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Chinese NGO–Firm Partnerships and CSR from an Institutional Perspective

Douglas WHITEHEAD

Abstract: NGO–firm partnerships have been well studied in the literature on corporate social responsibility (CSR) (Marano and Tashman 2012; Dahan et al. 2010; Oetzel and Doh 2009). However, these studies have generally limited their focus to Western multinationals and Western NGOs and, moreover, not by-and-large examine in depth the institutional settings under which either the firm or the NGO operates. Building on recent institutional approaches to CSR (Brammer, Jackson, and Matten 2012; Kang and Moon 2012; Matten and Moon 2008), this paper examines how the institutional dynamics of several partnerships between Chinese firms and NGOs affect the manifestation of CSR (e.g. “implicit” vs. “explicit”). The paper also looks into how CSR and NGO–firm collaboration plays out within a changing state-corporatist framework in Chinese context (Unger and Chan 1995, 2008; Hsu and Hasmath forthcoming). The paper then argues 1) that the involvement of an NGO in the partnership reflects a changing institutional setting in China, and 2) that type and level of involvement of Chinese government institutions affects whether a given firm takes an “implicit” or an “explicit” approach to CSR.

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Keywords: China, NGO, CSR, institutional analysis, state corporatism

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Introduction: China, CSR and NGO Collaboration

NGO–firm partnerships have grown increasingly common as an approach to CSR, as more and more companies seek active engagement with NGOs, and vice versa. Several studies have examined the strategic motivations behind the forging of such partnerships (Dahan et al. 2010; Eweje 2007), as well as the role played by the NGOs (Woodcock 2002; Millar, Choi, and Chen 2004). Some researchers have attributed the establishment of these partnerships to the pursuit of organizational legitimacy on the part of the firm (Marano and Tashman 2012; Oetzel and Doh 2009), while others have focused on development impacts (Oetzel and Doh 2009).

While most of these studies have focused on the Western context, partnerships and collaboration between Chinese businesses – including state-owned enterprises (SOEs) – and NGOs (Turner 2003; Lane 2010) are also beginning to take form. The emergence of such partnerships raises several interesting points. First, it illustrates the impact of China’s institutional context on the development of CSR in China. Post-reform-and-opening-up China is often understood within a state-corporatist context (Unger and Chan 1995, 2008), at both the national and regional level (Oi 1992). In this way, China relies more heavily on state guidance of its firms than on systems that are more market-reliant, such as the United States, or centred on organized interests, such as Japan and Germany (Kang and Moon 2002). Such a context has given rise to a more “implicit” form of CSR, one driven by social standards established by state institutions (Matten and Moon 2008; Kang and Moon 2012; Brammer, Jackson, and Matten 2012). However, a trend towards more market-driven capitalism suggests that the manifestation of CSR in China may indeed be more complex. As demonstrated below, the collaboration between firms and NGOs in China reflects such complexity.

Second, the studies also reveal a changing civil society in China. Interpretations of how civil society fits within China’s institutional framework differ (Shieh 2009). Unger and Chan (2008) suggest that “civil society” organizations are peripheral to the state-corporatist associations in modern China, but acknowledge that Chinese corporatist associations may contribute to the development of a more robust civil society in the future. Indeed, the growth of civil society and

proliferation of NGOs in China may, on the one hand, be seen as a “withdrawal” of state involvement in certain domains of governance (Ma 2002; Yang 2005; Hsu and Hasmath forthcoming). On the other hand, scholars have also observed NGOs’ inclination to closely cooperate with central and local authorities, as observed by Hsu and Hasmath in their study of Shanghai-registered NGOs (forthcoming). Likewise, the complexity of the relationships between NGOs, firms and the state in China is manifested in the collaboration of NGOs with firms.

Third, CSR becomes a more challenging issue when it crosses borders. Western multinational enterprises (MNEs) have taken advantage of NGO–firm partnerships in addressing numerous challenges such as organizational legitimacy (Marano and Tashman 2012; Kostova and Zaheer 1999), liability of foreignness (Oetzel and Doh 2009), and institutional distance (Marano and Tashman 2012; Du 2009). However, while some studies have looked into the challenges faced by Chinese firms abroad and the approaches Chinese firms have taken in response (Luo and Rui 2009), few studies have examined partnerships between Chinese firms and NGOs regarding the activity of those firms abroad (due partly to their relative rarity).

Through case study analysis of Chinese NGO–firm partnerships, this paper¹ aims to address the following questions:

- How do NGO–firm partnerships achieve CSR-related objectives, and what does this illustrate about the nature of CSR in China’s institutional context?
- What do such partnerships suggest about the role of NGO–firm collaboration in promoting CSR (implicitly or explicitly) in a corporatist China?
- How might the partnerships change in the case of a Chinese firm operating overseas? Additionally, how may the dynamic change in the case of a Chinese subsidiary of a foreign-owned company?

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The proceeding sections of this paper aim to provide a framework for exploring the three questions listed above.

An Institutional Framework for Understanding NGO–Firm Collaboration in China

The following section outlines the various institutional factors shaping NGO–firm collaboration in China. The subsequent section provides a literature review, considering in parallel how NGO–firm partnerships have been treated within the CSR literature; CSR within China’s institutional frameworks (taking into account both state-corporatist and comparative-capitalist approaches); and the growth of NGOs within China’s institutional context. The following section examines three case studies of Chinese NGO–firm partnerships. The next section provides an analysis of the case studies in the context of a changing institutional framework governing Chinese firms and NGOs, and acknowledges the limitations of the research pursued. The last section offers concluding remarks and some recommendations on directions for future research.

