



SKOLKOVO
Moscow School of Management

BEYOND BUSINESS, NOT BEYOND GOVERNMENT: HOW CORPORATE SOCIAL RESPONSIBILITY LEADERS IN CHINA AND RUSSIA DO PHILANTHROPY

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SKOLKOVO Institute for Emerging Market Studies
Moscow School of Management
February 2011

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EXECUTIVE SUMMARY

The government initiative on corporate social responsibility (CSR) and the number of CSR-related reports in China and Russia have increased dramatically in the last decade. It is important to specify the government's role when we try to understand CSR dynamics and even answer a fundamental question of "what is CSR" in these countries. This report reveals how the government in China and Russia is not only guiding CSR efforts in general, but also shaping the specific way for companies to talk about government in CSR reports and actually do philanthropy. We did a detailed content analysis of CSR reports of an emerging group of top multinational corporations (MNCs) who are domiciled in China and Russia and are domestically recognized as CSR leaders.

Our analysis suggests that Chinese and Russian MNC CSR leaders manipulate the scope and form of philanthropy in response to the chance of mobilizing government support or avoiding political risks according to established government-led arrangements on CSR. Chinese MNC CSR leaders tend to organize philanthropy through bureaucratic connections, under a pro-government rhetoric and following government's administrative requests. They target on poverty reduction and disaster relief and primarily do this by fulfilling duties in the aid program requested by the government and making donation through government-organized charities. In contrast, Russian MNC CSR leaders to a large extent conduct philanthropy as part of the public-private partnership projects or social-economic agreements with regional governments. They focus on conventional domains of social infrastructure such as sport, culture/art, healthcare and education where local governments introduce the business resource by forging a formal partnership arrangement.

This work is of significance to: 1. Readers who want to have an updated picture of the CSR leaders' philanthropy activities in China and Russia. 2. Readers who are interested in how CSR in emerging markets is taking shape under the government influence. 3. Readers who are interested in the variation of CSR development modes in China and Russia.

OVERVIEW

The government initiative on corporate social responsibility and the number of CSR-related reports in China and Russia have increased dramatically in the last decade. It is important to specify the government's role when we try to understand CSR dynamics and even answer a fundamental question of "what is CSR" in these countries. This report reveals how the government in China and Russia is not only guiding CSR efforts in general, but also shaping the specific way for companies to talk about government in CSR reports and actually do philanthropy. This work is of significance to: 1. Readers who want to have an updated picture of the CSR leaders' philanthropy activities in China and Russia. 2. Readers who are interested in how CSR in emerging markets is taking shape under the government influence. 3. Readers who are interested in the variation of CSR development modes in China and Russia.

This report targets on a group of Chinese and Russian multinational corporations (MNCs) who leads corporate social responsibility (CSR) in their countries. These companies take on three overlapped roles: 1. easy targets of the government intervention; 2. global actors heavily exposed to international demands on CSR; 3. most visible and recognized domestic CSR players. As discussed in a previous SKOLKOVO report¹, both Chinese and Russian policymakers have started to encourage outward investment in the 2000s². The transformation of companies from domestic to multinational creates new demands for them to take on global CSR standards. Russian MNCs' global expansion has been acknowledged to contribute to much of their CSR efforts³. Also, the rapid development of merger & acquisition in foreign markets seems to force Russian companies to adopt the global rules of the game in doing CSR (Mizobata, 2010)⁴. Meanwhile, China's State-Owned Assets Supervision and Administration Commission of the State Council (SASAC) claims that one reason for it to call for CSR among large state-owned enterprises (SOEs) is that "the social responsibility performance has become an important indicator the international community uses to evaluate enterprises" and doing CSR helps establish "China's image as a responsible developing country" (SASAC⁵, 2008: 2). Under this background, top Chinese and Russian MNCs are playing a pioneering role to set examples for other domestic companies in doing CSR.

¹ SKOLKOVO Institute for Emerging Market Studies. 2009. Global expansion of emerging multinationals: Post-crisis adjustment.

² Skolkovo. 2009. Global expansion of emerging multinationals: Post-crisis adjustment

³ Economist Intelligence Unit. 2008. From Russia with love: A national chapter on the global CSR agenda.

⁴ Satoshi Mizobata, 2010, Divergent path of Corporate Social Responsibility: Russian case and comparative perspective. Paper for EACES 2010, Session IV on "Social Changes and Institutions: Through the lens of CSR and market" in Tartu, Estonia.

⁵ SASAC research report No. 1. 2008. Guidance on How Central Enterprises Conduct Corporate Social Responsibility

In practice, we notice the emergence of a group of largest Chinese and Russian MNCs who also dominate domestic CSR awards and rankings. This is an ideal group of samples for the study of how CSR is shaped by the government in emerging markets, but as a group they have received little attention in existing surveys.

