

Corporate Social Responsibility Perspectives and Practices in Chinese Companies: A Brief Overview on Environment, Consumers and External Communication

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Abstract

Economic globalization has brought the field of Corporate Social Responsibility (CSR) to the forefront of today's business community in China and around the world. The business community finds it necessary and in their benefit to implement practices learned from CSR studies for socio-economic growth and long-term sustainability. Based on successful studies created in Latin America, this paper proposes an empirical study that will address how CSR is perceived in Chinese companies and will briefly evaluate some practices about environment, consumers, and external communication. Our results are found to have significant association of CSR concept with legal implication. Providing safe and reliable products with services were found to have most relevant attribute towards CSR. Environmental and consumer practices have shown more implemented and useful than those related to communication.

Keywords: Corporate social responsibility, China, Environment, Consumers, Communication

1. Introduction

The internationalization of business, the opening of markets and the trend towards globalization means that corporate social responsibility (CSR) has become a concept of great interest and study in recent years (Lu et al., 2006; Lu, 2009; Li, 2005). As a result of this new reality and the adaptation process that it entails, companies are assuming environmental, social, legal and ethical issues within their objectives, in addition to the traditional economic one; meanwhile, governments are carrying out structural reforms that allow them to continue to grow and develop.

With regard to CSR in China, scandals over product safety (Liu, 2007), environmental damage (Economy, 2004; French, 2006), labor rights (www.clb.org.hk), among others, has led companies to become aware of the need to change and seek practices of social responsibility. However, the measurement and evaluation of these practices is still in a state of clarification and consolidation all over the world and the incorporation of relevant indicators is incipient.

Compared with the growing body of literature in Western countries like Europe and USA, there is limited knowledge on how CSR is perceived and implemented by companies in China, the largest developing country in the world and second largest global economy. Therefore, the aim of this study is to inquire about the perceptions of Chinese companies regarding CSR concept and development, and briefly evaluate some practices about environment, consumers and communication.

For this purpose, the study begins with a review of the CSR literature and studies in different countries. The following section explains the collection method and analysis. Thereafter, the results of the data analysis are presented and the final section provides a discussion and conclusion with implications for future research.

2. Literary review of Corporate Social Responsibility (CSR)

2.1 Evolution of CSR

According to Paladino (2004), there was an evolution of ideas and thinking around social responsibility whose historical origin begins in the decade of the fifties with the definition proposed by Bowen (1953) as "corporate social responsibility refers to the obligation of businessmen to pursue those politics, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of society". Previously CSR was used for corporate philanthropy that had no strategic link with the business.

In the sixties it was established that there was a social responsibility that came to recognize the company as an institution integrated into the social system, which cannot act alone, it was considered as the duty of every person to impact on the entire social system. In the seventies it was considered necessary to define which the corporate social responsibility in society was. At this stage, Friedman stated: "There is one and only one social responsibility of business: to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game". In the eighties, Drucker (1984) stated that the company had to convert its social responsibility into a business opportunity integrated to the needs of society. In this decade comes the stakeholder theory or interest groups proposed by Milton Freeman (1984), which is used to know to whom the company is responsible. During the nineties there was an emphasis on corporate social performance that emerges as more action-oriented. It is established that the company cannot exist without the cooperation and commitment of society.

In recent years still there is still a lack of agreement on a common universal definition of CSR (see Nielsen and Thomsen, 2007), but we have seen the expansion of the concept of CSR from large to small and medium enterprises as well as an increase in corporate awareness, knowing that their permanence in the market depends on the market demands, the society in which they operate and the socially responsible actions they perform.

2.2 Social responsibility approaches

The importance of adopting socially responsible practices is found in all sectors and company sizes, however, there are now plenty of models, theories and approaches, and some are even complex and poorly defined. Five of the most known and used are presented below.

