

CORPORATE SOCIAL RESPONSIBILITY PRACTICES IN RESPONDING TO NATURAL  
DISASTERS: THE UNITED STATES AND CHINA

By

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This thesis is dedicated to my parents, Jianping Wang and Rong Xu.

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CORPORATE SOCIAL RESPONSIBILITY PRACTICES IN RESPONDING TO NATURAL  
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This study examines differences and similarities between the United States and China regarding CSR activities in responding to natural disasters, by comparing their CSR communication represented by news releases during recoveries to two natural disasters: Hurricane Ike in the U.S. and Wenchuan earthquake in China. Corporate involvement in natural disaster response has become a prominent CSR activity, and companies need to communicate their CSR activities in natural disaster recovery to win the benefits of conducting CSR. However, CSR varies across countries and companies in different countries show differences in CSR communication. This study's literature review indicates that CSR in the U.S. is different from CSR in China in economic, legal, philanthropic, and cultural aspects.

By conducting a content analysis of 308 news releases generated by the top 15 companies in the U.S. and China through their Web sites, this study found that the largest companies in China showed more involvement with disaster relief than did the largest companies in the U.S. because these Chinese companies spent larger proportions of revenues in helping people in natural disasters, and they posted more news releases regarding disaster recovery. However, Chinese companies are likely to be forced to engage in CSR by the government, and they largely

emphasized governmental role in the news releases. Furthermore, this study found that altruistic messages are mostly used in the news releases about CSR in responding to natural disasters in both countries, and the leader and employee group activities are the items displayed most often in the news releases. This study concludes that , to communicate CSR regarding disaster relief in a better way, regardless of country, some elements can be included, such as concern for victims, empathy for victims, companies' donations or rescue actions, and companies' leader's and employees' efforts. In addition, companies need to establish high fit between the companies' competencies and CSR programs.

## CHAPTER 1 INTRODUCTION

For years, corporate social responsibility (CSR) has attracted increased attention from both academic and industrial areas (Moir, 2001; Waldman, Luque, Sethi, 1995; Washburn & House, 2006). Because of the high frequency of natural disasters in recent years, it seems reasonable to postulate that corporate involvement in natural disaster response has become a more prominent CSR activity. Natural disasters are generally seen as “acts of God” (Coombs, 1999), and they generate various acts of immediate relief and assistance from business sectors, according to Twigg (2001).

Companies’ reactive CSR activities, that is, becoming involved with natural disaster recoveries, can create positive consumer evaluations (Ellen, Mohr & Webb, 2000), so companies often respond to natural disasters with CSR programs. Regardless of companies’ previous CSR performances, a natural disaster provides an opportune time for undertaking CSR programs, as reactive CSR activities for natural disaster recovery are likely to have a positive impact on companies’ tangible and intangible assets (Becker-Olsen, Cudmore & Hill, 2006; Simmons & Becker-Olsen, 2006). For instance, a Chinese company, Wanglaoji Pharmaceutical Co., Ltd., became nationally famous overnight by donating \$14 million after the deadly May 2008 Wenchuan earthquake in China. Yang (2008) says a few days after the company’s donation, its traditional drink product sold out because Wanglaoji’s donation stimulated consumer enthusiasm for its product.

However, public perceptions of companies’ socially responsible images are created by the companies’ communications about their social responsibility (Hartman, Rubin & Dhanda, 2007). This relationship indicates that the overall benefits of conducting CSR are determined by companies’ communications. For example, people may be skeptical of companies’ motivations

to undertake CSR during natural disaster recovery because of inadequate CSR communication strategies to explain the motivation. Accordingly, study on CSR communications is important.

### **Background**

CSR varies across countries, and differences occur between capitalistic-based CSR and socialistic-based CSR (Jamali, 2007). The concept of CSR originated from Western systems and standards, which are comparatively lacking in developing societies (Jamali, 2007). As a result, various CSR initiatives in developing countries have not materialized to the extent as those in the Western countries (Jamali, 2007). Wanderley, Lucian, Farache, and Sousa (2008) suggest that numerous factors impede CSR programs in developing countries. These factors include a poorly organized civil society, a weak watchdog media, and the government's limited power in promoting CSR. The United States is a typical capitalistic and developed country, while China is a typical socialistic and developing country. Based on the research of Jamali and Wanderley et al., this study's author postulates that CSR in the U.S. differs from CSR in China in that companies in the two countries employ different means and models to convey their social responsibility images. Particularly due to the globalization of business, it is important to investigate those differences to launch and predict CSR activities in different countries.

This study analyzes American and Chinese companies' CSR activities as reactions to natural disasters by comparing their CSR communication, represented by news releases, during recoveries to two natural disasters, described in the following section. The goal is to explore differences and similarities between the U.S. and China regarding CSR activities in responding to natural disasters. To achieve this goal, this study

- 1) reviews previous studies on CSR characteristics in both countries;
- 2) discusses the relationship of CSR and natural disaster recovery;
- 3) highlights the characteristics of CSR communications; and

- 4) conducts a content analysis to compare CSR communication messages in the two countries.

This study also offers future research possibilities in CSR in the socialist society and makes suggestions that Chinese companies could adopt in communicating CSR programs to the public. In addition, this study's results can contribute to CSR news release writing for natural disaster recovery.

### **Natural Disasters**

Natural disasters are caused by natural hazards, and they negatively impact human activities and the environment (Wisner, Blaikie, Cannon & Davis, 2004). Avalanches, earthquakes, lahars, floods, and cyclonic storms are typical types of natural disasters. This study examines two deadly natural disasters that took place in 2008 in the U.S. and China, each having a huge negative impact on the economy and society the affected country. A brief introduction of these two natural disasters follows.

#### **Hurricane Ike in the United States**

On September 13, 2008, Hurricane Ike hurled against the Texas coast between 2 a.m. and 5 a.m. local time. The destructive storm came ashore with 169 km/h winds, heavy rainfall, and tremendous waves. The hurricane made final landfall in Baytown, Texas, at 2:10 a.m. The storm devastated Galveston and caused severe damage to Houston (The Canadian Press, 2008). After 11 hours, the wind and rain started to die down, and Ike was downgraded. Hurricane Ike was the first hurricane to hit a major U.S. city since Hurricane Katrina devastated New Orleans in 2005 (The Times, 2008).

Hurricane Ike caused massive destruction and at least 82 deaths with 202 people reported missing. In addition, 1.2 million people were evacuated, and more than 100,000 homes were damaged (McShane, 2008). Specifically, the Bolivar Peninsula was heavily damaged—almost

200 homes were flattened by Ike's storm (Hanna, 2008). Houston, the fourth largest city in the U.S., also was severely hit by Ike. Millions of coastal residents were left without power (Gaynor, 2008). The losses for onshore property damages and business interruptions from Hurricane Ike were estimated as high as \$18 billion (Souter, 2008).

This natural disaster received responses from various social sectors. Among the respondents, the U.S. federal government played a leading role in the disaster recovery. President George W. Bush urged people to make donations to victims and urged quick disaster relief (CBS News, 2008). The Department of Homeland Security's Federal Emergency Management Agency (FEMA) rescued and provided victims with life supplies and medical care (FEMA News Release, 2008). In addition, companies' responses were prominent in the recovery efforts. For instance, the Wal-Mart, ExxonMobil, Lowe's, UPS, and Home Depot foundations made seven-figure monetary donations in the wake of Hurricane Ike (Philanthropy News Digest, 2008). The relief and recovery from Hurricane Ike is still in process today.

### **Wenchuan Earthquake in China**

On May 12, 2008, a devastating earthquake, measuring 7.9 on the Richter scale, hit China at 2:28 p.m. local time. The epicenter was Wenchuan County, Sichuan Province. Almost all regions in China and some nearby countries were affected by the earthquake. The initial tremor was felt as far away as Beijing and Shanghai, which are more than 1,500 kilometers away from the epicenter. Approximately 104 aftershocks occurred within 72 hours of the main quake. The Wenchuan earthquake was the second most destructive earthquake to ever hit China.

The earthquake put the country in a disastrous situation. Official figures show approximately 69,277 confirmed deaths, 374,176 injured, and 18,222 missing. The earthquake destroyed 80% of the buildings in Beichuan County, and at least 7,000 schools collapsed in Sichuan Province (Wu, 2008). Furthermore, the earthquake left five million people homeless,

and victims suffered massive personal property losses. Many of the agricultural crops were destroyed and many nature reserves were damaged. Electricity was cut off and half of the wireless communications were lost in Sichuan Province. The central government announced that it would spend \$146.5 billion to rebuild damaged areas.

China and other countries around the world were engaged in the disaster rescue and relief efforts. China President Hu Jintao announced that disaster rescue should be started rapidly, and he called on all Chinese people to help those affected by the disaster (Hooker, 2008). Ninety minutes after the main quake, Premier Wen Jiabao flew to the heavily damaged district to oversee the rescue efforts at work. Within six hours, 10 emergency medical teams, 50,000 troops and armed police, and an emergency relief team of 184 people were sent to Wenchuan County. Substantial donations poured in from all over China. A three-day period of national mourning, starting from May 19 to 21, was declared for victims in the earthquake (Sheldrick & Tang, 2008). The U.S., South Korea, Japan, Singapore, France, and Russia all sent rescue teams and supplies into China (French & Wong, 2008).

