Corporate Social Responsibility:  
a concept under translation in China

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Summary

The starting point of this thesis is the importance of corporate social responsibility (CSR) in China. CSR can certainly not solve all of the social and environmental problems, but we believe that it can play a part, which is why we find it interesting to study the status quo of the concept in China. The research question of the thesis is “How is CSR depicted in China?”. The purpose of this study is to identify and describe Chinese views of CSR and analyze the differences between these views and CSR, as it is commonly understood in the West, in order to contribute to a better understanding of the CSR concept in China. We spent ten weeks in China conducting a qualitative case study. We interviewed companies, academics and governmental and non-governmental organisations, within the CSR area in China. Our material was then categorised into five views of CSR, where CSR is depicted as:

- CSR as labour law compliance
- CSR as law enforcement
- CSR as codes of conduct compliance
- CSR as a PR exercise
- CSR with Chinese characteristics

In addition to describe these views, we set out to analyze the differences between these views, and CSR as understood in the West. When analyzing the views we have mainly departed from CSR theory and translation theory. The main differences can be seen when it comes to the, from a Western point of view, limited scope of corporate responsibility, the lack of stakeholder dialogue, the lack of consideration for environmental issues, and in the concept of a harmonious society, which is not a part of CSR in the West. CSR with Chinese characteristics still seems to be an aspiration they are striving for, while the other four views rather are different aspects of the problems related to CSR in China at present. Our views are examples of how CSR has been translated in China, but none of them seems to be a suitable option for the further development of the concept. Put together, these views give a quite negative image of CSR in China, and it comes forth as rather ineffective. If the concept is going to have any impact on the social and environmental problems in China there is a need for further research. The development of the concept needs to be in accordance with the realities of the Chinese society, addressing the problems in the society as well as the problems with the concept.
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1 Introduction

The discussion of the social responsibilities of corporations has been going on since the 1930s in North America and Europe. Today the issue is more burning than ever, and is being discussed both in the academia and among practitioners. Terms like corporate citizenship (CC), corporate social responsibility (CSR), business ethics and corporate sustainability are all dealing with the social and environmental responsibilities of companies (Crane & Matten, 2004). In 2000, Kofi Annan and the United Nations launched the Global Compact – an international initiative that aims to bring companies together with the UN and civil society in supporting universal social and environmental principles (Global Compact, 2005a). There are also a large number of non-governmental organisations (NGOs) that are trying to raise awareness and influence companies. Awareness among companies is indeed increasing. Many companies, at least large ones, have codes of conduct and release corporate responsibility reports together with their annual reports. Just as an example, Nike has a department of about 30 persons working with improving the work conditions in their factories and the Swedish clothes retailer Hennes & Mauritz has a CSR department (Wokutch, 2001; H&M, 2005).

In China, the CSR movement appeared in the mid 1990’s. During the last twenty years, China has become more integrated with the global economy due to the establishment of the global supply chains. China’s membership in the WTO has increased their export and import, as well as foreign investments in China. The relationship with the rest of the world has become more and more intense and through this China has become more dependent on other countries due to both trade policy and security policy reasons (Sandklef & Kiesow, 2004:18). China is still listed as one of the developing countries, but the country is rapidly changing. Some believe that it could be the world’s largest economy within 40 years. China’s GDP was the seventh largest in the world in 2003 and the country is now the third largest trading nation (Long & Pamlin, 2005:6). China has the ambition to build a society that is xiaokang; which is translated as a harmonious or well-off society with moderate prosperity. The Chinese word literally means “small well-being”. In order to create a well-off society and raise people from poverty, there is a target to quadruple the GDP by the year 2020, with an expected per-capita GDP of about 2000 US dollars (China Internet Information Center, 2005). Although still under one-party rule, the society is opening up and is going more towards decentralization. Local governments are now, to a larger extent, in charge for spending and resources. Today the state is no longer willing to fund all aspects of society as it did in the past (Murdoch & Gould, 2004:13).

This fast economic development also leads to many challenges for China, amongst them environmental degradation, for example at least half of the world’s ten most polluted cities are located in China. Environmental degradation is estimated to cost China the equivalent of 8-12 percent of GDP annually (Chan, 2005a:625). China’s energy consumption is estimated to more than double in 20 years, mainly due to coal burning and rapid motorization. Environmental degradation is going to be an even greater problem due to the fast growth that the country is experiencing. According to a survey made by the WWF a large
group of Chinese companies could almost be described as hostile to environmental issues and do not even want to discuss the subject (Long & Pamlin, 2005:3, 8).

Other challenges are to be found in the supply chains. Working conditions in the Chinese factories are very poor and this has even resulted in a labour shortage, especially in the Guangdong province, where conditions have deteriorated and wages have decreased (Chan, 2005b:2-3). Foreign investors in China, i.e. the multinational companies (MNCs), are implementing codes of conduct to improve the conditions in their supply chains. Working conditions and compliance with the law are considered more and more important when they place their orders. Monitoring and auditing are done regularly and many companies have permanent social responsibility teams that monitor the local situation. Some brands set up or sponsor different projects aiming to improve work conditions. For example, Levi Strauss sponsored workshops for migrant women on occupational health and safety, women health protection and labour law (Liu, 2003:1-3). Still, there are many challenges concerning the solving of problems in the factories. Not all multinational companies are actively trying to solve the problems, and the government authorities often lack both will and capacity to enforce the existing laws. Many factory managers are unaware of or ignore their responsibility to ensure that products are produced in accordance with the law. Foreign companies can influence their suppliers to improve in this area, but without proper enforcement of the law, it is a struggle. On the other hand, concerning worker rights, the law is effectively preventing Chinese workers from joining and organising unions of their own choosing as well as from collective bargaining. The All China Federation of Trade Unions is the only legal workers organisation, and it is controlled by the Communist Party (Kenan institute, 2004:3-4).

The export sectors’ working time regulations are seen as one of the most difficult problems to tackle in China. As an example, a survey made in the Guangdong province shows that 85 % of the 26 million migrant workers in the province have to work from 10-14 hours a day and nearly half of them have not even one day off per week. Workers are often paid less than the legal minimum for the standard workweek and they often do not receive the legal premium for overtime. Security and health is another big problem in many factories, many workers get seriously ill due to chemicals used in the manufacturing process. In Shenzhen, in the south of China, an average of 13 workers a day loses an arm or a finger (Murdoch & Gould, 2004:18-20).

Since corporate responsibility has risen as an issue in China different initiatives within the field have been given note to. As an example, the China Enterprise Confederation (CEC), the China Business Council for Sustainable Development (CBCSD) and Hong Kong-based CSR Asia are promoting CSR through seminars and other events. A number of universities have also engaged in CSR issues by promoting it in different ways and by arranging research projects and seminars. Furthermore, some of them are cooperating with major organisations such as the World Bank and the Ford Foundation within research and promotion of CSR. CSR has also been given greater interest in the media (Long & Pamlin, 2005:12). 2005 has been referred to as the Year of CSR in Chinese media, mainly due to
the many CSR events that were organised during the year. One of the events was the “GoTone Nanchang Summit for Constructing a Harmonious Society and Corporate Social Responsibility in China” (CSR-Asia, 2005a:1). It was the first CSR conference organised at the government level in China, with senior representatives from departments and governmental organisations that are related to important aspects of CSR such as governance, labour, health and safety, social security and corruption (CSR Asia, 2005b:2).

1.1 Our research issue

Our starting-point in this thesis is the importance of CSR in China. China’s top 500 companies are playing an increasingly important role in the country’s development process, but they are also connected to environmental problems and labour rights violations (Long & Pamlin, 2004:10; Sandklef & Kiesow, 2004:21). In the West CSR is often debated in the press. In 2005, *The Economist* published an issue with a critical examination of CSR – (The Economist, 2005). A recent example in Sweden is a debate in *Svenska Dagbladet* where representatives from both the business society and the academia expressed their conflicting views on CSR. The CSR literature shows examples of conflicting views as well, along with many diverse definitions of CSR (Crowther & Rayman-Bacchus, 2004:2) Clearly, CSR is an ambiguous concept in the West. The implementation of this concept is problematic in China, and even though CSR gets a lot of attention, the meaning and impact is still unclear for many (Cramer & Westgaard, 2005:2). Global Alliance state in a report that CSR is a foreign concept in China, and that there is a need to develop a Chinese terminology in order to enhance the indigenisation and acceptability of CSR among both citizens and institutions (Murdoch & Gould, 2004:25). The assistant minister of the Ministry of Commerce in China, Yi Xiaozhun, stated at the China-EU CSR International Forum:

> Despite the impressive progress, we are by and large at the starting stage of CSR. We need to further explore relevant concepts and systems that accommodate the realities of Chinese society (...). (Yi, 2005)

Although the awareness of CSR is increasing, it is still a vague concept in China that is under development. CSR can by no means solve all social and environmental problems in China, but it is our belief that it can play a part. The current state and development of the concept is therefore of great interest to study. There is some research done about CSR in China (e.g. Zheng, 2006; Chan, 2005b; Zhuang & Wheale, 2004; Buhmann, 2005; Long & Pamlin, 2005), but these articles are mostly concerning labour issues, problems relating to the legal system, and stakeholder management. There is not much written about the CSR concept in itself in China, or its development. As Yi states above, there is a need to explore concepts and systems that accommodate to the realities of the Chinese society. A first step, we believe, is to look at the present state – what is CSR considered to be? How is it described? If there are aspects of the Chinese society that CSR needs to be adapted to - are there differences between the Chinese view and the Western view? The way CSR is viewed does affect its future development. Is it seen as something positive or negative? As toothless or
as a powerful tool? In the light of this, it is interesting to examine the concept of CSR in China, and what CSR currently is considered to be in China among actors like companies, academics and governmental and non-governmental organisations. It is also interesting to look at the differences towards how CSR is commonly understood in the West. This leads us to our research question:

How is CSR depicted in China?

The purpose of this study is to identify and describe Chinese views of CSR and analyze the differences between these views and CSR, as it is commonly understood in the West, in order to contribute to a better understanding of the CSR concept in China.

1.2 Outline

In the following chapter, we will start by presenting our research methodology, where we will discuss our research strategy, research procedure and other important aspects concerning the creating of our thesis. In chapter three we will give a brief introduction of the CSR concept, in order to summarise the most common characteristics of CSR, as it is commonly understood in the West. Chapter four presents our empirical findings. It starts with a description of the current situation in the country and of the CSR movement in China, and last but most importantly, our views showing how CSR is depicted in China among our respondents. Chapters five and six are aiming to deepen our understanding of the views discerned in the study by putting the views in a theoretical context. In chapter five, CSR is coming forth as an ambiguous concept, in the West as well as in China, when we enter deeper into the CSR literature. We are also analyzing differences between the views and CSR as it is commonly understood in the West. It becomes clear that the concept has changed when being adapted in China. Departing from translation theory, we will look closer at this change, as well as the concept’s ambiguity in chapter six. Lastly, our final conclusions drawn from this thesis will be presented in chapter seven.

2 Research method

In 2005, the authors of this thesis got the opportunity to conduct a field study, financed by the Swedish aid agency SIDA. The requirements for the scholarship were that the study, in this case our master’s thesis, should treat a country’s development process as well as our major subject. This coincided with our interest in corporate social responsibility and sustainable development. From our point of view, development consists of, besides economic aspects, social and environmental aspects as well\(^1\). In China, the companies are a driving force of the economic development, but they are also connected with environmental problems and labour- and human rights violations. The concept of corporate social responsibility is certainly not going to solve all of the problems in China,

\(^1\) This is a common definition of sustainable development, cf. Elkington, 1997.
but it is our belief that it can play a part. This is the background to our interest in CSR in China. Below we will describe how we conducted our study.

