Facing daunting social and environmental challenges that come along with decades of rapid economic developments, some Chinese corporations go beyond their essential economic functions and attempt to address social and environmental concerns through their Corporate Social Responsibility (CSR) and sustainable supply chain development, while others are just starting to learn about these concepts, while still others totally ignore them. To capture the type and effectiveness of Chinese companies’ initiatives in the area, this paper summarizes the current status of China’s CSR and sustainable development. The information for the paper is based on extensive literature review and also based on case analysis of three Chinese companies on their initiatives (or the lack thereof) in the areas of CSR and sustainable development.

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I. INTRODUCTION

The concept of corporate social responsibility (CSR), or corporate citizenship, was introduced by multinational corporations into China in early 1990s. At that time, CSR was not given too much attention either by industry or by academia. With China’s entry into the World Trade Organization (WTO) in 2001, an unprecedented number of Chinese companies were integrated into global supply chains. Therefore CSR started to get promoted in such companies due to the impact of western business culture and standards. In 2005, Chinese president Hu Jintao proposed his vision of “Harmonious Society”, which set social and environmental problems on top of the government agenda. Because of its compatibility with the characteristics of “Harmonious Society”, CSR became more prevalent and started to be incorporated into business models of Chinese companies.

China faces daunting social and environmental challenges that come along with decades of rapid economic developments. Some Chinese corporations go beyond their essential economic functions and attempt to address social and environmental concerns through their corporate social responsibility and sustainable development, while others are just starting to learn about these concepts, while still others totally ignore them. As an economic superpower, China will have to wrestle with these changes and will have to heighten its CSR and sustainable supply chain.
This paper summarizes the current status of China’s CSR and sustainable development, based on an extensive literature review and also based on case analysis of three Chinese companies on their initiatives (or the lack thereof) in the areas of CSR and sustainable development. This research fills a literature gap in CSR and sustainable supply chain by extending innovative strategies to Chinese practitioners and academics. Their sustainable practices in supply chain and the effectiveness of those practices might shed light on the sustainable innovative for rest of the business world. The comprehensive study of CSR in China would not only help capture the type and the effectiveness of Chinese companies’ initiatives in CSR, but also clarify the operational directions practitioners and academics could follow.

II. LITERATURE REVIEW

In western academia, the practice of CSR is subject to much criticism and debate. One classic argument, for instance (Friedman, 1970), is that the only social responsibility of a corporation is to make profit. In other words, corporations are only responsible to their stakeholders and not to society as a whole. As to the society, corporations should obey the laws of the countries within which they do business. Other than that, they do not have any other obligations. Critics also challenge the motives of CSR as insincerity and hypocrisy. They argue that some corporations start CSR programs to raise their reputation with the public or with government, so that they eventually can earn more commercial benefits (McKibben, 2006).

In Chinese academia, however, there have been very few criticisms and concerns regarding the practice of CSR. These rare criticisms, for instance (Li, 2006), are essentially echoes of the previous mentioned arguments that CSR distracts from the fundamental economic role, which is making money for stakeholders. An overwhelmingly vast majority of scholars agree that CSR should be promoted in China. They argue that companies should embrace responsibility for the impact of their activities not only on stakeholders, but also on the environment, communities, consumers and their own employees (Chen and Jia, 2003; Jin, 2007). By taking social responsibilities, companies can develop with perspectives that are broader and longer than short-term profits, and eventually become beneficiaries of CSR (Jiang, 2008; Wang and Zhang, 2009). These arguments are certainly not original. They are nothing but what CSR proponents in the west have been advocating for decades. Nevertheless, scholars do have proposed some China-specific motivations for companies to embrace CSR:

- Consistence with the traditional Chinese business values and cultures, which stress the combination of ethics and profit, and put equal emphasis on both high moral standards and concrete actions. (Zhang, 2007; Li, 2007)
- The integration of Chinese companies into global value chain and regulatory framework. (Jiang et al., 2006; Chang, 2003; Liang, 2004; Tian, 2005)
- Compatibility with the “Harmonious Society” concept. (Li, 2006; Cui and Li, 2006; Liu, 2006)

Many research papers on CSR (or corporate citizenship) have been published in hundreds of Chinese journals in recent years. However, most of such papers are either being too general (such as addressing the importance of promoting CSR in China) or being too specific (such as discussing CSR practice in one particular industry (Shao, 2009)). There is hardly any original theory or novel approach. Instead, classic arguments from western academia have been either repackaged or relabeled with China-specific terms.
Comprehensive models are extremely rare, and so are quantitative analyses, except some CSR evaluation systems such as CSR index (Jiang et al., 2006; Hua and Zhu, 2009; Zhang, 2009). On the other hand, a great majority of papers are about CSR practices, such as how to promote and manage CSR in China (Liu, 2009; Zheng and Liu, 2009; Huang and Lan, 2006; Feng, 2009).

