

The Correlation between Corporate Social Responsibility (CSR) and Chinese Family Enterprises in China

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Abstract

It is imperative to aggressively advocate for and transmit the ideas of corporate social responsibility as Chinese family enterprises transition into the phase of corporate inheritance. This study conducts a thorough examination of existing literature to elucidate the concept and model of western corporate social responsibility. It also analyses the current state of Chinese corporate social responsibility and highlights the fulfilment of corporate social responsibility by private enterprises. Furthermore, it specifically investigates the significance of family enterprises in promoting and preserving the culture of corporate responsibility. Lastly, it delves into the correlation between corporate social responsibility and family enterprises. This study presents the process of transmission and inheritance of Chinese family firms, focusing on the influence of Chinese traditional culture, the original purpose of enterprise development, and enterprise image.

Keywords: *Corporate Social Responsibility (CSR); Family-Owned Businesses; Inheritance and Transmission*

1 INTRODUCTION

Concerns exist around the processes of inheriting and spreading corporate social responsibility (CSR) research within industry and academic communities. There are clear differences between the corporate social responsibility (CSR) practices of Western countries and those of China. The ideals of corporate social responsibility (CSR) in the Western environment are not sufficiently congruent with the Chinese situation. The Western paradigm of Corporate Social Responsibility (CSR) is not fully applicable to China, as it neglects to recognise the intricacies of traditional Chinese culture. A number of Chinese intellectuals have voiced apprehension regarding the Western concepts of corporate social responsibility (CSR), deeming them incompatible and unsuitable for adoption inside the Chinese business industry. The Western notion of Corporate Social Responsibility (CSR) is based on rules, clearly defined frameworks, and systematic company reporting and strategizing. In 2022, a comprehensive study titled "An analysis of CSR amongst Chinese family-owned businesses" would examine corporate social responsibility, with a specific focus on family-owned firms. The aim of the study is to investigate strategies for the inheritance and transmission of corporate social responsibility (CSR) inside Chinese family firms.

2 THE CONCEPT OF CORPORATE SOCIAL RESPONSIBILITY ABROAD

Corporate Social Responsibility (CSR) is a concept that originated in the West and has been implemented in China for the past two decades. The development of Western CSR theory occurred during the early 20th century, a time when the United States faced significant economic turmoil. This period was characterised by the unchecked growth of large corporations and their pursuit of privileges, resulting in a problematic intertwining of business entities with government agencies. Consequently, this led to widespread social corruption, a multitude of social conflicts, the widening gap between the wealthy and the impoverished, social deprivation, and notably, labour issues and disputes between labour and management. Therefore, the corporate revolution and the concurrent management revolution necessitated corporations to cultivate a "corporate conscience". Furthermore, he emphasised the importance of

incorporating ethical considerations into business practices. In the seminal essay "Social Responsibility of Businessmen" sometimes referred to as the founder of CSR, posed the inquiry of the specific societal obligations that are anticipated from businesspeople^[1]. The formal initiation of the study on Corporate Social Responsibility (CSR) took place. Western approaches to Corporate Social Responsibility (CSR) encompass various models and frameworks. These include the Concentric Circle model proposed by the Committee for Economic Development in 1971, the Pyramid and Philanthropy approach^[5], the Strategic Shared Value model introduced by Porter in 2001, the Circle Intersection model developed by Archie Carroll in 2003, stakeholder engagement as advocated by Freeman in 2005. Corporate Social Responsibility (CSR) enhances the long-term performance of the organisation. Policymakers, business leaders, and academic scholars are showing growing interest in the correlation between corporate social responsibility (CSR) and the transfer and perpetuation of CSR values within family-owned enterprises. Analyse the influence of family culture on the promotion of corporate social responsibility (CSR) initiatives in a Korean immigrant firm in Vietnam. Foreign countries have been maintaining research enthusiasm for corporate social responsibility.