2.1 Research strategy

We believe it is most suitable with a qualitative case study to be able to answer our research question and to fill our research purpose. The object for our study, i.e. our case, is CSR in China. A case study is aimed towards understanding and describing complex social entities, which suits our research purpose well. Further, a case study gives us the advantage of being able to get in touch with subjective factors like the respondent’s thoughts and wishes, as well as using various evidence in our research (Cf. Merriam, 1994:43-46; Yin, 1994:7). In our case this means using interviews and other sources like previous research, web pages and speeches from conferences etc. Yin (1994) claims that when investigating “how” or “why” questions, in combination with examining contemporary events, the use of a case study is the most suitable (Yin, 1994:7-8). Both a quantitative approach and a qualitative approach would have been possible to use in this study, although we have chosen a qualitative research method. We think this choice is the most appropriate, since we are seeking a deeper understanding and a broader picture of the subject we are studying (Cf. Holme & Solvang, 1997:14). As said, we want to show ways in which CSR is depicted in China, and we will do this without being interested statistic generalizing conclusions, which would have been possible by using a quantitative method (Cf. Yin, 1994:10).

2.2 Research procedure

We started our study by reading and learning more about the CSR concept in the West and in China. Before we left Sweden, we got in contact with CSR Asia, an organisation based in Hong Kong that publishes information and holds courses and conferences on CSR. They helped us to get in contact with respondents we found relevant for our study. When we arrived in Hong Kong we attended the conference “The supply chain talks back”, which was organised by CSR Asia. This conference was very useful in terms of meeting and arranging appointments for interviews with central actors within the CSR area. We also got some very useful information about CSR in China at present.

For our primary data collection, we chose to use semi-structured interviews, which is a non-standardized interview, where the researcher uses a list of themes and questions to be covered that are sometimes varying from interview to interview (Saunders et al., 2003:246). We chose this strategy to be able to obtain as much useful information as possible, by not being restricted to a specific area only. We had a few themes that were discussed during all interviews:

- CSR in general
- CSR in China
- CSR with Chinese characteristics
When working out the themes we were aiming at finding out as much as possible about CSR in China. The two last mentioned themes caught our interest since we had heard many discussing them on the conference we attended, as well as on several other occasions. The term “CSR with Chinese characteristics” is used by the government as well as many others in China.

We have conducted twelve interviews with persons working with CSR in China. In all interviews we have held our focus towards mainland China, though a few of our interviews were done in Hong Kong. During our interviews, one of us took notes while the other concentrated on asking questions and following up on interesting subjects, at the same time as taking notes concerning specifically important issues. Our intention was to use a tape recorder to be sure not to lose useful information, but since some respondents appeared intimidated and reluctant to this proposition, we decided to take notes. We had language problems during some of the interviews, which mean that we may have missed out on some information. This might have had an influence on our level of reliability. On the other hand, we were very clear when asking our questions, and are to a large extent certain that the questions were understood by the respondents. The use of an interpreter during two of the interviews might have lead to some missed points as well.

We started our collection of data without a predetermined theoretical framework and thereafter followed up on themes we found interesting, guided by our research purpose. We used the software NVivo, which helped us in our work of categorizing our data and discerning the five views of CSR we have found (Cf. Saunders et al., 2003:381-389). Our empirical chapter is further presented and structured according to these categories. As said before, the opportunity to use multiple sources of evidence in a case study, is a major strength of the case study strategy, but also to a larger extent needed than when using other research strategies (Yin, 1994:91). In our case, we have used other sources like web pages, speeches from conferences etc. to give more solid and true views. Below we will describe how we created these views.

2.3 The views

Our intention with this thesis is to describe the views of CSR in China that we can discern in our interviews and other sources. These views are certainly not the only ones, nor an objective “truth”. They are affected by several factors. These views became clear to us when processing our data, that is to say, we did not construct the views from CSR theories beforehand. On the other hand, we did have a basic knowledge of CSR before we started our research, which most likely has affected our way of thinking.

When constructing the views we started with labelling incidents, ideas and observations in our material by their distinctive features. They were then categorised by grouping similar labels together. We used the software NVivo to code our material according to these labels and categories, which gave us a
good overall picture of the material. This work was mainly done by comparing the interviews, but also sentences and paragraphs in the material with each other. After this open coding, we continued with making connections between these categories, eventually ending up with five views of CSR (cf. Strauss & Corbin, 1990:61-74). Two of the views, CSR with Chinese characteristics, and CSR as law enforcement, are more or less corresponding with two of our interview themes. CSR with Chinese characteristics is, as said above, a commonly used term in China, which means that the category is not analytically developed by us solely. Although two of the views, CSR as code of conduct compliance, and CSR as a PR exercise, are coinciding with two categories of CSR, described by the Chinese researcher Monina Wong, we have not been influenced by her work. During our work with the views, we had no knowledge of Wong’s categories. We are referring to these categories in chapter five. Regarding the naming of the views, we have been inspired by expressions used by our respondents, except for when naming the view CSR as labour law compliance.

We are also aware of the fact that we are coloured by Western values in constructing our views. Important questions to consider are “... whose story is being told, why, to whom, with what interpretation, and whose story is being shadowed, why, for whom, and with what consequence.” (Fine, 1998:135). Although difficult to avoid, it is important to acknowledge and reflect on these issues. The stories we are telling belong to some actors in the CSR-area in China that have a possibility to influence the development of the concept. The views we are describing though, are our interpretations of the information we got from these interviews and other sources, not an objective “truth” or an attempt to represent the Chinese. Our interpretations are made from a Western, or rather a Swedish point of view. From this Swedish point of view, it would have been natural to include the stories of those without a possibility to influence the development of CSR – the workers. This may be one of the most important to tell in this matter, since they are the ones that are most affected by the current situation. Unfortunately, we did not get the opportunity to meet any factory workers.

The views we have found are somewhat overlapping, but there are distinct differences as well. One may say that they are different views of a certain phenomenon. This can be compared with the way Morgan (1998) is using metaphors to create understanding about organisations. “In approaching the same situation in different ways, metaphors extend insight and suggest actions that may not have been possible before. (...) Metaphors lead to new metaphors, creating a mosaic of competing and complementary insights.” (Morgan, 1998:6-7). Metaphors help us to see a certain aspect, but at the same time, they ignore the differences between what is pictured, and the metaphor itself (1998).

When creating our views, we started from a certain aspect we could distinguish in our interviews. Although overlapping, we felt that each of them contributed with an aspect of CSR in China, not clearly visible in the other views.
2.4 Primary and secondary sources

Our aim was to get a variety of people for interviews; Chinese suppliers, MNCs, academics, government officials, NGO:s and other organisations working with CSR. We have interviewed persons adhering to all these categories, except for government officials in its strict meaning. The Chinese Productivity Distribution and Regional Economic Development Committee (CPDC) and China National Textile and Apparel Council (CNTAC) though, are both somewhat connected to the government. CPDC may be referred to as an NGO, or rather as a GONGO, since the organisation has government officials in the board. GONGO stands for government operated NGOs, which are in majority in China (Sandklef & Kiesow, 2004:10). Andrew Sheard, Director of HR and Administration at the British Council in Hong Kong, was interviewed due to our interest in his speech about “CSR with Chinese characteristics” at the conference “Diversity and Inclusion in Asia: Women in the Workplace and Cross-Cultural Effectiveness” in Hong Kong. A detailed presentation of all the respondents will be made in chapter four.

An important aspect concerning ethical issues in research is about maintaining objectivity, which includes not misinterpreting data (Saunders et al., 2003). We have tried to be objective in every aspect of its meaning but we are aware of that it is not always possible. We as researchers are always coloured by our subjective values, and we are aware that our way of acting influences our research results. To obtain a high reliability in this thesis we have strictly tried to make every step of our research visible to the reader by documenting our research procedure step-by-step (Cf. Yin, 1994:37). One thing that can question the reliability in this study is that we, due to a wish for anonymity by some respondents, have not shown the entire interviews to the reader, which could result in considering our empirical findings to be a “black box”. From our judgement, this was the best and most ethical solution, since we do not want to risk breaking any promises concerning this issue.

When criticising one’s sources, it is important to think about a few principles, for example that the sources are authentic and non-biased. The use of first-hand secondary sources is always preferred as long as the source is not too old and therefore invalid in some way (Thurén, 1997:11, 34). Throughout our study we have taken these issues into consideration, by for example, as far as possible, using first-hand sources.

Internet, phones and newspapers are controlled by the communist party in China, so that no forbidden information can be spread. People are to some extent still oppressed and the freedom of speech, among other things, is curtailed (Sandklef & Kiesow, 2003:11). Just as an example, at the conference we attended all the discussions were said to be confidential and not allowed to be written about, so that all attendees would feel comfortable in expressing their opinions. Issues and biasing problems like these could in our case mean that some of our respondents may have feared giving their true view on some issues. We believe though, that this problem has been minimized by promising the respondents anonymity when wished for. The secondary sources we used to strengthen our views may to some extent be biased. In our case this is a minor
problem, since we are only aiming to use our sources to show different views of CSR that exists among our respondents, not to prove that the views are true.

3 Corporate social responsibility

Following is a brief introduction of the CSR concept, with the purpose of giving a basic understanding of the concept, before entering the next chapters. We will begin with an overview of the concept’s history. Thereafter some definitions and explanations will follow, concerning the meaning of CSR and different global CSR initiatives will be mentioned. Finally, different tools that companies use in their CSR work will be described.

As stated in the introduction, the social responsibility of business has been discussed since the 1930s. In the 1950s “the modern era” with respect to CSR definitions started, according to Carroll. Howard R. Bowen with his book “Social Responsibilities of the Businessman” is argued to mark the beginnings of the “modern era”. Because of his early and influential work, Carroll proposes for him to be called the “Father of Corporate Social Responsibility” (Carroll, 1999:268, 291). In his book, Bowen gave an initial definition of CSR: “It refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society” (Bowen in Carroll, 1999:270). In the 1960s, the definitional literature on CSR developed significantly and most of it was spread by academics. In the 1970s the definitions of CSR became more specific. In the 1980s fewer new definitions of CSR were witnessed, however more attempts to measure and conduct research on CSR were done. In the 1990s CSR was transformed into alternative thematic frameworks like stakeholder theory, Corporate Citizenship, Corporate Social Performance and business ethics theory. In nearly all cases, these new directions and themes were consistent with and built on earlier CSR definitions (Carroll, 1999:268, 291).

As a concept, CSR is vague and means different things to different people (Crowther & Rayman-Bacchus, 2004:2) and there are many definitions to be found. The European Commission defines CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.” and concludes that CSR is “behaviour by businesses over and above legal requirement, voluntarily adopted because businesses deem it to be in their long term interest” (European Commission, 2002:7).

Another definition of CSR, coming from Wood (1991) reads: the “basic idea of corporate social responsibility is that business and society are interwoven rather than distinct entities; therefore, society has certain expectations for appropriate business behavior and outcomes” (1991:695). Regarding the responsibilities of corporations Wood continues:

Businesses are responsible for outcomes related to their primary and secondary areas of involvement with society. (...) Businesses are not responsible for solving all social problems. They are, however, responsible
for solving problems that they have caused, and they are responsible for helping to solve problems and social issues related to their business operations and interests. (Wood, 1991:697)

This would for example mean that a car manufacturer is responsible for helping to solve problems with air pollution and vehicle safety, but from a broader rule of relevance, it could also be justified that they help solving social problems. If they are dependent on literate, lower income workers, it could be relevant for them to be involved in housing or literacy projects (Wood, 1991: 698). CSR Europe, a membership organisation for large European companies, mentions the following areas in their guidelines (in Moir, 2001:17):

- workplace (employees);
- marketplace (customers, suppliers);
- environment;
- community;
- ethics; and
- human rights

Compared to traditional ways of doing business this implies a shift in thinking, towards understanding and actively working with the company’s impact on the society. The idea of CSR might seem evasive, so it should be noted that one important aspect of being socially responsible is to be profitable. In this way, a company can “provide sustainable jobs for its employees, good returns for its investors and prosperity for the communities in which it operates.” (Andriof & McIntosh, 2001:16).

