Corporate Social Responsibility in China: 
A Study on corporate social responsibility 
for multinational corporations in China

By Yingbi Fang

Capstone Thesis
Master of Arts in Public Communication

School of Communication
American University

April 2010
Abstract

As a result of globalization, corporate social responsibility (CSR) has started gaining growing attention from businesses as well as governments around the world. And China is no exception. As multinational corporations (MNCs) flocked into the Chinese market encouraged by the country’s economic reform in 1978 and then its accession to World Trade Organization (WTO) in 2001, they brought in not only cutting edge technologies but also new business practices and traditions. Through this, MNCs introduced the term CSR. After a disastrous earthquake hit China in 2008, an international iron rooster list concerning MNCs’ philanthropic behaviors put foreign companies in the spotlight of CSR practices in this emerging market. Despite the negative impacts on MNCs brought by the circulation of this list, the issue did improve the public’s awareness of CSR on the ground and has made the Chinese government consider issuing regulations to define and guide CSR practices. However, like other developing countries, CSR in China is still at the beginning stage. Even though the public’s familiarity with the term CSR is on the rise, the public is not entirely aware of what CSR means. In addition to cultural factors that influence CSR in China, public relations professionals may find it is necessary to take into consideration the political regime due to the government’s critical role in all stages of business. This paper aims to address current issues pertaining to CSR practices conducted by MNCs in particular by analyzing CSR incidents that have significant impacts on MNCs and Chinese perception of CSR. Theoretical frameworks with an emphasis on CSR in developing countries ground the case analysis. In conclusion, the paper draws implications for CSR practices of MNCs based on trends elicited from two illustrative incidents.
Key words: corporate social responsibility (CSR), multination corporations (MNCs), Chinese political regime and culture
1. Introduction

As globalization increases, corporate social responsibility (CSR) is no longer a topic that is debated only in western developed nations. Global corporations flock towards business opportunities in emerging markets, especially developing countries such as China. Encouraged by China’s economic reform in the late 1970s and its accession to World Trade Organization (WTO) in 2001, multinational corporations mushroomed in the Chinese market. In addition to state-of-the-art business patterns and technologies, foreign companies introduced the local market the term CSR. As Li claims, CSR in China is a consequence of globalization.¹

There is no doubt that the entry of MNCs into the Chinese market introduced the term CSR, but activities related to corporate social responsibility in China can be found back in the late 1970s or early 1980s.² Before the 1978 economic reform, in addition to economic responsibilities, corporations had to take extra burdens that were supposed to fall on the government and the society, such as building day care centers and schools, and even public bureaus. Shortly after the implementation of economic reform, China enacted Environmental Protection Law (1989) and Trade Union Law (1992). In the mid- and late 1990s, China enacted another set of laws that imposed significant influences on CSR in China, such as Environmental Protection Law (1994), Consumer Protection Law (1994) and Labor Law (1995). These laws served as baselines of CSR for corporations in terms of labor,

environment responsibilities, and so on.\(^3\)

The accession into the WTO increased the awareness of CSR among the Chinese government and academic fields. From 1999 to 2005, Tsinghua University’s Center for the Study on Contemporary China established a team studying MNCs’ CSR and SA8000 – a global social accountability standard – that received attention from Chinese media as well as the society. Many forums, seminars and associations focusing on CSR emerged in China during this period.\(^4\) All of these elevated the attention paid to CSR by the government and academic community.

Then came 2006, a critical time when the broader public in China, particularly consumers, began to be aware of CSR with regard to business performance and other behaviors of multinational corporations. In March, a group of MNCs issued a document titled *Chinese Corporations CSR Declaration in Beijing*, in which they pledged to commit to the harmonious development of business and society through involving businesses in the solution to environmental and social issues.\(^5\) In the legal field, the revised *Corporate Law* (2006) explicitly requires companies to take social responsibility. In 2007, over 1400 multinational corporations co-issued *Written Proposal for Fulfilling Social Responsibilities* that involved bringing businesses into compliance with regulations and (tax) laws, providing high-quality products and services, protecting legal rights of employees, building harmonious employment relationships, protecting biological environments, energy conservation, participating in public

---

goods activities, and so on. The same year, Ministry of Commerce (MOFCOM) issued a draft of CSR Guidelines for Foreign-invested Companies, which requires that the CSR of multinational corporations cover three aspects: compliance with regulations and laws; protection of legal rights of employees; and protection of the environment.

Apart from the government’s attention to the CSR of MNCs, the academic and business world and increasing media coverage about multinational corporations’ CSR in China has forced companies to pay more attention to ethical and their social aspects of global businesses. For instance, Nike, Reebok, Mattel and Gap were reported to use suppliers that maintained sweatshop conditions in China, which provoked harsh criticisms by Chinese public. In 2004, Wal-Mart, the world’s largest retailer, well known for its resistance to unionization, was criticized by the Chinese government for not abiding by the country’s Trade Union Law and was required to establish unions in its stores around China under the pressure of All China Federation of Trade Unions. In 2008, lists titled international iron roosters were circulated on the Internet and by text messages and instant messages of cell phones. Drawing analogy to the symbol of an iron rooster, a bird which has no feathers to give, the list included multiple multinational corporations that were accused of being too stringy to make significant donations to the regions hit by an 8.0-magnitude earthquake in

---

China in 2008.\textsuperscript{10} Although the \textit{iron rooster} allegations turned out to be false, the lists indeed put several multinational corporations in crises, and some of them faced boycotts from Chinese consumers. Some scholars claim that the dissemination of the \textit{iron roster} lists was a product of Chinese culture.\textsuperscript{11} Would culture play a big role in CSR practices in China? Why did \textit{iron rooster} lists become so powerful within such a short time frame that some companies were put into crises? What are driving forces of CSR in this emerging market? How should MNCs conduct CSR practices in a proper way that could prevent companies from being embarrassed or involved in corporate crises?

