

STAKEHOLDER PERSPECTIVES ON CORPORATE SOCIAL RESPONSIBILITY (CSR) OF MULTINATIONAL COMPANIES IN CHINA

Juelin Yin

International Business School Suzhou, Xi'an Jiaotong—Liverpool University, China

Stephan Rothlin

Association for International Business Ethics, Hong Kong;

Center of International Business Ethics, University of International Business and Economics, China

Xiaosong Li and Marta Caccamo

Center for International Business Ethics, University of International Business and Economics, China

Abstract: With the advent of globalization, the track record of multinational companies (MNCs) has been vague in relation to their corporate social responsibility (CSR) in developing countries. What is even lacking is a better understanding of what exactly is required of today's MNCs to simultaneously generate profits for shareholders and satisfy the legitimate demands from the multiple stakeholders in the countries where they operate. Adopting the stakeholder theory framework and using a two-stage interview method, this study explores the CSR understanding and practices of MNCs considered as active in CSR. The findings reveal some interesting CSR practices by 11 MNCs in China. We discuss implications of the stakeholder approaches to CSR of MNCs generally and peculiarities in developing countries more specifically.

Keywords: corporate social responsibility, stakeholder theory, multinational companies, China

Introduction

Research on corporate social responsibility (CSR) has focused on the social responsiveness and social performance of companies in the developed economies (Margolis & Walsh, 2003; Orlitzky, Schmidt & Rynes, 2003). With the growing presence of multinational companies (MNCs) in the emerging countries, it is likely that MNC subsidiaries from developed country contexts, such as the United States or Europe, will find themselves embedded in a situation in which CSR conception and practices are different than what are prevailing in their home markets. It presents both a theoretical and practical question regarding how MNC subsidiaries approach CSR in emerging markets and whether or not they face particular challenges in aligning their CSR with local practices or expectations (Hou, Fu & Li, 2010). Yet, there is limited literature on multinational companies and their corporate social responsibility in emerging economies.

Our study is to gain a preliminary understanding of this issue and is structured around the stakeholder theory (Freeman, 1984), which views a business as a set of interwoven relationships among groups that either affect or are affected by the activities of that business. From the perspective of stakeholder theory, a business is considered successful only insofar as it can effectively balance and generate value for its stakeholders, especially stakeholders beyond the shareholders.

Our study aims to explore the following questions: 1) How do MNCs define CSR in China? 2) What are the key stakeholders for MNCs in China, and how do MNCs attribute importance to each stakeholder? 3) What are the most common CSR practices towards each stakeholder group? To address these questions, we first review the literature on CSR and stakeholder theory, followed by the presentation of our research study, including data collection and analysis. Then we present our findings based on interviews with top leaders or CSR managers from 11 multinational companies considered active in CSR activities. We conclude by discussing the implications of our preliminary study to both theory and practice.

Study Background

Over the past decades, corporate social responsibility has acquired a new resonance in the global economy. While the conceptualizations and practices of CSR have been typically developed in the context of nation-states, the process of globalization is bringing a “paradigm shift” as local, national, regional, multinational, and global corporations are subject to a new economic, political and social framework that is both global and fragmented (Scherer & Palazzo, 2008). With the accelerated global expansion of multinationals, as well as their rising economic and political power, more attention has been paid to the CSR issues of multinationals in the emerging economies characterized by unclear property rights, ineffective legal framework, and lax monitoring force (Tan, 2009). Moreover, the expanding reach of media coupled with advances in information technology, such as the Internet, has allowed immediate and widespread exposure of corporate activities in even the most remote corners of the world.

Multinationals are, therefore, under greater scrutiny and subject to more attention than ever before, especially when operating in the developing world where institutional and market environments are markedly different than those in their home countries. While there is abundant evidence of greater awareness and engagement with CSR among multinationals, there is mixed characterization of their involvements. For example, Jamali, Zanhour, and Keshishian (2009) found a lack of systematic, focused, and institutionalized approach to CSR of MNC subsidiaries in the Lebanese context. Tan's 2009 study in the Chinese context also highlighted the discrepancies of host and home country institutional environment to influence MNCs' social decision-making. Based on these empirical findings, they argued that the understanding and practice of CSR are likely to be molded by specific national and institutional realities. These realities reflect the status quo within developing economies and emerging markets. The level of institutional and societal development of the host country are likely to influence the prominence and sophistication of the CSR discourse and practices within a particular society (Campbell, 2007; Yin & Zhang, 2012).