One of the most established models about the nature of corporate social responsibilities is Archie Carroll’s “Four-Part Model of Corporate Social Responsibility”, published in 1979, 1991 and together with Buchholtz in 2000 (Crane & Matten, 2004). Carroll identifies four categories of responsibilities that a corporation must embrace in order to fully address its social responsibilities. The four interrelated categories are the economic, legal, ethical and the philanthropic responsibilities (1979:499-500; Carroll & Buchholtz, 2003:36-38). We will describe these categories further in the fifth chapter.

The growth of CSR has led to the development of several principles to guide companies in their CSR commitments. The UN’s Global Compact is one of these, initiated in 2000, with ten guiding principles covering human rights, labour standards, anti-corruption and the environment. The Global Compact is a voluntary initiative with two objectives that involves mainstreaming the ten principles in business activities around the world and catalysing actions in support of UN goals. To achieve these objectives facilitation and engagement is offered through policy dialogues, learning, country/regional networks and projects (Global Compact, 2005a). In 2001 the European Commission presented a Green Paper “Promoting a European Framework for Corporate Social Responsibility” which aimed to start a debate about how the European Union could promote CSR and how the concept could be enhanced (European Commission, 2001:4). The European Commission regards CSR as managing change at company level in a socially responsible manner. This happens when a company seeks to set the
trade-offs between the requirements and the needs of the various stakeholders into a balance, which is acceptable to all parties. The Organisation for Economic Co-operation and Development’s (OECD) guidelines are by the European Commission mentioned as the most comprehensive and internationally endorsed set of rules governing the activities of multinational companies and are mentioned as an instrument in the European Action Framework for CSR (European Commission, 2002:4-10). The OECD’s guidelines are addressed by governments to multinational enterprises that provide voluntary principles and standards in all the major areas of business ethics, for example human rights, environment and bribery (OECD, 2006). Other well known standards are for example SA8000, which is a global certification standard designed to make workplaces more humane, and the Clean Clothes Campaign, with the aim of improving working conditions in the garment and sportswear industries (Leipziger, 2003:156,183).

These initiatives within CSR might be characterised as “soft law”. Soft law is by Sahlin-Andersson defined as “non-hierarchical forms of regulations that are not legally binding”, and she continues, “formally at least, these regulations are voluntary and include large elements of self-regulation and co-regulation. Moreover, these regulations are not directly coupled to systems of sanctions or resource allocation and the regulators and those being regulated are not hierarchically coupled” (Sahlin-Andersson, 2004:134).

The CSR concept is mainly driven by large multinational companies even though socially responsible practices are to be found in all types of companies, both public and private, including small- and medium-sized companies (European Commission, 2001:4). In companies’ work with CSR, tools like codes of conduct and standards, similar to the global standards above, can serve as a map towards greater transparency and accountability. Company codes of conduct are codes set by an individual company that states the values and business practices of an organisation (Leipziger, 2003:35-36). By some codes of conduct are also referred to as codes of ethics or business codes (e.g. Kaptein, 2004) and are adopted by many companies, especially MNCs, in order to address the concerns of stakeholders like consumers and NGOs (Crane & Matten, 2004:148). A code of conduct is “a policy document that defines the responsibilities of the corporation towards its stakeholders and/or the conduct the corporation expects of employees” (Kaptein & Wempe in Kaptein, 2004).

Typically, a code of conduct [among MNCs] addresses issues like “child labour, forced labour, wages and benefits, working hours, disciplinary practices, the right to freedom of association, health and safety, and environmental practices” and aims to influence the behaviour of business partners (Mamic, 2005:81).

In the context of CSR, the stakeholder theory is often used to describe the organisation’s relationship with its environment and to analyze the groups to whom it should be responsible (Moir, 2001:19). A classic definition of a stakeholder is Freeman’s: “any group or individual who can affect or is affected by the achievement of the organisation’s objectives.” (Freeman, 1984:46). The main point of the stakeholder theory is that there are various stakeholders in the society that have a legitimate interest in the corporation as well, and hence,
corporations are not only managed in the interest of the shareholders. The traditional management model typically relates the company to four different groups – the shareholders, the customers, the suppliers and the employees. In the stakeholder view of the firm, the shareholders are only one of the constituents (Crane & Matten, 2004:50). Stakeholders are often classified in primary and secondary stakeholders, a primary stakeholder being "one without whose continuing participation the corporation cannot survive as a going concern" (Clarkson, 1995:106). Examples of the primary stakeholders are the shareholders and investors, employees, customers, suppliers, together with the governments and communities that provide infrastructures and markets, whose laws and regulations must be obeyed, and to whom taxes and obligations may be due. The media and special interest groups are examples of secondary stakeholders. They have the capacity to affect the public opinion and in that way even cause considerable damage to the company. The secondary stakeholders are groups that are not essential for the company’s survival, or have any transactions with it. Nevertheless, they affect, or are influenced or affected by the company (Clarkson, 1995:106-107).

In summary, in spite of the lack of an all-embracing definition, CSR is commonly understood as the voluntary responsibility of corporations beyond legal requirements, for employees, customers, suppliers, the environment, the community, and human rights. It is often emphasised that companies are an integral part of the society, instead of distinct entities. Despite the voluntary approach, CSR might still be categorised as soft law. Codes of conduct and stakeholder management are essential parts of companies CSR-work. We are going to use this definition of CSR below, when comparing the views of CSR in China with CSR as commonly understood in the West.

4 CSR in China

In this chapter we will begin by giving the reader a short view over China and the present situation, followed by an overview of the CSR movement in China. Thereafter we will present five different views on CSR that we have discerned from our interviews. The interviews are to some extent endorsed by information from other sources, in order to make the views more comprehensive. We will start by giving a detailed presentation of the respondents below. Due to a wish for anonymity, we cannot mention all of the respondents by name:

- A Senior Manager and Occupation and Health Director at a Chinese company within the garment industry, that supplies to a large number of international brands, among them Timberland.
- A CSR Manager at a Chinese company within the apparel industry supplying to international brands.
- A CEO at a Swedish multinational company.
- A Regional Manager for international labour standards at a large American multinational company, which has several thousands of suppliers in China.
- Richard Welford, PhD and Deputy Director of Hong Kong University, director of CSR Asia. CSR Asia provides information about Corporate Social Responsibility (CSR) in the Asia-Pacific region.
4.1 China today

China with its 1.3 billion inhabitants (Swedish Trade Council, 2006), is under one-party rule by the Chinese Communist Party (CCP) that supervises the government at national, regional and local level. The highest power of the government is the National People’s Congress (NPC), which approve the presidents and members of the state council. Some officials have positions in both the CCP and the NPC, though the two entities are officially separated. Since Deng Xiaoping became the leader of the communist party in China 1978, major economic reforms has resulted in foreign trade increasing nearly ten-fold and foreign investment increased fifteen-fold between 1978-1993 (Murdoch & Gould, 2004:1). The current leader of the party is Hu Jintao (China Internet Information Center, 2006).

At present China is experiencing a massive movement of people from rural areas into urban areas. In 1949, the government established a household registration system called *hukou*, which system categorized people into urban and rural areas. The *hukou* registration is usually life long and determines where a person could live and work as well as their social and political entitlements. Up to recently it has been very hard for rural citizens to move to the cities. Still they are only allowed temporary employment and residential status in the cities and they often have to pay high fees to get the residence permit. The *hukou* system has
been a big problem for the migrant workers, since the place of registration takes care of health issues, education etc. and it has therefore been hard for migrant workers to receive protection or services from local governments in areas to which they have moved. In the last ten years the rules and regulations have been changed in benefit for the migrant workers and the government has shifted its attitude towards migrant workers into a fairer one. In 2003, the All China Federation of Trade Unions released an official paper that sent out a strong message about migrant worker’s rights. However, in spite of these and other measures for improving the conditions for the migrant workers they are still discriminated in different ways, and often viewed in a different, unfavourable way than local workers, are paid less and do not have the same rights. This could be a result of the government’s economic liberalization and reform of state owned enterprises, which has led to a break down of the system of social control. The Global Alliance for Workers and Communities states that China’s labour law is great on paper but poor in implementation (Murdoch & Gould, 2004:11-17).

4.2 The CSR movement in China

Global consumer movements and public awareness of corporate social responsibility in North America and Europe have led to anti-sweatshop campaigns against the circumstances in the supply chains in developing countries. As a result from this pressure, multinational corporations started to launch corporate codes of conduct regarding labour standards in China and other Asian countries in the early 1990s (Pun, 2003:4-5).

In 1979, the Shekou Industry Zone was established in Shenzhen, which could symbolize China’s first contact with the international capital. In 1980 it was decided that attracting foreign investment were to be a major economic development policy in China. In the same year four special economic zones were set up in Shenzhen, Zhuhai, Shantou and Xiamenin in order to try out an economic model, called “Original Engineered Manufacturing”. The meaning of this model is that all resources are imported, except for cheap labour, land, water and electricity, which was the only domestic contribution China made (Liu, 2003). China is considered to have an unlimited supply of labour, mainly due to the labour surplus of 150 million people in the rural parts. Just as an example, there are 21 million migrants in the Guangdong region. These circumstances have made China “the workshop of the world” (Sandklef & Kiesow, 2004:21; Long & Pamlin, 2005).

The idea with the special economic zones is that MNCs are responsible for order placing, developing brand names and managing international distribution channels, while businessmen (usually from Hong Kong, Taiwan or Japan) are responsible for the manufacturing process and distribution of goods. Critics claim that an extreme pursuit of profits is the motto within these supply chains in China, where the MNCs hold the top position. Factory owners are pushing their workers to the maximum, which means excessive overtime hours, wages that are less than the legal minimum and little or no protection or benefits. Since the early 1990s a great number of labour rights violations have occurred and been exposed by the media, human rights organisations and international trade
unions. Social auditing reports, general working conditions and compliance with national and/or local legislations are continuously gaining greater importance when the MNCs are placing their orders (Liu, 2003). Research that labour groups have conducted in the toy industry in China over the last ten years shows some positive signs of improvement but also consistent violations of labour standards (Wong, 2004:60-61).

As declared earlier the CSR movement started in the mid 90s in China. During 1995-1998, only some very large MNCs and some big sourcing companies were implementing codes of conduct. After the year of 1998, more and more MNCs started to implement codes of conduct and by 2000 most labour intense brands and retailers followed. Before 2001, the CSR movement was limited to the inside of the factories with monitoring and audits being done by the MNCs. The consumers, the government or the media were not aware of CSR at that time. Not even the workers that were present in the factories during audits knew much about CSR.\(^2\) One reason for this may be that codes of conduct have been found to mistakenly being taken as the factories’ own sets of rules by some workers (Pun, 2003:7). In 2002, the first public CSR conference was held by the Institute for Contemporary Observation (ICO) together with Lund’s university, Wallenberginstitutet, ILO and local Chinese. In November, the same year there was a conference in Beijing on CSR and labour sponsored by ILO and a Beijing university. According to Liu Kaiming the government was not supporting CSR at this time which resulted in few participants.\(^3\)

2004 was a very important year for CSR in China according to Liu Kaiming. There was some wrong news in the media, claiming that companies that do not have a SA8000 certificate were not allowed to export. Many companies then came to ICO to learn about CSR, SA8000 and codes of conduct, and their relation to labour issues. There were around 10 000 articles about CSR in the media and more and more industries started to implement codes of conduct. This year the government also started to do some research on CSR and in 2005 they held workshops and conferences about how to face CSR and SA8000.\(^4\)

As mentioned in the introduction 2005 has been referred to as the Year of CSR in the Chinese media, largely because of the many CSR events that were organised during the year (CSR-Asia, 2005a:1). Noteworthy events were the “GoTone Nanchang Summit for Constructing a Harmonious Society and Corporate Social Responsibility in China” as well as the Global Compact summit on CSR in Shanghai (Global Compact, 2005). CSR was among the themes of the 11\(^{th}\) five-year plan approved by the Chinese Communist Party in October 2005 with the ultimate goal of constructing a harmonious society. Building a harmonious society means calling for more attention to social justice and solving of problems for ordinary people. Economic growth is still a key point but more emphasis is aimed to be placed on the interests of the majority of the population (Zheng, 2006:4), in the 14\(^{th}\) five-year plan it is defined as “serving the people to improve quality of life” (Anonymous, 2006).

