

CSR In China: Consciousness And Challenges

A Study Based on Zhejiang Province

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Abstract: Since China entered the WTO in 2001, more and more Chinese enterprises have begun to know the philosophy and principles of CSR in the international community. However constant problems about product quality and business behavior make it questionable to Chinese products and the international reputation of Chinese enterprises. Based on a large-sample survey on the enterprises and public in Zhejiang province, and the follow-up interviews and case studies, the article points out that the cognitive level of CSR and the CSR-related activities by Chinese enterprises were actually not as low as people thought; the problems of business behavior of Chinese enterprises are mainly affected by the development stage China is experiencing and the institutional and cultural circumstance the enterprises is facing. The key to enhance CSR in China lies in the improvement of legislative and enforcement functions of the government, and the modern CSR consciousness of the society.

Key words: Corporate Social Responsibility; Corporate Social Performance;
Stakeholders

1 INTRODUCTION¹

CSR is commonly accepted in the world as a kind of social expectation and a guide for business behaviors. Chinese enterprises had been dissociated from the global CSR movement for a long time, but this has been changing since China entered the WTO in 2001. On one hand, more Chinese enterprises have begun to know the philosophy and rules of CSR in the international community and laid more emphasis on CSR. On the other hand, the social performance of Chinese enterprises has also been beginning to come into notice internationally as China becomes the second largest export country in the world and attracts the most FDI in all developing countries. Meanwhile constant problems about product quality, employees' working environment and workplace safety, information disclosure and inside trading in the listed companies, enterprises' intent to make charitable donations and environmental pollution, make it questionable to Chinese products and the international reputation of Chinese enterprises. CSR has already become a big challenge that Chinese government and Chinese enterprises have to face.

Is the problem of CSR in China a problem about enterprise cognition, or about enterprises' operating environment? How should we make great efforts to enhance Chinese enterprises performance in CSR?

Based on a large-sample survey on the enterprises and public in Zhejiang province, and the follow-up interviews and case studies, we could conclude that the problem of CSR in China is not only related to the development stage of Chinese economy, but also relates to the responsibility of the Chinese government. The key to push Chinese corporate social responsibility lies in the improvement of legislative and enforcement functions of the government, and the modern CSR consciousness of the society.

2 SURVEYS AND MEASUREMENT

Concept and construct of CSR. There are various definitions of CSR. The definition of CSR we used in the survey (questionnaire) is based on Carroll's, which on one hand defines CSR through four components, that is economic responsibility, legal responsibility, ethical responsibility and philanthropic or discretionary responsibility (see table 1); on the other hand, views CSR from the perspectives of stakeholders of the enterprises and specialized the responsibilities of enterprises toward their stakeholders². Since the expectations from stakeholders or society are

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² Archie B. Carroll and Ann K. Buchholtz: *Business & Society, Ethics and Stakeholder Management*, 5th Edition.

highly affected by the economic development, cultural tradition and relations of interest groups of the country, the expectations of the same kind of stakeholder group will be different in different countries, so do the construct of CSR from the perspective of stakeholders.

Table 1 : Carroll: Understanding the Four Components of Corporate Social Responsibility¹

COMPONENT OF CSR	SOCIAL EXPECTATION	EXAMPLES
ECONOMIC RESPONSIBILITY	Required	Be profitable. Make sound strategic decisions. Be attentive to dividend policy
LEGAL RESPONSIBILITY	Required	Obey the laws. Adhere to all regulations. Obey Foreign corrupt Practices Act.
ETHICAL RESPONSIBILITY	Expected	Avoid questionable practice. Respond to spirit as well as letter of law. Operate above minimum required. Do what is right and fair. Assert ethical leadership.
PHILANTHROPIC (DISCRETIONARY) RESPONSIBILITY	Desired/ Expected	Be a good corporate citizen. Make Corporate Contribution. Provide programs supporting community—education, health/human service, culture and arts, civic. Provide for community betterment. Engage in volunteerism.

Scale of CSR Cognition. Based on the CSR concept and the stakeholder-responsibility matrix constructed by Carroll, and considering the Chinese situation, we designed the scale for CSR cognition from both four-component perspective and stakeholder perspective. Specifically, the items about CSR cognition on legal, ethical and philanthropic responsibilities were basically based on the definitions and examples by Carroll, and the items about the economic responsibility were adjusted by the suggestions of entrepreneurs emphasizing that the enterprises should take responsibilities for the national economic development and wealth accumulation for the society while making profit for itself. The items of responsibilities toward stakeholders included responsibilities toward employees, consumers, investors, communities, environments and special groups². The original CSR cognition scale was made up of forty items in total. A 5-point Likert scale was used, ranging from 1-strongly disagree to 5-strongly agree.