## CHAPTER 2 LITERATURE REVIEW

Many researchers have studied CSR in the U.S. and in Europe (Hartman, Rubin & Dhanda, 2007; Jonathan & Terrence, 2006; Maignan & Ralston, 2002; Matten & Moon, 2004; Palazzo, 2002), but studies on CSR in China are rare. Recently, CSR became a significant issue in China (Gao, 2008; Wickerham & Zadek, 2008). There is now a China Business Council for Sustainable Development (CBCSD), an online CSR guide called “China CSR Map,” and a China CSR Web site (<http://www.chinacsr.com/en/>). But CSR in China has its own characteristics distinct from CSR characteristics in the U.S. The following literature reviews explores CSR in general, in the U.S. and in China.

### **Definition of CSR**

While CSR highlights relationships between corporations and society, there is little agreement on what CSR means. Carroll (1979) provided a classic definition of CSR from the viewpoint of issue management: “The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time” (p. 500). Later, Carroll (1991) changed discretionary responsibility in the definition to philanthropic responsibility, asserting that CSR includes economic, legal, ethical, and philanthropic dimensions. Many believe this new definition can be applied across cultures (Gao, 2008; Ramasamy & Yeung, 2008).

Other scholars define CSR based on stakeholder theory. For example, Whetten, Rands and Godfrey (2002) define CSR as “societal expectations of corporate behavior; a behavior that is alleged by a stakeholder to be expected by society or morally required and is therefore justifiably demanded of a business” (p. 374). According to Fleishman-Hillard and the National Consumers League’s survey (2005), in the U.S., employees are considered as one of the most important

stakeholders for companies, and the commitment to employees is perceived as the most important issue in CSR. In China, consumers and investors are believed as the most important stakeholders of companies' CSR activities, based on a *Fortune China* magazine survey (2008).

### **History of CSR in the United States**

In the U.S., CSR did not appear until World War II, and it did not become prominent until the 1960s (De George, 2006). During the 1960s, big firms and companies were attacked in a substantial number of grassroots social movements. The Civil Rights Act of 1964 gave workers legal opportunity to attack workplace discriminations, and, as a result, companies received various complaints from workers. Environmentalists criticized profit-driven companies for destroying environments, and pacifists opposed companies for making profits by selling weapons and supplies (De George, 2006). Under these circumstances, companies began to seek public support by engaging in activities that were favored by the general public, a concept that was later called "CSR" (De George, 2007). With the rise of the CSR concept, companies began to focus on protecting the environment and started getting involved with charitable giving. At this time, CSR was a tool for companies to respond to critics and regain public support (De George, 2007).

In the 1970s, the question of business ethics was raised, and ethical theories, such as Kant's, Mill's and Aristotle's theories, were applied in the evaluation and justification of businesses. With the lessons of business ethics, companies began to draw up corporate codes and set up ethical standards, which further stimulated the development of CSR (De George, 2007). In the 1990s, investments in social issues increased, leading to the increase of CSR reporting (Tschopp, 2005). A number of guidelines, including AA 1000, Global Reporting Initiative's Sustainability Reporting Guidelines, and Good Corporation's Standard, have been developed to standardize CSR report. In recent years, CSR watchdogs have emerged rapidly, while CSR is still an important issue on companies' agendas.

## History of CSR in China

CSR is relatively new to China, as the concept of CSR did not appear until the late 1990s (Ip, 2008). Because China has been experiencing a transition from a planned economy to a market economy, the priority of Chinese companies' goals has changed from serving the nation to pursuing profits. Old norms have been either doubted or abandoned, but new norms such as institutionalizing CSR still have not been formed or established. This norm-vacuum situation caused an increase of unethical companies and business behaviors. Most of these companies were driven by self-interest rather than society's well-being (Ip, 2008). Therefore, some immediate solutions were needed to alter this chaos. The concept of CSR appeared under these circumstances, and, according to Ip (2008), also as a result of China's strengthening economic ties with other countries.

Today, CSR in China is facing various challenges, such as environmental crisis, labor rights, and product safety issues (Ip, 2008). For instance, China is ranked as the top country in the world in terms of sulfur dioxide emissions. The conflicting goals between economic growth and environmental protection have not been well balanced. Several industries in China were acknowledged as highly dangerous workplaces, especially coal mines. Labor rights in these industries received much criticism, and the industries' social responsibility was questioned. Also, China has been plagued by product safety scandals for many years with toxic toys, tainted pet foods, and contaminated toothpaste and contaminated milk. Accordingly, the reputations of Chinese companies have been lowered nationally and internationally (Ip, 2008). *Fortune China* magazine conducted a corporate responsibility survey among managers, experts, officials, and scholars in 2008, finding that the lack of law, regulation, and supervision (39%) and lack of knowledge (38%) were seen as major obstacles in implementing CSR in China. Additionally, the respondents listed environmental protection and resource saving, high quality products, and

observance of business ethics as the top three important issues in CSR. In 2004, the China Business Council for Sustainable Development (CBCSD) was launched. The CBCSD helps companies to understand environmental health safety, corporate social responsibility and sustainable development, and it helps companies to improve performances in social responsibility, environmental protection, and economic growth. The launch of CBCSD demonstrates the growing attention on CSR in China.

### **Comparison of CSR in the United States and China**

The concept of CSR varies from country to country, from industry to industry, even from company to company. Welford (2005) suggests that CSR is less prevalent in developing countries. Carroll's (1991) CSR Pyramid, which includes economic, legal, ethical, and philanthropy responsibility, was created based on an American economic model. In this pyramid, economic responsibility is described as the priority responsibility, and philanthropic responsibility is given the least emphasis (see Figure 2-1).

Visser (2008) proposes a new CSR Pyramid for developing countries in which economic responsibility is given the most emphasis, followed by philanthropy, legal, and ethical responsibility (see Figure 2-2). This new CSR Pyramid for developing countries describes the normative CSR model in China.

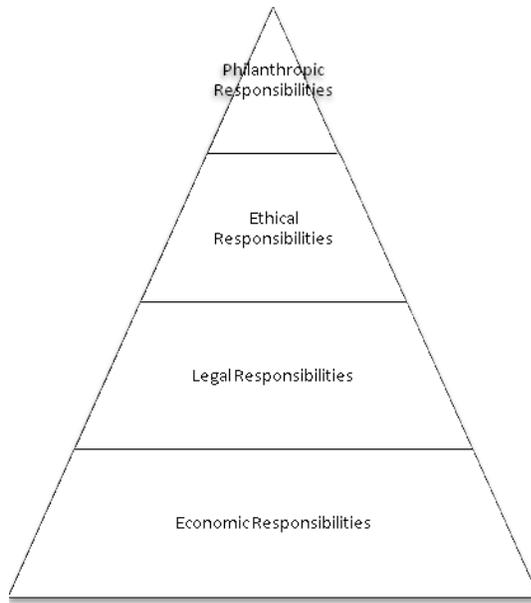


Figure 2-1. The CSR pyramid for developed countries (Carroll, 1991)

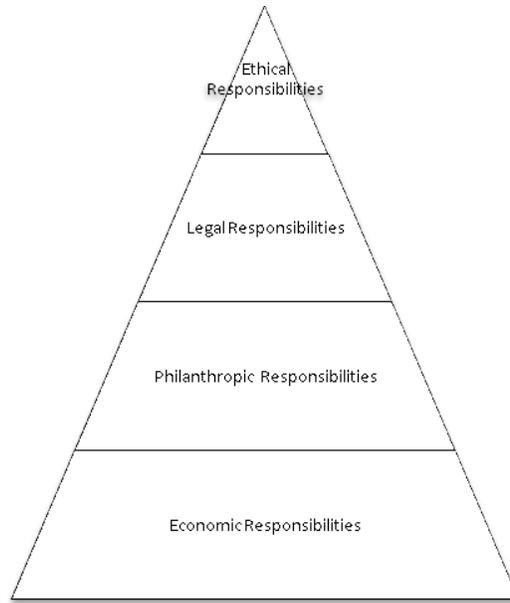


Figure 2-2. The CSR pyramid for developing countries (Visser, 2008)

Twigg (2001) identifies philanthropy as one of the major types of CSR involvement most used by companies as a responsive CSR activity in natural disaster recovery. According to the CSR Pyramids, in the U.S. and China, philanthropic responsibilities are not placed on the same level, and businesses in the two countries do not display the same eagerness to participate in philanthropy. The Oxford English Dictionary defines philanthropy as “the generous donation of money to good causes.” According to Meijer, de Bakker, Smit and Schuyt (2006), corporate philanthropy is defined as money given unconditionally and without expectation of return. These definitions focus on money-centric connotation of philanthropy. Based on these definitions, this study defines corporate philanthropy as the money giving activity.

Carroll’s (1991) CSR Pyramid for developed countries displays that philanthropic responsibility is given the least emphasis in the U.S.. He stipulates that philanthropic responsibilities are less important than economic responsibilities, legal responsibilities and ethical responsibilities. Visser’s (2008) CSR Pyramid for developing countries shows that

philanthropic responsibility is given the second most emphasis in China. During natural disaster recovery, companies in the two countries show different levels of eagerness to get involved with disaster relief through philanthropy. Based on the CSR pyramids, companies in developing countries view philanthropic responsibility as more important than companies in developed countries. Therefore, this study's first hypothesis is proposed:

H1: The largest companies in China will contribute a larger proportion of revenues (post tax) to natural disaster recovery than will the largest companies in the U.S..