CSR and Establishment of NGO–Firm Partnerships

The nature of partnerships between NGOs and firms has been studied extensively in regards to the more “explicit” Western approach to CSR. Such partnerships emerged from a receding reach of the state and the greater role played by private sector and civil society actors in shaping important issues such as sustainable development (Hartman, Hofman, and Stafford 1999). Such partnerships are among many strategies adopted by NGOs to promote CSR (Winston 2002) and may also derive from a strategic convergence and complementary orientation between the firm and the NGO (Eweje 2004). The impacts of such partnerships have been studied extensively. Some studies have focused on the broader impacts, including value creation through the partnership for both the firm and the NGO (Dahan et al. 2010), or, more generally, on development benefits (Oetzel and Doh 2009) and sustainability benefits (Hartman, Hofman and Stafford 1999). Other studies have looked at more specific benefits conferred to the firm through the partnerships, including improved stakeholder management (Eweje 2004, 2007; Millar, Choi, and Chen 2004; Wood-

cock 2002), organizational legitimacy (Marano and Tashman 2012; Oetzel and Doh 2009) and improved accountability (Benner and Witte 2004; Neligan 2003; Woodward, Edwards, and Birkin 1996). The challenge of legitimacy in particular has been studied extensively in the context of multinational firms and their subsidiaries operating abroad, where challenges such as liability of foreignness and institutional distance are particularly acute (Marano and Tashman 2012; Oetzel and Doh 2009; Kostova and Zaheer 1999).

These studies, however, have primarily involved partnerships between firms and NGOs originating from “liberal-market” contexts. As the case studies below demonstrate, Chinese firms and NGOs, operating in an ostensibly more state-dominated context, may face varying constraints depending on the institutional settings in which they operate. These constraints may differ considerably from those faced by firms operating or based in Western countries.

State Corporatism and “Implicit” CSR: A Different Framework for Understanding CSR in China

The notion of CSR derives from the decline of corporatism in the United States during the 1920s, under which a more explicit, voluntary manifestation of CSR emerged (Marens 2012). Nevertheless, the actual realization of CSR varies across different institutional settings. In light of this, a comparative institutional approach may be appropriate. This is particularly salient given the complex governance system of the global economy, which requires the involvement of a multitude of institutional actors to enforce CSR and related goals (Brammer, Jackson, and Matten 2012). Noting the differing manifestations of CSR, a number of studies have examined CSR from a comparative-capitalist perspective. Matten and Moon (2008), for instance, distinguish between the more “explicit” approach to CSR taken in “liberal economies” – economies with less state control over corporate actors – and the more “implicit” approach in “coordinated” (more state-driven) economies. In the case of the latter, the corporation approaches its CSR within the wider formal and informal institutions responsible for addressing societal interests and concerns. Kang and Moon (2012) examine three types of economies – namely, liberal (US, UK), coordinated (Germany, Japan) and state-led (France, Korea), finding that “explicit” CSR remains intact in liberalized economies, while both types of CSR are found in corporatist and state-led

economies as the liberal-market economy grows in influence. Finally, within implicit approaches to CSR, Witt and Redding (2012) observe a distinction between “stakeholder-oriented” interpretations (Japan and Korea) and “production-oriented” interpretations (Germany).

Changing State Corporatism and CSR in China

How does China fit into the more complex picture of CSR? Post-reform-and-opening-up China is generally understood as being state corporatist (Unger and Chan 1995, 2008), mirroring the political-economic structures in countries like Korea and Taiwan in earlier decades. Under such a framework, officially registered “non-governmental associations” (民间协会, *minjian xiehui*) become the representative for a particular sector of the economy/society, and may gain access to policy-making, at both a state (“peak”) and a local level (Unger and Chan 2008).

This leads to the important question of how CSR can be best understood in a rapidly changing China. Moon, Kang, and Gond (2010) observe that China mirrors other Asian countries in earlier decades, such as Korea and Japan, in having heavily regulated, state-dominated governance systems in banking, finance and other areas of the economy, and that the tight business–state relations under such structures have led to a more “implicit” formulation of CSR, such that businesses (for example, SOEs) may articulate their responsibilities in the language of state-planning objectives. Thus, while CSR may take root more explicitly at the central-state level, the gap between state mandate and enforcement has until recently made many aspects of CSR peripheral. This is compounded, according to Moon, Kang, and Gond, by the conspicuous absence of NGOs as a driver of CSR in China. Similarly, while Moon and Shen (2010) find the increasing prevalence of CSR to be a management issue in China, they nevertheless note that such conceptions of CSR are rarely articulated explicitly and that the differing contexts of China and the West must be taken into account in understanding the different forms of CSR.

NGOs, Corporatism and the Recent Emergence of NGO–Firm Collaboration in China

As with Chinese firms, state corporatism also provides a useful framework for contextualizing the emergence and growing im-

portance of NGOs in China. The government-operated NGOs (GONGOs) that dominated Chinese civil society in its earliest stages are essentially corporatist in structure and purpose, but have recently grown more independent from their government overseers (Zhang 2003; Wu 2003). The number of fully independent Chinese NGOs has continued to increase, currently numbering over 500,000 (*China Daily* 2012).

Ma's (2002) study attributes the growth in numbers and increasing relevance of Chinese NGOs to the earlier development of non-governmental associations, which he suggests originated from both bottom-up and top-down growth patterns, the former represented by the proliferation of private trade associations in Wenzhou in the 1980s and 1990s, the latter represented by the growth of GONGOs in other cities. This, along with the growth of grassroots NGOs, results from the withdrawal of the state from many responsibilities towards society as attendant with the shift towards a market-dominated economy. This retreat of the state from social affairs has also meant greater access to media, the Internet and opportunities for collaboration with international NGOs by Chinese NGOs (Yang 2005), though most Chinese NGOs still find close collaboration with government institutions central to the success of their work (Hsu and Hasmath forthcoming).

Chinese CSR, Civil Society and NGO–Firm Partnerships in China

Perhaps as a product of this growing freedom, some NGOs in China have begun to collaborate with firms to advance their causes. Turner (2003), for instance, cites several examples – for example, Friends of Nature's work with local hotels in Beijing on green certification in the lead-up to the 2008 Olympics, and the Institute for Environment and Development's (IED) work with Chinese small and medium enterprises (SMEs) on improving energy efficiency standards. Further, recent efforts to promote the concept of CSR in China have brought greater attention to the potential for partnerships between firms and NGOs, as evidenced by the American NGO Business for Social Responsibility's CiYuan (慈源) programme (see the following section), which explicitly encourages NGO–firm collaboration. The emergence of such partnerships also suggests that some NGOs in China are assuming more of a core role in promoting CSR (in contrast to the

observation in Moon, Kang, and Gond 2010). Indeed, Chinese NGOs are in a unique position to promote CSR, given their extensive collaboration and communication with international NGOs affording them access to innovative methods of promoting CSR, technical know-how to assist firms in implementing CSR programmes, and a strong capacity for managing stakeholders, including various levels of government. Several recent examples of NGO–firm collaboration are examined below, where the varying roles played by NGOs in promoting CSR in China are explored.

