

CSR's Pattern and Trends within Multinational Enterprises Operating in China



Abstract *This study examines the trends of corporate social responsibility (CSR) dynamics within multinational enterprises (MNEs) operating in China. Secondary data was gathered from the published reports (e.g., annual, CSR, sustainability etc.) to measure the study variable with the help of global reporting initiative (GRI-G4) and compute a comprehensive CSR' outline. This study institutes the fundamental but general drifts about the concept of CSR within MNEs in China. Overall, it was found that the inclination of CSR activities is towards social; followed by environmental and economic dimensions. While comparing CSR performance among various sectors, it was reflected that exploration & production, manufacturing and consumer products sectors have outperformed. Similarly, on average, Chinese MNEs disclosed proportionately more CSR activities than Non-Chinese MNEs. These results are very significant both for researchers and corporate practitioners. This research has not only examined the CSR's indicators quantitatively but also its reporting quality, in a quantitative and qualitative manner.*

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Introduction

The modern structure of corporate social responsibility (CSR) was basically originated in the mid of 20th century and ranked as one of the hot topics for studies among the researchers and practiced in almost every country of the world. Clark (1939) was the pioneer of this modern CSR, who introduced this concept to the business world for the first time. However, the concept of 'Refined Social responsibility' was considered to be irrelevant issue by corporate sector till the end of 21st century. Freeman (1984) for the

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first time strategized the concept of CSR in corporate activities. This scholar was in favor that corporate goal cannot be achieved without maintaining good relationship with other stakeholders. Porter and Kramer (2006) divided CSR activities in four clusters. i.e., ethics, sustainability, legitimacy and reputation. Epstein (1987) stated that CSR activities are beneficial for the business and stakeholders at the same time. Similarly, number of authors (e.g., Lindgreen and Swaen, 2010; Orlitzky et al., 2001) observed the impact of CSR activities on the corporate operation and business output. They found out that involvement in CSR activities enhance firm's reputation and financial performance. CSR always brings long term positive results; however, corporations may integrate CSR strategy in their business operation only if there is competitive edge among other competitors and peer group. In other words, if CSR activities provide a distinguish position in market place. Campbell (2007) stated that corporations will be less concerned about CSR activities in a situation of either much competitive environment or monopoly. The reason is that in these both cases the CSR are not much important to bring distinguish position for the corporation.

CSR is an umbrella concept and subjected to place and time. Due to these sensitivities, there is no generally agreed definition of CSR. This has been reflected in the literature form the academic studies of numbers of authors (e.g., Idowu, 2009; Ward & Smith, 2006). These scholars defined that CSR is the firm's obligation to pay attention to the broader society rather than just focusing on profit maximization for only owners. Many authors have confirmed the complication of CSR while defining it in specific scope (Coelho et al., 2003; Idowu, 2009). Due to the lack of specific definition, it is a big hurdle to develop framework and define its dynamics (Ward & Smith, 2006). In short, the concept of CSR was defined differently in different context by different authors in their specific context and research needs. It was empirically analyzed by two-dimensional model of CSR that cultural difference has a minute impact on the moral perception of managers (Quazi and O'Brien, 2000). In a comparative Weberian study between US and non-US multinational enterprises (MNEs), it was analyzed that majority of the corporations disclose global CSR text rather than local needs (Snider et al., 2003). Now a days, the whole world is acting as unified market place for business activities due to globalization and free trade. Socially and environmentally sensitive stakeholders are expecting more from business communities to deliver more than merely generating profit. On the other hand, business community also does not let a single chance to help the vulnerable people, poor and needy community to create an atmosphere of win-win situation with general people. Due to these expectations and responsiveness from community and organization respectively, a hybrid and innovative relationship is established between these two groups. At this point, corporations should think and calculate properly to respond the combined effects of "why" (firm nature) "how" (corporate resources) and "who (stakeholders)" in their corporate strategies.

The importance of CSR is reflected by the widespread recent scholar's attention by exploring the micro and macro dimensions of the concept. There are literatures of the impact of local institutions, individual's role and personal enthusiasm to formulate CSR strategies in versatile culture. Since many decades, the scholars are making efforts to uncover the different dynamics of local culture. Research literature has used various features to compare different worldwide national culture, for example economy, geography, demographics, history and politics. Many researchers have used this model for conducting their CSR studies in context of country-wise cultural comparison. Campbell (2007) observed that the corporations are more sensitive towards CSR in

countries having enough rules and strict regulations. Thus, weak, unsound, and incompetent regulatory systems in developing countries allow MNEs' managers to interpret and comply with guidelines differently than in developed countries (Marquis et al., 2007). Jamali and Mirshak (2007) argues that unlike developed countries, institutions, standards and systems are not strong in developing countries, which can enforce enterprises to conduct ethical operations. Ringov and Zollo (2007) examined the association between CSR activities and cultural dimensions. They found that there is negative relationship between power distance, masculinity and social and environmental dimensions of CSR, while there is no relationship between individualism, uncertainty and CSR activities. Recently, Ho et al. (2012) found visible impact of local culture and geography on CSR activities on the bases of Hofstede model. Similarly, Peng et al. (2012) discovered the connection between national culture and CSR with the findings that individualism and uncertainty avoidance are significantly related to CSR while, power distance and masculinity are negatively related to CSR. Other researchers (e.g., Singhapakdi et al. 2001; Vitell and Paolillo, 2004) analyzed that perceived ethics and CSR varies among corporate managers across the cultures depending on norms and values. Midttun et al., (2006) investigated that the theory of CSR varying from society to society due to personal characteristics of the members of society, combined norms, values and beliefs of a society, needs and priorities of the communities. Therefore, it is essential to have a proper demarcation line between developed and developing countries' CSR. Like other developing countries, Asian countries are facing immerse social and economic issues, e.g., poverty, unemployment, inappropriate health facilities, child labor, forced labor, freedom of association, discrimination, unfavorable working condition and lengthy working hours. Like other corporate phenomenon, CSR is also not only a firm internal willingness (governance) but also influenced by external actors (stakeholders). It is very important for enterprises to bear in mind the necessities and authenticities of the operating societies and culture before strategizing or engaging in CSR activities.

