Initiative on Philanthropy in China

Corporate Social Responsibility: A New Day

by

Marjorie A. Lyles
Kelley School of Business, Indiana University

Gil Latz
Office of International Affairs, Indiana University

Liu Shimin
University of International Business and Economics

China Philanthropy Summit
Research Center for Chinese Politics & Business and Lilly Family School of Philanthropy
Indiana University
Indianapolis, Indiana
October 31-November 1, 2014
Introduction

Recently there has been media coverage of corporate scandals involving multinational corporations (MNCs) and foreign organizations within China. Firms like Glaxco SmithKlein, Morgan Stanley, KFC, Walmart, Mercedes, and even the Red Cross have received attention for reported issues related to products with inferior ingredients or parts, corruption, consumer complaints, or other misconduct. Such accusations have led to a growing lack of trust within China for these companies and their brands, which in turn has increased the recognition of the importance of corporate social responsibility (CSR) within China (Sarkis, Ni & Zhu, 2011). A growing number of academics, managers and press writers (Sibao & Huaer, 2009; Tan, 2009; Tian, et. al., 2011) are now discussing issues such as corruption, environmental problems, labor issues and other topics relating to the philanthropic activities, ethics, and the social responsibility of business enterprises in China. As a consequence social corporate responsibility in China for state-controlled, private, and foreign firms is one the topics at the apex of China's current political agenda.

CSR practices and policies offer key guidelines for successful governance and are strategically important to firms recognizing their obligations to shareholders and other stakeholders. Stakeholders expect that their associated firms will be good citizens that contribute to the public good as well as to goals that offer returns to their stockholders. However, the role of CSR as an in-depth component of corporate culture In China is still in a state of development. Laws focusing on CSR are evolving, but questions of corporate motivations as well as enforcement remain. This project examines the implementation and the
philosophies that guide firms’ CSR policies and practices as organizations adjust to the ever-changing political, environmental, and regulatory institutions in China.

Defining Corporate Social Responsibility

Over the years and continuing today, there are many different views among managers and others regarding the responsibilities of business enterprises—should businesses have purely economic objectives or should there be a balance of financial and social goals? In fact, part of this debate— and confusion— is caused by there being many different concepts and names attached to different aspects of CSR. For example, some people will refer to corporate philanthropy and mean simply corporate donations or dispensing free goods. Others reference a broader spectrum of measures encompassing: cultural norms, public affairs, corporate citizenship, corporate sustainability, environmental stewardship, labor rights, human rights, corporate shared values and ethics among others. Part of the differences in the meaning attached to CSR have been widely debated for many years with little resolution (Weaver, Trevino, & Cochran, 1999; Garriga & Mele, 2004). It is no wonder this debate has also surfaced in China, where caution challenges the growing management demands created by growth and success.

Rather than contributing more to this debate, we will start with a definition in Archie Carroll’s early work (Carroll, 1979). Essentially he suggests that there are four components to social responsibility: discretionary, ethical, legal, and economic. Economic and Legal responsibilities are considered “required” responsibilities in that profit-making firms have an economic responsibility to their stakeholders and legal responsibilities within the countries in which they are located. In addition firms should have concerns about the communities in which
they operate and about their employees, and these are the ethical responsibilities that are in addition to the legal requirements. Furthermore, there are discretionary responsibilities that are voluntary and address the firm’s concern about broader social issues within their environment and communities. Implicit is an expectation that firms will take actions and be responsive to social issues. Carroll’s argument is that “social responsibility is not separate and distinct from economic performance but rather is just one aspect of the total social responsibilities of business” (Carroll, 1979, p. 503). We find that Carroll’s categorization provides the groundwork for others such as Garriga & Mele (2004), Cochran (2007), Carroll & Shabana (2009), and Aguinis (2011). Much of the argument about what is “proper” CSR seems to infer that only some of these are appropriate.