CSR and Corporatism for China's Overseas Enterprises

The expansion of Chinese corporate activity overseas adds an additional degree of complexity to the issue of CSR and NGO–firm collaboration in China, particularly since the launch of the “Going Out” strategy in 1999. This has been particularly visible among energy-related and extractive enterprises, whose activities in Africa and Southeast Asia have been the subject of intense scrutiny for their environmental and social impacts (Biau 2010, 2012; Liao 2011). Indeed, Chinese firms’ “going out” is firmly couched within a state-driven, corporatist framework, with a significant guiding role assumed by China’s “policy banks” such as the Export Import Bank of China (China Exim Bank) and the China Development Bank. A significant body of research has been devoted to describing the regulatory framework on the conduct of Chinese businesses overseas, particularly regarding the environmental and social impacts of overseas investment (OECD 2008; Zhi and Whitehead 2009; GEI 2011, 2013).

Chinese overseas firms have faced unique CSR challenges when investing abroad, either because they find themselves exposed to an unfamiliar regulatory framework in the host country, and thus face a challenge of institutional distance (Hofman 2011) or because they are unprepared for the scrutiny from global civil society, as evidenced by the suspension of the Chinese-invested Myitsone Dam project in northern Myanmar (Liao 2011). Some firms, such as Minmetals and Sinohydro, have shown remarkable versatility in adapting to these challenges, while for others the challenges remain more pronounced (Bosshard 2010; Minmetals 2011). While such firms are beginning to engage more with both local and global NGOs, collaboration between such firms and NGOs, and particularly between Chinese NGOs and firms, remains somewhat rare. The section below looks

into the CSR impacts of a partnership between a Chinese NGO and a Chinese firm abroad, and suggests how the dynamics of such a partnership suggest a more explicit approach to CSR required of many Chinese firms investing abroad.

Three Examples of NGO–Firm Collaborations in China

The following section takes a detailed look at three examples of collaboration involving Chinese NGOs and firms, and describes what they illustrate about CSR in the Chinese context. The first section examines the collaboration between a Chinese NGO, the Global Environmental Institute (GEI), and several hydropower firms on a payments-for-ecosystem-services (PES) project in Baoxing County, Sichuan Province. The subsequent section examines a collaboration between GEI and a Chinese hydropower firm, Sinohydro, on a community development project in Laos. The last section discusses an example of a Chinese branch of a foreign enterprise (B&Q) cooperating with a Chinese NGO (Friends of Nature). For each case study, some background is provided, as are a description of the collaborative efforts between the NGO and firm(s) and the specific manifestations of CSR in each partnership. Finally, a comparison and further analysis of the case studies is provided.

Methodology

The three case studies were identified for a detailed investigation of the institutional environments surrounding Chinese NGO–firm partnerships and their effect on how CSR is manifested. These are primarily illustrative, and are intended to explore the varying institutional settings in which the partnerships are forged as well as the differing approaches of each NGO in the partnerships. Each case study features a different Chinese NGO partnering with a different type of firm in a specific context, including Chinese firms operating in China, Chinese firms operating abroad and Chinese subsidiaries of foreign firms in China. In the case study investigation and subsequent analysis I considered the following aspects: the role played by NGOs in achieving and pursuing CSR objectives; challenges in the pursuit of such objectives; how CSR objectives are viewed by the NGO within

the partnership (for example, explicitly vs. implicitly; stakeholder management); and what that view may illustrate about the impact of institutional changes in China on the conception of CSR. To obtain relevant information, I conducted interviews with representatives from the NGOs and reviewed relevant project materials including project reports, annual reports, background literature and reports, and other materials (Anonymous 1, 2 2013).

Baoxing PES Project

Background

Some 15 per cent of China's territory is occupied by nature reserves. The resolution of conflicts between the conservation efforts of the nature reserve management and the pursuit of livelihoods of communities at the periphery of the nature reserves, who often depend on resources such as firewood and medicines, remains a significant challenge for nature reserve management. To respond to this challenge, in 2009 Beijing-based NGO the Global Environmental Institute (GEI, 全球环境研究所, *Quangiu huanjing yanjiusuo*) began a conservation concession agreement (CCA) project to assist the Fengtongzhai Nature Reserve Management Bureau in Baoxing County, Sichuan Province, in protecting the buffer zone of the nature reserve. This was achieved through the signing of a CCA between the reserve and communities living in the buffer zone, in which the communities agreed not to encroach on the nature reserve for resources in exchange for the reserve (represented by GEI) agreeing to provide alternative economic opportunities to the communities.

Over the course of implementing the CCA project, GEI found a large number of mid-to-small-sized (~5–30MW) hydropower stations along the Baoxing River (which runs through the nature reserve) owned by both SOEs (for example, Huaneng) and private enterprises (Chen and Wang 2009). These hydropower stations have significant influence on the surrounding ecology and communities, as documented in Liu (2012). To respond to this challenge, GEI directly approached the management of several dozen of those hydropower companies to persuade them to contribute PES into the community development fund as compensation for damage caused by the hydropower stations. In particular, this money contributed to regulatory ecosystem services, in the sense of Hein et al. (2005), through in-

creased pollination from honeybee breeding and non-use values through avoidance of both deforestation and degradation of the nature reserve. The specific amount of each dam's contribution was determined through a long process of negotiation with the Fengtong-zhai Nature Reserve (facilitated by GEI), and ranged from several thousand to several tens of thousands of yuan.

