

The Commitment to Social and Environmental Responsibilities in Chinese Enterprises for Sustainable Development

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The economic development has brought companies to compete for accomplishing sustainable development. This later has pushed corporations to take into account social and environmental responsibilities in their activities. In general, social and environmental responsibilities are considered within corporate social responsibility. Therefore, this paper will analyze and evaluate the commitment to social and environmental responsibilities in Chinese companies. According to the survey, this addressed Chinese companies located in Nanchang city, in China. This survey found that there is a great importance concerning the social and environmental responsibilities in these companies. And this is due to the legal, economic, and cultural incentives.

Keywords: Social responsibility, environment, sustainability, China, companies.

Field of Research: Management

1. Introduction

Sustainable development has become increasingly important for companies. Hence, corporations are assuming social and environmental issues within their objectives as an easy step towards sustainability. Corporate social responsibility (CSR) is a concept whereby companies integrate social and environmental concerns in their business operations. However, this concept has a long history since 1930s, when Wendell Willkie helped educate the businessman to new sense of social responsibility (Archie, 1979). As a field of study in management, CSR probably emerged in the 1950s in the USA (Subhabrata, 2007). Indeed, a lot of experiences, such as in Japan, USA and Germany showed that the most successful companies are those that focus not only on profits, but also on its social and environmental activities. In Germany and Japan, CSR has been driven by a strong environmental movement. However, in USA, Arab World and India, CSR has been driven by a strong philanthropy movement.

Recently, corporate social responsibility has become a prominent issue in Chinese companies. And the current administrations in China are pursuing corporate social responsibility through the policy guidelines “of people first,” “concept of scientific development,” and “harmonious society.” So there is no doubt that social and environmental responsibilities will become increasingly important in China as the initiatives undertaken by the government, economic organizations and companies to gain the sustainable development.

Therefore, this paper will evaluate the use of social and environmental responsibilities within companies’ activities. As well as, it will answer some questions, such as: what is

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the importance of corporate social responsibility? Does CSR spread across companies in China? Do Chinese companies aim to realize sustainable development? What are the issues and motivations of the integration of the environmental and social dimensions in the management system of Chinese enterprises? What are the barriers that prevent the use of social and environmental responsibilities?

In order to answer these questions, firstly, this paper provides an overview of social and environmental responsibilities concerning definitions, the dimensions, and the importance of social and environmental responsibilities. Then, it analyzes the extent of adoption of social and environmental responsibilities by Chinese companies. This research differs from previous studies, because it focused on companies in Nanchang city in China which are not analyzed before. Moreover, it depends on qualitative and quantitative analysis to reach different research findings.

2. Literature Review

There are a number of papers and books in the field of social and environmental responsibility. Archie (1979) was among the early publications which offered a conceptual model describes essential aspects of corporate social responsibility. Dennis and Michael (2000) analyzed 38 multinational enterprises based in the United States and Europe which engaged in corporate citizenship programs to promote economic growth, environmental protection, and social responsibility. As well as, they examined the factors that contribute to the success of corporate environmental citizenship for sustainable development.

Moreover, Baron (2001) defined corporate social responsibility as the private provision of the public good. And he considered that companies compete for social responsible customers by explicitly linking their societal contribution to product sales. McWilliams and Siegel (2001) outlined a simple model of two firms which devoted to corporate social responsibility. Fedderson and Gilligan (2001) asserted that activists can play an important role in addressing CSR by supplying consumers with a public good such information they can rely on to choose socially responsible firms.

Furthermore, Bagnoli and Watts (2003) analyzed how the structure of competition in the market for the private good affects corporate social responsibility. Simon et al (2005) analyzed 154 annual reports of 33 Hong Kong listed companies from 1993 to 1997 to determine corporate social and environmental disclosure in Hong Kong. David (2006) indicated the relation between corporate social responsibility and sustainability. Subhabrata (2007) provided historical review of CSR by considering that it takes different forms: philanthropic donations to charity, service to the community, enhancing employee welfare and promoting religious conduct. Jian and Vidhi (2009) made a survey of corporate communication and public relations executives in Chinese companies on aspects of corporate social responsibility accountability and transparency. William and David (2010) showed the importance of corporate social responsibility for both society and business, and also they talked about corporate social responsibility hierarchy as well as the benefits of corporate social responsibility on the environment.