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\(^2\) Liu Kaiming, Director ICO, interview December 26, 2005
\(^3\) Liu Kaiming, Director ICO, interview December 26, 2005
\(^4\) Liu Kaiming, Director ICO, interview December 26, 2005
4.3 Views of CSR in China

Below, the different views on CSR in China, which were found in this study, are presented one after one.

4.3.1 CSR as labour law compliance

When discussing CSR in China during our interviews the respondents mainly spoke about labour issues and often in terms of complying with the labour law. ICO, one of the organisations we interviewed, is primarily focusing on migrant workers and their labour conditions. The director of ICO, Liu Kaiming\(^5\) told us that their organisation is trying to find out and understand the needs and wants of all parties; the workers, the management and the buyers. They work mostly to inform workers and help the factories with capacity building. They also help with the communication between workers and management and help to establish health and safety committees as well as worker committees, and teach the management to improve the management system. Richard Welford\(^6\) described CSR in China essentially as a supply chain and human rights issue. This is principally in line with Lucy Lu’s\(^7\) statement about CSR often being seen only as a labour issue, making the environment come in second hand. She explains it being due to the fact that it is easier to convince factories about the business case of labour issues than about the environmental issues. Several of the respondents expressed it as “a happy worker is a productive worker”. The situation with the environment was further explained as critical. Lucy Lu said the rates of lung cancer are very high in Beijing, and it has a direct correlation with the air quality. Richard Welford\(^8\) was also talking about environmental problems and said it is important to link the environment to human rights; everybody has a right to health and a good environment.

Anita Chan, a Chinese academic based in Australia, is committed to labour rights issues in China. She sees CSR as a concept that exists in China only because companies are not obeying the labour law, and argues that there would be no need for CSR if the law was obeyed.

There is nothing wrong about the concept but it only exists because people are not obeying the law. (…) If you obey the law, you don’t need CSR. CSR is a big industry so there is much to win at cheating; everyone knows how to play the game. The law is taken much more seriously now. Workers use it when they have problems. (…) You can sue by the law; you can’t sue by a code of conduct.\(^9\)

When asked if complying with the law makes CSR and codes of conduct superfluous, Kaiming Liu, the director of ICO, told us that it is enough for

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\(^5\) Liu Kaiming, Director ICO, interview December 26, 2005  
\(^6\) Richard Welford, Director CSR-Asia, interview December 5, 2005  
\(^7\) Lucy Lu, Deputy Director, and Fang Xie at the office for Promoting Social Responsibility, CNTAC, interview December 16, 2005  
\(^8\) Richard Welford, Director CSR-Asia, interview December 5, 2005  
\(^9\) Anita Chan, PhD, interview November 17, 2005
companies, especially small and medium sized ones, to comply with the law. Although recognising that there is more to CSR than complying with the law, compliance is their main focus:

It is enough for companies, especially SMEs [small and medium sized enterprises] to comply with the law; they don’t need to know about CSR. The buyers only expect the companies to comply with the law, not to be involved in charity and community involvement. That is the next step. When auditing, we only care about the local laws being followed and ILO standards.\(^{10}\)

The challenges regarding CSR are many, depending on culture and moral stages of the factories, according to one Chinese company respondent. For the morally mature ones ethics of care are essential and for the less mature it is all about compliance to the law.\(^{11}\) When asked what the companies do within the area of CSR one company respondent only stated actions adherent to labour and labour law: They do not use child labour, they give salaries according to the law, they give equal pay for equal work, they do continuous improvements on health and security and they constantly aim to improve the relationship between management and workers. Since freedom of association is not allowed in China they have started their own worker committee instead, as a substitute for a worker union. The workers have elected one representative that facilitates communication between employees and management.\(^{12}\)

Among the governmental sphere, there is similar reasoning about CSR as a labour issue. Although the words “stakeholders” and “stakeholder involvement” are frequently mentioned in the speeches collection from the Go-Tone Nanchang Forum (Go-Tone, 2005), it is evident that compliance to the law is considered as a key part of CSR. For instance does Li Hongyan, Secretary of the Forum, consider paying taxes according to the law as the entrepreneur’s largest social responsibility, since this means contributing to the wealth of the society (Li, 2005). Zhang Mingqi, the director of Discipline Inspection Commission and member in the secretariat of All China Federation of Trade Unions, regards the promotion of CSR as helpful in the protection of the legal rights of the workers and for the implementation of the labour law (Zhang, 2005). Liu Kaiming, director of ICO, stated at the Nanchang Forum “Nowadays, the activities of CSR in China focus on supply chain. (...) Thereby, protecting labour rights and eliminating the OHS [occupational health and safety] damage are the basic of compliance CSR in China.”

As said above, there where many references to stakeholders and stakeholder involvement at the Go-Tone Nanchang Forum. Although emphasised here, the lack of stakeholder engagement was one of the differences between China and the West that some of our respondents reported. One of the company respondents told us that unlike in the West, the only ones regarded as stakeholders are the buyers [the MNCs] and the government. He himself also considered the workers as stakeholders. At the Supply Chain Talks Back

\(^{10}\) Kaiming Liu, Director ICO, interview December 26, 2005
\(^{11}\) Chinese company, CSR Manager, interview January 9, 2006
\(^{12}\) Chinese company, Senior Director, interview December 11, 2005
conference that we attended, the director of BSR, Zhou Wei Dong, reported that many stakeholders have limited impact, and that factory owners in general only prioritize the customers [i.e. the MNCs] and the government. The workers were not considered as stakeholders, neither the media nor NGOs. One of our company respondents said the Chinese media have no insight into the factories and that the NGOs are very weak and have low influence in the Chinese society.

To summarize this part, it is apparent that one of the ways CSR is depicted in China is as mainly being a labour issue with little consideration of environmental problems, and with its main function directed towards labour law compliance. This is shown by a marked lack of stakeholder engagement, the emphasis on law compliance and other stated indications in this direction. This is literally confirmed by several respondents, followed by a demonstrated assertion that the environment is given little importance, gives an even stronger incentive to accept this picture as an apparent one.

4.3.2 CSR as law enforcement

In China, it is wild; anything goes

Above is a statement coming from one of the MNCs interviewed when talking about CSR and labour rights in China. Chinese law sets out high standards in many areas; some argue that the standards are too high in some cases, especially regarding working hours. In theory, the law does offer a high level of protection for workers, but it is often very poorly implemented. Some argue that the laws are too general and lack the necessary supporting regulations (Murdoch & Gould, 2004:19). The laws and regulations also contradict each other in some cases and the national legislation and local regulations are differing (Liu, 2003). The government’s system for monitoring and enforcing the laws is poor (Murdoch & Gould, 2004:19).

The facts above are affirmed by our respondents. Lucy Lu and Fang Xie claimed the legal system covers almost everything; the problem is the implementation, which is something all respondents agree on. The government is trying to protect legal rights and there are many new regulations coming. It is a comprehensive framework, but the government’s lack of skills and resources as well as corruption issues makes enforcement quite a problem. Since the beginning of the year, the government has been talking more and more about improvement and tougher enforcement. The talk is getting more intense, but there is not much action yet according to one respondent.

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13 Zhou Wei Dong, Director BSR, speech at the Supply Chain Talks Back conference, November 22, 2005
14 Chinese company, Senior Director, interview December 11, 2005
15 American MNC, Regional Director international labour standards, interview December 29, 2005
16 Lucy Lu, Deputy Director and Fang Xie at the office for Promoting Social Responsibility, CNTAC, interview December 16, 2005
Richard Welford\textsuperscript{17} was fairly critical on this matter. He does not think that the state intervening is going to happen in China. According to him, the government just likes CSR because the companies are taking over the state’s role; the labour law is not going to be implemented by the government. “The government is stepping back, CSR is upholding the law”, he stated. Capacity building is needed to make CSR work in China, today it is all subsidized or donor financed, but it needs to be self-sustainable, i.e. paid by the factories. The MNCs are the most concerned about this right now according to Welford, not the government. The MNCs are doing the government’s job; they are enforcing the law and are providing for workers education. He said there is a lack of capacity to build capacity in China. There are not many NGOs, and most of them are registered as companies (and traditionally suppressed by the government) and usually specialized in one area. There is a trade union that does not know labour rights and that is often taking the management’s side.

Almost all respondents asserted that the MNCs are the ones that are implementing the law. When asked about this, our American MNC responded:

Yes, but should it be? CSR is beyond the law. The law in China is an aspirational standard, as in most developing countries, not the minimum level as in most western countries\textsuperscript{18}.

Liu Kaiming\textsuperscript{19} said it is up to the local government to enforce the law, but that the MNC:s enforcing it is another way, a good way. He does not think that the companies are taking the government’s role, they are only protecting their business. He thinks that the MNC:s have earned so much money that it is only fair if they take responsibility for “cleaning up” in their supply chain. Not everyone sees it this way though, the MNC:s’ minimum obligation is to comply with the law, but they should not step in for the government. The only case, in which they could do this according to Shalini Mahtani\textsuperscript{20}, is if a company sees an advantage in providing for certain things in the society that they can benefit from. If they need engineers for example and there are not any opportunities for education in that area, it makes sense if they provide for that, even though it is the government’s task.

To sum this chapter up we can say that, in the view of our respondents, CSR is moreover seen as upholding the law, or as a replacement for the law in China. China is said to have an excellent labour law, but the problem, according to all respondents, is the poor implementation. According to our respondents the government is not enforcing the law at the moment, instead the MNCs are said to be taking the government’s role in this matter, through carrying out CSR.

\textsuperscript{17} Richard Welford, Director CSR-Asia, interview December 5, 2005
\textsuperscript{18} American MNC, Regional Director international labour standards, interview December 29, 2005
\textsuperscript{19} Liu Kaiming, Director ICO, interview December 26, 2005
\textsuperscript{20} Shalini Mahtani, CEO Community Business, interview November 25, 2005
4.3.3 CSR as code of conduct compliance

CSR is superfluous, workers don’t say “you don’t obey the code of conduct” to the company, they look at the law. Laws on workers rights, occupational health and minimum wages are usually better than codes of conduct. In practise, they don’t do any good, but at least companies recognize that they have a responsibility.\textsuperscript{21}

A common reality for Chinese companies that supply goods for Western MNCs are audits and codes of conduct. Audits have become the dominant tool for dealing with labour standards in the supply chains (Hurst, Murdoch & Gould, 2004:8). The respondents think it is essential to “do CSR” if you want to supply to the MNCs in China, that is to comply with their codes of conduct. The standards that are set in the codes of conduct by the Western companies appear to be acceptable for the respondents; they declare the standards are set a bit lower than the law and see the law as somewhat unrealistic since most companies cannot comply with it. One company respondent said the law in China is stricter than in “the richest country in the world” and that there is a proposal to amend the law, but that is not yet on the government’s agenda.\textsuperscript{22}

One of the company respondents we interviewed said his company feels a pressure from both the government and the buyers. The MNCs have currently transferred the political and economic risk that they face in their home countries to the suppliers. Before they always got a 30% deposit for the goods, but now the buyers come to the factory to check the products, and if they are good they pay directly, but if not, they do not pay at all. The same respondent sees a difference between European and US companies concerning auditing routines. If one European company audits the factory, the others do not, since they more or less have the same standards. Among the US companies though, all claim to have the best standard, so there is more frequent auditing from them.\textsuperscript{23}

Being able to afford the required improvements is not easy for the factories. Richard Welford\textsuperscript{24} at CSR Asia talked about their situation. He described it as the MNCs are often placing their orders late and amending them, at the same time as they, and all the other MNCs the factory is supplying to, are having regular audits. As a result, it becomes impossible to meet delivery deadlines. The factories are getting more and more squeezed and there is not much room for margins, especially not in the apparel industries. Zhou Wei Dong\textsuperscript{25} from BSR also mentioned this problem. He said the factories are under pressure from both NGOs and MNCs and that they only criticize them instead of collaborate. They are often only stating what the factories do wrong and they never speak about margins, instead they squeeze prices and deadlines downwards, at the same time as costs for raw materials and salaries are increasing.

