

Chapter 2

CSR Management

In recent years, as the meaning of CSR constantly expanded, the interrelationship among CSR, corporate strategy and sustainable development of corporations has been found. Under the influence of the ideas of social responsibility, significant changes in strategic management, cultural management and corporate governance have taken place. At the same time, corporations are putting more emphasis on CSR practice and management. In the form of compliance management and taking responsibility for stakeholders, social responsibility practice is developing vigorously, and the promoting mechanism of social responsibility has been developed and improved.

2.1 Strategic Management of CSR

With the promoting awareness of CSR, it has been found CSR is far from a cost, a constraint, or a charitable act, but a source of opportunities, innovation and competitive advantages. Implementations of good social responsibility make the corporation obtain more materials and human resources to gain a favorable social image and realize the corporation's long-term interests. On this basis, CSR management has been elevated to the level of the corporate development strategy, are emerging and developing constantly.

2.1.1 Corporate Strategy, Sustainable Development and CSR

2.1.1.1 Corporate Strategy and CSR

In 1938, Chester Barnard introduced the concept of strategy into the fields of economics and management for the first time, and analyzed the factors that influence the development of corporations and their relationship in his book *The Functions of the Executive*. Kenneth R. Andrews defined strategy as a model on

the principles, objectives, targets and major policies and plans to achieve these goals. By this way, strategy defined the business that corporation currently engaged in and would invest, and defined the current type of the corporation and what type the corporation would become. Michael Porter summarized the meaning of the strategy: the strategy is to create a unique and favorable position, covering a variety of different business activities. He further noted that the essence of strategy existed in business activities, such as selecting different business activities from their competitors, selecting different modes of business from their competitors and so on. Current opinions on strategy emphasize business differentiation and core competence of corporate resources. They all hold the argument that with mission and purpose of the corporations, their competitive advantages and core competences work together to achieve the sustainable development of corporations.

With the development of economy and society, people are paying more and more attention to CSR, and the contents of CSR are constantly expanding and extending as well. The influence of social responsibilities on corporate strategic development objectives and business decisions is growing at the same time. Business managers realize the role of CSR on the competitiveness of corporations and set out to fulfill their social responsibilities. IBM Institute of business value conducted a global survey on 250 business executives, which found that many corporations had already realized the importance of CSR and put it into practice. 68 percent of corporations took CSR as a platform to make use of opportunities and growth. That is, most corporate managers are starting to regard CSR as a sustainable growth strategy (Pohle and Hittner 2008).

There are three main approaches that strategic CSR switched to the competitive advantages. First of all, corporations fulfill their social responsibilities through strategic charities and innovations of value chain activities, such as products, service and technology innovations. In this way, these corporations will enhance innovation abilities and obtain differential advantages. Secondly, strategic CSR stress the interests of all stakeholders. Through taking responsibilities for internal and external stakeholders, corporations can improve stakeholders' satisfaction, internal staffs' enthusiasm and external consumer loyalty. They will gain organization capitals, including more trusts and positive corporate images, so as to obtain a sustainable competitive advantage (Barney 1991). Finally, strategic CSR can also avoid disadvantages in the market competition because the negative impact of corporate value chain activities will be reduced. These approaches are shown in Fig. 2.1.

According to it, the author holds the opinion that the strategic CSR is some corporate social responsibility actions, which makes social interests consistent with economic interests by the means of strategic charitable behaviors, responsibilities for stakeholders, decreasing negative effects of value chain activities, some key social factors to make investments in the competition environment and value chain innovation activities such as innovations of products or service, technology and process innovation.

Taking strategic CSR is the process that the corporation integrates social responsibility strategies into the long-term development strategies through

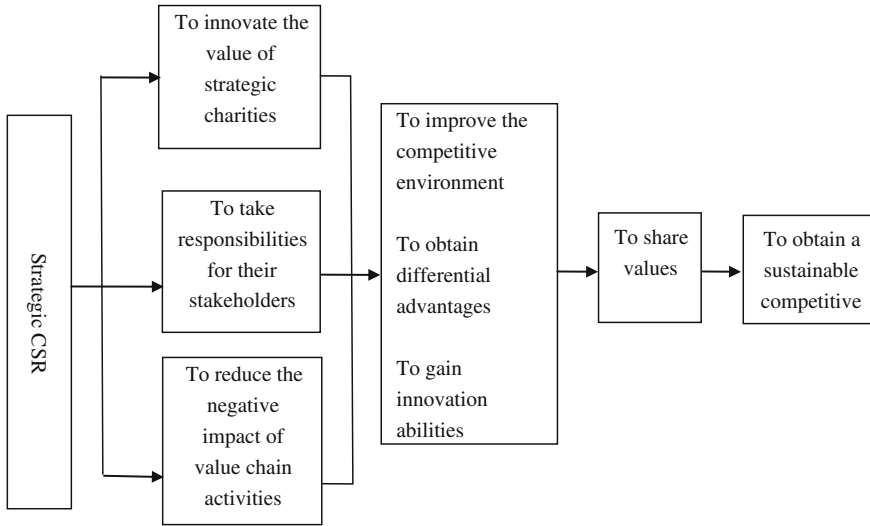


Fig. 2.1 Strategic CSR and competitive advantages

planning. Performing strategic CSR is also a process of creating the value both of the corporation and of the society. It is not only an investment on social morality, but also an investment on competitive factors and cultivation of innovative competence that introduces more enduring competitive advantages.

2.1.1.2 Sustainable Development and CSR

With the accelerating process of globalization, the changing attitudes of the public and the improving society, some major changes have taken place in external environment and internal conditions of the corporation, which the attitudes towards social responsibilities also transfer from disobedience to the sustainable development, which is characterized as a system of morality, the sustainable development and economic, ecological and social judgments.

