



Best Practices

Corporate Social Responsibility in China

Many foreign companies are seeking to implement or expand corporate social responsibility (CSR) programs in China. The experiences of several leading multinational corporations (MNCs) with well-established and effective CSR programs there provide some important best practices.

Define clearly the goals for the program and how your company will measure success

Large MNCs often have company-wide CSR goals; programs designed to reach these goals in China may differ from those in other countries.

Regardless of the size of the company, however, its US headquarters generally defines broad principles and goals for the company's CSR efforts, which ideally are aligned with the overall business model and industry of the company. The US headquarters of large MNCs typically manage a foundation or fund that disburses CSR-designated money to suitable projects around the globe.

Weave CSR into your corporate structure

- **Involve top executives** One of the key characteristics of successful CSR programs is involvement of the company's top executives. These executives ensure that all employees embrace and embody the company's CSR-related principles and encourage employees and managers to participate in efforts to give back to the community. These executives also stress the importance of CSR in in-house communications.
- **Divide up responsibilities and create oversight committees** In China, large companies with programs in all of the typical categories of CSR in China often divide oversight up among various company departments (see Box). For example, the corporate communications department might oversee community outreach efforts while the legal department oversees

What Is CSR in China?

Corporate social responsibility (CSR) in China is typically broken down into community outreach, environmental health and safety (EHS), and environmental protection. Education is also an important focus.

- **"Community Outreach"** refers to the actions that companies take to improve the standard of living for those living in the communities in which they operate. Examples include rebuilding local schools, providing computer education classes to local schoolchildren, or hosting information sessions for farmers to help them maximize their crop yield.
- **"Environmental Health and Safety"** refers to the efforts that companies make to ensure their employees work in a safe, comfortable, and properly regulated workplace. While the backbone of EHS is ensuring that all company locations are in compliance with local labor laws and regulations, many companies go far beyond this in setting their own, more stringent standards, and rigorously extend these standards down to their suppliers and sub-contractors.
- **"Environmental Protection"** activities include all efforts that companies take to ensure that their impact on the environment is minimal. Examples include using "clean energy," safely disposing of waste material, and minimizing energy consumption.
- **Education**
Improving education—from the primary level through college—can be an excellent way to give back to local communities. It can also be a good way for companies to improve the skills of current employees, expand the talent pool, and strengthen future recruiting efforts.

environmental health and safety (EHS) programs. If such efforts are divided among departments, the company should be sure to link them together. For these larger companies, the CEOs of China operations generally oversee all programs and organize a “CSR Committee” of executives from all departments, such as operations, sales and marketing, human resources, and government relations, to meet regularly to coordinate CSR-related efforts.

Smaller companies with limited resources and fewer programs might instead designate key managers to report directly to their China CEOs. In China, many companies find that the government relations director is a good fit to oversee CSR programs because all three categories of CSR require significant interaction with PRC government bodies to be successful in China.

- **Establish communication links** The managers of the CSR committee (for larger firms) and the CSR manager (for smaller firms) should have direct and frequent communication with all those involved with CSR in the United States. The CSR committee or manager in China thus can ensure that all CSR initiatives are aligned with the company’s overall CSR vision and that the funds are being spent efficiently.

- **Appoint managers to oversee every project location** In addition to an executive-level CSR committee or manager at the China headquarters, companies should designate a mid-level position at each China office or manufacturing plant. This employee can supervise the company’s local CSR programs and report to the China CSR committee or manager. For instance, if a company has operations in Shanghai, Beijing, and Chengdu, Sichuan, ideally it would have someone in charge of CSR at each location to ensure maximum accountability and communication from US headquarters to local China operations, and vice versa.

- **Establish community outreach councils** Companies also would do well to set up community outreach councils (COCs) at each location in China to help initiate, organize, and administer the CSR programs locally. COCs would be made up of executives and low- and mid-level employees. Participation in the COCs should be voluntary. Most companies find that local employees are enthusiastic about participating in CSR programs because it is *their* community that the programs seek to improve.

- **Streamline communications** Once a CSR committee or manager is designated in China and COCs are in place, all CSR-related information, ideas, and news can be streamlined throughout the corporate structure. Corporate communications, public relations, and external affairs managers should be informed of all CSR projects in China. One of the key tasks of the communications executives should be to connect company values and goals, expressed by CSR efforts, to the brand image of the company through marketing, events, and media. This will ensure that the goals and results of all CSR projects are disseminated throughout the company and, of course, outside the company to the media, nongovernmental organizations (NGOs), and governments.

