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COMMUNITY-BASED CSR APPROACH

Case study of a forestry association in China

International Business

2014

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ABSTRACT

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Title	Community-based CSR Approach: Case study of a forestry association in china
Year	2014
Language	English
Pages	49 + 3 Appendices
Name of Supervisor	Satu Lautamäki

The objective of this thesis was to study a sustainable CSR approach though dealing with the topic on "community-based CSR", with a focus on creating shared value with local community and integrating CSR practices with core business operations.

Both theoretical study and a practical case was researched in the paper. In the theoretical study, theories from previous researchers were summarized in the first place. Then a four steps community-based CSR approach is established. In the practical study, the strategic social issues of the case company were analyzed at the beginning, then how the company implement the CSR project was discussed.

As conclusion, the community-based CSR approach comprises of two components. The first elements is identifying strategic social issues is creating shared value with local community. By analyzing the character of social issues, and combing them with the resources of company, the most important social issues for the company can be found. The second element is implementing a CSR project - to integrate CSR practices into business operations of the company.To do so, that is important to establish systematic code of conduct and improve it in the process.

Keywords   CSR, Community, Shared value, Strategic social issues

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TIIVISTELMÄ

Tekijä	Zhaoyan Zhang
Opinnäytetyön nimi	Yhteisölähtöinen yritysvastuu: Tapaustutkimus metsäalan yhdistys Kiinassa
Vuosi	2014
Kieli	English
Sivumäärä	49+3 liitettä
Ohjaaja	Satu Lautamäki

Tämän opinnäytetyön tavoitteena on tutkia kestävän kehityksen mukaista yrityksen yhteiskuntavastuuta pääpainonaan "yhteisölähtöinen yritysvastuu", joka keskittyy jaetun arvon luomiseen paikallisen yhteisön kanssa ja yhdistää vastuullisen liiketoiminnan käytännöt ydinliiketoimintojen kanssa.

Opinnäytetyössä käydään läpi niin teoreettinen kuin empiirinen tutkimus. Teoriaosassa esitetään yhteenveto edellisistä tutkimuksista, minkä jälkeen neljä-vaiheinen yhteisölähtöinen yritysvastuu lähestymistapana vahvistetaan. Aluksi empiirisessä osassa analysoidaan case-yrityksen strategiset sosiaaliset alueet, minkä jälkeen muodostetaan keskustelu siitä, kuinka yritys toteuttaa yritysvastuutaan.

Työn lopputuloksena yhteisölähtöinen yritysvastuu muodostaa kaksi osaa. Ensimmäinen osassa tunnistetaan strategiset sosiaaliset tekijät, jotka muodostavat jaetun arvon paikallisessa yhteisössä. Analysoimalla sosiaalisten tekijöiden luonteen, ja yhdistämällä sen yrityksen voimavarojen kanssa, yrityksen tärkein sosiaalinen tekijä pystytään tunnistamaan. Toinen osa koostuu yritysvastuullisen ajattelun toteuttamisesta, jossa yhdistetään vastuullisen liiketoiminnan käytännöt yrityksen liiketoiminnan kanssa. Tämän toteutumiseksi on tärkeää perustaa systemaattiset käytännesäännöt sekä kehittyä tekemällä.

Avainsanat: yrityksen yhteiskuntavastuu, yhteisö, jaettu arvo, strategiset sosiaaliset tekijät

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1   INTRODUCTION

This chapter comprises of three parts. Firstly, the background and motivations of the paper is introduced. Secondly, the research questions and objectives are set. Thirdly, the framework of the thesis is explained.

1.1 Background and Motivation of Research Topic

Corporate Social Responsibility(CSR) has increasingly attracted attention from entrepreneurs, governments and environmental agencies. CSR practices are considerable instruments in supporting business development, while CSR policies and community problems are not involving in the core business of companies. Company image driven CSR policies are hard to sustain since the business benefit of CSR are small(Sri 2010,3-4) Therefore, it is of great significance to add value to the topic through providing a sustainable CSR model.

CSR usually has two aspects in dealing with from company's point of view. One aspect is how to manage the business process in terms of bringing benefit to the employees and shareholders. Another aspect is the nature and quantity of the positive impact on society like the environment and local society (Dima; Asem 2008) This thesis discusses the relationship between companies and local communities, especially emphasizing on how to achieve mutual benefits through CSR. CSR practices for one thing, contribute to the core competitiveness of a company, and for another thing, improve the economic and social conditions of the local community.

1.2 Research Questions and Objectives

This thesis deals with the topic of "CSR-based business", which focuses on creating shared value with local community through integrating CSR practices with core business operations. The following questions are set:

What is CSR and CSR practices?

How do companies and local communities influent each other?

How CSR practices are integrated with core business operations?

What are the potentials and hindrances of the community-based CSR strategy?

This paper aims to solve the above questions step by step with both theoretical support and practical back-up. It is hoped that a sustainable CSR-based business model could be provided.

1.3 Thesis Framework

This thesis comprises of five chapters. The first chapter is introduction, which is includes background information of the thesis, objectives and the structure of thesis. The second chapter is theoretical study, which is divided into two sections. In the first section, the definitions and approaches of CSR is introduced. The emphasis is on theories from different researchers and the analysis of them. In the second section, a community-based CSR approach is built though the studying of CSR-integrated framework and the shared value concept. The third chapter is a case study, which includes research design and research analysis. Corresponding empirical findings are also explained in this chapter. The last chapter present conclusions: the reliability and validity of the thesis are explained and the limitations and implications of the thesis are summarized.

2 THEORETICAL STUDY

The theoretical study is comprises of two sections. The first section is about CSR review, which introduced the origin and definition of CSR, and the dimensions of CSR. The second section discusses the community-based CSR approach, which firstly explained the CSR integrated business framework, then introduces the four steps CSR approach.

2.1 CSR Review

This chapter discusses the definitions and dimensions of CSR.

2.1.1 Origin and Definition of CSR

The definition of Corporate Social Responsibility remains a debatable issue among academics and researchers. Some academics argue that there is no exact definition for CSR and CSR activities are different from one organization to another organization.(Marrewijk 2003) With the purpose of gaining a clear understanding on this topic, the origins of CSR and concepts from different points of view will be introduced.

According to Moura-Leite and Padgett (2011), Howard R. Bowen was one of the earliest founders of CSR. He stated that companies are supposed to provide extensive benefits to society in respect of economic development, living conditions and social order. Bowen explained the issue from a institutional perspective that companies are obligate to adopt policies in line with value and demand of society. said that companies are feel "ethical obligation" to contribute to society. Also, corporate social responsibility refers to policies relating to economic growth and manpower which with the purpose of not only bringing personal goods but also contributing to society. Moura-Leite and Padgett (2011)

pointed out that despite the fact that entrepreneurs and academics attached much importance to corporate social responsibility during the 1950s, the activities of CSR are duty-oriented and limited in philanthropy way of "doing good to society" .