Item Selection and Reliability Test. Our first concern was certainly the content validity, since it's our first attempt to study CSR. 46 MBA students and 54 master

Thomson-Southwestern, 2003. Pp30-42

¹ Archie B. Carroll and Ann K. Buchholtz: Business & Society, Ethics and Stakeholder Management, 5th Edition. Thomson-Southwestern, 2003. P39.

² Special groups include disables, women, minorities, and religion believers.

students majored in different subjects filled in the questionnaires. With the data collected from the 100 samples, 16 of 40 items were selected to extract 4 factors, which were factors of economic responsibility, legal responsibility, ethical responsibility and philanthropic responsibility. 24 items were selected to extract 6 factors, which were factors of responsibilities toward employees, consumers, investors, communities, environments and special groups. Cronbach's alpha coefficients for both are 0.820 and 0.869, indicating good internal consistency. Among the above 16 and 24 items, 8 were overlapped. For example, the item that "I believe that enterprise should not release any advertisement that cheats or will mislead consumers" was included in both legal factor and consumer factor; the item that "I don't think making a contribution to the development of local education is a responsibility of an enterprise" was included in both philanthropic factor and community factor. The rest 8 items were rejected in factor analysis because of their impacts on attributive effects. Table 2 and 3 shows the items included in each factors and the Cronbach's alphas for each factors.

Table 2: Four-Component CSR Factors

CSR FACTOR	ITEM	CRONBACH'S ALPHA
ECONOMIC	Creating wealth for the society while making profit	.556
	Increase the development of industry for the country	
LEGAL	No tax evasion in business activities	.725
	Making profit without cheating consumers	
	No agreement violation in business activities	
	No advertisements by which consumers could be misled or cheated.	
	Pay the social insurance for employees without delay	
ETHICAL	Make public the information related to consumers and investors consciously	.697
	Make a prompt response to consumers consciously	
	Guarantee and increase the safety and quality of products consciously	
PHILANTHROPIC	Contribute to the development of local education.	.825
	Contribute to the development of local economy	
	Contribute to the development of other social causes in local community	
	Keep a good relationship with local community	
	Offer charitable donations	
	Contribute to environmental pollution control	

Table 3: CSR Factors from the Stakeholder Perspectives

CSR FACTOR	STATEMENT/ITEM	CRONBACH'S ALPHA
EMPLOYEES	Increase the employees' well-being continuously	.700
	Provide employees with professional training	
	Pay the social insurance for employees without delay	
CONSUMERS	No advertisements by which consumers could be misled or cheated.	.701
	Making profit without cheating consumers	
	Guarantee and increase the safety and quality of products consciously	
	Make a prompt response to consumers consciously	
INVESTORS	Increase the values of stocks	.613
	Report to shareholders on the allocation of business profit	
	Report to shareholders on the outcome of business activities	
COMMUNITIES	Contribute to the development of local economy	.874
	Contribute to the development of local education	
	Contribute to the development of other social causes in local community	
	Keep a good relationship with local community	
ENVIRONMENTS	Use materials that can be dissolved and recycled	.830
	Use packing materials that are environmentally friendly	
	No waste in employing resources	
SPECIAL GROUPS	Equal opportunity of training to the special groups of employees	.880
	Equal opportunity of promotion to the special groups of employees	
	Special assistance of career development to the special groups of employees	
	Special assistance of living conditions to the special groups of employees	
	Equal pay for equal work	
	Making policy against discriminations	
	Respect employees' personal religion believe	

Besides, there were three parts investigating Corporate Social Performance (CSP) in the questionnaire. The first part was the assessment of enterprise's CSR by itself or the public, the items in which were corresponding to those in CSR cognition scale. The second part was about the implementation of CSR projects and motivations behind. The third part asked enterprises to fill in the figures of various donations.

Sample and Data Collection. The survey for enterprises was committed to the Enterprise Investigation Team of Zhejiang Province. The team sampled 516 enterprises from all state-owned and non-state-owned above designated enterprises in Zhejiang Province, and asked one of top managers of each enterprise to fill in one questionnaire. All 516 questionnaires were collected, and the response rate was 100%.

