

Overview: Growth and Change

The turn of the 21st century has brought a significant shift in the balance of world markets. China, for years stymied by the economic isolation of the Maoist era (1949-76), launched economic reforms in 1978, and since then has emerged as a powerhouse. For the country, the 1980s were fueled by the opening of commerce to Western business, which set off an evolution from a "planned" to "market" economy. The 1990s were set apart by the redevelopment of Shanghai as a modern, global business epicenter and new benchmark by which other Chinese cities would work to achieve what Vice Minister Fu of the Chinese Ministry of Commerce called "5,000 years of history living with modern technology." The 2000s built on this and have ushered China into joining the World Trade Organization, the United Nation's Global Compact and host of the 2008 Olympic Games. This has been accompanied by an incredible transformation of the country and its people. Major contributing factors include:

- An economic boom driven by an effective government that has made constitutional amendments to ensure the adoption of a market economy and provided essential stimulus for growth;
- A new reflection on determining China's ultimate purpose, with a renewed commitment to creating a "harmonious society" through the adoption of corporate responsibility standards, new forms of cross-sector collaboration and reprioritization of efforts to close the gap between the country's haves and have-nots;
- An unprecedented "opening" of the government, allowing increased communications and a relative free-flow of information, fueled by the rampant rise of Internet use among the Chinese.

As a result, transformation is being driven by the adoption of "new concepts for China":

- **People First:** Putting people before development
- **Balance:** Achieving harmony between human-beings and nature
- **Success:** Fostering a circular economy
- **Tradition:** Preserving Chinese culture and society

Yin-yang, the Taoist concept of bipolarity, essentially states that everything has its opposite and that these opposites are necessary and complementary to each other. For as many new advances are made, there are certainly as many regressions, and for as many companies and people adopting new behaviors and beliefs, there are as many who may never change. This inter-relationship may be the key to inserting checks and balances into China's double-digit growth, which is today estimated at USD 2 trillion in GDP. In 2006, China soared past France, Britain and Italy to become the world's fourth-largest economy, after the United States, Japan and Germany.

During the month I toured China, I was witness to this dichotomy and sea change. From factory visits at some of the nation's largest manufacturers to overnight train rides through rural areas, and from conversations with government, business and student leaders to exploring cultural relics, I was left with more questions than answers. I was also left, however, with the undeniable knowledge that China must be recognized as the heir-apparent and premiere world superpower.

Social responsibility is blossoming in China. Changes in consumer, corporate, government and nonprofit behaviors are coming about as the country comes into its own. Indicators and trends

point to an increase in demand for improvement in social responsibility based upon the introduction of Western standards of excellence and the potential for China to change the way social responsibility works today, bringing its rich history and years of philosophy to bear in teaching others how to “live their values.”

The focus of this whitepaper is the positive change resulting from China’s adoption of the aforementioned “new concepts,” which are markers for social responsibility, especially as they relate to **Marketing, Corporate Citizenship** and **Philanthropy**. To apply these trends in context, a discussion of the macro business environment, consumer markets and competitive considerations is presented first.

Hubs of Success

China is undoubtedly experiencing explosive growth and rapid change. Its people will talk readily to you about this and underscore that despite across-the-board development, there is no “one” China. It is an incredibly diverse country that requires business strategies distinct from the rest of the world.

As such, China has been called a country of multiple, self-reliant provinces. Specifically, it is comprised of 23 provinces, four municipalities and five ethnic minority regions, as well as Hong Kong and Macau. For business, there are three central “triangle” centers along the coast:

1. **Political Center*** – area between Beijing and Tianjin
2. **Business and Financial Center** – area surrounding Shanghai
3. **Manufacturing Center** – Guangdong province, the area encompassing Hong Kong and Macau

**In the last decade, manufacturing has moved from Beijing and the Northeast, to Southeastern China*

The success of each area is driven largely by its proximity to the ocean, which provides fertile and habitable land, accessible international ports and a more open culture.