The duty-oriented viewpoint was mainstream principle until Friedman(1962) put forward the "shareholder theory", which emphasized the interest of shareholders when companies carrying out CSR policies. He said it is the outcomes rather than intentions that are important when companies are implementing CSR policies. That is to say, companies should measure the economic benefits of CSR policies. Reich(1998) agree with the thought and said that CSR actions could have a positive impact on financial performance. The same conclusion could be also found from Cochran and Wood (1984, cited in Campbell 2007). Later, Friedman (1970, cited in Lee 2007) enhanced his arguments and stated that the premise of CSR is companies' interests. Although legal and ethical obligation is important as well, more attention should be payed to companies' interests and shareholders' benefits. Lee (2007) also argued for the opinion and said "self-interest" attitude could encourage social responsibility related activities instead of preventing it. Concerns relating to the standpoint include that CSR expenditure may not pay back directly and CSR policies are hard to continue because of few economic paybacks. (Shafiqur 2001)

Different from the "shareholder theory", the "stakeholder theory" proposed by Freeman (1984) argued that companies should not only be responsible for "shareholders" but also other "stakeholders". Freedman defined the stakeholders as "groups and individuals whose benefits and rights could influence or be influenced by companies' operations", which explained CSR in a broader scope from vital principal part to relevant stakeholders. According to Crane (2007), the

stakeholders include shareholders, organizations, employees, suppliers, customers, competitors, government and communities in a broad perspective. In addition, the book "Redefining the Corporation:Stakeholder Management and Organizational Wealth" written by Post et al (2002) divided stakeholders into three groups as show in figure 1. The first group of stakeholders are vital to companies' business since they are constituent parts of companies' resources. The second group of stakeholders influence industry level issues. The third groups of stakeholders could decide the overall economic, political and culture environment. (Post et al. 2002, 56-57).

who comprise a company's resources such as employees, customers, suppliers and investors

who could affect a company's industry such as regulators, unions and joint venture

Who effect a company's social and political environment like governments, communities, and NGOs
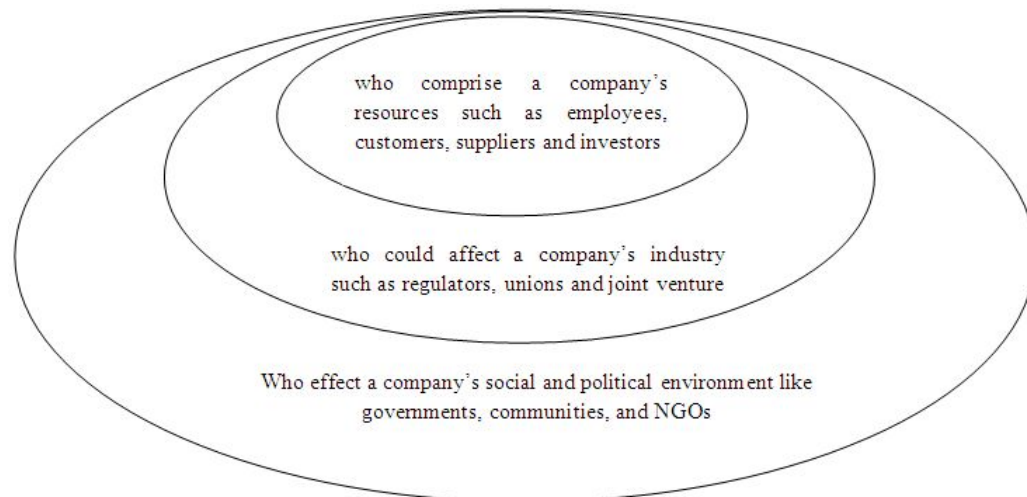
Figure 1. Three groups of stakeholders (adopted from Post et al. 2002, 56-57).

Dahlsrud (2006) gathered 37 CSR definitions from previous publications and calculated the frequency counts from Google, from which he found that the definition had been cited most is from Commission of European Communities(CEC). According to CEC, CSR is about "business voluntarily cooperate with its stakeholders with environmental and social issues".(CEC 2001) The second popular definition is from World Business Council for Sustainable Development: "the commitment of business to contribute to sustainable economic

development, working with employees, their families, the local community and society at large to improve their quality of life."(WBCS 2000)

However, Moura-Leite and Padgett (2011) disagreed with all the definitions for CSR and debated that since business and its relations are developed under the given society, CSR policies are supposed to be tailor-designed for specific company's strategy and its environment. No CSR definition fits to every company. Some companies carry out CSR policies stemming from ethical, legal or economic obligation, while others implement CSR actions out of self-interest or shareholders' profit. No matter what the intention is, CSR policies should be coincident with companies' strategies, meet the implementing context and benefit stakeholders. Furthermore, specific needs and opportunities are suitable for SMEs run within a local area, which is different from the situation of large multinational corporations.

To summary previous studies on the topic, the attributes of corporate social responsibility are outlined as following:

- Commitment to society

- On a voluntary basis or driven by ethical/legal obligations

- Considering various stakeholders' interest

- With the purpose of achieving competitive edge and sustainable development

- A customized process

2.1.2 Dimensions of CSR

Having outlined the origins and definition of CSR, this chapter will discuss the dimensions and activities of CSR. Relevant theories and approaches will be discussed.

Carroll's CSR pyramid model developed on 1991 was one of the most famous theory explaining dimensions of CSR. (see Figure 2). Carroll said that the first stage of undertaking corporate social responsibility is to be profitable; the second step of implementing CSR is to fulfill legal obligations; the third stage of applying CSR is to follow ethical expectations of society; and final stage of achieving CSR is to participate in chartable activities.(Carroll 1991). Later Schwartz & Carroll (2003) modified the pyramid by integrating the three aspects(economical, legal, ethical) instead of seeing them separately. Albeit Carroll's theory provided a CSR structure, it could neither make clear the overall CSR activities nor interpret companies relationships with environment. What's more, Carroll's pyramid model is too passive from action point of view (Claydon 2011).
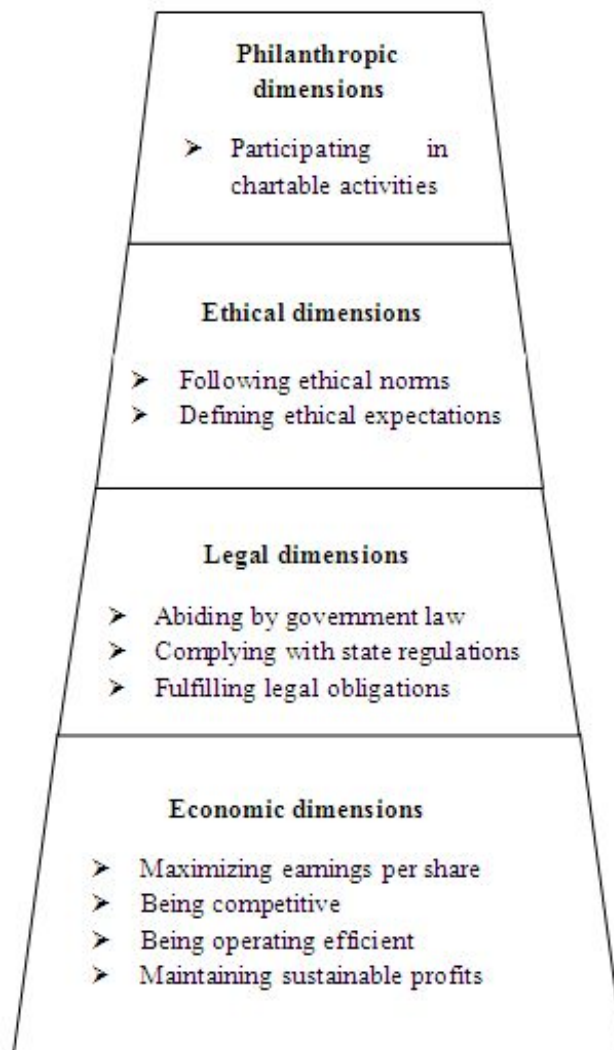
Figure 2. The Pyramid of CSR (adopted from Carroll 1991).