After rejecting questionnaires with too many missing values, 502 were valid, with a valid rate of 97.3%. Table 4 and 5 shows the descriptive statistics of sample enterprises and respondents. The questionnaires were filled in by public who were supposed to have a relatively better understanding about CSR, mainly, enterprise employees, government officials, college and university students, teachers, journalists and legal workers. 1056 of 1200 questionnaires were collected, and the response rate was 88%. 1001 questionnaires were valid, with a valid rate of 94.79%. Table 6 shows the descriptive statistics of respondents from public.

Table 4: Descriptive Statistics of Sample Enterprises

VARIABLE	CLASSIFICATION	FREQUENCY	PERCENTAGE (%)
INDUSTRY	Manufacturing	341	67.9
	Wholesale and Retail	80	15.9
	Construction	35	7.0
	Catering	37	7.4
	Real Estate	9	1.8
OWNERSHIP	State-Owned Enterprises	55	11.0
	Private Owned Enterprises	398	79.3
	Joint Ventures	49	9.8
SIZE	Large	40	8.0
	Medium	405	80.7
	Small	57	11.3
STAGE	Set-up (Business is just started and sales is not stable.)	13	2.6
	Growth (Product structure is ascertained and sales increases fast.)	59	11.8
	Maturity (Product structure is stable and sales is maintained.)	366	72.9
	Decline (Market share reduces and sales decreases)	64	12.7
RATIO OF EXPORT TO TOTAL SALES	0	180	35.8
	1-25%	156	31.1
	26%-50%	63	12.5
	51%-75%	47	9.4
	76%-100%	56	11.2

Table 5: Descriptive Statistics of respondents from enterprises

VARIABLE	CLASSIFICATION	FREQUENCY	PERCENTAGE (%)
GENDER	Male	434	86.5
	Female	68	13.5
AGE	≤ 30	15	3.0
	31-40	117	23.3
	41-50	249	49.6
	>50	121	24.1
EDUCATION	Junior High and Below	13	2.6
	Senior High	87	17.3
	Junior College	241	48.0
	Undergraduate	115	22.9
	Graduate	46	9.2
POSITION	General Manager	222	44.2
	Vice General Manager in Charge	117	23.3
	Other Executive	163	32.5

Table 6: Descriptive Statistics of Respondents from Public

VARIABLE	CLASSIFICATION	FREQUENCY	PERCENTAGE (%)	VALID PERCENTAGE (%)
GENDER	Male	496	49.6	49.8
	Female	499	49.9	50.2
	Missing	6	.6	
AGE	≤ 30	490	49.0	49.0
	31-40	358	35.8	35.8
	41-50	138	13.8	13.8
	>50	15	1.5	1.5
EDUCATION	Junior High and Below	13	1.3	1.3
	Senior High	140	14.0	14.0
	Junior College	425	42.5	42.5
	Undergraduate	279	27.9	27.9
	Graduate	144	14.4	14.4
PROFFETION	Company Employees	442	44.2	44.5
	College and University Students	169	16.9	17.0
	Teachers	53	5.3	5.3
	Government officials	214	21.4	21.6
	Legal workers	45	4.5	4.5
	Others	70	7.0	7.0
	Missing	8	.8	

3 STATISTICS AND RESULTS

Based on 502 questionnaires from enterprises and 1001 questionnaires from the public, factor analyses and reliability tests were made on 16-item of four-component CSR and 24-item of stakeholder perspective CSR, and one-way ANOVA was done on CSR cognitive levels of enterprises and public, among different types of enterprises and among different groups of public. Pair-wise T test was used to compare means between all CSR cognitive levels. And descriptive statistics were done on enterprise donations, employee training expenditures, employee pension and medical insurance expenditures and CSR-related activities. The results are as following:

First, for most CSR factors, the enterprises had higher identifications than the public. The differences between the enterprises and public were very significant. However, for the responsibility toward environment and responsibility toward employees, the identifications by public were significantly higher than enterprises. (See Table 7)

Table 7: ANOVA of CSR Identification between Enterprises and Public

CSR FACTOR	ENTERPRISE/MANAGERS		PUBLIC		ANOVA	
	Mean	Std. Deviation	Mean	Std. Deviation	F	Sig.
ECONOMIC	4.3518	.63429	4.1450	.66625	33.246	.000
LEGAL	4.6556	.46160	4.5369	.50675	19.228	.000
ETHICAL	4.1294	.72989	3.9957	.69417	11.967	.001
PHILANTHROPIC	3.7737	.69465	3.6692	.71678	7.238	.007
EMPLOYEES	4.2976	.63814	4.3699	.62322	4.425	.036
CONSUMERS	4.5403	.53891	4.4770	.52121	4.658	.031
INVESTORS	4.5484	.60024	4.4145	.60762	16.329	.000
COMMUNITIES	3.9694	.74795	3.7627	.77742	24.201	.000
ENVIORNMENT	3.0420	.84546	3.5171	.92346	93.367	.000
SPECIAL GROUP	4.1065	.63923	4.1497	.64143	1.514	.219

