

# Governmental Function on Cultivating CSR—A Thinking on Loss of Truck Fence

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## Abstract

The loss of truck fence reflects the indifference of corporate social responsibility (CSR); meanwhile, it shows the lack of governmental position in CSR construction. Because of the externality of CSR and the real requirement of Chinese social responsibility construction, the government should play a leading role, whose roles should be Regulator, supervisor and facilitator.

**Keywords:** CSR, Cultivate, Government

The concept of CSR was firstly proposed by Oliver Sheldon, an English scholar, in 1923, which has experienced almost one hundred years in Western countries. Many significant international organizations, including U.N., WB, OECD, EU and World Economic Forum, give CSR different definitions, but its basic content and extension are the same. That is to say, CSR means a corporation has to take social responsibility when pursuing benefits. Specifically there are three common views on that: firstly, CSR should be established on a voluntary basis; secondly, CSR should be over the responsibility required by law; thirdly, CSR should consist of protection measures to resources, environment, and human rights, and also participating social welfare activities.

There are two levels for understanding CSR, i.e. basis level and higher level. Basic level refers to corporate economic responsibility and law liability. Higher level means corporate respect to human during business operation, including not only internal staff, but also external stakeholders and environment, and corporate contribution to society and welfare as well.

In Western countries, owing to perfect system guarantee and strong social driving, taking social responsibility has become corporate conscious action. However, in present China, so much social responsibility problem has emerged, which affects not only corporate sustainable development, but also China's economy participating international competition, even China's image. One of the reasons is the indifference of CSR, meanwhile, it reflects the lack of governmental function. We shall take a case, loss of truck fence reported by CCTV 3.15 Show, for example to demonstrate the government should play a leading role for driving CSR construction.

## 1. Reasons of Loss of Truck Fence

CCTV 3.15 Show of 2010 exposed a series of astonishing scene. A cruel traffic accident happened on Yuyi Highway at around 8 pm Sep. 16<sup>th</sup>, 2006. A car hit the bottom of a truck. And the car got into the truck's "stomach", whose engine was pushed beyond recognition. One died and one got wounded out of the driver and passengers. On the afternoon of Apr. 7<sup>th</sup>, 2009, a car went into the bottom of a truck in a rear-end on East Hainan Highway, which caused three persons' death on the spot. A car hit the bottom of a truck once more on Nov. 23<sup>rd</sup>, 2009 in Xian City, and one person died. On the same day, a similar tragedy showed on Longli Highway of Zhejiang. Four persons lost lives in a rear-end accident of a car and a truck. One more similar accident happened on Century Bridge of Haikou on Nov. 30<sup>th</sup> of the same year.....

A journalist reported, in many traffic accidents of car hitting bottom of truck, many death can be avoided. However, the fact is that many cars directly got into trucks' bottom, which resulted in complete loss of cars' protection system function, and the tragedy subsequently. The height of a former car is around 0.8m, and that of bottom truck is 1.5m which is exactly the position of driver's head and chest. When there is an accident in the front of a truck and the driver is lack of warning, latter hurtling car is very easy to insert the truck's bottom, which causes the cab's being razed suddenly. Of course all these tragedies are concerned with car-drivers'

improper driving, but the loss of truck fence on sides and back is also a main cause.

## **2. Loss of Truck Fence Demonstrates the Lack of Governmental Position in CSR Construction**

Emphasizing on a fence which exists for life safety, is watching life and taking social responsibility. The loss of truck fence, one hand, reflects the indifference of CSR, on the other hand, demonstrates the lack of governmental position in CSR construction.

### *2.1 Imperfect Law*

Against truck's danger to car, many countries have introduced relevant standards and measures, which require truck owner to make effective protection on the sides and back-bottom. As early as 1994, China issued a standard of "protective equipment requirements on side and back-bottom of Motor vehicles and trailers", which was modified based on the original version in 2001. "Motor vehicle running safety technical requirements" was introduced in 2004 too. All these constraint standard requirements include specific regulations on size of protective equipment at bottom and back of vehicles, technical requirements and test methods. In 2006, Ministry of Public Security of China issued "emergency notification on strengthening motor vehicle security devices, reflective logo and other management task". At present, the whole China is implementing the third version of "Motor vehicle running safety technical requirements", which states the vehicles requiring being equipped with protection device are all being-used trucks, no matter new or old.