Central China is an emerging focal point as it is rich in coal, oil and other natural resources. It continues to serve as a military reserve held over from ancient times due to its largely impassible mountainous terrain. To foster area growth, the government launched the Developing West Campaign in the late 1990s and has taken steps with the Three Gorges Dam and South-North Water Transfer Project to route water from the rain-laden south coast to the parched earth in the countries’ northern center, as well as the West-East Electricity Transmission Project to channel power from the energy-rich western provinces to the rapidly developing coastal region. In addition, the government is providing subsidies to business in coastal areas to coax investment in central China, which will ultimately help balance development within rural and urban locations and create a more even distribution of wealth among its 1.3 billion residents.

Western China, separated from both the Yellow River and Yangtze River, is the most rural, desolate part of the country and contains some massive desserts along with frigid ice-capped mountains. Recent discoveries of abundant natural resources in the Tibetan Plateau are heightening the national priority given to this area.



From a marketing perspective, product and campaign roll-outs typically follow a geography-based echelon:

1. **First-line cities** are those typically located along the coast and within the three triangle centers—as 37 percent of the population lives in eastern China with the remaining 63 percent widely dispersed. Luxury goods typically can only be sold within these locations based on the socioeconomic status of residents and visitors.
2. **Second-line cities** are generally located in the central part of China. Mainstream goods can be sold here along with staples.
3. **Third-line cities** typically fall in the most western regions of the country. Often remote, and sparsely populated, they are the last to be considered for most marketing plans as access to these consumers is difficult and their buying power is negligible.

Understanding the Chinese Consumer

Based on sheer size and ever-increasing volume, the Chinese are on track to become the most commanding market in the world. Therefore, understanding their demographic and psychographic makeup is important.

Qualitative evidence suggests that the affluent vary greatly from the middle and lower classes. The affluent are most likely to establish product-based brand loyalty centered on intangible qualities, look for socially responsible practices in companies and participate in philanthropic activities.

The middle and lower classes are often primarily concerned with survival and meeting basic needs—food, shelter and creating a better life for future generations. The emerging middle class is estimated to be about 150 million people strong. During the last two decades, many college graduates have taken first jobs with salaries that pay an average of USD 50 a month and provide shared housing and meal allowances in major cities. Millions of lower class families often work for and live on less than USD 1 a day. Consequently, both classes are unlikely to pay attention to corporate activities and shop based on price, then quality and then brand. (Among middle class consumers, brand status is often considered a function of quality.) Finally, having been brought up in often unpredictable and impoverished situations, middle and lower classes tend to have greater interest in short-term gain versus long-term planning and this comes through when they choose to participate in consumer activism (identifying more with companies that support local disaster relief than those that make positive changes for long-term environmental health and research).

Economic Dispersion

<u>Per capita income in USD</u>	<u>Population Size</u>
\$5,000 and up	1%
\$3,000 - \$5,000	6%
\$1,500 - \$3,000	17%
\$0 - \$1,500	76%

Mean: less than \$2,000 (\$2,400 in 2007)

Median: less than \$1,000

Source: Callaman, Tom, Ph.D., *Managing in China* lecture,
China Europe International Business School, June 14, 2008

Only-children born under the One Child Policy (1979), or Little Emperors, make up a consumer class all its own. Well-schooled, under intense pressure to succeed and financially supported from "six pockets" (two sets of grandparents in addition to parents), these children display consumer tendencies similar to the affluent markets. In addition, having recently come of age, the first wave of only children are entering the workforce with *laissez-faire* attitudes when it comes to employer loyalty. Well-educated, but generally inexperienced, they have a sense of entitlement and are creating tremendous challenges—often wanting job assignments and compensation that they have not worked to earn; however, they are China's future, and as such, are being attended to carefully. Corporations are investing in sophisticated retention programs and training initiatives in an attempt to manage both wage inflation and employee turnover with this segment.

Chinese Businesses: Many Shapes and Sizes

Multinational Corporations (MNCs) such as General Electric, General Motors, LG and Samsung are setting the pace for China's domestic players in terms of management style, operational efficiency and corporate citizenship. Most often these businesses have been set up as joint-ventures with local governments or individual domestic investors because of government regulations. A rising minority of MNCs are wholly owned foreign enterprises.