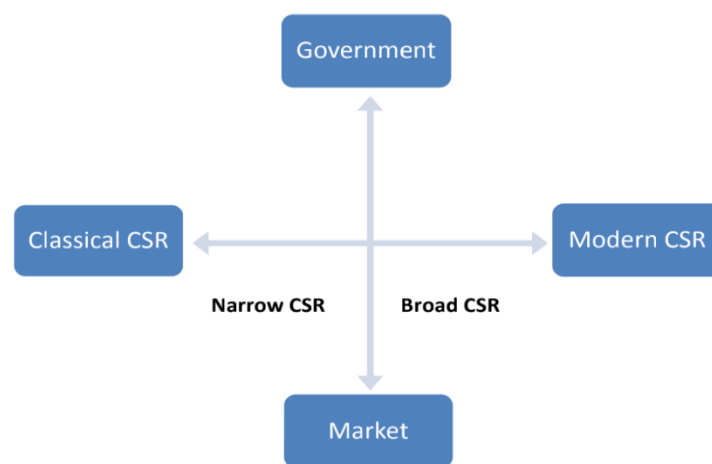


FIGURE 1 THE CSR THEORETICAL MAPPING FRAMEWORK DEVELOPED IN COLLABORATION WITH PROFESSOR TONY FANG



FIGURE 2 THE STAKEHOLDER IDENTIFICATION IN THREE SYSTEMS MODEL PRESENTED BY HERMANN

3 CORPORATE SOCIAL RESPONSIBILITY IN CHINA

The Western notion of Corporate Social Responsibility (CSR) inadequately captures the Chinese environment, mostly due to disparities in politics, society, and economics. Furthermore, the conventional Western approach to CSR fails to acknowledge the historical and cultural significance of traditional Chinese values. The CSR standards, such as "SA8000" introduced by the International Social Responsibility Organisation of the United States and "CSC9000T" released by the China Textile Industry Association, are continuously enhanced. We are now studying the Chinese Corporate Social Responsibility (CSR) model. The Chinese iteration of corporate social responsibility (CSR), rooted in the principle of "harmony," is constructed upon the enduring historical and cultural tenets of Chinese civilization spanning millennia. These approaches fail to embody or convey the fundamental Confucian and Taoist principle of 'harmony'^[4], which is a crucial aspect of China's cultural and social underpinnings. On September 19, 2004, the Fourth Plenary Session of the Sixteenth Central Committee of the Communist Party of China (CPC) made a clear proposal for the first time, stating the need to consistently enhance the capacity to construct a harmonious socialist society. The primary components of a harmonious society include democracy and the rule of law, fairness and justice, honesty and brotherhood, vitality, stability and order, and harmony between human beings and nature. The Decision of the Central Committee of the Communist Party of China on Several Major Issues Concerning the Building of a Harmonious Socialist Society was adopted by the Sixth Plenary Session of the Sixteenth Central Committee of the Communist Party of China (CPC) in October 2006^[7]. The Decision provided a detailed and in-depth explanation of the nature and positioning of a harmonious socialist society with Chinese characteristics, including its guiding philosophy, aims and tasks, principles of work, and main deployments. The significance of building a peaceful socialist society and enhancing the well-being of the people was reaffirmed by the seventeenth CPC National Congress in October 2007. The Congress also announced extensive plans for social development with a particular emphasis on improving people's lives. The author asserts that the central topic of China's corporate social responsibility (CSR) is characterised by harmony.

China's Corporate Social Responsibility (CSR) encompasses a wide range of activities undertaken by companies, but it is different from public charity because it is the responsibility of the firms themselves. The topic at hand is whether to prioritise being "benevolent" or "wealthy" and whether to focus on fulfilling one's internal and external social responsibilities without any distractions, all while maintaining a sustainable and successful business momentum. Fortune (China) has compiled a People's List of notable CSR leaders in China. The purpose of this list is to recognise responsible corporations and their CSR leaders. The list aims to highlight the principle that more capacity comes with greater responsibility. When firms possess sufficient strength, they are more capable of effectively carrying out their corporate social responsibility and ensuring the longevity of their philanthropic efforts, thereby allowing society to reap the advantages.