However, this series of regulations don't have further code of practice, such as no requirements for installing fence at appointed place and what kind of responsibility should be taken without reaching standard. So that this serious law is just like a playgame.

### *2.2 Lax Implementation and Punishment*

Although regulations are rather clear, most of trucks have to protective fence required by the above constraint standard, which was indicated by a journalist in a simple test. During just ten minutes, 36 trucks out of 58 in Nanning City have no protective fence; 27 out of 62 in Xian; 59 out of 64 in Ruzhou of Henan. Even if some trucks are equipped with protective fence, they are nominal and unable to be protective. One hand, the truck drivers are attracted by economic benefits, and lack of consciousness of social responsibility for others safety. For many drivers, they notice that bumper should be hard and strong enough to protect cars on a rear-end. However, this kind of bumper must be very heavy. If the truck is heavier, that means the cargo they carry must be lighter. Thus fuel consumption increases, but carried cargo decreases. For low-profit transportation companies, economic burden increases. Therefore, generally after annual check, some drivers removed protective fence. And more drivers choose light and thin angle iron to weld on casually in order to deal with traffic police's inspection. On the other hand, the more important and more direct reason is the lax of implementation and punishment of regulators.

As investigated randomly, 95% of truck drivers and fence installation masters think that actual rules never definitely require carriage and fence should be equipped at appointed car factory, and furthermore nobody strictly inspects this kind of behavior.

In fact, when vehicle administration departments at all levels inspect trucks and trailers, as long as they strictly follow relevant regulations and latest technical standard, they will stop people failing to national standard to equip with back-bottom protective device. The inspection and register of vehicles are the source of vehicle administration. As long as they don't license vehicles and issue inspection marks, they will not become road hazards.

## **3. Analysis on Governmental Role in Cultivating CSR**

CSR is influenced by internal spontaneous mechanism and external induced mechanism. After western countries experienced primitive accumulation of capital and resources optimization and integration, their corporations have stepped into a completely new competition stage, "corporate citizen". CSR also has become a public standard to first-class corporations. Some international judgment standards emerged simultaneously, such as SA8000, "Dow Jones Sustainability Index", "moral Domini Index", British Footsie for Good, and Australian Reputex. Under this background, CSR construction has been conscious behavior for western corporations.

We claim, China's current economic society comparatively lags behind, many corporations still stay on a low-leveled competition, at the same time, and CSR movement hasn't come up yet, so it is not realistic for corporations to fulfill social responsibility consciously. However, the government, as an external factor influencing CSR, should play an important role, even leading role.

### 3.1 Economic Analysis on Governmental Role in Cultivating CSR

#### 3.1.1 Externality of CSR

Externality is an economic concept. Although economists have different explanations on it, in short, they agree: the action and decision-making of one person or group impose cost on or grant benefit to the other person or group.

Externality consists of positive externality and negative one. When a corporation transfers the cost which should have been taken by itself to outside, negative externality is produced, such as air pollution. When a corporation develops healthily with great benefit-gaining ability, it can not only increase employment and contribute tax, but also drive the development of surrounding community and promote regional economic prosperity. This is the benefit the corporation brings to society, which is positive externality.

Externality is the result of “market failure”, which needs governmental control measures. Corporate fulfilling social responsibility can produce positive externality (for example, trucks are equipped with fence to effectively protect drivers and passengers in cars, which is a contribution to social peace), and breaking social responsibility will cause negative externality (for example, releasing gas arbitrarily is harmful to human living environment). The government needs to advocate and encourage the former so as to induct stabilization of society and public order, but take measures to control the latter.

#### 3.1.2 Economic Theory of Government Interference

In 1930s an economic crisis broke out in the West, which broke “Smith myth” and declared the failure of freedom and unrestraint. Keynesian macroeconomic theory system of state interventionist came into being. This theory summarizes governmental economic function into four aspects, i.e. establish law frame, improve economic efficiency, promote income equity and support macroeconomic stabilization. In short, government interventionist thinks when government gets involved in economy and implements economic function; it should not only remedy “market failure”, but also interfere normal market running to prevent possible market failure. Although China has a long history of government intervention, the governmental direct intervention previously is too much, which mainly interfered economy by means of administrative approval. At present, the Chinese government still controls enterprises, especially state-owned enterprises, of administration a lot, but the instruction and service to enterprises are obviously insufficient. If government too much get involved into microeconomic field, its macro-control ability will be weakened. Therefore, China needs to use Keynes's macro-control theory for reference, transform micro-control into indirect macro-control and use monetary, fiscal policy and legal means to regulate the economy, so as to create good external environment for corporate development and competition.

