China's Central SOEs' Corporate Social Responsibility Performance under the BRI

Zhu Jigao (祝继高)*, Wang Yi (王谊) and Tang Guliang (汤谷良)
Business School, University of International Business and Economics (UIBE), Beijing, China

Abstract: *How are central SOEs driven by external context and internal value chain to perform their corporate social responsibility (CSR)? What is the relationship between various types of CSR? This paper divides CSR into strategic and responsive CSR, and uses case studies to discuss how central SOEs should fulfill their CSR commitments under the Belt and Road Initiative (BRI). This paper finds that under the BRI, China's central SOEs face a host of challenges in their cross-border operations with respect to the legal environment, political risks, workforce competence, and supports to industries in host countries, and extend the value chain through industrial chain integration. All the above internal and external attributes may drive central SOEs to perform their strategic and responsive CSR initiatives, and responsive CSR could also reinforce strategic CSR initiatives. Finally, this study offers advice on how Chinese companies should perform CSR under the BRI.*

Keywords: *the Belt and Road Initiative (BRI), central SOEs, strategic CSR, responsive CSR*

JEL Classification Codes: M14, F23, L32
DOI: 10.19602/j.chinaeconomist.2020.09.04

1. Introduction

Unveiled in the context of world economic restructuring and uneven development across countries, the Belt and Road Initiative (BRI) aims to promote economic globalization with the principles of openness, inclusiveness, and balanced development for win-win results. Under the BRI, China's centrally-administered state-owned enterprises (SOEs) have followed an integrated industrial chain approach, exported capital, technology, and managerial expertise to BRI countries, and further embedded CSR in their overseas operations. Under the BRI, central SOEs create jobs, business opportunities, and social benefits in BRI countries.

Sound CSR decisions enable firms and communities to thrive together. Porter and Kramer (2006) creates a CSR decision framework, and divides CSR into strategic and responsive CSR. In fulfilling their responsive CSR, firms "act as good corporate citizens, and minimize the adverse social impact of their activities." Strategic CSR is more concerned with intersections between corporate and social interests, and allows firms to cultivate competitive advantage while addressing social issues. Based on

* Corresponding author: Zhu Jigao, email: jigao.zhu@foxmail.com
This study is sponsored by National Natural Science Foundation of China (Approval No. 71772037, 71628201) and 2018 Major Project of Beijing Research Center for Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era (Approval No.18ZDL16).

(C)1994-2023 China Academic Journal Electronic Publishing House. All rights reserved. http://www.cnki.net

a rational analysis of internal and external contexts, firms should perform the two types of CSR in an integrated manner. This requires firms to have a clear idea about the relationship between different CSR, and identify various drivers of CSR. Under the BRI, central SOEs are supposed to fulfill both strategic and responsive CSR. The question is about the relationship between these two types of CSR and how attributes of overseas operations drive central SOEs to perform CSR.

To answer these questions, we interviewed managers from three central SOEs in May, June, and October 2018 to collect first-hand information. Then, we collected public information from the official websites of the State Assets Supervision and Administration Commission (SASAC) - the superior of Chinese SOEs - and the case companies, CSR reports from the case companies, media reports, and documentaries to compare with and supplement the first-hand information. With such information, this paper divides corporate CSR into strategic and responsive CSR referencing Porter and Kramer (2006) for case studies on central SOEs' CSR performance under the BRI. Based on a summary of the case studies, this paper puts forward theoretical propositions regarding the above questions, and creates a theoretical framework for central SOEs' CSR performance under the BRI from a combination of different theoretical perspectives. This study further unravels the mechanism through which internal and external factors influence CSR performance, and offers guidance on CSR decision-making under different conditions.

2. Profiles of Case Companies

Based on researchability and representativeness considerations, this paper selects three central SOEs as research objects - China Communications Construction Co., Ltd. (CCCC), Power Construction Corporation of China, Ltd. (PowerChina), and China Three Gorges Corporation (CTG).