\textsuperscript{21} Anita Chan, PhD, interview November 17, 2005
\textsuperscript{22} Chinese company, Senior Manager, interview December 11, 2005
\textsuperscript{23} Chinese company, Senior Manager, interview December 11, 2005
\textsuperscript{24} Richard Welford, Director CSR-Asia, interview December 6, 2005
\textsuperscript{25} Zhou Wei Dong, Director BSR, interview December 9, 2005
The governments on local, regional and national level also have bureaus checking the factories regarding compliance to the law. How often they do this depends on the location of the factory. Some local governments are not as keen on implementing the law as others. The bureaus collect information about factories through different channels to get some insight and in those cases where they find standards inadequate, they visit more often. According to Richard Welford the local governments are getting tougher on the businesses concerning environmental issues, they are using the technique of naming and shaming, publishing so called black lists and red lists with company names. Welford referred to the fear of losing face, since the Chinese hate to be embarrassed it is an effective method. There are also green lists where good companies are praised.

During our interviews, this situation with MNCs using codes of conduct and auditing was described mostly in negative terms. Many mentioned that only auditing is not going to solve any problems. Several of the respondents talked about the need for MNCs to get more involved and give help to their suppliers in order to enhance their CSR work. The American MNC interviewed said they issue a formalised letter to their supplier for each violation where they cite the part of their code of conduct that is breached, and the violations. They then give the supplier a time frame to correct the problem. The suppliers are given three chances and if they fail to correct the problems, they terminate the relationship. Shalini Mahtani at Community Business talked about the problem with this kind of proceeding and the importance of looking at the situation from a development perspective as well, and not just from the CSR perspective. As an example, she mentioned the problem with child labour. If the children lose their job their whole family could end up in starvation, and it is important that companies regard that too. If they do not allow children to work in their factories, they should take their responsibility for these children and families in some other way, by for example hiring the children’s parents.

In the above paragraphs we can see a view of CSR in China, where CSR is equated with audits and codes of conduct. All respondents touched this subject and many talked about the need for other actions than auditing in order to solve problems. One example is the call for more involvement and engagement from the MNCs. A repeatedly mentioned aspect when referring to audits and codes of conduct is factories being under intense pressure.

4.3.4 CSR as a PR exercise

The implementation of corporate codes of conduct has become a trend among big MNCs like Nike, Reebok, The Gap and others. The introduction of codes of conduct has turned out to be an important part of the companies’ strategic policies in their supply chain and in securing the sale of products and services in the global market. The companies’ concern is about their public image, which is a

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26 Chinese company, Senior Manager, interview December 11, 2005
27 Richard Welford, Director CSR-Asia, interview December 6, 2005
28 American MNC, Regional Director international labour standards, interview December 29, 2005
29 Shalini Mahtani, CEO, Community Business, interview November 25, 2005
vital factor in determining whether their products will be sold, and hence, in determining their survival (Pun, 2003:5-7). The Swedish MNC interviewed, claimed that carrying out CSR is a good way for companies to build their trademark, and among the Chinese the trademark is important. Undertaking CSR also gives a high status among authorities, and a good image. It is also much appreciated by the staff and others. The American MNC saw CSR in a similar way:

For us it is also a matter of risk management; consumer awareness in the West is intensifying more and more.

Some people only see CSR this way, as something the MNCs are doing because they are forced to, as a PR exercise, out of pressure from the consumers and as a result from a widely spread trend. Anita Chan, one of our respondents, does not think that CSR has contributed to any progress in China, and sees CSR as little more than a PR exercise. Statistics from China’s Statistical Bureau show that the wages of migrant workers in South China’s Guangdong province have been decreasing over the last ten years. The hourly salary of most of them is below the legal minimum wage. CSR activities have not raised labour standards according to these statistics; workers’ awareness of their rights however, is on the rise. This is showed by the number of migrant factory workers filing lawsuits against employers that has increased significantly over the past few years (Chan, 2005b).

Critics have pointed out that these company codes and associated acts are public relations ploys, particularly as the MNCs make their own judgement concerning their suppliers’ code compliance. Five companies studied in the Pearl River Delta, all of them suppliers to MNCs, were not serious about code implementation. They only saw the adoption of corporate codes of conduct as an additional burden accompanying just-in-time production requirements. One company was sceptic about the real intentions of the MNCs, and questioned if they really care about working conditions, due to the fact that when rushing to meet delivery times they still had to work overtime. Another company manager claimed that when production and codes clash they know what they should prioritize, in favour of the MNCs, i.e. to deliver on time (Pun, 2003:7). ICO investigated some of Wal Mart’s suppliers in Shenzhen and Dongguan city. The workers there informed them that Wal Mart’s are sending auditing teams there regularly but that the auditors do not seem to care much about the worker’s real situation. Usually factory managers know beforehand that the auditors are coming. During the audits the workers are often treated very well, and in most cases the auditing reports are in favour of the management, even though the auditors are unaware of the real conditions in the factories (Liu, 2003).

Many factories are keeping false records to be protected from contract termination due to a strict compliance approach to codes issued by MNCs (Murdoch & Gould, 2004:26). Zhou Wei Dong, director of BSR, tells us that

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30 Swedish MNC, CEO, interview December 13, 2005
31 American MNC, Regional Director international labour standards, interview December 29, 2005
32 Anita Chan, PhD, interview November 17, 2005
33 Zhou Wei Dong, Director BSR, interview December 9, 2005
they have held workshops for 20 factory owners who complained that keeping double books takes a lot of time and costs money. The factory owners expressed a wish for no double auditing and more commitment from the buyers. Zhou Wei Dong thinks it is important to cooperate with the Chinese owners and to be supportive; otherwise, the companies will cheat and play games. He does not believe in auditing, the factory owners will only tell lies he claims.

Liu Kaiming (2003) is saying there are things that will remain unchanged; one is that the ultimate goal of the MNCs is the chase for profits. Therefore it is not odd that trade unions and NGOs allege that codes of conduct are PR exercises rather than worker’s tools. He finds the relationship between MNCs and their suppliers unbalanced. The MNCs develop the codes of conduct but the suppliers are the ones that need to bear most of the cost. He states that in many cases the codes of conduct become PR tools for MNCs to appear favourably to consumers, while in their business negotiations they do not hesitate to ask for higher quality, lower price and faster delivery. However, the gist of it all is that codes of conduct can be helpful. The pressure from consumer groups at least results in that some MNCs are taking actions to improve working conditions and protect workers rights (Liu, 2003).

According to Pun (2003) the Chinese state is unwilling to seriously face labour standard issues (Pun, 2003:7). During our interview with Liu Kaiming34 he claimed that the Chinese society does not have the power to promote CSR in China. “They only ‘show’ CSR, they do not do CSR. The harmonious society is only to ‘show’”, he claimed.

It is evident by reading the above that CSR further can be seen as something the companies do to gain profits, i.e. are using as a PR tool as our respondents put it. According to our sources, there is much cheating going on among the Chinese suppliers and many of them, as well as some of our respondents, question the MNCs sincerity regarding code implementation. CSR can therefore be seen as a PR exercise in this view.

4.3.5 CSR with Chinese characteristics

Wang Maolin, the president of the Chinese Association of Productivity Science and Deputy Director of Law Committee in the People’s Congress of China, was one of the speakers during the Nanchang summit that we have been referring to earlier. He was talking about the need for being cautious about that some westerners may make use of CSR to mislead the development of CSR in China. When talking about CSR, he mainly emphasised viewing and implementing CSR in line with the requirements of building a harmonious socialist society, and to use that to solve new problems that have emerged in China’s market economy (Maolin, 2005).

The word “harmony” is the heart of the Chinese culture and “harmonious society” is a concept that involves many aspects of the social system. It involves social

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34 Kaiming Liu, Director ICO, interview December 26, 2005
responsibilities of all major social organs such as the ruling party, government agencies, enterprises, public units etc. (Maolin, 2005). On the way to a harmonious society, the assistant minister of the Ministry of Commerce, Yi Xiaozhun, says the companies play an irreplaceable and fundamental role, and it is necessary for Chinese companies to "do CSR" if they are going to be able to compete internationally (Yi, 2005). The minister held a speech at the China-EU CSR International Forum, where he affirmed that

Government at the central and local levels attaches increasing importance to CSR. In short, CSR does not come into being purely because of individual awakening of entrepreneurs. It also requires advocacy and promotion by the government. Over the years, government at all levels in China have stepped up CSR publicity campaign so that the entire society will pay attention to and become involved in this process. At the same time, the government has also reinforced supervision over CSR by making regular assessment on law-observance status of companies. (Yi, 2005)

All respondents were very familiar with the governments’ concept of constructing a harmonious society. “It is not going to change in one day in China, it will take time, but as long as they can maintain harmony, they are satisfied. It is all about harmony”, our American MNC respondent said. By holding the Nanchang summit, a forum for constructing a harmonious society and CSR, CPDC and the government wanted more people to understand that the core of CSR is human oriented and that the first aim is to protect human rights and to build a harmonious society. In November 2005, the Central Conference on Economic Work was held by the Central Committee of the Communist Party of China and the State Council. They developed overall requirements and major tasks for China's economic work in 2006, and they listed “Human first: Endeavour to build up a socialist harmonious society” as a key task of the Chinese government. “Human first” is the new political aspiration of the Communist Party of China (Yi, 2005).

Other respondents confirmed the link between CSR and a harmonious society, with the conclusion that violating the labour law and the environment is against a harmonious society. The harmonious society is about eliminating the gap between the rich and the poor and a part of it is to make all stakeholders, as they said, “happy”. At the same time, Lucy Lu and Fang Xie claimed that currently the society is losing balance, the rich gets richer and the poor gets poorer. They were very concerned about the economic development and the long-term stability. They claimed that all people suffer today, even the rich, because of the lack of security.

The government is said to want to control the CSR issue. At the beginning, they were afraid of CSR as a new trade barrier from the West, so now they aim to control the development of CSR according to Zhou Wei Dong. It has been a government slogan to build socialism with Chinese characteristics. CSR with Chinese characteristics is about developing an own concept, an own way of

35 American MNC, Regional Director international labour standards, interview December 29, 2005
36 CPDC, interview December 15, 2005
37 Lucy Lu, Deputy Director and Fang Xie at the office for Promoting Social Responsibility, CNTAC, interview December 16, 2005
promoting CSR in China, by looking at the specific priorities of the Chinese. Zhou Wei Dong claims that the fight against poverty and creating job opportunities are the number one priorities. Working a lot and earning money is part of the Chinese mentality. It is all about making money in China, our American MNC respondent asserted. It is the rule of man instead of the rule of law. Because of the phenomenal growth and the industrialization, he said the law has taken the back seat, and that there are violations everywhere.

Many of our respondents talked about the need of having ownership of CSR since CSR is interpreted differently in China, and that the CSR power needs to be submerged in the country. Some think it is necessary to formulate a Chinese standard, which suits Chinas’ realities. The Chinese standard CSC 9000T is an example of a standard that is made in line with Chinas' realities, and it is also one concrete example of taking ownership of CSR. One of our Chinese company respondents stated: “CSC 9000T was introduced since we needed our own standard, why always comply with the US standards?” Only auditing is proven to not be the most effective way, according to Lucy Lu and Fang Xie, who are the developers of the CSC 9000T-standard. They explained that CSC 9000T is a social compliance management system that is meant to be integrated in the day-to-day management, and to address social problems in a systematic way. The standard is adapted to the Chinese context, there is nothing concerning collective bargaining and freedom of association included in the standard, since these matters are prohibited by Chinese law. On the other hand, they include a demand for obligatory labour contracts, since this is a problem in China. This is not included in other standards.

