

The View From the Workshop

Mapping German Companies and their Engagement in Society in China

by KATJA HELCKOETTER AND MAGALI MENANT

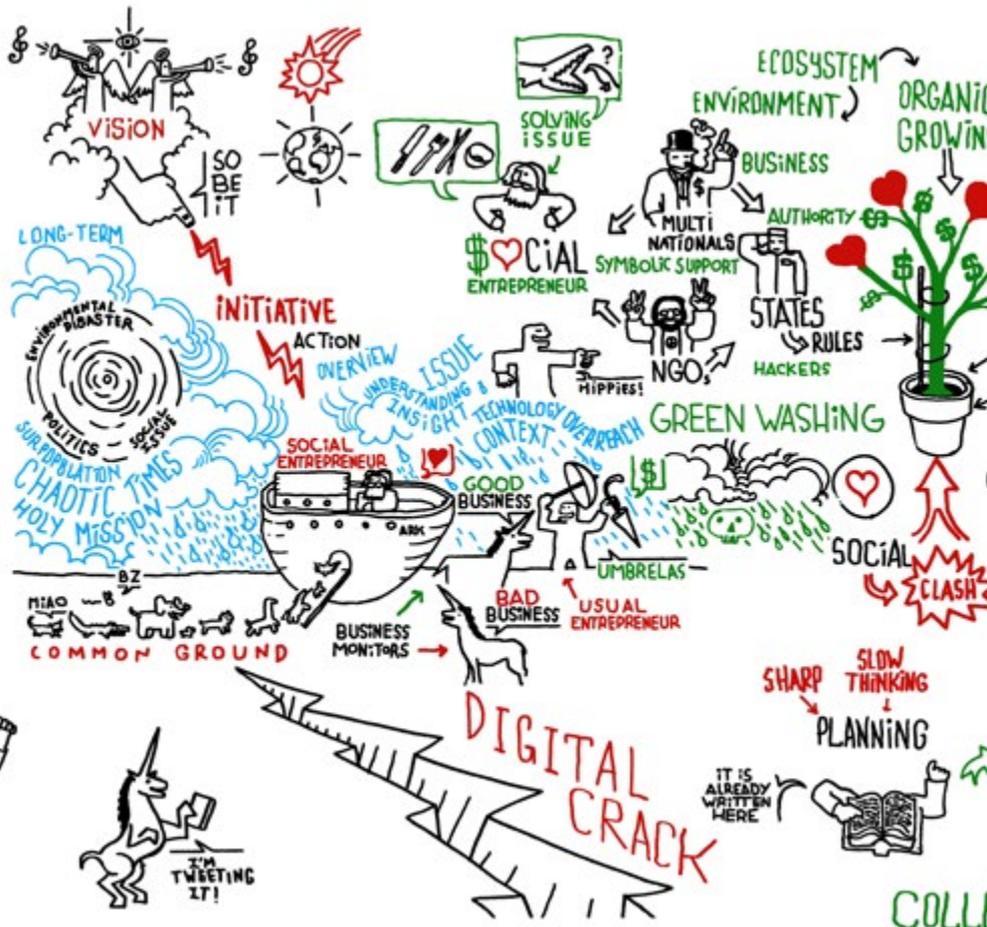
The societal and environmental divide is growing in China. Drastic air pollution levels are just one alarm signal. It is commonly acknowledged that current methods of engagement between companies and further stakeholders in society are no longer sufficient to solve increasing challenges, and that social responsibility demands a different level of cooperation between the state, the private sector and civil society.

In the end of 2012, the board of the German Chamber initiated the workshop called "Business & Society" (BuSo) which offers information exchange and networking opportunities around social engagement. Eight sessions have been conducted since then, gathering a wide variety of stakeholders. The workshop gave an opportunity to start mapping what social responsibility means to different German companies in China, observe current trends in the landscape as

well as understand what defines German engagement in China. The following are some early observations gleaned from this process.