(i) China Communications Construction Co., Ltd. (CCCC): As an integrated infrastructure service provider, CCCC is the world's largest company in bridge and port design and construction, oil derrick design, container crane manufacturing, and dredging, as well as China's largest company for construction project contracting, highway investment, and civilian vessel fleet operations. As part of its commitment to the BRI, by the end of 2017, CCCC had constructed 152 bridges, 10,320 kilometers of highway and 10 airports, provided 754 container cranes, and inked or implemented contracts for 2,980 kilometers of railway construction in relevant countries.[1]

(ii) Power Construction Corporation of China, Ltd. (PowerChina): PowerChina is an integrated construction conglomerate established in September 2011. PowerChina is principally engaged in such business sectors as energy and electric power, infrastructure, water resources, and the environment, and ranks the first in the world in terms of electric power construction performance and capabilities. By the end of 2017, PowerChina had followed 1,499 projects in 57 BRI countries and established 128 representative offices or subsidiaries with 350 ongoing engineering projects. PowerChina's business footprint is highly consistent with the BRI.[2]

(iii) China Three Gorges Corporation (CTG): As the world's largest hydropower company and China's largest clean energy group, CTG is engaged in development and harnessing of hydropower, wind power, solar power, and other sources of clean energy. CTG takes an active part in the BRI. By the end of 2017, CTG's overseas operations were spread across 47 countries and regions with more than 70 ongoing international investments and project contracts totaling 10.57 billion US dollars.[3]

[1] Source: CCCC website and *CCCC BRI CSR Report*.
[2] Source: PowerChina's official website (www.powerchina.cn) and *PowerChina CSR Report 2017*.
[3] Source: CTG's official website (http://www.ctg.com.cn) and *CTG Sustainable Development Report 2017*.

(C)1994-2023 China Academic Journal Electronic Publishing House. All rights reserved. http://www.cnki.net

3. Case Studies and Discussions

3.1 CSR Performance by Central SOEs under the BRI: Factor Identification

With the basic principles of extensive consultation, joint contribution and shared benefits, the Belt and Road Initiative (BRI) aims to bridge development gaps globally. The BRI gives priority to infrastructure interconnections in countries along the BRI routes, most of which are middle- and low-income countries whose economic development is impeded by a lack of infrastructure. In taking an active part in the BRI, the case companies have given priority to overseas operations, especially in BRI countries and regions. No firm may operate and create value in isolation from its social context. According to Porter and Kramer (2006), firms must identify the points of intersection with the society in order to create economic and social value. Specifically, firms should identify how external attributes of their competitive context could affect themselves in an outside-in manner and how key links of their internal value chain could influence the society in an inside-out manner (Porter and Kramer, 2006).

(i) An external competitive context facing firms includes institutional environment, business inputs, local demand, and supporting industries (Porter and Kramer, 2006). According to the World Bank's Worldwide Governance Indicators (WGI), BRI countries scored an average -0.19 on the rule of law in 2017, which was below world average 0.00.[4] That is to say, the rule of law is relatively weak in BRI countries. The Indo-China Peninsula, South Asia, Central Asia, West Asia and North Africa are rife with frequent regime change, religious and ethnic strife, and terrorism - many of these regions are BRI regions. Therefore, in their cross-border operations, central SOEs could be vulnerable to political risks in host countries. BRI countries are abundant in labor, but far eclipsed by the average of middle- and high-income countries in terms of college enrolment rate,[5] indicating a relative shortage of skilled workforce. Most BRI countries lack essential infrastructure with a high demand for infrastructure projects invested by Chinese central SOEs (Dong *et al*., 2017). Some BRI countries are handicapped by geographical and infrastructure constraints from taking an active part in the global supply chain (Meng, 2016), and their level of industrial development remains low (Dong *et al*., 2017). According to the manufacturing competitiveness index and the revealed comparative advantage (RCA) index, some BRI countries are in a comparative disadvantage with respect to overall and advanced manufacturing competitiveness (Wang and Wu, 2018).

(ii) Internal value chain: The three case companies have all adopted the "industrial chain integration" strategy under the BRI. CCCC focuses on improving its industrial chain by taking port and industrial park construction as overseas development priorities. PowerChina is committed to the integrated investment, engineering design, construction, operation, and maintenance of electric power projects. CTG seeks to transition from traditional construction contracting to an integrated investment, construction and operation company, and proactively explores an overseas operation mode for the overseas development of a complete domestic industrial chain. The integrated industrial chain extends the value chain of the overseas operation of the case companies, and enables the case companies to extend value-added activities from low-value construction to high-value activities such as investment, design, operation and management.

3.2 Central SOEs' CSR Performance under the BRI

By looking at their relationship with communities outside-in, firms should identify constraints to their business operations, i.e. "social dimensions of competitive context"; by looking at their relationship

[4] The rule of law is one of the Worldwide Governance Indicators released by the World Bank, and measures a country's legal system and law enforcement. With a value range between -2.5 and 2.5, higher value means more complete rule of law.