### 3.2 Practical Analysis on Governmental Role in Cultivating CSR

#### 3.2.1 The Need of Confronting International Competition

In China, there are two reasons for the emerging of CSR. Firstly, along with the influence of “made in China” getting bigger, many countries, especially the West, implement various trade protection, such as anti-dumping, quality and technical barriers, and green barriers. Thus they push China's CSR problem up to cusp. However, China is indifferent, unclear, and ineffective with CSR, which leaves excuse for the West to implement trade protection. Secondly, with China's economic development, the conflict between economic benefit and social benefit of Chinese enterprises is increasingly prominent. People's rights consciousness and equity consciousness are getting strong, and they pay more and more attention to human rights and social justice with higher expectation to enterprises. However, the whole corporate current performance obviously contrasts to people's expectation. This contrast has pushed more and more discussions on CSR in China.

It is obvious, how to further national competitiveness is a significant issue for China at present, which needs corporate competitiveness to be reached. As long as corporations are strongly based on CSR, strong industrial responsibility competitiveness can be fulfilled along with higher national overall strength. However, all these are not what individual corporation can do, but need governmental leading to compose forces.

#### 3.2.2 Forced by Low Quality of People

In western developed countries, CSR is dependent not only on entrepreneur's consciousness to get established, but on citizen society foundation and various social activities to develop. But in China, CSR is still on primary stage, without citizen society foundation and push strength of social activities. On this condition, it is much more important for the government to promote CSR.

In a word, China is a developing country, whose people are comparatively indifferent with system, law and

ethics, and whose state-owned enterprises and private ones are lack of enough cognition and understanding on CSR, so the government should be urgent to take duty of CSR control, no matter under international background or China's background.

### 3.3 Orientation of Governmental Role based on CSR Construction

The mode of governmental intervention of CSR represents as governmental interference. The government should have clear cognition and specific orientation of its role during CSR activities, in order to produce positive effects to enterprises on CSR construction.

#### 3.3.1 Regulator

On the government's promoting CSR, it mainly depends on establishing and implementing relevant policies and regulations to improve CSR. The definition of CSR on legal sense is China's main task of future CSR legislation.

America was comparatively early to promulgate laws and policies to regulate CSR. Influenced by America, France, U.K., Germany and Netherland all established some CSR regulations inclined to employment, salary, working condition, and other aspects, in their legislations respectively. Practice proves that as a regulator government greatly promotes CSR fulfillment.

#### 3.3.2 Promoter

It is undeniable that Chinese governmental rights are much bigger than that of the West. Therefore, Chinese corporations are not as sensitive as western ones with social responsibility, as they depend on the government to solve all the social problems. When the West are still basing on consciousness on CSR, we have to consider Chinese national situation. If the government does nothing on the issue, it must ignore what corporations should play in social development.

Strengthening social responsibility consciousness is not only concerned with country image, but also society image. The key is how we look on it rationally and how to operate to make it serve us, which depends on whether the government is responsible for explaining and stating to the country. The government can apply administration resource, education, propaganda and CSR research to promote public and corporate cognition to CSR activity. Also they can instruct corporations to further CSR, especially on consciousness, and step on sustainable development road. So corporations must develop on a strategic level to layout corporate development. The government can make extensive public propaganda that the corporations with good CSR will be economically rewarded through governmental purchase, which can drive CSR investment direction and stimulate CSR with soft restriction.

#### 3.3.3 Supervisor

China is on economic and social transformation stage. If the cost that brought by a corporation's non-fulfilling CSR is far below the profit of that, this corporation will not take social responsibility to a great extent. Therefore, the government must strengthen supervision and punishment on the behaviors harmful to society, which is the governmental role of supervisor.

After establishing constraint laws and regulations, the government should effectively utilize administration means, like information investigation, to supervise corporations. From ethics perspective, Multinational Corporation Research Center of China Commerce Ministry Institution issued "2006 Multinational Corporations, China Report", which says, after entering China some multinational corporations ignore social responsibility, even break social responsibility idea and ethics. Chinese imperfect supervision system and inferior means caused this phenomenon. So the implementation of ethics also needs government to promote as a supervisor. The governmental role is very necessary as a regulator and a supervisor of policies and laws to aim at system cause of CSR.

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