CSR, as a formally presented concept, witnessed an impressive growth in the past several years in China and Russia. Since 2004, the number of CSR reports has increased from four to 169 in 2008. In 2009, this number rocketed to 582⁶. According to the Russian Union of Industrialists and Entrepreneurs (RSPP), 50 Russian companies published reports on social and environmental activities in 2006. This number grew to 122 in 2008 and to 250 as of January 2010⁷. Besides the increased popularity, the direction and content of the CSR development in China and Russia is deeply influenced by the government. Different from related existing reports that describe how well CSR has developed and what the government has done, this report is aimed to reveal the variation of patterns about the companies' response to the government influence in China and Russia. We do this by analyzing different types of the government-business relationship and different ways of doing philanthropy that sample companies have discussed in CSR reports. CSR reports we use take on different forms such as stand-alone CSR reports, sustainability reports, or annual reports with comprehensive CSR information. We focus on reports in 2008 and 2009 in both countries to make the analysis comparable and to capture the current situation.

⁶ CSR Development Center at China WTO Tribune. 2009. Research Report on CSR in China, 2001-2009.

⁷ Website of Russian Union of Industrialists and Entrepreneurs, 2010

WHO ARE MNC CSR LEADERS IN CHINA AND RUSSIA

This report draws on a comprehensive set of data sources to identify a group of CSR leaders among top Chinese and Russian MNCs. To get in this sample pool, the company needs to meet the following criteria. First, Chinese companies need to have been recognized as CSR leaders in at least one of the two major rankings designed respectively by the Chinese Academy of Social Sciences and by the Shanghai National Accounting Institute. At the same time, they need to have received at least one of the major CSR awards in China such as the Golden Bees CSR Award. For Russian companies, they need to have been recognized in at least one of the major CSR-related awards or ratings. For example, they might be winners of the Top Corporate Philanthropist Award or they have been featured as CSR samples in the Social Investment Index of Russian Business. Second, the company needs to have published a CSR report or has disclosed comprehensive CSR information in their annual reports. Third, the company needs to sit in the top 25 domestic MNCs in their own countries, or it is among the top 100 MNCs from emerging economics.

For China and Russia respectively, we use six influential local CSR awards and ratings to find out 225 and 138 companies who have leading CSR records. After the screening process, we coincidentally identified 14 CSR leaders in each country who are also top MNCs according to the United Nations Conference on Trade and Development's (UNCTAD) list of Top 100 MNCs, the Vale Columbia Center's MNC ranking, and the SKOLKOVO-CPII 2007 ranking. Appendix 1 introduces data sources we use to identify MNC CSR leaders. Appendix 2 provides a list of sample companies and their basic organizational information.

HOW THE GOVERNMENT GUIDES CSR IN CHINA AND RUSSIA

The government is important for businesses in China and Russia at least for three reasons. First, the government controls scarce resources crucial for businesses. Second, the government often intervenes in business decisions and operations. Third, businesses need to seek for the government protection to handle the regulatory and policy uncertainty. These facts render CSR another arena for companies to strive for legitimacy and other resources through the interaction with government authorities. In China, doing philanthropy could be a useful way for companies to build up personal connections with government officials or gain support from local governments to develop business in the region. In Russia, a company's relationship with government authorities largely affects the size and direction of corporate social investments⁸.

Both countries have explicitly treated CSR as a component of the national development strategy. CSR in China is recognized as a request of national objectives on building harmonious society and on the realization of the great rejuvenation of the Chinese nation. In 2008, the Shanghai city held a "Forum on Building Harmonious Society and Corporate Social Responsibility", which received

a personal greeting from President Hu Jintao. The Russian government formally pushes companies to take care of social welfare through a public-private partnership framework (PPP)⁹. Through PPP, CSR is incorporated into a national strategy to support the long-term "Socio-Economic Development of the Russian Federation", proposed by the Ministry of Economic Development of the Russian Federation in response to the request of President Putin in 2006. Meanwhile, agreements for the socio-economic cooperation between large Russian companies and regional authorities have widely spread since the end of 1990s. China and Russia vary by the top-down approach to guide CSR development. The Chinese government has made efforts to issue guidelines, policies and requests, while the Russian government is bootstrapping CSR through formal partnership frameworks. Both ways do not look necessarily forceful, but they have generated a fair

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⁸ Report on Social Investments in Russia 2008: Integrating CSR Principles into Corporate Strategy. Prepared by the Russian Managers Association, the St. Petersburg State University's Graduate School of Management, and the Strategic Program Fund of the British Embassy.

⁹ Hataeva MA, Tsirin AM. 2008. Legislation on public-private partnership in Russia: problems, trends and prospects. Journal of the Russian law. No. 10

amount of pressure in practice given the heavy impact of the government on the company's survival and growth. Indeed, the Russian Managers Association did a survey in 2005 and suggested that the administrative pressure is the major motivation for companies to conduct CSR.