Specific Findings

An interview with the responsible project manager at GEI, as well as a review of various project-related materials, revealed the following key findings regarding the collaboration between GEI and the hydro-power stations:

- Government pressure was a significant motivating factor for the involvement of the firms. Following interaction with Baoxing County officials, GEI found that Baoxing County's goal for the near future was to become an "ecological county", free of extractive investments and deriving the vast majority of its income from eco-tourism. It was found that this ambition, more than any individual company's level of commitment to CSR principles, was the most significant motivating factor for firms' contribution of PES to the community development fund.
- However, PES were additional to the work regulated by the government, as these payments were made on top of environmental impact assessments (EIAs) required by the Baoxing Environmental Protection Bureau. The specific amounts of the payments were determined during individual negotiations between the firms and the Nature Reserve Management Bureau.
- SOEs and private enterprises took different approaches to the collaboration. It was found that SOEs had a better understanding than private enterprises of the importance of improving the environmental and social impacts of their dams. But SOEs were more structurally inhibited in participating in the PES scheme given the many levels of decision-making between company branches (for instance, at county or provincial levels) and headquarters, while decision-making was much quicker for smaller, private enterprises with less complicated management structures.
- Regarding the role of the NGO in the collaboration, the research revealed that GEI saw its role as to establish a platform for participation by stakeholders in the CCA and PES models that

would allow for the hydropower companies to contribute to improved environmental and social impacts and, crucially, to improve their compliance with government requirements on environmental issues. In addition, GEI saw itself as promoting progressive ideas, to be incorporated into both company and nature reserve practice.

GEI–Sinohydro: Community Development in the Lao PDR

Background

In 2007 GEI began an integrated policy package project to improve the environmental and social impact of Chinese overseas enterprises, working with Chinese government institutions (the Ministry of Environmental Protection, MEP, and the Ministry of Commerce, MOFCOM) to develop guidelines on overseas environmental and social conduct, and with governments and NGOs in host countries. In 2008 it began collaborating with the National Land Management Authority (NLMA) in the Lao People's Democratic Republic (Lao PDR) to improve Lao environmental and social policies in order to better the management of environmental impacts companies from China and other countries in the Lao PDR. (At the time, the Lao government was in the early stages of developing a comprehensive land management law, involving cooperation between the National Land Management Authority and the Water Resources and Environment Administration. It was then facing – and still does face – the challenge of protecting its largely untouched biodiversity and forest ecosystems while striving toward its near-term goal of graduation from Least Developed Country (LDC) status in 2015.)

Sinohydro, a Chinese SOE, is one among many large Chinese firms to invest in the Lao PDR. In 2008 Sinohydro's subsidiary, the Nam Ngum 5 Power Company (NN5PC), began construction on the Nam Ngum 5 (NN5) Hydropower Station, located on the Nam Ngum River, a tributary of the Mekong in Luang Prabang Province, northern Laos. The NN5 is a joint investment by Sinohydro (85 per cent) and Electricité du Laos (15 per cent), with a transfer to the Lao government following a 25-year concession period. NN5 has an installed capacity of 120MW and belongs to a cascade of hydropower stations along the Nam Ngum River. The project has also received funding

from the Multilateral Investment Guarantee Agency (MIGA) under the World Bank Group. The Nam Ngum River is rich in biodiversity, and several EIAs were commissioned by the Asian Development Bank and other institutions funding the Nam Ngum cascade in the months prior to the construction of the NN5.

Partnership

In 2010 following a meeting of various international NGOs concerned with the environmental impacts of Chinese enterprises overseas, it was found that Sinohydro had a hydropower investment planned in northern Laos, for which it had begun planning community rehabilitation activities for one village (Ban Chim) that would be affected by the planned dam and resulting reservoir. GEI provided financial and technical support for the construction of household biogas digesters to provide electricity to the relocated villagers (who were not among the recipients of the electricity generated by the NN5), as well as support for the raising of water buffalo as a means of livelihood for villagers whose rice fields were flooded. GEI also contributed to the establishment of an environmental management division within the NN5PC.

Specific Findings

- The main restraints faced by Sinohydro/ NN5PC did not originate from the Chinese or the local government. Despite the close involvement of the Chinese government in providing guidance and direction on improving environmental conduct abroad (including guidelines drafted jointly by MOFCOM and the MEP to that end), and despite improvements made to Lao land management policy, neither the Chinese nor the Lao government could restrain Sinohydro in this case. The primary constraining factor for Sinohydro and its subsidiary, the NN5PC, came from MIGA, which required stringent environmental and social conduct in order to be able to provide financial support to the project.
- Sinohydro (NN5PC) had an explicit understanding of its social and environmental responsibilities. This was evidenced by the active efforts of the NN5PC to develop community rehabilitation plans, support EIAs and frequently visit communities af-

fectured by the NN5 construction, corroborated through interviews with GEI.

- GEI faced the same structural difficulties in working with Sino-hydro as it did with the SOEs in the Baoxing case. Despite the NN5PC's relatively positive attitude toward community development and despite the improvements in environmental impact, as a subsidiary company to Sinohydro, decision-making was nevertheless hampered by complex bureaucratic procedures within the company.
- The key roles for GEI in the partnership were in technical support and visibility. As an NGO specializing in environmental protection and community (rural) development, GEI provided much-needed technical assistance to the NN5PC's community development planning by constructing, and providing training on how to construct, biogas digesters. Further, in light of a predominantly negative impression of the impacts of Chinese investment abroad within the international community, GEI also played an important role in raising awareness of positive examples of environmental and social conduct, as exemplified by the NN5PC case.

Friends of Nature—B&Q: Raising Environmental Awareness among Consumers

Background

According to estimates by the National Development and Reform Commission (NDRC), the average Chinese family uses about 87kWh of electricity a month; however, the figures vary widely, with significantly greater electricity consumption in urban areas than in rural areas. The use of energy-saving appliances could save up to 1,000 kWh of electricity and 42.6 tonnes of water per year (Zhou 2011). Friends of Nature (FoN, 自然之友, *ziran zhi you*), one of China's first and most active environmental NGOs, launched its Low-Carbon Families Project in 2011, providing a 10,000 CNY grant to households in Beijing for switching to energy-saving appliances, and measuring the amount of power saved.

Partnership

The British Block and Quayle (B&Q, 百安居, *bai'anju*) is one of the largest DIY furniture retailers in China, and China is the only country with B&Q retail stores outside of the UK and Ireland. The company now has 58 stores in 25 cities and is a dominant player in the home improvement industry in China. In 2012, B&Q began a collaboration with FoN to provide trainings on environmental issues to B&Q and its customers, following two approaches: 1) direct engagement with B&Q customers and 2) indirect engagement with customers through trainings provided to B&Q designers. During a five-month period, FoN and B&Q provided trainings to 120 customers at B&Q stores throughout Beijing, in addition to training 60 B&Q designers and store managers on environmentally friendly and energy-saving home improvement solutions. While FoN brought training materials and introduced best practices from the Low-Carbon Families Project and came with training experience as well as media contacts, B&Q provided funding, venues, in-kind staff support, and branding and marketing for the project. The partnership is now continuing into the second phase of FoN's Low-Carbon Families Project.