MNCs are institutionalizing sophisticated finance, risk management, human resources, technology and operations systems in China. This is being driven in large part by increasing investor expectations, government regulations, growing consumer activism and cultural imperialism.

State-Owned Enterprises have been created, controlled and/or subsidized by the government and have operated in a relatively competition-free environment. Currently, they are undergoing forced and rapid consolidation and even privatization in order to increase profits, governance and competitive advantage. In addition to the business benefits, improved compliance with government, environmental, labor and safety regulations is an anticipated outcome from these activities.

Small to mid-sized businesses (SMBs), which are typically wholly owned Chinese enterprises or joint-ventures, make up more than 99 percent of China's employers. One of the reasons for this number is the lack of inter-country transportation and distribution systems, which has been a disincentive to corporate consolidation or franchising.

SMBs are most likely to be heavily impacted by new labor, environmental and reporting regulations, but are also least likely to comply, as they are often extremely lean organizations that must choose between observing the letter of the law and turning a profit. Managing the risk to their brand reputation is a consideration; however, with rapid growth they usually compete on cost alone. Other trends impacting this group include: initial product offering (IPO) and activities to acquire stakes or controlling interests, as well as an increased demand for internal managerial and systems improvement.

Business Opportunities and Challenges

Advantages for business in China include innate knowledge of cultural norms, local market needs, government relations and language skills essential for successful business transactions. Other advantages for both companies from developed nations and for Chinese companies themselves include:

Advantages in China	
For Companies from Developed Nations	For Chinese Companies
Advanced managerial expertise	Deep knowledge of cultural norms, language
Large market potential	Assimilation ease in local markets
Competitive technology offering	Long-term relationships with government/influencers
Large pools of capital	Subsidies and other support from government
Incentives for foreign investment	Lowest-cost production
Low-cost production	Lower patent and copyright restrictions

Challenges that face all businesses in China typically involve the regular inclusion of party officials in business decision-making (creating multiple priorities for business, with shareholders not always being a central driving force); the artificial appearance of business success as a result of government subsidies; a serious shortage of skilled labor force; high employee turn-over; low sophistication in establishing true business alliances and vendor relationships.

Although it has been generally understood that low-cost production, access to its consumers and low regulatory oversight have been primary reasons to do business in China, in recent years these truisms have been questioned. As it relates to labor issues, critics have not only called China, but also its suppliers, into question with comments, such as this from Professors Usha and George Haley of The University of New Haven in Connecticut: "One reason China is able to continue producing so cheaply is that the rights and safety of its workers are ignored. In addition, China buys raw materials from countries with abysmal human rights records."

Others contend that costs to compete in China are kept artificially low through deflation of the Yuan as well as heavy subsidy, a practice that is not sustainable in the long term. Professor Barry Naughton, a contributor to the Foreign Policy Association, has said, "Many assume that China's cost advantage in manufacturing comes from cheap labor. But in China's burgeoning steel

industry, our research suggests massive government (energy) subsidies, not other factors, keep prices down.”

On the world stage, the appearance of low government oversight leading to serious failures in supply chain management has driven global consumers to question Chinese business practices. In 2007 alone, recalls of pet food, toothpaste, seafood and toys created a steady drum beat of new worries. In response, China worked to assign responsibility to the manufacturers themselves.

On a macro level, in the recent down market, RMB appreciation and shaky world market status are also factors challenging business in China. In spite of these concerns, four out of five executives around the world expect to see rising competition from Chinese companies in the next three years.

China Finding Balance

In particular, 2008 has ushered in incredible change for the country. In February, southern China experienced a major snow disaster affecting 30 million people. In March, two major passenger trains collided with devastating consequences, and in May, the nation was rocked by a catastrophic earthquake in Sichuan Province. All this occurred at a time of great anticipation and hope as the country prepared for its introduction as a world power when it hosted its first Olympic Games in August. These events, combined with the rampant evolution of Chinese business and new governmental openness, have led to a renewed and universal vision for a harmonious society.