Select projects carefully

Companies with successful programs generally ask the following questions when selecting a project:

- Is the prospective CSR project in China consistent with the CSR framework and principles developed by the headquarters in the United States?
- Has research been done on the geographic area surrounding the company’s operation in China to identify the local communities’ greatest needs? For example, a company might not want to rebuild a school when the local community is in greater need of a new hospital. In cases where a company’s facilities are staffed mainly by migrant workers, who are generally separated from local communities, it is important for companies to coordinate with local governments to understand the needs of both the workers and the surrounding community.
- Is the prospective CSR program relevant to the goods and services that the company offers? For example, a financial services company might gain most from creating a microlending initiative or a financial education program that teaches local citizens how to manage their money. And an agricultural firm could help local farms increase their crop yields through bio-education programs.

Get employees involved

The most successful CSR programs are those in which there is high employee participation. Companies can ensure a high level of employee participation in CSR-related activities in a number of ways:

- **Design local CSR initiatives around the interests and concerns of local employees** These employees are more likely to have grown up in the

area surrounding a company's location, and therefore are more likely to have a greater interest in seeing CSR projects carried out there. They are also likely to have a better grasp of local needs and can better tailor companies' CSR programs to address the most pressing issues.

- **Establish an employee-run COC in which CSR initiatives are discussed, planned, and monitored** Positions in the COC can be voluntary, mandatory, rotating, or elected, depending on a company's preference.
- **Set up listserv or other communication links for CSR managers from all company locations** Improving communication links enables staff to better share experiences, best practices, and advice relating to their respective CSR programs.
- **Consider hosting a yearly, country-wide awards banquet or recognition event to reward employees for their CSR-related work** This not only boosts morale and motivation to participate but also allows employees from different locations to meet face-to-face. These events also allow employees to see the aggregate impact that CSR has on communities throughout China. Annual awards can be given to the best CSR project, the location with the top CSR program, and the employee who best embodies the company's CSR objectives.

Select partners carefully

Many foreign company operations in China lack the infrastructure and staff to undertake CSR projects alone. As a result, many companies work with aid organizations – whether international NGOs or domestic Chinese organizations – to help implement their CSR initiatives.

- **International NGOs**

International NGOs that operate in China generally have a "host" government body that oversees their work in country. This does not prevent such organizations from doing excellent work, but it can pose unique transparency and management challenges depending on the nature of the relationship. Because of the difficulty of acquiring official backing, many smaller international NGOs have registered in China as profit-making businesses.

International NGOs are in general excellent resources, able to help implement a company's CSR-related objectives in target communities and assist in training company employees in CSR-related tasks. International NGOs – particularly those with lengthy track records in China and links

to the PRC government – are typically accountable, trustworthy, transparent, and extremely diligent.

The China Development Brief has an excellent database of all international NGOs operating in China (<http://www.chinadevelopmentbrief.com>).

- **Domestic NGOs**

Domestic aid organizations in China are quasi-governmental organizations or government-owned NGOs (sometimes referred to as GONGOs) because most are organized and directly supervised by a PRC government organ and because China lacks a legal framework for the establishment of nongovernmental and nonprofit entities. (The PRC Ministry of Civil Affairs' Bureau of NGOs has been slow to establish a policy and regulatory framework for all NGO activity in China. China has been drafting a "Civil Associations Law" for a number of years, but this law is unlikely to be completed over the next five years because it does not appear on the National People's Congress Legislative Calendar for the 11th Five-Year Plan [FYP, 2006–10]).

Companies should keep in mind that, traditionally, the PRC government has organized CSR in China to consist primarily of charitable or philanthropic projects. For example, if a natural disaster hits or a school needs textbooks, Chinese NGOs and government-linked charitable organizations will request donations from MNCs. Such government-sponsored efforts are worthwhile but are no substitute for CSR initiatives that require long-term commitments, employee involvement, and other responsibilities beyond charitable donations. More recently, the PRC Ministry of Commerce has been authorized to expand government-sponsored CSR programs.

Domestic NGOs with which companies form successful partnerships tend to be selected using techniques similar to those companies use to select commercial suppliers. The China CSR programs of large MNCs are measured according to Western standards and thus require measurable results and transparent accounting. Because Chinese NGOs are not always accustomed to these standards, foreign company executives and employees at the most successful programs are deeply involved in decision-making and supervision. One foreign company executive involved in her company's CSR programs in China noted that organizations that try to limit companies' contributions to mere cash donations are immediately crossed off her list of potential partners.