More recent writings indicate both a broader and higher level of expectations in terms of the responsibilities of corporations. Often it can refer to “a tangible positive effect on an organization’s competitive advantage (Cochran, 2007) to moving beyond just legal compliance to doing the right thing” (Aguinis, 2011). Discussions indicate that CSR now includes compliance on environmental affairs, labor rights, lack of corruption, and other social rights. Thus recent expectations include holding the firms responsible for the behavior of their suppliers and other contractors who should also engage a strategy that includes responsible behavior in terms of the treatment of laborers, the environment, the laws and safety issues. This views firms as having innate “corporate social responsibilities” such that they have an obligation to help ensure that their communities are healthy, their employees are treated fairly, they obey the laws, and they engage in socially acceptable behaviors and activities.
Besides Carroll’s view there seem to be at least three or four other readily acknowledged views related to defining CSR and corporate philanthropy (For more of this debate, see Young & Burlingame, 1996). The first view is that the responsibility for improving the community and of providing social goods is not the responsibility of business enterprises. This is a neoclassical view and is argued by some who think that social responsibilities belong to the government (or in some cases to private or not-for-profit institutions). Additionally, some argue that for-profit enterprises should be spending their time making profits and this is the sole purpose of the enterprise. In the extreme this view indicates that for-profit enterprises should not spend time or money on societal issues because it creates constraints on their growth and success by raising costs.

The second view is an adaptation of the first position. This view proposes that firms do have a responsibility to their communities and to society, but they need to accomplish this by having shared values. The “creating shared values” (CSV) view has been popularized by Porter and Kramer (2011). They suggest that firms can create economic values and social values at the same time and that this integration should be at the heart of the enterprise. They state that the shared value view “recognizes that social harm or weaknesses frequently create internal costs for firms—such as wasted energy or raw materials, costly accidents and the need for remedial training...”. In addressing an example of farmers, Porter & Kramer add “a shared value perspective instead, focuses on improving growing techniques and strengthening the local clusters of supporting suppliers and other institutions in order to increase farmers’ efficiency yields, product quality and sustainability.” (Porter & Kramer, 2011). Thus, both
economic and social needs can be met by creating shared values, which improves an enterprise’s performance and at the same time improves the needs of the community.

Still others suggest a third view which proposes firms have a “social contract” that embeds socially-responsible behavior into the firm’s business model and broadly into all aspects of their operations. Firms, such as Intel, no longer use the terminology of “social responsibility” but instead are describing their activities as “sustainability” which encompasses their commitment to environmental issues as well as social issues in all aspects of their value chain. It embeds its CSR activities in all of the activities in which it engages itself.

In summary, corporate social responsibility as a concept has been integrated into the entire value chain of modern enterprises. Most managers recognize its importance in terms of impacting at the very least their firms’ reputations and the general trust of their brands. While it has become generally accepted that being a “good corporate citizen” may positively impact financial stability and social standing, more importantly, a growing number of companies internationally, as well as companies operating in China, recognize that CRS is a necessary core value in defining success with rewards beyond the bottom line.

Rationale for the Project

We certainly do not claim that our study will cover all aspects of firm-level CSR perspectives and activities related to China. However, there are several important reasons why we believe our project to be interesting in terms of CSR and China:

– While there are numerous studies of MNCs in emerging economies there are few studies on the CSR activities of MNCs’ subsidiaries in China and how they relate to their corporate headquarters (HQs).
– There are even fewer studies that address whether MNCs adapt their CSR for regional differences within a country.
Additionally, few studies discuss how CSR activities are evolving as the social development of a country evolves.

Finally, we could identify no studies that address whether there is knowledge exchange between the MNC subsidiaries in China and domestic firms regarding CSR.

This project examines the institutional environment in China which influences how MNCs are adapting by utilizing CSR practices, policies, and other governance mechanisms. We examine the motivations for CSR and the linkages within the corporate structure and governmental stakeholders; if in fact, they do interact. Our study further allows us to examine what particular strategies and practices of CSR are implemented.

Attached in Appendix 1 is a CSR framework called the ISO 26000 developed by the International Organization for Standardization and is suggested as a guideline that identifies elements and characteristics of a corporate CSR program. It was developed by a consensus building process involving 450 experts from 99 countries in July 2010 and thus, represents a basis for agreement on the major elements of CSR. There are seven core subject areas listed: community involvement and development, consumer issues, fair operating practices, the environment, labor practice, and human rights. Notably missing as a direct component are health care, elder care, crisis management, and education, which are all issues for China. Project IOS 26000 is not used for certification but as a guide for helping organizations evaluate their own CSR programs. For the purposes of this research project, the ISO framework is a good starting point for discussion of the various components of CSR, their effectiveness in emerging economies, and their effectiveness in achieving corporate desired outcomes. In reality, none of the firms included in our study used IOS 26000 directly, but it remains a benchmark for other
evaluation systems such as the Global Reporting Initiative (GRI) which Chinese listed firms are asked to use.