The Chinese government and its various constituents have published an extensive set of recommendations, guidelines and policies on the CSR practice and reporting. In 2005, the China Textile Industry Association took

a lead to issue the Social Responsibility Management System for Chinese Textile Enterprises. The 2006 amendment of the Company Law of the People's Republic of China for the first time incorporated a calling for CSR into major laws. In November 2007, the Council on Sustainable Development of China Enterprise Confederation issued Recommended Standards and Samples for Chinese Corporate Social Responsibility. In January 2008, SASAC issued the Advice on Social Responsibility Practice for Central Enterprises. In April 2008, the China Federation of Industrial Economics and another ten industrial enterprise associations jointly released the Social Responsibility Guidance for Chinese Industrial Enterprises and Associations. Stock exchanges play a critical role to set standards that formalize companies' CSR presentation and practice. September 2006 saw SZSE's introduction of Social Responsibility Guidance for IPO Companies. In 2008, SZSE introduced the Taida Environmental Index. SSE published the Guidance for Environment Information Disclosure in 2008 and the Shanghai Stock Exchange Social Responsibility Index in 2009.

On the side of Russia, the CSR development received a boost in 2004 when RSPB adopted the "Social Charter of the Russian Business". This marks an official promotion of socially responsible practice among Russian companies¹⁰. In the same year, the Agency for Social Information, the Institute for Urban Economics Foundation, the Russian Union of Industrialists Entrepreneurs, the Corporate Philanthropists Club, and the Renova Group's Institute for Corporate Development worked together to establish a Business Club for the Development of Non-Financial Reporting. This has become a high profile driving force of CSR reporting in Russia. In 2005, the Federal Russian Law on Concession Agreements puts forward the exercise of PPP in a range of public areas from health care to education to

utilities. Supported by the National Centre for Social Monitoring and the Public Chamber and Audit Chamber of the Russian Federation, the National Forum on Corporate Social Responsibility was set up in 2007¹¹. This forum works to enhance the dialogue between the state, the business community and the society on CSR issues. In response to government-related initiatives, the middle of first decade in the century marks a turning point of CSR development in China and Russia.

¹⁰ Agency for Social Information. 2007. Russian Business and the UN Global Compact: Social Responsibility in Practice

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¹¹ <http://www.csrforum.ru>, 2010

HOW MNC CSR LEADERS IN CHINA AND RUSSIA REPORT THE GOVERNMENT RELATIONSHIP

We argue that local political-economic institutions and the government's specific arrangements to guide CSR development to a large degree shape the companies' perceptions and responses. We analyze how MNC CSR leaders in China and Russia discuss, or signal to stakeholders through CSR reports, their direct relationships with government agencies, officials, or policies. We did a content analysis of CSR reports and identified five major types of such relationships¹². First, "bureaucracy" refers to a company's formal and hierarchical connection to the government through ownership or membership. Second, "affection" refers to a company's appreciation or embracement of the government's policy direction, value, or philosophy. Third, "compliance" describes a company's conformance to the government order, request, policy or regulation. Fourth, "recognition" indicates cases where companies reclaim the recognition by the government through receiving official awards, rankings, praises or other types of honors. Finally, "partnership" indicates an activity-based joint work between companies and government constituents which is mutually beneficial in nature. These categories are exclusive to each other and they respectively account for 85 percent and 71 percent of cases when Chinese and Russian MNC CSR leaders refer to the government in CSR reports. Table 1 gives out sample categories and quotations for each of these relationship types.

Table 2 and 3 tells how many MNC CSR leaders in China and Russia discuss each relationship type and how much attention in average these companies attach to each relationship. A consistent pattern has been found that Chinese MNC CSR leaders make significantly more efforts to describe their bureaucratic connections with the government and how they embrace government policies or underlying principles. In contrast, Russian companies focus on how they work jointly with the government to develop socially-oriented projects. The high level of bureaucratic connection of Chinese MNC CSR leaders is clearly a result of the dominant state ownership among this group. Most of them announce a government ownership or claim that employees are members of the Chinese Communist Party (CPC) or government agencies. Also commonly described is how they utilize their government ownership or membership to do CSR. For example, they can mobilize employees who are CPC members to donate a "special Party fee" to help natural disaster victims. Three Russian companies mention the government agency like Federal Agency for State Property Management as a shareholder or claim that employees work in municipal and regional assemblies. None of them give a clue of how this relationship plays a role in

¹² We did a content analysis of CSR reports using Nvivo 9 and respectively identified 74 and 75 categories that summarize how Chinese and Russian companies relate themselves to the government. We moved on to recategorize these categories into several broad types of government relationship.