A popular proverb to describe these circumstances reads, “If you go quickly, you will leave your soul behind.” This apparent focus on harmony, goodness and authenticity has manifested itself in corporate missions and in an increasing number of corporate actions. For example, Gome, one of the largest electronics superstores in China, actively promotes its vision and values:

Mission:	To create shareholder value, career opportunities for staff and contribute to the social community
Vision:	To raise the quality of life and create market value
Corporate culture pillars:	Emphasize both moral integrity and capabilities Give priority to maintaining integrity Create a career ladder with no limitations
Social charity:	2002 – In-kind audio and electronics equipment to the China Hope Project 2003 – In-kind and cash contributions to help prevent and treat SARS 2004 – In-kind contributions to hospitals, welfare institutions and cash donations via financial aid to university students with blood cancer 2005 – 10M RMB to tsunami victims 2008 – 50M RMB to the Sichuan Province earthquake victims

AIGO (meaning “patriot” in Chinese), a leading Chinese personal electronics manufacturer, manages with a philosophy focused on human values, “Virtue is a foundation of success. Never cease seeking self improvement.” In its corporate overview presentation, commitment to helping people by improving the quality of their lives is evident. One example provided was its efforts to use its core competencies for social good by developing reading tools for the blind and translation

services for volunteers at the Olympics. AIGO developed the AIGOPEN (a "pen" that uses high-resolution optical technology to read Braille through infrared detection).

Emerging Cause and CSR Indicators in China

In China, charitable giving through affiliation with the Communist Party is the primary means by which people "give back." Typically, most Chinese are comfortable giving a "self-determined" percentage of their income to this "general fund for the common good" managed by party officials and are reliant on the government to regulate corporate social responsibility. Large personal donations to specific nonprofit organizations (NPOs) and consumer/employee activism to punish or reward companies based on their corporate citizenship are relatively new concepts.

Volunteerism and public service is a less foreign concept. Lei Feng, a reported soldier of the People's Liberation Army who died on August 15, 1962, is a national hero based upon his legacy of commitment to Communism and selfless public service. His legendary spirit of cheerful contributions to society is commemorated on "Learn from Lei Feng Day" held on March 5 every year. To honor him, the government and public offer pro bono services, such as free haircuts, appliance repair, blood pressure screenings, etc. to people in need.

Advocacy, powered by "netizens" (China's massive and growing group of Internet users, which recently surpassed the number of U.S. Internet users), is taking root as well. In 2008, netizens were responsible for boycotts of Carrefour, Christian Dior, Sharon Stone, Coke and China Vanke, among others. Other cultural and consumer trends in cause and corporate social responsibility are expanded below.

Volunteerism

Company-sponsored time off for volunteerism is rare; however, volunteer positions are revered and considered to be career builders for Chinese university students. Volunteer opportunities are varied:

- **Nonprofit Volunteering:** Volunteer positions at nonprofits are considered prestigious and are often sought after. They are typically unpaid and applied for by university students. The Red Cross Society of China is a popular nonprofit with which to serve.
- **Service Days:** Limited, single-day service opportunities are promoted by large global companies, such as Deloitte's China IMPACT Day, where all members of the firm can get involved in local communities.
- **One-off opportunities:** Other opportunities include the distribution of reusable shopping bags at grocery stores and participation in tree planting days.

Philanthropy and Fundraising

While not a way of life, philanthropic giving is becoming more popular through fundraising campaigns and events. The type of campaign is generally dependent on the socio-economic class of the donors.

- **Donation parties on television** (telethons) are popular and offer opportunities for individuals to make financial contributions and/or send text messages for support.
- **Collection containers** are in frequent use in hotels, banks, restaurants and other forms of business asking consumers to contribute spare change for victims.
- Lower and middle class Chinese are likely to reserve special philanthropic gifts for local **catastrophic events**, consequently telethons and general collections typically focus on this.
- Upper income Chinese, especially in Shanghai (and Hong Kong), give to a wide array of causes, generally as part of upscale **charitable event admissions**. Exclusive charity events, such as art openings, are common with the affluent.
- **Walk-a-thons** are growing in popularity as a means to give back in first-line cities.