It is important to point out that despite the development of best practices for CSR like ISO 26000, researchers find that there is “tremendous variation in both the focus and the level of corporate social involvement” among firms (Marquis et. al., 2007; Yin & Zhang, 2012). Furthermore, Aguilera et al. (2007) find that it is necessary to understand the different contexts of the countries in which the firms are located in order to fully understand the effectiveness of the firms’ CSR activities. M

This reasoning yields the following research questions: (1) In what specific CSR activities do the firms engage? ; (2) How do foreign firms interact with local firms or with the government to learn from each other?; and, (3) How have the CSR programs been designed to match the institutional and environmental issues of China?

**The Case of China**

It is suggested by some that the concept of CSR was introduced into China in the early 1990s by foreign firms who demanded better quality protection and labor rights (Zu & Song, 2009). However, Confucianism clearly rests on facets described as benevolence, philanthropy, and humaneness (Vermander, 2014) and includes concepts that fall within the spectrum of social responsibility. China is an interesting country for this study because of its long cultural history and its philanthropic beliefs, its strong government, and its rapidly emerging industrial strength.
Furthermore, the Chinese government has taken an active role in institutionalizing “social responsibilities” such as transparency, donations, environmental controls, and labor laws:

“In China, CSR is under laws and regulations. Besides the general provision of article 5 in the new Company Act, China’s CSR provisions are scattered and appear in laws such as in the Constitution, Company Act, Contract Law, Consumer Protection Act, Product Quality Law, Natural Resources Law, Environmental Protection Law, Labor Law, Society Security Law and Welfare Donations Law, etc. CSR is specified at all levels by these laws and regulations.” (Shibao & Huaer, 2009 p. 134).

In short, there is growing acceptance of corporate social responsibilities by the Chinese government at all levels, by local firms, and by international firms in China. This represents a new perspective for the Chinese government. On one hand they seek strict compliance of regulations from firms operating in China, but on the other they are giving increased leeway for individual firms to engage in CSR. Yet, this builds on Chinese tenets which suggest that traditions are evolving and rooted in change (Vernder, 2014).

There are trends in the Chinese society that lend themselves to the “opening” up to private companies’ philanthropic contributions and activities. For example, the movement to the cities of the migrant workers has left children alone in the rural areas or under the care of adults with little education. Many of the health care and educational systems in rural areas as a result have suffered. Crises like the earthquake of 2008 brought together foreign firms, local firms, government agencies and NGOs to care for the people and to rebuild the offices, schools, and other establishments.

In China the central government maintains its responsibility for addressing the social conditions that need to be addressed. Much attention is focused on these “conditions” such as
high unemployment levels, migrant worker issues, safety in the workplace, energy saving actions, and pollution control because these are very critical issues for the Chinese. The government has engaged Chinese companies in addressing these issues by asking for donations and sometimes other resources. The China Academy of Social Science has produced a large volume of CSR guidelines for Chinese firms. In addition, Chinese listed firms must submit a description of their social responsibilities in their annual reports including listing the types of programs and their costs. The growth of the number of foundations and NPO (non-profit organizations) is also an indication that the social sector in China has become important and that the laws allow business enterprises to partner with some of these NPOs to address areas in which additional assistance may be needed.

The issues remain relative to how CSR is motivated and regulated in China, and how its impact is received and interpreted. Furthermore, to what extent is the government (local and national) willing to accept the assistance from local and foreign firms?

**Methodology**

Our objective was to discover how the CSR management teams in China develop “best practices” for CSR activities, as well as how enterprises encourage (if they do) deviations from “best practices.” Additionally, when deviations are necessitated, how do “in-situ” improvisations take place? The lead researcher has spent several weeks in China conducting one to six interviews per firm with the help of our Chinese partner. The data collection came from a number of sources including: tracking specific CSR projects, semi-structured interviews with CSR coordinators and the senior managers of the groups, informal discussions where possible, and finding publicly available resources about the firms’ CSR activities. When
available, we also used secondary sources such as published and unpublished materials from company archives or news releases.