As mentioned above, there is an approach proposed by Milton Friedman (1970) that argues that the sole responsibility of the company would be to make as much money as possible, i.e., maximize the economic benefit of its shareholders. This means that the company must account for their results exclusively to the capital owners or shareholders, and reject any possibility to assume social responsibilities, due to loss of efficiency.

According to studies by Porter and Kramer (2006) social responsibility is viewed by different approaches from the classical business logic, in which some advocates use a variety of arguments such as: moral obligation, sustainability, license to operate and reputation to present arguments that benefit certain interest groups. These four approaches are known as social responsibility arguments, and two characteristics are its use independently and its focus on the tension between society and the company rather than interdependence.

Another study by Toro (2006) on the review of the literature published in recent years related to CSR approaches, found that these are very diverse, both in the business and academic field; He quotes a study by Garriga and Melé (2004) where they state that there are four groups of theories within the CSR. These four approaches are: instrumental theories, theories focused on the power of policies, integrative theories, and theories that address the ethical responsibility of business to society. Similarly as in previous studies, each approach can be seen independently.

Opposed to previous approaches is that of Carroll (1979) cited by Carroll and Buchholtz (2008) concerning the CSR model, which is defined as the obligation assumed by the company towards society. This model assumes that the socially responsible company maximizes its positive effects on society and minimizes its negative effects,

and divides them into three dimensions: categories, philosophy of social sensibility and involvement of interest groups. Carroll suggests that to talk about social responsibility must exist the sum of four levels or categories, because a socially responsible company should seek to consider the interest groups, getting a profit, obeying the law, being ethical and being a good corporate citizen, and thus achieve social responsibility.

Finally, supporting Carroll's approach is the approach of Porter and Kramer (2006), which holds that social and economic goals of a company are not inherently contradictory but are integrally related, this is the willingness of stakeholders that can be used to gain a competitive advantage. They explain that with a good strategic plan, the policy of CSR of a company, whether large or small, can generate a differential factor and thus become a competitive advantage.

2.3 Interest groups in social responsibility

Hitt, Ireland and Hoskisson (2004) define the interest groups as individuals or groups who affect or are affected by the strategic outcomes that are achieved, and who have an opinion to be heard on the performance of the company. They classify interest groups internally and externally. The former, also known as direct belong to the immediate environment of the company and within them are shareholders and employees that are related to organizational and functional aspects of the company as the production process or the decision-making. Groups in the external environment or indirect, represent what is an explicit link with the business and therefore make their strategic periphery, include customers, suppliers, government, civil society organizations, local communities, trade associations, competitors and activist groups.

To make the analysis of stakeholders that influence the actions and decisions of the company, Wheelen and Hunger (2007) propose a process that involves the identification and assessment of stakeholders.

2.4 Business-society from the perspective of social responsibility

As a result of the expectations of society for business, in recent years employers have given great importance to the social demands acting with more awareness about human rights, environmental care, decent work, quality products, fair prices, among others (e.g. Cone Corporate Citizenship Study, 2002). For this reason companies have been engaged with society morally and see the need to consider ethics in their decisions, establishing their own codes of conduct and values that lead them to achieve goals.

According to Nieto (2006), as long as the demand of the interest groups through pressures for socially responsible behavior persists, this requires companies to gradually incorporate social responsibility principles into their procedures and management. The change in the value system of the citizens has changed the pattern of demand in most markets, and business more and more often are taking social, environmental or ethical considerations in the selection process of products and brands. Paladino (2004) argues that a proper consideration of the company, society and business-society relations, leads to address adequately the social responsibilities it carries. And Porter and Kramer (2006) state that business and society require each other, interdependence means that business decisions and social policies must follow a principle of shared value.

2.5 Studies on CSR

Some studies related to social responsibility that have been carried out in different countries for businesses of all sizes are: the European Commission in 2004, Husted and Salazar (2004), Ochoa (2010), Inter-American Development Bank in 2005, Berger et al. (2005), and Chinese Entrepreneur Survey System (2007).