In addition, Zhi and Jin (2012) examined a sample of 144 small and medium sized enterprises in China. They proposed that stakeholder-firm power difference determines firms' environmental performance and stakeholders' corporate social responsibility

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orientation. And they found that government, competitors, and the media firm power difference, indeed significantly affect Chinese SME's environmental performance. Based on successful studies created in Latin America, He et al (2012) proposed an empirical study that addressed how corporate social responsibility is perceived in Chinese companies. And they evaluated briefly some practices about environment, consumers, and external communication. Thus, they found that Environmental and consumer practices have shown more implemented and useful than those related to communication.

Among the previous studies, there were no linking between the importance and strategic of social and environmental responsibilities, sustainable development, and the incentives and barriers of social and environmental responsibilities.

2.1 Definition of Corporate Social Responsibility

There are different definitions of corporate social responsibility. Among the Seniority there is the definition of Joseph (1963), which social responsibility supposes that corporation has not only economic and legal obligations but also certain responsibilities to society which extend beyond these obligations. And Archie (1979) defined CSR as a responsibility to fully address the entire range of business obligations on society; it must embody the economic, legal, ethical, and discretionary categories of business performance.

According to the European Commission (2001), CSR is the integration by companies of social and environmental concerns in their business operations and in their integration with their stakeholders on a voluntary basis. Being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing more human capital, the environment and the relations with stakeholders. Another simple definition proposed by Alison et al (2007); CSR is a voluntary firm actions designed to improve social and environmental conditions. Moreover, Christine (2009) defined CSR as the ways in which business seeks to align its values and behavior with those of its various stakeholders (such as: employees, customers, suppliers, government and environmental group). By practicing CSR strategically a company can "do well by doing good". Companies can make profit and make the world a better place at the same time if they follow social and environmental responsibilities. So in this way companies can help to provide a safe and clean environment for the future generations which can help at the same time to achieve sustainable development.

2.2 The Strategic of Corporate Social Responsibility

The strategic of corporate social responsibility includes several actions in different fields, such as:

Developing people through community activity to improve the quality of life in the communities where the company does its business, make donations to non-profit associations. As well as, contribute to young people's education by liaising with schools and universities.

Establishing corporate governance approach by define and practice equitable treatment of shareholders. In addition, provide clarity and transparency in role and responsibilities of the board and company executives.

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Provide and develop safe workplace environment by encouraging organizations to consider health and safety. As well as, promote a health and safety index for insurance companies, investors and others to gauge the performance of a company.

Respecting rights of employees, customers, Suppliers, and Competitors, etc...
 Moreover, there are some activities in environmental area for contributing to a better environment by e.g. waste reduction, energy conservation, and reduction of pollution emissions. Furthermore, training employees to be aware of the environmental aspects and the impacts connected with their jobs (Andrea et al, 2009).

The following table “1” shows detailed information about the dimensions and goals of corporate social responsibility.

Table 1: The Five Dimensions of Corporate Social Responsibility

Dimensions	The definition is coded to the dimension if it refers to	Example phrases
The environmental dimension	The natural environment	« a cleaner environment » « environmental stewardship » « environmental concerns in business operations »
The social dimension	The relationship between business and society	« contribute to a better society » « consider the full scope of their impact on communities »
The economic dimension	Socio-economic or financial aspects, including describing CSR in terms of a business operation	« contribute to economic development » « preserving the profitability » « business operations »
The stakeholder dimension	Stakeholders or stakeholder groups	« interaction with their stakeholders » « how organizations interact with their employees, suppliers, customers and communities » « treating the stakeholders of the firm »
The voluntariness dimension	Actions not prescribed by law	« based on ethical values » « beyond legal obligations » « voluntary »

Source: Dahlsrud, A, 2008.

2.3 The Importance of Social and Environmental Responsibilities

Through the previous information about corporate social responsibility, it can be concluding the importance of following some social and environmental responsibilities: CSR can support the creation of an atmosphere of trust within companies, which leads to a stronger commitment of employees and higher innovation performance. In addition, it may play a positive role in fostering development in third countries by helping to establish a dialogue between these countries, their public authorities, social partners, civil society and foreign companies.

