helping to establish a dialogue between these countries, their public authorities, social partners and civil society and foreign companies.
4. Preserve the environment.
5. Supporting and respecting human rights, health and safety at work, respecting the freedom of association, the elimination of all forced and compulsory labor, child labor, and the discrimination in employment which are good signs for sustainable development (Bryan Horrigan, 2010, P 6-10).

Examples of Companies and their Performance Accordance with CSR in Developed Countries

The use of CSR and the performance of the companies according to the CSR are different from company to another.

- ❖ Siemens AG: it has three main business sectors: Industry, Energy, and Healthcare; One of Siemens five corporate principles states: “we embrace corporate responsibility to advance society. We are committed to universal values, good corporate citizenship and a healthy environment. Integrity guides our conduct toward our employees, business partners and shareholders.”
- ❖ Philips electronics: it believes it is critical to report on the company’s progress toward achieving environmental and social goals.
- ❖ Agilent technologies. Inc: it has shown leadership in taking a hard stance to avoid putting individuals working with the company in a situation where their judgment maybe blurred.
- ❖ Advanced Micro Devices, Inc (AMD): it does an excellent job reporting on occupational health and safety for each of its manufacturing sites around the world.
- ❖ Cisco systems, Inc: its corporate citizenship council led by four senior executives assesses the social, ethical and environmental practices and policies to drive change, where necessary, and to weave CSR through the company’s core business corporations.
- ❖ Hewlett- Packard Company: it established on ethics committee, legal, finance, and corporate affairs. It is charged with overseeing the development and enforcement of the company’s ethical guidelines, known as the standards of business conduct and reviewing allegations of violations of the standards of business conduct.
- ❖ Royal Dutch/Shell Group: it hosts an online debate with external stakeholders discussing a range of CSR and environmental sustainability topics. They pledge their commitment to open and transparent dialogue with their stakeholders.
- ❖ Chevron Texaco: recently, it issued its corporate responsibility guiding principles to all staff. The principles developed as part of new corporate responsibility program are for the operational guidance.

- ❖ Johnson & Johnson: it is so committed to CSR that it prepares both a sustainability report and worldwide contributions program annual report.
- ❖ BAE Systems: it is the only aerospace and defense company in the sample that shows some commitment to CSR. They are the unique one that publishes a separate CSR report. BAE has strong education initiatives and aims to have all major manufacturing sites accredited to the international environment management standard (Nathan E. Hurst, 2004, P 16- 33).

From these examples, we can conclude that if corporate social responsibility has no importance; so there are no needs for these companies to follow CSR. And we can reach that companies are operating in a sustainable model by providing profits and following social responsibilities at the same time.

The Development of CSR in China

Chinese companies are required to undertake social responsibility throughout the business according to the article 5 of the Chinese company law. The Chinese government and economic organizations are seeking to establish China's own standards and accreditation criteria; for example, occupational safety, and health standard "CSC 9000T," and accreditation criteria of CSR report.

Chinese multinational enterprises are playing an increasingly active role in CSR development. There are 67 Chinese corporations, including the China National Offshore Oil Corporation (CNOOC), the China National Petroleum Corporation (CNPC), and Sinopec, jointly developed an operational guideline for Chinese overseas investments in Africa to establish the awareness of corporate responsibility and develop harmonious China-Africa economic relations. For example, CNPC released its first financial report in 1996 covering safety, health and environment information. Since 1999, CNPC added information about employees and philanthropic activities to its financial report.

On June 2007, there were approximately 34 Chinese corporations developing CSR reports. And 80% of them are State-Owned Companies (SOEs). The United Nation's CSR initiative had wider spread impact in China. About 90 Chinese companies have joined this initiative. And China Social Responsibility Alliance (CSRA) has developed an online CSR forum (Chloe Yang, 2008, P 3).

Not only, corporations that are interested in CSR. However, also Chinese universities and research institutions, such as Peking University and the Guangdong Academy for Social science have been actively researching CSR in recent years, and have organized CSR' forums such as China CSR International Forum in Beijing 2008 (Nobuo Tateisi Chairman, 2006, P 3).

CSR Initiatives in China

1. *The Company Law*

Under the 1994 company law, the role of employees was institutionalized into the corporate governance structure, and the workers participated in decision making within factories, particularly with regard to wages, benefits and bonuses, and safe production processes. Companies are also requiring inviting employee representatives to attend relevant meetings. Moreover, companies are required to consult with trade unions and employees when deciding significant operation issues (New Company Law of the People's Republic of China, 2005, effective 2006, article 55, and 56). And according to article 15 “companies must protect legal rights of employees strengthen labor protection measures and realize safe production, support employee education, and training and thereby improve the quality of employees.