Differences from the CSR pyramid, Sri (2010) argued that CSR concerns about issues on " people, social and environmental". "people problems" deal with staff welfare and enterprise culture; "social problems" is regard to "community building, education and issues such as entrenched poverty"; "environmental problems" range from climate change, pollution to waste. As shown in Figure 3. Sri's approach categorized the business connection with the surrounding environment, especially emphasizing what companies could do to improve the

"life quality of society". The shortcoming of the approach is that it ignored the "business" itself, in other words, the economic dimension.
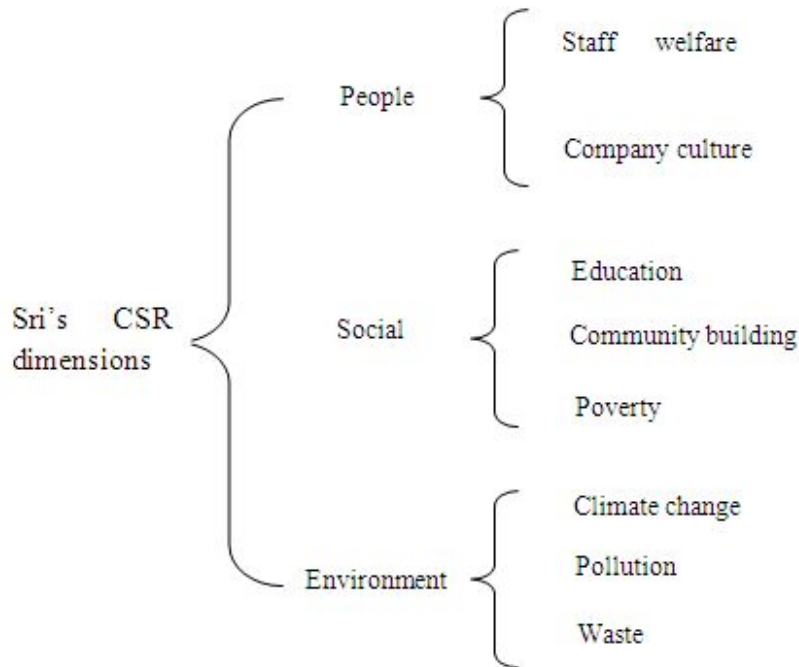
Figure 3. Sri's CSR dimensions.

Similarly, the triple bottom line theory, which is also referred to as 3ps models (see Figure 4) defined CSR activities from dimensions of planet, people and profit. The "profit" aspect considers the the financial sustainable of a company, which includes innovation, margin improvement, shareholder return and capital efficiency;The "people" dimension includes employment creation, social investment, human rights and business ethics; The "planet" direction comprises issues relating to global climate change, health & safety, land & water, biodiversity and environmental justice. From managerial perspective, the 3Ps approach connects to "economical capital management", "human & social capital management" and "natural capital management" respectively.(Willard 2012). What makes the triple bottom line theory different from Sri' CSR dimensions is that the "economical elements" are considered.
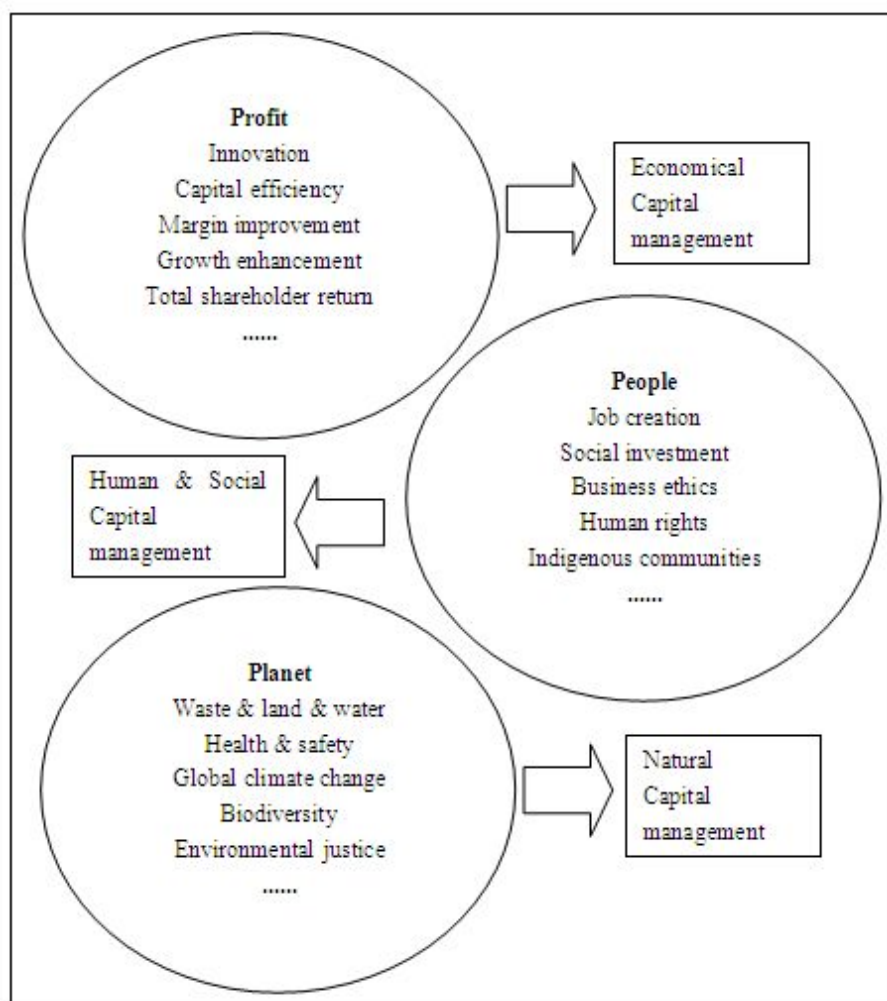
Figure 4. 3Ps model (adopted from Willard 2012).

The CSR 2.0 is another CSR model which is more flexible than the previously mentioned theories. According to Visser(2011), CSR2.0 = Creativity(C) + Scalability(S) + Responsiveness(R) + Glocality(2) + Circularity(0). Creativity is an important attribute of business. Innovative and creative business operations not only contribute to financial performance of a company but also help improve social conditions. Taking IT companies such as Microsoft and Google for example, the creative productions invented by them has began changing life of people profoundly. Scalability enables companies to solve massive scale problems. Responsiveness requires companies to modify the business model in specific

industry to meet changing CSR environment. Glocality is a compound word from global and locality, which indicate companies should consider both the integral context and local conditions. Circularity is about "cradle-to-cradle" development, the spirit of which is that companies constantly regurgitation-feeding the society and environment (Visser 2011). Based on the CSR 2.0 principles, the DNA code approach has been proposed as show in Figure 5. It can be seen that the DNA code highlights value creation and good corporate governance. Also, much importance has been put in achieving healthy and sustainable development of both company and society.

DNA code	Goals	Key Indicators
Value creation	Economic development	Capital investment Beneficial products Inclusive business
Good governance	Institutional effectiveness	Leadership Transparency Ethical practices
Social contribution	Stakeholder orientation	Philanthropy Fair labor practices Supply chain integrity
Environmental integrity	Sustainable ecosystems	Ecosystem protection Renewable resources Zero waste production

Figure 5. The DNA code of CSR 2.0 (adopted from Visser 2011).

When analyzing the pyramid of CSR from Carroll, CSR dimensions from Sri, the triple bottom line and CSR2.0. It is evident that in fact those theories are about the dimensions of CSR, namely from what aspects corporate social responsibility policies could be implemented, rather than approaches of CSR, which explain how CSR could be implemented. One obvious reason that previous researchers are prone to study the model of "the dimensions of CSR" instead of "the approaches of CSR" is that "each company has unique features and circumstances

which effect the CSR operational context".(Hohnen 2007). What's more, one advantage of those models is that they provided systematic ways of CSR implementations, which implicate us from what dimensions to integrate CSR activities into business strategy and operations. Therefore, based on CSR dimensions mentioned above, a CSR integrated framework is created in the next section.

2.2 Community-based CSR Model

With the aim of taking advantage of previous studies meanwhile establishing an more practical CSR approach, this part of theoretical study comprises of three sections. Firstly, a CSR-integrated business framework is explained based on value chain model from Porter (1985). Then, the concept of creating shared value with local communities is put forward. Finally, the community-based CSR approach is created.