The concept of the sustainable development is proposed by Gro Harlem Brundtland, the Norwegian Prime Minister, at the United Nations World Commission on Environment and Development report “Our Common Future” presented in 1987. She gave a definition of the sustainable development that it met the needs of contemporary people without threats on the ability of future generations to meet their needs against development. The sustainable development mainly contains social, ecological and economic sustainable development.

Through fulfilling the social responsibilities, corporations form benign interactions among business, government and society, so as to create a promising market and win favorable external environment for the sustainable development. Therefore, CSR is an important way to achieve corporate sustainable development.

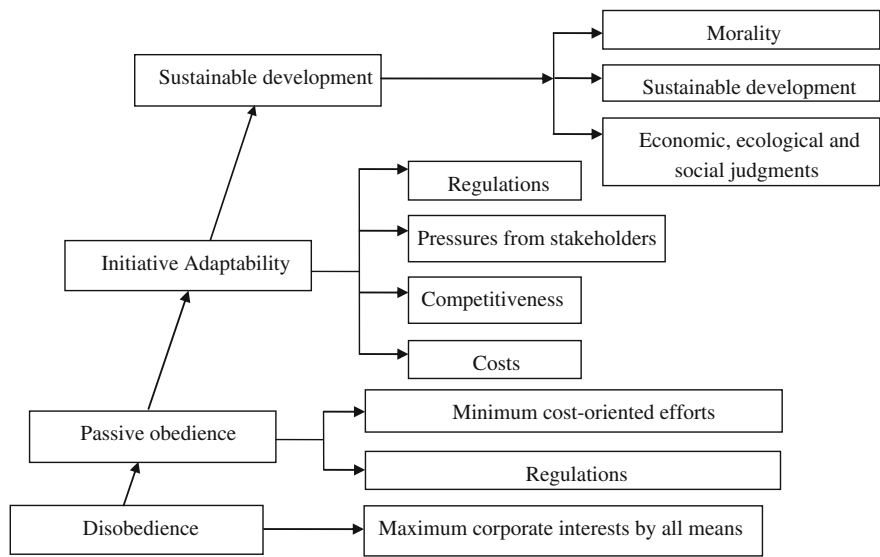


Fig. 2.2 Development stages of CSR

And it is also an inevitable choice of the corporate sustainable development strategy.

Figure 2.2 shows the different stages of the CSR attitudes. It can be found that CSR have been incorporated into the corporate strategy.

2.1.2 Social Contracts and CSR

2.1.2.1 Social Contracts

Institutional economics proposes that institution is a restriction mechanism to define people’s relationship. All the institutional arrangements are mixtures of explicit and implicit contracts. As an effective supplement of explicit contracts, implicit contracts should be taken into consideration. Corporation arrangements of institutions are integral parts of the social system and the carriers of stakeholders’ explicit and implicit contracts.

Donaldson and Dunfee called all the forms of contracts between the corporation and its stakeholder’s integrative social contract. The theory of integrative social contract proposes that the corporation gains legitimacy by establishing a social contract with the society. Such contract is not entirely a formal written contract, but an informal agreement on codes of conduct coming from the common objectives, concepts and attitudes of the population or the community. Specifically, it includes three levels:

1. Super standard level. 'Super Standard' is used to evaluate lower level of moral values and basic principles, whose content is general rules of fundamental ethical requirements in human society or most religions. 'Super Standard' is the most basic value requirements and the representative of corporate social ethics.
2. Diversity level. Because of cultural, historical and institutional differences, requirements of corporate social contracts for their social responsibilities distinguish in different countries and districts.
3. Operation level. The contents of CSR distinguish with each other because of the different requirements of industries and corporations themselves.

As an individual of the community, the corporation has an implicit contract, and the core content is CSR based on corporate ethics. Ignoring these implicit contracts of corporate social responsibility, it will result in the wrong concept of corporate responsibility.

2.1.2.2 Corporate Governance and CSR

Conventional thinking believes that corporate governance is a mechanism that reasonably balances the relationship between rights and responsibilities of owners and managers through institutional arrangement. Its objective is to make sure the interests of shareholders have been maximized without deviations. However, this view still has a lot of limitations.

It is essential for the corporate finance of the further development. According to theory of western superior financing order, the corporation generally finance internally. Then they are likely to issue bonds and finally make use of equity financing. In the era of knowledge-based economy, the corporation is actually a combination of a variety of capital, referring to the special contract of financial capital, human resource capital, market capital and social capital. Secondly, as the stakeholder theory raises and develops, it can be found that shareholders are always just a part of the stakeholders and other stakeholders also have to take a number of business risks, no matter how much the proportion of equity in the corporate capital structure. In practice, every economic stakeholder is bound to be constrained by other economic stakeholders in the pursuit of their own interests. Therefore, they cannot expand and violate into the interests of other economic stakeholders without any limits. Otherwise, the terms of the contracts will be damaged, the corporation will be restructured, new contracts will be signed, and new stakeholders will emerge.

Therefore, interests of shareholders should not become the only issue of concern. "Shareholder orientation theory" is just a lower development level of "corporate governance theory". However, maximization of stakeholders' value is the dominant objective of corporate governance. The corporation is a federation of contracts. While creating profits and taking responsibilities for their shareholders, the corporation also has to take social responsibilities for their employees, consumers, communities and natural environments, which requires the traditional

corporate governance model to be transferred into new one based on social responsibilities. At the same time, from the perspective of CSR implementation, it needed to reform the traditional shareholder-oriented corporate governance structure as well. Institutional arrangements of stakeholders-oriented corporate governance should be conducted to absorb their stakeholders into the corporate governance.