Numbers of scholars have already put more efforts to demonstrate the relationship between culture and CSR operation with different empirical and conceptual models. However, their research's output and findings are not flawlessly exempt from criticism due to methodology used in data analysis and arguments provided in their findings. These critics have the grounds that there are other potential and intermediary indicators which are affecting the CSR operations in different context. In addition, whatever research was done in developing countries context in the field of CSR, it was about the wider association between the corporation and societies in general scenario (Blowfield & Frynas, 2005; Wiig & Kolstad, 2010). This study is about to explore the impact of specific country institutional forces on the level of CSR by incorporating the industries types and firm's nature in real context. This study is going to contribute few things to CSR literature. First, as per previous studies, the concept of CSR has got attention in recent time all over the world, including developing countries. However, the dynamics and urgencies are subjected to region and time which portrays that this is not a universal concept all over the world. During this study, it was observed that the domestic trends play an important role to reshape and customize the global concept. Second, the results of this study illuminate not only the tendencies of the local needs but also segregates the heterogeneous intensities of various factors which influence the corporate structure and governance within given context. Third, as per prior studies, there is a long debate in favor and against CSR as cost or investment; which can be

judged on the parameters of sales, turnover, income, marketing etc. In addition, this study suggests practical implications for policy makers, especially for the social and corporate officials who are more interested to transform the 'Chinaization' in real time. The findings of this study further portray the efficient execution of CSR activities to handle the local needs properly and thus enhance the corporate image of all enterprises operating in China. However, due to the differences in institutions and culture as compared to other countries the priorities and trends of the MNEs may distract the generalizability which is affected by social, legal, political and economic systems, even in developing countries context. These results signaling the importance of social activities within corporate world which guarantee the firm's financial performance and regional economic and social development simultaneously, but subjected to regional institutional settings and priorities.

CSR's Dynamics in China

Chinese economy plays an important role in the development of the world. It has second largest economy after USA and consider as manufacturing hub globally. Due to these characteristics, china should have a leading role in conducting CSR activities in their business process to satisfy the stakeholders and sustain its position in international market. China's foreign trade is increasing every year, which is an open threat to other big and developed economies of the world.

Globalization and international trade brought much to china in respect of sustainability and ethical business operation. For example, SA 8000 and ISO 14000 are due to exposure to foreign business. According to few CSR studies, the CSR concept in china is traced back to thousand years ago (Ren, F, 2006). They linked the concept of CSR with the philosophy of Confucianism, with the guidelines of morality and shared value for mutual benefits (Lu, X, 1997). Practically, the activities of CSR in china were always the priority of the state machinery since inception (Zhang et al, 2014; Jensen, 2006). Public integrity and fairness were the basic motives of the "serve the people" slogan in the Mao Ze-dong's revolutionary efforts (Li, X and Fan, J 2006). The recent campaign "china dream" about the CSR from the Chinese government was launched in 2013 by the communist party to bring public welfare through joined contributions (Shi, 2013). China once used to be famous for cheap and vulnerable labor forces are getting momentum towards more skilled and specialized workforce. Few scholars were feared if these guidelines were adopted in the mainland china, the Chinese corporations will be failed to provide cheap goods to foreign countries. Liu (2004) argued that 85% of current existing business corporations will be bankrupted if these guidelines were implemented and china will lose the title of cheap labor and as a result the foreign investment will be directed to other neighbor countries for search of cheap workforce.

China occupies a big area in the map of the world, this country can export much portion of hazard to rest of the world, for example the climate issue and environmental pollution. Due to its prominent position, the Chinese environmental pollution got international attention from the foreign monitoring and regulatory bodies (Pickles, 2002) and ultimately attained quick responses from the Chinese people for compliance to UN requirements (Fryxell and Lo, 2003). The arrangements regarding CSR to adopt or not was a hot topic among Chinese scholars in the last decade. On the other hands, other researchers were in favor of CSR strategy because of market demands (Qu, 2007; Zu and Song, 2009) which can ultimately build the capacity of Chinese enterprises in

respect of corporate governance and workforce productivity. These guidelines will never let an organization to be bankrupted but rather to be a competitive in local peers and international market. In short, the government regulations should pressurize the corporation to adopt CSR strategy in business operation. “Insufficient monitoring of compliance”, “lack of long-term CSR strategy/policy” and “lack of knowledge and CSR professionals” rank as the top three obstacles for companies in the implementation of CSR initiatives in China in the online survey (CSR Asia). The only motive and powerful voice can be raised from the state government within the boundary of the country (Marquis and Qian, 2014). Chinese government spent much budget for environmental protection till the first decade of this century. The government has imposed penalty and taxes on industry which spreading the pollution. For instance, requests for environmental impact assessments and revised company laws on CSR have been made (Xu and Yan, 2007). According to an article by World Watch Institute, the Chinese government has penalized 33 MNEs for violating the environmental rules and regulations in the country. These corporations include American standard, Panasonic, Pepsi, Nestle and 3M. In spite of regulations and restrictions from the government and international bodies, there are still headlines in media about the employees’ turnover and protest, customer dissatisfaction because of unhealthy product especially edible product due to increase awareness in general public and more conscious about environment concerns. The people in china want to receive justified income against their hard work, have quality and secure product for the amount paid and healthy environment for living.

It is not true to claim that there is no research found about CSR in Chinese enterprises, but it’s more than true that quantitative research is still very rare in context of Chinese corporations (Zhang et al, 2009; Gao, 2009). In additions, most of the studies are conducted in Chinese language rather than foreign language (Li, 2007; Xu and Yan, 2007). It was observed in a survey conducted by Ma, J (1992), that financial profit is the only priority among state owned enterprises in china. The CSR reporting has prominently increased in current decade. The importance of CSR reports in state owned companies is reflected from the survey conducted by SASAC in 2012. According to WTO tribune, 2240 CSR reports have been published in 2014. While KPMG declared that CSR reports published by Chinese corporations are 15 % of the global CSR publications. Zadek and Forstater (2012), observed that more than 70% of the big corporations are disclosing their CSR activities regarding workforce, product, donation and environment safety. The number of Chinese enterprises that have adopted the UN global compact since 2000 are more than the total number of the UK, South Korea or Canada (UN 2012a); however, 92% of CSR reports are not audited by 3rd party (Golden Bee 2009-2014).