2.2.1 CSR-integrated Business Framework

In order to integrate CSR practices into core business operations, it is necessary to understand how the value is created though companies. According to Porter (1985), companies gain competitive advantages though a set of activities. As shown in Figure 6, Porter described the value creation operations with primary activities and support activities. Primary activities are product and marketing related, which comprise of inbound logistics, operations, outbound logistics, and sales support activities. The support activities do not create value directly, while they are important support elements to business. They are include company infrastructure, human resource management, technology development and procurement.
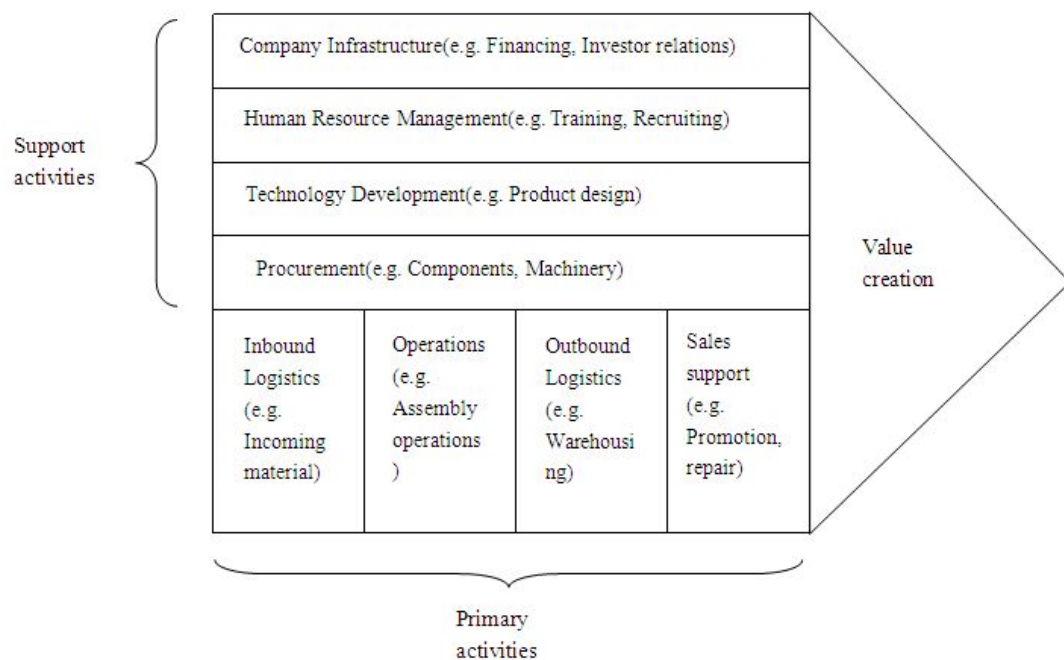
Figure 6. Value creation model (adopted from Porter 1985).

Since the value creation process is described, a CSR-integrated framework can be established by penetrating CSR practices throughout all value creation activities. Combining both CSR dimensions studied in chapter 2.1 and Porter's value chain model, the CSR-integrated CSR framework is described in Table 1.

Table 1. CSR integrated business (adopte from Porter 2009).

Value chain	Related activities	Example CSR practices
Inbound logistics	Receive, store and distribute of inputs	Healthy material, logging-roads, transport emissions

| Value chain	Related activities	Example CSR practices
Operations	Transform inputs into outputs(e.g. Manufacturing, packaging, testing)	Energy and waste, working conditions and labor safety, ecological system protection
Outbound logistics	Deliver goods to customers (e.g. Transportation, storage)	Eco-packaging, transportation impacts
Sales support	Marketing and services(e.g. Promotion, warranties)	Business integrity, anticompetitive pricing, recycling
Firm infrastructure	E.g. legal, financing, and quality management	Transparency, obey the laws, anti-financial manipulation
HR management	E.g. design work positions, recruiting and recognition	Compensation and employee benefits, social hiring, training
Technology development	Using technologies to achieve business goals	Animal testing, relationship with research and education institutions
procurement	Searching for suppliers and achieving best prices	Pricing to poor, vendor diversity

The CSR integrated framework reminds companies that CSR practices could be taken into consideration in all business operations. As Preston and Post (1981)

argue, companies are supposed to specific their CSR activities on business-related areas. CSR implementations are not standalone policies which are separate from the value creation process of business. Instead, they are significant value-adding parts of business. On basis of this, CSR activities are reciprocal to both companies and the stakeholders. In summary, the concept is creating share-value between business and the stakeholders.

2.2.2. Community-based CSR Approach

As described in chapter 2.1.1 , the local community belongs to the third group of a company's stakeholders. Sri (2010) says that the benefits of CSR are limited to companies, thus lead to those activities are unsustainable and volatile. To built a sustainable as well as practical CSR model, this chapter will discuss a community-based CSR approach though creating shared value between business and the local community. A company can provide financial contributions, product/services availability, job opportunities, entrepreneurship and innovative culture to the local community (Hohnen 2007). Companies that actively take community's wellbeing into consideration could gain good will or "license to operate" in return. The community commitments of business lie on both company's characteristics and the local community context.

A lot of social issues exist, while not all of them have an close connection with a company's operations and objectives. Therefore, it is significant to identify those social issues which meet a company's growth strategy. Namely, community-related CSR policies are impacted by companies' comprehending of their operating strategy combining with the community demand. Based on the concept above, a four-step community-based CSR approach is developed as shown in Figure 7.
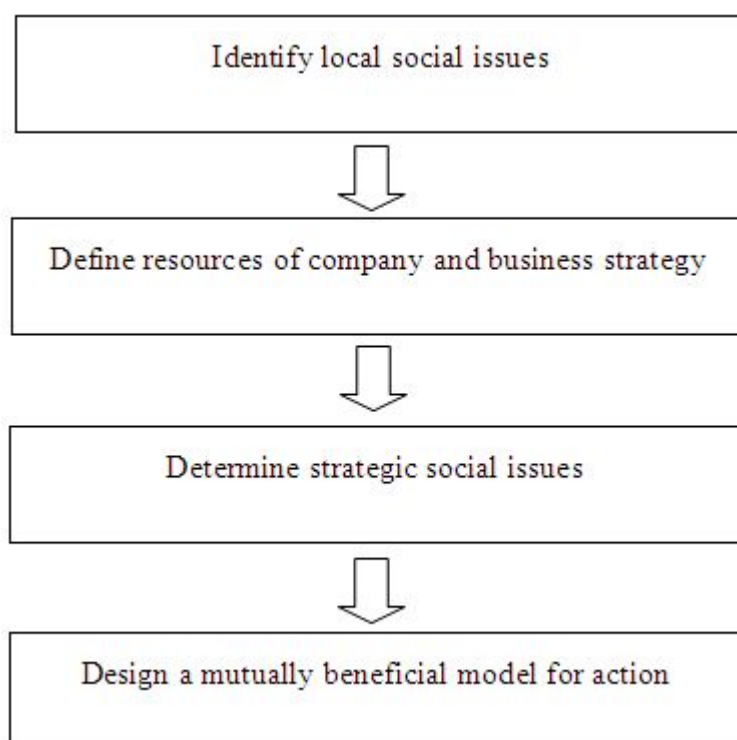
Figure 7. Process of community-based CSR approach.