In fact, some relevant empirical researches agreed that there is a relationship between corporate governance and implementations of CSR. From the perspective of corporate governance, CSR and reorganizations, we can divide corporate governance systems of European corporation into internal and external corporate governance modes. Some researchers indicate that the internal corporate governance have higher degree of social responsibilities because of the active employees' participation, as Germany and France. Otherwise, due to the more market controls, frequent hostile take-over(s) and the lack of employees' participation, the external corporate governance have lower degree of social responsibilities, as British and Ireland.

In the generation and development process of corporate governance and CSR, there are some commons in the historical origins and of the origin and symbiosis of development. Because both corporate governance and CSR generate from modern corporation, and they all contribute to the stakeholder theory and implementation practices. In summary, corporate governance and social responsibilities complement each other.

Corporate governance is an important way to put CSR into practice. And social responsibilities can promote corporate governance to be more effective and favorable. As a result, it is necessary for the corporation to take social responsibilities if the effective corporate governance is pursued.

2.1.3 Entrepreneurs, Corporate Culture and CSR

2.1.3.1 Entrepreneurs and CSR

Businessmen were regarded as the subject of CSR. Until 1960s, the study of social responsibility practice has extended into the corporation. Bowen, clearly pointed out that businessmen should take social responsibilities in his book, *Social responsibilities of businessmen*. Modern scholars generally believe that entrepreneurs as important decision makers of the corporation have inescapable responsibilities in the business activities. Therefore, they should become the social responsibility performers as the government and the public expected. Entrepreneurs' social responsibilities are not only their personal responsibilities for the society, but also a manifestation of CSR in entrepreneurs that are personified.

With the increasing consciousness of social responsibility, more and more the corporation and entrepreneurs take social responsibilities proactively and solve social problems actively. Bell Ford, Chairman of Ford Motor said that in addition

to producing products of high quality and providing good services, a great corporation will make our world better and happier.

The corporation and entrepreneurs take social responsibilities by the major means of donations and charitable activities. A win-win relationship between the corporation and the society can be established to make the corporation develop with the society through donations, charities and participations in social public affairs management. For instance, Chen Guang-biao, Chairman of Jiangsu Huangpu Recycling Resources Co. Ltd., has donated more than 810 million RMB for 10 years, and he went to Japan with 12 people to make donations for Japan 9-magnitude earthquake in 2011. He and his corporations have been well-known for the glory of “National earthquake relief model” and “China first philanthropist” in the world.

2.1.3.2 Corporate Culture and CSR

Generally speaking, corporate culture is the shared value for all employees which is generated and delivered in the long-term business activities. Corporate culture is able to unite employees by a sense of belonging, enthusiasm and creativity. Due to their unique corporate cultures, Fortune 500 corporations are capable to make some differences. For example, corporate culture of General Electric advocates “integrity, performance and change”. Wal-Mart’s corporate culture adheres to “respect for the individual, service to the customer and strive for excellence”. And Nokia proposes “put science & tech on top, make people in origin”.

When the CSR concept is integrated into the corporate strategy, it must ensure the fusion of CSR behaviors and their value orientations. However, in order to reach this target, it is necessary to establish a corporate culture of CSR, making it one of the core values among the corporate hierarchy. As an important part of corporate culture, CSR are blended into it through the recognition of CSR behaviors, which is time-consuming to be formed. It is shown in Fig. 2.3.

In order to achieve the integration of CSR strategy and corporate culture, corporate must establish an agreement on actions of CSR among the corporate hierarchies, and form an awareness of corporate citizens. Meanwhile, the behaviors of social responsibilities should become one of the corporate value orientations, which can be blended into the corporate culture. However, the integration process is such a gradual procedure that the long-term input and systematic planning are needed. There are four aspects should be taken into consideration.

1. Thinking approaches of the integration. Participatory social responsibility management should dominate in the process, combining constrained responsibility management.
2. Management of social responsibility awareness, including the strategic planning of CSR, the construction of CSR vision and social responsibility training.
3. Management of social responsibility recognition, aiming at making the employee personal goals consistent with business objectives. Meanwhile, the

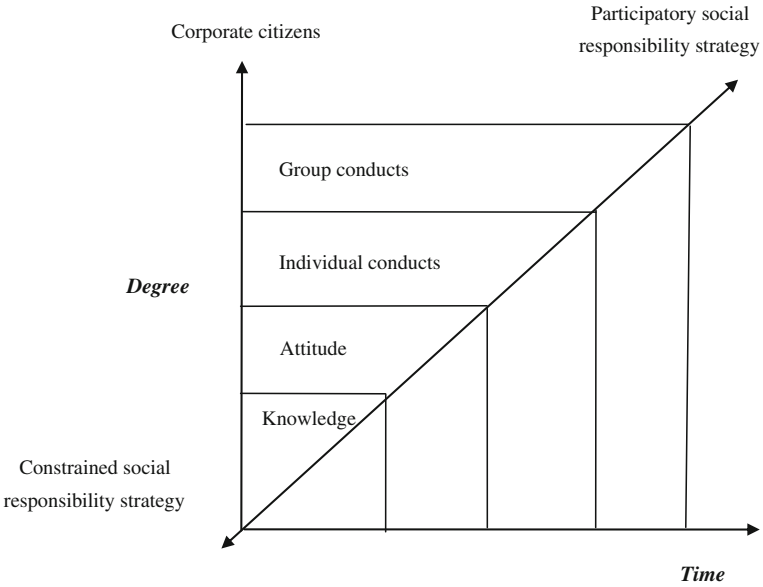


Fig. 2.3 The process of CSR behaviors.

effective management enables their employees to fully participate in management decisions and the discussions of regulations and routines.