Following this introduction, the next section will review relevant literature about CSR in emerging markets, particularly in China, and will review the cultural background of the country. Instead of choosing individual foreign companies as case studies, the paper analyzes two incidents that involved several multinational corporations in order to provide a more comprehensive perspective of the driving forces of CSR in China.

2. Literature Review

2.1 Chinese Culture

Although some scholars argue that it is problematic to draw a direct relationship between culture and CSR, the social responsibilities of corporations are regarded differently across cultures and have been blended into all aspects of business.\textsuperscript{12} Since culture is a vital player in the business process in emerging markets such as China, it is necessary to review the


\textsuperscript{11} Ibid.

Chinese culture before moving to further discussion of CSR in this particular market.

2.1.1 Guanxi Theory

With an emphasis on “authority, harmony, order and relationships,” Chinese culture and public relations practices center around guanxi, namely “social relations” or “personal relationships.” The unique guanxi feature of the Chinese culture poses challenges for western businesses. Suk-ching Ho explains that guanxi manifests “a process shaped by perception and interactive experience between buyers and sellers over time.” As Ho points out, well cultivated guanxi over the course of business exchange increases the likelihood of receiving assistance when multinational corporations have problems. These cultural elements correspond with commonly discussed concepts of different cultures in the western world, including high-context and collectivism, which will be further discussed in the following sections.

2.1.2 Mianzi

One of the complicated features deeply rooted in the Chinese culture is mianzi (or face). Gao and Ting-Toomey define mianzi as “an individual’s claimed sense of positive image in a relational and network context.” The understanding of mianzi is strengthened by King and Mayers’s argument that mianzi is sometimes important for Chinese individuals as well as the society or even the country in general. As a Chinese saying goes, “Face is as important to a

---

man as bark is to a tree (ren yao lian, shu yao pi).” The mianzi theory explains why Chinese are inclined to make lists either for top 10 students – who wish to receive positive public recognition – or bottom 10 students – who may lose face. The importance of lists and social rank applies to domestic as well as foreign corporations and affects the importance of corporate images in China.

2.1.3 High-context

China has been widely used by scholars as an example of high-context cultures as opposed to low-context cultures. Hall illustrates that the difference between high- and low-context cultures lies in how messages are delivered. From his viewpoint, individuals raised in high-context cultures tend to depend on the context of messages, such as circumstances and settings, speakers’ social statuses and positions, the timing, and the way messages are surveyed, rather than the message being explicitly expressed. In contrast, low-context cultures are inclined to clearly deliver messages with less emphasis on the context, which enables listeners to identify key messages without worrying about the context. Based on this key difference, western nations such as America are labeled as low-context cultures while Asian countries particularly China, Japan, and South Korea are regarded as examples of high-context cultures.

2.1.4 Collectivism

Collectivism is believed to be another feature of the Chinese culture. Triandis, Brislin & Hui explain the differences between collectivities and individualist cultures. They find

19 Ibid.
that individuals from collectivities cultures place more value on collective goals and the needs of their group than individual achievements and promotion, while societies dominated by individualism, such as America, emphasize individual or personal accomplishment and advancement than the goals of any groups.

2.1.5 Chinese Politics

Apart from the uniqueness of the Chinese culture, public relations practitioners also need to take the Chinese political system into account. In China, the Communist Party is the only ruling party and holds absolute authority, while other political parties such as Kuomintang and China Democratic League can only participate in decision-making processes. As Cialdini stresses, authority is one of the key players that influence decision-making of individuals. He uses an example stating that “Chinese employees responded primarily to authority, in the form of loyalties to those of high status within their small group.” The country’s one-party political regime that only favors ideas and practices consistent with the government’s goals forces foreign companies to align their long-term CSR with the government’s strategic planning. And it also sheds light on the necessity for foreign companies to build and maintain interaction with Chinese government bodies, as the government plays a critical role in ensuring the success of CSR programs. Ho pinpoints that “Chinese laws and regulations can change quickly and without warning.” He emphasizes that, with anticipation of growing government’s involvement, multinational corporations

23 Ibid, p. 81.
managers need to prepare their business for “occasional twists and turns in government lawmaker.”

2.2 Challenges for Multinational Corporations

One of the biggest challenges, specifically for multinational corporations in China, is “consumer nationalism.” According to Wang, consumer nationalism refers to “the ‘invocation of individuals’ collective national identities in the process of consumption to favor or reject products from other countries.” Consumer nationalism affects multinational corporations from daily operation to CSR programs to crisis management.