Step 1. Identify local social issues

Local social issues can be identified through checking the gap between ideal situation and the reality. It can be both specific issues such as heavy pollution and abstract issues such as harmonious community culture. In order to identify those social issues, many things should be done. Firstly, it is important to gain a deep understanding of the underlining structure and culture of local community, thus mastering the "cause and effect" and to help figure out solutions. Secondly, it is significant to determine what information is needed and how to collect the data. The already existing information could be found from governmental statistics, studies conducted by other agencies, or self knowledge and experiences. Other information could be collected through research like interview and survey. Thirdly, when the social issues have been identified, it is necessary to analyze

them systematically. Only by understanding the related barriers and resources, the best solutions can be carried out. The logical of step one is from macro to micro as shown in Figure 8.
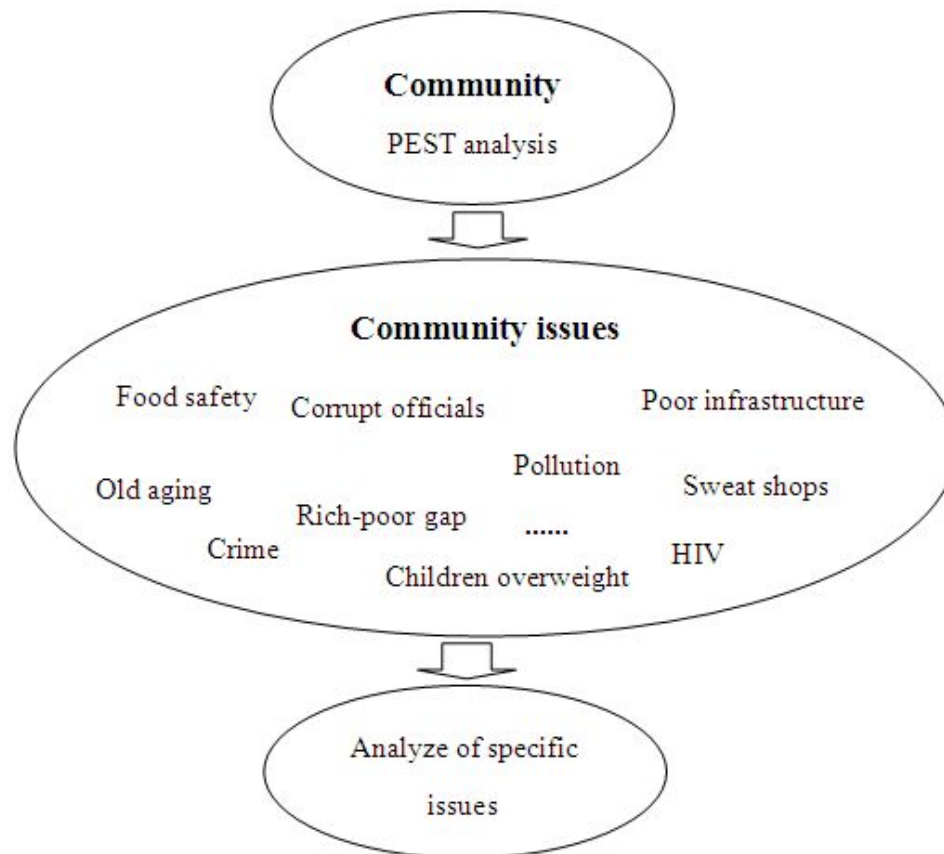
Figure 8. Identify local social issues.

When local social issues are identified, the next step is to define the business strategy and resources of the company. When people talk about business strategy, it usually includes the vision, mission, values and strategy of the company. However, the underlining for all of them is core values of a company. Core values are basic principles which shape the beliefs, the attitudes and even behaviors and skills of the employees as shown in Figure 9 (Olsen 2012). Centreing on the core value of business, the strategies of a company can be divided into three layers more specifically: the corporate level strategy for the top management, the

business level strategy for the middle management, and the functional level strategy for the lower management.(Analoui & Karami 2003) CSR programs should be in accord with core values of a company.
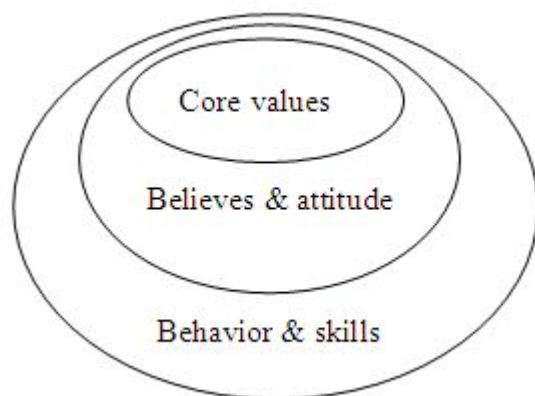
Figure 9. The importance of core value in business.

In order to connect local social issues with the capability of business, the next step is to consider the resources of a company, which comprises of both internal and external resources. The internal resources has already been explained in Porter's value chain model in Figure 6 which include the infrastructure of organization, its human resources, R&D, the procurement process, inbound logistics, operations, outbound logistics and sales support. The external resources are beyond the company's control while having a significant impact on the business, which includes the economical, political, environmental, social, legal and technological environment. To analyze the internal and external resources of a company, the SWOT technique is helpful in improving the decision-making process. (Andrews 1996; Panagiotou 2003) Figure 10 shows what elements need to be considered and how to use the SWOT analysis technique when defining the resources of a company. By analyzing the strengths and weakness of internal resources, and studying the opportunities and treats of the external environment, we could find which areas should be emphasized and which fields form risks for the company.

CSR policies oriented business resources analyze model		Internal	
		Strengths ● Good company governance ● Capital available ● Management will ●	Weakness ● Lack of experience ● Unskilled staff ● Lack of funding ● ......
External	Opportunities ● Political support ● New technology ● Community support ●	**strengths/opportunities** Priorities lie in this area	**weaknesses/opportunities** Possible alternatives, awareness of shortcoming
	Treats ● Natural disaster ● Changing in policy ●	**strengths/threats** Try to turn treats into opportunities	**weaknesses/threats** High risk, ignore those issues

Figure 10. The CSR-oriented business resources analysis model (adopted from Humphrey 2005).

As mentioned in 2.2.1, CSR programs should be beneficial to both the company and society. Strategic social issues are social problems that meet three elements. Firstly, the issues are significant to the society; secondly, the issues are relevant to the business strategy and resources of a company; secondly, the issues are need minimum inputs and generate maximum outputs, namely, the highest inputs-outputs ratio. Making the three elements as evaluation indexes, a scoring model is established to figure out the strategic social issues:

$$S = \frac{aX + bY + cZ}{a + b + c}$$

Formular 1. Scoring model to define strategic social issues.

S= final score for a social issue

X= score for the societal significance of a social issue

a= weight for X's object

Y= score for the relevance between a social issue and a company's strategy/resources

b= weight for Y's object

Z= score for the inputs-outputs ratio

c= weight for Z's object

Notes: "a, b, c" are set depend on different situations: if the decision makers think factor X, Y and Z are equally important, a=b=c; if the decision makers think factor X is equally important to factor Y, while factor Z is of double importance to X and Y, then 2a=2b=c. Since the scoring framework has been built, the next step is to figure out X, Y and Z. Then, substituting X, Y, Z and a, b, c to the formula $S = \dfrac{aX + bY + cZ}{a + b + c}$, we can get the final score for different issues and compare them. Obviously, the higher score a issue get, the more strategic the issue is.

It worth pointing out that the scoring formular $S = \dfrac{aX + bY + cZ}{a + b + c}$ for evaluating strategic social issues is feasible for well established corporations who follow a standardized work processes. While for small and medium size enterprises, who have difficulty in collecting and analyzing related data, the evaluating process could be simplified to analyzing the relevance between social issues and resources of the company only. That is to say, a simplified approach to define strategic social issues is to put the emphasize on factor Y, which leads to the heart of this

paper- figuring out the relevance between a social issue and the resources/strategy of a company, thus building a mutual beneficial CSR approach.