The Sample

In phase I, our intent was to identify at least two foreign firms (American) that would allow us to investigate its CSR practices at the Chinese foreign subsidiary, and also provide an introduction to one of their strategic Chinese partners with knowledge of the foreign firms’ CSR initiatives. Our rationale was that we were interested in how the foreign firm initiated their CSR in China and whether it adapted different policies there than in their home country. Also we were interested in whether they learned anything from their local partners that assisted them in their CSR efforts. Additionally, we were interested in what the local Chinese firm was doing relative to CSR, their philosophy regarding CSR, and their “take-aways” from their foreign partner. An intensive design was necessary to isolate and understand the central constructs for our theory building. While much of the CSR literature involves conceptual discussions toward understanding the nature of the CSR rationale, there have been few attempts to systematically study by comparisons the different approaches of foreign and local companies.

While ambitious in design, initially two American firms were found that agreed to discuss their CSR with us and to also connect us with one of their strategic partners. We also had one linkage of a foreign – local partnership that was part of our sample.

The final design includes three foreign firms and three Chinese listed companies that would discuss their CSR approach and also their learnings. The three Chinese listed companies were the China State Construction Engineering Corp (CSCEC), Foton and SINOPEC. The three foreign companies were Cummins (CHINA), Intel, and Nestle—each of which has been in China
for more than 25 years. These were all firms in different industries with the exception of Cummins which is a supplier and manufacturing partner of Foton.

Discussion of Findings

Chinese Firms: In a Conference Board Report on Philanthropy in China, the philanthropic sector is described as “...governed by its own unique set of rules, largely born out of China’s political systems. The biggest difference is that the government plays a tripartite role in the civil society sector as stakeholder, regulator, and participant...” (Conference Board, 2012). The three Chinese firms are all listed firms that are still government controlled. Nonetheless, the three firms are embedded in their global industries, which also influence their practices and ambitions. They are aware of the happenings within their industries that require interactions within their social responsibility orientations. For example the BP oil spill was a “learning” event for SINOPEC.

Each firm will be discussed below:

1. China State Construction Engineering Corp. Ltd. (CSCEC)

CSCEC is a listed company as of 2009 whose business is mainly construction, and it has built 80% of the tallest buildings in China. It is 80th on the Fortune 500 listing. It works in five continents in which it does infrastructure and construction projects. It works with local governments and local firms to help them solve local needs. In its work in Africa it uses local workers. Its philosophical approach to CSR is “honesty, harmonious development, environmental integrity, and integration of science and technology to reduce its environmental footprint and to improve its safety in construction.” Its CSR involves following government guidelines for donations. It has a separate subsidiary that builds schools in the Chinese countryside and helps to solve some
of the resource shortages of the schools. In the aftermath of the 2008 earthquake, it sent people to evaluate the safety of buildings and to assist in rebuilding. It builds subsidized housing for the government and also meets guidelines for low income units in its real estate complexes. Its employee base includes about one million migrant workers, many of which work on construction projects on an as-needed basis. It does have a corporate foundation which can help to set up subsidiaries, but it does not want the foundation to add extra costs. One of its goals is to design projects that limit their environmental impact and that meet the environmental regulations. The management told us: “Our entire ecosystem has important implications. In this regard we are trying to complete the self and the natural harmony of the relationship. We make a point of green building lifestyle. From the design of the project to surveying to construction to building, we evaluate the full life cycle of the project and we strive to implant the green concept to the overall activities.” CSCEC articulated that they learned many things from their partners in terms of building skills to improve safety and to train workers. It is also doing CSR benchmarking of two European firms that are considered leaders in the industry. It uses the GRI indicator of its CSR for its reporting but at the same time, it is working with the Chinese Academy of Sciences to assist China in developing its own standards.