While a number of studies have discussed American versus European approaches to CSR (Hartman, Rubin & Dhanda, 2007; Jonathan & Terrence, 2006; Maignan & Ralston, 2002; Palazzo, 2002), comparisons of CSR between the U.S. and China are relatively rare. Hence, this study first will explore whether or not CSR practices are different for companies in the U.S. and China in light of Visser's (2008) and Carroll's (1991) models. The comparison focuses on economic, legal and philanthropic dimensions, and then the cultural force of CSR is explored. (See Table 2-1).

### **Economic Comparison Regarding CSR**

Economic domain is at the basis of Carroll's (1991) and Visser's (2008) pyramids, and it is the most fundamental responsibility. The economic dimension is described as "maximizing earnings per share, being as profitable as possible, maintaining a strong competitive position and high level of operating efficiency" (Carroll, 1991, p. 40). Carroll (1979) pointed out that economic responsibility is the first and foremost of businesses' social responsibilities. In fact companies may be motivated by profits to adopt CSR activities, so companies' goals to maximize profits are not contradicted with their CSR activities (Siyaranamual, 2007).

Maignan (2001) states that consumers in the U.S. view economic responsibilities as significantly more important than ethical and philanthropic responsibilities, and consumers

believe economic performance is a leading business responsibility. American consumers believe that companies need to maximize profits and pursue economic interests. A similar situation is found in China. Since 1979, China has experienced transformation from a planned economy to a market economy and has begun to encourage free competition in the market. The goal of the transformation is to balance market forces and governmental planning. Because of the fierce competition, many companies have changed their missions from serving the nation to pursuing profit (Ip, 2008). Randt (2007) says that Chinese companies believe that CSR programs in China “are not only good for the local communities but are, moreover, for good business” (p. 1).

At a business leaders’ annual meeting in 2002, a survey concerning CSR was conducted among upper-level managers in China. The survey found that the vast majority of respondents believed CSR was compatible with profit-seeking behavior, and CSR should be implemented even in economic recessions. The survey results showed that guaranteeing companies’ economic return (44.44%) was listed after providing good quality products (63.89%), and providing good working conditions (47.22%) was the third most important issue in CSR practices. Five years later, the China Enterprise Survey System developed a similar survey and found that profit maximization (67.9%) was listed as the third most basic responsibility of companies, with the first two being creating social wealth (87.4%) and promoting the nation’s development (78.4%). Gao (2008) researched corporate social performance in China by analyzing CSR content on large firms’ websites. Based on Carroll’s (1991) four dimensions of CSR, he found that big firms in China engaged in the economic aspect of CSR most frequently, followed by philanthropy, ethical, and legal responsibilities aspects. Burton, Farh and Hegarty (2000) compared CSR in the U.S. and Hong Kong and found that economic responsibilities in CSR were highly rated by Hong Kong respondents.

## **Legal Comparison Regarding CSR**

Laws can be used to benefit companies' stakeholders and contribute to the success of corporations (Greenfield, 2007). Therefore, laws have a powerful influence on encouraging CSR. Williams and Aguilera (2006) explain that laws passed by governments have an impact on creating social expectations. Once new social expectations are established, other social forces, such as consumer awareness, community demands, and investor needs, encourage firms to take a CSR approach. Additionally, laws remind the general public of the importance of an issue, and the passage of laws regarding CSR send a signal that CSR is becoming significant in society. For many years, companies voluntarily have implemented CSR programs. But mandatory requirement for CSR is a new trend, and some new laws require companies to affirmatively engage in CSR programs (Levine, 2007).

Some developed countries have passed such laws regarding CSR. In the U.S., the Foreign Corrupt Practices Act was passed in 1977 to address accounting transparency and bribery of foreign officials. In the United Kingdom, the Companies Act 2006 is a statute to regulate companies, and it requires companies to be transparent. In the Germany, the One-Third Participation Act of 2004 requires companies to protect employee's rights (Jones Day, 2004). Some developed countries have passed laws to require companies to report on CSR information (GreenBiz, 2009). For instance, in France, all companies have had to include CSR information in their annual reports since 2001. In the U.K., companies have been required to report on social and environmental information since 2007. In Denmark, the Danish Parliament voted to force the 1,100 largest companies to report on CSR information in 2008. On the other hand, in developing countries, governments may ignore a corporation's irresponsible behaviors and refuse to put environmental or labor standards into law to induce foreign investment (Aman, 2001). For example, Ecuador is a country relying on oil earnings, and oil exploration ensures the country's

well being. Therefore, the Ecuador government worked to increase foreign investment and attract oil companies, which in turn damaged environment, destroyed habitats and contaminated water (Dabbs, 1996).

### **Laws in the United States**

Before the late 19<sup>th</sup> century, state governments in the U.S. used corporate charters to regulate corporate behavior and ensure corporate accountability (Cray, 2007). In the 20<sup>th</sup> century, the U.S. federal government passed provisions and laws to force companies to behave responsibly.

**Workplace laws and regulations:** to protect workers' interests, the government passed the Occupational Safety and Health Act in 1970, ensuring employees' workplace safety and health. To comply with this law, a company must provide a workplace free from hazards that are causing or may cause harm to workers.

**Environmental laws and regulations:** businesses also must comply with environmental laws, such as the Resource Conservation and Recovery Act of 1976, the Clean Air Act Amendments of 1990, and the Pollution Prevention Act of 1990. These regulations force companies to reduce pollution, protect the environment, and promote sustainable development in their daily operations.

**Investor's Laws and Regulations:** to protect investors and reform accounting, the Sarbanes-Oxley Act was passed in 2002. All public organizations must comply with the act and include the following 11 titles when reporting finances: public company accounting oversight board, auditor independence, corporate responsibility, enhance financial disclosures, analyst conflicts of interest, commission resources and authority, studies and reports, corporate and criminal fraud accountability, white collar crime penalty enhancement, corporate tax returns, and corporate fraud accountability. The Sarbanes-Oxley Act requires companies to be responsible for

their investors and to be transparent in financial reporting. It helps to recover investor confidence in companies.

### **Laws in China**

In China, companies involved with CSR also are under the power of laws. These laws include product quality laws, labor laws, corporate laws, and ethics and social responsibility laws.

**Product Quality Laws:** the Product Quality Law of the People's Republic of China was passed in 1993 by the 30th session of the standing committee of the seventh national people's congress and was amended in 2000. This law aims to strengthen product quality supervision, raise the product quality level, and protect consumers' interests. It leads companies to be more responsible for consumers and society. Additionally, on December 30, 1999, the Decision of the State Council Concerning Several Issues on Further Strengthening Product Quality Work was passed. This law forces companies to improve the general level of product quality.

**Labor Laws:** Labor Law of the People's Republic of China was passed at the eighth meeting of the standing committee of the eighth national people's congress in 1994. This law protects labors' interests, such as labor hour, labor wage and labor equal opportunity. The law requires companies to sign labor contract with employees, purchase insurance for employees and improve working conditions. The law forces companies to be responsible for employees.

**Market Economy Laws:** the law system in China may be incomplete, but China has begun to constitute a series of corporate laws since the entry of the World Trade Organization (WTO) in 2001 (Zou, 2006). On April 27, 2001, the government passed the Decision of the State Council on Rectifying and Standardizing the Market Economy Order to establish some order in the market economy. The Decision prohibits manufactures from producing fake and shoddy goods, ensures safe work environment, and enforces strict financial disciplines.

**Ethics and Social Responsibility laws:** on January 1, 2006, the Company Law of the People's Republic of China went into effect, requiring companies to abide by ethics as well as social responsibilities. The law declares that a company shall comply with social morality and business morality when conducting business. The law forces companies to act in good faith and bear social responsibility. Labor rights are protected by this law, and companies are required to sign employment contracts, buy social insurances, and ensure work safety in their daily operations. Companies will be punished if they do not comply with the mandates. The advent of these laws aroused people's awareness of business ethics and CSR.

### **Philanthropic Comparison Regarding CSR**

Philanthropic responsibility replaced discretionary responsibility as the fourth dimension in CSR, and it requires businesses to be good corporate citizens (Carroll, 1991). Philanthropy was placed at the top of Carroll's (1991) pyramid, while at the second tier of Visser's (2008) pyramid. Corporate philanthropy is voluntary and goes beyond the legal or economic requirements imposed by government to meet the spoken and unspoken expectations of society (Hall, 2006). Paul (cited in Genest, 2005) defines corporate philanthropy as a group of people authorized to act as an individual, especially in business, who share a concern for the good fortune, happiness, health and prosperity of mankind and demonstrate this concern through acts that are good, friendly, and helpful.

### **Philanthropy in the United States**

Corporate philanthropy was not allowed by federal law until the 1950s in the U.S. (Smith, 1994). By the 1960s, companies began to give money through private foundations such as the Rockefeller Foundation. In the 1990s, corporations considered their self-interest in philanthropy and established their own foundations. The AT&T Foundation, which was built to serve both society and business, is one example (Smith, 1994).