The European Commission (European Multi-stakeholder forum on CSR in 2004) contributed to the small and medium enterprises to foster responsible entrepreneurship. For this purpose, conducted a study supported by a questionnaire that helped to reflect on socially responsible practices by firms in some European countries, also sought to identify what other actions could be taken to strengthen the business, reputation and performance. As a result of this program, there are case studies of companies in different countries, which show the different ways in which companies can participate and benefit from social responsibility.

Husted and Salazar (2004) conducted an exploratory study on the social strategy of large companies located in Mexico. The survey instrument was developed on the main elements of the strategy of the company to investigate the practices of social responsibility to create strategic competitive advantages, which identified the reasons why a company performs social actions, areas investigated were education, culture, sport, health and poverty, among others.

Ochoa in 2010 conducted an exploratory study in Sonora, Mexico including businesses from different sizes and sectors. The study's purpose was to design a program of social responsibility for the incorporation of the business sector within a network of civil society organizations called Sonora Community Network (Re-Co-Son by his first

three syllabuses in Spanish). The results provided an intervention program divided into various stages for its implementation.

The Inter-American Development Bank (2005) with the collaboration of IKEI Research & Consultancy and Fundes, conducted a study about the social and environmental responsibility situation of companies in Latin America and the Caribbean, specifically with micro, small and medium size enterprises in eight countries: Argentina, Brazil, Colombia, Chile, Mexico, Peru, Venezuela and Salvador. The study showed that only a small part of Latin American companies have a high degree of implementation of activities related to social responsibility, even to the formal lack of knowledge in many cases.

Berger et al. (2005) sponsored by the World Bank, the Argentine Institute for Social Responsibility and private companies in Buenos Aires, Argentina, conducted a study that was designed to determine the degree of development in social responsibility practices in large enterprises. The study was a tool to raise social responsibility practices, through a questionnaire that allowed them to investigate the applicability of indicators of social responsibility to the local context.

China Enterprise Survey System in 2007 conducted a survey with 4,586 Chinese entrepreneurs about their CSR perceptions. The results was published in "Survey on Chinese Enterprise Operators' Growth and Development 2007" Report.

2.6 Conceptual framework

The concept of Corporate Social Responsibility is multidimensional; however, the present study is emphasized on evaluating the following variables: a) Development and knowledge of CSR; b) Environment; c) Consumers; and d) External communication.

Insert Figure 1 here

3. Methodology

For this study, all the Beijing import and export companies located in the Haidian district of Beijing were considered and sourced from the "Directory of Beijing Importers & Exporters 2010", which was written and distributed by the Beijing Municipality Commission of Commerce.

To meet the objectives of the study, the initial sample consisted of 280 enterprises drawn randomly against the sampling frame of 554 companies listed in the directory meeting the above requirements; a total of 44 companies could not be reached because of confusion or incorrect addresses, resulting in a new sample of 236 organizations of which finally only 206 completed questionnaires were received, resulting in a response rate of 37.1% over the sampling frame. The questionnaires were delivered personally with a covering letter explaining the interest in their opinion and practices towards CSR and the research use purpose exposed, this, with a cut-off date of one week. The companies belong to various economic sectors like: trading, foodstuff, electronics, services, among others; most of them, according to the number of companies that mentioned, represent medium-sized enterprises (51-250 employees) followed by large (250 or more employees) belonging to the tertiary-services and secondary-trade sector. The person who was responsible for providing the information most of them were managers who had between one and five years within the company.

The CSR instrument employed in the study was based on the one developed by Berger et al. (2005), applied in 1997 and 2004 in Argentina. Using that instrument as a reference, whose aim was to explore the corporate behavior in relation to different aspects of the internal and external dimension of social responsibility and an opportunity to monitor the evolution of social responsibility, the present was adapted to evaluate only the four variables mentioned above: a) Development and knowledge of CSR; b) Environment; c) Consumers; and d) External communication.