CSR and Stakeholder Theory

One of the compelling arguments for why firms are motivated to invest in CSR programs comes from the domain of stakeholder theory (Argandoña, 1998; Harvey & Schaefer, 2001; Post, 2003). Stakeholders refer to any group or individual who can affect or are affected by the achievement of the firm's objectives (Freeman, 1984). The stakeholder approach to CSR popularized by Freeman (1984) and Donaldson & Preston (1995) provides a useful theoretical lens to shed light on the peculiarities of CSR approaches (see Figure 1). Reconceptualizing the nature of the firm, the stakeholder theory suggests that only by meeting the needs of the company's various stakeholders can the organization survive and succeed (Freeman,

1984). Among the whole set of stakeholders, the primary groups of shareholders, employees, consumers, and government usually have been shown to exert pressure on business organizations to adapt their strategies (Freeman et al, 2004). However, secondary stakeholders, such as community, general publics, and NGOs, have been traditionally paid less attention to (Bondy, Matten & Moon, 2008) and have especially low status in the developing country contexts (Tan, 2009). It is unknown how multinational enterprises prioritize and balance the interests of different stakeholder groups.

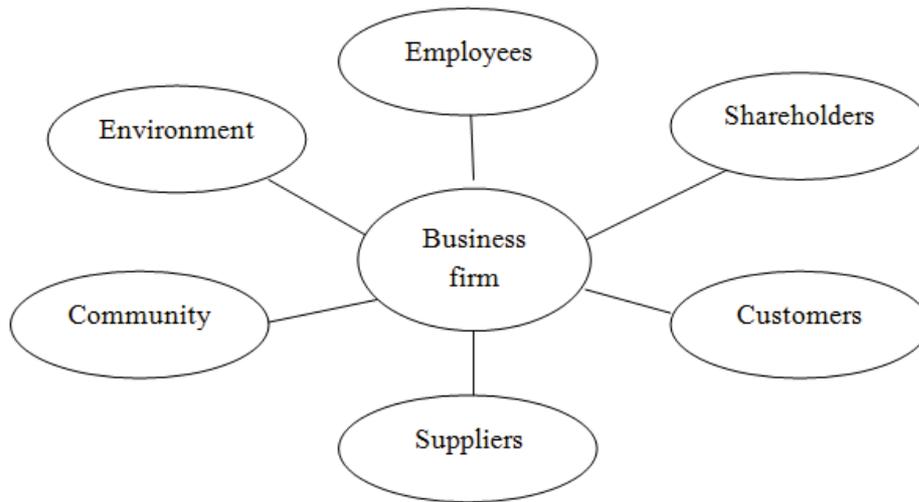


Figure 1. Stakeholder Approach to Corporate Social Responsibility
(adapted from Freeman, 1984)

Two Interview Studies

Using the stakeholder theory, the current research designed two studies to understand how MNCs operating in China view CSR within the Chinese context. We aimed to understand their articulation of their responsibility toward each stakeholder and what best practices they employed to fulfill their responsibility. In Study 1, we interviewed a sample of MNCs and a sample of Chinese companies. The purpose was to identify any obvious differences or unnoticed similarities regarding CSR philosophy and policies, as well as the major stakeholders of a company in the Chinese context. In Study 2, we focused on multinational corporations with a strong reputation for their strong CSR orientation. We aimed to identify their conception of CSR responsibilities and best practices related to each stakeholder.

Study 1: Exploring the Meaning of CSR and Identification of Major Stakeholders

Data Collection and Sample

Study 1 includes telephone and face-to-face interviews in July and August 2011. Altogether, 47 interviewees were reached through social networks, such as CSR sustainability-related web forums. Roughly half of them (25) come from professionals working in MNCs, 12 respondents from consultancies and public relations companies, and 10 respondents from Chinese companies, social enterprises, and other institutions. Our exploratory questions focus on CSR definition, stakeholder identification, CSR policies and departments, and obstacles to CSR. The interviews were conducted online, by telephone, or in person

at the interviewee's office. We took notes during the interviews. The content from all three methods were analyzed to find the major themes. The results were reviewed and discussed among the research team members until agreement was reached regarding the major findings.

Study 1 Findings

The findings from this study can be summarized as follows: 1) Definition. CSR has been mostly defined as pervasive to company operations instead of a set of unrelated policies in the company. The internal dimensions of CSR received substantially more emphasis compared to the external ones. In other words, the interviewees expressed more attention on benefits to employees than benefits to community in their CSR involvements. 2) Stakeholders. The interviewees perceived that their employers put the most value on owners/shareholders and customers; specifically, smaller businesses tend to attach primary importance to the owners, and service businesses believe customers to be their most important stakeholders. Employees usually were considered second (after owners) or third (after owners and customers). A very small number of the interviewees also mentioned government and suppliers. 3) CSR policies and departments. Opinions are quite divided between those who deemed it important to set up a dedicated functional department for CSR in the organization that plan, guide and monitor social performance, and those who feel it an additional cost that would divert corporate resources. Moreover, many interviewees mentioned that compliance has been a problem with CSR policy implementation. In other words, operating units or subsidiaries in China do not always follow the CSR guidelines or policies established by the headquarters of the multinational corporation. 4) Obstacles to CSR. A lack of CSR awareness impedes the widespread adoption of best CSR practices in other units or other companies. Cultural differences, such as short-sightedness, overemphasis on profit objective and reluctance to change, also were identified to be obstacles to CSR development in China.