2. China Petroleum & Chemical Corporation (SINOPEC)

SINOPEC celebrated its 30th birthday last year and is one of the largest-if not the largest-company in China. It is the 2nd largest company in the world with about 3 million employees and retirees. Of that a large number are retirees who are still a responsibility of SINOPEC. Many of its employees work in gas stations. It does business in 70 countries outside of China and one-third of its assets are outside of China. It has 40,000 employees that are local to the
foreign countries. It is a listed company which controls the full supply chain for its petrochemical businesses. SINOPEC looks on some of its responsibilities as taking a leadership role such as being the current chair of a UN global network committee. It works with its suppliers to implement fair competition, good CSR activities, and safety. Within the SINOPEC structure, there is a committee on the Board of Directors that is responsible for CSR. In addition the departments of communication and brand management are responsible for promoting CSR to the public. It emphasizes clean energy, production safety and environmental protection. It has learned from foreign firms, especially from the crises that the foreign firms have had to face. It has learned from its partners such as BP and Shell that it must be a good corporate citizen. Its CSR is consistent with the government policies of a harmonious society, donations, and philanthropic activities. SINOPEC requires that its oil products are very high quality and has ever increasing strict regulations for safety. A few examples of its CSR activities include: working with local communities, initiating a youth league to start schools in Tibet, and creating the SINOPEC Brightness Life Line to improve the health of people with cardiac or eye problems.


Foton was founded in 1996 and is a manufacturer of trucks, buses, sport utility vehicles and agricultural machinery. Its corporate mission is to become the premier commercial vehicle brand focused on providing exceptional products and services. It supports the growth and development of the economy, the industry, the society, and in the preservation of the environment. To accomplish the goal of "the Green of Beijing", Foton has increased its efforts to develop energy-saving and new energy options for buses. CSR is very important for the survival of Foton which since its inception looks on its commitment as “the bigger you grow, the
more you must take a bigger responsibility”. At Foton the belief is that the responsibility of the social community belongs to the Communist Party, but still Foton has very defined CSR objectives:

1. Responsibility to deliver the best product (automobiles and trucks) for customers.
2. Reduce emissions and energy conservation. Foton must be partners with our suppliers and distributors who provide after sale service to customers. Air pollution is a critical issue in Beijing. Foton is focusing on “New Energy” like clean or green energy and researching substitutes for diesel and gasoline. In Beijing, Foton provides 3 kinds of engines for buses: electric, hybrid, and LPG.
3. Responsibility to shareholders as a listed company.
4. Responsibility to develop a Chinese brand. Foton is developing its brand to boost its image. In celebration of National Day, it developed floats and then afterward auctioned them off for charity.
5. Contribution to the communities in which we are located: Foton’s belief is that they should be developing good relationships within their communities, however, it is the responsibility of the Communist party to take care of the community social needs like organizing community activities and providing support to schools, kindergartens, and nursing houses.
6. The stakeholders including all people who support our business such as our foreign partners
7. Foton Foundation: Foton does not own the Foton Foundation which is an independent organization. Foton makes regular donations to the Foton Foundation to help children denied education and to teachers. Foton contributes several million RMB each year for these purposes.

Beiqi Foton also supports charitable activities directly. For example it was approached to create mobile hospitals in trucks. The trucks were equipped with medical equipment capable of providing for births or even operations in a rural setting. Foton employees volunteer when China has natural disasters like floods, fires but such is organized by the Party. What Foton has learned from Cummins is compliance both in terms of internal controls and anti-corruption.

**Foreign Subsidiaries in China**
Each of the foreign firms is a subsidiary of a foreign MNC. The corporate cultures of the foreign firms are closely coupled to the ethics and norms of their home institution (Weaver, Trevino, & Cochran, 1999). They have strong views about the importance of Corporate Social Responsibility and they often share their values. They also think it important for them to be good corporate citizens in China and to adapt their CSR activities to the local communities and environment.

1. Cummins (China) Ltd
Cummins started its recent history in China in the 1980s. It now has 9,000 employees in China, 29 operating entities and 12 joint ventures. It has four business units, a technology center and distribution center. Its vision is to make people’s lives better by unleashing Cummins’ core values to improve the communities in which their employees live and work. The founder of Cummins, Clessie Cummins, initiated what was to become a long history of commitment to corporate social responsibility and citizenship in society. Cummins believes in diversity in the workplace and in its supply chain and also in volunteerism. Another of Cummins’ values is that it does not seek publicity for its CSR activities. The Cummins Foundation was established in 1954. It views corporate responsibility as one of its core values that it practices in all its global locations. Its global priorities are education, the environment and equality of opportunity. One of its global strategic initiatives is environmental challenges that review ideas and plans for projects by employee teams. Another initiative is improving technical education for communities. Cummins helps local schools to improve their curriculums, skill training, teaching effectiveness, and workplace learning. Everyone in Cummins is encouraged to do some volunteer work even the managers and each employee is required to volunteer at least four
hours per year. In China, they have an 88% participation rate. Cummins has Community Involvement Teams that make their own decisions about what activities they want to do. These activities can be in collaboration with a registered NPO. Each year there can be different teams and projects and these are in conjunction with the CSR staff. Also, Cummins supports over 100 library projects in China. There are numerous CSR activities going on all the time—many of these are adapted to the local community needs. Another example is a school for migrant workers’ children in China. Cummins China’s CSR activities once approved by the Cummins Foundation can receive the funding. There is CSR knowledge sharing in workshops with other firms and with associations such as the China Academy of Social Science.

