

A RESPONSIBLE CHINA: THOUGHTS OF SAM Y.S. LEE

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Since the global financial crisis in 2008, the global trend for corporate social responsibility (CSR) and sustainability has influenced emerging multinationals and organizations based in China. There are growing expectations of Chinese organizations' CSR and sustainability, due to their increased influence over the world's economy and environment. This article will discuss the emerging issues and trends evolving in China in enhancing their CSR and sustainability performance.

Sam Y. S. Lee is the founder and current CEO of InnoCSR, a leading CSR strategy consulting company that brings innovative CSR ideas and solutions. He founded the annual Being Globally Responsible Conference, currently, the earliest and largest student organized international CSR conference in Asia Pacific. To him, amidst the globalization, "China wants to adopt responsible investment and operation in Businesses to raise its reputation and bury the image of 'Made in China' in the past." Interviewed by Maria Elena Herrera, Asian Institute of Management



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What are the current issues you are currently interested in?

I am Interested in Asian Multinational Corporations. They've started to communicate and are now going global. In the past, a lot of companies were headquarter centric, an Asian culture, but in recent years they've becoming more transparent. There are still governance issues but the level of CSR is getting much stronger as they emerge in the Eastern and Western market.

Second, I am interested in the change of business model and location of operations due to the different developments in South East Asia. Chinese, Korean and Japanese factories are now moving to the SEA and Africa with the Foreign Trade Agreement getting tighter and stronger that would affect the corporate responsibility of different companies. Africa's FTA is also getting stronger. They are now more selective and aggressive on governance structure; labor rights and safety; and environmental protection. Third issue is the resource mobilization strategies are getting much more innovative both from the non-profit and profit sector on how they work together. Companies are now looking at how they will integrate their business, products and people. NGOs are now more accepting in working out innovative solutions rather than the old scheme of donations and grants.

Fourth, I am interested on the role of business education. In the western part of the globe, business education is stressing on issues such as sustainability and responsibility while in Asia, it has only been ethics brought up by the accreditation requirements such as Equis or AACSB. Today, business schools are seeing a great need to set up CSR and Sustainable Center. Students are emphasizing that they want to work for responsible companies.

My fifth interest is on the market driven business decision-making due to the rising stakeholder power. The society's check and balance system is tougher than five to ten years ago; consumers are smarter, access to information is everywhere.

Sixth, I am interested in educating CSR managers and directors. I also see that their knowledge level is also getting wider. I am hearing things like "I need to study supply chain management", "or I need to discuss what responsible procurement and conduct is". These managers and directors are continually seeking for education opportunities to actually get themselves up and going.

Lastly, I am interested in India's new regulation, 2% of their revenue/ profit is allotted for CSR initiatives. A lot of Indian companies' especially global Indian companies are looking for different places to put their resources in.

I think that the issues you've enumerated such as 1, 2, 3, 5 and 6 are interconnected. If you put all those interests together, what do you see as the key trends in global companies attempting to practice CSR in Asia?

If I combine everything one is that CSR and Sustainability has found its place within companies and their operations. The role of CSR in companies is much more important now and companies are taking it much more seriously.

Do you see this as true for both global Western multinationals as opposed to Asian multinationals? That CSR is necessary and unavoidable?

This is true for both global and Asian multinationals as we have development of communication and technologies. In the case of state owned companies in China, they would receive local pressure but not in the extent that they would be attacked by Greenpeace. CSR has become necessary and unavoidable.

Second trend is that CSR requires business integration, for a lot of global companies specifically Fortune 500 companies, CSR looks into environmental-friendly products, leaner process, motivated and engaged staffs, responsible investors and etc.

Can you give company examples you have spoken to this year that have been doing some interesting things in the area of business integration?

In the Auto Industry, GMW Motors, all due to a high concerns of growing number of automobiles affecting our environment. The government and consumers are looking for ways to address its adverse effects. In 2008, Chinese government was supporting the Auto industry in terms of subsidies and brand promotion. But after 2008, they look back and realize the pollution, traffic, and rising number of automobiles it presented. Chinese Auto industry has to address the effects and integrate government regulation in their operation. In Shanghai and Beijing, the local government is limiting the number of car plates to control the air quality, traffic, and road safety issues.

The growing Chinese middle class consumers have helped businesses but on the other hand, we raise the issue of responsible consumerism. What are the backlashes in Chinese society?

Debit and credit problems are rising; over consumption leads to wastes, theft cases, and etc. This is happening not just in China, but also in most emerging economies.

From process and product integration and responsible consumerism, what are the main trends in the practice of CSR in China specifically?

Corruption and transparency issues, institutional relationships call for more transparency and understanding to produce a win-win situation. China is concerned in addressing environmental issues such as air quality, food safety, toxic wastes, health and safety issues, mining industry practices, and water scarcity.

Chinese businesses have developed so fast for the last ten years and there are problem in every industry. Looking back, we realize that growth is not everything. In 1978, Mao Tse Tung once said that some must get rich first, which goes totally against socialism and communism. This thinking molded the idea that we must reach economic growth and success first before we look into the different problems. World Bank issued a report in 2008 stating that if China wants to manage their environment and resources, its growth rate for the next ten years must be zero percent. So at 7% percent growth rate, China is very happy than having a double-digit growth rate. China is not looking at growth but on how to fix other issues.

Is there anything else trending in China?

Globalization is a big trend in China. As I mentioned earlier, Chinese companies are going to Africa, Eastern Europe and South East Asia. China wants to adopt responsible investment and operation in Businesses to raise its reputation and bury the image of 'Made in China' in the past.

You spoke about hotels and entertainment. This is connected to the Gaming and Amusement Industry, what are the challenges, problems and opportunities brought about by Gambling? Macau is now global lead by revenue.

China does not allow gambling except in Macau. A lot of Chinese comprises the population. In my opinion, there will be more obsess people in countries that do not allow gambling than countries who allows it.

The growing number of Chinese factories setting up in South East Asia leads to more investments and money thus, the growing number of gambling circumstances. In my personal point of view, consumption is not bad. Money needs to be circulated. If we look in the experience of Japan, money and jobs do not circulate. Learning from this, just recently, China has relaxed on the one child policy. They see that the decrease of population is actually alarming.

Can you cite Chinese companies whose CSR initiatives are worth emulating?

China Vanke Co., Ltd., the largest professional residential development corporation. Vanke believes that the cornerstone of success is sticking to the value bottom line, refusing benefit temptation and getting a fair return.

Lenovo Group of Companies is one of the largest information technology companies. It is committed to being a responsible and active corporate citizen, to continually improving its operations, and to contributing to the development of society.

State Grid Corporation of China is a state owned enterprise operating the business of power transmission, transformation, distribution and other assets of power network.

Any final thought?

It's good to get my thoughts and focus via this interview. I'd like to thank RVR for giving me the opportunity to do so. Clearly, CSR is evolving into Sustainability concept and mainstreaming into the business. In this changing environment, we can see that clearly all the stakeholders have their roles in moving the agenda. How that happens in Asia would be what I will be keen to see.