Cause/CSR Communications

Communicating corporate vision and values through compelling signature cause promotions are not uncommon to Chinese consumers or advocates.

- It is common practice for corporations to include social missions in their overall corporate visions and prominently feature their social commitments in annual reports, corporate presentations and on the walls of their headquarters and/or manufacturing facilities.
- Billboards, table tents, magazine advertisements, store-front and in-store displays are used to promote corporate cause programs and invite consumers to donate. In June 2008, a highly visible cause promotion running through Beijing was for Jet Li's One Foundation. Ads called for every person to donate one Yuan per month to the Red Cross Society of China by emailing or text messaging the One Foundation to achieve "one whole family" and support its general fund.
- Consumers are flocking to the Internet to advocate for causes; this includes calls for volunteers, boycotts and donations. Mega-retailer Carrefour fell victim to a consumer boycott, when an inaccurate posting accused the store of sponsoring the Dalai Lama's tour. In response, consumers boycotted the stores until the allegations were proven to be false.
- Investor communications are less common as the accepted true value of a corporation largely depends on its earnings and other traditional measures. As such, at present, corporate social responsibility reports are less common. However, an increasing number of Chinese companies operating globally have published CSR reports.

Labor Rights

Despite new labor laws, it may take decades before China and its businesses join other developed countries in meeting universally recognized standards for its workforce.

- The recent Labor Law (in effect since January 11, 2008) ensures equal treatment of workers (fair wages, safe conditions, equal opportunity, etc.) and is now considered an essential component of building a harmonious society and vision for China's future.
- Major impacts from the law will be felt largely by state-owned enterprises and wholly owned Chinese enterprises that have not established track records of protecting labor rights. And, these policies are questioned by some experts, who believe higher wages, costs and taxes combined with inflation will ultimately endanger mainland competitiveness and push Chinese jobs overseas to markets such as India, Vietnam, Mexico and Africa where costs will be comparatively lower.
- Communist policies advocate for equal educational and professional working opportunities for women; however, a preference is still given in some positions to men.
- The government prevents workers from forming independent trade unions, arguing that the party-controlled All-China Federation of Trade Unions (ACFTU) sufficiently ensures their rights. As such, "labor unions" in China are considerably less active and powerful than in places like the United States.
- Skilled labor shortages have led to increased employee choice in selecting and committing to employers. Often upward mobility and training are the most highly sought benefits, after wages.
- For the labor force, old forms of government subsidized benefits, such as housing, food and clothing allowances are on the decline. Educational and health care benefits are on the rise.

Human Rights

While still a controversial subject for the Chinese government, there has been some modest movement toward a more transparent human rights approach.

- China was elected to the UN Human Rights Council in 2006. At the time, in its candidacy statement, the country noted, "the Chinese government respects the universality of human rights and supports the UN in playing an important role in the protection and promotion of human rights." With this, the country took a step closer to opening itself to higher standards.

- Slavery and child exploitation still exist, often in more rural parts of China. These activities are being increasingly cracked down upon by government in response to criticism from developed countries.
- Although religious freedom is included in the Chinese constitution, only a small number of state-controlled religions are acknowledged. Other forms of religion are still thought of as a threat to the government.
- In general, "the Chinese government continues to use a vast police and state security apparatus to enforce multiple layers of controls on critics, protesters, and civil society activists." This extends to controlling media reporting, religious practices and freedom of expression.

Environment

Current environmental trends highlight action by government, business and society to effect positive change on climate change issues.

