

CSR Performance of Chinese Investments: The Case of Thailand

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Agenda

1	Introduction & Literature
2	Research Framework & Methodology
3	Research Findings & Implications

1. Introduction & Literature

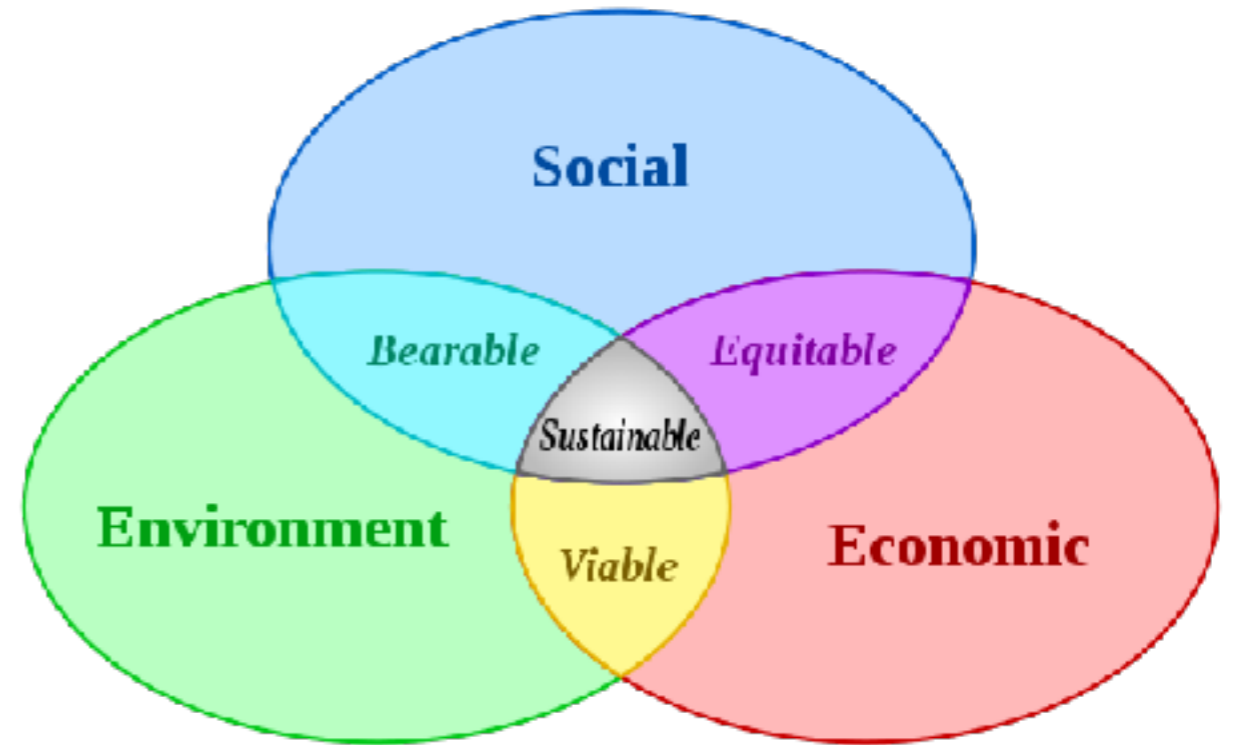
Definition & Standard of CSR

CSR of Chinese Firms

Chinese Investment in Thailand

Corporate Social Responsibility

- A company's sense of responsibility towards the community and environment in which it operates
- Relationship with their key stakeholders in the context of the institutional environment both locally and globally



CSR Standard: ISO 26000

7 Key Principles
Accountability
Transparency
Ethical behavior
Stakeholder interests
Rule of Law
International norms
Human Rights

7 Core Subjects (6)
Organizational governance
Human rights
Labor practices
Environment
Fair operating practices
Consumer issues
Community involvement & development

Core Subjects	Examples
Organizational governance (12)	Commitment to social responsibility System of incentives
Human rights (8)	Discrimination and vulnerable groups Civil and political rights
Labor practices (5)	Health and safety at work Human development and training
Environment (4)	Prevention of pollution Sustainable resource use
Fair operating practices (5)	Anti-corruption Fair competition
Consumer issues (7)	Consumer data protection and privacy Education and awareness
Community involvement & development (7)	Community involvement Health

Core Subjects of CSR

<p>Organizational governance (Decision-making processes and structures)</p>	strategies reflect its commitment to social responsibility;
	leadership commitment and accountability;
	environment and culture for the principles of social responsibility
	system of incentives for performance on social responsibility
	use financial, natural and human resources efficiently
	fair opportunity for underrepresented groups
	balance the needs of the organization and its stakeholders
	two-way communication processes with its stakeholders
	participation of all levels of employees
	balance authority, responsibility and capacity of people
	keep track of the implementation of decisions
	review and evaluate the governance processes