This study is going to probe few basic questions; i.e., How and up to which extent each dynamic of CSR is encountered by the MNEs operating in China? How do various local forces and domestic needs compel the enterprise to involve in CSR activities/reporting? The aim of this study is to investigate the intention of MNEs to incorporate CSR activities in their business operations with respect to country characteristics. This study will explore the answers to different propositions to MNEs determination of CSR with respect to business nature and firm capacity in specific local context. The researcher is more interested to investigate the CSR activities in MNEs because they belong to different countries having versatile corporate culture and resources to indulge in CSR activities.

CSR Guidelines in China

The government in developing countries initiate the guidelines to portray message to the corporate world to help them in bringing prosperity by resolving social and economic problems and lighten their burden (Campbell, 2007). Usually, there is no agreed and universal format in developing countries. Therefore, corporations in developing countries adopt self-regulatory guidelines based on the local vulnerability rather than international standards (Noronha et al, 2013). Reason is that, MNEs working in host countries are exposed to more pressure and expectations from the wider community and stakeholder at large. As a result, these corporations are obliged to adopt the local guidelines (formal and informal institutional forces) rather than directions from the parent company. They are supposed to be responsive to regional guidelines and permit the local governments to set their rules in order to achieve regional goals (Witt and Redding, 2014). Similarly, to other local context, MNEs working in china are also exposed to various regulations. These regulations exert pressure on business to sensitize the local culture and government rules. China, unlike other Asian countries, the economic power and big market can influence MNEs to adopt regional CSR guidelines.

The first step for CSR guidelines in china is CSC9000T system, which was formed by collaboration of domestic industries. Similarly, other associations between business communities urge the importance of CSR activity and disclosure. Due to lack of support from the government, this association was unable to spread the same culture among broader community in the country. Although the initiative was taken by private association but practically it is impossible to achieve the benefits without government regulations and monitoring. The second step was taken in 2003 by introducing the CSR concept to general public and got much appreciation from educationist and researchers and civil societies. In addition, the government officials took the CSR issue in serious note to be implemented by the corporation in the country. The third step in 2003 was basically the first attempt to take this issue practically to uplift the social condition in the country with close collaboration of government and corporations. This attempt opened the doors for further improvement in the area of CSR in current century. In 2006, the need of social responsibility was presented in government forum by central party committee. After few years, this issue got much attention and was placed in central government official documents and debates. The company law 2006 also has enough contribution for CSR initiatives. This law engulfs the spheres of Environmental Protection Law (1989), Consumer Protection Law (1994), Labor Law (1995), Trade Union Law (2001) and Labor Contract Law (2008). The CSR was refined and presented in the 18th session of the central party in 2013 and was considered as one of the eight important area for adopting in State owned enterprises (SOEs) in china. Other government officials also taken initiatives to promote and implement the CSR guidelines in various sectors. Regulations regarding CSR guidelines have already been captured vast spheres of every dimension. In some areas, these regulations and guidelines are even more effective than the rest of the world; i.e., labor law, environment safety, customer rights. The central government expressed greater interest in implementing CSR guidelines by local and international corporations. Currently, the environmental law was amended and passed in 2014.

Similarly, the stock exchanges in china also felt the importance of CSR for regulating the business activities in the country. Shenzhen Stock Exchange issued a voluntarily report in 2006, which was mandatory in 2008 for 100 index listed companies. The

purpose of these guidelines was to enhance general welfare of society and protect the rights of investors, workforce, suppliers, consumers and environment (SZSE, 2006). This report was for three types of business involved in financial sectors, SSEs companies and other cross listed companies. Since 2008, the quantity of reporting and dimensions of CSR disclosure were increased due to mandatory requirement from stock exchange. In the same year 2008, the Shanghai Stock Exchange also issued guidelines for listed companies regarding society, environment and the economy (SSE, 2008). The guidelines by State Owned Assets Supervision and Administration Commission (SASAC) in January 2008 played an important role for CSR disclosure and implementation by Chinese corporations. In 2009, the China Securities Regulatory Commission (CSRC), issued regulations "Guidance Announcement on the proper preparation of 2009 Listed Company Annual Reports and Related Tasks" for listed corporations to CSR report in 2010 (CSRC, 2009). The former Chinese President (Hu Jintao) emphasized the importance of CSR in 2009 by stating that corporations should have the social activities in their corporate strategy. These activities should have to be purely voluntarily because the business community is liable for universal corporate responsibilities. The CSR mobilization was initiated in almost every part of the country and industry type with close collaboration and monitoring from the federal government (LRQA, 2010).

Theoretical Background

Number of theories (e.g., stakeholder theory, legitimacy theory, institutional theory and the Triple-Bottom Line) have been used by various researchers (e.g., Aguilera et al., 2007; Deegan, 2014; Lu and Abeysekera, 2015) in their CSR studies.

Legitimacy theory is not similar in every society. The reason is that social norms, values and culture varying from society to society and even from time to time within same society. This dynamic social constrains have embarrassed the corporate communities and particularly the MNEs which are operating in different cultures. As a result, enterprises regularly respond these pressures to gain legitimacy by obeying such rules, regulations, norms, values, beliefs, and expectations (DiMaggio and Powell, 1983; Meyer and Rowan, 1977; Scott, 1995). Cultural differences have been recognized in international management studies (Hofstede & Hofstede, 2005). Surprising, a context-sensitive issue (e.g., CSR) up to certain extent been reluctant to prominently address cultural factors. Hofstede's cultural dimensions (1991) were used in many research studies to measure the various concepts in different culture context. This database enables the researchers, practitioners and decision makers to identify the most relevant, reliable and valid indicators to calculate the social and culture impact on business decision. The key application of Hofstede's cultural dimension is that it is resultant of the organized gathering of data from a broad survey (Values Survey Module, VSM). These indicators were assigned scores from 0 to 100 accordingly, the ranking of the sample countries is reflected from the table number.

