

# Chapter 13

## CSR in China

### The Road to New Sustainable Business Models

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#### ABSTRACT

*This chapter presents challenges in China's governance outlook within a Corporate Social Responsibility (CSR) analysis of China's social, environmental and economic resources and potential impacts in other countries. The purpose of this article sheds light of how CSR in China is emerging as a doorway to a) promote understanding of changes in firm governance for general managers through state and corporate socially responsible practices and b) to explain that preserving the environment and preventing pollution is necessary if China would like to trade with the West and enter global markets with other countries that place importance of governance and CSR principles.*

#### INTRODUCTION

Governments worldwide are steering Corporate Social Responsibility (CSR) nationally and globally through varying roles in public-private collaborations and in sustainability programs (Dentchev et al., 2015). Likewise, other countries within the continent of Africa are also seeking the value of CSR into their national and business strategies, and often focus on corruption and governance issues and concerns (Kolk & Tulder, 2010). India has known the value of social responsibility from the Vedic periods to CSR practices within Indian corporations today, with an emphasis in cultural and religious traditions such as *dharma* as a *moral and economic driver of CSR in India* (Dhanesh, 2015). However, values, ethics, regulations, and broad variance of CSR constructs across countries may contradict current CSR strategies and practices in each country, thereby increasing tension and widening gaps in CSR globally. Moreover, some local acts, and regulations in local areas of emerging and developing countries often

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lack adequate regulatory capacity and NGO engagement, despite sufficient labor and environmental laws (Jamali, Lund-Thomsen & Jeppesen, 2015). Although CSR practices are growing in emerging economies, there is less specific information about sociocultural practices and traditions that could drive CSR (Dhanesh, 2015), China can play a key role in how governments can shape CSR business models within emerging and developing countries.

This chapter will focus on the development of CSR in China among government departments, large and small firms with a strong focus on the political role in CSR (Scherer & Palazzo, 2011) and instrumental and ethical theories of CSR (Garriga & Mele, 2004) between public and private sectors in China and worldwide. The chapter will shed light about how CSR in China is emerging as a doorway to promote understanding of changes in firm governance for general managers through state and corporate socially responsible practices and behavior by decreasing poor corporate and state governance, and to demonstrate that preserving the environment and preventing pollution is necessary if China would like to trade with the West and enter global markets with other countries that place importance of governance and CSR principles.

## **BACKGROUND**

Although CSR initiatives and strategies are fairly new in China and could be considered to be in the infancy stage (Chi, 2011), the Chinese government has embraced CSR as a tool to help address social and environmental issues resulting from a turbulent economic transition. For example, many Chinese companies have joined the United Nations Global Compact, a global public policy network to promote ten universal principles in the areas of human rights, labor standards, environmental protection, and anti-corruption. China's vast local networks in the United Nations Global Compact address global governance issues and gaps with other member countries worldwide. The Chinese economy is profoundly influenced by the state. Similar to China, the Government of Kerala in India is promoting CSR and sustainable development. Oommen Chandy, Chief Minister of the Kerala Government proposed greater understanding between the centers of the states will strengthen the confidence of the people (World Economic Forum, 2011). Further to this, a statement from the Minister of State in New Delhi describes sustainable development as having different meanings for different contexts. For instance, while developed countries are grappling with lifestyle sustainability, the developing countries are tackling issues of livelihood sustainability (INDIA CSR News Network, 2012). Thus, could strong traditional societal practices of social and environmental protection in developing countries become a driver of CSR for weak states? Giving rights to the states to enhance environmental policies is crucial to sustainable development. Although Indian States have had very little power to implement environmental policies, decentralization from the Central Government has proven successful for industrial policies in Kerala while prohibiting sustainable environmental policies. Therefore, government endorsement of CSR performance standards, ratings, and indexes is a primary factor in determining competitive advantage (National Chamber Foundation, Asia-United States Chamber of Commerce, 2012). Responsible conduct requires every general manager, organization and company to have a system of rules and regulations in order to maintain the responsibilities of companies and enterprises to protect the environment. Generally, most companies seek to become the most responsible company to increase and sustain profits and to drive local, regional, and national operations for competitive and comparative advantage. Furthermore, the Chinese government

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