Moreover, environmental responsibilities can help to preserve the environment. As well as, CSR can support and respect human rights; health and safety at work, respecting the freedom of association, the elimination of all forced and compulsory labor, child

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labor, and the discrimination in employment which are good signs for sustainable development.

With a good strategic plan, the policy of CSR of a company, whether large or small, can generate a differential factor and thus become a competitive advantage (He et al, 2012).

The commitment of environmental issue has effects on the companies, on one hand, the company can gain profits if there is environmental consideration integrated with company's process, and on the other hand, the risk is posed to the company in case not taking into account the environmental responsibilities (Atil A, 2009).

2.4 the Incentives and Barriers of Social and Environmental Responsibilities

There are some incentives that support the deployment and adoption of CSR. Among these incentives:

Legal incentives issued by the government for promoting corporate social responsibility. These incentives can be as laws, regulations, standards, or other incentives to move companies toward more interest to corporate social responsibility (Virginia, 2013, Qi, 2006).

Economic incentives consist for the company to take advantage of opportunities to reduce finance costs and tax incentives, as well as, to anticipate pressure from consumers, competitors and unions. These motivations are also associated with the growing societal pressure in terms of respect for the environment, quality of life and public health issue (Atil A, 2009). Moreover, more companies worldwide are realizing that they have to become socially responsible in order to stay productive and competitive (Qi, 2006).

However, there are some obstacles that hinder the spread and adoption of corporate social responsibility. Among these barriers there are:

Economic barriers, such as: suppliers think about the short-term due to huge pressures affecting them in terms of price, quality and delivery time. On the contrary, CSR investments in social and environmental performance are long term. Suppliers see CSR as a burden, which costs extra time, money and energy but does not help to obtain or keep contracts with buyers or to make more profits.

Political Barriers, such as: Local governments lack incentives to implement and enforce central laws. As well as, there is a lack of policy frameworks and incentives needed to encourage and enable enterprises to implement CSR measures (Qi, 2006).

In some cases, there is a lack of environmental culture in the company. In addition, there is a little knowledge on environmental legislation (Atil A, 2009).

3. Data and Methodology

In order to analyze and evaluate the commitment to social and environmental responsibilities in Chinese enterprises, firstly, this research depended on collecting information from several books and published papers. Then, it displayed an overview of

social and environmental responsibilities to find out the policies needed for following corporate social responsibility.

Afterwards, this study used a quantitative analysis in order to evaluate the extent of adoption of social and environmental responsibilities by Chinese companies through a survey. Therefore, it used a questionnaire composed with seventeen questions. This questionnaire has addressed randomly managers of 60 Chinese companies located in Nanchang city in China in April 2013, but only 51 of them were available. The questionnaire was distributed directly to some companies and also by mailing some of them.

Moreover, we used “SPAD” software to analyze our database by factorial analysis of multiple correspondences “FAMC” method, that the variable of the study was qualitative types.

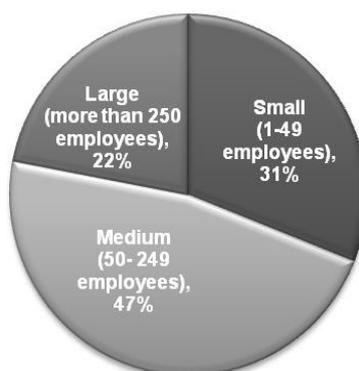
This research can improve the previous studies by linking between the importance and the strategy of social and environmental responsibilities and the sustainable development. As well as, it defines the incentives and barriers of social and environmental responsibilities in Chinese companies. Moreover, it shows different aspects of using social and environmental responsibilities in Chinese companies.

4. Analysis of the Finding

4.1 The Quantitative Analysis of the Survey

The sample analyzed has addressed 51 companies, where 31% are small size companies (1-49 employees), 47% are medium size enterprises (50- 249 employees), and 22% are large companies (more than 250 employees).