4. Management and reinforcement of social responsibility behaviors. The performance of social responsibility system depends on two aspects. For one thing, specific and practical regulations, a reasonable organization structure and identified responsibilities are necessary. Therefore, through job analyses and an effective organization structure, corporations should guarantee the implementation of individual social responsibility practices, keep internal and external communication channels and verification channels available, and ensure the organization regulations coordinate with the goals of social responsibilities. For another thing, regulation constraints should be reinforced. Since the regulations have been proposed and implemented, it is significant to maintain them serious and normative.

2.2 CSR Practices

It is necessary for corporation to make a great number of efforts to put CSR into practice conscientiously. First of all, corporations must be law-abiding. Secondly, corporations also need to fulfill their social responsibilities of stakeholders,

including communications of responsibilities and various responsibility practices of employees, consumers and other stakeholders.

2.2.1 Compliance

2.2.1.1 Compliance Management

In a narrow sense, compliance refers to abiding by laws and regulations. Meanwhile, in a broad sense, its meaning expands to compliance with social conscience, business ethics, social regulations and other rules and routines. So some specific measures should be taken by these corporations.

1. Corporations need to determine which laws and regulations should be followed. Then it is needed to identify the communication channels, through which the information can be conveyed to employees exactly. At last, corporations should monitor the performance of employees and improve the management system. It is the foundation to identify the related laws and regulations to comply with. In General, government laws and regulations must be observed by corporations. At the same time, there are various social rules and social morality, some of which are widely accepted, but some are determined by specific situations of corporations. So corporations have to make decisions under the condition of normal operations.
2. It is also an important part to deliver the sense of legitimate and regulatory compliance to their staffs. The corporation may develop a code of conduct to constrain their staffs directly. Combining some related moral education in depth, corporations make their employees truly understand the significance of legitimate and regulatory compliance and how to adhere to these regulations.
3. In order to ensure legal compliance, corporations need to build a prevention system, periodic inspection, supervision, punishment on abuses, and rewards for exceptional performers. Combining with the causes of irregularities it will promote the culture of legal compliance and improve the measures of management system.

In order to advance the compliance practice, it is necessary to set up some relevant departments so as to sort out the laws, regulations and social rules, deliver the compliance logic, and monitor and take control of the progress. If the corporation has a large scale of business, it must integrate other effective management approaches when relying on a department. For example, corporations are likely to encourage their business partners to concern about the legality of the corporate practices.

2.2.1.2 Anti-corruption and Anti-commercial Bribery

Anti-corruption and anti-commercial bribery are important components of the corporate compliance practice. Corruption refers to the behaviors of personnel in governments, corporation and other social organizations, who abuse their power for personal gains. It will cause some breaches of fiduciary obligations and damages for the public interest. As the major and representative corruption activity in the business, commercial bribery is able to achieve some transactions that are difficult or impossible to gain in a fair competition through providing or promising some interests to their partners or their agents.

Corruption and commercial bribery disturb the socioeconomic order, damage for public interests, and have a serious negative impact on social justice. Corruption and commercial bribery deviate from the logic of CSR. Given exposure, it will bring several serious consequences to the corporations, such as corporate social image damages, changes in the relationship between corporations, governments and customers. Thus, corporations should pay attention to the management of anti-corruption and anti-commercial bribery.

Corporations may control the source, which means that some relevant education and trainings of laws and regulations have to be taken for their managers and employees to resist corruption and commercial bribery consciously. Meanwhile, corporations should also set up the relevant mechanisms to prevent the occurrence of such events. In the key procedures, where corruption and commercial bribery are likely to emerge, mechanisms of supervision, regular or irregular inspection, control and punishments are essential to be established. It is really a good way to widening the internal and external reporting channels as well.

2.2.2 Communications of Responsibilities

Corporate communications of social responsibilities are important parts of CSR practices. Specifically, internal and external information communications of social responsibilities are the guarantees of CSR practices and rewards.

Within the corporation, employees are the performers of the corporate strategies. CSR has become corporate consensus through responsibility communications. Outside the corporation, if the stakeholders do not know the policies and activities of CSR, the corporation will not be able to benefit from social responsibilities. By the means of information publication, the policies and activities of CSR are able to improve stakeholder satisfaction and participation, so as to earn more profits and reach the corporate strategic objectives.

There are a variety of communication channels of CSR, such as CSR reports, bulletins, publications, media, official websites, training and education, meetings, visits, press conferences and so on. According to the means of communications, they can be categorized into one-way communications and two-way communications. As one of the most important one-way communication channels of CSR, the CSR report

is so comprehensive and systematic that it contains a summary of CSR concepts, strategies and approaches, direct and indirect impacts on economy and society, and achievements and shortcomings of the performances. At the same time, it should be revealed to their stakeholders. The CSR report has poor time-efficiency because it is published once a year. In comparison, the time-efficiency of bulletins and publications is better, but the number of stakeholder audience, such as investors, employees, is limited.

Internal communications have significant influences on the performance of CSR practices. Various internal communication platforms should be established to ensure the communications smooth. Corporations can take advantages of official websites to make communications of social responsibilities with their employees. Due to the wide coverage and convenience of Internet, it is easy for their staff to get the CSR information. Corporate publications, another effective way of internal CSR communications, deliver the principles of CSR and some news of related activities regularly. Face-to-face communication is a crucial internal communication platform. Employees may have a better understanding and of social responsibilities by the means of training and face-to-face communications.