At this period, strategic refocusing and globalization were two trends in corporate philanthropy (Simon, 1995). Strategic philanthropy is defined as a process “by which contributions are targeted to meet both business objectives and recipient needs” (Marx, 1997, p. 21). Simon (1995) points out that strategic philanthropy can be used by corporations to open new markets and improve image, and it is an inevitable component of competitiveness. Faced with this trend, companies began to redefine corporate philanthropy and integrate corporate philanthropy into business strategy (Smith, 1994). The other trend is the globalization of business. Genest (2005) proposes that corporate philanthropy is a response to a global environment. As companies go global, they confront more challenges. Philanthropy is a reliable way to forge a unified image and comfort stakeholders around the world.

In the 21<sup>st</sup> century, corporate philanthropy is becoming a prominent item on the corporate agenda. Disasters such as 9/11, the 2004 tsunami, and Hurricane Katrina encouraged a variety of companies to engage in philanthropy, especially disaster recovery. The Holmes Report (2002) demonstrates that the vast majority of U.S.-based companies (52 %) surveyed have a global giving program and some companies (10 %) have plans to build giving programs in the next three years.

### **Philanthropy in China**

The culture of China has been essentially rooted in Confucianism, which emphasizes harmony in society (Gao, 2008). Confucianism, which is associated with respect, ordering relationships, and virtuous behaviors, makes companies take the interests of others into consideration and behave responsibly toward society as a whole (Lu, Rose & Blodgett, 1999). Confucianism advocates virtuous behavior toward others, and the core idea of Confucianism is “ren,” which refers to love and help people and is comparable to the Christian value of “love thy neighbor” (Lee, 2006). In applying this idea to corporate philanthropy, it follows that companies

need to comply with the value of “ren” and show their concerns about people and society. This is the reason why philanthropic responsibility was placed at the second tier at the CSR Pyramid of China by Visser (2008).

The Shanghai Academy of Social Sciences’ Sociology Institute conducted a survey among state-owned, privately owned, and joint venture Shanghai companies in 2000. The survey results show that 92.5% of respondents had made cash and non-cash donations in the last year. The amount of money given away by the respondents was substantial. About 53% of respondents had made donations with a value below \$7,000, 36% respondents had made donations with a value between \$7,001 and \$40,000, 7% respondents made donations between \$40,001 and \$150,000, and 4% respondents made donations above \$150,001. The corporate philanthropy in China is closely linked to government policy. Because of wide income disparity, a limited welfare system, and a large population in China, companies in China perceive philanthropy activities as vital complements to governmental programs (Randt, 2007).

According to the *China Development Brief* (2000), corporate giving has been largely directed by governments in China. But it predicts that corporate giving will become more autonomous and be less directed by the government in future because of the development of a market economy. According to philanthropy’s characteristics in the two countries, this study’s second hypothesis is proposed:

H2: Compared with companies in the U.S., companies in China are more likely to refer the government’s leading role when making donations to natural disaster recovery.

### **Cultural Comparison Regarding CSR**

The economic, legal and philanthropic domains of CSR in the U.S. and China have been compared, so the last important antecedent of CSR characteristics to be explored is culture. CSR

is shaped by many forces including culture, thus companies' social responsibilities are believed to be different across cultures (Donaldson & Dunfee, 1994).

Cultural differences in CSR decision-making between the U.S. and China were observed in several studies (Gaenslen, 1986; Stewart, Setlock & Fussell, 2007). Culture can affect the decision-making process for CSR issues (Hunt-Vitell, 1993). According to Hofstede and Bond (1988), culture effects can be measured on five ethical dimensions: power distance, individualism/collectivism, masculinity/femininity, uncertainty avoidance, and Confucian dynamism.

Power distance refers to the extent to which less powerful persons in organizations accept unequal distribution of power. Individualism/collectivism depicts the extent to which individuals' are integrated into groups. A collectivism culture has people with strong ties with each other, whereas in an individualism culture, ties are weak. Masculinity/femininity describes the extent to which people in organizations value aggressive vs. nurturing goals. Uncertainty avoidance describes the extent to which employees hope to avoid unstructured situations. Confucian dynamism refers to ordering relationships between juniors and seniors, harmony in family, respect for others, virtuous behaviors, and perseverance. This study focuses on the individualism/collectivism dimension to compare CSR in the U.S. and China.

Hofstede and Bond (1988) compared individualism/collectivism between the U.S. and Hong Kong. The U.S. ranked higher in individualism than Hong Kong. The difference in this culture dimension leads to differences in perceived importance of socially responsible business. Vitell, Paolillo and Thomas (2003) found that a culture with more collectivism would place more importance on CSR. Therefore, this model suggests that CSR should be more prominent in China because of its cultural characteristics follow collectivism. In contrast, CSR should be relatively

weaker in the U.S. because of its individualism culture. Shafer, Fukukawa and Lee (2006) point out that business managers from China view ethics and social responsibility as more important to companies' success than business managers from the U.S.. In this case, companies in China, because they are more collectivistic, will place more importance on CSR activities. Therefore, this study's third hypothesis is proposed:

H3a: The largest companies in China will post more news releases about CSR activities regarding natural disaster recovery than will the largest companies in the U.S..

H3b: The largest companies in China will update news releases about CSR activities regarding natural disaster recovery more frequently than will the largest companies in the U.S..

However, collectivistic culture may negatively affect CSR in some cases. A collectivistic culture values personal relationships and strong ties in groups, and this kind of close personal relationship would be labeled as "Guanxin." "Guanxi," literally meaning "personal connections," is a key factor leading to business success in China (Su, Sirgy & Littlefield, 2003). Guanxi also is a concept related to social networking; it refers to long-term cooperation and connection among business partners that enhance business performances (Su et al., 2003). Some scholars connect Guanxi with bribery in business transactions (Smeltzer & Jennings, 1998), and Guanxi may result in unethical practices in business exchanges. It is believed to have a negative relationship with CSR behavior (Ang & Leong, 2000).

Table 2-1. Comparison of CSR in the U.S. and China

| CSR Aspect | U.S.  | China   |
|------------|---|---|
| History    | Appeared in the 1940s                       | Appeared in the 1990s   |
| Economic   | Fundamental responsibilities for businesses | Pursuing economic profits is compatible with CSR for businesses |
| Legal      | Workplace laws and regulations              | Labor Laws  |

Table 2-1. Continued

| CSR Aspect    | U.S.   | China   |
|---------------|--|---|
| Legal         | Environmental laws and regulations<br>Investor's Laws and Regulations  | Product Quality Laws<br>Market Economy Laws<br>Ethics and Social Responsibility laws  |
| Philanthropic | Prohibited by the law before the 1950s<br>Private foundations in the 1960s<br>Corporate foundations in the 1990s<br>Strategic refocusing and globalization of philanthropy in the 1990s<br>Corporate giving programs established in most companies in the 21 <sup>st</sup> century | More prominent than legal and ethical responsibilities for businesses<br>Philanthropy programs are complements to governmental programs |
| Cultural      | Individualism makes businesses perceive CSR as less important  | Collectivism makes businesses perceive CSR as more important  |

### **Corporate Involvement in Natural Disasters Recovery**

Natural disasters are caused by natural hazards, and natural disasters occur when hazards meet vulnerability (Wisner, Blaikie, Cannon & Davis, 2004). "Hazards" refer to potential threats resulting from either natural acts or man-made acts. "Vulnerability" means the extent to which a person or a group can be affected by a hazard (Twigg & Greig, 2001). So natural disasters appear when natural hazards take place at vulnerable places or to vulnerable persons.

For many years, natural disasters have called for corporation involvement in disaster relief. The United Nations has encouraged social sectors, other than government, to involve themselves in being on the scene at sites of natural disasters. In 1989, the U.N. International Decade for Natural Disaster Reduction highlighted the role of industrial enterprises in natural disaster reduction, and it encouraged industrial enterprises to support national governments' work in assisting with relief efforts in natural disasters. In major disasters, the national government has primary responsibility in encouraging companies to engage in disaster response and recovery.

Recent studies show that corporate involvement in disaster relief and reconstruction is emerging in business life. Companies respond to natural disasters on both commercial and philanthropic terms (Sayegh, 2004). Significant differences with respect to companies' involvement in natural disasters have been observed in many countries (Muller & Whiteman, 2008). Twigg (2001) identifies philanthropy as the most used by companies as a responsive CSR activity in natural disaster recovery. Philanthropy in disasters includes two forms: funding and technical support. Funding refers to monetary support, and technical support includes providing facilities, volunteers or technical (Twigg, 2001). For example, a company can send volunteers to disastrous areas to help disaster mitigation.

The companies gain benefits from responsive CSR activities, such as positive publicity, good image, and customer loyalty. But companies may become suspected by the public if they make inappropriate donations. Becker-Olsen, Cudmore and Hill (2006) states that a low fit between companies and social initiatives will result in negative and unfavorable thoughts, and companies will be considered as low credible. Sen and Bhattacharya (2001) suggest that companies will be punished by consumers if their donations are perceived as insincere. Furthermore, Twigg (2001) found that while companies do not view disaster relief support as an obligation, non-government organizations (NGOs) think companies have such a responsibility.