Study 2: Identifying Stakeholder-oriented CSR Responsibilities and Best Practices

Based on the learning from Study 1, we designed an interview study to explore further how MNCs approach CSR in China. We chose a sample of MNCs with the reputation of being progressive on their CSR. We interviewed the managers responsible for CSR to learn about their CSR policies and practices in relation to each of the major stakeholders.

Data Collection and Sample

Before the interviews, we read all publically available documents related to the companies' CSR activities for information about how each company presented itself with regard to its CSR engagements. These were used to prepare the interviews and to triangulate interview data. To capture the experiences and interpretations of relevant actors, a semi-structured interview method was used. All together, 13 interviews were conducted with key informants from 11 MNCs from June to December 2012.

We first identified a list of MNCs which are known for active CSR involvement in China, selected either by nomination of CSR research organizations or through previous CSR prize-awarding lists. All of the companies in our sample are leading Fortune 500 companies in respective industries with headquarters in the United States and Europe. The sample description is provided in Table 1.

Table 1. Case Sample

Company Code	Business Details	Position of Manager Interviewed	Years of Operation in China	Size of Subsidiary
MNC1	An American multinational retail corporation that runs chains of large discount department stores and warehouse stores	Senior Public Relations Manager	Since 1996	Over 100,000
MNC2	An American multinational corporation that offers data storage, information security, virtualization, and cloud computing products and services which enable businesses to store, manage, protect, and analyze massive volumes of data	Manager, Dept. of Corporate Citizenship & Government Affairs	Since 1996	Not available
MNC3	The second world largest professional services network in the world by revenue providing audit, tax, consulting, enterprise risk and financial advisory services	Director, Brand & Communication	Since 1917	Over 13,500
MNC4	A Fortune 500 corporation that designs, manufactures, distributes and services engines and related technologies, including fuel systems, controls, air handling, filtration, emission control and electrical power generation systems	Manager, Corporate Social Responsibility	Since 1979	Over 8,000
MNC5	An upscale mid-priced brand of hotels, as well as one of the world's largest hotel chains	Area GM (Beijing)	Since 1984	1051
MNC6	A chain of full service, upscale hotels catering to business travelers and to the meetings and conventions market	General Manager	Since 1984	1051
MNC7	The largest chemical company in the world and headquartered in Germany	Chief Representative	Since 1982	Over 6,000
MNC8	A pharmaceutical company headquartered in Belgium with the aim of conducting	Deputy General Manager	Since 1985	Over 3,000

MNC9	pharmacological research The second-largest chemical manufacturer in the world by revenue manufacturing plastics, chemicals, and agricultural products with a presence in about 160 countries	China Sustainability Leader	Since 1979	Over 3,500
MNC10	The biggest German automaker and the second biggest automaker in the world	Executive VP, Finance; Executive VP, Corporate Affairs & JV Relations	Since 1984	Over 20,000
MNC11	A carbonated soft drink sold in stores, restaurants, and vending machines in almost every country, voted as the world's most valuable brand	Community Affairs Manager	Since 1979	Over 48,000

To ensure the anonymity of the company we promised the interviewees at the beginning of the interview, we used MNC1, MNC2, instead of real company names. The purposive sample (Baker, 2002) consisted of top or middle managers responsible for the development and implementation of CSR strategy within their organizations. The interviews lasted from 40 minutes to 90 minutes and were conducted in English. Interviewees were asked to discuss their understanding of CSR in general, the company's key responsibility towards different stakeholder groups, and specific CSR implementation processes and lessons learned during implementation. The interview guide is listed in the Appendix.

Data Coding and Analysis

All the interviews were transcribed and the content double-checked by the researchers. The constant comparative method was used to analyze the data (Langley, 1999; Miles & Huberman, 1998). The analysis focused on detecting commonalities or patterns of agreement in the statements. The first round of coding involved open coding, that is, categorizing the data into thematically relevant categories (Strauss & Corbin, 1998). Each interview was coded based on the themes identified within. All the themes and related explanations and examples were recorded in an Excel spreadsheet. The second round of coding involved further abstraction and dimensionalization, that is, grouping themes by similarity of ideas and allowing movement from concrete to more general and theoretically meaningful themes (Strauss & Corbin, 1998). The second-round coding resulted in fewer higher-order categories and relevant sub-categories. These categories were further checked with existing literature to ensure the themes were mutually exclusive and, also, collectively inclusive of all the data.