Consumer nationalism was formed out of the Chinese history in the 19th century from China’s encounters with colonial powers. It covers fields such as territorial sovereignty and national unity, national honor and traditional values. Even though Chinese leadership has predominately used nationalism to build political loyalty, the emotional power of nationalism is not limited to the political arena. With regard to Chinese consumers’ relationship with global brands, consumer nationalism in contemporary China is embedded in or triggered by focusing events that catch public attention and motivate groups of interest to act. Therefore, consumer nationalism could impose a significant impact on multinational corporations in terms of corporate image/reputation and communication strategies.

2.3 Overview of CSR

2.3.1 CSR in General

The idea of corporate social responsibility (CSR) in the West started at the turn of the 20\textsuperscript{th} century and was on the rise in the late 1970s and early 1980s when corporations faced increasing concerns with their images. However, scholars have not reached agreement on a single definition of CSR. Some perspectives espouse that businesses should only be responsible for internal stakeholders, such as shareholders, employees, customers and suppliers. Some argue that companies should take responsibility for government, regardless of the government level (e.g. local, state and national). Still others argue that CSR should cover business performance in relation to the local society and global economy where the business is conducted.

The World Business Council for Sustainable Development (WBCSD) defines CSR as "the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large."

2.3.2 CSR in Developing Countries

---


35 “Corporate Social Responsibility” by the World Business Council for Sustainable Development at \url{http://www.wbcsd.org/DocRoot/hbdf19Txhrk3kDxBoJDWw/CSRmeeting.pdf}, p. 3 (Retrieved April 14, 2010)

36 See UN Global Compact homepage. The Global Compact’s operational phase was launched at UN Headquarters in New York on July 26 2000 at \url{http://www.un.org/Depts/ptd/global.htm} (Retrieved April 15, 2010)
CSR is widely believed to be an invention of western societies, but CSR in developing countries has demonstrated roots in indigenous cultural traditions.\(^{37}\) One of the supporters of this claim is Wayne Visser. He explains that CSR in developing countries mainly focuses on four aspects. First, the most rapidly growing economies are developing countries, which have made them become lucrative markets for businesses. Second, the social and environmental crises accompanying the fast increasing economic development in developing nations have garnered acute attention from the world. Thirdly, the social and environmental influences caused by the combination of globalization, economic growth, investment, and business activity in developing countries are most significant. Finally, CSR agenda and challenges in developing countries are quite different from those in the developed world. Therefore, Visser defined CSR in developing countries as “the formal and informal ways in which business makes a contribution to improving the governance, social, ethical, labor and environmental conditions of the developing countries in which they operate, while remaining sensitive to prevailing religious, historical and cultural contexts.”\(^{38}\) This viewpoint shapes key drivers of CSR in developing countries such as cultural tradition, socio-economic priorities, and stakeholder activism that will be discussed in detail in the following section.\(^{39}\) He also develops a CSR pyramid for developing countries, with the first and second priorities given to economic responsibilities and philanthropic responsibilities respectively, followed by legal responsibilities and ethical responsibilities. However, developing countries tend to consider

---


\(^{38}\) Ibid. p. 474

\(^{39}\) Ibid.
philanthropy as the primary embodiment of CSR.  

In Visser’s claim, media plays an important role in emerging markets. His perspective about the importance of media coincides with Schmidheiny’s argument, stating that social issues in developing countries are closely tied to politics, economics and media. Functioning as a watchdog of social issues, journalists (or media in general) actively seek news in relation to defective and unsafe products and corporate wrongdoings. Nowadays, media plays an active role in discovering loopholes of CSR programs.

2.3.3 CSR in China

Tang and Li argue that “Chinese companies’ conceptualizations, practices, and communications of CSR are determined by the complicated interactions among companies, governments, NGOs, other stakeholders in the Chinese society, and the institutional pressure from both the domestic and the global communities.” Specifically in China, CSR features four aspects: community outreach, environmental health and safety, environmental protection and education. Community outreach can be realized by companies’ activities that help improve living standards of individuals in areas where companies operate their business. Environmental health and safety emphasizes a company’s responsibility to providing its employees with safe, comfortable, and properly regulated working conditions. Environmental protection responsibilities include efforts a company undertakes to minimize the negative

---

41 Ibid.
impacts a company’s business may have on the local community, while education refers to company’s acts or events to help improve local education, from the primary level through college.45

Like in other emerging markets, the social media in China is playing an even greater role than before, thanks to modern communication technology, particularly the internet. The internet has empowered all stakeholders by enabling individuals to communicate with each other and to band together.46 The internet benefits Chinese social media as well. The social media in China today can enjoy faster information dissemination and broader reach because of the internet, which has strengthened the media’s role.

As the largest developing country in the world and an emerging market that has the world’s close attention, China shares CSR features highlighted by Visser. In the meantime, China’s political system and culture have made it distinct from other developing countries in its handling of CSR. In addition, the growing power of social media in China increases third-party oversight of CSR programs of multinational corporations.

As the Chinese public, from government to ordinary citizens, remains vigilant of the behaviors of multinational corporations, it is necessary for foreign companies to learn how their decision making on CSR programs impacts their image in the eyes of the Chinese public. In order to better illustrate these factors in today’s China, the next section uses two recent incidents that involved several multinational corporations rather than targeting one single company.