TABLE 1. SAMPLE CATEGORIES AND QUOTATIONS OF THE GOVERNMENT RELATIONSHIP

Relationship Type	China sample category	Sample quotation	Russia sample category	Sample quotation
Bureaucracy	based on Party member to make donation	We mobilized communist party members to donate a "special membership fee" to the earthquake relief.	claim government ownership	Shareholders include the Federal Agency for State Property Management.
	claim of government or Party related history	The company was established in 1972 under the approval of the State Council.	company leader as Duma member	Companies specialists... are deputies of municipal and regional assemblies.
Affection	claim that local government support is important for the company	We can not develop without the support of the local government.	claim that the agreement will lead to social-economic benefits	The Agreement between the government and the company will strengthen the local social benefit.
	embrace the idea of building harmonious society	Building harmonious society, as proposed by the government, is very important for our business.	embrace the idea of modernization	The company...is realizing the modernization of social infrastructure.
Compliance	follow domestic law	Our employees have signed labor contract according to the law.	follow domestic law	We not only comply with government law...
	follow government order	We run the business according to the requirement of the Central Commission for Discipline and Inspection of CPC.	follow government order	We follow the energy saving policy to meet the requirement of the Energy Strategy of Russia.
Recognition	receive government award	The local government granted us the Science and Technology Progress Award to our products.	receive title	The St. Petersburg Administration awarded us a title of "Best Taxpayer."
	receive personal recognition from the premier	Premier Wen wrote down the following comments when he visited our company...	receive personal recognition from the premier	Russian Prime Minister V. Putin attended the opening ceremony of the facility.
Partnership	partner with government to develop projects or activities	The agreement was signed in the State Guesthouse, which symbolizes the strengthening of the cooperation.	partner with government to develop projects or activities	Our plan is long-term cooperation with the government to develop socially and economically important projects.
	sign agreement with government to control energy and waste release	We signed an agreement of responsibility on the emission reduction with municipal governments of Shanghai and Nanjing.	Develop social partnership projects	With support of government in the framework of social partnership, we implement social programs to improve local life conditions.

their CSR work. The government ownership generates internal mechanisms to do philanthropy in China, which is rarely the case for Russian MNC CSR leaders.

All Chinese companies explicitly claim how they appreciate the government's policy directions or philosophical expressions such as building harmonious society or upholding a scientific development principle. It is simply popular for them to make general statements like "building the harmonious society is very important to our business". Chinese companies make effort to use these claims to outline a politically right background about their CSR practice. Although the Russian government also proposes concepts like "modernization" or "public-private partnership", Russian MNC CSR leaders do not seem to perceive the statement of embracement as a taken-for-granted way to show that they are legitimate social actors. It is noteworthy that, while more than half of them also signal appreciation by making statements like "the Agreement between the Government and the company will strengthen the local social benefit", they do this using only 2.89 percent of the spaces in the report, while this number for Chinese companies is 34.49 percent. Therefore, the popularity and the intensity of an effort to highlight a pro-government motivation to do CSR are dramatically higher among Chinese MNC CSR leaders than Russian counterparts.

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TABLE 2. HOW MANY COMPANIES REPORT A RELATIONSHIP

	Chinese MNC CSR Leaders (%) ^a	Russia MNC CSR Leaders (%)	Significance Level of the Difference ^b
Bureaucracy	71.4	21.4	P<0.01
Affection	100	64.3	P<0.05
Partnership	57.1	100	P<0.005
Recognition	100	92.9	No significant difference
Compliance	100	92.9	No significant difference

^a percentage of companies that report a relationship

^b two sample t-test, N=14

TABLE 3. HOW MUCH ATTENTION A COMPANY PAYS TO A RELATIONSHIP IN THE REPORT

	Chinese MNC CSR Leaders (%) ^a	Russia MNC CSR Leaders (%)	Significance Level of the Difference ^b
Bureaucracy	7.28	1.20	P<0.05
Affection	34.49	2.89	P<0.001
Recognition	21.32	11.30	P<0.05
Partnership	3.31	46.57	P<0.001
Compliance	31.92	32.53	No significant difference

^a percentage of discussions on a relationship in all discussions concerning the government in a report

^b two sample t-test, N=14

While Russian MNC CSR leaders in average use half of spaces in their discussion of the government to describe a partnership relationship, Chinese counterparts do this with only 3.31 percent. Russian companies provide a plenty of details from making proposals for social partnership to negotiating the partnership to developing partnership projects. Meanwhile, Russian companies tend to provide details about how they dialogue with the government in public venues such as public hearings or round-table meetings. The terms related to social partnership or social-economic agreement recur frequently in the discussion of their cooperation with the government. 68 percent of cases when these companies talk about the partnership actually refer to the work under government-led frameworks such as PPP or social-economic agreement with regional authorities.

Terms related to a formal agreement with the government, are hardly used by Chinese companies. In most cases, Chinese MNC CSR leaders briefly mention how they develop a business-related cooperation with the government or support government projects that have social implications. For example, a metallurgy company uses the residual heat energy generated during the ironmaking process to provide heating to local residents. An IT company donated computers to the government's education project in rural areas. Compared to Russian counterparts, Chinese MNC CSR leaders seldom describe how they dialogue with government authorities in their joint projects. The above analysis suggests that, facing the top-down guidance of CSR development through formal partnership frameworks in Russia,

MNC CSR leaders tend to demonstrate their CSR performance by talking in detail how they engage in these frameworks. While MNC CSR leaders in China, who are primarily large SOEs, develop cooperative projects with the government as well, this does not seem to be a prevailing form of doing CSR as it is among Russian CSR leaders.