[5] Calculated by the college enrolment rate data of countries in 2017 provided by the World Bank's database.

(C)1994-2023 China Academic Journal Electronic Publishing House. All rights reserved. http://www.cnki.net

with communities inside-out, firms should identify the environmental impact of their value-chain activities, i.e. "value chain social impacts" (Porter and Kramer, 2006). By fulfilling CSR, firms may manage, improve or resolve the above-mentioned social issues.

(i) Social dimensions of competitive context and central SOEs' CSR

CSR with respect to institutional context in BRI countries: Some BRI countries are plagued by the lack of rule of law, frequent regime change, and political risks. In an unfamiliar and complex institutional context, all the case companies treaded carefully to comply with local laws and regulations. The Colombo Port City Project undertaken by CCCC was suspended for review as a new Sri Lankan government took office (see Table 1). Fortunately, the project was soon resumed since CCCC strictly enforced compliance control and followed review procedures required by Sri Lankan Parliament. As in the words of CCCC's executive director and CFO, "under the BRI, compliance is CCCC's lifeline, and ensures a project's approval and continuation despite political change in a host country."

CSR with respect to business inputs in BRI countries: Despite abundant low-cost labor, BRI countries have yet to improve their workforce competence. Therefore, the low-cost labor could hardly become strategic resources of China's central SOEs due to its lack of competence. All the case companies have attached importance to the localized human resources management in their BRI operations. With a priority to hiring local staff, the case companies have steadily increased the ratio of local hires (see Table 2). The case companies improved the training of local staff by sending them on study tours to China, and offering scholarships at local universities. The case companies also have studied and respected local culture. Before assigning Chinese employees overseas, CCCC surveys local

Table 1: Initiation, Suspension and Resumption of Colombo Port City Project

Time	Event
September 2014	Chinese President Xi Jinping and then Sri Lankan President attended the opening ceremony of the Colombo Port City Project.
January 2015	Sri Lankan opposition co-candidate Maithripala Sirisena defeated former president Mahinda Rajapaksa in the general election.
March 2015	Sri Lankan government suspended Colombo Port City construction and started to review the project due to former government's suspected evasion of law and environmental requirements.
April 2016	Sri Lanka announced the resumption of Colombo Port City Project.

Source: Interview information

Table 2: Ratio of CCCC and PowerChina's Local Hires in Overseas Markets (%)

Year	2011	2012	2013	2014	2015	2016
CCCC	25.2	27.1	31.7	47.5	52.2	53.7
PowerChina			60.4	57.9	61.6	62.0

Source: *CCCC CSR Report (2014, 2015 and 2016)* and *PowerChina CSR Report (2015 and 2016)*

(C)1994-2023 China Academic Journal Electronic Publishing House. All rights reserved. http://www.cnki.net

religious faiths and cultural customs, and trains overseas assignees accordingly. PowerChina's overseas subsidiaries offer local employees and residents venues for religious rites. CTG organizes celebrations of local and Chinese festivals among local and Chinese employees, and operates a special fund for cultural exchanges.

CSR with respect to supporting industries in BRI countries: In their overseas operations, firms must work with supporting industries and partner with local companies in host countries to operate efficiently. The case companies give priority to raw material procurement from qualified local suppliers, and cooperate with local companies in sectors like transportation, packaging, building materials, accounting, logistical services, and catering. The case companies have incorporated CSR concepts and practices into the criteria for selecting local partners, and actively provide financial and technical support to local companies.

(ii) Value chain social impacts and central SOEs' CSR

Investment-related CSR: As investment becomes part of the value chain, the case companies are committed to mutually beneficial modes of overseas project participation such as "build, operate and transfer" (BOT) with host country governments, under which the case companies finance for construction projects in host countries through their affiliates or project companies, and such investment is recouped by the project company in the operational stage at the rate agreed upon by both parties. Compared with the traditional mode where construction projects are financed by host country governments and undertaken by contractors, this new investment mode can avoid incurring debt burden to host country governments and reduce credit risks for financial institutions while ensuring yield on firm investment.

Construction-related CSR: To mitigate negative environmental impact, the case companies have conducted environmental impact assessments of infrastructure projects, created wild animal channels, adopted advanced environmental technologies, and set up environmental protection funds. To resettle the immigrants affected by the projects, the case companies have contributed to communities by building resettlement villages, roads, water works and public facilities for education and medical assistance. In operating labor and resource-intensive infrastructure projects, the case companies have partnered with local businesses and relied on local workforces.