3. Chinese Perspective on CSR: Two Illustrative Incidents

This section examines two incidents of recent CSR events in China involving foreign corporations. The first is the “International Iron Roosters” and the second is “CSR Seminar.” The analyses of these incidents highlight key components that are critical for multinational corporations to develop and implement CSR initiatives and programs.

3.1 Profile: International Iron Roosters

Shortly after an 8.0-earthquake that struck southwestern China, a list titled international iron rooster was widely circulated on the internet and through text messages of cell phones, and updated constantly. Using the culturally significant term iron rooster, which refers to a bird that has no feathers to give and is used in the Chinese language as a metaphor for an individual that is stingy with his money, this list, in its various forms delivered the similar message that: “MNCs, which have made profits in China, are too stingy to make donations when the county is confronted with a devastating disaster. All Chinese should boycott these companies and spread the news.” Among the global companies included on various versions of this list were KFC, McDonald’s, Nokia, and Coca-Cola. The quick spread of the lists led to an immediate impact on these companies. McDonald’s faced a boycott in Sichuan province, the area most severely impacted by the earthquake. As boycotts spurred by these lists escalated the situation beyond their control, several MNCs turned to the Ministry of Commerce (MOFCOM) for help.

Ten days after the appearance of the international iron rooster lists, the minister of commerce Deming Chen clarified at a press conference that most multinational corporations labeled as iron roosters made donations worth over 10 million RMB (roughly $1.5 million) to

the earthquake-hit regions. He admitted that the way in which the Chinese government handled donations by MNCs led to public perception that MNCs were not doing enough to assist with earthquake relief. He also stated that a call for boycott to MNCs was “irrational.”

In the meantime, a survey conducted by the Chinese Academy of Social Sciences among Beijing residents showed that Chinese publics’ satisfaction rate concerning the donations by domestic companies was as high as 99.8%, but only 4% of consumers were satisfied with MNCs’ donations and 9% of consumers preferred to choose products of those companies that serve the public interests. According to the survey, 73% of respondents believed that corporations could conduct CSR by actively making donations, which would reflect the public’s expectation. Forty-one percent of those surveyed fully supported those corporations that took advantage of the earthquake to strengthen their images. In addition to the general public looking to these MNCs to donate to the earthquake ravaged regions in China, Chinese investors paid close attention to corporations’ donations as well.48

Despite the clamoring by the general public and investors for MNCs to donate to earthquake relief and recovery efforts in China, multinational corporations argued that foreign companies are bound by company rules and need to obtain permission from headquarters for large amounts of donations.49 Vice president of AstraZeneca (China) explained that it took a long time for its Chinese office to gain the approval for a donation from its British headquarters, and the result of this long process made AstraZeneca be listed as an iron rooster despite the fact that it did make a donation.50 The different management styles clashed with

50 “Multinational Corporations Reluctantly Announce Donation Amount (in Chinese)” People’s Daily on June 2, 2008 at
Chinese cultural expectations and caused misunderstanding in the way donations were handled. In a western context, a company would make donations to a recipient directly instead of going through government, while in China, it is the government that collects donations from the public and then distributes those donations to disaster-affected areas. This led to a slowdown in the processing of donations from some well known foreign companies in China, which in turn led to them being incorrectly labeled as *iron roosters* and as a result, these companies faced corporate crises in the Chinese market.

There was one example of this misunderstanding that was reported over and over again in the Chinese media. Immediately after learning the earthquake devastation while eating his breakfast, the chairman of JDB Group, a Hong Kong-based beverage enterprise announced that the company would donate 100 million RMB (roughly $15 million). In contrast, it took a long time for multinational corporations such as AstraZeneca and Nokia to obtain approvals from their headquarters to make large donations towards the earthquake relief efforts. Vice president of AstraZeneca explained that senior management at its UK headquarters could not agree on whether to make donations to a government body. In the Western perspective, it is a taboo to make donations to government agencies. For a corporation to provide donations directly to a government is often perceived as an act of bribery from which the corporation would suffer severe legal punishment. However, from the Chinese public perspective, making a donation to the Chinese government makes perfect sense in the Chinese culture in that the government holds authority and power – an authority that the public can fully trust. AstraZeneca headquarters finally approved a donation when the Vice President was able to

change the recipient of donations from Ministry of Civil Affairs to China Red Cross and China Charity Federation – Chinese human relief organizations supported by the Chinese government.⁵¹

3.2 CSR Seminar⁵²

On March 31, 2009, the “2009 Multinational Corporation Corporate Social Responsibility (CSR) Seminar” was held in Beijing. At the CSR Seminar, 21 MNCs were praised for their excellent CSR practices and 10 received criticisms for poor CSR practices during 2008. The China Enterprise Newspaper Corporation in conjunction with multiple Chinese research institutes launched the first CSR Seminar in April 2008 to publicize CSR performance of multinational corporations in China and to encourage socially responsible practices by all companies, both domestic and foreign ones in China. Case studies on these seminars were selected via research and self-reporting by multinational corporations, which were examined and judged by a panel – CSR Committee of Multinational Corporations. The Counselor of State Council and the Deputy Director of China Enterprise Confederation (also named the China Enterprise Director Confederation) were appointed as chairmen of the Committee.