Both the external communication contents and channels are different. And the main communication channels contain information disclosures on the official websites, financial reports, CSR reports, investor conferences, and media and so on. It is an effective approach to directly publish social responsibility information and get some feedbacks from their investors, consumers, governments, and other external stakeholders. The CSR report is more comprehensive. However, financial reports, investor conferences, and media have a narrow range of use. They can apply to certain stakeholders. For example, the investor conference is a specialized communication method of the corporation and its investors.

2.2.3 Practices Based on Stakeholders

The contents of CSR practices are so abundant that different stakeholders refer to different contents. In order to put CSR into practice as planned, corporations should identify the subjects of responsibilities, including the corporate headquarters, some corporations with the capital relationship or in the supply chain. Thanks to the corporate conditions, the subjects of responsibilities are not identical (Fig. 2.4).

2.2.3.1 Responsibilities for Shareholders

There are two aspects of responsibilities for shareholders.

1. Improve the corporate governance structure. Corporate governance structure is an institutional arrangement of rights distribution and restrictive relations

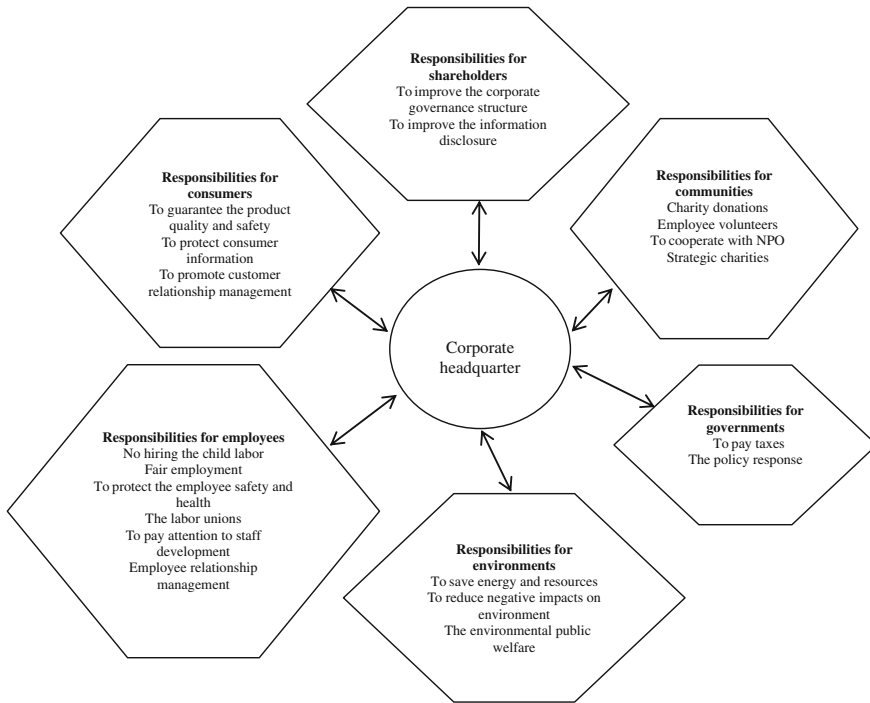


Fig. 2.4 Stakeholders based social responsibility practices *Source* Chen (2009)

among the relevant owners, Board of directors (BOD), senior managers and other stakeholders. One of the significant objectives of the governance structure is to prevent the deviation of business activities from shareholders' interests. Therefore, it is the most important approach to take responsibilities for shareholders through the corporate governance structure.

2. Improve the information disclosure. It is also an important way to take responsibilities for shareholders through the information disclosure system. Full disclosure of corporate decision makings and financial performances provides plenty of investment information for our shareholders timely and accurately. These corporations not only comply with the relevant regulations, but also lay the foundation of business owners and operators' activities, which have a significant influence on the long-term corporate development and the relationship between their shareholders and managers.

In order to improve the corporate governance structure, corporations may establish mechanisms of power balance and supervision, which contribute to scientific decision, on the base of relevant laws and regulations. In addition, corporations should also focus on the protection of minority shareholders' rights, avoiding major shareholders from violating the minorities' interests with their advantages.

Corporations should continuously improve the institution of information disclosure, clarifying the boundary, contents, disclosure procedures, responsibility distributions and confidential measures. Meanwhile, corporations should have robust communication channels between shareholders and managers, search for convenient and efficient communication methods and implement the institution of information disclosure strictly to guarantee the justice of the disclosure in a proactive attitude.

2.2.3.2 Responsibilities for Consumers

There are three aspects of responsibilities for consumers.

1. Guarantee the product quality and safety. Corporations benefit from providing consumers with products. If the products have some problems with their quality or safety, the corporation runs against the principle of fair market, its image may be damaged, and the loss outweighs the gain. Therefore, corporations should make every effort to ensure good product quality and safety through the awareness in the hearts of every employee, a great product quality management system and the crisis management system to achieve the continuous improvement of the quality with some products delighting their consumers.
2. Protect consumer information. If the information owned by the corporation is revealed, a great deal of harm is probably coursed to their consumers. In order to avoid such events taking place, corporations should focus on training of protection consciousness among staff, improvement of relevant internal systems, processes and the security of network systems.
3. Promote customer relationship management. Comparing with the former two aspects, the establishment of good customer relationship, which is difficultly noticeable, is a higher level of consumer responsibilities. In the customer-oriented market, unless the corporation builds up a good relationship with customers and increase customer satisfaction, it is going to discharge its duties. In order to promote customer relationship management, corporations should provide honest products information, put an end to fraudulent advertising, establish convenient hotlines and after-sales service system, deal with customer complaints and carry out questionnaires on the customer satisfaction. As a result, it may boost customer satisfaction, loyalty and corporate image. What's more, with a better understanding of customer complaints, corporations are inclined to develop their own competitive advantages through identifying their advantages and disadvantages.