Institutional theory suggest that external forces stimulate an enterprise to undergo similar strategic actions (Scott, 2008). This theory lay down the basis to describe the institutional pressures which affect stakeholder's behavior to oppose similar environmental circumstances (DiMaggio & Powell, 1983). Institutional theory emphasized the impact of various social dynamics (e.g., norms, values) on corporate governance (Oliver, 1997). These adequate forces shape the corporate structure and managerial practices which is purely adopted for granted instead of the rational

decision's consequences (Scott, 1987). Meyer and Rowan (1977) projected the extent of institutional forces which influence the corporate structure and management practices. These institutions are exerting pressure on the corporations to formulate their legal, economic, social and environmental strategy according to the local formal (politics, legislation, rules, regulations) and informal (beliefs, norms, values, traditions, needs and religion etc.) institutional structure. Therefore, corporations are left no choice but to accept the pressure exerted by external factors rather than to respond according to predetermined governance procedures. Sometime more complex situation arises when these institutions collide with each other's. The reason is lying in the logic that these institutions have multifaceted nature of action, expectations and requirements. Though formal institutions are based on more power with regular written rules but the influence of informal institutional forces should never be underestimated. Irrespective of their reciprocal association, informal institutions can exert more pressure on formal institutions, which can ultimately disturb the whole social and legal system within the state. In short, the formal institutional forces possess more strength to affect the result of the formal institutions. Keeping in view the significance of the informal institutional forces, it is very important for MNEs to sensitize the combined resultant of these institutional forces before formulating any strategy within the given culture. North (2003) stated that the type and the level of development of formal and informal institutional forces are regulating the level of success of economic system and the whole society in given context.

Neo-institutional theory describes that the directions of business operations are not always originated from logical corporate decisions (internal factors) to enhance the bottom line, e.g., economic activities (DiMaggio and Powell, 1983; Meyer and Rowan, 1977; Powell and DiMaggio, 1991; Scott, 1995) but influenced and directed by other external dynamics (e.g., rules, regulations, norms, values, beliefs). These external dynamics are from number of stakeholders, for example, government and professional agencies, buyers, interest groups, workforce, media, and general public, which regularly exerting pressure to modify the corporate behavior. As a result, business world has to absorb such pressures and thus encounter the needs of all stakeholders to attain the social license (legitimacy) in a proper way (Meyer and Rowan, 1977).

Methodology

Secondary data was used to measure the study variables. The CSR related data and information about firm characteristics were collected from the annual and CSR reports. Unlike other research studies, this study examined different CSR dimensions which were further divided into various specific areas of widespread stakeholders. The population sample in the study is included only those MNEs which have complete reports (Annual, CSR, sustainability etc.) for sample period. After scanning the list, 66 MNEs were selected for a period of 5 years (2015-2019). Out of which 16 are Chinese while 50 are foreigner MNEs. The local companies were avoided because of the non-availability corporate websites and CSR data. Further, local firms (SMEs) are always reluctant to disclose their data to third party, even for research purpose. Most of the time, the sample size is extracted by statistical equations or through other methods. For example, the ad hoc method is applicable at the time when a researcher has enough knowledge and specialty in including or excluding the elements during the sample selection (Aaker et al., 2004). There are two types of selecting sample, one is probability

sampling and other is non-probability sampling. Probability sampling is the randomly method of sample selection from the population, while non-probability sampling is used when there is an option with researcher for selection or avoiding of study sample, for example self-selection (Greenfield, 2002). In this study, the selected set of investigation is large so the researcher selected the sample population out of the total available elements. More attention was paid to include all available elements in research study to draw a universal picture during investigation and analyses phase. These selected corporations were further divided into different sectors on the basis of nature and type of business operation. The sample covers twelve (12) industries classified under different sectors, for example chemical/fertilizers (7.6%), automobiles (7.6%), food & personal care (10.6%), exploration & production (9.1%), engineering (7.6%), manufacturing (10.6%), banking & financials (9.1%), consumer products (10.6%), fuel/energy (7.6%), logistics (6.1%), insurance (6.1%), and construction (7.6%), which is reflected from the figure 1.

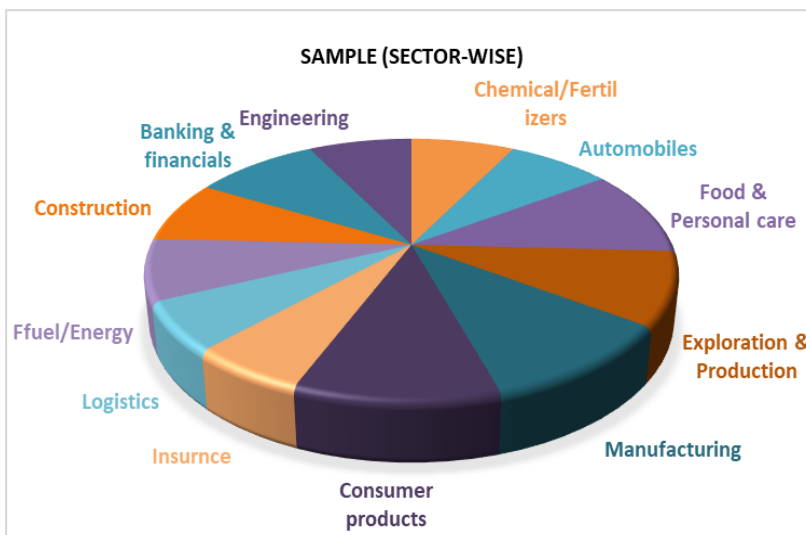


Figure 1: Study Sample (Sector-Wise)