In order to ensure the fairness and objectivity of the event, the judging panel led by China Enterprise Newspaper Corporation used criteria based on standards proposed by the United Nations Global Compact, CSR research by the U.S. Business Ethics and Canada Corporate Knights, respectively, as well as the RepuTex Corporate Social Responsibility

Benchmark, which aims to promote high standards and approaches to improve CSR practices. The criteria cover a wide range of social responsibilities for corporations. Positive CSR business practices included compliance with laws and regulations, and promoting the country’s economic development in general. Negative CSR business practices included illegal employment, violation of legal rights of employees, product quality, breach of business regulations, lack of integrity and honesty, severe safety incidents or environmental pollution, and serious negative impacts of business.

The China Enterprises Newspaper Corporation, the organizer of this CSR Seminar, established a CSR Committee of Multinational Corporations in April 2008 with a mission to deepen the study of CSR programs of multinational corporations in China. The first list regarding poor CSR performance of multinational corporations was released in July 2008, which included global companies such as Procter & Gamble, FedEx, Starbucks. The CSR Committee’s mission comprises four categories. First, the committee conducts a study on a regular basis on good and poor performance of multinational corporations in an attempt to increase publics’ awareness of CSR, to provide objective comments on multinational corporations’ CSR practices, and to enable multinational corporations to assess their CSR programs. Second, the committee holds seminars and high-level forums regarding CSR performance of multinational corporations in order to encourage more MNCs to engage in public and philanthropic affairs. Third, the Committee convenes press conferences on a regular basis and releases an annual report regarding the CSR performance of multinational corporations.

---

corporations. Finally, the Committee publishes a list that ranks a 100 multinational corporations operating in China based on their CSR practices.

Among 21 multinational corporations that were awarded for good performance for their CSR practices in 2008, five companies received top praise for their CSR initiatives and/or programs in China:

- AstraZeneca (Britain), one of the world’s largest pharmaceutical companies, was recognized for its organized CSR programs committed to reconstruction efforts after the 2008 earthquake covering education, hygiene, and training.
- Nestle (Switzerland), was cited for its long-term endeavors of the area of environmental protection and energy conservation as well as relief efforts after the 2008 earthquake.
- 3M (Minnesota, USA) was recognized for its CSR program that promotes protection of biological environments for birds.
- BASF (Germany) was recognized for its initiatives to promote CSR among its Chinese partners.
- Amway (Michigan, USA) was recognized for its “Sunshine” program that provided assistance and caring to migrant children in urban areas.

In addition, Cargill (Minnesota, USA) received the award for its long-term program of supporting rural areas and fostering local development. Meanwhile, Medtronic (Minnesota, USA) was praised for creating job opportunities particularly in the face of global economic downturn. Finally, Microsoft (Washington, USA) won applause for its multiple efforts to improve rural areas in China, which included providing training to peasants and facilitating information technology in rural areas.
At the other end of the spectrum, 10 multinational corporations received harsh criticisms and were listed as examples of poor CSR performance in China.

- **IBM (New York, USA)** was criticized for breaching employment regulations.
- **Mercedes-Benz (Stuttgart, Germany)** was charged with poor product quality that resulted in one death.
- **Avon (New York, USA)** was allegedly involved in business bribery.
- **Sharp (Osaka, Japan)** was blamed for employing double standards in production.
- **Tesco (U.K.)** was condemned for selling beef injected with water.
- **McDonald’s (Illinois, USA)** was charged for ignorance of business details such as using colorful coupons when the whole country was saddened by the 2008 earthquake.\(^{54}\)
- **Colgate (New York, USA)** hurt itself by including misleading information about its toothpaste ingredients.
- **Sony (Tokyo, Japan)** faced charges for poor customer services.
- **UPS (Georgia, USA)** was criticized for intentional slow services.
- **LV (UK)** was confronted with multiple investigations regarding product quality.

4. **Chinese Perspective of CSR: Analysis**

Despite still being regarded as an emerging market and the largest developing country in the world, China demonstrates its own perspective of CSR, which is a result of its indigenous culture. Using the two illustrative incidents discussed above, this section, supported by scholars’ works about CSR, provides insights into the cultural factors that

---

\(^{54}\) The State Council of PRC issued a notice, stating that May 19 -21 as National Day of Mourning. All newspapers across the country were printed in black and white, and all entertainment activities/events and even websites were suspended. However, McDonald’s colorful coupons were found in some local newspapers. This caused a wave of criticism and an increasing voice of boycott. Detailed news report is available at [http://mnc.people.com.cn/GB/7270727.html](http://mnc.people.com.cn/GB/7270727.html) (Retrieved March 12, 2010)
influence MNCs to conduct CSR programs in the Chinese market.

