Corporate Social Responsibility of Chinese Enterprises Going Global From a Context of the One Belt and One Road Strategy

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Keywords: OBOR, Chinese Enterprises, Going Global, CSR, Sustainable Development.

Abstract. Chinese enterprises are thinking about how to avoid risks of going global, and becoming a global corporate citizenship, in particular with a context of One Belt One Road (OBOR) strategy. The questions include how to cope with the challenges, seize the opportunities and how Chinese enterprises implement OBOR strategy effectively. This article aims to review the connotation of OBOR and development of Chinese enterprises going global, and analyze the reasons why Chinese enterprises going global lack of social responsibility. The article finally puts forward relevant policy proposals combined with corporate social responsibility (CSR) and sustainable development.

Introduction

China and countries along OBOR continues to deepen economic and trade cooperation. All aspects of the construction have made positive progress. First quarter of 2015, the bilateral trade between China and countries along OBOR up to $236 billion, accounting for 26% of the total national trade, they have more than 70 cooperation projects under construction, enterprises invest over $8 billion in infrastructure, the estimated output annual value over $20 billion, creating 200,000 jobs for the local. In foreign contracted projects, China has accumulative signed a new value of $617.9 billion with 64 countries along OBOR, completed the turnover of $424.4 billion, respectively accounted for 43.2% and 43% of the total scale of business over the same period.

Dunning’s Eclectic theory of International Production is the earliest research on enterprises going out, and K. Kojima presents the theory of Comparative Advantage make an new explanation for enterprises of FDI behavior. OBOR has brought huge business opportunities for Chinese enterprises which run through the world’s longest span of the economic corridor. Opportunities coexist with challenges, Chinese enterprises how to win victory in “OBOR war” in such a complex background?

Connotation of “One Belt and One Road”

Great changes have taken place in the world economy after the financial crisis, the United States used the “re-industrialization” makes the advanced manufacturing industry reflux, the European Union and Japan suffered a structural dilemma of economic policy, while the growth of emerging economies fell into greater uncertainty. At the same time, bilateral and regional integration is becoming the main driving force of globalization, and the global economic governance structure is increasing. Looking back at home, economic growth is subject to the constraints of resources, environment and labor, the growth is weak, regional development imbalances and other issues outstanding, the traditional advantages in foreign trade are weakening. Compared with the pre-crisis situation, the open economy of our country faced with a completely different internal and external environment, the OBOR is in the “different” upheavals arises at the historic moment.

OBOR proposed by President Xi Jinping, after the Third Plenary Session of 18th CPC Central Committee decided to rise to national strategy. In 2015 the Central Economic Work Conference, put OBOR as the primary strategy for regional development. Statistics show that the total population of countries along OBOR is about 4.4billion, the economy was valued at about $21 trillion, accounting for 63% and 29% of the world respectively. OBOR by means of regional cooperation platform,
provide the way out for the sustainable development of China’s excess capacity, but also promote the strength of many qualified enterprises to go abroad, make investment in construction and trade of countries along OBOR. It meets the strategic interests of all countries along the Asia-Pacific and Asia-Europe, speed up the layout to make cooperation with countries and emerging market along OBOR, get new development space for Chinese enterprises going global.

Overview of Chinese Enterprises Going Global

Connotation of “going global”. Thought of “going global” was first proposed in 1996, the broader notion of “going global” includes the export of labor services, goods and services, international finance and foreign investment and other business. Narrow sense of “going global” refers to enterprises through investment entry into global markets and participates in international competition and cooperation. This article mentioned “going global” strategy in the broad sense.

Research on the problems of Chinese enterprises going global. Literature talking about Chinese enterprises going global under OBOR strategy is less, combined with CSR and sustainable development are much rarer. The main research are included: Xu Niansha (2015) pointed out that financial resources is the essential factor for enterprises going out, financial service and its leverage advantage is particularly important for enterprises, Chinese enterprises should pay special attention to the effective use of development finance tools. Jiang Xiheng (2015) stressed the government needs to guide enterprises in accordance with market rules and law-abiding integrity management, strengthen consciousness of CSR and sustainable development. Zong Liang (2015) studied large enterprises by taking leading position in OBOR, through the promotion of infrastructure construction, regard mobile, Internet banking as the leading, promoted the development of new industrial clusters, highlighting the technological advantages, took the PPP to achieve win-win.

To sum up, in the existing research on enterprises going global under the background of OBOR mainly focuses on a certain type of enterprises, and the countermeasures are limited to the macro level of the government. After the empirical analysis of dynamic panel data show that the Multi-National Corporation to perform CSR in the current period will increase the cost, but in the long term it plays an important role in enhancing the international competitiveness of the Multi-National Corporation. Therefore, it can be deduced that the construction of CSR will be conducive to the development of our economy, and the government should attach importance to the construction and development of social responsibility to guide enterprises to “going global”.