Ren Yuling, a prominent economist and member of various influential committees such as the 8th CPPCC National Committee, the 9th and 10th CPPCC Standing Committee, the State Council's counsellor, and the National Advisory Committee on Education, proposes the establishment of comprehensive standards for corporate social responsibility in China. These standards should encompass eight key aspects: adherence to Confucian principles and ethical conduct, emphasis on scientific and sustainable development, commitment to environmental protection, promotion of cultural advancement, support for charitable initiatives, safeguarding the health of workers, and fostering advancements in science and technology. The purpose of establishing standards is to facilitate the preservation and dissemination of CSR culture. This paper will delve into a more comprehensive analysis of the preservation and dissemination of CSR.

Examining the progress of CSR construction work in China over the past decade, we observe the establishment of guidelines, standards, and systems for implementing social responsibility aspects in international sourcing. This development occurred in the first stage, from the mid-1990s to the early 2000s. Additionally, Chinese companies started accepting audits on social responsibility aspects conducted by multinational corporations. During the second phase, which spanned from the early 2000s to 2006, Chinese academic institutions, NGOs, and international organisations in China started to systematically introduce and thoroughly study and debate social responsibility. Government departments have also started to focus on the implementation of CSR initiatives. The

establishment of Corporate Social Responsibility (CSR) in China was examined by the Ministry of Labour and the Ministry of Commerce. During the third stage, companies carry out social responsibility initiatives, carefully choose CSR cases, and achieve a dynamic equilibrium between their economic, social, and environmental responsibilities. According to Article 5 of the Company Law of the People's Republic of China, companies that are involved in business activities are required to adhere to laws and regulations, follow social norms and ethical standards, demonstrate honesty and trustworthiness, accept government and public oversight, and fulfil their social responsibilities. The company's lawful rights and interests will be safeguarded by the law and should not be violated.

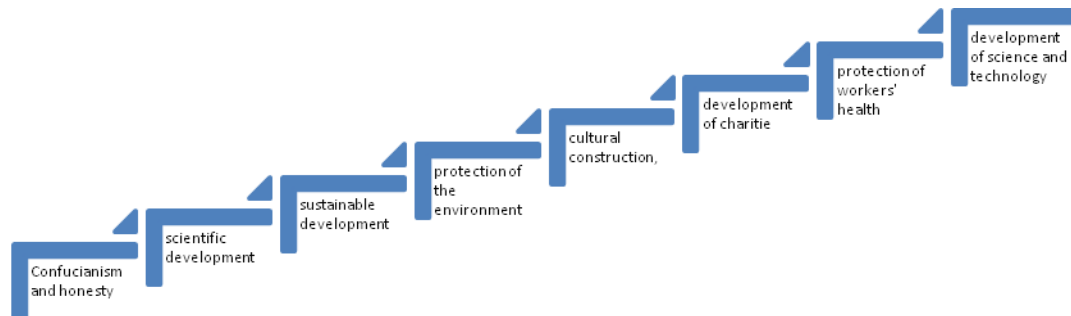


FIGURE 3 EIGHT FACETS

Private enterprises are essential on the trajectory of achieving "common prosperity". In the new era of progress, it is crucial to actively investigate the business strategies of family enterprises, as large firms contribute to the strength of the country and small firms enhance the well-being of the people. Furthermore, alongside the consistent growth of the organisation, it is imperative for the corporation to assume greater social responsibility by actively engaging in philanthropy and public welfare initiatives. This includes advocating for a fairer distribution of resources, promoting economic equality, mitigating social tensions, and upholding social stability. Family firms are the amalgamation of two systems: family and enterprise. The intricate organisational structure of these organisations results in distinct behavioural decisions and corporate strategies compared to conventional firms. Consequently, the process of balancing economic and other objectives is inherently distinctive from those of ordinary firms. China's expanding business landscape and growing capital accumulation have generated a fresh need for "social harmony".