Reasons for Engagement

The scope and approaches to social responsibility (SR) of companies that participated in the workshop are far reaching. Some, mostly larger companies, clearly view SR as a cross-functional program and



systematically integrate into the core business strategy, from corporate management to employees, customers and suppliers. We saw this in the example shared by BAYER China in one of the workshops. For others, especially SMEs and family-owned businesses, SR often is an extra charity activity on top of the business, but nevertheless ingrained in the company culture, and driven by the owner's "intuitive" sense of being a responsible citizen. One such example was reported by Freudenberg's Shanghai head, who initiated a still ongoing charity and employee engagement project in response to the Sichuan Earthquake.

Thus, reasons and motivations are diverse, ranging from fundamentally human and moral obligation to acknowledging the simple necessity of collective action with regard to global challenges such as environmental degradation and climate change. Furthermore, CSR is also seen as a tool for image and reputation, in order to enhance relations with local government. The example of Dunker Motoren in Taicang showed that for small companies who do not benefit from a well known brand SR can be a successful strategy to create better relationships with the government and anchor better in Chinese

society. At the very least, CSR may be compliance driven.

Certain external political frameworks are also conducive toward the implementation of SR. Some of the bigger companies, such as BASF for example, relate their CSR and sustainability strategies to policy frameworks such as the UN global compact, further encouraging good governance. The German government has also set up the "National Sustainability Strategy " (2002), which includes an action plan for CSR with a set of voluntary policy measures, and is trying to promote "CSR made in Germany" as a label. This initiative has so far not been exported to China yet: however, a social policy dialogue between the German and the Chinese government started in 2013, with the aim to share thoughts on social inclusion of people with disabilities in the workspace.

The Areas of Engagement

The variety of activities and topics that participants brought to the workshop underlined that SR is a multidimensional topic: it encompasses not just social issues in a narrower sense and not just charity, but a variety of thematic issues at the interface of

'Most companies remain stuck in a "social responsibility" mind-set in which societal issues are at the periphery, not the core.'

Michael E. Porter, Bishop William Lawrence University Professor at Harvard University

the company, the environment, the society and its people. Themes under the umbrella of corporate social responsibility include labor and employment practices (health and safety issues, employee wellbeing, morale and satisfaction, diversity etc.), environmental issues (e.g. resource efficiency, climate change, product life cycle assessment etc.), corruption and bribery challenges, social and community concerns (engagement with the neighborhood, etc.), and employee engagement (ethical or cultural concerns that can result in employee volunteer programs, charity projects etc.).

General Trends in the Industry

Traditionally, activities branded as corporate social responsibility (CSR) used to strongly focus on philanthropy. However, companies realize that giving money to a charity is a good thing, but that the real question should be what activities can be of more impact to the business as well as lead to more scalable change for society. Thus, approaches toward social responsibility in companies are evolving.

Understanding of the CSR concept has also been enhanced by comprehensive definitions from internationally recognized agencies such as the International Standard Organization or the European Commission. These new definitions describe a comprehensive stakeholder's approach and corporate governance system aware of its impact on society and the environment. While ISO 26000 offers processes and tools to implement CSR across a business, few companies however apply the standard to its whole extent, as TUV Rheinland discussed in one of our workshops.



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Some even argue that CSR is an outdated concept, as it is either too complex to implement or is in most of the cases misunderstood and not related to the core of the business. In the future, companies shall ask: how can we turn a social challenge into a social business? Concepts such as social innovation or shared value aim at just that: according to the European Commission, social innovation can be defined as "new ideas (products, services and models) that simultaneously meet social needs (more effectively than precious alternative) and create new social relationships or collaboration." This came across as an important new trend during the several workshops hosted at Gongyi Xintiandi, Shanghai's first Social Innovation Park. The VISION DAY, which was initiated by NPI, GIZ and Constellations and supported by SAP, Friedrich Ebert Stiftung, Swissnex as well as the German and the European Chambers, is an example of how to create the right environment for investigating and designing potential collaboration across sectors.