In the rest of this section, four popular research topics in the field of CSR in China are reviewed. These topics are:

- CSR in the “Harmonious Society” framework;
- CSR towards rural migrant workers;
- Social responsibility of foreign-funded enterprises in China;
- CSR in China since the global financial crisis.

For each topic, a brief background is presented. Then research highlights on this topic are summarized.

2.1. CSR in the “Harmonious Society” framework

The concept of “Harmonious Society” was proposed by Chinese president Hu Jintao in February 2005. It was reconfirmed as official policy and detailed in the “Resolution on Major Issues Regarding the Building of a Harmonious Socialist Society”, which was published during the 6th Plenum of the 16th Central Committee of the Communist Party of China, in October 2006. Since then, “Harmonious Society” has been clearly visible in banners all over China. A harmonious society is characterized as one that develops in a comprehensive way, which gives full play to modern ideas like democracy, rule of the law, fairness, justice, vitality, stability, orderliness and harmonious co-existence between the humankind and nature. This vision changes China's focus from economic growth to overall societal balance and harmony.

Government officials believe that CSR is a central instrument for achieving the goal of “Harmonious Society”. Therefore they devotedly promoted CSR to both the state-owned enterprises (SOE) and privately-owned enterprises (POE). Political supports have stimulated widespread adoption of CSR in China. In the meanwhile, the concept of “Harmonious Society” is quickly accepted and welcomed with intense excitements by scholars and researchers in the field of CSR, because these scholars observed the overlap in objectives between CSR and Harmonious Society. According to WanFang Data, a Chinese journal database, since the debut of this concept, a total of 3876 papers have been published in China. An even more impressive fact is that, among these 3876 papers, 328 of them have both “corporate society responsibility” and “harmonious society” in their titles. By contrast, the total paper count was merely 525 prior to the introduction of “Harmonious Society” concept.

The following are some research highlights on this topic:

- CSR components in the “Harmonious Society” framework. Researchers summarized that companies in China should take these social responsibilities (Li, 2006; Cui and Li, 2006; Liu, 2006; Jing, 2007):
  - Continuously enhancing the consciousness of doing honest business;
  - Abiding by relevant laws;
  - Protecting the legitimate rights and interests of its employees;
  - Providing excellent and safe products and services;
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- Conserving resources and protecting the environment;
- Actively participating in social welfare and charity undertakings.

- Relationship between “Harmonious Society” and CSR. Most Chinese scholars agree that “Harmonious Society” and CSR can be a perfect match. Hundreds of papers were published to derive or demonstrate how well CSR and vision of “Harmonious Society” fit and enhance each other (Li, 2006; Cui and Li, 2006; Liu, 2006; Jing, 2007; Yao and Chen, 2007), while some foreign researchers have challenged the intrinsic link between these two, especially when it comes to the social responsibilities of privately-owned enterprises in China (See, 2009).

- Social responsibilities of privately-owned enterprises. Topics in this field include status quo, challenges, promotion strategies, and managements of CSR in private companies (Cui and Li, 2006; Liu, 2009; Sun, 2007; Chen and Yu, 2007).

2.2. CSR towards rural migrant workers

No other country in the world has such a huge population of rural migrant workers as China does. In China, rural migrant workers are those who have a rural household registration, but are working in urban areas with domestic or internal work permits issued by local labor authorities. According to a report by the Department of Rural & Social Economic Survey under the National Statistics Bureau (NBS), at the end of 2009, China had a total of 229.8 million rural migrant workers, up almost 2 percent from the previous year (People’s Daily Online, 2010). Rural migrant workers are usually not eligible for many benefits that urbanites have, such as education, health care, minimum wage and unemployment protection. They are not only under-paid but also excluded from certain types of jobs. They are not allowed to form independent trade unions, so when not being treated fairly, their only option is to leave the firms with the worst conditions.