Currently, China's private enterprises have expanded to a significant number, reaching tens of millions, and they play a crucial role in the socialist market economy. China's promotion of economic and social development is crucial and cannot be substituted. Past news, there has been a significant focus on topics such as "Hongxing Erke donating 50 million RMB to Henan" and "One-third of employees in underperforming companies are disabled individuals." These topics have gained popularity on the internet, leading to a surge in purchases of Hongxing Erke products and emotional scenes of disabled employees being laid off. This reflects the growing importance that today's society places on corporate social responsibility. It also demonstrates that, in the context of achieving "common prosperity," companies actively taking on social responsibility has become an irreversible and fundamental trend in the new stage of development. In Chinese family-owned businesses, influenced by Confucianism, the key elements of corporate social responsibility are "benevolence," "righteousness," "faith," "loyalty," "harmony," and "social responsibility"^[8]. These businesses prioritise ethical concerns related to merchants.

In the Chinese environment, CSR behaviour is driven by both political and strategic motivations. The political motivation highlights corporate socially responsible behaviour as a means to comply with government expectations. On the other hand, the strategic motives emphasise that CSR is utilised by firms as a tool to accomplish certain objectives. The political motivation highlights the use of CSR behaviour as a tactic to address government demands, whereas the strategic motivation views CSR as a means to accomplish certain objectives. Family enterprises prioritise the attainment of non-economic objectives, such as family power and influence, emotional attachment and identity, the perpetuation of the family dynasty, and the fulfilment of family obligations. The goals encompassed in socio-emotional wealth include family power and influence, emotional attachment and identity, continuation of the family dynasty, fulfilment of family obligations, protection of family social capital, and penetration of family values^[2]. Berrone^[3] discovered that family enterprises exhibit superior environmental performance compared to non-family firms, as a means of safeguarding social-emotional wealth. Confucian culture theory suggests that family enterprises

typically make strategic decisions based on the long-term interests of the family. As a result, these firms have a long-term strategic vision and prioritise family resources. Family enterprises that achieve their social duty play a crucial role in transmitting the corporate culture. Corporate social responsibility (CSR) and CSR values play an active role in the inheritance of family businesses. Family enterprises play a crucial role in China's market economy by encouraging the stable and healthy development of the country's economy, maintaining consistent employment, and enhancing the well-being of its people. Under the new framework of advancing "common prosperity," it is imperative for family enterprises to not only focus on their own commercial pursuits but also actively contribute to the welfare of the nation and its citizens.

4 THE PRESENT CONDITION OF CORPORATE SOCIAL RESPONSIBILITY IN CHINESE FAMILY ENTERPRISES

In regards to the growth of Chinese family businesses, the majority of the founders were born in the 1950s and 1960s. They benefitted from the opportunities presented by the socialist market economy, were among the first to reap its rewards, and swiftly established and expanded their business empires. Over the course of thirty-four years, there has been a progressive increase in the involvement of the second generation of the family in the enterprise's management, which has been carefully managed.

Family firms possess distinct attributes: they allocate their personal funds at their own peril in their entrepreneurial endeavours; they typically exercise authority over the board; they establish long-term business objectives; and they manage interactions between family members and external stakeholders. Chinese family enterprises have experienced remarkable growth due to the ongoing reforms and opening up of the country. Currently, over 85% of private companies are structured as family holdings. Chinese family firms have played a significant role in China's fast economic development and have become a crucial aspect in the establishment of socialism with Chinese features. China has recently emphasised the equal distribution of resources alongside economic growth, promoting the goal of "common prosperity". This objective aligns with the principles of socialism and reflects the contemporary requirements of the communist system. The new modernization process likewise necessitates an inherent and urgent demand. Corporate social responsibility plays a significant role in managing the disparity between the wealthy and the impoverished, reducing social disputes, and advancing social fairness.

