

Extracting the best China CSR

“The superior man understands what is right; the inferior man understands what will sell.” – Confucius.

CSR in China

Confucius’ words are as relevant today as they were when he wrote them 2,500 years ago. And they are especially relevant to companies – both local and foreign – seeking to succeed in this dynamic and highly competitive market. It should be remembered that his philosophy emphasized correct moral and ethical behaviour of both the individual and the government. It underscored the importance of social relationships, justice and sincerity. In short; it was aimed at creating social harmony - or what China’s current political leaders call an “harmonious society”. If Confucius were alive today no doubt his philosophy would also have encompassed the correct behaviour for companies as well as individuals and government.



Indeed, it could be said that the concept of CSR or corporate social responsibility lends itself to Confucian thought. While eschewing legalism, Confucianism looks to the individual to act appropriate, striving for nobility or perfection. In Confucius’ mind noblemen had an obligation to cultivate themselves morally; to demonstrate filial piety and loyalty; and to act with benevolence towards their fellow men. In today’s China, much the same is expected of companies: that they will act morally and ethically; that they will demonstrate commitment to the market; and that they will show benevolence to society.

In this sense, corporate social responsibility is not a new concept to China, but an old one with its beginnings in Confucian thought.

Tactless CSR

Yet, in many ways, CSR is an entirely new phenomenon in China. Thanks to nearly 60 years of communism, during which time Confucianism was all but expunged as the State took on the role of provider, care-giver, and moral guide of society, the individual and company’s call to take a leadership role in these matters was suppressed. Even as the socialist market economy began to evolve after Deng Xiaoping promulgated that “to grow rich [was] glorious”

no one really understood that companies and individuals might have a social role to play. The government, through the myriad network of State-owned enterprises, was expected to continue to provide cradle-to-grave welfare for all under the system known as the “iron rice bowl”.

However, as that system began to unravel due to economic pressures after China opened its doors to the outside world and more competitive companies entered the market, opportunities for corporations to demonstrate their social responsibility began to emerge. Economic development was displacing a large number of people in society and, simultaneously, calling for expertise and technology to achieve faster development.

But because CSR was relatively under-developed in China compared with the West, many foreign companies active in China were able to get away with token CSR programs. They were able to do something small or just write a small cheque to say they were doing something for the society in which they operated.

In recent years, however, as Chinese nationalism has risen, foreign companies and their supposed CSR efforts have been placed under the microscope. Efforts of multinational corporations have been held up to the light and compared with those of local companies, particularly following tragedies such as the severe acute respiratory syndrome (or SARS) epidemic of 2003 and the recent Sichuan earthquake. Sometimes these comparisons have been unfair; some foreign companies have been doing a great deal whereas the media has only looked at what they have done during these national tragedies while local companies that may have done little previously suddenly gave a great deal, highlighting the need for foreign companies to better promote their engagement with society.

Sadly, though, too many companies have performed poorly, making small, token-like donations that they then sought media coverage for. Or developing a CSR program around something that doesn't really reflect what their brand stands for. While it might be a good thing to save the Wild Tibetan Antelope, this should not form the basis of your CSR strategy if, for example, you are a high-tech telecommunications company.

Strategic CSR

Successful CSR programs by comparison are those that help to promote your brand attributes. For example, I have worked in the market with a leading international insurance company that executed CSR programs that linked directly back to what it stood for as a company. The programs included establishing a chair in finance at a leading university to help develop the

finance sector and providing advice to the China Insurance Regulatory Commission when CIRC was trying to develop the legal framework for the insurance industry. The company also assisted the Government with the development of policies in relation to the nation's evolving system for retirement pensions. By linking itself to these programs the company was not only effectively communicating its brand attributes but was also establishing itself as a company that could help the Government with issues of importance to it.

In another case, a food manufacturer took on issues of health and nutrition by initiating a program to provide nutritious meals and information on diet to schools in very poor regions of China – areas where malnutrition was a serious problem. The company also worked to provide information on health and nutrition to China's mothers nationwide in partnership with a leading NGO focused on women's issues. Again, this helped to communicate the company's key brand attributes and establish important links with the Government.