Government

- In June 2007, China unveiled a 62-page climate change plan with the aim to reduce energy use by a fifth before 2010 and increase the amount of renewable energy it produces. In July of that year it shut down five of its six remaining chlorofluorocarbons (CFC) and halon plants, which was "two and a half years ahead of the Montreal Protocol's 2010 deadline for phase-out of the two ozone depleting chemicals."
- Although it is not compliant, China ratified the Kyoto treaty in 2001. At a UN Climate Summit in December 2007, China pledged to consider cutting its emissions under a successor of the protocol to potentially come into effect in 2012.
- Current pollution and emissions controls are most rigid in first-line cities where government officials and residents are more aware of environmental issues, but the central government is pressuring local authorities to increase their environmental vigilance.
- Adding to the seriousness of the issue, most elected leaders of municipalities are now evaluated on their regions' environmental performance along with other factors such as crime and fiscal policy.
- Depending on municipality, it is possible that purposeful acts that defy environmental standards may result in financial penalties, jail time and even death (usually when the act causes others to die).
- China officials from the Ministry of Commerce say that the country is taking steps to invest in clean energy sources throughout the country including hydro, wind and solar power and is asking for small steps from businesses and individuals such as a recent request to raise or lower thermostats by several degrees, depending on the season, to help save energy.

Business

- Despite this, hundreds of thousands of manufacturers in China continue to pollute and are not compliant with new regulations. Some nonprofit groups exist largely to identify polluters and report them to the Chinese government for prosecution.
- Most large state-owned enterprises and MNCs, largely by mandate of the Chinese government, are taking steps to comply with more stringent codes.
- Supply chain management is a growing concern not only to meet governmental regulations, but to ensure consumer safety and competitive viability. As a result, pressure is increasingly being put on suppliers, Original Equipment Manufacturers and Original Design Manufacturers to be compliant with the adopted standards.

Society

- "Green" messaging is prevalent throughout Beijing, Tianjin, Shanghai and other first-line cities and is a widely espoused concept. For example, Chinese and foreign hotel chains are calling for using linens multiple times and reducing towels usage. And, billboards welcome commuters to "green communities."
- One of the more lofty efforts, The Dong-tan Eco-City Project, slated for completion in 2010, will be a petrol-free city (just outside of Shanghai) constructed entirely of environmentally friendly materials and sustained with organic farms and other Earth-friendly supplies.

NPO Coordination

Typically funded from foundations, government and individuals, NPOs in China tackle issues ranging from the environment, animal adoption and eldercare, to job creation for the disabled and care for heart surgery patients.

- In first-line cities, visible international NPOs include The Red Cross Society of China, YMCA, UNICEF, WWF, Save the Children and the Jet Li One Foundation. These organizations have sophisticated management teams, diversified funding streams (including corporate partnerships) and communications abilities.
- Beyond the major players, many NPOs are much smaller in size and offering. Although they have rich histories of service in China, they have been relatively isolated, resource-strapped and focused on program delivery versus systems change.
- NPOs are now coming together to build capacity, share best practices and fundraising techniques. New "support NPO" organizations like the NPO Development Center in Shanghai are dedicated solely to teaching team-building, entrepreneurship and communications skills to improve the effectiveness of small, program-focused NPOs. Their work is expected to bring about consolidation, new focus on strategy and grant-making, as well as streamline new revenue from corporate partnerships.

Sichuan Province Earthquake: A case study of corporate and consumer trends in social responsibility


On May 12, 2008, a disaster of nearly unimaginable proportions struck southwestern China. An earthquake measuring 8.0 on the Richter scale took the lives of an estimated 69,000 people, injured upwards of 370,000 and left 5 million people homeless. Combined with the rapid evolution of China's economic boom, the government's focus on harmony and the emergence of a stronger consumer voice, the disaster has marked a tipping point for stakeholder engagement in societal causes.

The earthquake can be compared in stark contrast with the governmental control of information during the 2003 SARS epidemic. Now, the outpouring of real-time communication with world media, openness to active engagement of consumers, business and NPOs alike and the prioritization of public welfare has resulted in a unified support that is historically unprecedented.