### **CSR Communication**

“For most companies, the question is not whether to communicate but rather what to say, to whom, and how often” (Kotler, 2003, p. 563). This statement indicates that the key question for companies is how to communicate with others. To actually conduct CSR is one matter, but to communicate CSR information is another. The necessity of CSR communication has been highlighted in research. Public perceptions of companies' motivations are created by companies'

communications about their motivations rather than by actual motivations themselves (Hartman, Rubin & Dhanda, 2007).

CSR communication is defined as “communication that is designed and distributed by the company itself about its CSR efforts” (Morsing, 2006, p. 171). Regardless of motivations for CSR, companies need to effectively communicate CSR messages to stakeholders for these publics to know about the activities because increasing expectations from the general public put pressure on companies’ transparency. Communication with stakeholders plays a vital role in CSR success, and ineffective CSR communications may jeopardize corporate reputations (Chaudhri & Wang, 2007). It should be noted that while the proactive communication of CSR has been widely discussed in literature, studies on reactive CSR communication are rare.

### **Proactive CSR Communication Strategies**

Research on proactive CSR communication was done by Edelman who partnered with the Boston College Center for Corporate Citizenship, Net Impact, and the World Business Council for Sustainable Development to develop a report [titled “Corporate Responsibilities & Sustainability Communications: Who’s Listening? Who’s Leading? What Matters Most?”]. The report includes quantitative data from Edelman Trust Barometer survey in 2007 and quantitative data from interviews. The survey was conducted among people from 18 different countries, and the interviews were conducted among executives, journalists and analysts.

The report shows four effective CSR communication tactics: 1) taking advantage of third-party groups to connect with other stakeholders; 2) using opinion leaders to draw media attention and increase media coverage helps to influence stakeholders; 3) establishing consensus on CSR issues by conducting NGO meetings; and 4) encouraging business students to verify the CSR report independently.

### **Three CSR Communication Strategies**

Morsing and Schultz (2006) point out three CSR communication strategies: stakeholder information strategy, stakeholder response strategy, and stakeholder involvement strategy. The three strategies have difference in companies' relationships with stakeholders. They suggest the stakeholder involvement strategy should be mostly used in the future.

**Stakeholder information strategy:** the stakeholder information strategy means that a company's purpose of communication is to disseminate information rather than persuade stakeholders. In this model, companies inform stakeholders about their CSR intentions and activities. Companies adopting this model write news releases or design brochures to inform stakeholders.

**Stakeholder response strategy:** the stakeholder response strategy means that companies consider their stakeholders' expectations of CSR and attempt to change stakeholders' minds about the companies' social responsibility images. This model, based on the two-way asymmetrical communication model, is used by companies to convince stakeholders that the companies are socially responsible. Companies using this model engage with public opinion polls or market surveys to get stakeholders' responses.

**Stakeholder involvement strategy:** the stakeholder involvement strategy is different from the stakeholder response strategy in that companies make changes according to their stakeholders' feedback. Companies learn stakeholders' expectations by engaging in dialogues with stakeholders. They also assume that the stakeholder involvement strategy is increasingly necessary in CSR communication and that companies need to move from informing, and responding to involving stakeholders in CSR communication.

## **Other Important Variables**

In CSR communication, Schlegelmilch and Pollach (2005) pointed out that “source credibility of the communicator, honesty of the statements, and involvement of the audience with the topics that are being communicated” are important (p. 278). In natural disaster recovery, audience involvement generally should be relatively high, so, in this case, source credibility and honesty of the statements should be key factors.

## **CSR and Internet**

In 2005, Fleishman-Hillard and the National Consumers League conducted a survey researching CSR communication methods and the role of technology in CSR communication. When asked about CSR sources, 28% reported that an Internet search engine was the most popular way to get companies’ CSR information. Only a few said that newspapers (9%) and companies’ own Web sites (7%) were important sources to learn about companies’ CSR.

The Internet is becoming one of major channels to disclose CSR information (Wanderley, Lucian, Farache and Sousa, 2007). The Web provides a channel for companies to communicate their CSR message, thus companies have their own way to set agendas and frame messages without following media gatekeepers’ rules (Chaudhri & Wang, 2007). On the other hand, companies’ Web sites are not regarded as a credible source of CSR information (Edelman report, 2008). In Fleishman-Hillard and the National Consumers League’s survey (2005), only 33% respondents perceive companies’ own Web sites as a highly credible source to gain CSR information. Therefore, companies face a challenge to communicate their CSR practices to their stakeholders through their Web sites.

Wanderley et al. (2007) researched CSR information on Web sites of 127 companies from different countries, including Brazil, Chile, China, India, Indonesia, Mexico, South Africa and Thailand. The research found that CSR information disclosure on the Web varies across

countries, and country of origin and social report have a strong link. Companies in different countries may, therefore, use different CSR messages to respond to natural disasters. Thus, the following research question is proposed:

RQ1. What are differences between the largest companies in the U.S. and China in communicating CSR messages during natural disaster recovery?

### **Altruism and Egoism and Effects on CSR Messages**

Boulangier (2008) found that altruistic messages could generate positive attitudes from people in the collectivist societies, while people of individualistic societies would have positive attitudes toward the egoistical message. The altruistic message is to help others, while the egoistical message is a self-focused message. According to Hofstede and Bond (1988), the U.S. is ranked higher on individualism, and China is ranked higher on collectivism. Based on this logic, CSR messages to Americans are likely to be self-centered messages, while those to Chinese people are likely to be communal/altruistic messages. Therefore, the fourth hypothesis is proposed:

H4: The largest companies in the U.S. will employ egoistical CSR messages in responding to natural disasters compared with the largest companies in China which will employ altruistic CSR messages in responding to natural disasters.

### **Individualistic vs. Collectivistic CSR Messages**

Hofstede and Bond (1988), Triandis (1995), and Zhang and Neelankavil (1997) portray the U.S. as having an individualistic culture, which emphasizes each individual performance. In contrast, China is portrayed as having a collectivistic culture, which emphasizes groups' performances in society. Due to this cultural difference, companies in the two countries will attach different importance to individuals in CSR messages. Therefore, the fifth hypothesis is proposed:

H5: When communicating CSR information regarding natural disasters, the largest companies in the U.S. will describe individual's role in disaster relief more than companies in China, which will focus more on group's role in disaster relief.

## CHAPTER 3 METHODOLOGY

This study conducts a content analysis of the news releases generated by the top companies in the U.S. and China through their Web sites in response to each country's specified natural disaster.

### Sample Selection

Companies included in the study were selected from the *Fortune 500* list in 2008, according to rank by countries. There are 29 Chinese companies in the list, so the top 29 companies from each country were first considered for research. According to this study's pretest, 14 American companies in the list did not release news stories regarding the Hurricane Ike recovery, so the remaining 15 American companies were selected for study. Therefore, to make the number of company in the research equivalent, the top 15 Chinese companies were selected for study. Those most successful companies in each country are able to represent CSR development in the countries. Although some of the companies operate businesses in a multinational context, the country of a company is determined by the location of its headquarters. Table 3-1 presents the list of the 15 companies in the U.S., and Table 3-2 shows the list of the 15 companies in China.

Table 3-1. Top 15 American corporations in the study

| Country Rank | Company               | City          | Revenues (\$ millions) |
|--------------|-----------------------|---------------|------------------------|
| 1            | Wal-Mart Stores       | Bentonville   | 378,799                |
| 2            | ExxonMobil            | Irving        | 372,824                |
| 3            | Chevron               | San Ramon     | 210,783                |
| 4            | General Motors        | Detroit       | 182,347                |
| 5            | ConocoPhillips        | Houston       | 178,558                |
| 9            | Bank of America Corp. | Charlotte     | 119,190                |
| 10           | AT & T                | San Antonio   | 118,928                |
| 14           | Hewlett-Packard       | Palo Alto     | 104,286                |
| 15           | McKesson              | San Francisco | 101,703                |
| 17           | Valero Energy         | San Antonio   | 96,758                 |

Table 3-1. Continued

| Country Rank | Company                   | City       | Revenues (\$ millions) |
|--------------|---------------------------|------------|------------------------|
| 18           | Verizon<br>Communications | New York   | 93,775                 |
| 22           | Home Depot                | Atlanta    | 84,740                 |
| 24           | CVS Caremark              | Woonsocket | 76,330                 |
| 25           | UnitedHealth Group        | Minnetonka | 75,431                 |
| 26           | U.S. Postal Service       | Washington | 74,778                 |

Source: Fortune Global 500 2008

<http://money.cnn.com/magazines/fortune/global500/2008/countries/US.html>.