The technique of content analysis (CA) along with comprehensive information for CSR in all the published reports is used to calculate the level and nature of disclosed information. CA is an organized and replicable method which permits textual review to extract the hidden meaning with the help of pre-assigned codes (Krippendorff, 2004). From previous studies related to CSR, it is reflected that CA delivers more adequate results both in developed countries (Deegan, 2008; Gamerschlag et al., 2011) and developing countries (Belal and Cooper, 2011; Khan et al., 2009). To calculate the social contribution index, number of standards have been introduced by various agencies. However, most of the corporations are using Global Reporting Initiative (GRI) guidelines to execute and report CSR activities (KPMG, 2017). GRI guidelines was initially released in 2000 and amended time to time. Due to up gradation and amended the G2, G3, G3.1 and G4 guidelines were issued in 2002, 2006, 2011 and 2015 respectively. G4 is the latest version of the GRI guidelines which covers all the drawbacks and limitations of all previous versions of guidelines. These guidelines mentor corporations to report every aspect (positive and negative) of their business activities regarding

environmental, economic and societal impacts. The GRI guidelines were introduced after long discussion with overall stakeholders and implemented after their consultation which cover a wide range of issues raised due to corporate operation all over the world. As discussed, this research derives CSR index which mainly revolves around, economic, environmental and social disclosure; GRI-G4 determinants. CSR's indicators were plotted in excel sheet with various columns and the basis for overall dimensions and individual scope was predetermined from GRI index. As per prior studies (e.g., Gamerschlag et al., 2011; Guthrie and Farneti, 2008; Holder-Webb et al., 2008), this research assigns particular terminologies for measuring CSR's index. A sentence was taken as the base for CA. Dichotomous technique was applied to calculate CSR's dimensions; i.e., an indicator will get score of '1' if available, otherwise '0'. which an item scores one (1) if disclosed and zero (0) if not disclosed. This method of CA is called the unweighted approach, and has been used in number of other researchers (e.g., Cooke, 1993; Hossain and Reaz, 2007). As most of the enterprises disclosing their reports in Chinese language in China. Therefore, two native Chinese were hired who are also fluent in English language and had previous experience in conducting CA research. All the corporate reports were downloaded, both in English and Chinese language. Much care was taken to ensure the coding process during CA progression. Initially, both of the coders were assigned 4 reports for coding according to the given formats as a pilot project. Author, reviewed both coding and resolved the discrepancies among given indicators of both coders during pilot project. As a result, more sophisticated research mechanism was built with the help of coders and regular review by the authors.

Analysis and Discussion

The local norms and values are affecting business activities in every culture. MNEs are exposed to more issues when incorporating in other country having different cultural structure than home country. As the needs and priorities vary across the borders. Similarly, the concept of CSR also differs from place to place and culture to culture, thus affected by local forces. Mateescu (2015) found a significant relationship between the country characteristics and the level of CSR disclosure while conducting a cross culture CSR's study in Estonia, Romania, Poland and Hungary. In this regard, the corporate managers and decision makers should have information about the norms, values, beliefs of the host country. In following sections, we will analyze different CSR dynamics.

Total CSR Dimensions (Over a Period of 5 Years)

Figure 2 shows the total trends of CSR on the basis of GRI-G4 over a period of 5 years (2015-2019). Social disclosure (62.10%) is leading CSR's trend; followed by environmental (27.70%) and economic (10.20%) dimensions. It is very easy to conclude that MNEs operating in China are concerned more about social activities and thus reporting. Figure 3 shows year-wise distribution of total CSR along with three dimensions for sample period. It is reflected that overall trends of total CSR are almost constant (only a minute change in 2017) within 5 years; however, there is a slight variation in individual indicators. As per the total CSR's indicators (5 years), year-wise disclosure is also leaded by social; followed by environmental and economic. Social dimension occupies 64.70%, 61.30%, 65.30% 58.40%, 60.70%; followed by environmental dimension with individual values of 25.90%, 27.90%, 25.40%, 30.55%, 28.90%, and social dimension with 9.40%, 10.80%, 9.30% 11.05%, 10.40% for the years 2015, 2016, 2017,

2018 and 2019 respectively. Figure 4 reflects the variation of total CSR along with all three GRI-G4 indicators for the years 2016, 2017, 2018 and 2019 while comparing with previous years (base year) respectively. Total CSR increased 0.6% and 10.30% in 2016 and 2017; however, declined 6.40% and 6.20% in the years 2018 and 2019 respectively. Economic dimension has jumped up 15.20% and 11.45% in 2016 and 2018, but declined 5.20% and 11.50% in 2017 and 2019 respectively. Environmental dimension has shown increased values of 8.20%, 0.35% 12.80% in 2016, 2017 and 2018 respectively, however decreased 11.30% in 2019 while comparing with previous years. Contrary, social dimension has declined in 2016, 2018, 2019 with values of 4.60%, 16.35% and 2.60% respectively, but shown an increased value of 17.60 in 2017.

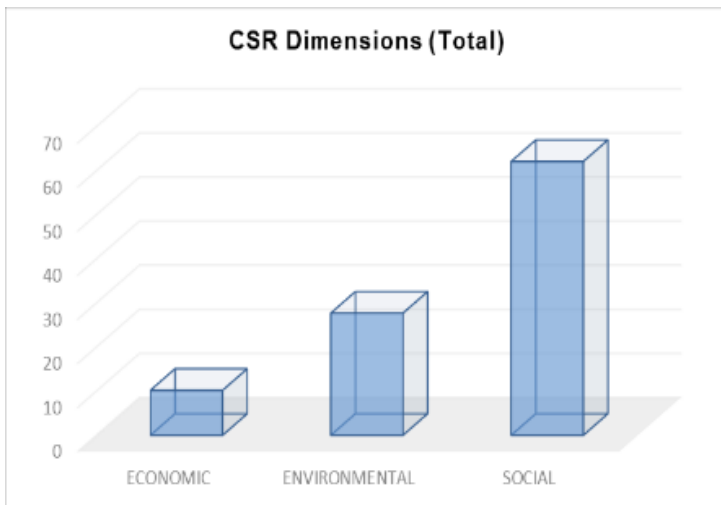


Figure 2: CSR Dimensions (Total)

