



Corporate Social Responsibility Assessment of Chinese Corporations

Jingfu Guo, Likun Sun & Xueli Li

School of Economy and Management, Dalian Nationalities University

Dalian116600, China

E-mail: drguo@dlnu.edu.cn

This paper is supported by Liaoning Social Science Research Program (L07BJL011)

Abstract

This paper reviews the definitions of corporate social responsibility (CSR) in different contexts, combining current applications, we design a concise and effective set of assessment index system which can be used in assessing company social responsibility. The index system includes 6 first-level indexes and 32 second-level indexes and those Indexes reflect broad social concerns. We have collected data from 200 corporations in Dalian City area of China and applied the data to assess the companies' CSR. Our survey demonstrates that the CSR of the state owned enterprises is obviously better than that of foreign and private enterprises, the assessment is more superior in profitable enterprises than it in not profitable enterprises. With regarding to the question of employee interest, employees are not paid for the hours that they work overtime in many enterprises. The means to strengthen corporations' social responsibilities are discussed in details.

Keywords: Corporate social responsibility, Share-holder, Assessment index system

1. Introduction

Research of CSR has been the object of much study in recent decades with the advent of globalization and international trade. It is a concept that has attracted worldwide attention and acquired new resonance in the global economy. Moreover, while governments have traditionally assumed sole responsibility for the improvement of the living conditions of the population, society's needs have exceeded the capabilities of governments to fulfill them. Businesses do not operate independently of society and the earth; business impacts both the population and environment in which it operates. Mindful of its surroundings, a firm can control the triple-bottom-line, or the environmental, social and economic aspects of the firm's performance. Ultimately, responsibility to society links with environmental protection as concern for the earth grows among the public. Such concern is reflected in governmental regulation of the ecological factors.

Initially, the concept of CSR was exclusively associated with economic aspects, understood as the firm's obligation to maximize shareholder value. In this perspective we include Friedman's (1962) position, for whom corporate responsibility is simply carrying out actions that increase profits while respecting the rules of the game. However, McGuire (1963) defends the idea that firms have responsibilities towards their environment that go beyond their legal and economic obligations. Another research stream thus appears relating the concept with marketing activities with a social dimension in areas such as environment protection, community development, resource conservation and philanthropic giving (Quazi and O'Brien, 2000). These approaches to social responsibility are quite narrow, however, since they are limited to particular aspects of the concept and do not take its multi-dimensional nature into account. Corporate social responsibility should be understood as a broad concept, since it takes in the whole set philosophical and normative issues relating to the role of business in society (Maignan and Ferrell, 2001), all the moral obligations that maximize the positive impact of the firm on its social environment and minimize the negative impact. These definitions have arisen in the management literature and more specifically from the research into corporate social actions. Of particular note is the Carroll's (1979) framework, one of the most widely accepted and used proposals to explain the construct. According to this model, firms have economic, legal, ethical and philanthropic obligations towards their environment, and these four dimensions make up corporate social responsibility. The first category is economic responsibility, providing a return on investment to owners and shareholders; creating jobs and fair pay for workers. Legal responsibility entails expectations of legal compliance and playing by the "rules of the game." Ethical responsibility portrays business as being moral, and doing what is right, just, and fair. The final type of responsibility is

philanthropic contributions aimed at giving back to society.

Without centering on the content of corporate social behavior, stakeholder theory defines its field of application sustaining the idea that firms do not have responsibilities towards society in general, but rather they should only be concerned about individuals or groups that may be directly or indirectly affected by their activity. Specifically, employees, shareholders or investors, customers, suppliers, the government and the community in which the firm operates are included within the group of primary stakeholders; while the communications media and interest groups are regarded as secondary stakeholders, since they are not essential for the firm's survival. Taking both these theories into account, and from an integrative perspective, Maignan et al (1999) propose to define social responsibility as the degree to which firms assume economic, legal, ethical and discretionary responsibilities towards their stakeholders. The World Business Council for Sustainable Development defines CSR as "the commitment of business to contribute to sustainable economic development, working with employees, their families and the local communities", hence the fundamental idea of CSR is that business corporations have an obligation to work towards meeting the needs of a wider array of stakeholders (Waddock, S., C. Bodwell, 2002). At the core of the CSR debate is the idea that corporations should transition from a state of mere compliance to a mode of engagement, from harm minimization to value creation (Luetkenhorst, 2004). This view has become central to the CSR discourse. Also implied in the debate is the idea that the private sector is the dominant engine of growth the principle creator of value and managerial resources, and that it has an obligation to contribute to economic growth and opportunity-equitable and sustainable.