The partnership was developed by the China office of the CiYuan initiative of Business for Social Responsibility (BSR), which aims to cultivate partnerships and collaboration between firms and NGOs in China on various CSR issues. As a third-party participant, BSR offered additional financial support to the project, as well as assistance in networking and in obtaining support for the project from the senior management at B&Q.

Specific Findings

- FoN was able to greatly expand its industry influence. The Low-Carbon Families Project focuses primarily on outreach and raising awareness at the community level, leveraging FoN's position as a grassroots-oriented NGO. However, in order to successfully implement their programme, FoN needed to link producers of energy-saving products with consumers. The collaboration with B&Q allowed FoN to build linkages with the home improvement industry and, more indirectly, the household appliance and energy industries.

- The main role of FoN was to assist B&Q in managing its stakeholder relations (particularly consumers) and to improve B&Q's understanding of Beijing government policy. Throughout the partnership, B&Q was able to better understand customer needs, improve relations with civil society – particularly given FoN's significance as one of China's earliest home-grown environmental NGOs – and, crucially, gain further understanding of the central government's policies and initiatives pertinent to energy-saving and emissions reduction, particularly in regards to energy-saving at the household level, which is encouraged under the 12th Five-Year Plan.
- B&Q was able to gain from FoN's apparently strong and objective reputation among the Chinese public. FoN has, as the first legally registered NGO and one that works extensively on public outreach, cemented a reputation as a leading advocate on environmental issues in China, and has earned the respect of both the general public and other NGOs.
- The collaboration is an example of an overt and ongoing NGO–firm partnership in China, with the partnership continuing into its (current) second phase. The active involvement of B&Q in the partnership, facilitated by BSR's CiYuan programme, suggests that B&Q's CSR approach was largely “explicit” and motivated at least partially by its desire to establish legitimacy among consumers concerned with environmental performance. However, such a partnership may not be the most representative of typical Chinese NGO–firm partnerships, given that B&Q are a foreign-owned enterprise and because of the extensive involvement of BSR as a third-party, foreign NGO. Nonetheless, the dynamics of the relationship do offer interesting insights into the types of NGO–firm partnerships possible in China.

Summary of the Findings of the Case Studies

Table 1 (below) provides a comparison of the challenges in terms of CSR; the types of firms involved in the collaboration/ partnership; the responsibilities and contributions of the firms and NGOs to the partnership/ collaboration; the institutional environments affecting the partnership; the involvement and impact of other (external) stakeholders; and the approaches taken to CSR.

Table 1: Comparison of the Three Case Studies

	Case		
	GEI in Baoxing	GEI–Sinohydro	FoN–B&Q
Main CSR challenge	Environmental damage to nature reserve; effects of activity on livelihoods of surrounding communities	Environmental damage to watershed; impact on communities upstream from the dam	Promotion of low carbon consumption in home improvement industry
Type of firm	Both SOEs and private firms	SOE	Foreign enterprise
Dynamics of the partnership (responsibilities and contributions of the NGO/firm)	<p>NGO contribution: platform for improved relations with government and communities; visibility</p> <p>Firm contribution: financial support</p>	<p>NGO contribution: technical know-how to implement in community; understanding of local context; visibility</p> <p>Firm contribution: community development planning; financial support</p>	<p>NGO contribution: awareness-building of local sustainable consumption habits; improved understanding of policy</p> <p>Firm contribution: financial support; venue; branding</p>
Institutional environment	Strong environmental regulation from county- and provincial-level governments, including the Nature Reserve Management Bureau	Weak environmental regulation locally (in the Lao context); non-compulsory guidance from home country; strong influence from major financing institutions (multilateral development banks)	Incentives for energy-saving at local policy level; scrutiny of CSR performance by home country
Involvement and impact of other (external) stakeholders	Local communities	Local communities	Third-party NGO (BSR)

	Case		
	GEI in Baoxing	GEI-Sinohydro	FoN-B&Q
CSR approach reflected in the firm	Mainly implicit: firms faced significant pressure from local government to comply with environmental regulations and planning priorities; partnership referenced mainly in GEI promotional materials	Both implicit and explicit: Implicit: encouragement from Chinese regulatory bodies (SASAC, MOFCOM, MEP) Explicit: active development of community rehabilitation plan; partnership referenced mainly in GEI promotional materials	Mainly explicit: overt partnership described extensively by each organization's promotional materials

Source: Author's own compilation.

As demonstrated in Table 1, the type of institutional environment in which the collaboration occurred, as well as the level of pressure faced by external stakeholders, profoundly affected the ways in which CSR was manifested. In the Baoxing example, local government policy-planning priorities for the development of an “ecological county” made compliance by hydropower stations with environmental conservation standards enforced by county-level government and by the nature reserve imperative. Their participation within the PES programme, while additional to the mandatory EIAs performed by the companies, was largely tacit and had the primary effect of ensuring improved relations with stakeholders, particularly the Nature Reserve Management Bureau, thus reflecting a more “implicit” CSR objective of meeting mandatory or customary obligations to address key stakeholders issues (Matten and Moon 2008). On the other hand, the GEI-Sinohydro cooperation demonstrated both implicit and explicit types of CSR: implicit in that Sinohydro was responding both to voluntary guidelines set out by Chinese institutions such as the State-Owned Assets Supervision and Administration Commission (SASAC, 国资委, *guoziwai*), China Exim Bank, MOFCOM and MEP (the former two exerting significant influence over Chinese SOEs) as well as

to mandatory environmental and social impact mitigations required of the loan issued by MIGA – but explicit in that the level of its community involvement was largely carried out under its own discretion, and in that its partnership with GEI in the NN5 case has been referenced in its own promotional materials (Sinohydro 2011). Finally, B&Q was motivated primarily by explicit CSR concerns, demonstrated most obviously by its extensive reference to the FoN partnership in its promotional materials, leveraging FoN’s strong reputation as a respected environmental NGO in China.