The development process of Chinese enterprises going global. China’s multinational enterprises sprouted in foreign economic and technical assistance in the 1950s, accompanied by the implementation of the reform and opening policy, China’s multinational operations began to start. After 1985, the overall development of China’s foreign economic cooperation has begun to take shape, and enterprises take resource-oriented multinational management. In 2000, China’s “going global” first time rose to national strategic level, and the following year was included in the “Tenth Five-Year” Plan, since Chinese enterprises going out entered the stage of rapid growth.

Figure 1. 2002-2014 China’s Foreign Direct Investment.
Since the implementation of “going global” strategy, the strength of domestic enterprises continues to strengthen. In 2014, the non-financial overseas direct investment flows rose to $107.2 billion, an average annual growth rate of over 40%; foreign contracted projects completed turnover of $137.1 billion, by the end of 2013 accumulated amount is $792.7 billion. However, at present, the stock of FDI in China accounted for the world’s is less 2%, the global enterprise multinational management level is not high, the size of private enterprises is still small. Now both Chinese enterprises “going global” period of rapid development, are also a problem-prone period.

**OBOR brings new opportunities for Chinese enterprises going global.** With the increasing economic strength of our country, the rise of trade protectionism makes more and more countries taking political intervention to our enterprises’ investment, which brings losses to the enterprises in China’s foreign economic activities. OBOR strategy is committed to building safe and reliable, prosperous and stable environment, it will be conducive to Chinese enterprises going global.

As we all know, most countries along OBOR are developing countries, with different resource endowment advantages. China and these countries are highly complementary to each other, the economic and technological cooperation has great potential, the parties will discuss the issue of trade and investment facilitation, support international cooperation on policies and laws, reduce trade and investment costs, it provides a new space for development for Chinese enterprises going global, and provides opportunities for the sustainable development of enterprises.

### Analysis Reasons for Chinese Enterprises Going Global Lacking Of CSR

Over the past decade, Chinese enterprises going global have achieved brilliant achievements, but many enterprises in the process of going global to fulfill CSR are not perfect. Thinking about the reasons, the author believes that mainly has the following several aspects:

**Imperfect laws and regulations.** Most countries along OBOR are emerging economies and developing, compared to the developed countries, the laws and regulations are imperfect, the legal system is incomplete, and in the protection of consumers’ personal interests and public interests there is still a big gap. Many areas of legislative gaps still exist, such as for a long time foreign investment in our country exists a “more losses the more investment” anomaly, after investigation we know because of the lack of anti-avoidance law system that leads these companies to evade taxes. It is inevitable for these underdeveloped countries and regions do not have the same problems, makes the enterprises to find loopholes to ignore the implementation of CSR.

**The profit-driven of enterprises.** Profit-driven is one of the essences of enterprise management, an old saying that you can’t have it both ways. It is a contradiction for enterprises to deal with the relationship between CSR and the pursuit of interests. To pursue the benefit maximization, enterprises will sacrifice the implementation of social responsibility in decision-making. Because whether it is to improve the quality of products, the treatment of employees, or to prevent pollution and protect the environment will increase its operating costs. Especially, enterprises are easier to make such decision when they facing the imperfect laws and regulations in host country.

**Failure of enterprise internal management.** In the process of globalization, enterprises needs to coordinate various resources, to co-ordinate a variety of different needs of different cultures brought, all of which means that the operating costs of enterprises will increase. From the point of internal control, enterprises need to expand in the globalization management constantly in order to obtain the scale effects, but the growing system will inevitably arise monitoring blind spots, which will lead to the failure of the parent to the subsidiary of internal supervision. Under the condition of information asymmetry and internal control failures, subsidiary may to achieve business objectives, which may take the breach of CSR practices, such as the decrease of the quality of the products, and even tax evasion and other illegal activities.

**Market lacks effective supervision.** As the above analysis, most countries along OBOR are developing countries, compared with our country, its economic and technical conditions are relatively backward, the construction of the market system is imperfect, and the relevant supervisory system is deficient. Meanwhile, the national education level is not high, legal awareness, consumer awareness and self-protection is very weak, this allows enterprises to take
chances not actively fulfill their social responsibilities due to the system lacks of effective supervision.

The cultural differences. Cultural differences lead to different values of CSR and penalties for whether enterprises to take duty are not consistent. Taking CSR requirements in developed countries are more stringent, “when in Rome, do as the Romans do” makes enterprises do not assume or take less social responsibility in developing countries. Therefore, in order to obtain more profits, enterprises often cause environmental pollution, unfair competition, but also damage the rights of workers and consumers seriously in developing countries. Lack of CSR, making serious impacts on reputation and image of our country, which hinders other enterprises continue to go out.

The Countermeasures for Chinese Enterprises Going Global

With the progress of technology and the vigorous development of economy, the competition of product homogeneity is increasingly, how to use the difference to find new growth is the focus of enterprises. Chinese enterprises going global ushered in the new development space under OBOR, CSR has become an important force in the market after the price and quality competition. Therefore, this paper attempts to provide effective suggestions, combine CSR with sustainable development.