The government has a wish to develop CSR in China with consideration to the special circumstances in the country, according to CPDC. They claimed it is a central government request for China to comply with international CSR. CPDC mean that being such a big country could be an advantage and a disadvantage at the same time. They realize there is a gap between the Western countries and China, with its 1.3 billion people and limited resources. They claim there is an unbalance between the different provinces in the country and that they have to work step by step in collaboration with the government to solve the problems. All respondents called attention to the fact that China has a different position in the development cycle. “There is a dilemma applying 2005 European values to a society that is in a different stage of development”, Andrew Sheard at the British council stated. At the same time, he could not see why the basic values of CSR should not work in any context, since human rights are universal. Instead, he claimed that we have different starting points in terms of education, religion, gender etc. He emphasised the need for giving and taking from both sides as well as sharing ideas, and that the behaviour is different among the Chinese. Many of our respondents were talking about the incredibly fast development that

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38 Zhou Wei Dong, Director BSR, interview December 9, 2005
39 American MNC, Regional Director international labour standards, interview December 29, 2005
40 Chinese company, Senior Manager, interview December 11, 2005
41 Lucy Lu, Deputy Director and Fang Xie at the office for Promoting Social Responsibility, CNTAC, interview December 16, 2005
42 CPDC, interview December 15, 2005
43 Andrew Sheard, Director HR and Administration at the British Council, interview December 5, 2005
the country is facing, the same issues and problems that China is facing today were faced by the European and US companies about fifty years ago. The difference is that China’s growth is ten times faster. The process cannot happen over night they claimed, and that the Chinese need to be allowed to learn in their own way.

According to Lucy Lu and Fang Xie⁴⁴, the problems surrounding CSR in China, is about the way CSR is being done. They emphasised the need for adapting the action and implementation of CSR to the special context in China, even from factory to factory, and that the management culture must be considered, since the managers do not understand CSR. Shalini Mahtani⁴⁵ spoke about the production-based mentality that they have in China. If there is one person missing, profit goes down. From this point of view, it is difficult to see why you should pay for maternity leave, which leads to a decrease in production or having to hire another person, which requires paying for two people. In a service based economy it does not matter so much if someone is missing, because you can make up for that the next day. As Nair (2005) puts it, Asian business leaders face David and Goliath realities. They have to compete on costs just to survive, which means that social and environmental issues are ignored. They must grow forcefully against an invasion of MNCs, and they must work to build core competences to meet international expectations in order to be competitive, at the same time as they need to retain political favour at home (Nair, 2005:14).

Many of the respondents talked a lot about the need to adjust standards and codes of conduct to the specific conditions in the factories. Zhou Wei Dong⁴⁶ would like to see more cooperation and support from the MNCs, in order to come around the problem with double records and game playing. Shalini Mahtani⁴⁷ claimed a lot of migrant workers are not in the factories searching for a fulfilling job, they do not want to work short hours. They are just there to make money that they can bring home. If a factory pays above minimum wage, but does only allow for the maximum level of overtime, workers can earn more by going somewhere else where they only get minimum wage but are allowed to work 70-80 hours per week. These factories can actually have trouble keeping their employees. Many believe that working conditions, wages etc. are the most important issues to take into consideration for workers. These issues are of course important, but according to an article in CSR Asia’s newsletter, where migrant workers were asked about what they actually wanted themselves, the answer was love and being treated with respect as well as leisure time activities. One woman questioned the need for having leisure time when there was nothing to do during that time, she thought it was better to work and earn more money instead (CSR-Asia, 2005c:8).

To summarize this section it could be said that CSR with Chinese characteristics was a very familiar and common subject of discussion among our respondents when speaking about CSR in China. Although a familiar concept, the

⁴⁴ Lucy Lu, Deputy Director and Fang Xie, at the office for Promoting Social Responsibility, CNTAC, interview December 16, 2005
⁴⁵ Shalini Mahtani, CEO Community Business, interview November 25, 2005
⁴⁶ Zhou Wei Dong, Director BSR, interview December 9, 2005
⁴⁷ Shalini Mahtani, CEO Community Business, interview November 25, 2005
interpretations of it seem to vary. One understanding of this concept has to do with the connection between CSR and the building of a harmonious society, which involves social responsibilities of all major social organs. Another interpretation of the concept is to have ownership of CSR, and here we could see differences. Some talked about having an own concept just for the sake of it, as a political standpoint. Others said it is important to adjust CSR and the standards that are set by the MNCs to China’s realities, by for example developing an own CSR standard for China. Some also talked about ownership on factory level, and about seeing the worker’s real needs and wants.

5 The views in a theoretical context

Here we will put our views into a theoretical context and further analyze differences between CSR in China and CSR in the West, in order to deepen the understanding of the views. Until now, we have departed from some very common definitions when describing CSR. In chapter three, we summarized CSR being commonly understood as the voluntary responsibility of corporations beyond legal requirements, for employees, customers, suppliers, the environment, the community, and human rights. It is often emphasised that companies are an integral part of the society, instead of distinct entities. Despite the voluntary approach, CSR might still be categorised as soft law. Codes of conduct and stakeholder management are essential parts of companies CSR-work. Looking at our Chinese views of CSR, they are not consistent with this general idea of CSR. On the other hand, as we will see below, it becomes clear that the term is ambiguous in the West as well. When entering deeper into the CSR (and other) literature the notion becomes more diverse and complex, which contributes to a better understanding of our views.

5.1 CSR as labour law compliance

As discussed in a previous chapter, CSR is usually understood as actions that go beyond what is required in the law. For example, the European Commission emphasises that CSR is about voluntary adopted behaviour, over and above legal requirements (European Commission, 2002:7). Seeing CSR as compliance with the labour law, not including actions or responsibilities that go beyond legal requirements could be seen as a fairly limited view of businesses’ responsibilities, at least from a European or Western point of view.

According to Carroll (1979), the four responsibilities, which altogether form businesses’ social responsibilities, are: 1) The economic responsibility. This is the first and foremost of a company’s social responsibilities. Companies producing the goods and services that the society wants and selling them with a profit to maintain their own existences are fundamental assumptions and by definition the businesses’ reason for being. 2) The legal responsibility. The companies’ economic activities must be within the legal framework that the society has laid down. 3) The ethical responsibility. This includes all the norms and expectations in the society of what is fair and just. 4) The discretionary responsibility. This level has later been called the philanthropic responsibility by
Carroll (1991:42). These activities respond to societal expectations to assume roles and responsibilities above the three before mentioned, such as charity or providing education for long-time unemployed. The lack of these activities is not considered unethical, but they are still desired by the society. It is entirely voluntary and left to individual judgement and choice (1979:499-500; Carroll & Buchholtz, 2003:36-38).

Carroll’s classification can be said to display CSR as optional activities, in addition to a company’s daily business. Compared to Wood’s above-mentioned definition of a company’s social responsibilities Carroll has a different approach. Wood speaks about companies “solving problems they have caused” (1991:697), while Carroll speaks of philanthropy. According to Crane and Matten the benefit of Carroll’s categories is that they structure a corporation’s responsibilities into different dimensions in a fairly pragmatic way (Crane & Matten, 2004:44), but they have also been criticized. For example, Wood claims that dividing the responsibilities creates a hierarchy where the ethical and discretionary or philanthropic responsibilities come last. Wood means that since the discretionary responsibility by definition is voluntary and typically consists of charity or community involvement, it is likely that these activities are the first ones to go in difficult economic times, in accordance with the last in, first out method (1991:698-699). Although criticized, Carroll’s categories become useful when looking at this view.

If we look at the European Commission’s definition, CSR is voluntary and goes over and above legal requirements. By using this definition and Carroll’s four responsibilities, seeing CSR as being a labour issue and about complying to the labour law, would not be consistent with CSR as understood in the West. In this view neither the ethical responsibility, nor the philanthropic responsibility is being taken in China. The legal responsibility is today often regarded by the MNCs, but the Chinese companies only seem to take this responsibility when being forced to by the MNCs. Woods view, of “solving problems they have caused”, is shared by one of our respondents, Shalini Mahtani, who for example talks about CSR from a development perspective. Her example is about companies discovering child labour. A common reaction among MNCs is to end the co-operation with the supplier, usually referring to CSR policies. From a development perspective, they should rather take their responsibility to correct the problem without harming the children and/or their families in the process. Since the children, and sometimes also their family, are depending on this income, ending the relationship is not a responsible solution.

Equating CSR with compliance to the labour law would, as said, be a rather limited view of CSR, from a Western point of view. On the other hand, looking at the situation at hand in China, where work and pay conditions actually have deteriorated in combination with various forms of abuses (e.g. Chan, 2005b:2); compliance with the law is a first step, especially if going beyond the law would mean charity or community involvement. If it would mean “solving problems they have caused” (Wood, 1991) it would make more sense, but before actually going beyond the law, a company needs to be observing the law in the first place. Even obeying the law is costly for many Chinese companies, making actions beyond this very difficult to accomplish (Buhmann, 2005:16).
Another aspect of seeing CSR as compliance with the labour law is that the environment is being excluded. Many definitions of CSR include concern for the natural environment. According to Andriof and McIntosh (2001:15), CSR “arises from a deeply held vision by corporate leaders that business can and should play a role beyond just making money. It embraces an understanding that everything a company does has some flow-on effect either inside or outside the company (…)”.

Birch (2001:53) means that more and more people and organisations are requiring businesses to be economically, environmentally and socially sustainable. To fully take on this challenge requires a systemic cultural change, from focusing on an economically sustainable business to building a sustainable society.

Equating CSR with compliance to the labour law has obviously some negative implications if it results in negligence of environmental problems. As our Chinese company respondents only were mentioning CSR actions adherent to labour law, as well as very few others mentioning environmental issues, this seem to be the case. In fact if mentioned at all in our interviews, environmental issues were described as coming in second hand. This is a large difference from CSR in the West, where many definitions of CSR include concern for the environment.

Whether the term corporate social responsibility should include concern for the natural environment can of course be discussed. However, it is often difficult to set up clear boundaries between environmental issues and human rights, since environmental problems tend to have a significant impact on, especially social and economic, human rights in the affected areas (Buhmann, 2005:8). This connection is also made by one of our respondents, Richard Welford, who was talking about the environmental problems in China, and about the importance to link the environment to human rights; since everybody has a right to health and a good environment.

One aspect we have not discussed yet is the poor implementation and enforcement of the law in China. This is obviously one reason behind the focusing on the labour law in connection with CSR. The inferior implementation and enforcement has also resulted in the extended role the MNCs are taking regarding the labour law.

### 5.2 CSR as law enforcement

...business today is expected to produce results in areas previously the undisputed remit of governments. (Björn Stigson, 2000: 37)

Just like the previous view, seeing CSR as law enforcement implicitly equates CSR with compliance to the law, but the view does not go further beyond the law. The law could be said to be a definition of the minimum acceptable standards of behaviour, but it does not explicitly cover all morally contestable issues (Crane & Matten, 2004:9). Many of our respondents were talking about the role the MNCs are taking in upholding the labour law in China. CSR was described as a replacement for the law or even something that upheld the law. When asked
about this, one of the respondents stated that CSR should mean actions beyond the law. This is not the case today, but the law in China is also described as an “aspirational standard”, not the minimum level as in most Western countries. The respondent’s statement about that CSR should go beyond the law is in line with the European Commission’s definition of CSR (CSR being a voluntary adopted behaviour, over and above legal requirements) (European Commission, 2002:7), but as said before, this is not happening in China right now. Again, this is a limited view of CSR, not consistent with the general CSR idea.

On the other hand, nowadays business is increasingly taking, or is expected to take, responsibility of issues, which has previously been the responsibility of governments (Matten & Crane, 2005:171; van Marrewijk, 2003:100; Hertz, 2004). The quote above, from the president of the World Business Council of Sustainable Development is from an article where he discusses the redistribution of the roles of government, business and the civil society. The relation between the state, business and the civil society can be described as “…the State is responsible for creating and maintaining legislation (control), Business creates wealth through competition and cooperation (market), and Civil Society structures and shapes society via collective action and participation.” (van Marrewijk, 2003:100).