In addition, the NGOs involved in the partnerships played unique roles in improving the CSR of the firms. As revealed in the investigation, in the Baoxing example, the NGO (GEI) played an important part in managing relations with government institutions, particularly the Baoxing County government and the Fengtongzhai Nature Reserve Management Bureau, as well as other stakeholders, such as the local communities (who were indirectly affected by firm activity). While the firms were not at an impasse in terms of government relations, and were compliant with environmental regulations in performing other EIAs, their participation in the PES scheme – mediated by GEI through negotiations between the firms and the Nature Reserve Management Bureau – was important in improving relations between the government and the enterprises. In the Sinohydro example, relations with local stakeholders in the host country (Lao PDR), including government institutions and local communities, did not seem to create as much tension as in the Baoxing case (given an already active role taken by Sinohydro in improving relations with communities), while relations with the international organizations (multilateral funders like MIGA, and international civil society) were more of a challenge for Sinohydro/ NN5PC. In this case, although GEI worked in parallel with both the Chinese and Lao governments on broader governance issues, its primary role in the partnership with Sinohydro was to provide technical expertise in community development, as well as visibility to Sinohydro in disseminating its CSR efforts abroad. Finally, in the B&Q case, where compliance with government regulations as well as management of stakeholder relations with affected communities and the international community seemed to be less of an issue, the NGO, FoN, played an active role, providing technical knowledge to the firm as well as disseminating infor-

mation about the partnership and its work through its own network and outreach activities.

Analysis: What Do the Examples Illustrate about the Changing Institutional Setting?

This section provides an analysis of the case studies discussed above within the context of complex and transforming institutional setting, placing particular emphasis on the evolving approaches to CSR, the changing space for NGOs to operate, and the added dimension of firms and NGOs operating overseas. It also discusses the limitations of the present research.

Changing Institutional Environments and Their Impacts on CSR in China

While the approach of the firms toward CSR was reflected by the differences in the institutional settings and specific circumstances related to stakeholder management, all firms had to navigate certain conflicting priorities in government planning. In some cases, there were complex differences between central- and local-level planning priorities. As was the case in the Baoping example, Chinese companies in resource-intensive industries such as hydropower have been encouraged to look westward in their investment, particularly under the country's Great Western Development Strategy (西部大开发, *xibu dakaiifa*), and have therefore sought to invest in the water-rich southwest regions of the country (Brozek 2013). Companies also find themselves subject to varying intense environmental regulation at the local level, particularly in the southwest of the country, where a high proportion of hydropower activity is located near nature reserves and other protected areas. However, companies may also be incentivized to perform better environmentally and socially – for example, via energy-efficiency incentives under the 12th Five-Year Plan or nationwide initiatives to improve environmental conservation and nature reserve management (for instance, national PES legislation). In a similar vein, the “Going Out” strategy, spearheaded by institutions such as the China Exim Bank and overseen by institutions including MOFCOM and SASAC, demonstrates similar levels of complexity in the governance of Chinese enterprises abroad, re-

garding financial targets and incentives as well as, more recently, environmental and social guidelines (for example, under MOFCOM, MEP, China Exim Bank and the State Council). Such complexities in central and local regulations and policy incentives require institutional knowledge that Chinese NGOs may be best able to provide.

Changes to China's state-corporatist dynamics have also come in tandem with more complex manifestations of CSR. Moon, Kang, and Gond (2010) observe a tendency for firms under systems with heavy state ownership or oversight to refer to CSR in terms of overall state-planning objectives; in China's recent past, firms would affirm that they were acting in the interest of the country's long-term economic growth. More recently, however, the Chinese government has moved toward a more regulatory role in facilitating transition to a more liberal-market economy (Moon, Kang, and Gond 2010). This has occurred in the context of complex changes to the state-corporatist structures referred to in Unger and Chan (1995, 2008). It is clear, on the one hand, that the "local state corporatism" (as described in Oi 1992) is at work in Baoxing given the county's relative autonomy in choosing to pursue a more "ecological" development strategy. On the other hand, over the last decade, the corporatist industrial associations of the 1980s and 1990s were consolidated under SASAC, which led to improvements in firms' financial performance (as argued in Wang, Guthrie, and Xiao 2012), and, it might be argued, to the emergence of more overt understandings of CSR (for example, under the *Nine Principles* and SASAC's *Guidelines on Fulfilling Social Responsibilities by State-Owned Enterprises*, OECD 2008). Thus, the explicit and implicit manifestation of CSR may be affected by competition between governmental oversight institutions (Krug and Hendrische 2008). In response to this, NGOs in China, many of which maintain good relations with Chinese government institutions, may provide an important role in assisting firms to navigate such a complex structure.

The ownership of the firm adds a further layer of complexity to the ways in which firms partner or collaborate with NGOs and how that is reflected in the manifestation of CSR by the firm (explicitly or implicitly). The three cases discussed above include Chinese SOEs, SMEs as well as a foreign enterprise. As may be expected, the Chinese SMEs were on average less aware of CSR than were the SOEs (as corroborated through interviews on the Baoxing case), while CSR awareness by the foreign-owned enterprise (B&Q) was strong. SME

involvement in CSR activities in China is still limited, particularly as SMEs, which face significant economic constraints, may find certain explicit CSR activities costly (Liu and Fong 2010). Multinationals, on the other hand, are bound to stronger environmental standards, given concerns of legitimacy and liability of foreignness (Christman and Taylor 2001), and thus have a tendency to take a more explicit CSR approach.

NGOs and NGO–Firm Partnerships in a Changing Corporatist Context

China's changing state corporatism has had profound effects on both NGOs and firms. In the context of China's transition towards market capitalism, global economic integration, and the subsequent dissolution of state welfare institutions, the institutional adjustments made by the Chinese government to allow for greater involvement by NGOs on social and environmental issues have facilitated the government's focus on the pursuit of the level of economic growth required to maintain its own legitimacy (Howell 2012). This has changed the framework under which NGOs interact with both state and corporate institutions (Spires 2011; Shieh 2009).