Nowadays when consumers in developed countries are enjoying affordable products that are assembled in China, few of them have anywhere near a complete understanding of how these Chinese workers, most of which are rural migrant workers, do to provide millions of products at lower prices to western distributors. A significant portion of those factory owners ignore environmental, labor, and health and safety laws, in order to be cost-efficient and stay competitive. Therefore the rights and interests of rural migrant workers are often violated.

In recent years, there have been improvements to promote corporate social responsibility towards these rural migrant workers. In some factories, working conditions are getting better and workers are provided with basic health care. Backed by government, judges and courts have been increasingly awarding plaintiffs more compensation, to pressure those factory managements to better adhere to health and safety standards. Non-governmental organizations (NGO) have also made efforts to educate rural migrant workers of laws and their legal rights.

On the topic of CSR towards rural migrant workers, research highlights include:

- Study on promotion of specific CSRs towards rural migrant workers. Such responsibilities include ensuring their hours, wages, health care (including medical care for occupational injury), etc (Wang, 2007; Chen, 2008; Feng, 2006).
- Protection of rights and interests of rural migrant workers who are working on multinational outsourcing companies...
(Feng, 2006; Feng, 2007). Such companies include those suppliers of electronics and toys in southern China.

- Case studies. For instance, a survey of wage and benefits of rural migrant workers working in Guangzhou (Mai, 2009), and how an NGO, which is based in Fanyu, Guangdong, has helped rural migrant workers to protect their legal rights (Yue and Qu, 2007).

2.3. Social responsibility of foreign-funded enterprises in China

By the end of 2009, there are about 660,000 foreign-funded enterprises in China, including 480 of the world’s top 500 enterprises (Xinhua News, 2010). As compared with state-owned enterprises (SOE), these foreign-funded enterprises, especially those big companies, generally have competitive edges such as modern technology, advanced business philosophy, effective management, etc. In the early years of China’s economic reform and opening-up, to attract foreign capital, China has given foreign-funded enterprises favorable policy, lax regulation, and less monitoring of business activities. This is one of the intrinsic reasons for such companies to pay less attention to their social responsibilities. In recent years when the public awareness of CSR has been raised, the social responsibility issues of some of these companies have been topics of media coverage and heated debates. Such issues include employee rights and benefits, child labor, product safety and environment conservation.

For example, several world-famous IT companies have been recently reported that their contract factories in China either hired child labor, or had employees working excessive hours with salaries below local minimum wage (Bloomberg, 2010). In December 2009, an international environmental group called Greenpeace International, which is based in Amsterdam, released its latest "Supermarket List for China" which shows that foreign-funded supermarkets such as Wal-Mart, Tesco, and Ito-Yokado rank at the bottom of the list in terms of green initiatives (China Corporate Social Responsibility, 2009). These three companies did not take any action in supervising the quality of the food products they sell, nor did they make any promise to improve. Another report from Greenpeace International reveals that some foreign-funded supermarkets are selling genetically modified products in China, while they do not sell genetically modified products in western countries (China Retail News, 2010). Genetically modified products have raised healthy concerns and ecological concerns all over the world.

On the topic of social responsibilities of foreign-funded enterprises in China, research highlights include:

- Analysis of factors that prevent foreign-funded enterprises from taking social responsibilities in China. The factors being discussed include (Xue, 2008; Cui and Zhang, 2008; Pu and Ma, 2008; Wang, 2009)
  - Insufficient government monitoring and business laws targeted to business activities of foreign-funded enterprises;
  - Pursuit of short-term profit;
  - Pressure of cutting costs;
  - Lack of motivation (other than gain good reputation or lobbying power) to commit social responsibilities;
  - Negative influence from state-owned enterprises which do not take sufficient social responsibilities.
- Studies on CSR of foreign-funded enterprise in one particular industry or economic sector, or one particular aspect of...
CSR. For instance, medicine industry, supply chain firms, environment pollution. (Wang, 2009; Luo et al., 2009; Liu, 2009)

2.4. CSR in China since the global financial crisis

The global financial crisis since the second half of 2008 has led to economic recessions in western countries. Looking backward, people tend to agree that this financial crisis is a direct consequence of

- Irresponsible banks, which created too much sub-prime loans;
- Irresponsible financial markets, which did not regulate credit derivatives;
- Irresponsible corporations and their executives, which have been targeting only short-term profits and outrageous pays.