Table 3-2. Top 15 Chinese corporations in the study

| Country Rank | Company                                  | City      | Revenues (\$ millions) |
|--------------|--|-----------|------------------------|
| 1            | Sinopec                                  | Beijing   | 159,260                |
| 2            | State Grid                               | Beijing   | 132,885                |
| 3            | National Petroleum                       | Beijing   | 129,798                |
| 4            | Industrial & Commercial<br>Bank of China | Beijing   | 51,526                 |
| 5            | Mobil Communications                     | Beijing   | 47,055                 |
| 6            | China Life Insurance                     | Beijing   | 43,400                 |
| 7            | Construction Bank                        | Beijing   | 41,307                 |
| 8            | Bank of China                            | Beijing   | 38,904                 |
| 9            | Agricultural Bank of<br>China            | Beijing   | 34,059                 |
| 10           | Southern Power Grid                      | Guangzhou | 33,861                 |
| 11           | Sinochem                                 | Beijing   | 30,204                 |
| 12           | Baosteel Group                           | Shanghai  | 29,939                 |
| 13           | Hutchison Whampoa                        | Hong Kong | 28,035                 |
| 14           | China Telecom                            | Beijing   | 27,856                 |
| 15           | China FAW Group                          | Changchun | 26,391                 |

Source: Fortune Global 500 2008

<http://money.cnn.com/magazines/fortune/global500/2008/countries/China.html>.

### Unit of Analysis

For the content analysis, the unit of analysis was a company's news release. To answer the research question concerning American companies' CSR practices in response to Hurricane Ike, news releases on each selected company's Web site were analyzed. News releases were selected according to two criteria: 1) news releases must include the key phrase "Hurricane Ike" in the first paragraph or headline; and 2) news releases must be released between September 12, 2008,

and October 11, 2008. Based on the criteria, the total of 30 news releases was included in this study.

To answer the research question concerning Chinese companies' CSR practices in responding to the Wenchuan earthquake, news releases on each selected company's Web site were coded. News releases were selected according to two criteria: 1) news releases must include the key phrase "Wenchuan Earthquake" or "*Kang Zhen Jiu Zai*" (earthquake relief) at the first paragraph or headline; and 2) news releases must be released between May 12, 2008, and June 11, 2008. Based on the criteria, the total of 278 news releases was selected in this study.

These time frames were chosen based on the fact that the first month after the occurrence of a natural disaster is a significant phase for companies to become involved with recovery, and the number of news releases posted in this phase would be larger than in other periods. News releases, which were collected from Chinese companies' Web sites, were in English, which ensured the stories were coded without mistranslation. If news releases in English were not available, special care was devoted to the accurate translation of Chinese news stories, and the results reported here were based on English translations.

### **Coding Process**

The coders, trained for this study, are two native Chinese who can accurately translate Chinese into English. The author served as the primary coder. Each selected news release was coded for basic information: company's name, country of company, date, and length. A coding guide was developed as shown in Table 3-3.

### **CSR Eagerness during Natural Disasters**

To test H1 that proposes companies in China will contribute a larger proportion of revenues to natural disaster recovery than will the largest companies in the U.S., this study identified how much each company donated for the natural disasters and then calculated that as a

percentage of their total revenues. Donations of companies in the U.S. and China were counted in U.S. dollars. Chinese Yuan was converted into U.S. dollars; Yuan is worth approximately \$0.15. The companies' revenues were collected based on Fortune 500 2008 report.

To test H3a that proposes companies in China will send out more news releases about CSR activities regarding natural disaster recovery, the total number of news releases posted by companies from each country was counted and compared. To test H3b that proposes companies in China will update news release about CSR activities regarding natural disaster recovery more frequently, the average updating frequency of news releases from each company was calculated and compared. The frequency was defined as the percentage of news releases sent out per day within 30 days.

#### **Altruistic Message vs. Egoistic Messages**

To investigate CSR communication strategies, altruistic versus egoistic messages were coded. According to Boulanger (2008), altruistic messages emphasize strong motivation to help others and benefits to recipients, such as “victims need our zealous help and benefit from our donations”, “our sincere thoughts go out to the residents who are in need of assistance”, and “we provide support to communities when they need it.” In contrast, egoistic messages emphasize strong motivation to help self and benefits to givers, such as “we can benefit from CSR practices”, “donation improves our company’s socially responsible image”, and “we can receive rewards from our customers.”

Smith, Smith, Downs, Pieper, Yoo, Bowden, Ferris, and Butler (2004) found two conceptual aspects of altruistic messages: concern and empathy. Concern refers to the concern for the others, and empathy means “having the capacity to perspective take with the character in need and showing empathic concern for the other,” but not “becoming self focused in his/her

emotional responsiveness” (Smith et al., 2004, p31). Based on these conceptual definitions, guidelines for coding altruistic and egoistic messages were established (Table 3-3).

### **Individual vs. Group-Focused Messages**

In addition, individual featured messages versus group featured messages were coded. Individual featured messages highlight individual role or individual words in news releases, such as manager’s speech and leader’s donation, whereas, group featured messages highlight the group’s role or group’s behavior in news releases, such as employees’ donations and teams’ assistances. Coding guidelines for individual and group featured messages were established (Table 3-3).

### **The Government Role**

To examine the second hypothesis, the governmental role in corporate philanthropy during Hurricane Ike and Wenchuan Earthquake was analyzed. The appearances of the president’s name, governor’s name, government’s name or policy, Party’s name and officer’s were recorded, and these words presented government’s effect on companies’ CSR performance. The number of these words in each news release was calculated and then compared.

### **Inter-Coder Reliability**

Reliability is of great concern of researchers conducting content analysis. A research is reliable if “it responds to the same phenomena in the same way regardless of circumstances of its implementation.” (Krippendorff, 2004, p.211). To achieve reliability, this study recruited an additional coder. Ten percent of 30 available news releases from American companies were coded for inter-coder reliability. Ten percent of 278 available news releases from Chinese companies were coded for inter-coder reliability. Inter-coder reliability is calculated based on Cohen’s formula:

$$k = \frac{\Pr(a) - \Pr(e)}{1 - \Pr(e)}$$

Pr(a) refers to the relative observed agreement among coders, and Pr(e) refers to the hypothetical probability of chance of agreement. By using Cohen's kappa, inter-coder reliability values were 1.0 for companies' contributions in natural disasters, .96 for government role in encouraging CSR, .89 for altruistic versus egoistic messages, .94 for individual versus group focused messages, and 1.0 for the number and frequency of news releases. Landis and Koch (1977) state that values of kappa from 0.81 to 1.0 indicate acceptable inter-coder reliability. Therefore, the coding was sufficiently reliable for analysis.

Table 3-3. Coding guide

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Coding Element

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Government role

- References to President's name and speech
- References to governors' names and comments on companies
- References to the government's name and disaster relief policy
- References to Party's name and comments on companies
- References to officers' names and comments on companies

CSR messages

Altruistic

Concern for victims

- References to donations
- References to companies' beneficial policies for victims
- References to companies' rescue actions
- Such phrases as "respect for victims", "concern for victims", "love for victims" and "support to the communities"
- Such adjective as "hearty", "sincere" and "zealous"

Empathy for victims

- Such phrases as "mourn for victims" and "sympathy for victims"
- Such adjective as "sympathy"

Egoistic

- References to companies' benefits from disaster relief activities
- References to positive comments on companies' donations

Individual focused

- A leader's involvement in disaster relief
- A leader's speech
- An employee involvement in disaster relief

Table 3-3. Continued

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| Coding Element                       |
|--------------------------------------|
| Group focused                        |
| A group of leaders' donations        |
| A group of employees' donations      |
| A group of employees' rescue actions |

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CHAPTER 4  
RESULTS

H1 hypothesized that the largest companies in China will contribute a larger proportion of revenues (post tax) to natural disaster recovery than will the largest companies in the U.S.. A total of 12 companies in the U.S. from the selected 15 companies posted their donations to the Hurricane Ike recovery on their Web sites. McKesson, Valero Energy and the U.S. Postal Services did not post their donation information on their Web sites. Therefore, comparisons of donations were made between 12 American companies and 15 Chinese companies. Table 4-1 indicates that there is a significant difference in monetary donations (as a percentage of total revenues) between the U.S. ( $M=0.00000075$ ,  $SD=0.00000082$ ) and China ( $M=0.000041$ ,  $SD=0.000034$ ). Figure 4-1 shows the distribution of donations in each country, revealing that the companies in China spent a larger proportion of their revenues on natural disaster recovery. Therefore, the H1 is supported ( $t=4.49$ ,  $df=14$ ,  $p<.001$ ).