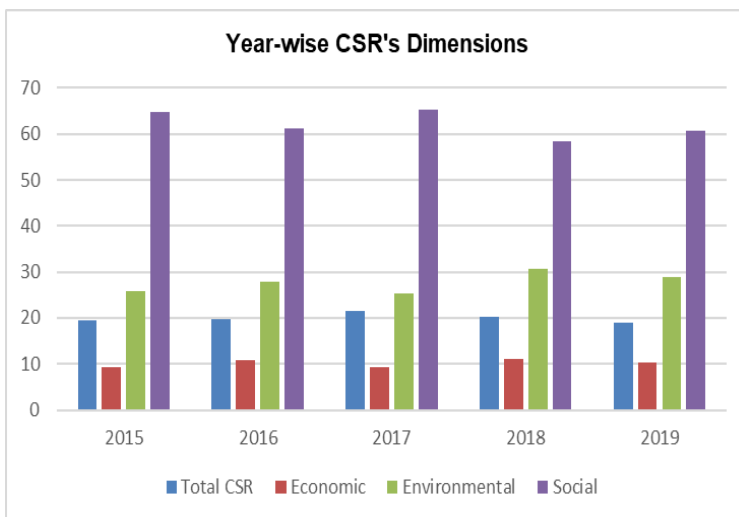


Figure 3: CSR Dimension (Yearly)

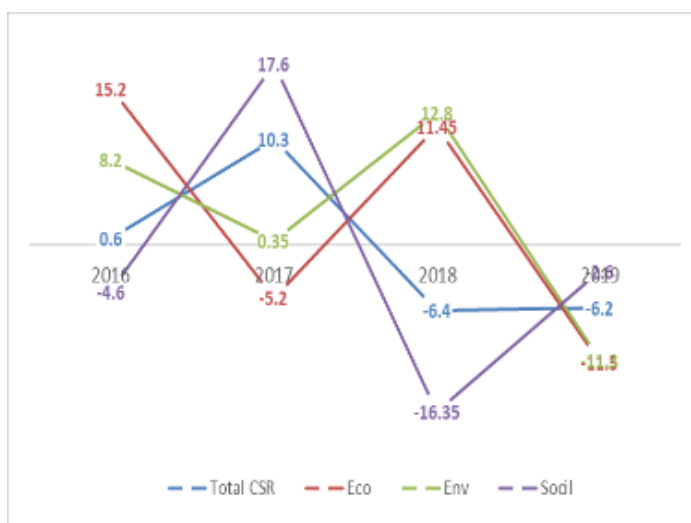


Figure 4: CSR's Variations (Yearly)

Sector-Wise CSR's Distribution

As discussed earlier, sample enterprises have been divided in 12 sectors. Table 1 shows CSR level of sample sectors over a period of 5 years. On average, CSR disclosure comprised of chemical/fertilizers (6.80%), automobiles (6.80%), food & personal care (10.40%), exploration & production (10%), engineering (7.95%), manufacturing (11.80%), banking & financials (8.50%), consumer products (12.10%), fuel/energy (6.80%), logistics (5.90%), insurance (5.50%), and construction (7.40%). While comparing CSR performance and sample ratio (see methodology section) of these 12 sectors it is reflected that exploration & production, manufacturing and consumer products sectors have outperformed (disclosed more than their sample ratio) in their CSR activities. On the other hand, chemical/fertilizers, automobiles, banking & financials, fuel/energy and insurance have shown underperformance (disclosed less than their sample ratio). However, food & personal care, engineering, logistics and construction sectors have almost the balanced disclosure while comparing their sample ratio.

Table 1. CSR' Disclosure (Sector-Wise Yearly)

	CF	Auto	FPC	FP	Engi	Manuf	BF	CP	FE	Logis	Insurance	Construction
2015	5.50	7.10	10.50	10.20	7.80	12.40	9.20	10.20	7.80	6.40	6.50	6.20
2016	6.70	5.50	12.40	8.80	7.40	13.70	9.10	12.30	6.30	6.70	4.30	6.80
2017	8.10	8.20	10.50	8.10	6.70	9.80	10.10	13.80	5.70	5.00	5.10	8.90
2018	5.90	7.30	9.60	10.70	8.05	11.05	6.90	13.30	7.70	6.20	5.50	7.80
2019	7.90	5.90	9.10	12.10	9.90	12.10	7.10	11.00	6.30	5.20	6.20	7.20

CF= Chemical/Fertilizers, Auto= Automobiles, FPC= Food & Personal Care, EP= Exploration & Production, Engi= Engineering, Manuf= Manufacturing, BF= Banking & Financials, CP= Consumer Products, FE= Fuel/Energy, Logis= Logistics

Table 2 shows proportionate sectorial CSR's disbursement over a period of 5 years. Like average CSR's performance, manufacturing and consumer products sectors have shown visible positions throughout the sample period; chased by food & personal care and exploration & production sectors. Contrary, insurance, chemical/fertilizers, automobiles, logistics and constructions sectors have less reporting during sample period. Engineering, fuel/energy and banking & financials were kept in the middle position throughout the sample period for 5 years.

