

CSR: Responsibilities and Competitive Advantages of MNEs

Entry into the Chinese Market and Management in the Japanese MNEs

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CSR (Corporate Social Responsibility) may appear complicated, but it is closely tied to daily business operations. Japanese firms should make use of their competitive advantages in the region and consciously take CSR into consideration when operating internationally, particularly, in China and the rest of Asia.

As the world's largest producers, Chinese businesses have been making direct investments domestically ever since the country implemented Open Door Policy to the outside world. With the rapid economic growth and expansion of the domestic Chinese market, full-scale entry into one of the largest markets in the world is becoming the business model of MNEs (Multinational Enterprises) globally, including those in Japan.

With most major MNEs present in China and Chinese start-ups springing up one by one, the country is emerging as one of the most competitive business regions in the world. Naturally, many firms are in China for financial gains; however, the presence of businesses that lack ethics is a source of consumer confusion and uncertainty in the market.

For example, knock-off products, false advertisement or beauty packaged but damaged goods, breach of safety regulations in food² or other products, failure or excessive delay in payments for

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² China's Food Sector at Critical Juncture

Food scares have continued to erupt even after a 2008 tainted-milk scandal drew attention to contamination issues. In April, toxins used to make pork leaner caused hundreds to fall ill. Police in southern China seized 40 tons of bean sprouts awash in caustic chemicals and hormones to make them grow faster. As a result, many in the middle and upper class are splurging on organic food, which cost up to 10 times more than other produce.

The industry is full of mistrust.

Oddly enough, in the land of Peking duck and growing organics, we couldn't find a single organic duck.

The Wall Street Journal, the 17th November 2011

goods and down-payment scams are still prevalent. Irresponsible business activity is as an everyday occurrence in China.³

Thirty years have passed since the Economic Reform of the Chinese market, which is still expanding. However, a “market environment” that promotes fair competition remains underdeveloped. Which firm can be trusted? Which product can be safely used? How does one sustain a healthy market expansion? These difficult questions are constantly in the minds of business people and consumers, which lead them to consider CSR.

In Japan, CSR originated about 250 years ago in the form of the “*Sanpouyoshi*” (Three Goods) management philosophy that called for practising business that is ‘good for sellers, good for buyers and good for society’.⁴ To sustain growth in the businesses and expansion of the markets, a firm must never cease to satisfy its consumers, business partners, investors, employees and the local community. As many Japanese firms are inclined to last longer than a century because they operate under this management philosophy, which earns them customer trust and acceptance by the local community.

Chinese consumers are seeking true CSR in an environment saturated with uncertain products and information. They question why many Chinese firms are short-lived⁵ while many Japanese firms are

<http://blogs.wsj.com/scene/2011/11/17/alice-waters-chinas-food-sector-at-critical-juncture/?KEYWORDS=Alice+Waters>

(Latest accessed on the 1st December 2011)

³ In the latest China, lack of morality is seen in many types of industry.

China Business Journal(China), December 5, 2011

<http://www.cb.com.cn/1634427/20111205/307692.html>

(Latest accessed on the 7th December 2011)

Concern about contaminated food and other product quality issues is high on the list of explosive political issues in China.

The Financial Times, the 1st December 2011

<http://www.ft.com/cms/s/0/827dc8fe-1c07-11e1-af09-00144feabdc0.html#axzz1fTPbWg60>

(Latest accessed on the 3rd December 2011)

The rate of implement of a contract in China is only 50%.

64.4% of firms in the delay of payment (2010).

The percentage of the firm in which recovery of accounts receivable has taken 60 days or more is 33% (2009).

http://news.cntv.cn/china/20111106/105219_1.shtml

(Latest accessed on the 11 December 2011)

⁴ *Omi merchant*, Kunitoshi Suenaga, *Minervashobo*, 2011

And <http://www.shigaplaza.or.jp/sanpou/ethos/source.html>

(Latest accessed on the 1st December 2011)

⁵ A Chinese researcher has announced that the life expectancy of Chinese private firm is only 2.9 years. By comparison, the life expectancy of American firm is about 40 years.

It is one of the reasons that the history the private firm was allowed to entry into market to be is still short in China under their political system.

long-lasting⁶. Japanese firms that gained global respect for their product and service quality are consciously and actively practising their core competencies.

Although hard work with modesty defines the common Japanese spirit, for a MNE practising international business, clear communication of internal effort is undoubtedly sought overseas. This communication is not only performed for the good of the firm, but also for consumers and society, which creates a healthier economy. At the same time, Japanese firms should be aware and take precautions because misconduct or a departure from the CSR philosophy by any individual firm can damage the reputation of every Japanese firm.

However, the lowness of the consciousness in which some private firm observes law is another reason. Especially, the life of the firm which does not protect the safety of food is short.

Professor Li Jian-wei of China University of Political Science and Law, Said.

The Guangzhou Daily, the 28th November 2011.

http://gzdaily.dayoo.com/html/2011-11/28/content_1542590.htm

(Latest accessed on the 1st December 2011)

Another Chinese researcher has announced that the life expectancy of Chinese firm is only 3.5 years. By comparison, the life expectancy of European and American firm is about 12.5 years, and Japanese firm is 30 years.

Professor Zhang Ying-hua of Tianjin University of Finance & Economics, Said.

<http://www.cet.com.cn/wzsy/cj/383146.shtml>

(Latest accessed on the 11 December 2011)

⁶ There are 3,000 or more firms which have 200 years or more of history in Japan.

Firms with 200 years of history, *Nippon keizai shinbun-sha* (2010).

There are 19,518 Japanese firms with 100 years or more of history. (2008)

The precondition of a company with 100 years of history, *Asahi*(2009)

There are 5586 firms which have 200 years or more of history by 41 nations in the world.

Among these, 3146 firms more than half are located in Japan. (According to the report of Bank of Korea)

YONHAP NEWS(Korea), the 14th May 2008

<http://japanese.yonhapnews.co.kr/economy/2008/05/14/0500000000AJP20080514003900882.H>

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(Latest accessed on the 9th December 2011)