2. Nestle
Nestle entered China in the 1980s. Its Chairman and CEO wrote “We are pleased to present the Nestle in China ‘Creating Shared Value’ report …<it> is built upon fundamental commitments to society, both to achieve the highest standards of compliance with laws, codes of conduct and our own Nestle Corporate Business Principles as well as to protect the environment for future generations.” (Nestle, 2013). Nestle is committed to increasing the welfare of their employees and of the communities in which they operate. It is dedicated to “continuously improve the quality of our products, to strive for sustainable development, to support the local economy, and to comply with responsible business principles” (Nestle 2013). It prioritizes areas related to Nutrition, Water and Rural Development. Because Nestle is driven by a “Creating Shared Values” perspective, their CSR activities relate closely to their business activities. It believes not in simply giving donations, but in putting its efforts into recreating their businesses to find shared value and to integrate CSR into its business activities. Two examples were given. The first was in facing the need for transformation in the dairy industry following the crisis in 2008
and the difficulty of consumers finding milk products that were safe. The old model in China was for small farms to produce the dairy products, but the government thought that having larger farms in which there could be closer evaluation of the milk products and economies of scale was a better solution. As the Nestle country manager explained:

> It could be easy for a company to just build a farm as a show case, but considering the CSV approach, to create long time value, we cannot just do that. After many discussions, we decided not only to build a farm, but also a training center. Considering the Chinese financial condition, the hard thing is, once it is built, they face more difficulties such as disease control, the impact on environment, etc. Before 2008, China had no capability to run a modern farm, for lack of talent. But with the Dairy Farm Institute, we can offer these to the industry, and to the country, by training.

> Totally there are three farms of various sizes and a training center. People come to study the operation, commit to working on the farm and to gain experience. Once you get the certificate, you can graduate and run a farm. As the large cost to build and continuously support the operation, we did not think about making a profit from the training institute-- it’s purely an investment for the good of the industry and community. That’s how our business model is designed: to create value, not just for Nestle, but for all the stakeholders involved.

> The government embraced our new concept of CSV; we just need their approval for land or some typical policy issue.

Nestle followed a similar strategy for starting Pu’er tea plants in Yunnan province, and now there is a coffee growing industry there. The farmers’ incomes are greater than growing corn or sugarcane. Nestle sends in experts to help, to train them and to live in the community.

> Some Nestle employees do volunteer work in their communities on their own time.

> Also Nestle does support some schools. The value is that it doesn’t just donate money but they give continuous support and take a long term view.

3. Intel
“A Tree which has deeper roots grows better: A Continuous path to growth.” This is a saying that Intel uses to describe its approach to CSR in China. It refers to its “corporate social responsibility” as part of its deeper roots into ‘sustainable development’, and it views itself as being in the third stage of CSR development. This means that Intel has reached a higher level of social involvement by merging its strategies for operating, rethinking business strategy, innovation social demands, and management mode “to build a more predictable sustainable business model” (Intel & Responsibility of the World Management Consulting, 2014). One of Intel’s four corporate strategic objectives is to “Care for our people and the planet and inspire the next generation.”

In 1994, cofounder Andy Grove assisted Intel China in establishing the Intel Architecture Development Lab in Shanghai. Since then, Intel has expanded its operations to have at least two manufacturing facilities in China. It typically designs and manufactures its products in its own factories. Every year Intel holds summit for all its suppliers. In 2012 Intel published a summary of Mr. Ge’s speech: “Intel has a complete industrial chain in China, from product design, raw materials sourcing, and production to sales. Ge expressed his hope that through partnership with suppliers, advancement can be achieved in the industrial chain as well as social responsibility. He highlighted education, environment, partnership with NGOs, supporting the growth of SMEs and senior citizens as the five CSR focus areas of Intel China.”