Second, there were no significant differences in CSR identification among different types of enterprises in most cases. The exceptions are: (1) significant differences in identification of philanthropic responsibility and responsibility toward community among enterprises with different **ownership**; (2) significant differences in identification of economic responsibility, responsibility toward employees and

responsibility toward special groups among enterprises with different **sizes**; (3) significant differences in identification of legal responsibility, employee responsibility, consumer responsibility and community responsibility among enterprises at different **stage** of development.

Table 8: Compare Means: CSR Identifications between Different Types of Enterprises

CSR FACTOR	MEAN				ANOVA	
	SOE	POE	JV		F	Sig.
PHILANTHROPIC	3.4879 (.64618)	3.7379 (.69570)	3.7993 (.65172)		3.600	.028
COMMUNITIES	3.7227 (.70164)	3.9868 (.75303)	4.0918 (.67834)		3.828	.022
CSR FACTOR	MEAN				ANOVA	
	Large-sized	Medium-sized	Small-sized		F	Sig.
ECONOMIC	4.2375 (.60962)	4.3914 (.61684)	4.1228 (.73364)		5.208	.006
EMPLOYEES	4.2500 (.66560)	4.3374 (.61939)	4.1228 (.68901)		3.060	.048
SPECIAL GROUP	3.9929 (.51044)	4.1393 (.63035)	3.8947 (.63804)		4.497	.012
CSR FACTOR	MEAN				ANOVA	
	Set-up	Growth	Maturity	Decline	F	Sig.
LEGAL	4.6000 (.43205)	4.6644 (.41596)	4.6650 (.39922)	4.4469 (.74300)	4.199	.006
EMPLOYEES	4.2308 (.61440)	4.5028 (.51555)	4.3260 (.59163)	4.0260 (.85512)	6.444	.000
CONSUMERS	4.4038 (.47367)	4.4915 (.48903)	4.4911 (.50486)	4.2891 (.76664)	2.626	.050
COMMUNITIES	3.6346 (.66627)	4.1780 (.70413)	3.9699 (.75202)	3.8320 (.71555)	3.183	.024

Third, the public with different age, different education, and different professions were significantly different in most CSR identifications: (1) the public in the groups of age 31-40 and 41-50 had lower identifications on CSR factors, but the public in the group of age 51-60 have higher identifications on CSR factors; (2) the public with junior high or below education had lower identifications on all CSR factors, the public with graduate degrees had lower identifications on CSR factors other than environment responsibility, but the public with junior college education had higher identifications on all CSR factors; (3) Students had lower identifications on all CSR

factors, teachers and legal workers had higher identifications on all CSR factors, the CSR identifications of government officials were at middle.

Fourth, the pair-wise T-test indicated that the enterprises' identifications to all dimensions of CSR were significantly different; and the public's identification to all dimensions of CSR were significantly different except responsibilities toward consumers and investors.

Fifth, based on the statistical analysis of the enterprises' donations and relating expenditures, it indicated that the percentages of enterprises' donations to the society, the expenditures on training programs and social insurance for employees (pension and medical insurance) were increasing during the past years (See Table 9) For the implementation of the listed CSR-related projects, the percentages of enterprises with "yes" answers were relatively high, most of which believed that the implementation of these projects were taken by enterprise consciously in accordance with enterprise culture, not compelled by law or other outside forces (See Table 10) .

Table 9: Enterprise Donations and Some Other Expenditures (10 000RMB)

	Year	Mean	Median	Maximum	Total Company	Company with "YES"	%
Total amount of Donations to the Society	2002	247.45	12.00	20180	502	315	62.7
	2003	361.15	20.00	22130	502	347	69.1
	2004	761.95	26.00	124701	502	355	70.7
Job-training Expenditures	2003	180.67	54.50	6700	502	466	92.8
	2004	226.74	58.50	7500	502	467	93.0
Social Security Payment for Employees	2003	1840.96	836.00	30000	502	490	97.6
	2004	2027.29	932.50	49390	502	493	98.2