Table 2. Proportionate CSR' Disclosure (Sector-Wise)

	CF	Auto	FPC	FP	Engi	Manuf	BF	CP	FE	Logis	Insurance	Construction
2015	1.10	1.40	2.10	2.00	1.50	2.40	1.80	2.00	1.50	1.25	1.30	1.20
2016	1.30	1.10	2.40	1.70	1.40	2.70	1.80	2.40	1.20	1.30	0.80	1.30
2017	1.75	1.80	2.30	1.80	1.45	2.10	2.20	3.00	1.20	1.10	1.10	1.90
2018	1.20	1.50	1.90	2.20	1.60	2.20	1.40	2.70	1.60	1.25	1.10	1.60
2019	1.50	1.10	1.70	2.30	1.90	2.30	1.40	2.10	1.20	1.00	1.20	1.40

CF= Chemical/Fertilizers, Auto= Automobiles, FPC= Food & Personal Care, EP= Exploration & Production, Engi= Engineering, Manuf= Manufacturing, BF= Banking & Financials, CP= Consumer Products, FE= Fuel/Energy, Logis= Logistics

Chinese Vs Non-Chinese MNEs

Table 3 shows the proportionate CSR disclosure on the basis of regional ownership. As discussed in methodology section, this study has taken 16 Chinese and 50 foreigners owned MNEs. Total comparable CSR level of Chinese owned MNEs comprised of 27.06% (16 enterprises) and 72.94% by foreign companies. As overall trends, reflecting from the analysis of this study, social indicators are leading in both type of MNEs; followed by environmental and then economic. By comparing both types of MNEs, it is reflected from the table that Chinese owned MNEs are inclined more towards disclosing environmental dimension; while foreign MNEs have more tendency in social dimension.

Table 3. CSR' disclosure (Chinese V/S Non-Chinese MNEs)

	Total CSR	Economic	Environmental	Social
Chinese MNEs (16)	27.06	9.90	30.80	59.30
Non-Chinese MNEs (50)	72.94	10.25	26.60	63.15

Figures 5 and 6 show 5 years CSR pattern of overall CSR and its three dimensions within particular cluster of MNEs; Chinese or foreigner respectively. Similar to the findings of this study, social indicator is leading; followed by environmental and economic indicators in both types of MNEs. Figure 5 reflects that total CSR within Chinese MNEs has been increased from 2015 till 2017 but decreased gradually in 2018 and 2019. Economic dimension has unpredictable but slight variation within sample period of 5 years. Environmental dimension has shown gradual increase from 2015 till 2018 but decreased in 2019. Like total CSR, social dimension has increased till 2017 and then gradually decreased in falling years. Unlike Chinese MNEs, foreigner MNEs has shown almost similar tendencies in total CSR and its three dimensions. Figure 6 shows slight curves for all the indicators over sample period. In other words, foreigner MNEs have the same reporting trends/format for all the five years.

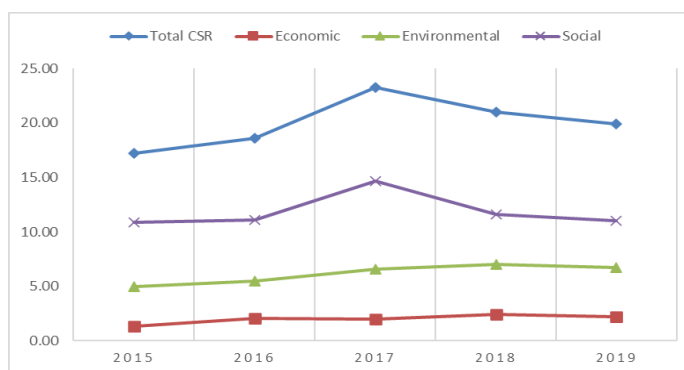


Figure 5: CSR' Disclosure (Chinese MNEs).

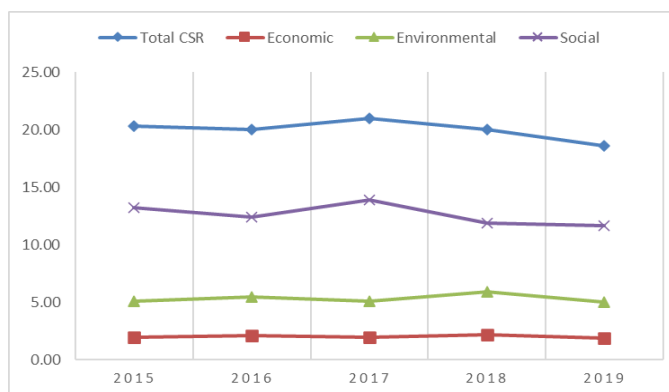


Figure 6: CSR' Disclosure (Non-Chinese MNEs)

Table 4 compares the pattern of CSR level on the basis of Chinese (24.25%) and foreigner (25.75%) MNEs. Every individual indicator of total CSR and its three dimensions were divided on the overall level of CSR reported in this study. On average, 16 Chinese and 50 foreign MNEs disclosed 27% and 73% respectively for sample period of five years. On average, it concludes that proportionately Chinese MNEs outperformed in CSR activities and thus reporting. Likewise, social dimension was prioritized by both types of MNEs; however, foreigner MNEs have relatively more tendencies in conducting this CSR activities.

Table 4. Proportional CSR' Disclosure of Chinese and Non-Chinese MNEs

	Chinese MNEs				Non-Chinese MNEs			
	Total CSR	Economic	Environmental	Social	Total CSR	Economic	Environmental	Social
2015	4.65	0.40	1.30	2.95	14.85	1.50	3.70	9.65
2016	5.03	0.55	1.50	3.00	14.60	1.55	4.00	9.05
2017	6.30	0.50	1.80	4.00	15.33	1.50	3.40	10.40
2018	5.70	0.65	1.90	3.15	14.60	1.60	4.30	8.70
2019	5.40	0.60	1.80	3.00	13.60	1.40	3.70	8.55

Corporations now a days are more concerned to execute and disclose their social and environmental activities. Consequently, enterprises, researchers and practitioners are admiring and incorporating CSR formats not only in developed (McDonald and Lai, 2011; Ong et al., 2016; Ong and Djajadikerta, 2018) but also in developing countries (Belal and Cooper, 2011; Djajadikerta and Trireksani, 2012; Jamali and Mirshak, 2007; Zhang et al., 2018; Sharma, 2019). Like other developed economies, developing countries (e.g., China, India and Indonesia) gradually adopt CSR concept (Trireksani and Djajadikerta, 2016), however their CSR's practices are unsophisticated and far behind in this race as compared to developed economies (Belal and Cooper, 2011; Idemudia, 2011; Khan et al., 2009). Corporations in developed countries are obliged to implement every dynamic social, legal and environmental systems and protect the right of all stakeholders (internal and external). Contrary, in developing economies, the standards are not as tight, especially in case of weak and silent stakeholders. It might be the reason that institutional infrastructures are usually inadequate to enforce enterprises for execution CSR activities and thus ensure reporting (e.g., Lauwo, Otusanya, & Bakre, 2016). Domestic needs are ignored and CSR activities are only partially incorporated by subsidiaries or suppliers in developing countries in case of MNEs (Christmann & Taylor, 2001).