From organizing netizens to volunteer, donate and advocate for support and put pressure on corporations, the Internet drove relief funding and support. Sina.com ranked corporate donations while online bulletin boards displayed comments about those companies that did not top the lists of generous donations. This type of activity is ushering in new social accountability pressures for business and changing the way consumers will judge what makes a company "good" or "bad."

To this end, a survey by a research center under the Chinese Academy of Social Sciences on May 24, 2008 found that 70 percent of respondents would buy shares of listed enterprises that had made generous donations to help earthquake disaster relief, and 65 percent said they would consider selling shares of "miser" companies.

Some notable examples follow:

 Wang Shi, who heads **China Vanke**, one of the country's largest listed property developers capitalized at more than 100 billion Yuan, approved a corporate donation of approximately 2 million Yuan (\$288,000 USD) to aid in the disaster. The gift, seen as miserly, was lambasted on Chinese blog sites and in the media.

Three days after the criticism, Wang Shi wrote on his blog, "China is a disaster-laden country. Charity donations for disaster relief should become a routine. Donations must not become a

burden for enterprises, so that donation activities could become sustainable for them.” He also implored his employees to donate no more than 10 Yuan each.

His response further outraged bloggers, who then called for a boycott on buying Vanke homes and shares in the company. Although many factors may have contributed, the company experienced a subsequent drop in the value of its Yuan-denominated A shares, a first-time loss of its No. 1 capitalization ranking on the Shenzhen exchange and a share valuation collapse from 25 Yuan to 19.58 Yuan on June 3, 2008.

In response, Mr. Wang issued a public apology and pledged to help in the construction of earthquake-proof homes; however, the Chinese people were unsatisfied and did not allow the stock to recover as of June 2008. There were wide reports of individuals saying that Mr. Wang and other contractors, especially those involved in faulty construction of Chinese schools, need to fear God.

The *Asia Times* noted: “Whatever the factors behind the fall in Vanke's share price, the furor over the company's earthquake-related donations suggests an increased public awareness of corporate social responsibility. Whether charity donations are an apt yardstick to measure this, it seems investors now must take corporate social responsibility into consideration when doing business in or with China.”


Dior Sharon Stone suggested during a Cannes Film Festival red-carpet interview that the earthquake might be a result of Karma for Tibet. Chinese bloggers and influentials responded in kind, calling for a boycott of all of her films and **Christian Dior**, the fashion house she represents.

China's official Xinhua News Agency said Stone was the “public enemy of all mankind,” while myriad blogs have labeled the actress with epithets like “heart of Stone.”

In response, Christian Dior dropped Sharon Stone from their Chinese ads and issued an apology saying that the company was “deeply sorry” for her words and implored that they “absolutely disagreed” with Sharon Stone. The actress also apologized saying she was “deeply sorry and sad about hurting Chinese people.” To date, the boycott on Sharon Stone films has not been lifted.

 On April 17, 2008, **MSN China** encouraged users to put a red heart in front of their signatures to show their united support of China and the Olympic Games. Instantly, due to a new surge of Chinese nationalism grown from world protests of the Olympics, the effort was an incredible success with more than 3 million Chinese MSN chatters adding the symbol of support. The symbol quickly crossed over to other sites and the number continued to grow.

When the earthquake hit, MSN responded with the opportunity to add a rainbow to signatures with a similar response of 6 million early adopters. Screensavers, t-shirts and other ways to show support are being widely adopted across the country.

 **Wang Lao Ji Iced Tea** became an overnight sensation after announcing a 100 million Yuan donation, which was considered to be adequate based on the company's size. Netizens called on others to stop buying Coke, seen as not doing enough, and only buy Wang Lao Ji. Others responded saying they would buy as much of the tea as they could, even if they didn't need it.



Gome gave 50 million RMB to support earthquake relief. Its logo is shared along with a call to donate in jointly branded Red Cross Society of China posters hung throughout stores. In addition, unbranded posters encouraging customers to buy and wear a green ribbon to show support are also visible in stores. Its stores are also posting donation information, pictures, messages of hope and invitations for customers to get involved in outside entryways.