"No major problem can be solved by government, by the business sector, or one community alone. Complex social problems have multiple stakeholders who are all part of the problem and who generally must all be part of the solution. Gaining that cooperation among the disparate stakeholders is the toughest challenge of all."

Jeffrey Sachs, economist,
Harvard professor

A driving force for companies looking at better integrating CSR efforts into their core business includes the questions: how can community engagement help drive business innovation and open new talent pools?

A Growing 3rd Sector

The 3rd sector, composed of non-profit organizations or enterprises with a social or environmental mission, is gaining ground in China. For NGOs that have until recently fully relied on donor and charity structures, social (non-profit) business models are more and more recognized as a way out of dependency on project based funding. For instance, the non-profit organization Dialogue in the Dark and the social enterprise Solar Ear are good examples of this trend to strive for financial sustainability. Furthermore, Chinese government foundations are in a restructuring process to seek for more transparency and accountability to engage with public and private companies, as we learned from the Shanghai Soong Ching Ling Foundation.

Social entrepreneurship is increasingly becoming a career option for young – often internationally educated – Chinese who seek a more meaningful professional path and who feel responsibility at the individual level. The career path of Ms. Ding Li, VP of NPI – Non Profit Incubator, which took her from corporate MNCs to governmental institutions towards the NGO world, illustrates this trend. However, social enterprises – often still very small in scale – face many hurdles, from access to finance, to finding the right operational, legal and business model, to building up management capacity. Last but not least, the question often is: how can an organization scale up and create sustainable business models that both provide for financial stability and a good living for the entrepreneur as well as having a positive impact on society.

In the Government and Policy Sphere

For 20 years, the Chinese government – alongside foreign organizations – has been promoting the concept of CSR within the Chinese industry. Chinese companies are now embracing CSR practices which were formally lead by foreign MNCs, with an ever rising amount of companies joining global reporting efforts. The range of concerns has also been broadened from an initial focus on compliance and quality in the supply chain. The GIZ – Deutsche Gesellschaft

for Internationale Zusammenarbeit – has worked over the past decade hand in hand with the Ministry of Commerce and their many multipliers towards a dissemination of best practices, tools and methodologies for CSR, and reached an impressive number of Chinese stakeholders.

Furthermore, the government is increasingly acknowledging the 3rd sector as a "service partner" in solving societal challenges together, and seeks to provide the right framework and policy support. As mentioned earlier, the Shanghai government's civil affairs office has set up China's first incubator for social entrepreneurs to support new types of social business collaborations, Gongyi Xintiandi. However, a key challenge still remains: to shape the right support mechanisms, including policies, regulations, incentives and also standards related to the definition of social business.

The Role of German Industry

What role does German industry play in this landscape? What are some defining characteristics of the German community's engagement with society in China?

German industry benefits from a good reputation, which supports employee retention: German companies generally have lower turnovers than other foreign companies in China. Furthermore, it is embedded in a larger context of good bilateral relations between Germany and China. One of Germany's strengths in the area of SR is that it is well known for environmental and technical excellence as well as for its innovation culture. German traditional values and concepts such as the "honorable merchant" and the "responsible businessman" are also inherent in many German company cultures. However, despite the good image of German SR, German companies at large are less visible in China compared to the US or UK. In terms of social responsibility, there are a lot of ongoing projects by individual German companies, but so far there is a lack of capacity and good concepts to use synergies; the scaling up of small initiatives is challenging.

There are also many opportunities for German companies in SR. More and more companies realize that SR is a way to develop and engage with talent within the enterprise but also outside with education institutions. SR is also a way to tap into open innovation, to source ideas from outside the company, as was demonstrated

and discussed in the recent BuSo workshop hosted by SAP Labs China. Gaining and maximizing trust through SR can be seen as a precondition for business. However, SR in China can be a difficult landscape to navigate for companies, due to the legal frameworks, systemic boundaries in China as well as different approaches to engagement with civil society or government.