Figure 1: Classification of the Companies According to the Size



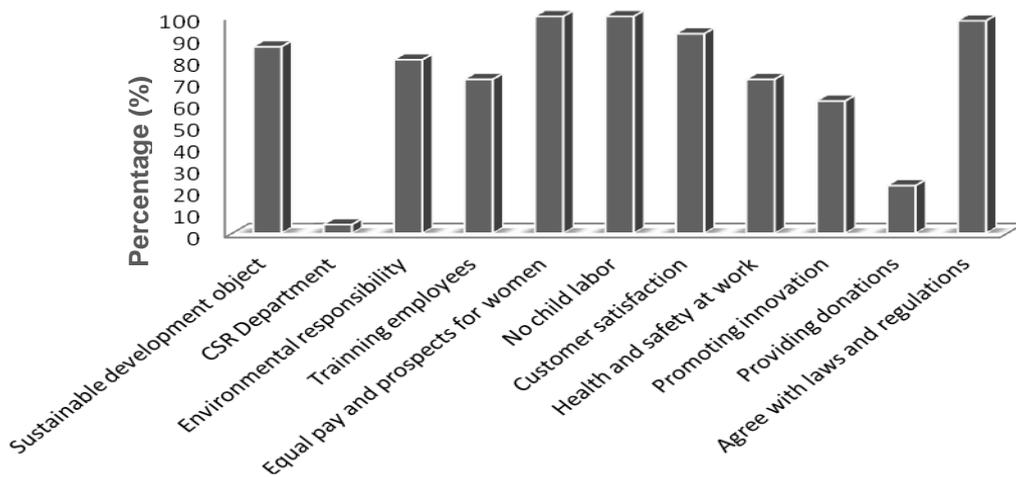
Among these companies, there are mostly industrial and commercial companies. And the table “2” below shows the percentages of the nature of selected companies in the survey.

Table 2: Classification of the Companies According to the Nature

The nature of the enterprise	Agricultural	Industrial	Services	Commercial	Financial
The percentage (%)	4	45	14	29	8

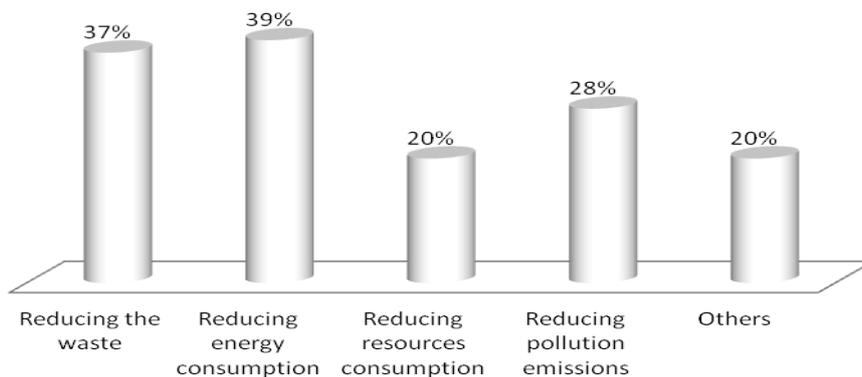
Analyzing the use of corporate social responsibility in Chinese companies showed that 100% of companies have an equal pay and career prospects for women, as well as, there is no child labor in these enterprises. Moreover, there is a great interest on considering environmental responsibility and sustainable development among the objectives of the company which seeks to achieve. Furthermore, most companies cares about customer satisfaction, as well as, they agree with the concept that business should operate according to some laws and regulations made by government or state. In addition, there are considerable proportions with respect to organizing training employees' program, depending on health and safety at work, and promoting innovation. However, there is a small interest concerning providing donations. Therefore, the most companies practice the prospects of corporate social responsibility; however, they don't have a department for corporate social responsibility. The following figure "2" shows detailed information.

Figure 2: The use of Corporate Social Responsibility in Chinese Companies



There are 80% of companies that take into account environmental side through different aspects, and the following figure "3" shows these aspects.

