

Current State of Corporate Social Responsibility in China and Challenges Faced by Japanese Corporations

—Observations from the Leader of the CBCC Dialogue Mission on CSR to the People's Republic of China—

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1. CSR in China

(1) CSR in China: Moving from study into implementation

The current administration is actively pursuing CSR, based on the policy guidelines of “People First,” “Concept of Scientific Development,” and “Harmonious Society.” Government ministries and agencies, their affiliated research institutions, economic organizations, and other groups are publishing theoretical research on CSR, case study compendiums of CSR initiatives, and guidelines for evaluating CSR. These are being furnished to companies. Examples include the *Recommended CSR Standards for Chinese Corporations* and the *Compilation of Best Practices* published by the China Enterprise Confederation and the China Business Council for Sustainable Development (CBCSD), as well as the Ministry of Commerce's guidelines for the preparation of CSR reports. CSR in China is moving rapidly from conceptual study into implementation and the evaluation of CSR initiatives at individual companies.

(2) CSR initiatives by Chinese companies: Just getting started with a learning process

Despite the progress described above, most Chinese companies are actually still just getting started with a learning process on CSR initiatives, and it seems as if different organizations are promoting CSR without sufficient coordination. However, there is no doubt that CSR will become increasingly important in China, as the initiatives undertaken by the government, economic organizations, and companies continue to gain momentum. Clearly, Japanese companies in China will need to respond to this situation with a sense of urgency.

Moreover, there is a considerable general interest in international standards, such as the United Nations Global Compact, SA 8000, and ISO/SR standards. International symposia and seminars are being held frequently throughout the country, along with international institutions and European and American organizations. At the same time, there are strong signs that the Chinese government and economic organizations are seeking to establish China's own standards and accreditation criteria (e.g., occupational safety and health standard 'CSC9000T' and accreditation criteria of CSR reports). Japanese companies should monitor these trends closely in the future.

2. Future challenges for Japanese companies and the CBCC

(1) From precautionary CSR to strategic CSR

Currently, CSR initiatives by Japanese companies in China focus on legal and regulatory compliance, risk management, and philanthropic activities such as making donations. They are often precautionary measures intended mainly to prevent misconduct, rather than an attempt to increase corporate value in the marketplace through strategic CSR. European and American companies in China are taking a different approach. They have established CSR committees at their chambers of commerce and industry. They support committee activities with both human and financial resources and work to form organizational and strategic ties with government authorities, the Chinese media, European, American and Chinese NGOs, and other stakeholders. This approach allows them to identify the needs of the local society, align their CSR initiatives with those needs, and then report the results of their efforts back to stakeholders. Their work is then rewarded with a good reputation.

Of course, legal and regulatory compliance and risk management are essential elements of CSR; they are foundational and will continue to be so. The challenge for Japanese companies, however, is to be more strategic, to ensure that their CSR initiatives result in increased corporate value and improved corporate image.

(2) Strengthening systematic communication

Japanese companies (and Japanese people) have traditionally tended to hesitate when it comes to trumpeting their own good deeds to the world, as admonished in the old proverb, “Do your good deeds in secret.” This may help to explain why the government authorities, Chinese media, and other stakeholders are scarcely aware of the committed progress and solid efforts at CSR being made at most Japanese companies, which are shown in a questionnaire survey by the Japanese Chamber of Commerce and Industry in China.

No company can afford to slip into complacency regarding its CSR initiatives. They are meaningless unless they take into account the unique local needs and are valued by local stakeholders. Accordingly, dialogue with stakeholders and interactive channels of communication are essential. Going forward, the most urgent tasks for Japanese companies to accomplish are (1) reforming, strengthening, and expanding the functions of the Japanese Chamber of Commerce and Industry in China, and (2) stepping up efforts to develop systematic communication with a variety of stakeholders, including the following.

(a) Government authorities and organizations promoting CSR

Communication channels with government authorities and organizations promoting CSR would be helpful in gaining an accurate understanding of the latest CSR trends in rapidly advancing China. They would also help to increase recognition of Japanese companies' local CSR initiatives. Japanese companies need to establish channels that enable regular interaction with these organizations. Doing so will also lay the groundwork for cooperation with China in responding to trends in international standardization of CSR.

The CBCC is closely monitoring the struggle for primacy among organizations promoting CSR in China, and will continue to strengthen its ties with the China Enterprise Confederation, Committee of Corporate Citizenship, and others. As part of

this effort, we plan to invite representatives from groups promoting CSR in Asia, including the organizations just mentioned, to a CSR Asia Forum that we will hold in Tokyo in the spring of next year.

(b) NGOs

European and American companies are building strong cooperative relationships with European and American NGOs and Chinese grassroots NGOs, while making good use of these relationships to promote philanthropic programs. Cooperation with NGOs is useful for identifying local needs and implementing CSR initiatives that match those needs. In China, where a legal system relating to NGOs has not yet been developed, it is not easy to select suitable partners and methods of cooperation. For that reason alone, long years of expertise can be of great use in this area. The time has come for Japanese companies to take a long-term perspective and consider supporting and cooperating with NGOs in China, leveraging the wealth of experience they have gained in their global business activities.

(c) Universities and research institutions

Chinese universities and research institutions, such as Peking University and the Guangdong Academy for Social Sciences, have been actively researching CSR in recent years. One conceivable way for Japanese companies to extend their CSR initiatives is by supporting and cooperating with universities and research institutions. The large student populations at universities represent potential future stakeholders. Japanese companies could form wide-ranging networks in local society over the long-term by ensuring that university students feel a positive affinity for Japanese companies and Japan. This can be done by providing opportunities for them to learn about Japanese companies' CSR initiatives via lectures, sponsored courses, scholarships, internships, and other channels. To be sure, this work demands a long-term commitment, but enduring effort is what is most needed.