One of the lessons that people learned from the crisis is that, investment decisions are not just about short-term returns but are also about ensuring a healthy and sustainable economy. In other words, corporate social responsibility, especially strategic CSR which aligns with core business objectives and core competencies of a company, will be even more important in the future.

The global financial crisis also had a huge impact on the economy of China. Some export-oriented enterprises are severely affected. Companies have been compelled to search for ways of lowering cost, including weakening their corporate social responsibilities by cutting their funding of social projects, lowering labor standards, and paying less attention to the environment conservation. CSRs, especially those so-called philanthropic CSRs (donation, charity, sponsorship and employee volunteering) have taken a big hit.

In such situation, Chinese government officials called upon companies not to ignore their social responsibilities, which is an important countermeasure against crisis (Sino-Swedish CSR Cooperation, 2009). Instead, companies should actively cooperate with various stakeholders to form an effective alliance against financial crisis.

On the topic of CSR in China since the global financial crisis, research highlights include:

- Discussion of new challenges faced by companies in China to take social responsibilities in financial crisis (Zhang, 2009; Zhou, 2009; Ren, 2009). It has been noted that companies with excellent CSR fulfillment tend to have more opportunities to survive the crisis (Zhang, 2009).
- Studies of CSR in one particular industry, in the background of financial crisis. Such as financial industry (Xue, 2009), tourism industry (Guo, 2009), and electric power industry (Wu, 2008).

III. THREE CASES: TENCENT, ZK GROUP, AND SHENYANG WATER SUPPLY COMPANY

Three brief cases are given below to show how Chinese domestic firms have endeavored to improve corporate social responsibility. Materials of the cases mostly come from the companies’ websites and their corporate social responsibility reports if available, together with online news sources. A few interviews were also conducted during summer 2009 to confirm the companies’ efforts in their social responsibility.

3.1. The case of Tencent

Tencent, a well-established Chinese Internet instant messaging and online game company, was awarded a Five-Star Outstanding Corporate Citizen in 2009, the highest honor given by China Corporate Citizenship Committee. Among the four firms awarded
Five-Star Outstanding Corporate Citizen, Tencent was the only domestic Chinese firm. Others included IBM, Intel, and Panasonic (QQ news, 2009).

Tencent released its first Corporate Citizen & Social Responsibility Report in 2008. The report systematically expounds on the practices and thought which Tencent has had in the course of growing from the largest Internet enterprise in China into an outstanding "corporate citizen". The report covers five areas: independent intellectual property rights; promoting the healthy development of the Internet industry; creating social values; caring for employees and customers; and public welfare initiatives. (Tencent, 2008)

**Tencent’s Corporate Social Responsibility Efforts**

After the 8.0 Richter scale earthquakes on May 12, 2008 in Wenchuan, Sichuan Province, Tencent signed a RMB550 million investment cooperation agreement with the local government. This is also the first investment agreement which Sichuan signed after the disaster. The Tencent Charity Foundation donated a total of over RMB22.50 million for disaster relief and reconstruction work. Tencent also withdrew all commercial advertisements on the homepage of its website and postponed open betas for all new games. It soon introduced a QQ Blessing Edition to turn the Internet into a major platform for blessing, searching missing persons and fundraising. Pooling all its resources and capitalizing the influence and interactive advantages of the Internet, Tencent joined millions of netizens to embark on the comprehensive "Web2.0" disaster relief activities. By May 20, just eight days after the earthquake, netizens had donated over RMB23 million to the disaster region through the online donation platform.

The company is also active in social development projects. In recent years, Tencent has extensively cooperated with a range of social organizations and institutions, and has made contributions to many social and community projects.

Tencent and Wild Aid jointly launched a "I will not be a passive observer" project in May 2008. The two parties vowed to forge comprehensive cooperation in natural environment and wildlife conservation fields. The partnership allows Tencent to provide an online public welfare platform to Wild Aid. This will be an interactive platform for volunteer recruitment and charitable auction. Through the extensive and timely online communication, the two parties advocated the theme of "Protect wildlife, build a beautiful world".


Tencent also donated for the disastrous snow storm in Southern China, started university fellowship programs to support excellent students in need, initiated "The Warmth Program", which aids orphans in Guangdong Province through Tencent Charity Foundation, etc. All these efforts have illustrated Tencent’s determination and strategy to take social responsibilities and be a good corporate citizen in China.

**3.2. The Case of ZK Group**

ZK Group, as one of the top 100 real estate companies in China, is another example of good corporate citizenship in China.