2. *General Principles of CSR*

In January 2008, the State-owned Assets Supervision and Administration Commission (SASAC) of the state council released the guide opinion on the social responsibility implementation for SOEs -there are 150 SOEs in Shanghai, Shenzhen and Hong Kong-controlled by Chinese central government and its attitude toward CSR. This guide opinion has four parts:

1st part of guide opinion: CSR is prominent for SOEs because CSR is a concrete measure of promoting social harmony; SOEs are the backbone of China's economy and security, affecting every aspect of Chinese people's living. Implementation of CSR is important to meet public expectations. And CSR helps to reach sustainable development, and CSR is a necessity for the SOEs to participate in the international market and society.

2nd part: it expects the SOEs to become “leading examples” for all Chinese companies.

3rd part: it sets the major contents of CSR for SOE's by complying with the law and honestly conducts business, increasing profitability, improving product and service

quality, upgrading resources' efficiency and environmental protection, improving innovation and technology, assuring production safety, protecting employees' legal rights, and actively engaging in charity.

4th part: educate employees on CSR topics; include CSR into corporate governance, development strategy, and production process.

3. *Corporate Social and Environmental Disclosure*

The Chinese government has launched several Chinese CSR disclosure initiatives since 2007; the State Environmental Protection Administration "SEPA" (now the ministry of environmental protection of China) has begun a series of measures concerning corporate environmental reporting. According to the information released by the Shanghai stock exchange; there were 290 listed companies publishing CSR reports for the fiscal year of 2008. And in order to promote CSR and CSR reporting; the regulatory agency also argued listed companies to sign CSR declarations, and launched a training conference to educate listed companies about how to implement CSR reporting.

4. *Socially Responsible Investing and Environmentally Responsible Financing*

The positive relationship between CSR and financial performance strongly suggests that investment analysis should include social and environmental factors, which called "Socially Responsible Investing (SRI)." In May 2006, the bank of China launched the first SRI fund in China. Moreover, China's initial SRI index was launched at the beginning of 2008 by the Shenzhen securities' information company and Tianjin Teda Company. This index focuses on the topmost 40 environmentally responsible companies listed on the Shenzhen and Shanghai stock exchanges. In August 2009, the Shanghai Stock Exchange also launched the "Responsibility Index," selecting the top 100 socially responsible companies on the stock exchange (Li Wen Lin, 2010, P 68-81).

5. *CSR Standards and Guidelines*

Multinational companies' code of vendor conduct and other similar responsible production standards such as SA8000 are the main instruments for introducing CSR into China. CSC9000T is a social management system, which is designed in social parlance to imitate ISO14000, the internationally recognized environmental management tool. CSC9000T provides objectives in the areas of management system, employees' contract, child labor, forced or compulsory labor, working hours, wages and welfare, trade unions

and collective bargaining, discrimination, and occupational health and safety. In April 2008, 11 industrial associations in coal, mechanics, steel, petroleum and chemicals, light industry, textiles, building materials, non-ferrous metals, electricity, and mining industries jointly promulgated the social responsibility guide of the China industrial companies and industrial associations.

6. *CSR Organizations Forums and Awards*

Syn Tao, China CSR maps, and the Chinese business council for sustainable development are promoting CSR in China recently. Major Chinese prints media sources such as China economic weekly, China WTO Tribune-financial journal- and Nan Fang weekend also frequently published special issues on CSR and periodically hold CSR forums, and announce CSR awards such as; in 2006, the CSR awards have launched by Peking University, Environmental Magazine, and China Central Television (CCTV).

Chinese companies becoming familiar with the concept of CSR and starting programs, and Chinese government, academia, media industrial associations, and companies in China play an important role in directing and promoting CSR; which increased the proportion of sustainability from 45% in 2009 to 47% in 2010.

Examples of Companies and their Performance Accordance with CSR in China

1. China Apparel Industry

The real situation of CSR in China Apparel Industry and the performance of CSR strategy in Ningbo city; which is the biggest clothing industrial cluster in China are shown from 2009 by nearly 90% of companies can connect security and health working environment with job description. There are 70% firms have the staff development training programs. And nearly 92% of firms pay pension insurance, 68% firms pay medical insurance, 61% firms pay unemployment insurance for workers, 60% of firms provide living allowance and most firms give food subsidies. And the percentages of firms obtained certifications are as follows:

Table 1: Kind of Certification Obtaining by Firms in China Apparel Industry

the kind of certifications	Firms (%)
ISO9000	58.2
ISO14000	25.3
OHSAS18000	2.2
SA8000	1.1
CSC9000T	3.3
COC	26.4
Others	5.5
none	33

Source: Zhao Lin Fei & Qing Liang, 2009, P 220.

There are 67% firms obtain different certifications to measure their performance according to CSR.

The China Apparel Industry market achieved rapid growth, so that in 2009, the total sales revenue increased by 12.39% (Research In China, 2010 P 4).

