

Chapter 15

Managing Corporate Social Responsibility as an Innovation in China

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ABSTRACT

Many foreign multinational enterprises (MNEs) focus on legal compliance and charity in their corporate social responsibility (CSR) programs in China. The strategic approach of CSR requires many innovations that are new to the organizations adopting them. The key barriers for the strategic approach of CSR are the apathy attitude of many executives toward CSR and the shortcomings of the institutional framework in China. This chapter describes a few innovative CSR initiatives being utilized within an industrial association and within partnerships between local non-government organizations. It also explores institutional incentives for managing the process by using the social movement theory. It may inspire foreign MNEs to improve the CSR practices of their affiliated companies and their suppliers in China through a few social innovations. Corporations also learn how to engage in social change through their CSR programs in China.

INTRODUCTION

In China, corporate social responsibility (CSR) has been initiated by the government with the purpose of creating a “harmonious” society. The Chinese government is interested in establishing competitive business environments, promoting social cohesion, and fostering collective responsibility for the betterment of society through the CSR programs of

foreign multinational enterprises (MNEs) (Ho, 2005; van Rooij, 2006; Aguilera, Rupp, Williams, and Ganapathi, 2007; Financial Times, 2008). MNEs are expected to be very effective vehicles to improve CSR practices of their affiliated companies and suppliers in China (OECD, 2000; Murdoch & Gould, 2004; Tateisi, 2004; World Business Council for Sustainable Development, 2005; Asia Monitor Resource Center, 2006; China Finance Economic Company, 2006; Welford, 2006; APEC Human Resources Development Working Group Capacity

DOI: 10.4018/978-1-61520-643-8.ch015

Building Network, 2007; China Entrepreneurs Survey System, 2007).

However, the author found nine foreign MNEs in China focused primarily on economic responsibility and the society and legal compliance in their CSR programs (Lam, 2007). These nine Chinese subsidiaries were mainly in the “compliance stage”—‘adopt a policy-based compliance approach as a cost of doing business’ (Zadek, 2004). These Chinese subsidiaries must learn how to move beyond their “compliance stage” if they would like to engage in social changes through their CSR programs in China. They must be innovative when they initiate to move beyond their “compliance stage” and learn to treat CSR as their core business decisions and strategies in China in which there are neither strong and well-enforced governmental regulations nor strong private independent organizations to monitor the behavior of foreign MNEs (Daft, 1978; Damanpour, 1991; Lyon, 2004; Zadek, 2004; Mirvis and Googins, 2006). What institutional incentives can be used to enable foreign MNEs to embed and integrate societal issues in their core management processes and business strategies respectively? Are there any innovative CSR initiatives in China? What values, attitudes, perceptions, competences and patterns of behavior of Chinese executives need to have when their corporations develop their CSR programs are strategic, well-integrated with their existing business operations?

This chapter is concerned with the development of corporate social responsibility (CSR) in the Chinese subsidiaries from the “compliance stage” to “managerial or strategic stage.” The development involves many organization innovations when CSR programs are strategically managed in the pursuit of competitive advantages in China. It builds upon the author’s ongoing studies with Chinese expatriates concerning the United States and China business negotiations (Lam, 2000; 2003; 2004; 2005) and the transfer of CSR from foreign MNEs to Chinese subsidiaries (Lam, 2007; 2008; 2009a). It is based on an extensive

literature review, three years’ field work in China, Japan, and U.S., and personal reflections. Thirty Chinese and Japanese executives who are involved in the CSR practices in China and Japan between 2006 and 2008 were interviewed. Nineteen foreign MNEs: seven Japanese companies, seven American companies, two German companies, one American-China joint venture, one Belgium, and one Canadian company were studied. Data gathered from the interviews were compared to the corporate social responsibility reports, literature reviews, and interviews of researchers and consultants. The author talked with more than fifty Chinese executives and fifty graduate students about their expectations for foreign multinational enterprises in various cities in China including Chongqing, Dalian, Qingdao, Zhejiang, Nanjing, Shanghai, Beijing and Hong Kong. They represented the normative beliefs about CSR adopted by foreign MNEs.

The chapter is organized as follows: The first section reviews the literature about the strategic approach of CSR and discusses why the approach is innovative to many foreign MNEs in China. The second section describes the findings about the development of CSR in China and the internal and external barriers of adopting strategic approach of CSR in China. The third section describes a few innovative CSR initiatives. The fourth section explores institutional incentives for managing CSR as an innovation in China by using the social movement theory. The fifth section discusses the implications to foreign enterprises in China.

LITERATURE REVIEW

Corporate social responsibility (CSR) is defined as any corporate action that “benefit society beyond the requirements of the law and the direct interest of shareholders.” (McWilliams and Siegel, 2001). Corporations are expected not only to fulfill economic and legal responsibilities but also ethical and philanthropic responsibilities (Carroll,

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