Figure 3: Aspects of Environmental Protection Followed by Chinese companies



The information obtained through the survey points out that the incentives for applying social and environmental responsibility in companies primarily are legal, economic and cultural. Therefore, this explains that the laws and policies of China's economic take - to a large extent - the social dimension and the environmental consideration. this drives economic institutions to integrate these dimensions in the organizational plan, administrative and even in production processes. Moreover, most of chinese companies are planning to become more socially and environmentally responsible in order to stay

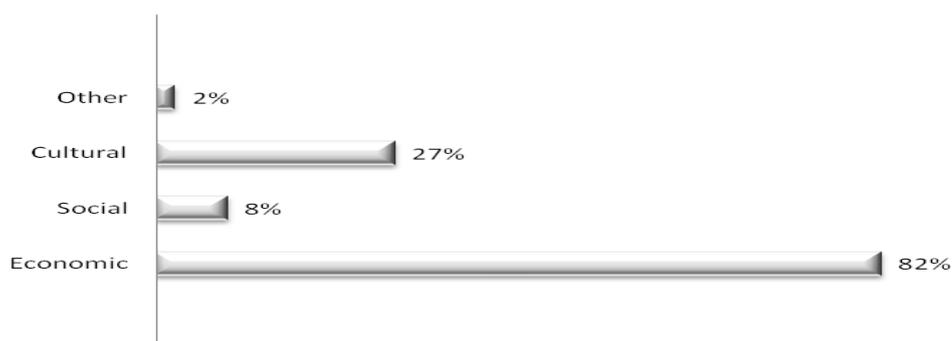
productive and competitive. In addition, there is a large cultural knowledge about the importance of corporate social responsibility which pushes companies to consider it within their activities. The figure “4” bellow shows the nature of incentives for applying social and environmental responsibility in Chinese companies.

Figure 4: The Nature of Incentives for Applying Social and Environmental Responsibility



According to the obstacles that prevent Chinese enterprises to apply social and environmental responsibilities, economical barriers are primarily at a rate of 82%. Therefore, this can be interpreted the strongly competitive in the market, which leads to these companies to favor economic profit than social and environmental issues, especially if there is no compensation or other rewards to meet the application of social and environmental responsibilities. Moreover, most suppliers have huge pressures affecting them in terms of price, quality and delivery time. As well as, they see CSR as a burden, which costs extra time, money and energy but doesn't help them to obtain more profits. In addition, there is still a lack concerning the cultural knowledge about the significance of social and environmental responsibilities especially in small companies. And the following figure “5” shows the percentages of these barriers.

Figure 5: the Nature of Barriers that Prevent the Use of Social and Environmental Responsibilities