Firms in China have faced similar challenges in the transition to a more liberal-market capitalism, as well as in the context of China's greater integration into the global economy and, subsequently, its greater exposure to international standards on environmental and social welfare. China's SOEs, in particular, face an acute dilemma: On the one hand, the recent reform and streamlining of SOEs under a more "liberal-market" capitalist transition have led to significant risks for the firms – for example, worker unrest due to layoffs and reduced social security benefits (Lue 2007). On the other hand, a more consolidated – and, in some ways, more cosmopolitan – governance of SOEs under institutions like SASAC has posed new challenges for those SOEs to meet social obligations – for instance, as codified in the *Guidelines on Fulfilling Social Responsibilities by State-Owned Enterprises*, which provides a blueprint for social conduct by SOEs (OECD 2008). SMEs and foreign enterprises also face challenges operating in the context of such a transition. SMEs themselves are essentially products of such liberal-market capitalist reforms and have received significant support from the Chinese government (Liu and Fong 2010); however, SMEs still face challenges regarding the various as-

pects of CSR in China, including compliance with multiple levels of government regulations and stakeholder management. Foreign enterprises, adept at adjusting to more corporatist modes of operating (Pearson 1994), are finding the need to consistently readjust to changes in China, which include the diminishing of some of China's corporatist structures as well as a growing public and corporate consciousness of CSR.

In this context, partnerships and collaboration between firms and NGOs in China is multifaceted. As the examples discussed above demonstrate, the NGOs may assume a role in either facilitating a relationship between the firms and governmental institutions on specific issues (particularly in the Baoxing case) or guiding firms' behaviour to be more in line with government priorities (more so in the cases of Sinohydro and B&Q). It is also clear that the NGOs in the three case studies played important roles in improving firm–society relationships in a way that would be difficult for government institutions to achieve. In the particular case of Sinohydro, GEI was able to lend credibility to Sinohydro's activities in Laos; likewise, FoN played a major role in educating B&Q customers on energy-saving issues, in part because of the lack of Chinese government interference in consumer purchasing preferences.

Despite a clear niche being filled by the NGOs in all three cases where government institutions were less able to intervene, there are still differences in the types of CSR manifested that result from the level and type of government involvement. In the case where government regulation seemed strongest – Baoxing – the NGO facilitated a more “implicit” compliance with corporate responsibilities by the firm, where PES agreements were concluded and payments made largely “under the radar” through negotiations between the firms and the nature reserve. What is more, the specific names of firms were often not even mentioned in the NGO's promotional materials. However, where government was either limited in its ability to intervene (in the Sinohydro case) or where intervention was essentially beyond its scope (as in the B&Q case), a more explicit approach to CSR was required, given the firms' more direct exposure to non-government stakeholders (local communities, consumers, international NGOs and others).

Cross-Border NGO–Firm Collaboration

As noted above, collaboration with NGOs abroad can have the positive effect of conferring legitimacy onto the firm, which is of particular importance to the MNEs and their subsidiaries. The problem of legitimacy can be especially acute for MNEs given their liability of foreignness (Oetzel and Doh 2009) as well as the institutional distance between the host country and the MNE's country of origin (Marano and Tashman 2012; Du 2009), which could leave an MNE vulnerable to policy shifts and changing geopolitics that might affect the firm's access to local markets (Oetzel and Doh 2009; Doh and Ramamurti 2003). NGOs can assist in conferring legitimacy to the firm in a variety of ways, including improved management of stakeholders, technical support (including both policy analysis and environmental and social management models), as well as visibility and outreach.

The pursuit of organizational legitimacy may be viewed within the broader approach of “explicit” CSR (Matten and Moon 2008). Here, two of the examples above present an interesting comparison by which to view the differing CSR approaches. In the case of B&Q, a UK-based enterprise, the collaboration with FoN was an explicit CSR partnership aimed at improving the firm's reputation among consumers and, less pronouncedly, its understanding of the Beijing (municipal) government policy on energy-saving. The firm's liabilities of foreignness included a lack of understanding of policy incentives in energy-saving and, in particular, a lack of understanding of local consumer habits, so the partnership with FoN was highly beneficial in this pursuit. Similarly, organizational legitimacy was a concern for Sinohydro/ NN5PC, both in relation to the local communities affected by the NN5 hydropower station and to the international community, particularly as the firm has, in the past, come under significant criticism for previous investments (Bosshard 2010). On the other hand, Sinohydro, by virtue of being an SOE, was also supported and indeed encouraged by overseeing institutions in Beijing to seek out improved relations with stakeholders in Laos. These findings seem somewhat contradictory to those of Bondy, Moon, and Matten (2012), who find that multinational corporations are shifting from a stakeholder-centric approach to CSR to one that focuses on business imperatives.

Overseas Chinese enterprises may not, however, be solely motivated by the pursuit of organizational legitimacy in the host country, particularly given that their activity abroad is motivated and supported by a network of government institutions. Thus, the collaboration with a Chinese NGO by Sinohydro/ NN5PC may be motivated by other factors (Bosshard 2010). In particular, despite relatively clear guidelines set by overseeing institutions back home, a gap remains in the enforcement of these standards by certain institutions (such as the Economic and Commercial Council) that serve as overseas arms of MOFCOM (Biau 2010, 2012). Thus, in addition to a more explicit role of assisting in the pursuit of organizational legitimacy among international stakeholders, an NGO like GEI also had a more implicit role in providing assistance to the implementation of environmental standards by government institutions, both in China with MOFCOM and the MEP, and in Laos with the NLMA.

Limitations of the Research

It is important to acknowledge some of the limitations of the present study. First, its primary aim is to provide a detailed description of NGO–firm collaboration in China, not a comparison of the various types of NGO–firm partnerships in China. This is due both to the relative recentness of the phenomenon in China, where evidence of deep collaboration between firms and NGOs is sparse, and to the fact that NGO–firm collaboration in China in particular remains relatively unexamined in the CSR field. Thus, given the small sample size, the paper does not aim to provide a definitive typology of NGO–firm partnerships both extant and possible in China. Rather, through descriptions of three case studies involving a long-term collaboration between Chinese NGOs and firms, the paper seeks to show how the differing dynamics of such partnerships reflect institutional changes in China, with respect to both the activities of NGOs and the CSR of firms.