Table 10: Implementation of CSR-Related Projects

PROJECT	Implementation		In Accordance with Enterprise Culture		Not Compelled by Outside Forces	
	Yes	%	Yes	%	Yes	%
Employee job-training programs	491	97.8	449	89.4	415	82.6
Adopt Manufacturing Process to accordant with Environmental Protection Standards	444	88.4	417	83.0	354	70.5
Reconstruct Manufacturing Process to Save Energy and Protect Environment	423	84.3	413	82.2	356	71.0
Callback Products with Quality Bugs and Make compensation to the Consumers	460	91.6	440	87.6	392	78.0
Develop R&D Project to Improve the Function and Security of Products	406	80.9	428	85.2	386	76.8
Provide Special Groups of Employees with Equal Treatment and Opportunities	465	92.6	374	74.5	339	67.5
Provide Special Groups of Employees with Substantial Assistances on Their Living and Progress	452	90.0	376	74.9	340	67.7
Provide Support to Economic Development of Local Community	389	77.5	337	67.2	330	65.7
Participate and Support the Development of Public Causes such as Education, Health Care	439	87.5	351	69.9	316	63.0

4 COMPARITIONS

How to compare the CSR identifications of Chinese enterprise managers with those from other countries is of problematic due to questionnaire differences. What we had tried was to find out CSR research articles with similar survey questions or similar construction of concepts and questionnaire, and then made rough comparisons between the survey results we got and the data from other researchers.

The data from US, French and German consumers in Table 11 were collected by Isabelle Maignan and O.C. Ferrell.¹ The questionnaire Maignan and Ferrell designed was also based on the CSR concept and construct given by Carroll, that was, defining CSR from perspectives of both four components and stakeholders. The items in their questionnaire were such as: I believe that businesses must (a) maximize profits (economic responsibility), (b) refrain from bending the law even if this helps improve performance (legal responsibility), (c) avoid layoffs (responsibility toward employees), and (d) help improve the quality of life in our community (responsibility toward the community), which were similar to this research.

¹ Isabelle Maignan, O.C. Ferrell. Nature of corporate responsibilities, Perspectives from American, French, and German Consumers. *Journal of Business Research* 56 (2003) 55–67.

Table 11: Comparisons among CSR Identifications: US, France, Germany and China

		Consumers			Public	Enterprises/Managers
		US	France	Germany	China	China
SAMPLES		145	169	94	1001	502
SCALE		7-point			5-point	
MEAN 4-Component CSR	ECO	5.42	4.56	4.43	4.1450	4.3518
	LEG	5.52	5.58	5.32	4.5369	4.6556
	ETH	5.12	5.35	5.55	3.9957	4.1294
	PHI	4.43	4.86	4.86	3.6692	3.7737
MEAN CSR toward Stakeholders	EMP	4.51	6.10	5.56	4.3699	4.2976
	CUS	5.71	6.29	6.16	4.4770	4.5403
	INV	4.99	3.64	3.30	4.4145	4.5484
	COM	4.94	4.61	4.70	3.7627	3.9694

After switching the 7-point Likert scale data collected from US, France and Germany into 5-point scale, a rough comparison could be made. The results showed that: (1) both Chinese public and Chinese enterprise managers had higher identification of economic, legal, ethical, philanthropic responsibilities than consumers from US, France and Germany; (2) for 4 components of CSR, both Chinese public and enterprise managers gave the highest identifications to legal responsibility, followed by economic responsibility, ethical responsibility and philanthropic responsibility. The compositor given by Chinese was the same as US consumers, but different from French and German consumers; (3) both Chinese public and enterprise managers had higher identifications of responsibilities toward employees, consumers, investor and communities than consumers from US, France and Germany; (4) among CSR toward stakeholders, Chinese public gave the highest identifications to responsibility toward consumers, which is the same as consumers from US, France and Germany. However, Chinese enterprise managers gave the highest identifications to responsibility toward investors, though the difference between identifications on responsibility toward investors and consumers was not significant; (5) Chinese emphasized more on responsibility toward employees, which was similar to French and German, not American. (See Figure 1 and 2.)