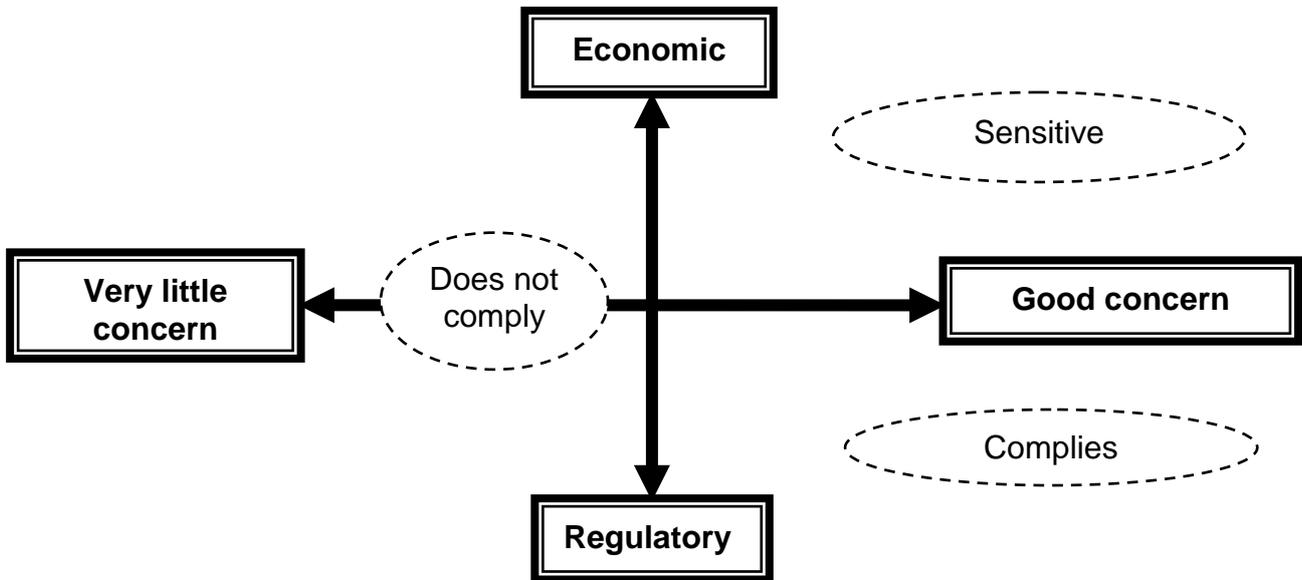


4.2 Factorial Analyses of Multiple Correspondences

A factorial analysis of multiple correspondences is an extension of correspondence analysis which allows one to analyze the pattern of relationships of several categorical dependent variables. As such, it can also be seen as a generalization of principal component analysis when the variables to be analyzed are categorical instead of quantitative. It is a descriptive method which allows researchers to reveal latent pattern and it has unusual capacity to link quantitative and qualitative data in meaningful ways because of its interest in the individual.

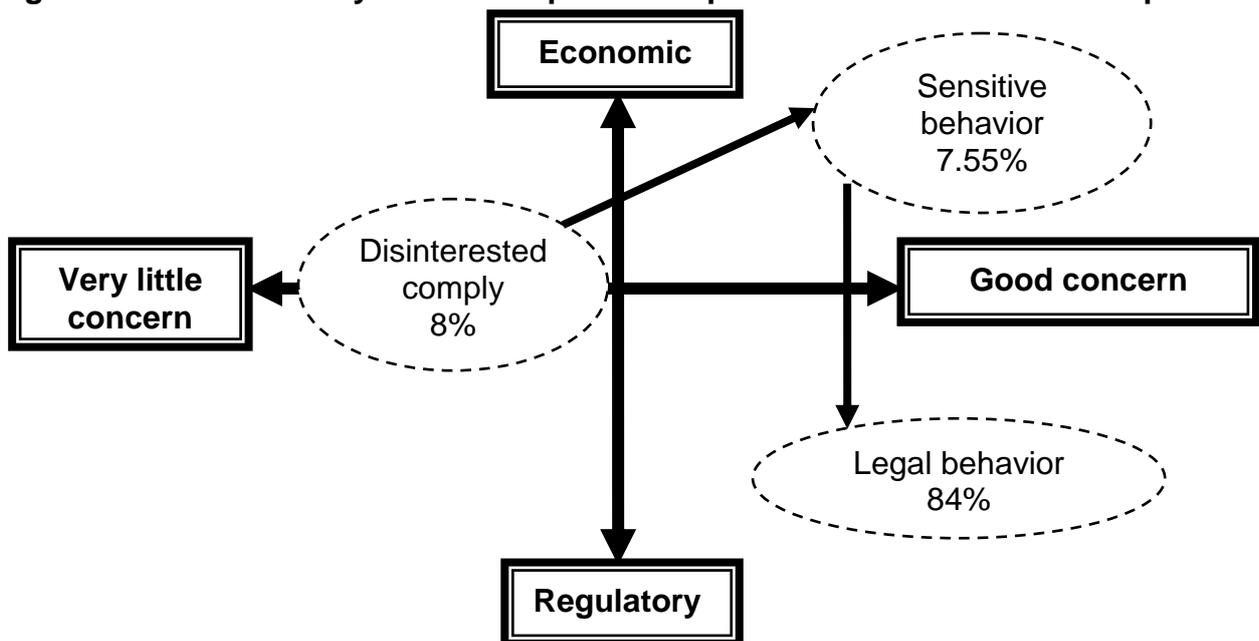
The factorial analysis of multiple correspondences has allowed a better classification of the type of companies studied. Factor analysis applied to the results of the survey focused on 51 companies, which has allowed us to put together a typological classification description of factorial axes. Factor 1 contains two major trends to know (good concern, very little concern); the factor 2 includes two reasons for integrating CSR knowledge (economic and regulatory). The figure “6” shows the model of factorial analyses of multiple correspondences.