Study 2 Findings

We start with the CSR managers' views on the definition of CSR, then move to identification of the key

stakeholder responsibilities for MNCs operating in China, and last, MNCs' best CSR practices in relation to each primary stakeholder.

Definition of Corporate Social Responsibility

Table 2 summarizes the interviewees' definitions of CSR. About half of the companies in the sample identified with a stakeholder view of CSR, equating CSR with stakeholder management. The companies adopting the stakeholder CSR viewed themselves as embedded in a network of stakeholder relationships and emphasized the importance of dealing with these relationships for corporate strategy implementation. As characterized by the MNC1 manager, "We define CSR as what we must do, so as to build up relationships with our stakeholders." The manager from MNC5 even equated CSR to being responsible to stakeholders, "CSR simply means being responsible for the environment, our owner, shareholder, and our employees. Actually CSR means we want to bring the benefits to those people."

Table 2. MNEs Definition of CSR

CSR Understanding	MNC
1. Stakeholder responsibility	1,5,6,10, 11
2. Not charity, not donation	3,4,7,8
3. Give back to community	2,3, 4,6
4. Integrated with business operations and development	1, 9,11
5. Corporate citizenship	2,7,11
6. Achieve sustainability	3, 9,11
7. CSR as an end, not PR	2,3,7

A lot of companies have shown a clear strategic CSR orientation and reached a consensus that CSR should go beyond charity or donation and be aligned with business operations and development. According to the manager from MNC 11, "CSR is more related to the comprehensive aspect of how the company operates. It not only covers the charity and philanthropy, as the old understanding shows." Correspondingly, these companies generally believe in the compatibility of CSR with business operations and performance. For example, the manager from MNC3 recognizes CSR as a precondition for business survival, "If you don't give back, your business is not going to be sustainable at all. So it's eventually down to the earth, mutually beneficial. So it is not some kind of charity or sacrifice. It is actually precondition for your survival."

However, four companies adhered to a traditional philanthropic view of CSR, which argued that CSR primarily means giving back to society. Three companies equated CSR with corporate citizenship, arguing that this view captured the embeddedness of corporations within the broader society. Three companies adopted a public responsibility view of CSR, considering CSR as an end itself instead of a means towards public relations or marketing goals. The manager from MNC7 illustrated this by

expressing that, “It should not be a PR exercise, it should not be a toy of the CEO to look good...CSR is somewhere between marketing and legal requirement, reaching out to the community, communicating with public stakeholders about what the company does and just trying to be corporate citizens.”

Stakeholder Responsibilities and Best CSR Practices of MNCs in China

Although not every company equated the concept of CSR with stakeholder management, all the interviewed managers emphasized the importance of stakeholder management in their CSR practices. Seven stakeholder groups were identified by all of the companies as their primary responsibilities. They are employees, customers, shareholders, suppliers, environment, government, and community. How these MNCs define primary responsibility towards these stakeholders is summarized in Table 3. The best practices identified by these MNCs under each stakeholder-oriented responsibility are summarized in Table 4. Below, we discuss the key responsibilities that the sample of companies defines for each stakeholder along with the best CSR practices in relation to each stakeholder.

Table 3. MNCs' Definition of Primary Stakeholder Responsibilities

Stakeholder	Key Responsibilities	N of firms (% of total)
Shareholders	Financial returns	10 (91%)
	Information disclosure and transparency	7 (64%)
	Sustainable growth	4 (36%)
	Legal compliance	2 (18%)
Employees	Competitive wage and welfare	9 (82%)
	Employee engagement in CSR programs	9 (82%)
	Training and career development	8 (73%)
Government	Public-private partnership/collaboration	7 (64%)
	Government capacity building	5 (45%)
	Alignment with government initiatives and concerns	5 (45%)
	Legal compliance	4 (36%)
	Tax payment	2 (18%)
Community	Investment in community education	10 (91%)
	Cross-sector collaboration	7 (64%)
	Community engagement and dialogue	5 (45%)
Customers	Product quality and service excellence	8 (73%)
	Customer engagement in CSR programs and CSR education	8 (73%)
	Meeting customer expectations	2 (18%)
Suppliers	Win-win partnership	7 (64%)
	Inclusion of social and environmental criteria in supplier selection	6 (55%)
Environment	Green workplace/factory	9 (82%)
	Environmental policies and management	5 (45%)
	Environmental education	4 (36%)