Operation-related CSR: As the corporate value chain extends to infrastructure operation, management and maintenance, corporate activities will exert lasting effects on the local environment, residents, workforce, and enterprises in host countries. The case companies will continue to fulfill their CSR through win-win cooperation, environmental protection, community contribution, and localized human resources management. In particular, the case companies are normally required to transfer infrastructure operation and management technologies to host countries, contributing to local industries.

Under the BRI, the case companies manage social dimensions of competitive context mainly through compliance management, and address value chain social impacts by protecting the environment and contributing to communities. Moreover, by conducting mutually beneficial cooperation and localized human resource management, the case companies could cope with both of the two social issues.

3.3 Central SOEs' Value Creation under the BRI

Compliance mitigates losses from legal and political risks in the case companies' overseas operations, and ensures their subsequent economic value creation. By implementing localized human resources management, the case companies have created numerous jobs in host countries (Table 3), improved local workforce skills, and generated significant social value. In addition, localized human resources management helps reduce labor cost and create more corporate economic value. By partnering with local governments, enterprises, and other stakeholders, the case companies not only create social value through easing local government debt burden and supporting local companies, but also improving economic value through reducing raw material and service costs and involving more affiliates within

(C)1994-2023 China Academic Journal Electronic Publishing House. All rights reserved. http://www.cnki.net

Table 3: Jobs Expected to be Created by Investments Made and Projects Undertaken by the Case Companies

Project name	Investor / contractor	Jobs created (expected)
Colombo Port City in Sri Lanka	CCCC	83,000
Port Qasim Thermal Power Plant in Pakistan	PowerChina	70,000
Nam Ou River Cascade Hydropower Project in Laos	PowerChina	13,600
Kariba Hydropower Plant in Zimbabwe	PowerChina	3,000
Isimba Hydropower Plant in Uganda	CTG	2,712
Souapiti Hydropower Project in Guinea	CTG	2,140

Source: *CCCC BRI CSR Report*, *PowerChina Laos Sustainable Development Report*, *PowerChina 2016 CSR Report*, and *CTG Sustainable Development Report (2016, 2017)*.

their conglomerates in more value-chain links of international projects. By protecting the environment, the case companies effectively compensate for environmental damages in host countries. By contributing to local communities, the case companies have raised living standards among local residents. On both dimensions, the case companies have generated significant social value.

4. Reflections and Theoretical Implications

4.1 Competitive Context and Central SOEs' CSR

By analyzing competitive-context and value-chain attributes and performing CSR, firms can help address social issues and create value accordingly. Porter and Kramer (2006) divides CSR into strategic and responsive CSR. As can be found from our case studies, central SOEs may be driven by different factors in overseas competitive contexts to perform both CSR initiatives under the BRI. Being highly adaptable to the external context is an important prerequisite for strategic CSR to be turned into the firm's strategic advantage (Cheng *et al*., 2019). In a competitive environment, attributes closely related to firms' competitive advantages may drive the performance of strategic CSR by firms. In our case studies, the case companies are driven by the attributes of labor and supporting industries in BRI countries to perform their CSR with respect to localized human resources management and mutually beneficial cooperation.

In the context of central SOEs' participation in the BRI, both localized human resources management and mutually beneficial cooperation meet the definition of strategic CSR:

(i) BRI countries must improve their workforce competence, manufacturing strength and infrastructure in order to develop their economy. Meanwhile, access to low-cost labor and raw materials and strength in infrastructure investment, construction and management underpin the case companies' competitiveness. By hiring local workforce and partnering with local stakeholders, the case companies have aligned their corporate interests with host countries' social interests.

(ii) By fulfilling the above CSR, the case companies have created shared value.

(C)1994-2023 China Academic Journal Electronic Publishing House. All rights reserved. http://www.cnki.net

(iii) Central SOEs represented by the case companies boast comparative advantages with respect to localized human resources management and mutually beneficial cooperation. Among Chinese multinational companies, CCCC and PowerChina have the most internationally diverse workforces (Wang and Miao, 2016). With their mutually beneficial modes of cooperation, the case companies have made many firsts under the BRI. For instance, the Mombasa-Nairobi Standard Gauge Railway (SGR) constructed and operated by CCCC is the first overseas railway project designed and constructed entirely with Chinese technical and managerial standards. The Nam Lik 1-2 Hydropower Plant is the first hydropower project invested and put into commercial operation by a Chinese company in Laos. PowerChina's Nam Ou River Cascade Hydropower Project in Laos is the first of its kind in which a Chinese company is granted the development rights over an entire river basin in a foreign country, and was conferred with the "2016 Overseas Energy Project Innovation Award" for its "integrated industrial chain" approach at the 2016 Energy Annual Conference and the Second Energy Development and Innovation Forum.