Intel’s Supply Chain Sustainability Program and management approaches have shifted over the years from a focus on audits to a “beyond monitoring” philosophy that incorporates broader engagement and supplier ownership of their own environmental, social, and corporate
governance (ESG) management… <Intel> also explores the potential for effective collaboration to address systemic ESG challenges that individual companies are unable to solve alone.

The CSR area is within the Government Affairs area. Certain topics such as education, environment and safety are fundamental premises upon which most CSR programs are aligned. So CSR will also align with the government priorities. Intel tries to match the needs of each of its sites with the CSR needs of the country. In China the emphasis is on the environment, education, safety, and community. It attempts to involve local companies to work on some of its projects.

We find that Intel’s approach allows it to be very flexible and adaptive to its communities. A lot depends on the people who are in the CSR area. One of the people interviewed discussed at least 10 different projects which he initiated himself and then there are the teams of volunteers who are free to identify topics large or small.

Figure 1 is a diagram showing stages of CSR development: From Stage 1, which is focusing on reducing negative impacts to stage 2 in which companies work with their suppliers and customers to create shared values to stage 3 which strengthens Intel’s whole ecosystem. “CSR 3.0 calls for embracing a “We” versus “I” paradigm and working with other stakeholders from all sectors to strive for systematic solutions for collective impact” (Intel, 2014).

Last year Intel had 8000 hours of volunteer hours and this year the goal is to reach 85 to 90% of the employees will do some activities or programs, including the managers. There will be teams of volunteers who will be given options of some activities but the teams can choose what they want to do. This would be considered Stage 2. In stage 3, it would address more
serious issues that would need more stakeholders (government, cross-sector participation, and financial people, NPOs) to work together.

Intel is involved in many activities because of its board perspective on CSR and sustainability. Minimizing its environmental footprint, lowering waste, decreasing heat generation, and economic development are some of its priorities. The Intel Foundation matches donations by the employees (50 to 100 RMB) and also pays directly to a school or a registered NGO $5 for each volunteer hour. It believes in assisting the development of NGOs because the country needs them to be involved in assisting the social infrastructure such as elderly care, health care, public services, etc.

Discussion

Table 1 presents a summary of some of the elements of each firm’s CSR. Most firms have separate CSR departments that seem to have little to do with their firms’ foundations except when they need financing for some projects. Some local and foreign firms can get funding from their foundations for projects however..

In what specific CSR activities do the firms engage? The firms are involved in a wide range of activities and to some extent, the firm’s values and assumptions about the institutional environment may explain some of these differences. Those firms putting a higher value on economic factors or on increasing the firm’s legitimacy in the political environment may impact what kind of CSR activities and also the extent of CSR engagement (Wang & Qian, 2011; Filatotchev & Nakajima, 2014; Young & Makhija, 2014). Common areas of social responsibility activities among the firms include supporting schools, libraries, environmental protection, and pollution reduction. The Chinese firms were concerned about their labor relations, migrant
workers, and safety while the foreign firms engaged their employees in experiences such as teaching in schools or community volunteer work. All companies had activities that reflected their main business areas. The foreign firms were more focused in their activities than the local firms and often have restrictions based on their business model or based on company rules such as working inside your immediate community is okay and it is okay to do some activities in the rural areas. But doing work outside your immediate community might not be okay.

How do the foreign firms and the local firms interact, learn or collaborate together on projects? There seems to be little interaction between the firms and their partners. Intel was the only firm that seemed to emphasize wanting to collaborate on big and important issues. The local firms did talk about learning what other firms were doing and CSCEC said that it was going to be doing benchmarking of two foreign firms (but not at firms in China).

What differences do we see between the Chinese and the foreign firms? The institutional environment in China is complex and it is difficult for foreign firms to read the signals that might be understood by local firms. Both local and foreign firms are being asked for greater transparency and socially responsible behavior (Tan, 2009). In the local firms that we studied, we find some similarities in that they understand better what the government expects them to do. Namely, when they are called upon to make donations, they make donations. The Party is expected to be responsible for some social activities and for some support of the communities so these types of activities are not expected of the firms. This opens the door for the local firms to be very opportunistic and possibly creative about what other CSR activities they engage in. We see that the local firms are watching what happens to foreign firms when accidents happen. They are learning by benchmarking foreign firms and
seeing what kinds of things the foreign firms are doing. The local firms have choices and can choose what they want to do. At least one of them seems to be having some fun. They can be opportunistic and can improvise.