All Chinese MNCS CSR leaders and most Russian ones put a similarly fair amount of energy in the discussion of how they conform to government regulations and requests. Claiming a compliant status is an important and frequent work for these companies. In average, 27 percent of times when Chinese companies show a compliant status are actually following the government guidance and request beyond abiding to laws. Russian companies report the compliance to non-regulatory pressures in only 6 percent of times. It is clear that Chinese MNC CSR leaders are reasonably

Compared to Russian counterparts, Chinese MNC CSR leaders seldom describe how they dialogue with government authorities in their joint projects

more subject to the administrative pressure from the government to do CSR. The two cohorts of companies pay a similar level of attention to showcase how they receive government-conferred honors for their socially or environmentally responsible behavior. They are also similar in terms of how much they talk about receiving formal recognitions such as awards, rankings or titles and how much they claim receiving positive personal comments from government officials.

The above analysis shows that Chinese MNC CSR leaders use a fair amount of spaces in CSR reports to signal a bureaucracy-based, appreciative, highly compliant, and recognition-oriented relationship with government authorities. Russian MNC CSR leaders focus on a partnership-based, and similarly compliant and recognition-oriented relationship, whereas they seldom display an affective commitment to the direction or the principal of government policies. What is suggested here is that Chinese MNC CSR leaders tend to organize CSR through bureaucratic connections, under a pro-government rhetoric and following government requests. In contrast, Russian MNC CSR leaders tend to do CSR by following government requests but also by negotiating with government constituents under a formal partnership framework.

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HOW THE GOVERNMENT SHAPES THE PHILANTHROPY PRIORITY

CSR reports cover philanthropy activities that Chinese and Russian MNC CSR leaders have engaged in. Although these reports may not exhaust their philanthropy efforts, they present what companies view as important working areas and what they have recently focused on. We identified ten sets of philanthropy activities: poverty reduction, disaster relief, education, environment protection, health/disability, sport, art/culture, children benefit, elder benefit and physical infrastructure building. These areas are external to companies' core business activities and they are not completely exclusive to one another. For instance, elder-care programs may also concern health issues, while disaster relief programs often involve the assistance to children victims. In these cases, we count each initiative into multiple philanthropy areas. These areas target on distinct social or environmental issues whose priority and solution types are subject to the influence of local social-political institutions. Table 4 shows that the two cohorts of companies characterize different philanthropy priorities. The analysis so far implies the Chinese and Russian governments are able to influence the philanthropy priority by forging different types of government-business relationships. This section tries to identify mechanisms underlying this connection.

MNC CSR leaders in China have extensively engaged in areas of poverty reduction and disaster relief, which in average attract resources from 96 percent of these companies in the year of CSR reporting. This level of engagement is significantly higher than Russian counterparts, only 25 percent of which claim the participation. In contrast, sport, art/culture, health/disability, and physical infrastructure building compose philanthropy domains that Russian MNC CSR leaders are significantly more active (86 percent in average) to support than Chinese counterparts (27 percent in

TABLE 4. WHERE TO DO PHILANTHROPY

	Chinese MNC CSR Leaders (%) ^a	Russia MNC CSR Leaders (%)	Significance Level of the Difference ^b
Sport	35.7	100	P<0.001
Art/Culture	21.4	92.9	P<0.001
Health/Disability	35.7	92.9	P<0.001
Physical Infrastructure	14.3	57.1	P<0.05
Poverty Reduction	100	21.4	P<0.001
Disaster Relief	92.9	28.6	P<0.001
Education	92.9	85.7	No significant difference
Children	85.7	71.4	No significant difference
Environment	42.9	28.6	No significant difference
Elderly	7.1	28.6	No significant difference

^a percentage of companies that have engaged in a philanthropy area

^b two sample t-test, N=14

average). Concerns with education and children receive similarly wide attention from both groups of companies. Environment protection and elder benefit are similarly ranked lower on the priority list. We need to note that some companies in the two groups are actually industry leaders to make the operational and technical aspects of their businesses greener. Nevertheless, they have not demonstrated the same level of initiative in developing philanthropy programs in the area of environment protection as they do on education or children benefit.

The government plays a crucial role to shape this pattern of philanthropy priority. Popular philanthropy areas are those where government-led frameworks are established or the government support is available. The efforts on poverty reduction and disaster relief demarcate different political institutions faced by Chinese and Russian MNC CSR leaders. The three Russian MNC CSR leaders who explicitly claim to reduce poverty work with grassroots NGOs

to help poor families. In China, the primary assistance that all but one SOE among MNC CSR leaders have provided is through a “link-up aid program” requested by the government. This program was launched in 1986 by the then Ministry of Science and Technology, the Ministry of Foreign Affairs, the All-China Federation of Industry and Commerce and seven other ministry-level agencies. The purpose is to set up a one-to-one assistance mechanism between government agencies and the poorest regions in China. Since 2002, each SOE supervised by SASAC has been assigned an impoverished county to provide assistance.

The disaster relief work among Chinese MNC CSR leaders also has a dominant solution. All Chinese MNC CSR leaders makes donation through

Popular philanthropy areas are those where government-led frameworks are established or the government support is available. The efforts on poverty reduction and disaster relief demarcate different political institutions faced by Chinese and Russian MNC CSR leaders

a few GONGOs¹³ such as the Red Cross Society of China and the China Charity Federation. These GONGOs are the only legalized donation receivers for the disaster relief purpose. Besides, three Chinese companies say that they make donation by raising a “special Party fee” from CPC members. Only four out of fourteen companies mention other means of assistance such as signing an agreement with local governments to sponsor post-disaster recovery projects. Only one Chinese company discusses how its employees work as volunteers in local grassroots NGOs. In contrast, while only four Russian MNC CSR leaders claim to engage in disaster relief, they demonstrate multiple solutions ranging from restoring affected resident and industrial facilities to setting up a foundation to make donation.