Table 4. MNCs' Best CSR Practices for each Primary Stakeholder

Stakeholder	Best practices	N of firms (% of total)
Shareholders	Ensure high profits/return on investment	10 (91%)
	CSR/Sustainability Report	3 (27%)
Employees	Family day (recreation, outing, dinner, etc.)	5(45%)
	Employee care program	5 (45%)
	Positive labor relationship	5 (45%)
	Healthy and safe work environment	3 (27%)
	Internal communication	3 (27%)
	Encourage employees into volunteering, donation	4 (36%)
	Build an ethical workplace	2 (18%)
	Ensure work-life balance	2 (18%)
	Government	Comply with government regulations
Lead the government in industry standard-making		3 (27%)
Involve government in CSR program design and issue identification		3 (27%)
Help government improve service and capability		3 (27%)
Community	Donation to Project Hope, vocational schools for the children of migrant workers, and other educational initiatives	8 (73%)
	Engage employees in community volunteering	3 (27%)
	Sponsorship of cultural and sports activities	2 (18%)
	NGO training and capacity building	2 (18%)
Customers	Provide sustainable products and technology	6 (55%)
	Customer communication and CSR communication	5 (45%)
	Customers engagement	4 (36%)
	Timely customer feedback and tracking	3 (27%)
	Achieve high customer satisfaction rate	2 (18%)
Suppliers	Supplier education and capacity building	7 (64%)
	Certification and qualification	5(45%)
	Social and environmental auditing	3 (27%)
	Supplier code of conduct and ethical compliance (no gift-giving, no bribery)	3 (27%)
Environment	Energy saving and waste recycling	10 (91%)
	Educate the suppliers, customers, employees, publics on green practices	5(45%)
	Carbon emission control and offset	3 (27%)

1. Shareholder stakeholder responsibility and best practices. Ensuring satisfactory financial returns was the greatest responsibility towards shareholders mentioned by 91% (ten companies) of the

sample. Specifically, these MNCs emphasized high profits or return on investment as their understanding of satisfactory financial returns. As expressed by the manager from MNC10, "They (shareholders) require satisfying profit. Green initiatives are recognized but are not a primary concern of this group. The majority of shareholders is concerned with distribution of profits and making sure the business operation is not at risk. So it is important we pay them good profit." Beyond that, seven companies (64% of sample) believed that information disclosure and transparency was essential responsibility towards shareholders. For example, some companies issued CSR or Sustainability reports regularly independent of annual reports as means of information disclosure. Furthermore, four companies (36%) regarded maintaining a balance between short-term and long-term benefits as a key responsibility. Last, two companies (18%) mentioned legal compliance as important to ensuring shareholder interests.

2. Employee stakeholder responsibility and best practices. The vast majority (82% or nine MNCs) of the companies believed that providing competitive wages and welfare was the paramount employer responsibility. Commonly reported best practices include establishing social welfare fund and providing additional welfare package for employees with emergent needs. An equal number of companies (82% or nine companies) emphasized engaging employees in various CSR programs as a key element in their employee stakeholder responsibility. Common CSR engagements of employees include organizing employee volunteering in partnered NGOs, encouraging employees to donate to charity, and having CSR Days within the company. In addition to financial reward (pay, bonus and benefits), eight companies (73%) mentioned training and career development as a key responsibility. As expressed by the manager from MNC3, "First of all, financials. You have to make sure that they have their job. I think that is the ultimate responsibility an employer has for its employees. In addition, you have to make sure of their well-being when they work for you...But I will say, competitiveness always comes in the total package. You can't just look at the numbers. The key attraction is beyond the numbers. It is the culture, and the room for development." Some other practices associated with social responsibility toward employees include establishing employee care programs (such as family day, recreation room), building positive labor relationship, creating a healthy and safe work environment (such as emphasizing work-life balance), and ensuring timely communication with employees (such as installing internal hotline).

3. Government stakeholder responsibility and best practices. Public-private partnership was the priority choice reported by seven companies (64%) to engage with government on CSR projects. Some examples of public-private partnership include leading the government in industry standard-setting or involving government in CSR program design and implementation. Interestingly, almost half of the companies (45% or five MNCs) recognized capacity building and education as their responsibility towards government. The manager from MNC9 explained that, "We do not want to take advantage of cooperation or collaboration with government. Actually, in many cases we are helping the government to improve their capacity. For example, we work with the Ministry of Environmental Protection, the National Development and Reform Commission, also the State Administration of Work Safety. We are an expert in safety, so we help them a lot, we deliver training, we bring our best practices to them, so that is what we do (on government responsibility)."

Five companies emphasized that aligning with government initiatives and concerns was very important for the success of their companies' CSR programs. The manager from MNC2 emphasized the importance of having a sense of belongingness for multinational companies in the host country of China,

“We are not only the multinational company in China, but we also want to participate in China’s direction. That’s one message we want to deliver. Because in China, if you get the 12th five-year-plan, the third sector development, it is a very hard area but also tough area for Chinese government as well. What we did is that we want to actually engage in the social innovation part.” Four companies mentioned legal compliance as representation of their responsibility towards government. Last, two companies thought tax payment was a form of government responsibility.