2. Bank of China:

In 2010, the attention of Bank of China' CSR increased. This was through employee satisfaction which increased to 63.96%, customer satisfaction that increased to 96%, and donations made by the head office and the branches and subsidiaries of the bank through non-profit public welfare institutions or governmental organizations to the public welfare undertaking including education, health care and civil administration or disaster-or poverty- stricken areas; these donations decreased from 2008 to 2009, then increased to 82% in 2010. In addition to the increase of Balance of Green Credit which is the credit support to eight industries of hydropower, wind power, nuclear power, photovoltaics, environmental protection, energy saving, new energy equipment and new energy vehicles. This growing interest of CSR has positive impact on the operating income which increased in 2010. And the following table shows the details.

Table 2: Social and Economic Indicator for Bank of China

Social Indicators	2008	2009	2010
Total Number of Employees (person)	249,278	256,566	279,301
Proportion of Female Employees (%)	53.9	54.72	55.46
Employee Satisfaction Ratio (%)	44.29	56.67	63.96
Customer Satisfaction Ratio (%)	91	96	96
Donation (RMB)	139	58	82
Social Contribution Value per Share	1.03	1.07	1.18
Environmental Protection Indicator			
Balance of Green Credit (RMB million)	102.022	150.322	192.112
Economic Indicator (RMB million)			
Total Assets	6,955,694	8,751,943	10,459,865
Operating Income	228,288	232,198	276,817

Source: Bank of China, 2010, P 7

3. Walmart China Ltd

Walmart China Operates a number of store formats in China, including super centers, Sam's clubs, and Neighborhood markets. As August 5, 2010, Walmart had 189 units in 101 cities, and created over 50,000 job opportunities across China, and established 20,000 suppliers in China. Walmart China is committed to being a good corporate citizen. And it has organized CSR efforts in five categories: environmental protection, community involvement, child welfare, educational support, and disaster relief. November 2009, Walmart China provided financial support to "the program for leadership training and cooperation for sustainable community development in China." In January, 2010, Walmart China held a nationwide community campaign with the theme of "caring about climate change, making our planet healthier"; attracting more than 60,000 customers from 100 communities to participate. Through March to April, 2010, Walmart China launched its "earth month" green campaign across China. The campaign helps their stores and neighboring communities to save 1 million kilowatt-hours of electricity and to cut 860 tons of carbon dioxide emissions. And in April 2010, Walmart China foundation donated \$150,000 to

the international NGO. And during 2010, Walmart China achieved 40% reduction in energy and 50% water use reduction (Walmart 中国, 2011).

4. China Mobile

China Mobile adheres to their core corporate value “Responsibility Makes Perfection” and their CSR vision “with perfect sincerity and integrity. We will strive to fulfill our three responsibilities economic, social and environmental.” They believe that only when their business strategy aligns with their social responsibility efforts. And the company as a whole can be sustainably. With a strong CSR management system, they have ensured that key CSR performance indicators are fully integrated across their operations, striking a balance between their economic, social, and environmental performance. And they enabled sustainable growth for them and for their stakeholders. China Mobile used five CSR programs. The first one is the rural program (e.g. to improve rural services as the number of rural sales channels increased from 40.62% in 2007 to 56.23% in 2009). The second one is the life program (e.g. provide 13,812 times of emergency response vehicles by 2009, and support children). The third one is the culture program (ensure customer information security, and training programs as from 2009 to 2010, China Mobile invested RMB15million for the continued training of 33,000 principals). The fourth one is the green program (e.g. reducing energy use per unit of telecommunication traffic by 40% in 2010). And the last one is the employee volunteering program (e.g. employees participated in environmental protection activities). Using their five CSR programs as a framework, they have been able to create a win-win situation. where their contribution to society and economic growth align in a way that contributes to social development themes and stakeholder interest. The customers’ number has increased from 369,339 million in 2007 to 522,283 in 2009, as well as the operating revenue also increased from RMB 357,477 million to RMB 452,103 million. However, the taxes paid decreased from RMB 42.1 Billion in 2007 to RMB 38.4 Billion (China Mobile Limited, 2009)

Concluding Recommendations for the Advancement of CSR

The experiences of different corporations, shows the importance of CSR. And it gives some recommendations for other organizations to follow CSR to be a good corporate citizen. And it helps them to make profit. At the same time, it makes the world a better place.

- ❖ Government plays an important role in the dissemination of CSR, as it should provide a favorable environment for corporations to do their tasks and activities in easy way; furthermore, government should create more jobs' opportunities through diversification of activities and facilitate investments that help to create new projects and providing more jobs' opportunities, which can eliminate the unemployment for sustainable development. Governments should create some CSR rules and laws to follow by companies, for reaching positive impact on economic and on society, and allocate some penalties for those who do not respect these laws.
- ❖ Academia plays good role to promote CSR by organizing forums, and announce CSR awards.
- ❖ The role of media helps to disseminate CSR, and encourage companies to do their jobs in responsible ways by advertising some efforts made, which achieved a greater benefit to the community as a model for others.
- ❖ Promote the concept of corporate social responsibility and increase awareness among companies, and define the concept of social responsibility by business organizations, as well as the formulation of an integrated strategy for social responsibility, and general CSR' programs and principles.

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