In this paper, we have collected data from 200 companies in Dalian City area and applied the data to assess the companies' CSR. The means to strengthen company social responsibilities are discussed in details. We hope our research provoke deeper thinking and greater rigor and attention to detail in this area of business research.

2. Analysis on assessment of corporate social responsibility

At present, in both domestic and international research, there is not a system of corporate social responsibility assessment index system which is popular, authoritative or acceptable, the research on corporate social responsibility mainly focuses on theoretical statements and absence of practical application. In this paper, we adopt the assessment index from reference (Guo Jingfu, 2008), this index system consists of six first-class indexes all of which are major concerns of society such as corporate economic responsibility, legal responsibility, stakeholder responsibility, social sustainable responsibility and so on. Meanwhile there are thirty two second-class index putting emphasis on employee benefits representing the essence of social responsibility of people oriented and paying more attention to employer's rights. The advantages of this index system lie in that this system almost considers every aspect of corporate social responsibility and is suitable to assess Chinese companies. From February to April in 2008, one survey was conducted to assess social responsibility condition of Dalian manufacturing corporations by questionnaires with the support of Dalian government and other relevant authorities. These questionnaires were given to 200 companies of which 156 companies answered it. We analyzed these questionnaires and reached conclusions as followings.

First, in regard to corporate property, 84.2% state-owned companies' answer with "yes", compared to 70.6% in full foreign-owned companies and 62% in privately-run companies. It is obvious that social responsibility condition of state-owned companies is better than foreign-owned companies and privately-run companies. The privately-run corporate has the poorest social responsibility.

Second, the companies with middle or small scale have poorer social responsibility in comparison with large scale ones. It proves that companies would have capability and motivation to carry out social responsibility only as their corporate attain to a certain size. Some companies have so small size, low management level and less fund that employee benefits can not be protected effectively and companies are absent of consciousness of social responsibility. Therefore companies should be encouraged to enlarge corporate scale through market annexation and acquisition, try to develop corporate management, improve competitiveness and strengthen corporate social responsibility consciousness and put it into practice in the meantime.

Thirdly, from the perspective of economic benefit, the companies with lower profitability have poorer social responsibility than those with high profitability. So profitability is the base to fulfill social responsibility. The corporate may be incapable to take some socially beneficial activities unless it operates well and has good profit. Whether the company runs well or not would have direct effect on every aspect of this company.

The fourth, we only take these into account and find that the most companies answer to economic index with "yes" and the percentage is almost 100%. It means that the goal of any companies is to pursue economic benefit and profit maximization. The percentage of answer "yes" to the index of "public benefit" is lowest, only 32.3%. It reflects that companies have no much enthusiasm to take part in socially beneficial activities. Concerning the index of "employee rights" which is the essential component of corporate social responsibility, especially the index of "working hours", we find state-owned companies follow national regulation, but almost 65% privately-run companies only have one holiday per week, even one day of rest for two weeks. In addition, the answer "no" to the index of "paying for overtime work"

is over 50%. So relevant labor administration should pay attention to such condition, strengthen supervision and protect employee rights.

3. Ways to promote corporate social responsibility

An enterprise's pleasant cooperation with its partners and its participation in charity and socially useful activities are beneficial for the shareholders to gain the maximum of profit and sustainable development.

3.1 Cultivating enterprise managers' moral consciousness

Enterprise managers' moral consciousness and personal ideas often affect their daily business management. Entrepreneurs' moral standards completely decide business ethics. Business ethics does not exist independently and abstractly, but exists in all aspects of business such as production, exchange, sale, distribution, and management, decision-making and so on. Meanwhile it is involved in all sectors of social life and has an impact on social moral atmosphere. Entrepreneurs' position in the enterprises determines that entrepreneurs play an key role in the process of enhancing corporate social responsibility. Therefore, efforts should be made to educate enterprise managers to establish a people-oriented and ethicized business philosophy and values.

3.2 Constructing a reasonable framework for corporate social responsibility

Social responsibilities are various and there should be a reasonable and integrated assessing system for them. Only by constructing an assessing system can we ensure a fair assessment of enterprises, eliminate the enterprisers and the public's misunderstanding of social responsibility and urge the enterprises to better fulfill their social responsibilities. It is of great necessity to construct a widely recognized and accepted assessing system for corporate social responsibility which is in line with China's national conditions and economic and social reality.