Conclusion

Engaging in society as an individual company is time consuming and tedious, from finding the right partners to managing the partnerships. Many companies are looking for new models to engage volunteers and spice up their internal culture, as well as developing intrapreneurship and innovation cultures. Companies also state a need for capacity building for cross-sectorial cooperation. Skills and competences for managing stakeholder engagement are missing.

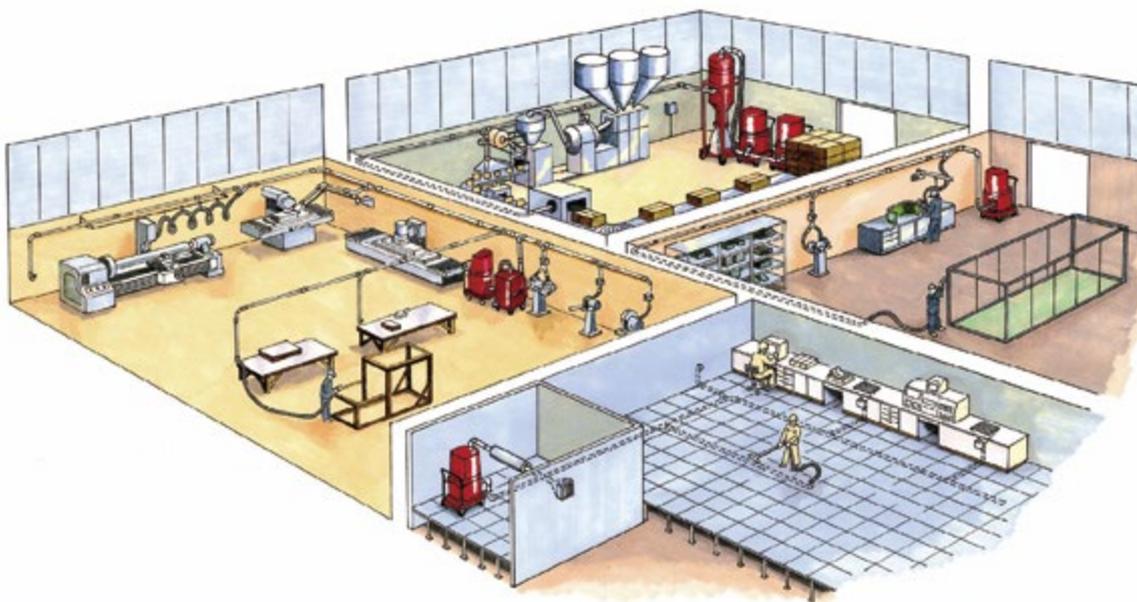
Until now, the BuSo workshop has offered an information and best practice sharing platform; as the 'SWOT' analysis conducted during one of the workshop shows, German industry in China has the opportunity to

reach out further, scale the impact of individual activities and complement it with existing good reputation with better visibility around responsible citizenship. Joint action is to be wished for.

In the future, one direction for the workshop will be to go from exchange to collaboration. Further open questions remain in terms of more thoroughly investigating the activities of the German Mittelstand in China. Therefore, this "mapping" of social responsibility of German companies in China will be continued and extended through future Chamber workshops as well as in the frame of a more comprehensive study with the support from Bertelsmann Stiftung starting in June 2014.

Katja Hellkoetter and Magali Menant are co-owners of CONSTELLATIONS international, an agency based in Shanghai offering ideas, concepts and management for learning, creating and collaborating between Europe and China. CONSTELLATIONS's special fields of expertise are: multi-stakeholder dialogues, learning programs and collaboration facilitation around the themes of sustainability, creativity and innovation cultures, urbanization and cities. They have more than 15 years of experiences working at the interface of business and society: Ms. Hellkötter has been the Chief Representative of the City of Hamburg in Shanghai, and Ms. Menant has been the Head of ECONET China. Ms. Hellkötter also moderates the Chamber's workshop on Business & Society. Contact: kh@constellations-international.com
www.constellations-international.com

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