4. Community stakeholder responsibility and best practices. Almost all of the companies (91% or ten MNCs) emphasized their investment in community education as a key responsibility. From our interviews, it is evident that education has been a major focus for MNCs’ community involvements in China. Our interviewees shared their experience of education investment in Project Hope and vocational schools for the children of migrant workers among other educational initiatives. It is interesting that seven of the companies (64%) consider cross-sector collaboration (with NGOs) as a key social responsibility toward the community (Table 3). Their collaboration with NGOs includes different forms, such as donation, employee volunteering, capacity building and training (Table 4).

Clearly, a trend among these MNCs is that instead of pure donation in cash or in kind, the majority of them prefer more integrative collaboration with the NGOs. Although government-organized NGOs (GONGOs) may still be the main partners for MNCs, grassroots NGOs are attracting more attention. The manager from MNC9 introduced that, “*Some others may want to work with the GONGO, the government-affiliated, because they want the brand name...But for our company, it is about integrity, it is about how we see this partner, whether we could really trust that based on what they do, what they have done in the past. For the NGO, the criterion for collaboration is based on their capacity, based on trust.*” Moreover, a lot of the companies realized the importance of building an ecosystem that provides a flat platform for both GONGOs and grassroots NGOs. A common best practice is delivering NGO training for NGO capacity building. As expressed by the manager from MNC2, “We focus on the platform, that is, the ecosystem. For example, we do not approach NGOs one by one, but we work with foundations, and have the NGO leader education workshop. So you see how we choose our strategic partner, right now mostly in the social innovation part. In short, our workshop is more focusing on how to become an expert in helping people.”

Five companies went a step further in defining proactive community engagement and dialogue as a responsibility, through establishing community panel, community involvement team, etc. The experience shared by the manager from MNC4 was that, “We have a very special organization called CIT (Community Involvement Team). For each CIT we have CIT members and at least one CIT leader. They are responsible for developing and maintaining the relationship with NGOs and responsible for designing, leading and inventing the CR initiatives in their entities.”

5. Customer stakeholder responsibility and best practices. Ensuring product quality and service excellence had received greatest attention among eight companies (73% of sample). These MNCs define product quality and service excellence as sustainable product and technology, timely customer feedback and tracking, and a high customer satisfaction rate. A typical quote comes from the manager from MNC8 which is a pharmaceutical company, “Our first responsibility should be responsible for patients. We deal with high quality products. We set the world pharmaceutical standard, against which all the standards in China benchmark.” Equally important was engaging customers in CSR programs, as reported by 8

companies (73%, Table 3). Practices to implement customer-oriented CSR include communications with customers about product and service quality and CSR issues as essential to developing positive relationships with customers (reported by 5 companies). These MNCs conducted regular customer training on CSR topics, including sustainability, safety driving, and energy efficiency.

6. Supplier stakeholder responsibility and best practices. Building a win-win partnership with suppliers was the most essential supplier responsibility for seven MNCs (64%, Table 3). Specifically, these multinational companies spent time and money on supplier education, capacity building, and knowledge sharing (seven companies or 64%, Table 4). As explained by the manager from MNC3, “One key responsibility for large company like us is how you can grow your suppliers. So whether you can develop a long-term relationship with your supplier, treat them more like a partner, rather than supplier. You can’t just grow yourself, but you grow with those who work with you together.”

What is more, six MNCs (55%) expressed that using high social and environmental criteria in supplier selection is a key social responsibility pertaining suppliers (Table 3). Quality and environmental certification and qualifications were demanded in their supplier selection (five companies or 45%, Table 4). An ethical code of conduct was another way for continuous supplier monitoring. As the manager from MNC7 said, “We have internal audits in order to see that they don’t employ child labor, and there is a clear set of rules on environmental treatment and human rights. We have to do this in a sensible manner with our suppliers and definitely this is not easy to do. For example, we have to make sure our chemistry is used for commercial and rightful purposes...We have to get rid of agents. It is better to not sell to distributors.”

7. Environmental stakeholder responsibility and best practices. Ensuring a green workplace or factory was emphasized most by nine MNCs (82%) in defining environmental responsibility (Table 3). The companies (91%) have regular energy-saving and waste- recycling approaches (Table 4). Some have also started with carbon emission control and carbon footprint tracking. Five companies had even formulated detailed environmental policies and management system to facilitate their environmental management (Table 3). The experience shared by the manager from MNC5 was that, “We installed this Green Engage 2.0 system. We have a checklist, and have achieved the 40 points for level one, so the 40 points cover all the areas not only for all the energy departments and facilities, but also the laundry department, and the kitchen part. We assign responsibilities to each department, and have a green team in order within the hotel; every department has the person to be green champion, so they are doing monthly patrol of the hotel to check which area we can save energy.” It is interesting to note that four MNCs engaged in environmental education with their customers, partners, and employees regarding proactive environmental education as part of their environmental strategy (Table 4).