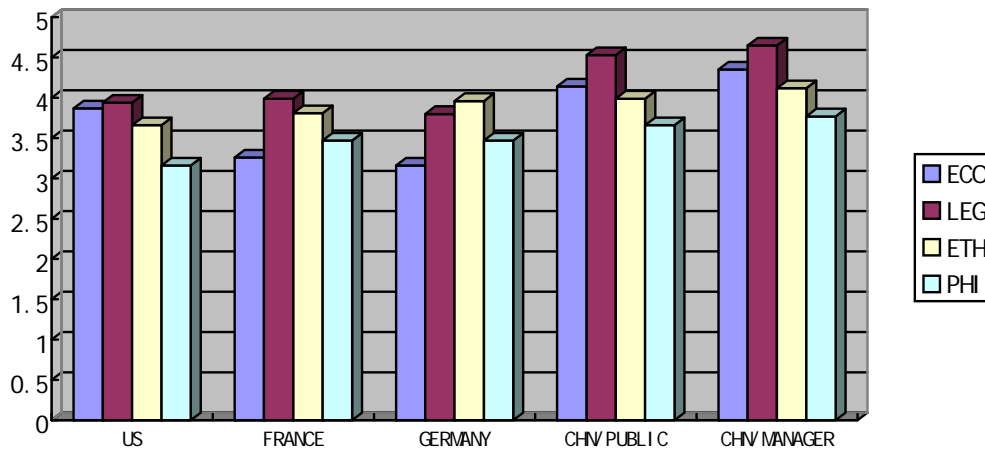


Figure 1: Comparisons on 4-Component CSR Identification: US, France, Germany and China

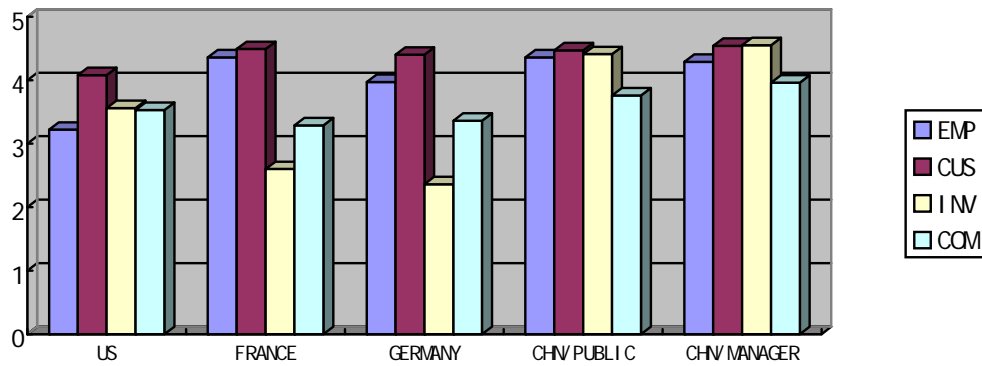


Figure 2: Comparisons on CSR Identification from the Stakeholders' Perspective:
US, France, Germany and China

The data from Malaysia and Singapore in Table 12 were collected by Bala Ramasamy and Hung Woan Ting¹. In the survey, Ramasamy and Ting gave eight questions to managers from Malaysia and Singapore for investigating their CSR awareness and activities: (a) Are there CSR activities? (b) Are CSR activities directly relevant to your job description? (c) Is CSR specified in company objectives? (d) Are there personnel with a dedicated CSR responsibility? (e) Is there a commitment to CSR donations? (f) Are there published criteria for external funding requests? (g) Is there a formal CSR review or evaluation? (h) Is CSR embedded within company

¹ Bala Ramasamy and Hung Woan Ting: A Comparative Analysis of Corporate Social Responsibility Awareness. JCC 13, Spring 2004.

culture? Among the eight, We selected three: (a), (e), and (h), to compare with the data from similar questions in Table 10.

The results of comparisons showed that: (1) comparing with enterprises of Malaysia and Singapore, more Chinese enterprises donated to the society; (2) comparing with enterprises of Malaysia and Singapore, more Chinese enterprises engaged in CSR activities; (3) comparing with enterprises of Malaysia and Singapore, more Chinese enterprises thought the CSR activities were taken consciously in accordance with the enterprise culture.

Table 12: CSR Activity Comparison: Malaysia, Singapore and China

QUESTION	Malaysia			Singapore			China		
	Total	Yes	%	Total	Yes	%	Total	Yes	%
Is there a commitment to CSR donations?	27	5	18.5	45	16	35.6			
Donations to society (2004)							502	355	70.7
Are there CSR activities?	27	17	63.0	46	39	84.8			
Is CSR embedded within company culture?	29	15	51.7	45	26	57.8			
Participate and Support the Development of Public Causes such as Education, Health Care							502	439	87.5
The CSR project is accord with Enterprise Culture							502	351	69.9
The CSR project is not compelled by outside Forces							502	316	63.0

5 DISCUSSION

The statistics and the comparisons showed above leads to two issues: Is it the real CSR cognitive level of Chinese enterprises? How to interpret the contrast between the CSR cognitive level of Chinese enterprises and their actual CSR performance showing to the world?