2.2.3.3 Responsibilities for Employees

There are six aspects of responsibilities for employees

1. No hiring the child labor. The International Labor Organization states that the employment shall not be admitted before the compulsory education is completed, and the employees have to be more than 15 years old. In any cases, corporations should be committed to the basic human rights of children and minors, not hiring the children under the legal age.
2. Fair employment. It is not admitted to discriminate against the employees and violate their equal employment rights because of gender, race, nationality, physical conditions and so on. Given the same training and promotion opportunities, more competent employees should be hired and they are likely to be more productive.
3. Protect the employee safety and health. It is the basic responsibility of the corporations to protect the employee safety and health. Corporations should shape the corporate culture, raise the consciousness of employee safety, establish safe production regulations, improve the safety management system, and enhance the safety production. At the same time, labor protection facilities corporations, regular training programs on occupational health and advisory service are needed as well.
4. The labor unions. The labor union is so closely related to the staff that it may have some impacts on the major decisions of corporations as the representative of employees' interests. Corporations should learn what their staff care about and whether they have dilemmas through communications with labor unions. Then, corporate decisions should be made appropriately.
5. Pay attention to staff development. Corporations should develop substantially with the increasing employee satisfaction and labor skills. As a part of the corporation, staff development is suggested to be united with corporate development on the means of regular training programs, career development plans and reasonable promotion mechanism that will fulfill responsibilities for their employees.
6. Employee relationship management. Corporations should coordinate the relationships with their employees, establish a good working environment and enhance employee satisfaction through the communication channels and relevant regulations.

2.2.3.4 Responsibilities for Environments

Natural environment is the basic condition for corporate development. It is the social responsibility that must be taken to protect natural environment and develop in harmony with it. Therefore, the deteriorating environment has aroused wide concern of corporations.

1. Save energy and resources. Corporations should cultivate a sense of conservation in corporate culture, reduce energy consumption through updated equipment on the production, integrate the performance of saving into the evaluation indicators and design production processes reasonably during the operations.
2. Reduce negative impacts on environment. In the production process, pollutants management should be implemented to reduce air pollutants, water pollutants and carbon emissions. In the construction, the destruction of ecological environment must be prevented so as to avoid the losses that are hardly to be recovered. Meanwhile, some waste product recycling activities can be undertaken to minimize the environmental damage.
3. The environmental public welfare. In addition to responsibilities for production, corporations should also be proactive in public welfare to improve the ecological environment and enhance the awareness of environmental protection by their actions.

2.2.3.5 Responsibilities for Communities

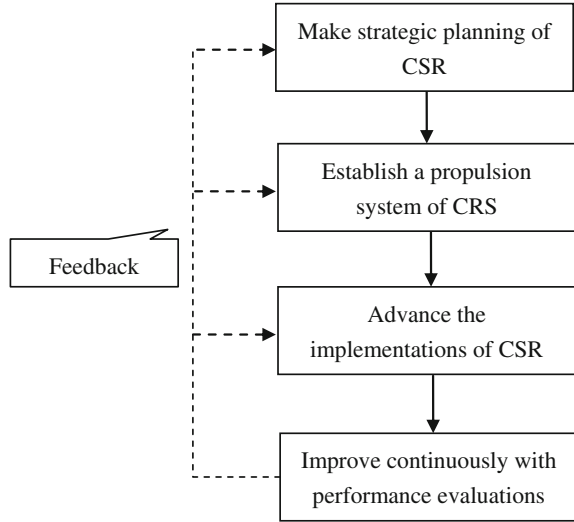
1. Charity donations. Charity donations mean that corporations give away their property voluntarily to someone who has no direct interests. As a major approach of CSR practices, it will boost the community development and enhance the corporate image. Therefore, corporations had better draw up a stable donation system to make the donation more effective.
2. Employee volunteers. It means that employees are involved in volunteer activities that contribute to mutual benefits between the communities. Corporations should support the activities of staff and provide a favorable environment for them.
3. Cooperate with NPO, referring to Non Profit Organization. It is also an important method. With the help of NPO, corporations are able to reduce the cost of CSR practices and make CSR activities more efficient.
4. Strategic charities. It refers to strategic investments in some fields that bring in the social and economic interests through the analysis and projects of corporations. Then, both the objective of the corporate strategy and social responsibilities will be realized in a win-win situation.

2.2.3.6 Responsibilities for Governments

There are two aspects of responsibilities for governments.

1. Pay taxes. Corporation should pay taxes to the government regularly in accordance with the law. Reasonable tax avoidance is available, but never to evade taxes.

Fig. 2.5 The flowchart of CSR practices. *Source* Chen (2009)



2. The policy response. If the policy is responded rapidly and implemented into business activities, corporations will be qualified social citizens with the abilities to adapt to the macro-economic environment.

2.3 Promoting Mechanism of CSR

It is a complex and long-term process to fulfill CSR., a promoting mechanism is required to be established to enhance the practices of CSR and integrate this logic into corporate culture. There are 4 stages to constructing the promoting mechanism, including strategic planning, a propulsion system of CRS management, implementations of social responsibilities and continuous improvement with performance evaluations. It is shown in Fig. 2.5.

2.3.1 Formulation of Strategic Planning

The improvement of corporate performance, the fundamental motivation of CSR practices, plays a strategic role in the business. Therefore, combining the overall strategy of corporations, strategic planning of CSR is in favor of the coordinative development between CSR practices and corporate profits. The process of making strategic planning is as follows.