Sport, art/culture and health/disability also set up philanthropy boundaries influenced by different government policies between China and Russia. Chinese government does not have a compulsory mechanism like the link-up program

or the formal framework like PPP for companies to do philanthropy in these areas. A few MNC CSR leaders work on the voluntary basis. In Russia, the massive “social infrastructure” established in the era of Union of the Soviet Socialist Republics (USSR) began to collapse along with the regime. Much of them are now undergoing restoration under the government-led PPP arrangement. 43 percent of Russian MNC CSR leaders claim that they target on sport, culture, health and education to strengthen “social infrastructure”, which are among the central domains covered by PPP or regional social-economic agreements. The five Chinese companies who claim to engage in sport primarily do this by sponsoring national or international events that are heavily invested by the government. The 2008 Beijing Olympic Game is a typical case. Treating sport as a conventional part of social infrastructure, Russian companies adopt diverse solutions such as building stadiums or establishing a foundation to support talented athletes.

Art/culture and health/disability see a variation of popularity and

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¹³ Most GONGOs were established by various government and party departments during the 1980s through early 1990s. They initially served as government proxies in dealing with designated social services and as conduits for government financing to specified services and populations. State funds provided the primary source of GONGO revenues. The leadership was government-salaried cadres, employees or retirees. Today, GONGOs still capture a larger share of social and political resources in the NGO sector and continue as the primary “non-governmental” organizational form for addressing social services provision. The funding for GONGOs dwindled following the government reforms in the early 1990s.

solution diversity as well. Only three Chinese MNC CSR leaders claim to sponsor art/culture. They do this via preserving the ethnic culture or organizing concerts. Thirteen Russian MNC CSR leaders spend resources on sponsoring museums and theaters, developing cultural activities and protecting cultural heritage. Four out of the five Chinese companies who take care of the health/disability issue do this by making donation to treat blind children. Thirteen Russian companies have addressed a range of health problems such as cerebral palsy, deafness or blindness. They do this by providing medical treatment services, maintaining medical centers, developing technical measures to improve the local healthcare system, or promoting a healthy lifestyle among local residents.

Summarizing the above results, Chinese MNC CSR leaders make intensive efforts but use a relatively homogeneous set of solutions to reduce poverty and help disaster victims. Russian MNC CSR leaders do not focus on these areas but they more often work with grassroots NGOs and provide diverse means of assistance. Much more Russian MNC CSR leaders work in the areas of sport, art/culture and health/disability and they present more diverse solutions than Chinese counterparts. Doing philanthropy for Chinese and Russian MNC CSR leaders is often a practice under the formal request or informal pressure from the government.

Most Chinese MNC CSR leaders go through official mechanisms in doing philanthropy because, as SOEs, they follow the policy of supervisory agencies. Meanwhile, GONGOs are dominating the donation channel. In Russia, MNC CSR leaders to a large degree develop philanthropy in social infrastructure areas recognized by government-led formal partnership frameworks.

Chinese MNC CSR leaders make intensive efforts but use a relatively homogeneous set of solutions to reduce poverty and help disaster victims. Much more Russian MNC CSR leaders work in the areas of sport, art/culture and health/disability and they present more diverse solutions than Chinese counterparts

CONCLUSIONS

This report reveals the variation of patterns about how MNC CSR leaders in China and Russia present the government relationship and how they do philanthropy in response to the government influence. Driven by extensive government initiatives in both countries, the CSR development witnesses a turning-point in the middle of the last decade. Both countries guide CSR to support a national strategy of sustainable social-economic development. But the top-down guidance characterizes different approaches that shape the direction and content of the government-business relationship and the companies' philanthropy efforts.

In CSR reports, Chinese MNC CSR leaders in general deliver an image about a bureaucracy-based, appreciative, highly compliant, and recognition-oriented relationship with government authorities. They more often than Russian counterparts organize CSR through bureaucratic connections, under a pro-government rhetoric and following government's administrative requests. In contrast, Russian MNC CSR leaders tend to do CSR by following government requests as well, but they spend more time describing the dialogue and cooperation with government constituents under a formal partnership framework. The extensive privatization of Russian companies partly accounts for the lack of discussions on bureaucratic connections with the government. Although they report a similar level of conformance to regulations as Chinese companies do, they display rare affective commitment to the direction or the principal of government policies.

The Chinese government influences MNC CSR leaders' philanthropy priority through direct policies and administrative requests on SOEs and through a highly centralized donation system. In response, these companies take on a limited set of social solutions. Most of them engage in poverty reduction and disaster relief primarily by fulfilling duties in the link-up poverty aid program and making donation through GONGOs. Russian MNC CSR leaders to a large extent conduct philanthropy as part of the PPP projects or under social-economic agreements with regional governments. Most of them focus on conventional domains of social infrastructure such as sport, culture/art, healthcare and education where local governments introduce the business resource by forging a formal partnership arrangement.