Donation Parties

Groups from all sectors are coming together to raise money and awareness for causes, helping raise mainstream consciousness and compassion for social issues.

- Televised calls to donate and text support are running on CCTV (China's national television broadcast network), along with customized music videos from Asian singers showing pictures from the relief and recovery effort.
- Local events, such as a "Relief BBQ" hosted by *That's Shanghai* magazine and Cotton restaurant for the Red Cross Society of China and China Charity Federation are helping raise additional funds.

Volunteerism

The magnitude of the earthquake has also sparked a call to action for the Chinese people to lend their time in recovery and relief in unprecedented ways.

- An estimated 1.5 million volunteers from every socioeconomic strata and province in China have lent a hand in support for relief of the earthquake.
- Mobilized largely via blog sites, volunteers have taken planes, buses and even tractors to volunteer on-site. Incredibly, volunteers have tapped into their personal skill sets to have the greatest impact. In one example, a group of radio technicians set up special radio stations to help families locate loved ones and determine safe evacuation routes within days of the quake.
- At home, university students have been deeply involved in soliciting in-kind donations as well as making recommendations of suppliers of goods and services from which willing donors can purchase needed supplies such as tents, water and medicine. In another example, the NPO Development Center Shanghai put a call for physically strong individuals to help load supply trucks on its New Hump Connection blog site. In less than 24 hours, volunteers exceeding the needed 35 showed up at 9:30 am to donate time.

NPO Response

NPOs were empowered to respond to the relief efforts and successfully demonstrate the positive role they can have.

- Many Chinese and international organizations have come together to respond, and there is a general feeling that the government played a huge role by stepping aside to "let people participate," allowing "a free flow of information and a free flow of people" to the disaster site.
- Efforts to call for, collect and deliver goods and services to the quake site are largely being coordinated online and on the ground.
- The integrated, collaborative response is viewed by many as a major advancement in efficient service delivery for the NPO field in China.

Conclusion

Social responsibility, which played a significant role in Chinese history, is blossoming again in China. Recent political changes, business pressures and natural disasters have created a watershed of new dialogue, ideas and progress in this area. And, while the full induction of

Western ideals may take years, there is tremendous opportunity in the business of helping society through improved corporate citizenship.

Although indicators and trends point to an increase in demand for improvement in social responsibility based upon the introduction of Western standards of excellence, there is also potential for China to change the way social responsibility works today, bringing its rich history and years of philosophy to bear in teaching others how to “live their values.” Although highly controversial in some circles, the current Chinese notion of what it means to be communist—a “shared belief that helping people is the right thing to do”—as well as its entrenched dedication to support its elderly, commitment to education and willingness to take dramatic action to bring about change are areas in which developed nations have long struggled.

In any case, changes in consumer, corporate, government and nonprofit behavior are coming about as the country is coming into its own. As this change occurs, the negative impacts of growth will have to carefully be managed. China’s focus on building a harmonious society and trying to balance development with human and environmental needs is necessary for the country and the world. But, given the mind-boggling pace of advancement that China has been able to achieve in restoring Shanghai, in hosting the Beijing Olympic Games and installing infrastructure to expedite business advancement, there is sufficient evidence the country can achieve its goals. There is just reason to hold tremendous hope for the future.

About the Author:

Kristian Darigan is a vice president at Cone and has particular expertise in marketing strategy, corporate citizenship, change management and fundraising. As an expert on cause programs, she serves as a spokesperson for Cone on cause branding and social marketing trends and has been a featured speaker at many conferences and seminars. Her work has been honored with more than 65 industry awards and two of her campaigns, *Go Red For Women* and *PNC Grow Up Great*, were turned into a Harvard Business School case studies.



About Cone:

Cone LLC (www.coneinc.com) is a leading expert in cause branding and corporate responsibility strategy and communications. Cone helps companies such as Western Union, Pfizer and Timberland build business value and enhance reputation while realizing societal gains. To learn more about Cone’s cause branding, corporate responsibility and other services, please visit www.coneinc.com or call Kristian at 617-227-2111.