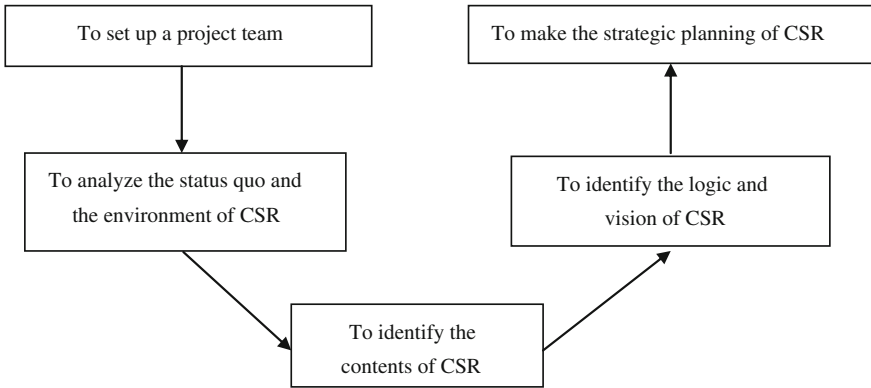


Fig. 2.6 The process of strategic making planning on CSR. *Source* Chen (2009)

1. Set up a project team. It is essential to build a project team of senior managers and professionals to ensure the strategic planning perform efficiently. At the same time, corporate leaders and all departments should pay attention to the project and give their supports when it is necessary.
2. Analyze the status quo and the environment of CSR. There are several main aspects of the analysis, including the fulfillment and existing problems of CSR practices, stakeholders' expectations and requirements. On the basis of analysis, the direction of CSR strategy and resources, which should be invested, will be identified. When analyzing the current situation of CSR practices, corporations should select right standards, compare the survey results, and find the key points in the formulation of strategy.
3. Identify the logic and contents of CSR. Combining the analysis of status quo and environments, corporate leaders need to figure out why they want to fulfill their social responsibilities, who are arranged to carry out CSR, what their CSR are and how to fulfill them. Consequently, corporations are likely to have their own logic of CSR with a clear understanding of these. Different CSR logics refer to different opinions on CSR contents, which is determined by industries and other environmental factors. So the responsibilities can be identified segmented at the macroscopic level. Then corporations will search for relevant laws and responsibilities for their stakeholders. At last, they should evaluate these contents of CSR and figure out their necessity and effects on the whole strategy of CSR.
4. Make the strategic planning. With the clarified CSR logic and contents, corporations are capable make a detailed strategic planning. Strategic planning contains 3 aspects. Firstly, it must be ensured that the fulfillment of CSR and implementation of the overall strategy should keep a balance. Next, the general objective, secondary objectives and specific strategic approaches on CSR practices. At last, corporations should develop appropriate indicators on every specific strategy to evaluate their performances (Fig. 2.6).

In the process of planning, corporations should carefully absorb internal and external stakeholders' expectations and suggestions to make the plan with the overall strategies. On the aspect of CSR contents, due to the limited resources and profitability, corporations do not have to focus on all the responsibilities but the priorities. Meanwhile, on the aspect of the implementation time, corporations should formulate long-term plans and promoting measures to make sure the CSR practices can be continued substantially.

2.3.2 Establishment of Organization Structure

The most important content of the organization structure establishment is to set up a propulsion system of CRS management, referring to the departments, personnel, management system, procedures and documents within the corporation. It plays a crucial role in coordinating and managing the CSR practices. What's more, it provides related supports and system guarantee to CSR management, mainly consisting of organizations and institutions.

In order to establish the propulsion system of CRS management, the organization construction and institution development are included. Four basic steps are as follows.

1. Set up a specialized department of CSR propulsion system. Due to the expansion and sustainability of CSR work, it is essential to establish a core department to put CSR into practice. And the specialized department of CSR propulsion system at corporate headquarters is inclined to accomplish the programs, coordinate the organizations and evaluate the performances, promoting CSR practices and strategy implementations.
2. Clarify the departments and personnel that bear the responsibilities. It means that there are certain departments and employees to carry out the logic and strategies of CSR in all the subsidiaries and departments. Generally speaking, the principal leaders in charge of these subsidiaries and departments should be the chief executives. Consequently, the organizations of CSR propulsion system have been made up of the specialized department at corporate headquarters and subordinate units. It is a crucial factor to make the CSR propulsion system function well. Because of the limited capabilities and influences, the implementation of CSR cannot be realized by a specialized department without their employees. As an important channel to convey the logic and strategy of CSR, the principal leaders will push CSR practices ahead within the corporation.
3. Build the promoting mechanism of CSR. Unless the relevant responsibilities, operation regulations and procedures are defined, CSR propulsion system will not perform effectively.
4. Construct the supervision and evaluation mechanisms of CSR. In order to ensure the CSR activities work efficiently, corporations need to monitor and evaluate the performances of CSR practices. So the construction of CSR

supervision and evaluation mechanisms is inevitable. The evaluation subjects of the mechanisms are performances, achievements and operations of CSR propulsion system. According to the supervision and evaluation reports, corporations may figure out the causes of problems, better implementation approaches, relevant institutions and personnel deficiencies.

There are some important points that should be paid attentions during the establishment of promoting mechanisms.