The civil society has gained importance, and NGOs and other stakeholders can influence business by exerting pressure. They are expecting higher levels of participation and involvement, and are requiring increasing levels of transparency from companies (van Marrewijk, 2003:100). Another element that significantly reshapes the demands on business is globalisation. Matten and Crane (2005) argues that a consequence of globalisation is that some of the responsibility for protecting citizenship rights has shifted from the governments to business. Matten and Crane posit two ways in which the shift in responsibility is occurring particularly in developing or transforming countries: “1) where government ceases to administer citizenship rights, 2) where government has not as yet administered citizenship rights (…)” (2005: 172). In these cases, usually Western, MNCs are facing demands for taking responsibility. For example, regarding social rights MNCs such as Nike and Levi Strauss have engaged in improving working conditions in sweatshops, guaranteeing a living wage for employees, and financing the education of child labourers (2005:173).

Looking at China, the civil society still has a rather small importance and the existing NGOs are under government control. Other stakeholders than the

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48 Matten and Crane are using a liberal definition of citizenship, it comprising a set of individual rights: civil, social and political rights (e.g. Faulks, 2000: 55-82; Marshall, 1965). The first two protects the individual’s private sphere. Social rights are sometimes called positive rights; they provide the individual the freedom to various aspects of welfare in the society, such as the right to education or health care. Civil rights (negative rights) provide the individual freedom from abuses and interference, such as the right to exercise freedom of speech, and to own property. Political rights give the individual the right to an active participation in the society, including the right to vote and to hold office (Matten & Crane, 2005:170-172).

49 These actions are done under the label of corporate citizenship. Corporate citizenship has, just like CSR, several definitions. The metaphor in itself implies that corporations have the same moral responsibilities as citizens (Jeurissen, 2004: 89). Some equate corporate citizenship with CSR (e.g. Andriof & Macintosh, 2001).
government and the MNCs are, as mentioned earlier, not of importance to the companies. On the other hand, the MNCs are facing demands from consumers, NGOs and the media in their home countries, which forces them to lay pressure on the Chinese factories to improve the conditions. The view of CSR as law enforcement is consistent with Matten and Crane’s argument about businesses today are increasingly expected to take responsibility for issues that has previously been the government’s tasks. The MNCs are taking the responsibility for worker’s rights and improving working conditions. Apparently, there is nothing wrong with the laws according to many of our respondents; the problem is the enforcement. However, the laws are sometimes contradicting, since local and national legislation can be differing. This may be an indicative of the poor monitoring system or a lack of skills and resources as one of our respondent claims. According to Kaiming Liu it is up to the local governments to enforce the law, but this is apparently not working. One of our Chinese company respondents said some local governments are not as keen on implementing the law as others. To be more precise, it seems like the central government lacks control in this matter.

This situation, where the MNCs are said to be implementing and enforcing the labour law in China is criticised by several of our respondents, but there are other as well. For instance, the Chinese researcher Ngai Pun questions this situation, where the MNCs are becoming a de facto labour regulator, replacing the Chinese state in proactively defining and regulating labour protection mechanisms. According to her, the consequence could be a further decrease of the collective power and labour autonomy in China, since the MNCs would in fact be regulating their own operations and thus, have the possibility to abuse this increasing power (Pun, 2003:4).

Nevertheless, there are those who see positive signs as well. Our respondent Kaiming Liu, for example, does not see anything wrong with the fact that the MNCs are taking the government’s role, since someone has to do it. The Danish researcher Karin Buhmann even considers “…whether the growing interest in CSR may have a potential impact with respect to implementation (and, implied in this, enforcement) of law in China.” (Buhmann, 2005:2). By respecting the law without exceptions, companies can influence, and raise standards, in the community in which they are located through their actions and through dialogue with government and other decision-making bodies. Apart from raising awareness among their own employees, they can set an example for other actors in the community. In this way, the companies’ CSR activities could enhance the implementation of the law (Buhmann, 2005:16). Whether or not multinational corporations should be responsible, they indeed seem to have a possibility to influence the present state in developing or emerging countries, where there is either no sufficient legislation or no proper enforcement of the law (Scherer & Smid, 2000; Spar & Yoffie, 1999).

5.3 CSR as code of conduct compliance

The two above-mentioned views, CSR as labour law compliance and CSR as law enforcement, are both consequences of the poor implementation and
enforcement of the law in China. The third one, where CSR is seen as being nothing more than codes of conduct and audits, is connected to the first two, since the codes of conduct and audits become a way for the MNCs to ensure law compliance. Codes of conduct are certainly a common aspect of many companies’ CSR work, and they are recommended as a management tool by academics like McIntosh et al (2002), by international governing bodies like the UN, European Union and OECD as well as organisations like the International Labor Organization and Transparency International (Kaptein, 2004:13). Among MNCs, a common way of monitoring compliance in relation to the code is audits. Many MNCs use external verification services to audit the performance of factories in the supply chain. The auditing and monitoring programmes generally include corrective action plans for the factories (Mamic, 2005:84-95).

As said, codes of conduct are considered as an essential part of a company’s CSR work, but it is certainly not the only aspect of it. This far, we have mainly been discussing CSR as activities beyond legal requirements. In the Corporate Social Responsibility chapter, we summarized the general idea of CSR as a voluntary responsibility beyond legal requirements, for employees, customers, suppliers, the environment, the community, and human rights. Stakeholder management was said to be an essential part of CSR work as well. Stakeholder management requires simultaneous attention to all legitimate interests of appropriate stakeholders (Donaldson & Preston, 1995:67). Regarding which stakeholders are “appropriate”, Mitchell et al. (1997) suggest three relationship attributes that are likely to determine the importance that are assigned to the stakeholders: 1) their perceived power to influence the organisation, 2) to what extent the stakeholder’s actions and demands are perceived as legitimate, and 3) the degree to which stakeholder claims are perceived as urgent.

Solely auditing for code of conduct compliance is clearly a limited view of CSR as well, not consistent with the Western view of CSR. The situation our respondents describe is far from the Western view. The factories are being under intense pressure from the MNCs regarding [costly] code compliance, when at the same time, the MNCs squeeze prices and deadlines downwards. Comparing with Mitchell’s relationship attributes above, the factories does not seem to be regarded as “appropriate” stakeholders. Many of our respondents called for more cooperation between the MNCs and the factories regarding their CSR work. As stated before, it is, according to our respondents, important not just to terminate relationships when things go wrong and instead collaborate and look at the problems from different angles. As Shalini Mahtani said, it is important to see situations from a development perspective as well, and not just from a CSR perspective.

This raises another issue as well, the one of ownership. The Chinese researcher Monina Wong (2004) discusses CSR with local ownership and a bottom-up approach, where the aim is to involve the workers as a result from the demands of international campaigns. According to her, there are some MNCs that are reaching out to involve civil groups in China, that are training workers about their rights, health and security issues, codes of conduct etcetera, and some that have NGO monitoring of codes and capacity building on the supplier level. In general, though, she sees the way the codes of conduct are used as one of the problems
associated with CSR initiatives in China. Wong calls this “Corporate Policeman
Responsibility”, because of the top-down approach the MNCs are using when
monitoring the Chinese factories. The factory managers say they feel squeezed
by the MNCs, due to unstable order placing, shortened delivery lead-times and
race-to-the-bottom pricing. The cost for complying with the codes of conduct is
generally laid solely on the factories. Another issue taken into consideration is
the workers, who, by the management, are being coached and bullied into
silence, in order not to reveal anything unfavourable about the factory conditions
to auditors (Wong, 2004:63-68).

5.4 CSR as a PR exercise

Another aspect of the MNCs work with codes of conduct is that is being accused
of being a public relations ploy. CSR seen as a PR exercise is our fourth view.
The codes of conduct have been criticized for being public relations
smokescreens (Klein, 2000) and for lacking specific content, ignoring the rights of
the key stakeholders, and not being taken seriously by the managers and
employees since they are not integrated into the companies’ management
systems (Sethi, 2002:23).

We found the same approach in Wong (2004). She calls this “façade CSR”,
meaning that MNCs in China are involved in CSR activities because of pressure
from consumers, NGOs and the media in West, and are displaying their codes of
conduct to satisfy the demands from them. She exemplifies with a study
conducted in the computer manufacturing business in 2002-2003. It included 150
workers in 23 foreign invested or joint venture supplier factories that all were
suppliers to large international brands like HP, IBM, Dell, Sony or Samsung.
These brands all have company codes of conduct and CSR programmes. In this
study, it was showed that only 2 out of 23 suppliers were in near full compliance
with the national labour law in China (Wong, 2004:60-64).

Our respondent Anita Chan sees CSR as little more than a PR exercise. What
Wong says also corresponds very well with the information we have received
from other respondents. Stories from factory owners about insincerity with codes
of conduct implementation among MNCs, as well as questioning of their real
intentions, indicates this. The MNCs are said to want to appear favourably to
their consumers, but while doing this they do not hesitate to demand higher
quality, lower price and faster delivery, which of course make it hard for the
suppliers. What is happening is that the MNCs are pressured by stakeholders in
the West, and in turn, the suppliers are under pressure from the MNCs.

Responding to social pressure would make CSR a strategic issue rather than a
moral imperative – CSR becomes something that benefits business and thus, the
company’s profits. Comparing with the Western common understanding of CSR,
with its emphasis on companies as an integral part of the society, this view is not
consistent with it. Stepping outside the most common definitions of CSR by
academics and institutions like the European Union, there are, in fact, those who
define CSR as a strategic issue. Foley interprets this approach as CSR being the
concern of enterprises “only to the extent that it contributes to the aim of
business, which is the creation of long-term value for the owners of the business” (Foley in van Marrewijk, 2003:96). To use CSR as a means to attract socially responsible consumers is referred to as strategic CSR (Baron, 2001; McWilliams et al., 2006; Hemingway, 2004). “Doing good deeds” results in a good public relations records and positive effects on the corporate brand. Since the CSR reports that companies publish is a way of satisfying and manipulating social pressure on them, these reports can be seen as advertising and as corporate image management (Hemingway, 2004:35; McWilliams et al., 2006:5). McWilliams and Siegel mean that CSR can be an integral part of a company’s strategies and, hence, a form of reputation building or maintenance. They conclude that CSR should be considered as a strategic investment (2006:4; 2001).

When interviewing our MNCs we could confirm that they are mainly occupied with image management as well as risk management. One talked about it being due to a raise in consumer awareness in the West, while the other one was meant that working with CSR gives a good image and high status. It was also a way of building their trademark. There is nothing extraordinary with being strategic and protecting the brand, but if it is only a façade it is of course not consistent with the values of Western CSR. According to our view, this is the problem. The MNCs in general are not the only ones who are doing this however. The Chinese suppliers are cheating to look good in the eyes of the MNCs, often in fear of losing orders. There could be said to be a difference though. For the Chinese suppliers, who cannot afford to lose orders, and are being squeezed by the MNCs economically, they may not have a choice. The MNCs on the other hand, presumably could afford to take the responsibility that is required.

Engaging in CSR activities for strategic reasons does not necessarily mean cheating, though, and some of these actions can rather be described as more hypocritical than strategic. Hypocrisy is something Brunsson describes as necessary for organisations. The expectations and demands from the society may well be inconsistent and contradicting, which makes conforming, and consequently, gaining legitimacy, difficult. A possible way for organisations to manage these inconsistencies is de-coupling, to display legitimating structures externally, while their actual practices internally may vary due to practical considerations. The formal structure of an organisation does not necessarily correspond to its informal organisation (Meyer & Rowan, 1977:356-357; Brunsson, 1993:4). Brunsson calls this the necessary hypocrisy; “(m)aintaining the difference between formal and informal organization, producing rituals and double standards, are all forms of hypocrisy: the image projected to the outside world does not agree with the inner life of the organization.”. (1989; 1993:4).

Reflecting the demands of the outside world by demonstrating an image that conforms to these demands is by Brunsson (1989; 1993) referred to as “talk”. Decisions are another way of demonstrating this (Brunsson, 1989:29-30). Talk and decisions are two ways that organisations can handle inconsistencies more easily than with their actions. There might for example be problems combining a customer’s technical requirements with environmental demands. Spoken messages can be adapted to different audiences, and as long as decisions are not implemented, it is easy to be inconsistent, while actions result in
consequences that are more evident. Actually, organisations can systematically create inconsistencies between talk, decisions and actions; “(t)hey can talk in accordance with one set of norms, make decisions in accordance with another, and act in accordance with a third.”. Organisations build on the tolerance of many. Tolerance is achieved by talk or decisions if there is no possibility to act in accordance with constituents’ demands (Brunsson, 1993:7; 1989:195).