Core Subjects of CSR

Human rights	Due diligence
	Human rights risk situations
	Avoidance of complicity
	Resolving grievances
	Discrimination and vulnerable groups
	Civil and political rights
	Economic, social and cultural rights
	Fundamental principles and rights at work
Labour practices	Employment and employment relationships
	Conditions of work and social protection
	Social dialogue
	Health and safety at work
	Human development and training in the workplace

Core Subjects of CSR

The environment	Prevention of pollution
	Sustainable resource use
	Climate change mitigation and adaptation
	Protection of the environment, biodiversity and restoration of natural habitats
Fair operating practices	Anti-corruption
	Responsible political involvement
	Fair competition
	Promoting social responsibility in the value chain
	Respect for property rights

Core Subjects of CSR

Consumer issues	Fair marketing, factual and unbiased information and fair contractual practices
	Protecting consumers' health and safety
	Sustainable consumption
	Consumer service, support, and complaint and dispute resolution
	Consumer data protection and privacy
	Access to essential services
	Education and awareness
Community involvement & development	Community involvement
	Education and culture
	Employment creation and skills development
	Technology development and access
	Wealth and income creation
	Health
	Social investment

Category	Standards
Universal Standards	<p>GRI 101: Foundation GRI 102: General Disclosures GRI 103: Management Approach</p>
GRI 200: Economic	<p>201: Economic Performance 202: Market Presence 203: Indirect Economic Impacts 204: Procurement Practices 205: Anti-corruption 206: Anti-competitive Behavior</p>
GRI 300: Environmental	<p>301: Material 302: Energy 303: Water 304: Biodiversity 305: Emissions 306: Effluents & Waste 307: Environmental Compliance 308: Supplier Environmental Assessment</p>
GRI 400: Social	<p>401: Employment 402: Labor/Management Relations 403: Occupational Health and Safety 404: Training & Education 405: Diversity & Equal Opportunity 406: Non-discrimination 407: Freedom of Association and Collective Bargaining 408: Child Labor 409: Forced or Compulsory Labor 410: Security Practices 411: Rights of Indigenous Peoples 412: Human Rights Assessment 413: Local Communities 414: Supplier Social Assessment 415: Public Policy 416: Customer Health Safety 417: Marketing and Labeling 418: Customer Privacy 419: Socioeconomic Compliance</p>

CSR & Value Chain

Primary Activity	CSR Issues
Inbound Logistic	Transportation impacts (e.g. greenhouse gases)
Operation	Emissions & waste, Ecological impacts Energy & water usage, Worker safety & labor relations Hazardous materials
Outbound Logistics	Transportation impacts (e.g. greenhouse gases) Packaging disposal
Marketing & Sales	Truthful & suitable marketing & advertising Pricing practices (anti-trust, pricing for the poor) Consumer information & Privacy
After-Sales Service	Disposal of obsolete products & consumables Customer privacy

CSR & Value Chain

Supporting Activity	CSR
Procurement	Procurement practices (bribery, child labor, pricing to farmers) Use of particular inputs (e.g. fur), & natural resources
Technology	Relationships with universities Ethical research practices (e.g. animal testing, GMOs) Product safety, Conservation & Recycling
HR	Education & job training, Safe working conditions Diversity & discrimination, Health care & other benefits Compensation, Layoffs
Firm Infrastructure	Financial reporting practices, Governance & transparency Lobbying for policy change, Stakeholder engagement

CSR of Chinese Firms

	CSR: What	Chinese Firm%	Global Firm %
Community	Primary/second education	73	60
	College students	59	64
	Other education	55	64
	Sports	50	40
	Arts and culture	50	48
	Development & poverty	68	48
	Disaster relief	82	64
	Environment conservation	68	84
	Health and disability	59	64
		Youth	86
	Senior	18	28
Customer	Product quality	64	72
	Product safety*	32	60
Employee	Health and safety	27	32
	Welfare	46	36
	Development	41	32
	Equal opportunity	23	20

CSR of Chinese Firms

CSR: How	Chinese Firm%	Global Firm %
CSR policy*	46	72
CSR report	18	36
Foundation	50	56
Volunteering	46	52
Partnership with governments	23	48
Partnership with NGOs	55	48
Partnership with universities	27	48
Sponsorship	59	64
Donation	82	76
Award	14	28
CSR: Where	Chinese Firm%	Global Firm %
Global*	41	72