Discussion

An investigation into the stakeholder approach of MNCs in the Chinese context suggests a number of interesting findings. This section will discuss the main findings observed in greater details in relation to the prior literature. Our study, in general, suggests the prevalence of a stakeholder approach to CSR, where MNCs recognize the importance of stakeholder management to CSR involvements. Moreover, the findings generally reflect a strategic conception of CSR among the MNCs in the sample, together with a public responsibility view. These MNCs do not see CSR as pure public relations building or marketing

exercise; instead, they tend to believe in the compatibility of CSR with corporate business strategy, good reputation, and employee morale enhancement, and they further try to integrate this belief into their stakeholder management practices. In terms of how MNCs deal with specific stakeholder groups, our findings reveal some similarities and differences compared to existing studies. Most of the MNCs interviewed accord primary importance to shareholders, employees, the government, and the community, followed by suppliers, customers, and environment.

Three general patterns can be observed from our interviews. First of all, stakeholder prioritizing may be different for these MNCs operating in China. With respect to Freeman's 1984 stakeholder model in Figure 1, we noted that government was considered as a primary stakeholder in our cases, instead of as a secondary stakeholder as noted by most previous studies. Although prior literature in the emerging markets has already identified the government as playing a key role in the emerging economies, little research has explored how it might influence firms' dealing with social issues. On the one hand, the Chinese government has recently promoted several CSR-conducive policies, which act as legitimacy signals not only to domestic businesses but also to MNCs operating in China. On the other hand, these MNCs may take advantage of social issue participation to build up relationships with government to overcome the liability of foreignness (Zaheer, 1995).

Second, there is a salient instrumental stakeholder orientation observed. When stakeholders presented economic and rational motives for the MNCs, they were likely to receive due attention from MNCs. Take a community stakeholder for instance: although the community is usually considered as a less-important stakeholder for businesses, it might transition into a primary stakeholder when community initiatives are aligned with corporate legitimacy concerns and, sometimes, government initiatives, at least in the context of China, as our case evidence shows.

Third, a growing number of multinational companies have exhibited a more proactive CSR strategy with an aim to enact upon the external environment and to influence the key stakeholders with their expertise, experience, and knowledge. From the best practices of stakeholder engagement by these MNCs, we are able to see that many MNCs are not just complying with stakeholder expectations but are exerting more proactive influences on the key constituents. For example, these MNCs actively engaged customers, suppliers, and NGOs into CSR program design, implementation, and evaluation. Also, they almost universally emphasized education and learning in their different types of stakeholder responsibility with an aim to improve the ecosystem for the sustainable growth of businesses in China.

Implications for Theory and Practice

The stakeholder theory is grounded in a central belief that firm-stakeholder relationships are critical assets for the corporations' success in a multiple-stakeholder environment. While a large body of CSR research focuses on defining what responsibilities businesses ought to undertake, especially in relation to the natural environment, the multiple stakeholder approach provides a practical alternative to assess the social performance of multinational companies as regards key stakeholder groups (Turker, 2009).

Based on the eleven MNCs with a relatively strong reputation for their positive CSR orientation, we identified how they see corporate responsibility relative to each stakeholder and some of their CSR practices. We may consider these as "best practices" that could be learned and adopted by other MNCs or Chinese companies if they desire to improve their CSR performance.

CSR research to date has focused primarily on the companies in mature economies, such as North America and Europe. The meta-analysis by Orlitzky, Schmidt, and Rynes (2003) provided robust evidence that CSR performance has a positive relationship to the company's financial performance. While it is possible that financially successful companies can afford to engage in more CSR activities, it is equally true, based on research evidence, that CSR activities will contribute to positive financial performance of the company. In other words, investment in CSR pays off for the company in terms of increased employee productivity, commitment, customer loyalty, and strong reputation in the local and broader community. All of these positive effects will help the company be more competitive in the product/service and labor markets.

Attention to environmental sustainability contributes to not only short-term positive reactions from the community, but long-term sustainability of the world community. According to the book *Natural Capitalism* (Hawkin, Lovin & Lovin, 1999), industries enjoy the use of natural resources at low cost or free. The services provided to industries by natural resources were estimated in the trillions of dollars. Future research on CSR should consider the natural resources used and destroyed as part of the cost of business in evaluating the net contribution to society in place of net present value to shareholders (Tsui, 2013). Cost to consumers in terms of faulty or harmful products also should be factored into the cost of production to hold firms socially responsible for damages to consumers. Currently, the society through government pays the cost of irresponsible product design or manufacturing. Many companies, like those in our study, have accepted such social responsibility as part of the company strategic mission. Much research is needed to compare firms with proactive CSR and firms with reactive CSR in terms of their financial and social performance.