This report focuses on the variation of how a group of recognized CSR leaders in China and Russia report and behave in response to the government influence. We purposefully limit the analysis to map out the general pattern of how these companies put stress on different types of government relationships and how they do philanthropy in different ways. We do not try to make judgment about the motivation and effectiveness of the government-business interaction in doing CSR. For instance, we do not develop implications about the corruption issue in the implementation of Russia's PPP arrangements or about a contention against Chinese SOEs'

disproportionate payback to society. What we do suggest is that Chinese and Russian companies manipulate the scope and the form of philanthropy in pursuit of “political appropriateness” defined by the chance to mobilize government support or avoid political risks according to existing government initiatives on CSR. This might be specific to MNC CSR leaders. We need more research to check the generalizability of this argument. It is exactly where companies follow the government guidance and where they voluntarily conduct innovations to do CSR that will define the complex and changing CSR dynamics in China and Russian. This report captures one piece of this picture.

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APPENDIX 1

DATA POINTS TO IDENTIFY CSR LEADERS IN CHINA

1. The CSR Research Center of Chinese Academy of Social Sciences (CASS) published a highly comprehensive Chinese CSR Development Index in 2009. It covers China's top 100 state-owned enterprises, top 100 private enterprises and top 100 foreign-invested enterprises. The index integrates companies' responsible governance, economic performance, social contribution and environmental protection.

2. The Shanghai National Accounting Institute (SNAI) has issued the first set of CSR indices for 1,000 Chinese public listing companies since 2008. The SNAI index was formulated according to the standard of SA8000 issued by Social Accountability International (SAI).

3. The China CSR Annual Conference is co-sponsored by the Association of Chinese Enterprises with Foreign Investment, the China Charity Federation, the Chinese Private Enterprise Academy and the China Enterprises News. Since 2008, it grants awards to 50 companies operating in China every year according to their performance in moral value, employee right, environment protection, product quality management, consumer benefit, supply chain management, science and technology development, tax contribution and the public image.

4. The China CSR International Forum is co-sponsored by the China Newsweek and the Chinese Red Cross Foundation. Since 2006, it grants awards to 12 CSR leaders every year on the basis of public voting, media rating and expert evaluation. This is a high-profile authoritative platform to recognize CSR in China.

5. Released by Rupert Hoogewerf in 1999, the Huren Report is a well-known luxury publishing and events group in China. It has published the Top 50 Corporate Social Responsibility since 2005. This ranking is a weighted result of expert assessment, companies' employment and tax payment and companies' charitable donations and environmental protection efforts.

6. The Golden Bee CSR Award was initiated by the China Ocean Shipping Company and the China WTO Tribune. It grants CSR awards since 2007 in order to set a benchmark level of CSR in China.

DATA POINTS TO IDENTIFY CSR LEADERS IN RUSSIA

1. Since 2006, the Russia Donors Forum has granted the Top Corporate Philanthropist Award to 26 companies operating in Russia every year. This award identifies the best practice of corporate philanthropy in areas including the companies' cooperation with non-governmental organizations (NGOs) and government authorities, the companies' contribution to local social welfare, their promotion of philanthropy in society, as well as their support to youth development and to the disabled.

2. CSRnetwork and AccountAbility published the Accountability Rat-

ing for 24 largest Russian companies in 2008. This rating measures the companies' responsible practice and impact in economic, social and environment arenas.