Companies should ask any potential Chinese NGO partner the following questions:

- What does the NGO want from the partnership with the company? (an NGO that seeks only money or a donation is unlikely to be a credible partner.)
- Do the NGO's goals and values match those of the company?
- What other major companies or MNCs have partnered with the NGO?
- What is the supervising government body of the NGO?
- How does the NGO manage media relations? What kind of press coverage have past projects received?
- Can the NGO present credible results of its previous projects? Can company executives visit project sites and speak with local beneficiaries?
- Does the NGO have audited accounts?
- Does the NGO have partnerships with well-known or well-regarded *international* NGOs?

The China Association for NGO Cooperation (CANGO, www.cango.org) serves as an umbrella organization that aims to link the top NGOs in China with foreign counterparts and donors. CANGO is an excellent resource for finding CSR partners and staying up to date on all CSR-related news in China.

• **International and/or domestic NGOs**

In addition to the above considerations, MNCs should take other steps to evaluate potential NGO partners, whether international or domestic:

- Even if an aid organization is well known and respected, MNCs should speak with a potential partner organization's leaders and invite them to the company's facilities and other locations where the potential project will be carried out.
- MNCs should make sure that executives from the company articulate exactly what they expect from the aid organization and what the aid organization can expect as a contribution in return.

Consider partnering with educational institutions and professors

Many companies focus their CSR initiatives on improving education in China. Aside from scholarship programs, companies can structure CSR projects as competitions between universities, requiring students to work in teams and submit proposals on projects to benefit their communities. Many companies work with vocational and technical schools to improve their curriculum and

ensure that graduates have the practical skills necessary for modern business operations.

Professors who specialize in CSR-related public policy or social issues are also an excellent resource for companies that partner with universities. Many of these professors are in good positions to help companies select local projects and partners. In addition, professors at major universities in China often play important roles in shaping government policy in their particular fields of expertise. In most cases, foreign companies' long-term CSR goals should align with the government's strategic vision on social welfare.

Relate CSR efforts to government development goals

It is important that foreign companies' CSR efforts relate to China's social development goals, which are outlined in official government documents such as the national 11th FYP and provincial- and county-level statements. Several of the issues that China hopes to address in the 11th FYP include improving access to and quality of social services, particularly health and education, fostering innovation, and improving environmental conditions in China. These areas are quite broad and many CSR activities will likely fall under one category or another.

Best practices include the following:

- As previously mentioned, review local development plans to identify overlap among a company's business goals in the China market, its global CSR activities, and local development priorities;
- Communicate to PRC government officials how their CSR initiatives will specifically benefit China and the Chinese people;
- Consider aligning the language of CSR-related company communications with government goals and visions;
- At the provincial level, highlight the positive impact that CSR initiatives have on working conditions, employee morale, the surrounding community, and the environment;
- Invite government officials to all CSR-related events and award banquets to ensure that the officials see the positive impact the company is having on the community; and
- Consider holding quarterly meetings between high-level company managers and local government officials, in which CSR is an important discussion topic.

Craft media outreach plans

CSR programs in China generally are part of a company's core business strategy. It is important for companies to plan ahead when it comes to presenting CSR efforts to the media.

- Have CSR departments include a media plan for each CSR project that details how the project will be reported and communicated to all stakeholders, including the community at large, employees, corporate headquarters, and various levels of government. Implementing this plan throughout the project ensures transparency and maximizes its impact.
- Customize media reports for industry-specific media outlets so as to relate CSR efforts to topics that readers are most concerned about.
- Link CSR initiatives to marketing campaigns to enhance a company's overall brand image. Marketing and corporate communications departments can work closely with CSR project leaders to maximize positive exposure.

- Set clear rules regarding usage of the company's logo, trademarks, brands, and company name by partner NGOs or other partners on CSR projects. Also consider whether it is important to ensure that internal communications about CSR projects remain internal and are not leaked to the press.

Conclusion

As stakeholders – both in China and around the world – continue to place an increasing emphasis on responsible corporate citizenship, EHS, and the environment, companies in China are likely to maintain and expand their CSR efforts for the foreseeable future. Indeed, companies are already going beyond legal compliance and occasional charitable giving to engage with their surrounding communities to develop programs that help improve educational opportunities, the local environment, and working conditions, as well as other areas that need of assistance.