Confirming the arguments of prior studies, this research advocates that involvement of every dimension of CSR (domestic and international) is not only beneficial to sustain business operation but also for social development and prosperity. Usually, local institutional forces, religious beliefs and social norm & values are more rigid which hardly provide a space (comfort zone) to enterprises, especially MNEs. Therefore, corporate managers should equip themselves with the knowledge to foresee the local

needs and handle the domestic institutional forces to attain the state of legitimacy. Lin & Germain (2003) suggest that the application of theories varies from developed and developing countries due to differences in socioeconomic circumstances. Similarly, the concept of CSR is interpreted differently and applied according to the local needs and pressure. Chinese economy is emerging very quickly and possess socialism flavor and supplementary characteristics similar to other emerging economies of the world. In this regard, probing CSR's trends and pattern in China on the basis of given theories seems an important attempt within given institutional settings. Usually, most of the people are restricting the meaning of the term "institution" only to the formal organization or governmental bodies only. While this term has broad meaning in sociology, political science and anthropology, which are not only engulfing the spheres of government and political system but also absorbing the boundaries of social and religious structures. In this regard, the institutions are originating from the rules and regulations of the government body to enforce the legislation and stabilize the social relationship within the given state. For example, parliament, legislation, courts, universities, temples, mosques, market place. In addition, in case of developing countries other international players also affect the corporate strategy up to much extent, e.g., International media, International NGOs, International Monetary fund (IMF) and World Bank (WB). If strong stakeholders realized that the disclosed information are inadequate and don't satisfy their needs, then in such a situation, enterprises can face further strict scrutiny. In other words, these enterprises should behave very sensibly while disclosing any information at the time of such divergence (O'Donovan, 2002) for keep sustaining the status of legitimacy or at least moderate the exerted pressures (Milne & Patten, 2002). Legitimacy theory portrays that enterprises should regularly certify their correspondence with wider society (Lindblom, 1993), and the state of legitimacy can only be achieved if all the stakeholders endorse overall corporate process (Patten, 1992). Particular to MNEs, it is very crucial to develop and maintain a strong bond with all stakeholders to gain the state of legitimacy for corporate existence.

Conclusion

This study notifies the overall extent of CSR procedure which is not only important for the economic development for enterprises but also for the social development of other stakeholders to attain the state of legitimacy within given context. With the help of GRI index, this paper examines the narrow dynamics of every CSR's dimension which they have expressed in their reports. One of the advantages of GRI guidelines is that an enterprise can evaluate even a minute aspect of their CSR execution process related to economic, environmental or social activities. GRI index empowers domestic enterprises to access the universally acceptable CSR's standards. As a result, these domestic enterprises can get a global social license, enhances their international legitimacy and thus provide a concrete platform to enter into new market. Those firms whose corporate operation are crossing the borders face different sets of legal setting and cultural values. Consequently, their corporate governance and policies are exposed to geographical sensitivities. Therefore, they have to fine-tune the status to adhere any incongruity which may cause threat to damage their social license. Economic, environmental and social issues were adhered and calculated by GRI-G4 index in this paper. In addition, the impact of local forces and culture dynamics were examined to encounter the local problems on the basis of international standards. This comparison will provide a base to understand the global concept of CSR in local context and the priorities of domestic

needs and stakeholders understanding, especially in developing countries. Similarly, this study offers a customized but practical reporting index, which is helpful for CSR's regulators and officials in given context.

The main reason for conducting this research in China is that it is one of the emerging economies having identical institutional characteristics like other developing countries. Being emerging economy, Chinese corporate structure should have all the global flavors to attain a distinguish position in the world. In addition, China is universal commercial hub and having business operation in every part of the world. In this regard, government should introduce comprehensive guidelines and apply strict rules for implementing CSR concept within all enterprises operating in China. On the other hand, enterprises should have complete knowledge and expertise to tackle the domestic problems and execute the institutional rules of the country. On the basis of arguments from number of researchers it can be concluded that such type of external forces (institutional pressures) directs the social activities and thus enhance the corporate image in long term by involving them in ethical and social activities. Particularly, this is very rational in case of MNEs, as these enterprises have more visibility and thus keep in the eyes of wide range of stakeholders due to long supply chain. China, with more financial resources, standard corporate governance and management style, CSR, as transitional social concept, may have different understanding and application, especially in less developed and underdeveloped economies. Therefore, the findings should be interpreted carefully on the basis of identical economic, social and political characteristics. In simple words, there is the problem of generalizability to other emerging economies of the world. In this regard, further comprehensive studies should be conducted in other developing economies to draw a global picture of the concerned concept.

The sample of this research is wide and contain various sectors of MNEs operating in China; however, the findings of this study may encounter the issue of generalizability. Still there are chances of incompleteness in selected sample, because the available population is more spread and volatile. Keeping in view this constrain, the researchers should restrict the generalizability of their finding and analyses for the selected sample only. The sample size is only from MNEs; thus, the results and findings may not be applied to other local enterprises. The key indicators for CSR calculation are drawn from GRI index, so the assessment of these dimensions is more specific and thus face subjective biases. Further studies should avoid these constrains and gather data multiplicity to overwhelmed these predispositions. MNEs operating in Asia and especially in China should further recognize the highlighted features and drawbacks in this study. In addition, they should regulate their CSR involvement and disclosure to satisfy the needs of their wide range of stakeholder to get the license of social legitimacy. Policymakers, corporate managers and practitioners should thoroughly read this article for further comments and debates to ensure improvement, attention, and submission CSR reports. This research has not only examined the CSR's indicators quantitatively but also its reporting quality, in a quantitative and qualitative manner.

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