Figure 6: The Model of Factorial Analyses of Multiple Correspondences.



From this typology we could develop a new typological classification by which the Chinese enterprises in their majorities pass through both conformist and the regulatory steps. And the rest can be found at the level of unconsciousness towards CSR. The figure “7” shows factorial analyses of multiple correspondences for Chinese companies.

Figure 7: Factorial Analyses of Multiple Correspondences for Chinese Companies.



5. Conclusion and Implications

Recently sustainable development and social and environmental responsibilities have gained a great importance from Chinese companies. And the experiences of the analyzed sample show this importance. In general, the evaluation of the Chinese companies gives us some recommendations in order to follow CSR which helps companies to make profit, as well as to make the world a better place.

The incentives issued by government are very important to spread applying social and environmental issues in companies' activities. Therefore, government plays an important role in the dissemination of CSR, as it should provide a favorable environment for corporations to do their tasks and activities in easy way. Furthermore, government should create more jobs' opportunities through diversification of activities. And it should facilitate investments that help to create new projects and providing more jobs' opportunities. Thus, the unemployment can be eliminated, and this can help for realizing sustainable development. Moreover, governments should create more CSR incentives, for reaching positive impact on both of society and environment. And it should allocate some penalties for those who do not respect social and environmental responsibilities.

Companies should benefits positively from the economic side by doing operations that benefit the community and prevent the environment. In this way, economic side will be considered only as incentives not as barriers.

In addition, companies should create CSR department which is responsible to manage social and environmental responsibilities in these companies, this can help them for better application of CSR. As well as, Chinese companies should provide some donations to help improving the society.

Finally, the lack of cultural knowledge about the significance of social and environmental responsibilities should drive academia to play a good role for promoting CSR by organizing forums, and announce CSR awards. As well as, it should encourage media to help for the dissemination of social and environmental responsibilities.

This research has faced some limitations such as the short period (only 10 days) to collect answers of the questionnaires from companies. Also this short period didn't allow us to extend the sample analyzed. As well as, the location of companies was a little inconvenient to collect information in short period. Moreover, some of the questionnaires were distributed by email, and we didn't get back answers from all companies.

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Appendix

A Questionnaire of Commitment to Social and Environmental Responsibilities in Chinese Enterprises:

This questionnaire is used in a research paper to analyze the commitment to social and environmental responsibilities in Chinese enterprises. This survey targets to collect the real information for accessing real conclusions.

General Information

1. What is the nature of the enterprise?

- Agricultural
- Industrial
- Services
- Commercial
- Financial

2. What is the size of the enterprise?

- Small (1-49 employees)
- Medium (50- 249 employees)
- Large (more than 250 employees)

About the subject of study

1. Does sustainable development consider among the objectives of the company which seeks to achieve?

- Yes
- No

2. Does the company have a department for corporate social responsibility?

- Yes
- No

3. Does the company take into account the environmental side?

- Yes
- No

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4. If the answer is “Yes”, what are the environmental aspects?

- Reducing the waste
- Reducing energy consumption
- Reducing resources consumption
- Reducing pollution emissions
- Others

5. Does the company organize training employees' program?

- Yes
- No

6. Is there equal pay and career prospects for women in this company?

- Yes
- No

7. The company often creates new jobs, is that?

- Very few
- Average
- Many

8. Does the company have child-labor?

- Yes
- No

9. Does the company depend on health and safety at work?

- Yes
- No

10. Does the company care about customer satisfaction?

- Yes
- No

11. Does the company often promote innovation?

- Yes
- No

12. Does the company often provide some donations?

- Yes
- No

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13. Business should operate according to some laws and regulations made by government or state, does this company

- Agree
- Disagree

14. What is the nature of the incentives that drive your enterprise to the application of social and/or environmental responsibility?

- Legal
- Economic
- Social
- Political
- Cultural
- Religious
- Other, please specify it

15. What are the barriers that prevent your enterprise from the application of social and / or environmental responsibility

- Legal
- Economic
- Social
- Political
- Cultural
- Religious
- Other, please specify it