As analyzed in step 2, resources of a company comprises of internal elements and external elements. When analyzing a company's capacity to resolve a social issue, there are strengths/weakness regarding the internal factors and opportunities/treats in terms of external factors. One score is added for each strength/opportunity and one score is substracted for each weakness/treat. For example, there are social issue1, issue2 and issue 3 in table 2. To score issue1, three strength points (e.g. management will, enough capital, related experience), one weakness points (e.g. lack of labor), three opportunity points(governmental support, acquire important primary data, media attention) and one treats point(long time range uncertainty) were found, so the final resource relevance sore for issue one is equal to +3-1+3-1= +4. The rest can be done in same manner and result in -4 for issue2 and +1 for issue3.

Table 2. Example social issues and company resources relevance scoring table.

Issues score elements	Strengths	opportunities	weaknesses	treats	Final score for Y
Issue1	+3	+3	-1	-1	+4
Issue2	+1	+2	-3	-4	-4
Issue3	+4	+3	-5	-1	+1
......	......	......	......	......	......

Since the strategic issues have been figured out in step three, the next step is to design a mutually beneficial model for action. The action model can be different from case to case. There are also some common principles to be figured out.

The motivations and objectives of the project are important. Understanding the motivations and objectives of a CSR project is extremely important for a commercial organization. The concept of "Profit first" should be replaced by "mutually beneficial". What's more, setting long term goals and short term target will outline the blue print for team members, which allows team members to examine where they are now and which direction they are going.

Communication process with both team members and stakeholders is vital to a successful CSR project. Firstly, team members who carry out the project should exchange ideas regularly and efficiently. Secondly, the project team should establish dialogue with all stakeholders, which includes listening attentively to their interests and gaining valuable feedback, thus, adjust and innovate CSR practices.

3 CASE STUDY

This chapter is made up of three parts. The first part explained how the research is designed. The second part analyzed the strategic social issues of the case company. The third part is about analysis and comment on the case.

3.1 Research design

The research was conducted in Xiangrui Forestry Association in Wufeng, China. With the aim of answering the research questions step by step as mentioned in chapter one, and checking the community-based CSR model as developed in chapter two with the empirical case

Both quantitative and qualitative methods are applied in the case study. The manager of Xiangrui Forestry Association as well as a local official from the Forestry Bureau was interviewed through Skype; ten questionnaires were sent out to farmers from the local community; other secondary data was collected through the Internet and related documents.The research matrix was shown in Table 3.

Table 3. Research matrix.

Research questions	Relevant theories	case findings
The perception of CSR and CSR practices?	2.1.1 & 2.1.2	3.3
How to integrate CSR practices with core business operations?	2.2.1	3.3
What is community-based CSR approach?	2.2.2	3.2
Comment on the community-based CSR model?	2.2.2	3.4

The interviews and questionnaires were designed according to the research questions. All the 10 questionnaires sent out have been collected and analyzed.

3.2 Strategic social issues of the company

To understand the strategic social issues of the case company, this chapter will firstly analyze the local society and summarize local social issues, secondly study the resources and strategy of the case company, and finally figure out the strategic social issues.

The case company Xiangrui Forestry Association is located in Wufeng county, Hubei province, China. Wufeng is geographically western located and economically undeveloped. As a mountainous area, the most centralized resources of Wufeng include forestry, hydro-energy, mineral resources and tourism (The

office of Hubei Province Poverty Alleviation and Development, 2009). Statistic data from the government (2013) shows that the GDP of Wufeng county ranks the second from the bottom among Hubei province. Although China has been growing rapidly since the opening up and reform policy in 1978, the regional economy is imbalanced. The majority fruits of the urbanization-industrialization process were enjoyed by the eastern coastal areas, which left a series of social problems in economically backward regions. (Huang & Endowment, 2013; ECB, 2013). Wufeng, as one of the backward regions, has the following major social problems as show in Table4.

Table 4. Main social issues in Wufeng, Hubei, China.

Social problems	Description
Lack of labor	Both physical labor and high-quality talents are few in Wufeng currently. Young people went to big cities look for jobs and opportunities.

Social problems	Description
Left behind group	According to a survey by NetEasy (2009),there are 87 million left behind elderly, women and children in countryside of China because of migrant workers' considerations on education, household policy and accommodation .(NetEasy 2009). People (elderly & women) who can't find a job in big cities are left behind in Wufeng. Some of them are hired short-term by local firms; some of them are taking care of their grandchildren as a job;some of them farm for their own food; most of them don't have stable income. Left behind children also face a lot problems like schooling and parenting. Most of the migrant workers visit their home and children twice a year or even with longer interval. (Roberts 2014; CCR CSR 2013)
land fallow and idle	The agriculture system in Wufeng is small-scale farming by individual owners. All lands is belong to the nation, farmers just have the right to use it but don't have the right to take it as property. Besides, the low level of mechanization leads to low productive efficiency. (Brown 2012) Many peasants farm hard for a year and still can't feed their family. Therefore, they would rather find a factory job in cities than farming at home. The "crops don't pay"

Social problems	Description
	concept result in many lands in Wufeng being idle.
Poor infrastructure	The infrastructure is relatively poor in Wufeng. Pavement and electricity are available to the majority of household, while some extremely remote area still need roading and electric power.
Backward innovation and technology	Since there are few large scale enterprises and no educational research institution in Wufeng county, furthermore because of shortage of talents, the innovation capacity and technology status in Wufeng is currently backward .
Local bully	Local farmers mentioned that some villages and towns have local tyrants who bully the weak frequently. The victims are scared of the bully and bear the insult.
corruption	Corruption is a normality in Wufeng
Burdensome regulations	When dealing with the local authorities, there is a lot of red tape to follow, which often make things complicated and waste time and efforts.

Resources: data was acquired from documents, internet and interviews

Since the main social issues have been analyzed, the next step will be to study the resources and strategy of case company. The predecessor of Xiangrui Forestry Association is a wood factory established in 2004 which purchased rough log and sold processed timber. The products of the company includes Timber construction panel, section plate, packaging box, chopsticks and sculpture roots. The company has around 40 regular employees and provides food & board for them. There are some timber dealers who supply raw material for the factory. Local farmers supply logs for the factory as well. The resources of the company are explained in Table 5.

Table 5. SWOT analysis of Xiangrui Forestry Association.

Internal resources	**Strengths** ➢ Mature distribution channel ➢ Good relationship with local community and the government ➢ The biggest wood factory in the county ➢ Forestry related experience/knowledge ➢ Familiar with related laws and regulations ➢ Abundance of capital ➢ Enlightened leaders
	Weaknesses ➢ Shortage of high quality workers ➢ Backward in management
External resources	**Opportunities** ➢ Government encourage forest planting

	Treats
	➢ Environmental protection policy
	➢ Limited timber cutting quota from the Forestry Bureau
	➢ Road and electricity is unavailable in remote mountains, why the company can not access to some high quality timbers

Then combining the characters of the local social issues and the resources of the company, it is possible to calculate the relevance of them as shown in Table 6.

Table 6. Relevance scoring table for case.

	Strengths/Opportunities	Weaknesses/Treats	Score
Lack of labor	1. Provide attracting job opportunities and bringing in talents in the meantime Score: +1	1. Urbanization of China is in progress 2. High cost to retain talent 3. No suitable vacancy Score: -3	-2
Left behind group	1. Create jobs for left behind elderly/women Score: +1	Score: 0	+1

	Strengths/Opportunities	Weaknesses/Treats	Score
Land fallow and idle	1. Plant trees on the idle land could increase local farmers' income 2. The timber cutting quota could be increased though planting trees in idle lands 3. The company is rich in forest-related knowledge 4. The company can provide a stable market and distribution channel for the trees 5. Governmental support Score: +5	1. Longtime growth cycle of trees generate uncertainty Score: -1	+4

	Strengths/Opportunities	Weaknesses/Treats	Score
Poor infrastructure	1. Build roads to remote mountains 2. Connect electricity to remote mountains 3. Support from the locals Score: +3	1. High cost Score: -1	+2
Backward innovation/technology	1. Recruit talents/skilled workers Score: +1	1. High cost Score:-1	0
Local bully	Score: 0	1. May be harassed by the local tyrant by offending them Score: -1	-1
Corruption	Score: 0	1. May offend the interest group Score: -1	-1

	Strengths/Opportunities	Weaknesses/Treats	Score
Burdensome regulations	1. Communicate with local authorities and facilitate the establishment of convenience regulations Score:+1	Score: 0	+1

The analysis above shows that local social issue "land fallow and idle" get the highest score of +4 , followed by "poor infrastructure" +2, "left behind group" +1 and "burdensome regulations" +1. Therefore, those issues which got positive score are strategic social issues for Xiangrui Forestry Association. It indicates that the company can take advantage of its resources though solving those social issues actively. Since the "lands fallow and idle" and "poor infrastructure" got higher score than the others, more emphasize should be put on them.

