

Doing Business Responsibly in an Authoritarian State

How Corporate Social Responsibility is Interpreted, Communicated and Implemented in China

Researcher

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Xu KANG is a doctoral researcher specialising in interdisciplinary research on Corporate Social Responsibility (CSR) and Business & Human Rights (BHR). With a passion for researching on Business and Society issue (e.g., Corporate Responsibility within different institutional contexts), he has dedicated his academic career to advancing the understanding of the impact of institutional contexts on Corporate Responsibility, with a particular focus on non-democratic contexts. Currently, Xu KANG is involved in several collaborative projects, e.g. Cross-sector Partnerships for Sustainability in Politically Complex Institutional Contexts, Localising Business & Human Rights in the East Asian Context: An Analysis of the BHR Agenda in the East Asian Extractive Industry.

Research Project

Introduction and significance

- In the contemporary global arena, marked by discussions on the United Nations' legally binding treaties on corporate accountability and recent enactment of European countries' relevant legislation, the imperative for corporations, especially multinational corporations (MNCs), to engage in responsible practices has become increasingly critical. These developments indicate a paradigm shift towards a more stringent regulatory environment globally, necessitating a nuanced re-evaluation of Corporate Social Responsibility (CSR). Yet the fragmented nature of global governance systems and the diverse interpretations of CSR across different institutional contexts present significant challenges in ensuring responsible corporate operations in a globalised economy.
- This research aims to deepen the understanding of CSR in authoritarian states, a context prevalent in the Global South where a significant portion of the world's population resides under regimes with authoritarian characteristics. Employing China as a pivotal case study, this research scrutinises the evolution of CSR from being a foreign concept in the 1990s to becoming an integral component of corporate strategy and operations, particularly under the lens of increasing global supply chain regulations. The study endeavours to explore the multifaceted ways in which corporations in China interpret, communicate, and implement CSR within the nation's authoritarian socio-economic framework.

Research question

How do companies act around the theme of social responsibility in the context of authoritarian states? Specifically, how is CSR interpreted, communicated, and implemented among various stakeholders in China?

Objectives

- To critically analyse the evolution of CSR interpretations and practices within China's corporate sector, particularly in the context of the state's authoritarian governance model.
- To elucidate the dynamic mechanisms among stakeholders, including corporate entities, civil society organisations (CSOs), and governmental bodies, and their impact on CSR practices in China.
- To contextualize these findings within the broader spectrum of authoritarian states in the Global South, offering insights into CSR interpretations and practices under authoritarian regimes.

Theoretical framework

Two paradoxes in authoritarian state's role on CSR/BHR governance:

- Firstly, the role of authoritarian states on CSR as legal mediators is often ambiguous due to the instability of the rule of law.
- Secondly, states' emphasis on strengthening social control paradoxically contributes to misconceptions about the role of governance in CSR. Question arises: can authoritarian governments, if willing, effectively govern CSR?

State theory applied: strategic relational approach on dual-state model & authoritarian capitalism:

- Different from constitutional legitimacy perspective based on European constitutional, juridical, and state theory tradition, viewing state as a social relation, a manifestation of the shifting balance of forces that seek to advance their interests within, through, and against the state, rather than an entity.
- The articulation of authoritarian institution concept bases on authoritarian capitalism and Ernst Fraenkel's dual state model.

Critically integrated the above theoretical frameworks, the research analyses authoritarian institution and its structural basis's impacts on CSR interpretation, communication and implementation

Methodology

- Adopting a mixed-methods approach, this study integrates both qualitative and quantitative data to provide a comprehensive analysis.
- The quantitative component encompasses a thorough examination of corporate CSR disclosures (around 300 reports from 2007 to 2020), and extensive governmental policy documents (around 3400 documents from 1983 to 2023) to gauge prevailing CSR discourse.
- Qualitative data is obtained through ongoing in-depth interviews with stakeholders to unravel the intricacies and nuances of CSR interpretation, communication, and implementation. Interviews are conducted with individuals occupying managerial roles in CSR, Environmental, Social, and Governance (ESG), public relations, government relations, and compliance within MNCs and CSOs operating in China, aiming to gain profound insights into the subtleties of CSR interpretation and the practical experience within the authoritarian framework.

Initial analysis

CSR Interpretation in China:

- Neoliberal discourse: as a tool for corporations on market legitimacy (Improve public relation, profit-making, and risk management).
- Geopolitical discourse: as the pretext of trade barriers and political scheme from the 'western' camps against China and other global South countries.
- Instrumental discourse: as a instrumental concept for political and economic needs to mobilise & regulate corporations, whenever & wherever are needed.

CSR communication in China:

- The central role of the state? **Yes**, Government plays a crucial role in promoting CSR related policies/regulations, focus on areas related to industrial development, financial and ideological regulation.
- and No**. The prioritisation of topics are often not based on social interest, owing to the monopolisation of public deliberation channels. Private enterprises are not really regulated. They are only actively attached to political signals e.g. poverty alleviation. Apart from environmental protection, which is a heavily regulated area, the Government has limited incentive & capacity to work on other subjects.

CSR implementation in China:

- Overseas market & regulation is crucial to regular operation of CSR.
- Government-initiated programs are more favoured than rights-oriented ones.

Contribution

- As part of a doctoral monograph at FAU, this research seeks to provide an exhaustive overview of the modalities through CSR in authoritarian states, with a specific focus on China.
- It aims to enrich the academic discourse on how businesses navigate the complex terrain of social responsibility, particularly in human rights protection, amidst diverse regulatory contexts.
- The findings are anticipated to offer critical insights and guidance for policymakers, business leaders, and other stakeholders as they endeavour to shape proactive and contextually relevant CSR strategies.