Within three months duration (January-March), the original instrument was tested on a small group of 10 companies which recommended further delimitation of the questionnaire to specific issues. Also, the instrument was reviewed twice by three experts in the field of social responsibility, which delivered suggestions on the terminology used (culture differences), the extension of the questionnaire and the response time (20-25 minutes). On the basis of feedback received, the original questionnaire of 117 questions was reduced to 18 specific questions that were inquiring the above mentioned four CSR issues.

The period during which the instrument was applied began on May 5th to September 5th, thereafter, during October and November the collected data was reviewed, coded and manipulated by using Statistical Package for Social Sciences (S.P.S.S.) version 19 and Microsoft Excel as data analysis tools.

4. Analysis and results

The present study aimed to inquire the opinion of companies that are part of the business community in Beijing, China, concerning about the development, knowledge, concept, corporate objectives and some practices regarding CSR. The results presented are from 206 companies surveyed, dedicated to diverse activities, mainly trade. The 77% of the companies said they focused on the local market, 18% in the regional market and the rest in the international or various combined.

The instrument was subjected to reliability analysis. The extent of agreement between respondents and internal consistency was determined through the Cronbach's Alpha coefficient. The positive number obtained meet the cut off value of 0.70 as suggested by Nunally and Bernstein (1994). The alpha coefficient is reported in Table 3.

4.1 Development and knowledge of CSR

According to the study, 49.5% of company representatives considered that the development of CSR at the national level has yet to achieve a wide range (low), while 48.5% say it is average, and 1.5% high and very high. In the same direction, we asked about the level of knowledge on the topic, where it was found that 50% mentioned having an average level, 39.3% a low level and around 5% high-very high. It should be noted that around 6% said they did not have any knowledge. Thus also, during 2010 only 24% participated in a seminar, course or conference which addressed the issue of CSR.

Classifying responses from 1 to 5, according to the importance level respondents mentioned that a good corporate citizen or socially responsible company is mainly one which provides its customers safe and reliable products and services (4.5), complies with laws and regulations about health, environment and labor (4.3) and also pay taxes (4.2) mainly (Table 1).

Business respondents mentioned that the most important objective related to social responsibility in their companies was to provide its customers safe and reliable products and services (4.5) followed by improve the quality of the education system in China and protect the environment (3.6) (Table 2).

4.2 Environment

One important aspect of business is the responsibility or relationship with the environment, according to this, the companies reported that the knowledge that the company's environmental impact have on their operations is medium with 73.8%, high-very high with 13.6% and 12.6% low. However, the proportion that reported their environmental responsibility by the frequency conducting environmental impact studies was 72.3% as infrequent and 22.3% as quite often.

And about the number of companies that have led this awareness a step further certifying their environmental management practices accounted for 36%; despite this, 77% have programs to minimize environmental impact in the waste of the goods it produces or delivers to its customers, 73% have programs to reduce their consumption of energy and water, 52% have recycling programs and 23% have written documents of its environmental policy.

4.3 Consumers

In relation to the consumers, 75% of the companies had established a consultation channel allowing their clients to obtain information about their activities and results. Also almost all the companies, 95% mentioned to have a customer care program and reception of complaints or claims. However, from all these organizations only 48% stated to use and analyze infrequently their results as a management tool, while 23% use it very often and occasionally, in both cases.

4.4 External communication

The attitude of the business community on the issue of external communication of its social, environmental and community actions is shown to be rarely used in practice. That is, 80% responded to not publish information on these shares, while only 18% answered positively.

When asked if the external communication was made through a social balance or report, only 9% responded positively. From the few companies that use the practice to prepare and publish a social balance or report, only 1% stated that is an instrument of great importance for the management of the company, while 3% considered it of some importance and 5% said is simply important.