CSR Index of Chinese Firms

Steady growing trend of CSR of Chinese firms

More focus on customer & environment

Have potential to link CSR to their own competency

Energy and resource industry are leading

Financial sector has better disclosure in CSR performance

SOEs have similar CSR performance as foreign firms

Private firms yet to catch up

Chinese Investment in Thailand

Unit: bil Baht

Year	Global	Japan	EU	ASEAN	USA	Korea	HK	Taiwan	Mainland China	Mainland China %
2008	351	106	49	50	9	9	5	7	3	0.9%
2009	142	59	13	18	26	6	1	5	7	4.9%
2010	279	100	64	24	6	3	13	5	17	6.1%
2011	278	159	17	31	9	7	5	7	17	6.1%
2012	549	348	27	27	18	4	13	12	8	1.5%
2013	479	290	41	43	9	4	39	7	5	1.0%
2014	484	182	74	19	50	15	19	3	38	7.9%
20151H	239	88	31	48	22	2	5	13	5	2.1%

Source: BOI, approved FDI

Chinese Investment in Thailand

Area	Example
Infrastructure	Road & Bridge, Telecom infrastructure
Resource	Lead recycling
Agriculture	Plantation & Farm (rice, rubber, fruit)
Real Estate	Industrial Park, Residence
Manufacturing	Machinery, Car, E&E Appliance, Food, Chemical
Service	Banks, Logistic, Tourism

Issues of CSR for Chinese Investment

Six Point Advice by PM of Thailand

Conserve natural resource

Protect environment

Technology transfer & HR development

Value added in Thailand

Benefit local community

Fair play & respecting rules

2. Research Framework & Methodology

Research Objective & Framework

Case Study Methodology

Model of CSR Performance

Intension

Strategic
Intension

Involvement

Involvement of
Stakeholders

Intervention

Action & Mechanism
of Intervention

Impacts

Impacts for
stakeholders & firm

Research Objective

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Strategic intension for CSR of Chinese firms

Level of involvement of stakeholders

Action and mechanism of CSR intervention

The impacts of CSR of Chinese firms

Research Method

Case	Background	Data Collection
A	A global company making white home electric appliances	In-depth Interview
B	A global company selling TV	
C	A private SME producing & marketing food	Field Trip Observation
D	A JV for sub-contracting telecom infrastructure	
E	A private company construct & operate industrial park	
F	A subsidiary of a global bank	

3. Research Finding

Level	Intension	Intervention	Involvement	Impacts
1	Philanthropy	Ad hoc Donation	Community initiated	Brand awareness Tax deduction
2	Compliance	Systematic good practice	Firm initiated	Operational efficiency Brand association
3	Strategy	Built in mechanism Competency Enhancement	Two-way communication	Competitive advantage Brand loyalty

Research Finding

Level	Intervention Case Examples	Impacts Case Examples
1	<p>Flood donations, Book donations (A) Donation of TV sets, sport equipment to schools (B) Sponsor of GO Competition (C) & (F) “Clean Beach” initiative (F)</p>	<p>PR through news media (C) Advertisement of donation in shops (B)</p>
2	<p>Compliance to use foreign labor (C) & (E) Zero discharge of polluted water (C) & (E) Issue of radiation to environment (D) Localization: training & developing local staff (A)</p>	<p>Skilled & happy labor force (A) Energy saving with solar led (C)</p>
3	<p>Set up Organization & Communication Department (A) New products for Thai consumers (low voltage washing machine) (A) Product knowledge lecturing & activity nurturing new customers (A) Consumer education of healthy food (C)</p>	<p>Local oriented innovation (A) Nurture new customers base to enhance competency (A) (C)</p>

Research Finding

Level	Performance	Impacts Case Examples
Philanthropy	Mostly achieved for large firms Start stage for SMEs	PR through news media (C) Advertisement of donation in shops (B)
Compliance	Partially achieved for large firms & SMEs	Skilled & happy labor force (A) Energy saving with solar led (C)
Strategy	Start to be integrated into company strategy	Local oriented innovation (A) Nurture new customers base to enhance competency (A) (C)

Implications

What Should Chinese Firm Do Next?

Move towards level 2 & 3

Converge to international standard in cultural context

Do it on a platform

Platform: CSR of Chinese Firm in Thailand

For demonstration & learning

For quality standard & best practice

For synergy to create soft power

For communication to multiple stakeholder

CSR & OBOR Chinese Firms

Lack of CSR a Risk

Threat to the Survival of Chinese Firms

Threat to the Market Share & Profit

Threat to Future Development Opportunity

CSR a Critical Factor to Belt & Road Initiative

The license for Chinese firms to operate & thrive

Build block of soft power of China