3.3 Strengthening the guidance of government and the supervision of law

Government, as the owner and manager of state-owned enterprises, puts forward normative requirements in the aspect of social responsibilities for state-owned enterprises. Meanwhile, it guides non-state-owned enterprises through policies, advocacy. Governments at all levels should become guidance of corporate social responsibility and build a systematic and complete platform to promote it. In addition, laws, as a state's mandatory means, have high authority. As a social member, enterprise is also under the supervision of it. Corporate social responsibility enforced by the state coercive power can gain itself general agreement from the society, increase its authority and become the principle accepted by all members of the society.

3.4 Social environment and citizen oversight

Environmental supervision is an indispensable means to promote social responsibility. It contains three ways. First, media and public opinion supervision, subjectively speaking, man and enterprise are self-serving economic man and economic organizations respectively. Objectively speaking, the contract can not be completed because of the prevalence of asymmetric information. These two factors working together can easily lead to the risk of moral hazard and adverse selection and may make business decision-making lack of fairness and justice. Enterprises or enterprise operators may use information superiority to pursue private interests at the expense of doing harm to others or the society or even violating the law. Information transparency can form public oversight, remind the enterprises to check their behavior frequently through the effect of public opinion, avoid self-serving, eliminate the grey areas and raise the standard of enterprises to promote the healthy development of enterprises. Second, interpersonal supervision, the mobility and unfamiliarity of interpersonal relationship in the enterprises increase correspondingly with the enlargement of the space of moral environment and increases of changes. Under such conditions, interpersonal supervision is in great need to be strengthened. Only by mutual supervision can we enable corporate behavior to further satisfy the ethical standard because business competitors, partners and clients are more and more and corporate behavior is more socialized. Meanwhile it is conducive to expand exchanges between enterprises and maintain normal social order. Third, citizen oversight, in addition to the management responsibility of government, as a citizen, every person also has obligations and responsibilities to do his or her bit so as to build a social environment which can give full play to public opinion supervision.

3.5 Fostering entrepreneurial enthusiasm for charitable contributions

Charities and relief can solve the problems of marketing behaviors; overcome the shortcomings in the first time distribution and make up for it in the second time distribution. In recent years, China has promulgated and implemented some charity related laws and policies that directly guarantee the development of charities. Meanwhile the reputation donation system should be established to encourage entrepreneurs to participate in donor activities. The private donors' donation acts can be encouraged by granting honorary title to them. According to the size of donations they give, different levels of honor will be granted to donors such as by setting up teaching posts in colleges and universities, establishing donor funds in research institutions to award honorary title. These also do goods to the development of enterprises.

4. Conclusion

In the future, enterprises having international competitiveness should be those that are leading in technology, advanced in management and responsible for the society and those that integrate social, environmental and business stakeholders' responsibilities into corporate strategy, organizational structure and the process of management. In China, corporate social responsibility started relatively late, it is of necessity to strengthen the training and positive guidance of corporate social responsibility awareness, make the whole community, particularly the enterprises which mainly implement corporate social responsibilities, profoundly understand the rich connotation of it so as to promote the construction and implementation of corporate social responsibility.

References

- Carroll, A. B. (1979). A Three-Dimensional Conceptual Model of Corporate Performance. *Academy of management Review*, 4(4), p. 497-505.
- Friedman, M. (1962). *Capitalism and Freedom*, University of Chicago Press, Chicago.
- Guo, Jingfu. (2008). A Discussion of Assessing and Strengthening Corporate Social Responsibility. *Academic Exchange*, P. 95-99.
- Luetkenhorst, W. (2004). Corporate Social Responsibility and the Development Agenda. *Intereconomics*, 39(3), p. 157-168.
- Maignan, et al. (1999). Corporate Citizenship: Cultural Antecedents and Business Benefits. *Journal of the Academy of Marketing Science*, 27(4), 455-469.
- Maignan, I. & O. C. Ferrell. (2001). Corporate Citizen as a Marketing Instrument-Concepts, Evidence and Research Directions. *European Journal of Marketing*, 35(3/4), p.457.
- Mcguire, J. B. (1963). *Business and Society*, McGraw-Hill, New York.
- Quazi & O'Brien, Dennis. (2000). An Empirical Test of a Cross-national Model of Corporate Social Responsibility. *Journal of Business Ethics*, 25(1), p. 33-53.
- Waddock, S., C. Bodwell. (2002). Responsibility: the new Business Imperative. *The Academy of Management Executive*, 16(2), p.132-147.