5. Discussion and conclusion

5.1 Discussion

The results obtained suggest that there is now a high potential in China for the development of CSR in local companies, this is reflected in the percentages of knowledge and development expressed, as in the rate of

participation in activities during 2010; this also converges with several studies in recent years (e.g. Yingbi Fang, 2010; Moon & Shen, 2010) and the opinion expressed by academicians in the field (Shen & Cheng, 2009; Yin Gefei, 2007).

Regarding the definition of a socially responsible company, compliance with existing laws and regulations as well as providing security and confidence in the products/services offered, were the most important attributes. This last attribute of security also was found to be the most significant objective for the companies evaluated; this could mean that social responsibility in domestic companies is understood and associated somehow with the fulfillment of laws and government regulations. This makes sense if we consider the series of scandals across the country that have been coming to light through the media in 2011 (Table 4), creating a major concern for improving quality processes.

The adoption of environmental practices by enterprises in China is a crucial issue for their future, the problems generated by it have been expressing in parallel with the process of economic development (French, 2006; Economy, 2004). According to the findings, the level of awareness or knowledge that the company's environmental impact have on their operations was medium and conducting environmental impact studies as a practice was assessed as rare; similarly, rates decrease when that knowledge has to be implemented through certifications or the establishment of written policies.

Assessed consumers practices obtained quite acceptable levels too, but as before, the implementation as a strategic tool was located mostly like infrequent practice for nearly half of all companies; external communication practices were those less used and implemented, with scarce disclosure and its strategic usage close to zero.

5.2 Conclusion and recommendations

The purpose of this study was to inquire about the perceptions of Chinese companies regarding CSR concept and development, and also sought to evaluate some practices about environment, consumers and external communication. Through a survey of 206 companies in the Haidian District in Beijing is shown that at current situation still there is a high potential for the development of CSR, concept that is shown to be associated with the fulfillment of legal requirements; provide security and confidence in the products or services offered was found to be the most important objective for companies and attribute defining CSR; and finally, in relation with the environmental practices was found a high usage level but low level of implementation; with consumers, a high usage level and acceptable level of implementation; and external communication, a very low usage level and almost nothing in their level of implementation.

On the basis of our study we recommend the following considerations:

First, we strongly recommend that the authorities and responsible state agencies consider the CSR practices on a priority bases and should gradually apply them on a national level to ensure these practices in the future to be the backbone of the business community.

Second, for the promotion of basics responsibilities and awareness of societies it is recommended to use the information and mass communication technologies. There must be accountability of companies to society and the companies must adopt certain practices to meet the above described demands.

Third, transparency of information in companies is critical to public monitoring and supervision as well as testimony of the results obtained in a period of time. Therefore, we recommend the creation of a legal instrument with a certain level of compulsion to allow greater public access to information-through reports or publications.

Finally, the information obtained in this study could be used in a complementary manner in conjunction with other studies for the design of programs, regulations or standards elaborated by legislators or any government institution.

Because at present there is limited knowledge about the perception and implementation of CSR in developing countries by companies, the findings contribute to broad the understanding in China within a study area of growing interest. Owing to the study's exploratory character, only three issues were examined and it is recognized that by the sample size and extent of the questionnaire, the conclusions obtained may not represent the opinion of the entire Chinese business sector. A starting point for further research is provided, considering that much research can be done on putting into account new CSR issues, indicators and instruments and analyzing the weight of each one.

To grow in today's globalized world, is a necessary requirement to fulfill the needs of various interest groups involved nationally and internationally, for this, according to Roger Kaufman (2006) some questions that we

must make locally are: What results we are obtaining?, What results do we want to get ?, and What practices, actions and behaviors will generate these results?. Without answers to these questions will be difficult to move forward without getting lost along the way.