Responsive CSR requires firms to act as good corporate citizens and mitigate adverse impacts from their value-chain activities (Porter and Kramer, 2006). Responsive CSR is characterized by risk mitigations (Dai and Tang, 2015). By fulfilling their responsive CSR, firms may reduce the risk of sanctions by stakeholders. Competitive-context risk factors may drive firms to perform responsive CSR. Most BRI countries are fraught with political risks, frequent regime shifts, and government intervention (Li *et al*., 2013). As can be learned from our case studies, central SOEs are driven by political risks and pressured by local governments and other stakeholders to act in compliance with local laws and regulations in host countries and act as good corporate citizens, i.e. responsive CSR. Compliance promotes firm reputation and perceived legitimacy among stakeholders, and helps address competitive-context political risks in host countries.

Based on the above analysis, this paper puts forward the following proposition:

Proposition 1: Under the BRI, business inputs and supporting industries in the competitive context may drive central SOEs to perform strategic CSR in their overseas operations; risk factors in the competitive context may driver central SOEs to perform responsive CSR.

4.2 Value-chain Extension and Central SOEs' CSR

CSR activities are influenced both by the external context and by internal factors (Sui *et al*., 2012). According to our case studies, value-chain extension is a key driver for central SOEs to perform CSR under the BRI.

The impact of value-chain extension on CSR can be interpreted in two aspects. According to the resource-based view (RBV), strategic CSR is the firm's potential capacity and resources (Wernerfelt, 1984). Such capacity will be positively influenced by the firm's experience in a host country (Raimann *et al*., 2015). When the firm is inexperienced in a host country, it lacks knowledge about local society, and is at a relative disadvantage compared with local firms. At this moment, the firm usually focuses resources on reinforcing its core business (Munilla and Miles, 2005) while performing CSR merely at a basic level (Gaur and Lu, 2007). As the firm gains more experience in the host country, it becomes more knowledgeable and capable to operate locally (Delios and Beamish, 2001), and thus better positioned to perform strategic CSR (Reimann *et al*., 2015). Value-chain extension will increase the firm's experience in the host country, and enhance its CSR capacity.

Based on the stakeholder theory and from a legitimacy perspective, CSR offers an avenue for firms to acquire legitimacy by meeting stakeholders' expectations (Suchman, 1995). In other words, stakeholders will push firms to perform CSR (Yang and Rivers, 2009). Value-chain extension allows firms to interact with more stakeholders in a longer timeframe, thus further drive in both strategic CSR and responsive CSR performance. For instance, as the value chain extends to investment under the BRI, the case companies have changed their way of doing business internationally, paying more attention

(C)1994-2023 China Academic Journal Electronic Publishing House. All rights reserved. http://www.cnki.net

to win-win cooperation with stakeholders. The implication is that value-chain extension drives central SOEs to perform their strategic CSR by engaging in mutually beneficial cooperation. As the value chain extends to operation, central SOEs recruit more local employees, and attach greater importance to their training. That is to say, value-chain extension drives central SOEs to perform localized human resource management as a strategic CSR. Meanwhile, value-chain extension drives firms to contribute to local communities, protect the environment, and act as good corporate citizens at pressures from local stakeholders, i.e. responsive CSR.

With limited resources, firms cannot treat all stakeholders equally, and tend to primarily respond to stakeholders that matter to them the most (Chandler and Werther, 2014). Corporate stakeholders include organizational, economic, and social stakeholders. Organizational stakeholders are usually of the highest priority, followed by economic stakeholders and social stakeholders (Chandler and Werther, 2014). In our case studies, strategic CSR driven by value-chain extension mainly involves economic and organizational stakeholders such as employees, local companies, and local governments; responsive CSR primarily involves social stakeholders, including communities and environmental stakeholders. In this sense, value-chain extension may drive firms to perform their strategic CSR to a higher degree than drive firms to perform responsive CSR.

Based on our case studies and the above analysis, this paper puts forward the following proposition:

Proposition 2: Under the BRI, internal value-chain extension may drive central SOEs to perform strategic and responsive CSR, especially strategic CSR.