3.3 CSR implementation process

Analysis in chapter 3.2 indicated that Xiangrui Forestry Association could design CSR projects for the social issues of "lands fallow and idle", "poor infrastructure", "left behind group" and "burdensome regulations". Among those issues, "lands fallow and idle" and "poor infrastructures" are strategic issues. The methods to solve those strategic issues are: planting trees on the idle lands; building roads to remote mountains; carrying electricity to remote areas. The company has designed five steps to do so:

Firstly, communicate with the local households, listen to their life problems and demand, and survey their preferences of cooperating with Xiangrui forestry association. According to the survey from Xiangrui Forestry Association, most of the local farmers would like to plant trees on their lands. And the local households' demands include the following:

- Secure the ownership of lands. What the local farmers worry about is that they may lose the control of their own lands.

- Predictable income from the trees. The local farmers want get payed before they commit to the project. They prefer tangible cash to promises of future income.

- Secured price for the timber. Since the Xiangrui forestry association is the biggest timber company in the county, the local farmers are concerned that they have little bargaining power on the products.

Secondly, research the nature of local lands, study the market demand, and find the right trees to plant. One consideration of the company is that planting trees on scattered lands may increase harvesting costs like the transportation spending. Therefore, its better to negotiate with the local farmers and centralize the growing regions. Another consideration is that the due to the long growing cycle of trees, the market and price may vary.

Thirdly, communicate with local authorities and seek for support. The local Forestry Bureau decided to provide free seedlings and and technical guidance for the project.

Fourthly, design approaches of cooperation, clear the responsibilities, allocate the interest and risk, and sign legal contracts. To remove barriers, dialogue between

the company and the local households need to be established on basis of equality. After long time communication, the Xiangrui Forestry Association and the local farmers decided the final terms:

- Local farmers participate in the project on a voluntary basis.

- Local farmers provide lands to grow fast growing trees. The local Forestry Bureau provides seedlings and technical guidance. The Xiangrui Forestry Association provides local farmers with an additional annual payments against the final value of trees. The lands and trees both belong to the farmers. When the trees have grown, the farmers can sell it to Xiangrui Forestry Association or not. If they are not going to sell the trees to Xiangrui Forestry Association, they need return the annual payments.

- The Xiangrui Forestry Association promised to build roads to the lands where the trees were planted and help in providing electricity to remote households who participated in the project.

Finally, project implementation is an important topic. Xiangrui Forestry Association carried out the project in 2011 and on December 2013 approximately 180 mu fast growing trees have been planted in idle lands. Furthermore, more than one kilometer of road has been built with funding from Xiangrui Forestry Association and labor from local households. Five households which used to live with kerosene lamps and candles now have access to electricity. During the implementation of project, the Xiangrui Forestry Association established the following code of conduct:

- Minimizing the damage to other crops when cutting and transporting trees. When damage occurred, reasonable compensation to the farmers must be made.

- Protecting mountain spring water resources.

- Protecting rare trees and wild animals in the area to maintain biodiversity.

- Giving rational job opportunities to those disabled; Refusing use of child labor.

- Making prompt payments to the local farmers and not default on salary and compensations.

3.4 Conclusion of the case

This section summarizes the case study.

3.4.1 The Perception of CSR

Both the manager and the local official are not academic expert on corporate social responsibility. Their understanding of CSR is from human nature and career experience. Although their perception of CSR is fractional ideas, its confirmed Carroll's Pyramid of CSR: corporate social responsibility is implemented though dimensions of economic, legal, ethical and philanthropic dimensions. Actually since the manager has a low degree of education, his opinion on CSR is simple and easy to understand: firstly,"do no bad things and do more good things"; secondly, "earn more money and pay more tax"; thirdly, "teach a man to fish is better than give him a fish". The first opinion carries the idea that companies should be a good citizen. The second opinion argues for the "stockholder theory". The manager pointed out that profit of business and CSR are not mutual excluding factors. "I am sure this area will not poor any more if more profitable companies exist", the manager said. The third opinion concerns sustainable CSR.When asking the question "what elements make CSR practice sustainable". The manager

said "the development of business is the foundation of corporate social responsibility".

However, from the local official's point of view, companies should not evade the payment of taxes in the first place. Regarding to solve local social issues, the local official said "urbanization is inevitable trends", "the unbalanced allocation of public resources of China decided local companies can do limited contribution". Concerning to what companies should do with CSR in the forestry industry, the local official said "instead of the intended corporate social responsibility projects, I suggest companies start from standard of behavior".

3.4.2 Community-based CSR Approach of The Case Company

The reason for the case company to carry out the CSR project is mainly because of the management's will. According to the local farmers' words, the owner of Xiangrui Forestry Association has sponsored several poor children go to school and often helped the needy in the local area.

Although the Xiangrui Forestry Association is a relatively small company, it attached importance to corporate social responsibility and it has been successful on the community-based CSR approach to some degree. Regarding the question of "What do you think about Xiangrui Forestry Association improved life quality of local society?", half of the responders said "yes". Regarding to the question "how do you think of Xiangrui Forestry Association?", no one choose the "negative" answer. Half of the responders chose "very good, it brings much benefits to the society" and half of the responders chose "moderate, it is a law-abiding company" as shown in Figure 11.

how do you think of Xiangrui forestry assoication
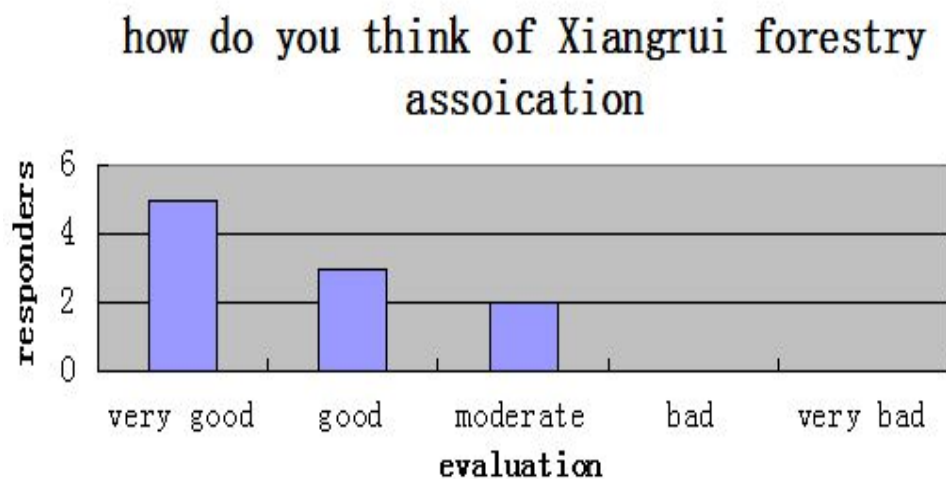
Figure 11. Local farmers' evaluation on Xiangrui forestry association (question 5 on the questionnaire).