Concerning the first issue, three points of view are presented after examination of the samples and statistics. Firstly, social desirability would falsely increase the absolute cognitive level of CSR, but the fact that there were significant differences among the identifications of different CSR types indicates that statistical results of the survey were able to reflect the relative cognitive level of different CSR types. Secondly, the sample enterprises are located in Zhejiang Province, which is one of the regions that have the most developed economy and the highest level of

internationalization; therefore, the identifications of the Zhejiang enterprises to CSR may be higher than the average level of all the Chinese enterprises. Also, all the sample enterprises are from above designated scale, 84.7% of which have the characteristics of growth stage and mature stage, and the enterprises with the characteristics of decline stage account for only 12.7%. When it comes to the small or micro-sized enterprises and enterprises having difficulty in surviving, the identifications of CSR would be below average, the cases of CSR deficiency are more likely to happen in such enterprises. Thirdly, it was the executives who finished the questionnaires for enterprises, so it might be a realistic reflection that the top managers of Chinese enterprises have a higher CSR cognitive level. Through the follow-up interviews with entrepreneurs and senior managers, we could conclude the main reasons for the third argument:

Intrinsic consciousness. It is found that some specific consciousness that the entrepreneurs and senior managers have had on the context of Chinese culture would be helpful in identifying CSR.

- **Consciousness of appreciation.** The development of vast majority of enterprises, especially private enterprises, is benefit from the government's reform and opening-up policy and support policies for SMEs, thus, they are eternally grateful, and willing to actively respond to the government's calls and hints, to support social undertakings and charity needs.
- **Consciousness of “GuanXi”.** "GuanXi" orientation is still one of the major features of Chinese society, and the enterprises also attach much importance to the role of various "GuanXi" in the enterprise development. Therefore, the enterprise pursuing sustainable development could abide by the rules when dealing with general stakeholders such as shareholders, consumers and employees, and especially follow the government's intentions in the relationship with this special organization. Moreover, they even pay more attention to subsidizing to local community and vulnerable groups to dispel "mentality of envying the rich" of average public.
- **Consciousness of mission.** The long-term education of socialism and modern Chinese history makes the older generation of entrepreneurs have a strong sense of mission to the country and the people; the younger generations, who undergo the best period of the development in Chinese history, have stronger ambitions to catch up with the development of the world. So, in general, they have more willingness than ordinary people to make contributions to the development of the nation and industry.

External shocks. China's reform and opening up encountered the rapid development of economic globalization, therefore Chinese enterprises and products, characterized by cheap labor costs, have been challenged by a series of severe test at the initial stage in entering the international market. On one hand, as a link of multinational companies' supply chain, they have to get accredited by a variety of international standards and comply with production rules of specific multinational

companies. On the other hand, as exporters to the developed countries, they must also follow the standards on technique, environment and labor of the importing countries. Though some enterprises are more inclined to regard various barriers in standards encountered in exporting as the importing countries' policy of trade protectionism and go against it, but such shocks eventually make most Chinese enterprises recognize that well-developed society have higher demands and expectations on products and the behavior of enterprises, so it is the prerequisite for the enterprises to actively response to these demands and meet the expectations in order to win the order and market. Therefore, in the process of expansion to international market, Chinese enterprises begin to learn the modern concept of CSR, which simultaneously insist economic, social, environmental triple bottom line and responsible for all stakeholders and try to understand it from the perspective of enterprise management and development.

Concerning the second issue, the development stage China is experiencing, some particularly institutional and cultural context might be the main causes for the great contrast between the enterprises' cognitive level of CSR and their actual behavior.

Over-supply in unskilled labor market deteriorated the labor-industrial relations. Due to extremely uneven development between urban and rural areas and extreme surplus of rural labors, the unskilled and low-skilled labor market in China has some significant features: first, the excessive supply; second, the opportunity cost of supply-side goes close to zero; third, compared to the elder generation, the younger ones who lack skills have an much stronger expectations on wages, jobs, working condition and spare time life, but are very reluctant to be disciplined. The supply and demand situation in accordance with the first and the second features is that the enterprises with 40-hour work schedule per week would don't have equivalent competitiveness as the ones with 48 hours or even 72 hours per week in attracting workers; and the situation in line with the third feature is that the enterprises requiring their employees to sign fixed-term labor contracts might not have equivalent attractiveness compared with the enterprises that have no requirements. If that is the case, enterprises with stronger CSR sense would have disadvantages in the competition of unskilled and low-skilled labor market. Therefore, for a long period of time, the vast majority of them were driven to compete to the legal and moral bottom of labor-industrial relations.