4.1 Making donations in the Chinese context

Compared to foreign companies whose philanthropic responsibilities focus on public relations, market expansion, and maintaining relationships with customers and employees, Chinese enterprises place more emphasis on relief efforts, poverty alleviation and education.\(^{55}\) This focus is typical of CSR in emerging markets.\(^{56}\) In fact, Visser explains that “the social-economic needs in developing countries are so great that philanthropy is an expected norm – it is considered the right thing to do by business.”\(^{57}\) Like in other developing countries, CSR in China is still at an early age of maturity and sometimes CSR is equated with philanthropy. In the past, philanthropic behaviors in China, particularly the voluntary giving of money and materials to impoverished regions especially after major disasters, were used to measure social responsibility of a company.\(^{58}\) As a consequence, making donations has been regarded as a key part of philanthropic responsibilities of corporations in China in that they balance the economic discrepancy between the rich and the poor, optimize the use of social resources and build an organized market, and alleviate social conflicts as well as promote fairness in a society. This is one of the reasons why Chinese consumers in the *iron rooster* case appeared to use the amount of donations in the post-earthquake period as criteria to evaluate the effectiveness of CSR by multinational corporations. Today, people pay more attention to corporations’ contribution to the society, which include product quality,

---


\(^{57}\) Ibid. p. 490

employment and environmental protection rather than solely the amount invested in the country and its profits.\textsuperscript{59}

Another feature of donations that is unique to China and is reflected by the \textit{iron rooster} case is the way Chinese publics (including the government) and foreign companies make donations. The Chinese public expects donations to be transparent, which foreign companies prefer to be more discreet. Chinese expectations on the way donations should be made have became the main criteria by which Chinese consumers measure the social responsibilities of companies. The reasoning behind the Chinese public’s expectations that companies make donations transparent can be found in a traditional Chinese saying. This saying that states, “The favor of a drop of water has been rewarded with the gratitude of a fountain of water. (\textit{di shui zhi en, yong quan xiang bao}),” indicates the fact that in Chinese culture, one is inclined to remember favors from others and to return more favors (when the latter is in trouble).\textsuperscript{60} As a result, the Chinese prefer to see more transparency in terms of \textit{who, how much} and \textit{when}. From the perspective of foreign companies, however, disclosure of company donations during a disaster period might be regarded as taking advantage of the disaster to make profits. In order to avoid negative publicity, such information is usually included in company’s annual reports.\textsuperscript{61} This discrepancy in the way that donations are viewed led to the conclusion by Chinese consumers that some multinational corporations were too stingy just like \textit{iron roosters}.

Then what should MNCs do to avoid having their names on lists such as the \textit{iron

rooster lists? The answer: flexibility. A sharp comparison of the flexibility that is needed can be seen in the difference in the decision-making process about making donations after the 2008 earthquake. In contrast to JDB Group’s donation decision made at a breakfast table, most multinational corporations had to go through approval procedures set up by their headquarters, which take days and even weeks to complete. In addition, corporate donations in the western context do not go through government bodies, while in China, the government is believed to be an authoritative power that oversees donation making and prevent corruption. 62 This is the case of AstraZeneca (China) when its UK headquarters would not approve the donation until they were told about Chinese trust in the government. Different cultural understanding led to slow action of multinational corporations and put them on lists of international iron roosters.

4.2 Collectivist values

The iron rooster case exemplifies the collectivism of the Chinese. Traditional Chinese culture places a heavy focus on collective goals and considers that all parties should provide assistance when one of them is in trouble (yi fang you nan, ba fang zhi yuan). 63 Therefore, when the country was facing a devastating natural disaster, all parties, including government bodies, companies and individuals actively engaged in making donations. Multinational corporations, who have become powerhouse in China’s economic development, were expected to make larger donations because they are perceived to make growing profits in the Chinese market.

An extension of the collectivist culture in Chinese is found in the phenomenon of consumer nationalism. As noted earlier, consumer nationalism, in relation to nationalities of global brands, can be evoked by a triggering event. In the case of the iron rooster list, even though it was from an unreliable source, the list was a triggering event. Consumer nationalism can band Chinese consumers together and make them work in concert in response to calls for boycotts to companies with poor performance or negative impacts in local areas. Chinese perspectives of multinational corporations have shifted from solely admiring to harshly critical views. High profile incidents or well-known companies can be easily involved in triggering events and thus generate ripple effects across the country. Additionally, the spread of technology, particularly the internet contributes to spreading consumer nationalism within a short time frame. The iron rooster case is an illustration of consumer nationalism empowered by the internet. Therefore, public relations professionals should not and can not ignore the power of collectivism and consumer nationalism in contemporary China.

4.3 Collaboration with government bodies

It is important to know that in China, government bodies play critical roles in all aspects of business. In such a culture where authority and order are given more emphasis, the government holds absolute power and authority, a fact that is deeply embedded in the country’s political regime. As a result, the Chinese government’s statements are considered credible sources of information for the public. As the internet sped up the spread of iron rooster lists, multinational corporations needed to find the most powerful party to make clarification. This resonates with the suggestion that in China “many companies find that the government relations director is a good fit to oversee CSR programs because … CSR
require[s] significant interaction with PRC government bodies to be successful in China.”

Therefore, government relations are crucial for MNCs to conduct not only CSR, but also operations in general in the Chinese market.