Play the leading role of the government to improve the relevant laws and regulations. The government is playing the role of social public interests and public management structure, is the main force to promote the development of CSR. In the promotion of implement CSR, government needs to play a positive role in guiding and supervision, improve the relevant laws and regulations, also need learn the legal restraint from Western society and adopt incentive policies for enterprises to fulfill their social responsibility to provide power. Our government and countries along OBOR need to work together, from the need to safeguard the interests of society and the protection of social and economic development, clear out CSR and perfect the legal environment of social responsibility. It mainly includes environmental protection and worker rights, but also need to establish a severe punishment mechanism and the corresponding incentive mechanism, the enterprises will bear a certain degree of punishment if they do not fulfill their social responsibility, corresponding with incentives, encourage enterprises to perform social responsibility consciously.

Develop the social responsibility system to implement the comprehensive social responsibility management. As an old Chinese saying goes, gentleman’s love in a proper way, also applies to enterprises. Business ethics, the spirit of humanity, a moral bottom line, the development of the enterprise with the stakeholders tend to be more successful. In the process of OBOR, the enterprises of going global need to establish the consciousness of social responsibility and change ideas, not only pay attention to the performance of social responsibility, but also to focus on the way and effect of performance. They need to integrate the social responsibility into the international business strategy, through the perspective of corporate governance, organizing and systematically designed to incorporate social responsibility into the daily operation, build competitive advantage. Specific practices can be based on the international certification index system to establish CSR management department, strengthen concept to employees, set up social responsibility management departments, strengthen cooperation with stakeholders, taking real-time supervision and monitoring of the sector’s social responsibility.

Improve the information disclosure mechanism, perfect the internal governance structure. Due to internal communications is not smooth, led to the parent company to a subsidiary of managerial failure, enterprises can expand communication with stakeholders actively, disclosure the relevant information of CSR timely and strengthen the reputation effects. It may be in the form of reports to disclose social responsibility information, expand publicity through the media, Internet and other channels, so as to restricted subsidiaries fulfill their social responsibility effectively from the external environment. There is an effective way to control of corporate social responsibility in the company is establishing the internal control system, define the rights and obligations of the parties. In addition, because of the OBOR involved in the three major religions, the communication of culture is particularly important. The enterprise is required to introduce the national professional
and technical personnel for internal governance, strengthen their management capacity, provide intellectual support for enterprises, but also to provide convenience for international business.

**Establish the social supervision mechanism, create good atmosphere of public.** Besides government departments and enterprises need to establish internal oversight mechanisms, relevant international organizations and community groups and medias are important parts of social supervision mechanism. Countries along OBOR can give full energy to the role of social media supervision mechanism, make cooperation with mechanism, such as consumer associations, non-governmental organizations, industry associations and other social organizations can supervise CSR, communicate with senior management of enterprises regularly, so that they can know the policies and regulations of host countries, promote the social responsibility of enterprises. In the process of supervision, the media take the role of public exposure; also play a guiding role of the mass media, to develop consumer awareness and create a good public opinion atmosphere.

**Strengthen cooperation with neighboring countries, achieves sustainable development.** CSR is the ethical basis for enterprises to achieve sustainable development, enterprises create a broader space for the development by take CSR initiative, it is conducive to establish corporate image and generate advertising effect. It is the key to enterprises as well as social, economic and ecological to achieve sustainable development. To avoid cultural differences in the performance of CSR in the face of difficulties, Chinese government and enterprises need to strengthen cooperation with the countries along OBOR, and cooperate with local enterprises actively, benefit-sharing. Enterprises should strengthen non-governmental exchanges, respect cultural differences fully in different countries, and design the patterns of investment and trade to meet the local conditions, for winning sustainable development and win-win cooperation. In the process of China Railway Construction going out, helping the local Pakistani women earn incomes, one of their development projects which hired local women, solves the problem of women’s job, also win a good reputation.

**Conclusion**

Over the years Chinese enterprises going global has achieved considerable gratifying results, OBOR strategy is new opportunities for enterprises going out, but opportunities and challenges are often coexist. As the government’s preferential policies can be convoyed, but enterprises are the main body in going global, only enterprises play a main role as the protagonist in order to promote healthy and rapid development of the national economy. This paper analyzes the reasons for the lack of CSR in the process of Chinese enterprises going global, puts forward the relevant advice, hoping to help the enterprises to fulfill their social responsibilities and maintain sustainable development. There are still some problems in this paper, due to the diversity and complexity of the economic, failed to consider all the variables of the enterprises’ development, take a more in-depth inspection and certification, maybe increase the objectivity and scientificalness of research.

**Acknowledgement**

This research was financially supported by Technical Consulting Project of Hohai University: Study tobacco market model based on big data and “Internet +”. (No. 20168042116)

**Reference**

[1] “One Belt One Road” is “the Silk Road Economic Belt” and “the 21st Century Maritime Silk Road” for short, OBOR is abbreviation.

[2] Corporate social responsibility, its abbreviation is CSR means that, while in the creation of profit and the legal responsibility to the shareholders, enterprises also bear the responsibility of employees, consumers, community, and environment.