1. Identify the CSR propulsion departments. Corporations are inclined to set up CSR offices in existing relevant departments. However, it is a really complex process to put CSR into practice. Because it requires to grasp corporate information, coordinate departments within the corporation, and communicate with their external stakeholders regularly. Therefore, when selecting a CSR propulsion department, its competence should be taken into considerations, and a comprehensive analysis should be conducted so as to make appropriate decisions.
2. Establish coordination mechanisms of CSR department. The success of CSR practices heavily depends on the cooperation of departments and positions. Therefore, corporations should set up a favorable coordination mechanism of departments to facilitate CSR practices through the cooperation within the corporations. Relevant institutions and measures should be included. For example, corporations can authorize the CSR department to develop its regulations.
3. Strengthen the cultivation of CSR professional talents. Regardless of the CSR logic and strategies within the corporation, it cannot work without CSR professionals mastering relevant knowledge and skills. At the same time, CSR professionals are capable to make use of the limited resources more efficiently and create more revenues. Therefore, corporations should pay attention to CSR professionals and training programs, which cultivate compound talents with knowledge and skills of the core business and CSR management. They will contribute to a more effective profit mode with CSR.

2.3.3 The Promotion of Routine Work

2.3.3.1 The Establishment of Work Mechanism

It is the core of CSR promotion work to make the CSR work as routines and institutions. The CSR work mechanism contains planning management, execution management, performance management, communication management.

Based on the corporate strategy and CSR logic, CSR planning management is the process to identify management milestones, priorities and implementation strategies for the CSR practices.

CSR execution management refers to closed-loop management, including prior analysis, process supervision and post assessment, in the light of priorities of CSR work, annual plans and appropriate resource allocation. Aiming at the availability of resource inputs, it mainly covers the CSR annual budget, program approval, supervision and control of implementation process and evaluation of the execution results.

The key elements of CSR performance management are the performance evaluation index system, investigations of work performance, analysis and evaluations with indicators, diagnosis of existing problems and process improvement.

Communication management focused on communicating with corporate stakeholders in the form of conferences and CSR reports.

2.3.3.2 Priorities for CSR Promotion Work

Conduct CSR trainings in the corporation thoroughly. The logic, knowledge and significance of CSR should be spread among the senior and staff, facilitating their understanding of corporate regulations, strategies and practice capabilities.

1. Held joint conferences on CSR regularly. Social responsibility involves a wide range, covering all sectors and units. Joint conferences, taking supervisors into participation of discussions on CSR issues, not only encourage freedom of speech, but also enhance the communication and coordination between the CSR department and others.
2. Develop CSR strategies and codes of conduct. CSR strategies clarify the approaches and measures of CSR practices on the basis of CSR logic and corporate values. And the codes of conducts, including principles and approaches on the CSR work, actually specialize CSR objectives and provide a more direct guidance in detail to employees.
3. Build up CSR indicator system. CSR indicators refer to the foundation and criterions to reflect and measure the CSR practices and outcomes of the corporations, departments and employees. Without CSR indicators, the performances will not be evaluated exactly so as to diagnose problems and improve consistently.
4. Construct CSR communication mechanisms. Corporations have capabilities to deliver CSR performances, search for the expectations and requirements, and respond positively by the means of communications with their stakeholders. As a consequence, CSR practices are going to be more effective.

2.3.3.3 Evaluate and Improve CSR Performances

In order to find out whether the propulsion system of CRS management is effective, various plans and strategies have been carried out, or the performances of

corporations and stakeholders have been improved, the CSR performance evaluation is required.

Assessment objects are the outcomes and performances of departments and positions. Combining with daily inspections, evaluations should become a routine in the corporation.

There are four assessment methods: CSR indicator assessment, sampling inspection method, CSR accounting, and external assessment.

On the basis of the assessment results, corporations should improve the procedure as the following four steps.

1. Correct. Aiming at reducing the negative impacts, corporation must take measures to cope with the problems during the inspections as soon as possible.
2. Investigate causes. Corporations should find out causes of the problem, especially the major factors.
3. Take measures. In order to prevent the recurrence of such problems, it is necessary to eliminate the root causes of problems, make up for the deficiency, and rectify the institutions and mechanisms.
4. Make a complete and specific record on the above steps. Effective records management is an integral part of CSR propulsion system.

2.4 Summary

With the economic and social development, the contents of CSR constantly expanded. Meanwhile, corporate managers have recognized the important role of CSR on corporate competitiveness, such as facilitating the competitive environment and creating a differential advantage and innovation capabilities. Thus, CSR will be a source of corporate competitive advantages. On this basis, corporations begin to fulfill their CSR actively. And the concept of strategic CSR goes hand in hand. Strategic CSR activities are not only ethical investments, but also the investment on competitive elements and cultivation of innovation capabilities that bring in more sustainable competitive advantages. From a strategic perspective, attitudes towards CSR have transferred from disobedience in the beginning to the sense of sustainable development.

“Shareholder orientation theory” is just a lower development level of “corporate governance theory”. However, maximization of stakeholders’ value is the dominant objective of corporate governance. Corporations should commit to constructing a stakeholders-oriented corporate governance mode over a long term.

In order to integrate CSR into the corporate strategy system, corporations should set up corporate culture of CSR, and regard it as one of the core values among the hierarchies and an important component of corporate cultures. Combining participatory social responsibility management with constrained social responsibility management, the construction of CSR culture can be realized

through CSR awareness management, CSR recognition management and CSR behavior management.

CSR practices can be carried out as the following steps: compliance management, anti-corruption and anti-commercial bribery, internal and external communication and CSR practices for their stakeholders, including shareholders, customers, employees, environment, community and others.

The CSR practices require a promoting mechanism of CSR, including strategic planning, propulsion systems of CSR management, implementations of social responsibilities and continuous improvement with performance evaluations that provide some feedbacks for the previous decision makings.

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