4.4 Aligning CSR goals with the government’s strategic planning

As argued above, in a one-party country such as China, the government plays an important role in all aspects of life, from social issues to business arenas. As a consequence, the Chinese leaders’ call for loyalty to the nation means loyalty to the Chinese Communist Party. This highlights the importance for multinational corporations to align their CSR goals with the government’s plans. The five corporations that received special awards in the 2009 CSR Seminar, as detailed above, succeeded in making their CSR practices consistent with the central government’s long-term strategic goals. In 2006, the Chinese government declared intentions to build a harmonious society by balancing economic development and society issues such as environmental protection, energy conservation, and migrant workers. This means that these fields have become social-economic priorities. The examples of “excellence CSR programs” resonate with CSR features summarized by the US-China Business Council that states that CSR in China mainly targets four categories: “community outreach,” “environmental health and safety,” “environmental protection,” and “education.”

---


As Visser concludes, “the spirit and practice of CSR is often strongly resonant with traditional communitarian values in developing countries, for example, harmonious society in China.”\(^{68}\)

Therefore, it is no surprise that corporations that focus CSR programs and practices on these fields were applauded.

### 4.5 Emerging power of new social media

The *iron rooster* case has demonstrated the power of new social media, with the internet playing a leading role. Today, there are 384 million internet users in China, among which 100 million are rural residents and 233 million get online via cell phones. The number is estimated to increase by 120 million annually – 28% of the total population of internet users.\(^{69}\) The first *iron rooster* list was circulated on the internet and then in the form of text messages. The speed of the internet enables media to spread news faster and broader than ever before. Reflected in both the *iron rooster* case and the *CSR Seminar*, social media is taking advantage of the internet to raise awareness and recognition of CSR in China. The best example would be a quick spread of *iron rooster* lists. Meanwhile, social media is also a constructive force in developing consumer nationalism and thus mobilizing citizen-consumers to express their national sentiments in the process of consumption. Chinese social media is a central point of concern of MNCs in that they employ framing function to select and highlight events with particular interpretation in order to compete for public attention.\(^{70}\) This growing power of new social media poses a big challenge for multinational corporations. Therefore,

---


media relations are becoming an important feature of CSR.

Social media in China not only makes multinational corporations vulnerable in the post-quake period, but also makes it more difficult for Chinese leadership to conduct censorship on news content. The power of new media drove the Chinese government to change conventional ways in response to a crisis – a shift from guiding public opinion to responding to inquiries from publics.\textsuperscript{71} Today, the internet has become an open discussion platform for publics and media works as a double-edge sword that can produce both negative and positive impacts.\textsuperscript{72} As a result, media relations are critical in CSR.

\textbf{4.6 Stakeholder activism}

Visser classifies four stakeholder groups as the most powerful CSR activists: development agencies, trade unions, international NGOs, and business associations.\textsuperscript{73} However, few of them were mentioned either in the \textit{iron rooster} case or the CSR Seminar case. In the \textit{iron rooster} case, consumers were actively involved. In this instance, it is easy to tell that Chinese consumers’ attitudes towards multinational corporations were almost extremely harsh. The appearance of \textit{iron rooster} lists is a reflection of activism of Chinese publics, even though it is inappropriate to use the amount of monetary donation as criteria to measure social responsibility of a company.\textsuperscript{74}

Another important stakeholder that is excluded from Visser’s list is the government. In China, companies pay very close attention to the interest of the Chinese government because

\begin{footnotes}
\item \textsuperscript{72} Ibid.
\item \textsuperscript{73} Visser, Wayne. “Corporate Social Responsibility in Developing Countries,” in A. Crane, A. McWilliams, D. Matten, J. Moon & D. Siegel (eds.), \textit{The Oxford Handbook of Corporate Social Responsibility}, (Oxford: Oxford University Press, 2008), pp. 473-499
\end{footnotes}
the government is an important stakeholder in China.\textsuperscript{75} The importance of government relations in China is reflected by both the \textit{iron rooster} case and the \textit{CSR Seminar} case. For instance, in the \textit{iron rooster} case it was the Ministry of Commerce that clarified the MNCs’ donation dilemma, which calmed down emotional Chinese publics. In the \textit{CSR Seminar} case, one of the chairmen of the CSR Committee of Multinational Corporations was a counselor of the State Council, and individual that also holds a position as a member of Standing Committee of Chinese People’s Political Consultative Conference (CPPCC) that holds annual meetings when important national level political decisions are made. In addition, as mentioned earlier, it was the Ministry of Commerce released a draft guideline in 2009 that raises requirements for CSR of multinational corporations.\textsuperscript{76} Another example is the leadership of China Association of Enterprises with Foreign Investment (CAEFI), a social association co-formed by foreign-invested companies and corporations run by overseas Chinese and citizens of Hong Kong, Macao and Taiwan. The deputy director general of CAEFI, recommended and once worked for MOFCOM (formerly Ministry of Foreign Economic and Trade).\textsuperscript{77} These illustrate the importance of \textit{guanxi}, particularly government relations.


\textsuperscript{76} This guideline, on the basis of (but not limited to) 26 Chinese laws and 19 international regulations, is said to set up bottom line for multinational corporations to conduct CSR in China. It was speculated to require MNCs to implement CSR in three main fields: MNCs must comply with Chinese laws and regulations as well as business ethics; MNCs should take responsibility for balancing demands of all stakeholders involving profit making for shareholders, providing employees with better living, working conditions, paying taxes, and building better environment for local communities; and MNCs can actively engage in philanthropic activities.