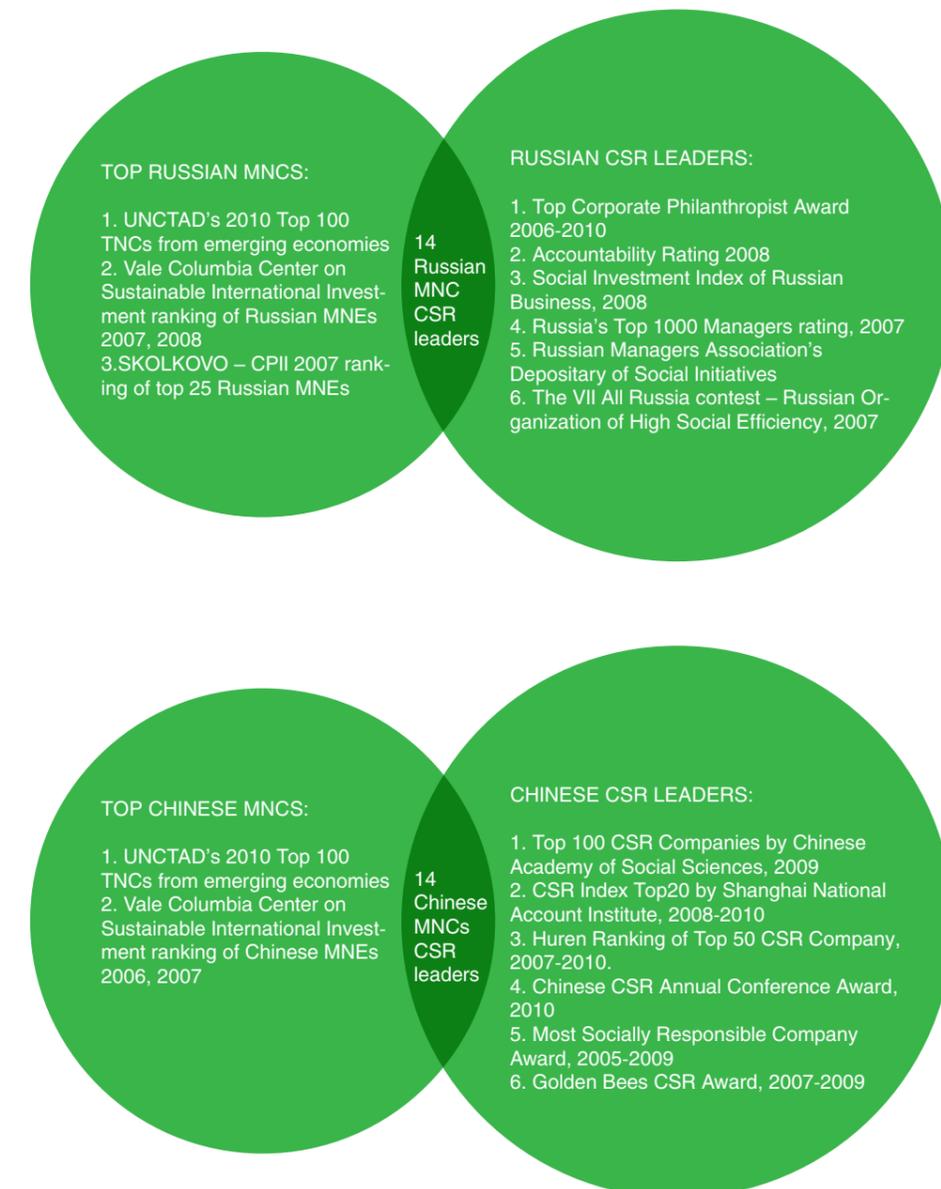
3. Since 2004, the Russian Managers Association, the UN Development Program, the Strategic Program Fund of the British Embassy and the Graduate School of Management at St. Petersburg State University have published the Report on Social Investments in Russia every year. This report covers 102 top Russian companies and is among the most comprehensive surveys on social investments in Russia.

4. The Kommersant newspaper and the Russian Managers Association have issued the Top 1,000 Russian Managers rating every year since 2009. This rating includes the social and corporate relations with stakeholders as part of the assessment on manager competencies.

5. The Russian Managers Association initiated the Depository of Social Initiatives in 2002. This dataset covers 300 leading Russian companies and specifies their social programs and CSR reports.

6. The Government of the Russian Federation has organized an annual contest named "Russian organization of high social efficiency" since 2002. This large-scale contest receives participation of about 1,000 Russian companies and identifies hundreds of winners for a comprehensive set of categories such as wages and social benefits; implementation of social programs or resource conservation and ecology.

FIGURE 1 Finding Out CSR Leaders in Top Chinese and Russian MNCs



APPENDIX 2

CSR LEADERS IN TOP CHINESE AND RUSSIAN MNCs

Russian MNC CSR Leaders	Chinese MNC CSR Leaders
ALROSA	Baoshan Iron & Steel Co., LTD.
ChTPZ Group	Beijing Capital Steel CO., LTD.
EuroChem MCC	China CITIC Bank Corporation LTD.
Evraz Group S.A.	China COSCO Holdings Company LTD
Gazprom	China Oilfield Services LTD.
JSFC Sistema	China Petroleum & Chemical Corporation
LUKOIL	Huaneng Power International, INC.
MMC Norilsk Nickel	Lenovo
Novolipetsk Steel	Minmetals Development CO., LTD.
Renova Orgsintez	PetroChina Company LTD.
RUSAL Global Management B.V.	Qingdao Haier CO., LTD.
Severstal	SAIC Motor Corporation LTD.
TMK	SinoSteel
TNK-BP	TCL

ORGANIZATIONAL FEATURES OF MNC CSR LEADERS IN CHINA AND RUSSIA

	Chinese MNC CSR Leaders	Russian MNC CSR Leaders
Average Revenue in 2009 (million in USD)	34,675 ^a	19,979 ^a
Ownership		
State-Owned	11	2
Collectively-Owned ^b	2	0
Privately-Owned	1	12
Industry		
Power	1	0
Transportation/Warehousing	1	0
Automobile	1	0
Finance	1	0
Household Appliance/IT	3	0
Oil/Gas	3	3
Steel	3	3
Metallurgy	1	5
Chemical	0	2
Diversification	0	1

Notes: ^a Calculated by SKOLKOVO. Based on the EMIS databases and company annual reports. ^b Collectively-owned enterprises in China could be formally owned by private individuals or companies, but they are effectively controlled by local governments. While it is often debatable about the ownership type of large Russian companies, we focus on the publicly claimed shareholder information to identify their ownership.

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