Table 4-1. Proportion of companies' revenues donated to natural disaster recovery

| Country | Number of Company | Mean       | SD         | df | t    | p    |
|---------|-------------------|------------|------------|----|------|------|
| U.S.    | 12                | 0.00000075 | 0.00000082 |    |      |      |
| China   | 15                | 0.000041   | 0.000034   |    |      |      |
|         |                   |            |            | 14 | 4.49 | .001 |

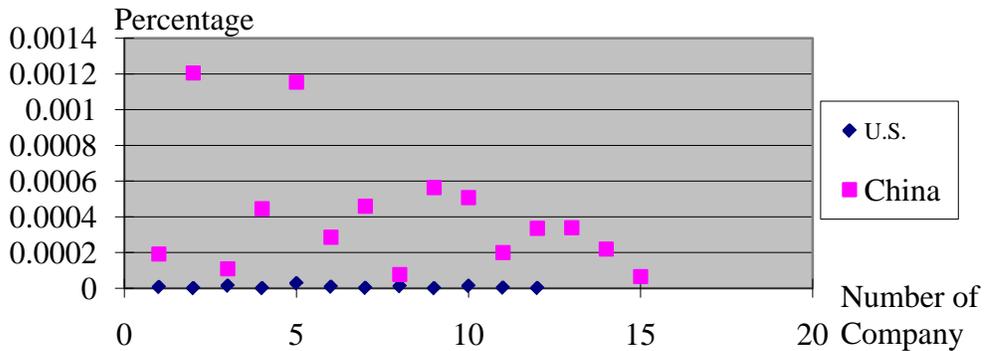


Figure 4-1. Distribution of percentages of revenues companies donated

The second hypothesis proposed that, compared with companies in the U.S., companies in China are more likely to refer to the government's leading role when making donations to natural disaster recovery. The hypothesis dealt with the governmental role in companies' CSR practices during natural disaster recovery, Table 4-2 shows that companies in the U.S. ( $M=0.5$ ,  $SD=1.5$ ) versus companies in China ( $M=1.8$ ,  $SD=2.9$ ) are less likely to refer to the government's role in the news releases regarding disaster relief. Hence, the H2 was supported ( $t=4.00$ ,  $df=54$ ,  $p<.001$ ). More specifically, of 30 news releases from the companies in the U.S., the governor's role was mostly mentioned (10%), followed by officer's name (3%), the President's name, government's name and party's name never appeared in the news releases. In China, the government role was largely mentioned in different ways: 17.3 % of news releases referred to government's name and policy ( $n=48$ ), followed by party's name (16.6%), governor's name (5.4%), president (2.9%) and officer (1.1%).

### **Number of News Releases**

Based on the selection criteria, a total of 30 news releases posted by 15 companies in the U.S. and 278 news releases posted by 15 companies in China were analyzed. Besides State Grid, Industrial & Commercial Bank of China, Agricultural Bank of China, Southern Power Grid, and China Telecom, all the other companies posted news releases in English. H3a hypothesized that the largest companies in China will post more news releases about CSR activities regarding natural disaster recovery than will the largest companies in the U.S.. The total number of news releases regarding CSR activities for the Wenchuan earthquake recovery posted by Chinese companies ( $n=278$ ) is more than news releases regarding CSR activities for the Hurricane Ike recovery posted by American companies ( $n=30$ ), so the H3a is supported. H3b proposed that the largest companies in China will update news releases about CSR activities regarding natural disaster recovery more frequently than will the largest companies in the U.S.. The updating

frequency was the percentage of news releases sent out per day within 30 days, so it was calculated by dividing the total number of news releases from each company by 30 (30 days is time frame in the study). The frequency of news releases from the Chinese companies ( $M=0.8$ ,  $SD=0.5$ ) is greater than the frequency of news releases from the American companies ( $M=0.1$ ,  $SD=0.5$ ). Therefore, the H3b is supported ( $t=4.97$ ,  $df=14$ ,  $p<.001$ ).

### CSR Messages

H4 and H5 examined CSR communication messages in natural disasters recovery. H4 hypothesized that the largest companies in the U.S. will employ egoistical CSR messages in responding to natural disasters compared with the largest companies in China which will employ altruistic CSR messages in responding to natural disasters. The altruistic versus egoistic messages were analyzed by comparing three aspects: concerns for victim, concerns for companies, and empathy for victims. Table 4-2 shows differences occurred in showing concerns for victims ( $t=2.10$ ,  $df=33$ ,  $p<.043$ ), concerns for companies ( $t=6.62$ ,  $df=31$ ,  $p<.001$ ) and empathy for victims ( $t=2.28$ ,  $df=32$ ,  $p<.029$ ) in the news releases from the U.S. and China. Companies in the U.S. showed more concerns ( $M=5.7$ ,  $SD=2.5$ ) and empathy for victims ( $M=2.4$ ,  $SD=2.9$ ), compared with companies in China which showed less concerns for victims ( $M=4.7$ ,  $SD=2.1$ ) and less empathy for victims ( $M=1.2$ ,  $SD=2.2$ ). Concern and empathy for victims are two indicators of altruistic messages; therefore, companies in the U.S., compared with companies in China, are more likely to use altruistic messages in responding to the natural disasters. Also, American companies had higher scores ( $t=6.62$ ,  $df=31$ ,  $p<.001$ ) in concerns for companies ( $M=2.9$ ,  $SD=2.0$ ) compared with Chinese companies ( $M=0.4$ ,  $SD=1.2$ ). Hence, the H4 is unsupported. Although companies in the U.S. and China used both altruistic messages and egoistic messages to deliver their CSR activities' communication, altruistic messages are used more than egoistic messages.

H5 proposed that the largest companies in the U.S. will describe the individual's role in disaster relief more than the companies in China, which will focus more on group's role in disaster relief. As to individual versus group-focused messages, the American companies and Chinese companies show a marginally significant difference in using individual featured messages ( $t=1.93$ ,  $df=38$ ,  $p<.061$ ). The American companies ( $M=3.4$ ,  $SD=2.7$ ) described the individual's role more than the companies in China ( $M=2.4$ ,  $SD=3.1$ ). However, in using group-focused messages, the difference between the American companies and Chinese companies is not significant. Table 4-3 shows the largest companies in the U.S. are more likely to mention a leader's role and a group of employees in the news releases. Hence, H5 is unsupported.

Table 4-2. Independent-samples T test results

| U.S. (N=30)     | Mean |       | SD   | df    | t  | p    |      |
|-----------------|------|-------|------|-------|----|------|------|
| China (N=278)   | U.S. | China | U.S. | China |    |      |      |
| Frequency       | 0.1  | 0.8   | 0.5  | 0.5   | 14 | 4.97 | .001 |
| Government Role | 0.5  | 1.8   | 1.5  | 2.9   | 54 | 4.00 | .001 |
| Altruistic      |      |       |      |       |    |      |      |
| Concern for     | 5.7  | 4.7   | 2.5  | 2.1   | 33 | 2.10 | .043 |
| Victims         |      |       |      |       |    |      |      |
| Empathy for     | 2.4  | 1.2   | 2.9  | 2.2   | 32 | 2.28 | .029 |
| Victims         |      |       |      |       |    |      |      |
| Egoistic        | 2.9  | 0.4   | 2.0  | 1.2   | 31 | 6.62 | .001 |
| Individual      | 3.4  | 2.4   | 2.7  | 3.1   | 38 | 1.93 | .061 |
| Focused         |      |       |      |       |    |      |      |
| Group Focused   | 2.7  | 2.0   | 2.8  | 2.8   | 35 | 1.37 | .181 |
| Past CSR        | 3.1  | 0.1   | 2.9  | 0.6   | 29 | 5.63 | .001 |
| Performance     |      |       |      |       |    |      |      |

Table 4-3. Details of CSR messages

|                 | Number |       | Percentage |       |
|-----------------|--------|-------|------------|-------|
|                 | U.S.   | China | U.S.       | China |
| Government Role |        |       |            |       |
| President       | 0      | 8     | 0%         | 2.9%  |
| Governor        | 3      | 15    | 10%        | 5.4%  |
| Government      | 0      | 48    | 0%         | 17.3% |
| Party           | 0      | 46    | 0%         | 16.6% |

Table 4-3. Continued

|                 | Number |       | Percentage |       |
|-----------------|--------|-------|------------|-------|
|                 | U.S.   | China | U.S.       | China |
| Government Role |        |       |            |       |
| Party           | 0      | 46    | 0%         | 16.6% |
| Officer         | 1      | 3     | 3.3%       | 1.1%  |
| Individual      |        |       |            |       |
| A leader        | 19     | 96    | 63.3%      | 34.5% |
| An Employee     | 0      | 14    | 0%         | 5.0%  |
| Group           |        |       |            |       |
| Leaders         | 0      | 10    | 0%         | 3.4%  |
| Employees       | 14     | 91    | 46.7%      | 32.7% |

### Summary of Results

This study's research question asked about the differences between the largest companies in the U.S. and China in communicating CSR messages of natural disaster recovery. The results show that the largest companies in China are more likely to keep posted news releases regarding CSR in natural disaster recovery and update news stories about companies' latest CSR activities in responding to natural disasters. When communicating CSR messages, the largest companies in China are more likely to mention how the companies were encouraged by the government to get involved in disaster relief and how the companies obeyed the government's policy to implement CSR activities. The largest companies in the U.S. and China are both more likely to use altruistic messages rather than egoistic messages to show their concerns and empathy for victims, and American companies use more altruistic messages than Chinese companies. Furthermore, American companies ( $M=3.1$ ,  $SD=2.9$ ) are more likely to mention their past CSR performance in the news releases ( $t=5.63$ ,  $df=29$ ,  $p<.001$ ).

## CHAPTER 5 DISCUSSION

Analyzing CSR news releases from American and Chinese companies, this study investigated Web site reporting of involvement in natural disaster relief and the CSR communication of the largest companies in the U.S. and China for natural disaster recovery.

### **Philanthropic Domain of CSR in Natural Disasters**

The research found that, compared with the largest companies in the U.S., the largest companies in China spent greater proportions of revenues in helping people in natural disasters. The reason for this may be the Chinese companies' donation behaviors are affected by each other because of strong ties in the collectivistic society. Perhaps, the companies in China added donations after the other companies made more donations, which finally made all companies' donations much higher. However, if this is true under this circumstance, companies' motivation to implement CSR is to win a "donation contest" in public rather than doing good for the society. ChinaCSR. Com (2009) reported that "some Chinese companies were ridiculed for not only giving too little in donations, but also for making the act of donating too much of a public relations gimmick" in the Wenchuan earthquake relief.