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Note

Note 1. Xinhua news:

http://news.xinhuanet.com/english/china/2011-12/29/c_131333441.htm

http://news.xinhuanet.com/english2010/china/2011-11/24/c_131267060.htm

http://news.xinhuanet.com/english2010/video/2011-11/20/c_131258418.htm

http://news.xinhuanet.com/english2010/indepth/2011-09/14/c_131138369.htm

http://news.xinhuanet.com/english2010/china/2011-08/26/c_131077443.htm

http://news.xinhuanet.com/english2010/business/2011-03/16/c_13782094.htm

http://news.xinhuanet.com/english2010/china/2011-07/28/c_131016349.htm

http://news.xinhuanet.com/english2010/china/2010-07/16/c_13401510.htm

Table 1. Attributes that define a socially responsible company

Attributes	Mean Score
Provide its customers safe and reliable products and services	4.5
Comply with laws and regulations about health, environment and labor	4.3
Pay taxes	4.2
Create and maintain employment	4.2
Have a strong reputation about environment	3.9
Operate the business in compliance with ethical principles	3.8
Take care about health of employees	3.8
Work to improve community	3.6
Have policies to harmonize work and family life	3.6
Provide clear and accurate information on their economic performance to the shareholders of the company	3.5
Generate returns for their shareholders	3.5
Report information on their environmental, labor, community and social performance to interest groups	3.3

Base: Total number of business (206 Cases). Response rate: 93.3%. Cronbach's alpha: 0.89.

Table 2. Corporate social objectives

Objectives	Mean Score
Provide its customers safe and reliable products and services	4.5
Improve the quality of the education system of China	3.6
Protect the environment	3.6
Reduce poverty levels	3.5
Encourage professional and personal development of employees	3.4
Fight against corruptions	3.4
Improve the operation (function) of the state	3.4
Provide employment opportunities to socially vulnerable groups	3.2
Support beneficiary public activities in the country	3.1
Improving quality of life in communities near the areas where your business operates	3.0

Base: Total number of business (206 Cases). Response rate: 91.8%. Cronbach's alpha: 0.86.

Table 3. Reliability of the Instrument

Cronbach's Alpha	Standardized Cronbach's Alpha
.855	.843

Table 4. Food safety scandals in China during 2011

December 2011	Fusheng Oil, Manyi Peanut Oil, Mabao Oil, oil with excessive levels of aflatoxin
November 2011	JinLong pharmacy group, fake drugs
November 2011	Wanchai Ferry, frozen dumplings contain golden staph
September 2011	Jinan Green Bio Oil Co., toxic gutter oil or old kitchen oil sold for cooking
August 2011	Shanghai Shenglu Food Co. sold over 270,000 packets of dyed buns
March 2011	Jiyuan Shuanghui Food Co., Ltd. involved in the Clenbuterol case
July 2011	Ajisen Ramen, used concentrated liquid to make its noodle soup
July 2011	Companies added artificial essences to make rice look like Wuchang rice

Source: Xinhua news (Note 1), cases during 2011.

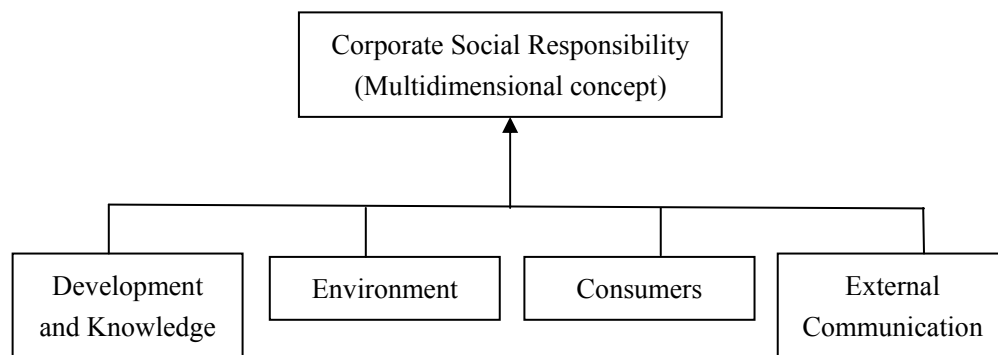


Figure1. Flow diagram of CSR considered for study by the combination of four independent variables