Believing that its sustainable development relies on its continuous fulfillment of social responsibility, ZK Group has been awarded outstanding corporate citizen by China Corporate Citizenship Committee. Almost 60 million yuan (RMB) has been donated to the society by ZK Group in recent years.
Corporate social responsibility

To its employees

ZK Group provides its employees a good welfare system including housing allowance, transportation allowance, paid employee training programs, health plan, and free lunch, etc. For employees in relatively poor economic conditions, the company has provided allowances of over 40k yuan (RMB).

To its customers

The company provides good quality management of its real estate projects, strictly fulfills contracts, and effectively obtains customer feedbacks. ZK Group is famous for properly resolving a dispute between one of its affiliate real estate companies and the affiliate’s customers. When the affiliate was not able to sell the residential condos as its contracts stated due to unexpected delays in construction process, ZK Group decided to offer the affiliate’s customers the low price it originally promised despite a loss of 12 million yuan (RMB). If ZK Group had just followed the municipal judicial court’s judgment on the case, the company would only have compensated the customers a value of about a few hundred thousand yuan (RMB). However, the Group decided to go with the original contract in order to gain back customers’ trusts. The resolution of this issue later brought a wide-range discussion on business trust within the real estate industry in China.

To the environment

In order to better protect environment and use energy efficiently, ZK Group has learned and used many new technologies, such as solar panel heating system, organic trash biochemical treatment, roof plantation, efficient water recycling system, etc. The application of these technologies in new real estate development projects helps contribute to environment sustainability in the long run.

To the society

By the end of 2006, ZK Group has donated about 63 million yuan to the society in total, of which 55 million was donations in cash. The donated money has been used to support education for those students in need, to ecological development projects, to Shanghai municipal charity institutions, etc. (ZK Group, 2007; Calxon, 2011)

3.3. The Case of Shenyang Water Supply General Company

Shenyang Water Supply General Company (thereafter “the company”), a state-owned 94-year-old company, has become a promoter of the concept of “corporate citizen” in the new era. The company has made many achievements with its corporate citizen practices.

With a length of 81 pages, its Corporate Citizen & Social Responsibility Report in 2005 marked the beginning of corporate report on citizenship and social responsibility in China. (Jin, 2006) The report led a good example for all state-owned enterprises in China as well. According to the company’s CEO Guoyang Zhang, “all individual citizens not only have rights, but also take responsibilities. Corporate citizens should be the same. Corporations should take social responsibilities as their responsibilities.” (Northeast News, 2006)

The company meets the entire water demand in the municipality of Shenyang, Changchun Province. While increasing its revenue, the company has also boosted its energy sufficiency by a reduction of 0.003kwh per unit. Over 60,000 peasants in twenty-one villages are able to use clean water due to the company’s efforts in improving water quality in polluted rivers. (Shenyang Water, 2009)
Shenyang Water Supply General Company was awarded as outstanding “corporate citizen” by China Corporate Citizenship Committee in 2006 and 2007 for the company’s contribution to municipal water sustainable development.

After the devastating earthquake in Wenchuan in May 2008, Shenyang Water Supply General Company acted quickly. On May 23, the company sent out twenty-four experts to form a water supply team for the damaged areas. They repaired the water equipments, trained local personnel for water quality assessment, and helped made new water supply plans. The team was honored not only by the local government and local people, but also by the National Union Association for its contribution to people’s life especially in the earthquake areas.

IV. CONCLUSION

Chinese academics and practitioners face a somewhat unique CSR and sustainable development environment, rooting from their distinguishably one-of-a-kind social, business, and cultural background. Our literature review shows that Chinese scholars and researchers have welcomed the idea of CSR excitedly and responded quickly with the flourish of academic research. The cases suggest that a major part of Chinese firms’ social responsibility takes the form of donation, especially on reaction to various social issues such as disaster. Their efforts in solving environmental or social concerns are also playing a role. This article contributes to our current knowledge of CSR and sustainable supply chain by introducing innovative strategies from Chinese academics and practitioners. Their sustainable practices and research not only clarify the operational directions for Chinese practitioners and academics to follow, but also might shed light on CSR innovative for rest of the business world. Further comprehensive survey could be designed and constructed through findings of this paper, to fully capture the type of Chinese companies’ initiatives in the areas of CSR and sustainable development, and to further evaluate the effectiveness of those initiatives.

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