In both cases these companies established their leadership positions by taking ownership of important social issues.

Finally, rather than just writing cheques, companies should find programs that they can involve their staff in. For example, in the case of the food company concerned, staff from the company made regular visits to schools in poor areas to monitor program delivery and to take part in lectures on health and nutrition to mothers and care-givers at schools. Such involvement can demonstrate real commitment beyond just giving away company funds or other people's money. It demonstrates that the whole company is fostering a culture of social responsibility.

Social media key to CSR success



Communication has always been important to the success of a CSR program. After all, what does it matter if you have the world's best CSR program, but no one has heard of it? Clearly the word has got to get out. But that doesn't mean you necessarily have to beat your chest about it in the mainstream media. You can do some of that; but technology and modern communications enable companies to keep control of the message. Apart from talking to journalists and putting the material on their websites, companies need to look at what they



can achieve using Web 2.0. While political and environmental activists have been using social media effectively to lobby for companies to change behaviour, many companies, particularly in China have been slow to take up Web 2.0 tools to get their message out. Much could be done by them via photo-sharing websites such as flickr and Picasa, video-sharing sites like Youtube and the home-grown Youku.com, and social networking sites like Xiaonei.com, China's version of Facebook. Engage with your audience in the medium they are using.

Engage the Government

And, of course, as demonstrated above by the insurance company and the food company, you should engage the Government in your CSR efforts. Involve the departments that are important to you in your programs. Partner with them and ensure they share in the media coverage and praise for the activities. It's especially important to remember that in China, unlike in the West, if you partner with the Government on your CSR programs no one is going to accuse you of being stingy. The Government is an insurance policy for your CSR program. A real win-win scenario.



Looking ahead, looking around

Wayne Gretzky, an ice-hockey star of the 1980's and '90's, and known as "the Great One", once said his success was based on the fact that "I don't skate to where the puck is; I skate to where the puck is going to be." In other words, he's out in front of the pack, a leader in his field.

If companies here today want to be leaders of CSR in the extractive industry in China, you need to be asking "where is the puck going to be?" Everyone is talking about improving mine safety at the moment. While that is important and certainly needed in China; it is also where the puck is. But "opportunities" abound for the extractive industry, if I could be so crude as to put it that way.

AIDS prevention is one important area in which mining companies could get involved. There is considerable evidence that mines become "AIDS hubs" as sex workers find a ready market at mine sites. For example, in South Africa

up to 20% of mine workers are thought to be infected with the virus. Consequently Anglo-American has taken a leadership position on AIDS prevention in Africa. There is an opportunity for a mining company to do that here *before* a similar tragedy befalls China. Who will skate there?



Pneumoconiosis which afflicts 580,000 mine workers in China is a serious yet preventable disease. It costs China a direct economic loss of RMB8 billion a year. But nothing is being done about it from a CSR perspective in China. This presents an opportunity for a mining company to take leadership and ownership of the issue. No foreign company is doing anything in this area as far as we know. Who will get the skates on first?

China lacks a comprehensive national safety plan for the mining industry. There is an opportunity here for mining companies to help the Government develop and implement a national safety plan. We understand CIMG is skating to where this puck will be. Many of you might want to join the dash.

Finally, we work with numerous companies across China, including in the extractive industry sector. Yet I am often surprised by how many do not have a China-focused crisis management plan in place. Too many foreign companies in China suffer from a lackadaisical attitude about China. They don't even bother establishing a web presence in the language of the country. It amazes me that many don't even have a plan for crisis management in this market and have never conducted a crisis management drill with a local agency experienced in this. They think headquarters will take care of it if a crisis happens. I'm sorry to say that the folks back at headquarters will still be struggling to get their pants on at 3:00 am their time; but the crisis will have taken its toll in China by then and, thanks to CNN and other foreign media, will be reverberating around the world by the time they are tying their shoe laces. If your China CSR program comprises nothing else, make sure it comprises a China crisis management plan.

That is where the puck was while you were still tying the laces on your skates.