In addition to cash donations, the news releases from the U.S. and China mentioned some noncash giving, such as volunteer hours, rescue suppliers, and expert teams. Therefore, monetary giving is not the only way companies to get involved in natural disaster recovery. Several philanthropy watchdogs such as the Committee Encouraging Corporate Philanthropy (CECP) and *The Chronicle of Philanthropy* include non-cash giving in their analyses of corporate philanthropy (Coady, 2007, "Charitable Giving," 2008). The CECP separates total giving into three parts: direct cash, or corporate giving from headquarters or regional offices; foundation

cash, defined as corporate foundation giving including the corporate side of employee-matching gifts; and non-cash, or product or pro bono services valued at fair market value (Coady, 2007).

### **Legal Domain of CSR in Natural Disasters**

This study found a governmental role was emphasized in the news releases from the companies in China because the government sits at the top of CSR stakeholder pyramid in China (ChinaCSR.com, 2009). In this case, companies sometimes are forced to engage in CSR by the government in China. Zhou (2008) says the Chinese government is playing an important role in pushing and improving CSR now, but he predicts that later the central government will focus on creating the right environment for CSR development instead of controlling. Many definitions of CSR emphasize its voluntary aspects (Zerk, 2006). For example, the European Commission says that CSR should be implemented on a voluntary basis, while the U.K. government sees CSR actors as voluntary actors. However, some argue that CSR is no longer a voluntary concept, especially considering the appearance of mandatory CSR reporting (ICIS.com, 2002). Governmental supervision is a trend in CSR development. The study found that the Chinese companies donated more and sent out more news releases under the government's instructions, and it indicated that the government's encouragement had a positive impact on companies' donations and their CSR communications. If the positive relationship between CSR involvement and government regulations can be proved, the government can increasingly regulate companies' CSR programs through legislation. Under this circumstance, the legal aspect of CSR in the both CSR Pyramids proposed by Carroll and Visser will be more prominent.

### **CSR News Releases**

This study found that, regardless of individualistic culture and collectivistic culture, altruistic messages are mostly used in the news releases about CSR in responding to natural disasters, and the leader and employee group activities are the items displayed most often in the

news releases. Three explanations for this result are plausible. First, in natural disasters, altruistic messages are more likely to stimulate people's sympathies for victims and favorable attitudes towards companies. Hence, altruistic messages are used to deliver companies' good intentions and convince people that companies have socially responsible images. Second, a leader plays an important role in leading companies to be socially responsible in natural disaster recovery, and a leader can encourage other stakeholders in the companies to get involved with disaster relief. Third, a group of employees are considered as one of the most important stakeholders in the company based on the Fleishman-Hillard and the National Consumers League's survey (2005). Therefore, to show companies' eagerness to implement CSR, it is important to show how fervent the employees are in companies' CSR activities. In this case, the companies, in both the U.S. and China, used altruistic messages and described a leader and employees' behaviors.

An interesting, yet not hypothesized, finding from this study is that the largest companies in the U.S. are more likely to mention the companies' past CSR performance, such as companies' cooperation with the Red Cross, companies' involvement with the Hurricane Katrina recovery and past contributions of companies' foundations. This result shows that American companies may attempt to engage audiences' memories when communicating current CSR, and this may be helpful in convincing audiences that companies consistently implement CSR programs ensuring that companies have a continued good reputation. In addition to the reference of past CSR performance, praise from third-party groups such as humanitarian organizations and industrial associations was mentioned in some news releases. Edelman's CSR communication report in 2007 mentioned in Chapter Two shows that third-party groups' presence should be used to connect the company with other stakeholders. Therefore, third-party groups' praise in the

news releases is helpful in accurately communicating the companies' CSR activities and achieving their purposes of conducting CSR.

The content analysis also found that different industries showed different characteristics when getting involved with disaster relief, and various industries launched CSR programs related to industries' characteristics. The strong relationship between CSR programs and industries' characteristics shows a good fit with companies' social initiatives. A good fit between competencies of a organization and a social initiative can easily integrate companies' performance into consumers' existing memory structures (Becker-Olsen, 2006), and a high-fit CSR activity is likely to convince consumers that companies have socially responsible images. The high fit in the news releases may result in audiences' favorable attitudes toward companies' CSR activities. For instance, AT&T, a communication company in the U.S., worked hard to keep people connected when Ike battered the Texas coast. The news releases from AT&T described how the company restored communication and maintained network service to encourage customers to make donations through cell phones. General Motors in the U.S. donated HUMMER vehicles to disaster areas. Bank of China posted news releases about how the company promoted new loan policies for victims and established mobile temporary banks in the quake-hit areas. China National Petroleum prepared polystyrene foam and produced styrene for victims, which are two important materials for temporary housing. Therefore, in communicating CSR activities, the company can emphasize how the companies take advantage of existing resources to help disaster recovery and connect disaster relief activities with companies' businesses characteristics. Implementing CSR activities related to the industry shows the high fit between the companies' competencies and their CSR activities, which may make companies' CSR activities more reasonable and acceptable to the public.

In communicating companies' involvement in natural disaster recovery, most of the companies in this study employed the stakeholder response strategy mentioned in Chapter Two. Using this strategy, companies attempted to persuade stakeholders and change stakeholders' minds. In the news releases, the companies encouraged audiences to make donations to victims and influenced audiences' attitudes toward the companies by positioning themselves as socially responsible. To communicate CSR regarding disaster relief in a better way, regardless of country, some other elements should be included, such as concern for victims, empathy for victims, companies' donations or rescue actions, and companies' leader's and employees' efforts.

### **Limitations**

This study has some limitations. First, the study is not generalizable to CSR in smaller organizations. The results describe some aspects of CSR in large and famous companies in the *Fortune 500* list, but it is not known if they represent the CSR practices in smaller companies. Future study should address CSR activities in some smaller companies. Second, the sample size in the study would be a limiting factor. The study analyzed news releases sent out within one month after the occurrence of the natural disaster, the results would be more reliable if the study extended the time frame to three months. Additionally, some news releases posted by the companies may be missing because companies have control over their own Web sites and can change online content regularly. The data were collected six months after the occurrence of the natural disasters. During this period, the companies may have deleted the news releases for companies' interests. In this case, this study only analyzed news releases that companies kept for a long period of time and missed those news releases that companies may have deleted. Third, this study attempted to examine companies' CSR involvement during natural disasters, but it analyzed companies' CSR practices under only one natural disaster in each country. The

findings may change if the study analyzed companies' CSR performance during other natural disasters. Last, the Chinese companies' performance in the study may be affected by an international event in 2008: Olympics in Beijing. China has attracted attention from international world since the beginning of 2008, so Chinese companies may be more eagerly to get involved with disaster relief to win a good reputation internationally. If it is true, the Olympic Games in Beijing may increase the number of news releases from the companies in China.

APPENDIX A  
CODING SHEET

Coder Name  
Date of Coding  
ID#

1. Company Name
2. Country of Company, US-0, China-1
3. Date of News Release, DD MM YY
4. Length of News Releases (Including Headline)
5. Total Number of Donations (US Dollar)
6. How much is the government's role present in news release? (10=very much and 0=not at all)
  - 6a If the government's role is present, who and what is presented? Check all that apply
    - President's name/speech
    - Governor's name
    - Government's name/disaster relief policy
    - Party's name
    - Officer's name
    - Other, specify
7. How much concern for the victims does the news release show? (Where 10 is highest and 0 is no concern)
8. How much concern does the news release show for the company? (Where 10 is highest and 0 is no concern)
9. How much empathy does the news release show for the victim? (Where 10 is highest and 0 is no concern) Empathy means having capacity to take perspective with the person in need and showing concern for other not being self-focused in emotional responses.
10. How much is the news release focused on individuals' involvement with natural disasters? (Where 10 is highest and 0 is no concern)
  - 10a. If the news release focused on individual/s' involvement with natural disaster what kinds of individuals are focused on? Check all that apply.
    - A leader in the company
    - An employee
    - Other, specify
11. How much is the news release focused on group involvement with natural disasters?

(Where 10 is highest and 0 is no concern)

11a. If the news release focuses on a group's involvement with natural disasters, what kinds of groups are focused? Check all that apply

A group of leaders

A group of employees

Other, specify

12. How much praise of a third party group appears in the news release? (Where 10=highest and 0=none)

12a. If praise of a third party group appears in the news releases, what groups? Check all that apply

Humanitarian organizations

Industrial associations

13. How much does the news release focus on the past CSR performance? (Where 10=a great deal and 0=not at all)

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## BIOGRAPHICAL SKETCH

Xia Wang was born and raised in Hubei, P.R.China, the product of a hard-working father and a patient mother. In 2003, Xia attended the South-Central University for Nationalities in Wuhan with majoring in journalism, and she received her Bachelor of Arts degree in June 2007. After graduating with her B.A., Xia decided to pursue a further degree in public relations in the United States.

Xia's dream of pursuing higher education in the U.S. came true in summer 2007 with the full support of her parents. Her research interests were particularly focused on media relations, corporate social responsibility, and crisis communication. Xia's ultimate career goal is to open and operate her own public relations firm.