This behaviour, where the MNCs in China are displaying codes of conduct and CSR reports as PR tools, and the Chinese companies are displaying a façade for the auditors, may also be referred to as hypocrisy. Brunsson’s term hypocrisy might explain the behaviour of the Chinese suppliers better than the terms strategic CSR and image management, since CSR for them is about living up to the demands of the MNCs. They do not have a brand to protect in the same sense as the MNCs. Keeping double records and cheating in other ways, may well be referred to as de-coupling.

5.5 CSR with Chinese characteristics

Our fifth view, CSR with Chinese characteristics, is perhaps the most complex of the views. The term is often mentioned in China, but there seem to be different interpretations of it. Ownership of the CSR issue, whether through the notion of a harmonious society or through own CSR standards, seem to be the common denominator. Even though this emphasises the need of a specifically Chinese version of CSR, the concept of a harmonious society has many connotations with the Western view of CSR, at least on the surface. Just to recapitulate, we summarize the general idea of CSR as a voluntary responsibility beyond legal requirements, for employees, customers, suppliers, the environment, the community, and human rights. Stakeholder management was said to be an essential part of CSR work, as well as acknowledging that companies are an integral part of society. At the Nanchang summit about constructing a harmonious society, many of the speakers were emphasising the importance of stakeholder dialogue, respecting human rights, environmental care, and the fundamental role the companies have in building the Chinese society. One of our respondents compared the notion of harmony with the stakeholder view, and concluded that the basic idea was the same; stakeholders should by and large be in agreement – i.e. harmony. So far, this is consistent with the above-mentioned definition of CSR, even though the Chinese emphasise its distinctiveness.

Although these similarities, there are differences as well. The Danish researcher Mads Holst Jensen, argues that CSR with Chinese characteristics results in the lack of multi-stakeholder dialogue. When discussing key issues in adapting CSR into the Chinese context, he argues that there is an agenda of submerging CSR under the control of the Party-State. They are conceptualising CSR as a blend of Chinese traditions and political culture with Western European welfare models and CSR conceptions, in their vision of the harmonious society. With Chinese traditions, Holst Jensen refers mainly to the Confucianvirtue of righteousness, which in this sense means “behaving in a way that is appropriate for one’s role or status in a given social hierarchy” where the “superior [is] bestowing approval,
protection and favour upon his inferior” (Holst Jensen, 2006:18). He argues that because of this non-equal view, in combination with the totalitarian political culture in China, one of the essential parts of Western CSR, multi-stakeholder dialogue, is missing in China (2006:31).

Holst Jensen refers to the Chinese government’s agenda of submerging CSR under their control. Taking control of CSR, and ownership of the issue, was often mentioned in our interviews as well. The term local ownership is often used when discussing projects in developing countries. Local ownership is generally understood as the active participation of those who are involved in, or affected by a project. The owner of a project should have the possibility to influence, plan, implement and drive the process, instead of the project being superimposed from outside (Molund, 2000).

The reasons for why there is a need for CSR with Chinese characteristics can be roughly categorised in two categories. On one hand, there are arguments that are of a more political nature, and on the other, arguments about the different stage of development in China. Among other things, there is a fear from both the government and the business that CSR is being imposed on them as a trade barrier, in order to hamper their economic growth. There are also arguments about the need for a concept that is not Western. These thoughts could be understood in the light of Huntington’s theory about “The clash of civilizations” (1993) where he argues that the fundamental source of conflict in the world is going to be cultural, between the different civilizations, mainly between the West and the non-Western civilizations, since there is a wish to counteract the spreading “Westernisation”. For example, Nair believes that as Asian businesses start to find their ways internationally, their leaders will practice their own form of CSR, different from the “Western CSR”, since Asian capitalism is different. Nair believes that there is a chance that China’s values may help to reshape global capitalism by questioning for example the geopolitics of business like free trade, patent laws and accounting rules. As a result, the multinational companies’ influence may become more balanced and make way for more level global playing fields (Nair, 2005:15).

In this chapter, we have looked at the differences between CSR in China, and how CSR is commonly understood in the West. The most apparent differences can be seen when it comes to:

- **The scope of responsibility.** In both CSR as labour compliance and CSR as law enforcement, the responsibility of the companies was in first hand labour law compliance, while in the West, CSR is regarded as actions that are beyond the law.
- **The lack of stakeholder dialogue.** It was consistent in all views, even if, on the surface, CSR with Chinese characteristics emphasises stakeholder engagement. Stakeholder management is one of the essential parts of CSR in the West.
- **The lack of consideration for environmental issues.** which was apparent in all views except for CSR with Chinese characteristics. Responsibility for the environment is a part of CSR in the West.
The notion of a harmonious society, which is not a part of CSR in the West, even if there in fact are some similarities.

It is clear that CSR has changed when being adapted in China. We are going to look closer at this change, as well as the ambiguity of the CSR term in the next chapter.

6 CSR under translation in China

The term [CSR] is a brilliant one; it means something, but not always the same thing, to everybody. To some it conveys the idea of legal responsibility or liability; to others it means socially responsible behaviour in an ethical sense; to still others, the meaning transmitted is that of “responsible for”, in a causal mode; many simply equate it with a charitable contribution. (Votaw in Clarkson, 1995:96)

Votaw, criticising the term CSR, wrote the above-mentioned in 1973. More than thirty years later, the CSR term is still ambiguous; there is no all-embracing definition of CSR. An all-embracing definition of CSR would need to be broadly defined in order to fit all. However, it would not be useful either for companies implementing CSR or in the academic debate. This is why views of CSR among management disciplines are aligning with their specific situation and challenges, biased towards their specific interests (van Marrewijk, 2003:96). Another factor that influences ideas like CSR is the way they change when adapted by different actors around the world. One might say that the CSR movement is a trend or even a fashion, travelling around the world. The words “fads and fashions” might have a negative tone, but there are some that try to restore the importance of fashion (e.g. Czarniawska & Joerges, 1996; Røvik, 1996).

Czarniawska and Joerges see fashion as a key to understanding developments in and between organisations. Ideas in fashion can enhance and reproduce existing institutions, but they can also challenge these institutions. When ideas in fashion are being spread, i.e. translated, these new practices can either be dispatched or become institutionalised, thereby revitalising the institutional order. Translation is the process where, for example, ideas are spreading in time and space. During this travel, they can be dispatched, modified, added to, or assimilated (1996:23-25). Translation is not to be understood as linguistic interpretation, but as “…the spread in time and space of anything [where] – claims, orders, artifacts, goods – is in the hands of people; each of these people may act in many different ways, letting the token drop, or modifying it, or deflecting it, or betraying it, or adding to it, or appropriating it” (Latour, 1986:267).

Management ideas and practices needs to be translated into objects, e.g. models or books, to be able to travel. This circulation of ideas is facilitated by globalisation, which gives the opportunity for ideas to travel around the world at a fast speed. At the same time, there are local varieties of the same idea depending on the local settings (Czarniawska & Sevón, 2005:7-10). Those ideas that indeed succeed, become in turn institutionalised. Czarniawska and Sevón describe this spiral process as
guided by fashion, people imitate desires or beliefs that appear as attractive at a given time and place. This leads them to translating ideas, objects, and practices, for their own use. However, the more imitated something is, the less attractive it becomes with time (Tarde, 1890/1962:210); therefore there is always room for new fashions and subsequent translation. (Czarniawska & Sevón, 2005:10)

In our case it is the, indeed fashionable, idea of CSR that is travelling. Its stated ambiguousness does in fact facilitate the travel and the translation process. It is fair to say that the concept has not been dispatched in China, but is indeed being translated as we can see in the views of CSR that we have been able to discern in our study. Since the multinational companies introduced the concept in China in the 1990s, it has become more and more accepted, and as we could see in the CSR with Chinese characteristics view, the Chinese are attempting to indigenise the concept. Many powerful actors are affecting the development of CSR, not least the government. The Chinese government is trying to take ownership of the issue, and as Holst Jensen (2006) argues, submerge the concept under the control of the Party-State.

CSR as an idea is certainly challenging the way business is done in China, i.e. existing institutionalised ideas. To what extent it can actually change the institutional order is of course more difficult to say. As said earlier, we believe that CSR can play a part in solving some social and environmental problems in China, so the development of the concept is certainly interesting. Looking at our views, none of them seems to be a suitable option for this development. When comparing the views, the first four, CSR as labour law compliance, CSR as law enforcement, CSR as codes of conduct compliance, and CSR as a PR exercise are all dealing with current problems in China. The fifth one, CSR with Chinese characteristics, still seems to be an aspiration that they are striving for. If CSR is going to be conceptualised as the government wants, resulting in the lack of multi-stakeholder dialogue, the current problems are not likely to be improved. Judging from our views, the lack of stakeholder dialogue is already the case in China. The view CSR with Chinese characteristics does emphasise the need for stakeholder engagement, but in the light of Holst Jensen’s argument, one can question the sincerity of these statements. Is it, with Brunsson’s (1989) words, just talk? Some of our respondents did in fact imply that the harmonious society is only “for show” right now, since it is important for China to attract foreign investments to build a xiaokang society, where “every man is rich”.

If CSR with Chinese characteristics is an aspiration, the other four views are rather different aspects of the problems related to CSR in China at present. Seeing CSR as labour law compliance, or as law enforcement, is a consequence of the poor implementation and enforcement of the labour law in China. Although important, this focus on labour issues is resulting in the neglecting of environmental problems, which, especially when linking them to human rights, are equally important to consider. Furthermore, Pun’s (2003:4) argument is worth noticing; if the MNCs are becoming a de facto labour regulator, they would be regulating their own actions, and hence, have the possibility to abuse this power. The third view, where CSR is seen as nothing more than codes of conduct and audits, is connected with the first two, since the codes of conduct and audits
become a way for the MNCs to ensure law compliance. This is what Wong (2004) refers to as “Corporate Policeman Responsibility”. The downside is the unreasonable situation of the Chinese factories; the MNCs are demanding (costly) improvements, at the same time as they are squeezing prices and lead-times downwards. Moreover, since the codes of conduct are usually set a bit lower than the law, code compliance actually means not complying with the law. Our fourth view, CSR as a PR exercise, describes a very common critique of CSR in China. Of all five views, this seems to be the most futile, since CSR is not much more than a façade among both MNCs and the Chinese factories.

7 Conclusions

Our research question in this thesis is “how is CSR depicted in China?”. We have found five views of CSR among our respondents. The views are 1) CSR as labour law compliance; 2) CSR as law enforcement; 3) CSR as code of conduct compliance; 4) CSR as a PR exercise; and 5) CSR with Chinese characteristics. Further, in addition to describe these views, we set out to analyze the differences between these views, and CSR as understood in the West. The main differences can be seen when it comes to the, from a Western point of view, limited scope of responsibility, the lack of stakeholder dialogue, the lack of consideration for environmental issues, and in the concept of a harmonious society, which is not a part of CSR in the West.

Our point of departure in this thesis is the importance of CSR in China, but judging from our views, the concept needs further development. Although not regarded as something negative in all views, CSR in China certainly comes forth as rather ineffective. Put together, these views give a quite negative image of CSR in China and the current situation. In addition it becomes apparent that it is not only the Chinese factories that are being squeezed, it is the workers as well. It is the workers that are subjected to all the problems that follow from poorly implemented laws, MNCs squeezing the factories, environmental problems et cetera, but their voices are seldom heard, and they have few possibilities to influence their situation. However, all this talk about CSR at least makes it clear that the awareness of the problems has risen. What is needed now, is a discussion about the concept in itself. As the government is aiming to construct a harmonious society where CSR is included, the concept is likely to remain “in fashion” in China for a while. Further research is needed to develop the concept in accordance with the realities of the Chinese society, addressing the problems in the society as well as the problems with the concept itself.
References


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