The government performance assessment system oriented by economic growth leaves enterprise behavior unconstrained. In recent years, the central government and some local governments have been making certain efforts in promoting CSR in China. However, since reform and opening-up policy taking effect, generally speaking, the government has been indifferent to CSR. Since the government's performance assessment system and the promotion of officials has been taking the economic growth as the main target, all governments in the hierarchy would like to the pursuit of GDP growth under the impact of this government's basic orientation. To this end, the local government enjoyed in carrying out a variety of preferential policies to attract investment projects for GDP growth while turning a

blind eye to illegal labor using, pollution emissions, fake and shoddy products making and infringement of intellectual property rights in local enterprises.

Some traditional consciousness separates business conduct and CSR behavior. In a considerable portion of Chinese people's mind, business conduct and CSR behavior are completely separated: the criterion for doing business is making money, and the way to shoulder social responsibility is donating money. For making money, they believe in "No businessman is scrupulous", "no fraud, no business"; for donating money, they despise the "cause-related marketing", and regard any charitable donations and activities that associated directly with enterprise sales as "hypocritical shows". These consciousness and perceptions not only deeply affect the enterprises and the society on their judgment about business operation behaviors; also reject the strategic thinking of integration of CSR activities and business operations. Some enterprise "philanthropist" who are "enthusiastic" donors, but disregard the law and ethics, and ignore the interests of employees, customers, investors, cooperators, to some extent, are also the product of these subtle consciousness.

6. SUGGESTION

In view of above analysis, we conclude that a considerable portion of Chinese enterprises have already had a good sense of CSR and behavior. However, the cases of CSR deficiency are still common under the existing circumstance of Chinese economy and society. In order to pursue a healthy development of CSR in China, the following three pair of concepts should be taken into serious consideration.

Enterprise responsibility and government responsibility. Milton Friedman pointed out: "there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays with the rules of the game, which is to say, engages in open and free competition without deception or fraud."¹ He objected to take charities as responsibility of the enterprises, but he never denied an enterprise's legal and ethical duty, and put the legal duty and ethical responsibility as a prerequisite for economic responsibility and the bottom line of corporate existence and operation. This is a basic cognition. However, no one can expect any enterprise to fulfill their legal duty while others go against law in a competitive market, unless the government enforces the law strictly. Therefore, it is the premise to require enterprises "adhering to all regulations" that the enforcement of government duty has already been in place. Similarly, to require the enterprise to "assert ethical leadership", the orientation of government's policy and behavior must tally with the ethical norm of the society firstly. Otherwise, it is difficult for enterprise to take ethics into account in the relationship of enterprise and its stakeholders,.

Enterprise responsibility and social expectations. In accordance with the "social response" theory, corporate social responsibility is corporations' response to

¹ Friedman. M. (1970), "The social responsibility of business is to increase its profit". New York Times Magazine, Vol. 33, 30 September, pp.122-5

the expectations of society. The CSR level of one country is directly related to the entire expectations of whole society to enterprises. If the public identification of CSR were lower than the enterprise identification, progress in CSR would lose a direct impetus. If the public perception of CSR were incomplete or biased, it would be prone to distort business behavior. When it is happening that an enterprise increases its attention and input to charity while neglecting the most basic responsibilities toward customers, employees, investors and partners, the business activities would consequently be subject to failure and CSR activities would be difficult to sustain. Therefore, to promote enterprise fulfilling their social responsibilities comprehensively and accurately, there is an urgent need of correct interpretation and promotion of CSR by the visionary people and the government, so that reasonable social expectations could be formed on the right perception of CSR.

Enterprise responsibility and enterprise capacity. The process that enterprises fulfill their social responsibility is one of both concept implementation and resource deployment. As to the former process, it requires a strong executive ability, that is through the enforcement of specific management measures, including the Total Quality Management, equipment management, safety management, environmental management, human resources management, investor relations management, customer relationship management, supply chain management, etc, to carry out and upgrade the sense of enterprise responsibility for environment, suppliers, products, consumers, employees and communities from different aspects. As to the latter process, a strong strategic planning capacity is required, that is, the enterprises could not make effective use of enterprise resources and undertake social responsibility comprehensively until CSR is integrated into the enterprise strategy.

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