By committing to social responsibility, companies can actively participate in and contribute to the promotion of shared prosperity by leveraging the "trickle-down effect" of wealth accumulation. Thus, in the context of advocating the "common prosperity" plan, it is imperative to conduct a comprehensive examination of the social responsibility exhibited by family-owned businesses. Based on the most recent Report on Social Responsibility of Family firms Listed in China A-Share Companies, between 2015 and 2019, family firms had a higher number and percentage of participation in social welfare donations compared to non-family firms. Additionally, the level of employee welfare in family firms has shown significant improvement, gradually surpassing that of non-family firms.

5 FACTORS INFLUENCING THE TRANSMISSION AND INHERITANCE OF SOCIAL RESPONSIBILITY IN CHINESE FAMILY COMPANIES

5.1 The Family Business must Embody the Essence of Entrepreneurship

Family enterprises, despite the assumptions of academics and entrepreneurs, which suggest that they are tiny in scale, lacking in modern management practices, traditional in nature, paternalistic, and driven by human emotions, continue to endure. The 2018 White Paper on Family Succession for Chinese Entrepreneurs emphasises the necessity of succession in family businesses. An analysis indicates that the years between 2016 and 2021 are a crucial time for the transfer of family businesses from one generation to the next in China. Many family-owned businesses are searching for a solution to effectively pass down their operations and assure the long-term success of their family's development. The matter of corporate social responsibility (CSR) succession in Chinese family businesses has garnered increasing interest from researchers and entrepreneurs. Chinese family inheritance is an integral aspect of the Chinese dream, as depicted in Luo Hui's book "The Mentorship of Family Business Inheritance." Family enterprises not only contribute to China's economy, but also serve as a reflection of Chinese family culture^[11] and the

nation's inventiveness. Effectively transferring the family business is a crucial element in achieving the Chinese dream.

5.2 Dissemination of Family Business Social Responsibility and the Need for Successor Willingness

Nevertheless, a family firm remains a resilient and essential type of economic organisation, particularly during the early stages of a business. No other kind of economic organisation is as tightly-knit and influential as a family business. Amidst a new period and emerging development prospects, family-owned businesses are confronted with the pressing challenges of succession and change, both of which have simultaneously afflicted these enterprises. The pinnacle of succession will undoubtedly usher in numerous unpredictable catastrophes, akin to a financial tempest. Regarding the elements that influence social responsibility in family enterprises, experts have increasingly focused on the concept of willingness transmission. The inclination to transmit is a crucial component of the societal and affective prosperity of family enterprises. When a transmitter is eager to send a CSR sprint, the supervisor will evaluate both innovative and distinctive transmission techniques.

5.3 Family Firms can Cultivate a Favourable Corporate Image and Enhance Performance through the Fulfilment of Corporate Social Responsibility

Research has indicated that family enterprises exhibit superior corporate social responsibility (CSR) performance. These organisations tend to allocate more resources towards charity donations. A family business represents not only the commercial enterprise but also the entire family unit. Family firms are more significant than non-family firms because they prioritise social responsibility to uphold a positive reputation in society. By improving the overall image of the family and establishing a reputable family business, they can enhance and sustain the long-term value of the business and achieve the objective of longevity.

6 CONCLUSION

This dissertation aims to comprehend the western concepts and models of Corporate Social Responsibility (CSR) through literature research. It acknowledges that these concepts and models may not be entirely suitable for Chinese CSR. China's corporate social responsibility is influenced by specific national circumstances and regional cultural meanings. Simultaneously, it has been discovered that China's private economy constitutes over 50% of the national economic GDP, with family companies playing a significant role within the private sector. Family firms actively disclose extensive corporate social responsibility information and place great emphasis on social responsiveness and the production of social responsibility reports. This study focuses solely on examining the factors that drive the spread and inheritance of corporate social responsibility (CSR) in Chinese family enterprises. It specifically investigates the transmission and inheritance of social responsibility within family enterprises, as well as the internal need to preserve the enterprise spirit and the external need to maintain a positive image. Furthermore, this study could not provide detailed explanations of the findings, thus necessitating additional research utilising alternative CSR data.

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