A second limitation of the research is the absence of interviews directly with representatives of the firms themselves; to get a sense of the firms' perspectives vis-à-vis their CSR approach, I have relied on descriptions provided by interviewees from the NGOs who described their organizations' relationships with the firms, and I have referred to other supporting materials. The paper is focused on the role of the NGOs in improving the CSR of the firms and their interaction with

various stakeholders – in particular, government institutions – towards that end. Hopefully, this paper can serve to lay the groundwork for further research focusing on the firms' reactions to and motivations behind the partnerships. In addition, direct interviews with the firms would also be beneficial to gain insight into the motivations for their good conduct – for instance, the NN5PC's establishment of an environmental management division or the institutionalization of EIAs – which would allow a better sense of the level to which governmental overseeing institutions influence decision-making at a company's headquarters, and in turn the extent to which subsidiary behaviour is affected.

Third, the paper does not provide many details on the results of environmental and social impact assessments in the Baoxing and Sinohydro cases. This is due largely to the fact that the EIAs were conducted prior to the establishment of the collaborative relationship between the NGO and the firm in these cases. The compliance by firms in performing the required EIAs – which, in very general terms, cover irreversible environmental damage to community livelihood activities and to plant biodiversity in the case of Baoxing (Wang 2004), and to minor potential environmental damage from the NN5 hydro-power station, and state that those damages could largely be offset by the benefits of the project (Sinohydro and Dongsay 2008) – provided a foundation by which NGOs could support the firms in their management of government and community stakeholder relations. As the paper looks primarily into the effects of differing institutional settings on the actions taken by NGOs and firms in forging collaborative relationships and what they reveal about the type of approach to CSR being undertaken, the actual environmental and social effects of their activities are of somewhat ancillary concern. Nevertheless, insofar as CSR ultimately has a bearing on actual environmental and social impacts, further research that measures the environmental and social impacts of the partnerships themselves, in terms of qualitative and quantitative indicators, would be highly valuable.

Finally, it is also worth noting that the topic of CSR in overseas investments by Chinese enterprises is a broad one, and this paper covers institutional influences on Chinese NGO–firm partnerships overseas, within which both Chinese and host-country institutional settings are considered. In this particular case study, the Lao government exerted minimal regulatory influence over the environmental

and social impacts of the construction of the NN5 dam, while multi-national donors, by contrast, had a profound effect. For future research, it would be interesting to look into the institutional dynamics of host countries of Chinese overseas investment in Southeast Asia and other contexts. It might be particularly intriguing to study this in the context of countries such as Laos and Vietnam – which, as nominally socialist countries, are more prone to corporatist structures (Rüland 2012) – or in countries like Myanmar, which are undergoing rapid transition and which are also, given that a large proportion of target countries of extractive industry activity from China are Least Developed Countries or otherwise low-income countries, themselves facing unique governance challenges (GEI 2013, 2011; Zhi and Whitehead 2009).

Conclusion

As the above examples illustrate, Chinese NGO–firm partnerships reflect differing approaches to CSR in complex, changing institutional environments. In some cases, particularly where government institutions have significant influence on the types and degree of activity a firm can undertake in a specific area, the NGO–firm partnerships have reflected a more implicit approach to CSR, where an NGO demonstrating both strong technical prowess and good stakeholder relations can assist a firm in managing its relations with government institutions. In other cases, where a firm faces an unfamiliar environment – as in the case of a Chinese firm investing abroad (Sino-hydro) or a foreign firm investing in China (B&Q) – a more explicit approach may be required, in the former due to significant scrutiny from the host country and international stakeholders on the firm’s environmental and social impact, and in the latter due to unfamiliarity with Chinese policy and consumer preferences.

Brammer, Jackson, and Matten (2012) suggest that an institutional approach to CSR may be most appropriate as the study of CSR spreads from its “roots” in American capitalism to differing variations of capitalism elsewhere in the world, particularly in accounting for the manifold ways in which CSR is manifested in different settings (Kang and Moon 2012; Matten and Moon 2008). Indeed, as these institutional settings undergo changes in the face of globalization, so, too, must the approaches to CSR (Kang and Moon 2012).

Such an institutional approach is also appropriate when analysing the conduct of NGOs in China. As Unger and Chan (2008) note, the space for greater involvement on the part of civil society groups (and, by implication, independent NGOs) in society increases with the changing dynamics of corporatism – for instance, as corporatist associations become more responsive to their members, or as the state becomes less involved in certain aspects of managing society (Ma 2002). Thus, a combination of less government involvement in social and environmental management on behalf of the firm (e.g. Lue 2007) and more explicit requirements for such firms to comply with environmental, social and/ or overtly CSR standards has presented a challenge for Chinese firms, which in some cases is best addressed by its collaborating with an NGO. This need becomes even more pronounced as firms go abroad: In the environmental space, for instance, Chinese firms can count on local environmental protection bureaus (EPBs) to handle the work of pollution mitigation and to deal with public complaints regarding their activities in China (OECD 2006), though whether or not relevant laws and provisions are enforced by the EPBs is a separate issue. They are not afforded such a luxury abroad, and may either adopt an approach of active stakeholder management and collaboration with NGOs, as Sinohydro did effectively in the Nam Ngum 5 case in Laos, or fail to manage stakeholders, thereby failing to secure legitimacy, as experienced by the Chinese power company CPI in the case of the Myitsone Dam in Myanmar (Liao 2011).

The findings of this paper, while modest, should provide a foundation for greater in-depth research on NGO–firm collaboration in China. First and foremost, a study of NGO attitudes toward collaboration with firms in China – regardless of whether or not those NGOs actually have effectively collaborated with firms – would further illustrate the significance of such collaboration as a strategy for NGOs in carrying out their work. Moreover, a comparative study of NGO–firm collaboration between China and other, nominally corporatist Asian countries (for example, Japan, Korea, ASEAN countries) would be greatly beneficial to a comparative understanding of the varying ways in which collaborations benefit CSR in similar but changing institutional settings (see Ling (1996) for a useful analysis). Finally, given that Chinese firms abroad are now beginning to engage actively with international as well as Chinese NGOs, a study compar-

ing the dynamics of partnerships forged between Chinese firms and Chinese vs. international and/ or host-country NGOs would be illustrative, particularly insofar as such studies would illuminate the different strengths of each NGO in the partnership and the constraints they face in working with Chinese firms.

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