The foreign firms on the other hand are still tightly linked to their “mother” company and its values and norms. Each thinks they have the right way of doing CSR even though the three firms are following different paths. However, they do follow the examples set by their home office and aim to fulfill those expectations in China. Organizations like the American Chamber do allow foreign firms an opportunity to learn about what other firms are doing. The foreign firms think that the CSR work that they do is appreciated and that it provides them greater credibility and acceptance within China.

Both local and foreign firms have put a lot of energy and thought into their activities but the local firms don’t need to put the same effort into it as the foreign firms. However, it will be interesting to see how the Chinese firms behave as they expand further into foreign markets.

Do we see partnership in terms of CSR activities between the firms and their partners or public – private partnerships? Individually both the Chinese and foreign firms have projects with the local communities and thus their governments. Foton mentioned specifically its project of the moving hospitals was with other government organizations. Intel and Cummins mention they works with local, registered NGOs. Intel also have meetings for its suppliers in which CSR is addressed. Nestle’s dairies and farms work closely with local organizations and governments.

Future Directions
Future research should address this and other issues. Studies have linked the importance of the CEO and firm governance to CSR (Filatotchev & Nakajima, 2014; Zhao, 2012; Jia & Zhang, 2013). Further research is needed in this area in China. Also the linkages of between top management and the political affiliation have been shown to have some effect on the level of donations and corporate giving. Given the institutional environment in China these linkages may also affect other corporate philanthropic activities.

Our study did not include private firms in China and future studies should assess the role of corporate social responsibility in private-owned firms. Jia & Zhang (2013) were able to include private firms in their study of listed companies in China and the level of donations in response to the Sichuan earthquake. They do find difference between the state-owned and private-owned firms which links attributes of the firm, its CEO, and the financial condition of the firm to giving. Studies of entrepreneurs and their firms’ CSR are also an area needing more research.
References


Intel. *The Role of Corporate Social Innovation: From CSR 1.0 to CSR 3.0*. 2014


Social responsibility: 7 core subjects

Appendix 1: ISO Standards 2600
Source: The Role of Corporate Social Innovation: From CSR 1.0 to CSR 3.0. Intel. 2014.
<table>
<thead>
<tr>
<th>Firm</th>
<th>Time in China</th>
<th>CSR Framework</th>
<th>Location within Structure</th>
<th>Evaluation Methods</th>
<th>Separate Corp. Foundation</th>
<th>Knowledge about CSR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cummins</td>
<td>1970s</td>
<td>Corporate Social Responsibility (CSR)</td>
<td>Government Affairs &amp; Corporate Responsibility</td>
<td>Self Evaluation</td>
<td>Yes</td>
<td>Historically one of the earliest firms to engage CSR</td>
</tr>
<tr>
<td>Intel</td>
<td>1990s</td>
<td>Sustainability</td>
<td>Government affairs &amp; Corporate Social Responsibility</td>
<td>GRI</td>
<td>Yes</td>
<td>Extensive Involvement</td>
</tr>
<tr>
<td>Nestle</td>
<td>1970a</td>
<td>Creating Shared Value (CSV)</td>
<td>Shared Values Projects Unit</td>
<td>Some GRI and own system</td>
<td>Yes</td>
<td>Specific value driven approach</td>
</tr>
<tr>
<td>CSCEC</td>
<td>Listed 2009</td>
<td>Corp Citizen 2009</td>
<td>Corporate Culture Department</td>
<td>GRI</td>
<td>Yes</td>
<td>Benchmarking 2 European Industry Leaders</td>
</tr>
<tr>
<td>Foton</td>
<td>Listed</td>
<td>CSR</td>
<td>Party Secretary Office</td>
<td>GRI</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Sinopec</td>
<td>Listed</td>
<td>CSR 2006</td>
<td>Corporate culture dept. and Board of Directors Committee</td>
<td>GRI</td>
<td>Yes</td>
<td>Learned from partners and experience of foreign firms facing a crisis</td>
</tr>
</tbody>
</table>

Notes:
1. All Chinese firms are listed firms and Foreign firms are subsidiaries with foreign Headquarters
2. Key: CSR: Corporate Social Responsibility; CSV: Creating Shared Value
3. Chinese listed firms must submit a CSR report with their annual report. One variable is their GRI score