The manager said the reason Xiangrui forestry association has a good relationship with the local people is that the company was created "shared value" to the local community. Table 7 shows the shared value of the case CSR project.

Table 7. Shared value between Xiangrui Forestry Associationa and the loal community.

Shared value	
Xiangrui forestry association	The local community
➢ Increased timber cutting quota	➢ Taking use of idle lands
➢ Roads and electricity available to remote mountains	➢ Increasing household income
	➢ Secured market for timber
➢ Control over the quantity and quality of planted fast growing	➢ Developing local infrastructure: roads and electricity

trees	➢ Environmental effects
➢ Increased reputation and company image	➢ Employment opportunities: weeding, tending, harvesting, transporting
➢ Acquisition of planting tree related knowledge	

Besides creating shared value with the local community, integrating CSR practices into business daily business operations is also important. From the code of conduct developed during the project it can be seen that Xiangrui Forestry Association is trying to integrate CSR practices into all operations of the company. The special point is that all of the terms are developed through real experience and match the circumstance of the local society.

However, questions and problems relating to the case can not be ignored. Firstly, the local official worries that arable land is precious in China. The government should carry out policies to protect those arable lands instead of encouraging planting trees. If the government policy changed, no more free seedlings are available, and the project would be hard to continue. Or the business model need change as well.

Secondly, most of the employees includes the manager of Xiangrui Forestry Association have a low level pf education. If the company does not attach importance to bringing in talents and innovations, the development and growth of Xiangrui Forestry Association may be limited. Furthermore, modern management and effective organizational structure is also absent in Xiangrui Forestry Association.

Thirdly, with respect to the CSR project of the case, sufficient capital is the premise of investment. According to the agreement, the company should pay local households annual payments against the final value of trees, plus the long term growing cycle of trees, many local farmers are concerned that Xiangrui Forestry Association can not fulfill the commitment. From the perspective of company, it made an commitment before any revenue was generated. Therefore, the benefits are difficult to balance between the company and the local households unless mutual trust is built.

4   CONCLUSION

The research results are summarized in this chapter. Then the reliability and validity are analyzed. Finally, limitations of the paper and some implications are explained.

4.1 Summarizing of The Research Result

The previous chapters studied community-based CSR approach from both theoretical and practical perspective. The results show that the approach is feasible through identifying strategic social issues, and integrating CSR practices with business operations. To put it in another way, the community-based CSR approach comprises of two components. The first elements is identifying strategic social issues. By analyzing the character of social issues, and combing it with the resources of company, the most important social issues for the company can be found. The second element is implementing a CSR project - to integrate CSR practices into business operations of the company. To do so, it is important to establish systematic code of conduct and improve it though the process.

4.2 Reliabilities and Validity

Reliability examines the consistency or the stability of a research. Any important findings of a research should be intrinsically repeatable. That means the same conclusions could be drawn under the same context. There are two important elements which effects the reliability of researches. Firstly, the variables are supposed to be "stable and consistent". Secondly, the interview or observe context will influence reliability. Therefore, it is important to design and conduct interviews/questionnaires carefully. (Golafshani 2003)

Validity checks whether "the research measured what was intended to measure". A research is invalidity if false data is collected. Reliability and validity are not the same thing. A research may have the following situations: reliability and validity are both high; high reliability and low validity; low reliability and high validity; reliability and validity both are low.(Golafshani 2003)

Both qualitative and quantitative research methods were used in this thesis. The main evidence was collected through using a qualitative method, which collect subjective data regarding to phenomenon instead of statistics. The advantage of qualitative research is that the researchers can involve themselves into the situation, thereby getting irreplaceable understanding of evens or phenomenons.(Patton 2001) Since the nature of qualitative research, the reliability of research is hard to test. The interviews were done when the project of the case company has started two years ago. If the interview time would have been two years earlier or later, some opinions may different from now. Furthermore, as an interviewer and an observer, the judgment of information is made under certain context, which can influent the data collecting and analyzing.

Regarding to validity of this study, the findings of the research matched with the hypothesis. The primary data can be confirmed by other secondary data. In order to check whether the managers, officials and local farmers are telling the truth, some similar questions were asked from all of them and their answers have no considerable differences.

4.3 Limitations

To begin with, the community-based CSR approach established in this thesis is not a systematic way to practice CSR. It provided another point of view but it can

not replace the previous CSR models. Since the author concentrated the focus was on "community", many other aspects of CSR were not considered in this paper.

Then, the case company of this study is an SME from a small county in China. The company itself is not advanced from the management and technology point of view. Moreover, the business scope of case company is within a limited area. Namely the case company can not represent the cutting-edge of business. If different types of case companies were examined, the result would be better.

Finally, improvements need to be made with respect to the scoring system in the paper. Ideally the factors can be scored as shown in the formula, while realistically its hard to measure the variables and give accurate scores. Conceptually, the formula emphasized the importance of mathematical methodology; technically, more accuracy is needed.

4.4 Implications

There are two main implications for future studies.

Firstly, once the strategic issues have been defined, the next question is to design and conduct the project. Due to the specialty of CSR , the project control of it is an important topic to the study.

Secondly, as shown in the case study sections, communication is extremely important in a CSR project. Both communicating with internal staff and communicating with outsider stakeholders is a complex task. Future studies on this topic could contribute a lot.

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Appendix1. Interview framework with the manager from Xiangrui Forestry Association

Part1. Company review

Why you change the company name from "Nanmuqiao Wood Factory" to "Xiangrui Forestry Association"? Could you explain the mission and vision of the company from that point of view?

How could you describe the core value of your company?

Could you briefly introduce the organizational structure of your company?

Part2. CSR perception

Do you think your company is doing good things to the society? For example?

Have you built systematic "code of conduct" for your company?

What is your perception of corporate social responsibility?

Do you think profit and CSR contradict each other?

What elements make CSR practice sustainable?

Part3. Community-based CSR approach

Could you introduce the how your company and the local farmers cooperate with each other?

What is the relationship between the company and local community?

How do you guarantee the farmers' benefits?

What elements do you think is important to the success of the business model?

What barriers have you met or are you meeting now regarding to the

Community-company cooperation model?

Appendix2. Interview framework with the local official from Forestry Bureau

Part1. CSR perception and Governmental policies

What is CSR from your point of view?

What are the most obvious social issues in this area?

Is there any policy to courage local companies take part in solving the local issues?

What the companies should do with those social issues in the forest industry?

Part2. Comment on the community-based CSR approach of Xiangrui Forestry Association

What support have the government given to the Xiangrui Forestry Association and the local farmers?

How do you think the benefits can be balanced among the local farmers, the Xiangrui Forestry Association and the local government?

What are the problems of the business model?

Appendix3. Questionnaire designed for the local farmers

1. How old are you

A. younger than 30

B. between 31 and 50

C. older than 50

2. How many of your lands were deserted before you started to cooperate with Xiangrui Forestry Association?

A. less than 1 mu

B. between 1 mu and 5 mu

C. more than 5 mu

3. What's the incentive for you to cooperation with Xiangrui forestry association?

4. How much could you earn from the trees planted by Xiangrui Forestry Association per year?

A. less than 500 RMB

B. between 500 RMB and 5000 RMB

C. more than 5000 RMB

5. How do you think of the Xiangrui Forestry Association?

A. very good.   It brings much benefits to the society

B. good.   It creates profits for both itself and local farmers.

C. moderate. It   is a law-abiding company

D. bad. It puts the profit of itself in the priority

E. very bad.   it is unethical and immoral

6. Could you briefly explain to me how you cooperate with the Xiangrui Forestry Association?

_____

_____

_____

7. Do you think the life quality of local community has been improved because of the cooperation between Xiangrui Forestry Association and the local farmers?

A. yes

B. no

8. What do you think can be improved in this business model?

_____

_____

_____