An additional practical implication of the research is to provide Chinese stakeholders, for example the government and NGOs, a clearer awareness and basis on which they themselves can judge the social decision-making and performance of multinational companies in China. This would help in setting the agenda for policy making with regards to international business.

Conclusion

Our study emphasizes the need to integrate stakeholder theory into CSR studies in examining the social performance of multinational companies. Stakeholder identification and prioritization might vary by the national contexts, and the configuration of stakeholder-business relationships may be different than those in their home markets (e.g. Jamali, 2008; Turker, 2009). For multinational companies operating in the emerging countries, when they are designing their CSR initiatives and programs, it is essential to adjust their focus according to different stakeholder-business relationships. We hope our modest study has provided some insight about CSR philosophy and practices by a few leading MNCs in China and that such insight will be useful to guide future research and current practices.

Acknowledgement

This article is the fruit of a joint effort by the research team in the Center of International Business Ethics, UIBE. The authors acknowledge the participation of all the interviewees and the companies they are in for completion of this project. Special thanks to Syntao for providing assistance in data collection, and to Professor Anne Tsui for guidance in methodology and theory throughout the project. The first author also acknowledges the support from the Ministry of Education of China (11YJC630264) and the National

Science Foundation of China (71202025) for authorship.

References

- Argandoña, A. (1998). The stakeholder theory and the common good. *Journal of Business Ethics*, 17, 1093-1102.
- Bondy, K., Matten, D., & Moon, J. (2008). Multinational corporation codes of conduct: Governance tools for corporate social responsibility? *Corporate Governance*, 16, 294-311.
- Campbell, J. L. (2007). Why would corporations behave in socially responsible ways? An institutional theory of corporate social responsibility. *Academy of Management Review*, 32(3), 948-967.
- Donaldson, T., & Preston, L. (1995). The stakeholder theory of the modern corporation: Concepts, evidence and implications. *Academy of Management Review*, 20, 65-91
- Freeman, R. E. (1984). *Strategic management: A stakeholder approach*. Boston: Pitman.
- Harvey, B., & Schaefer, A. (2001). Managing relationships with environmental stakeholders: A study of U.K. water and electricity utilities. *Journal of Business Ethics*, 30, 243-260.
- Hawken, P., Lovins, A., & Lovins, H. (1999). *Natural capitalism*. New York: Hachette Book Group.
- Hou, S., Fu, W., & Li, X. (2010). Achieving sustainability with a stakeholder-based CSR assessment model for FIEs in China. *Journal of International Business Ethics*, 3(1), 41-55.
- Jamali, D., Zanhour, M., & Keshishian, T. (2009). Peculiar strengths and relational attributes of SMEs in the context of CSR. *Journal of Business Ethics*, 87(3), 355-377.
- Jamali, D. (2008). A stakeholder approach to corporate social responsibility: A fresh perspective into theory and practice. *Journal of Business Ethics*, 82(2), 213-231.
- Margolis, J. D., & Walsh, J. P. (2003). Misery Loves Companies: Rethinking Social Initiatives by Business. *Administrative Scientific Quarterly*, 48, 268-305.
- Orlitzky, M., Schmidt, F. L., & Rynes, S. L. (2003). Corporate social and financial performance: A meta-analysis. *Organization Studies*, 24(3), 403-441.
- Post, F. R. (2003). The social responsibility of management: A critique of the shareholder paradigm and defense of stakeholder primacy. *Mid-American Journal of Business*, 18, 57-61.
- Scherer, A. G., & Palazzo, G. (2008). Globalization and corporate social responsibility. In Crane, A., McWilliams, A., Matten, D., Moon, J., Siegel, D. (Eds.), *The oxford handbook of corporate social responsibility* (pp. 413-431). Oxford University Press.
- Strauss, A., & Corbin. J. (1998). *Basics of Qualitative Research: Grounded Theory Procedures and Techniques*. Thousand Oaks, CA: Sage.
- Tan, J. (2009). Institutional structure and firm social performance in transitional economies: Evidence of multinational corporations in China. *Journal of Business Ethics*, 86(2), 171-189.
- Turker, D. (2009). Measuring corporate social responsibility: A scale development study. *Journal of Business Ethics*, 85, 411-427.
- Tsui, A. S. (2013). The spirit of science and social responsible scholarship. *Management and Organization Review*, 9(3), 1-xx.
- Yin, J. & Zhang, Y. (2012). Institutional dynamics and corporate social responsibility (CSR) in an emerging country context: Evidence from China. *Journal of Business Ethics*, 111(2), 301-316.
- Zaheer, S. (1995). Overcoming the liability of foreignness. *Academy of Management Journal*, 38(2), 341-353.