This guideline was said to be developed on the basis of (but not limited to) 26 Chinese laws/regulations and 19 international For more information, see “MOFCOM Requires MNCs to Conduct CSR (in Chinese).” September 11, 2008. Xinhua News Agency at \url{http://news.xinhuanet.com/newscenter/2008-09/11/content_9925066.htm} (Retrieved March 13, 2010)

5. Conclusion

When most developed countries are suffering the global economic downturn, China remains competitive in the global market. In its 2009 report, the United Nations ranked China as No. 1 among the 15 most favored investment locations and predicted it will remain as one of the most attractive regions for the coming three years. It implies that more foreign companies will join the flood to enter this lucrative market. Today, multinational corporations can not focus solely on product quality and services. Chinese publics from the government to consumers are demanding more social responsibility from both domestic and foreign companies. However, the unique Chinese culture poses challenges for MNCs, who excel in CSR.

This paper highlights factors that would influence CSR programs of multinational corporations with reference to China’s culture, aiming to provide clues for existing and prospective multinational corporations when developing programs and conducting practices pertaining to CSR. As the analysis has shown, CSR development in China is still in the early stage. As previously discussed, Chinese public are inclined to equate the amount of monetary donations to good behaviors of CSR, and claim that “the more money companies make, the more donations they should make.” In addition, the Chinese have become more aware of corporate social responsibility as a result of active involvement of the Chinese government and social media. The following implications can be used as references for mutational corporations.

5.1 Vital role of the Chinese government

Given the country’s one-party political regime, government plays an important role in business for multinational corporations. As discussed in the paper, government’s influence can be seen in all aspects from leadership of professional associations to clarification for foreign companies. This implies the importance of government relations in China. The government is a symbol of authority and power, and can generate strong public sentiment that is either positive or negative for multinational corporations. In addition, the Chinese government tends to publish documents to standardize practices or businesses, and changes laws constantly without warning. The earlier discussion already showed signs of potential CSR documents from the Chinese government. Therefore, although some argue that CSR should be voluntary in nature, multinational corporations have to play by the rules as set out by the Chinese government when they come out and quickly adjust when they change. From this viewpoint, being a good citizen means being a good follower of the Chinese government. Companies should not be frightened by the government’s totalitarianism. Instead, they should cultivate good government relations to take advantage.

5.2 Collectivism & consumer nationalism

Being distinct from the individualism that dominates American society, collectivism makes Chinese band together. Collectivist is especially seen when the country is in crises or when foreign units (including individual companies and governments) indicate improper behaviors based on Chinese perception. For CSR, collectivism means that people turn to each

---


other to form images of outsiders, namely, foreign companies. Furthermore, consumer nationalism is a manifestation of the collectivism in action. This emotional expression of national pride, which can be blinded acts to some extent, can trigger business crises. In short, companies need to be aware of this collective outlook.

5.3 Growing power of the new social media

The Internet has not only empowered consumers but also the social media. As it has become part of work and life in China, the internet has significantly increased its influences on people’s daily lives. Its speed and audience reach has made the Internet or online media a main channel to disseminate information and maximize communication in multiple ways. However, this new social media is in its infancy and still developing, and sometimes this contributes to judging ethical behaviors of corporations. This new social media even challenges the Chinese government’s censorship and changes the way the government and multinational corporations respond to public. The growing power of social media means that companies need to pay attention to medial relations. They need to be aware of the social media and its role in China, and pay particular attention to situations where rumors can easily spark and boycott call could appear.

5.4 Flexibility and cultural sensitivity for business in China

It is understandable that foreign companies in China need to comply with company rules set up by their headquarters, but being flexible can save companies from being involved in crises, especially when multinational corporations are targets. Most foreign companies were labeled as international iron roosters due to either a slow reaction to the disaster or a

---

non-disclosure of donation details. When a crisis hits the country Chinese publics expect transparency and swift action, which stems from the cultural feature that everyone should do their best to contribute to saving the country from troubles. Being unaware of cultural expectations can lead to cultural conflicts which can create barriers for business. Meanwhile, strict compliance with company rules will prevent offices on the ground from quickly acting to crises.

In addition, the mianzi theory embedded in the Chinese culture explains why Chinese tend to make lists for any corporate business. Brands that enjoy worldwide reputation are helpful in building corporate images, but also make these branded companies visible targets of media and publics. In a western country, it may take several weeks for a company to restore a damaged image. However, the process to restore a damaged image sometimes takes longer and costs more in China, where mianzi or corporate image is regarded as extremely important. Therefore, public lists that rank individuals or foreign companies cannot be ignored by communication professionals.

The government and new social media have contributed to increasing public awareness and interest in corporate social responsibility. Worldwide reputations of companies put them at the center of the stage of CSR, as well as making news headlines when these branded companies are involved in high-profile incidents. Cultural differences create challenges for multinational corporations to apply their global CSR strategies to this special cultural context. With a culture deeply rooted in Confucianism that respects authority and promotes humble manners, Chinese favor good listeners instead of aggressive speakers. It is always wise for a foreign company to cultivate relations with government and social media.