4.3 External Competitive Context, Internal Value-chain Extension, and CSR for Central SOEs

The above sections examine how internal and external factors influence central SOEs' CSR performance in their overseas operations under the BRI, but does not take into account interactions between internal and external factors. Value-chain extension is a new characteristic of central SOEs in their BRI adventures, and is influenced by the external context in BRI countries. Further analysis of the relationship between internal and external drivers helps unravel how these factors contribute to CSR.

We may analyze how the competitive context drives the case companies to extend the value chain under the BRI. According to the transaction cost theory (Williamson, 1985), the market and the firm are two resource allocation methods with a substitutive relationship, and the firm boundary decision is made by weighing their respective costs and benefits. When it becomes difficult for the firm to conclude and perform long-term contracts with upstream and downstream participants, the contract parties may tend to fleece or have other opportunistic behaviors (Goldberg, 1976), thus substantially raising the transaction cost of the market. In this case, the firm is in favor of creating an integrated industrial chain to reduce transaction cost (Yang *et al*., 2007). The legal context is an important factor behind the firm's conclusion and performance of contracts with upstream and downstream participants (Lu *et al*., 2013). In a weak legal context, sloppy law enforcement will increase uncertainties in a market transaction (Li and Tang, 2010). Therefore, an imperfect legal environment makes it difficult to conclude and perform contracts and motivates the firm to create an integrated industrial chain. According to the value chain theory, comparative advantage significantly influences the distribution of the value chain links in various countries or regions (Kogut, 1985). The comparative advantage of BRI countries with respect to labor cost means that China must climb up the rungs of global value chain (Meng, 2016), exerting pressures for companies to extend the value chain and move beyond low-value manufacturing links. China's strength in advanced manufacturing means a great deal of complementarity with BRI countries with a relative disadvantage in advanced manufacturing (Wang and Wu, 2018), which provides conditions for firms to extend the value chain. Under the BRI, the competitive context exerts a positive effect on Chinese central SOEs extending the value chain in their cross-border operations. This paper's above-mentioned analysis demonstrates that the value-chain extension drives China's central SOEs to perform their strategic and responsive CSR.

(C)1994-2023 China Academic Journal Electronic Publishing House. All rights reserved. http://www.cnki.net

Based on the above analysis and Propositions 1 and 2, this paper puts forward the following proposition:

Proposition 3: Under the BRI, the external competitive context may drive central SOEs to extend internal value chain in their cross-border operations, thus further driving strategic and responsive CSR performance.

4.4 Central SOEs' Responsive and Strategic CSR under the BRI

Unraveling the drivers of and the relationship between responsive and strategic CSR is key to effective CSR decision-making. This paper's case studies suggest that the firm's responsive CSR is also conducive to its strategic CSR performance.

As discussed before, responsive CSR is characterized by risk mitigation. By performing responsive CSR, firms mitigate their social-context risks, avoids economic losses, and ensures economic value, without which firms cannot create social value (Shi *et al*., 2009). Hence, responsive CSR offers assurance to the firm's strategic CSR performance. Responsive CSR is also conducive to firm reputation (Godfrey *et al*., 2009). Firm reputation is conducive to strategic CSR performance (Cheng *et al*., 2019). As in the words of PowerChina's deputy general manager and chief accountant, "our CSR commitment in overseas communities in which we operate has won us support from local residents, who welcome Chinese companies building and operating power plants locally. Their attitude helps change our traditional way of work as a contractor." As can be learned from Table 4, the case companies' total investment in BRI countries is smaller than the sum of construction project value, but increased more significantly, indicating that the case companies' "integrated investment, construction, and operation mode" is well received in BRI countries.

Based on the above analysis, this paper puts forward the following proposition:

Proposition 4: Under the BRI, central SOEs' responsive CSR is conducive to their strategic CSR performance.

Based on the above analysis, this paper creates a theoretical framework for central SOEs' CSR performance under the BRI (see Figure 1): Central SOEs engage in BRI operations under the principles of extensive consultation, joint contribution, and shared benefits, and engage with communities from both competitive-context and value-chain perspectives. The competitive context in which central SOEs operate is characterized by a weak legal environment, political risks, a lack of skilled workforce, and underdeveloped manufacturing and supporting industries in host countries. These challenges have

Table 4: Total Investment and Construction Contract Value of the Case Companies in BRI Countries

	2013	2014	2015	2016	2017
Total investment (100 million US dollars)	0.0	5.5	17.7	29.6	17.8
Percentage of change compared with the previous year (%)			219.8	67.5	-40.0
Total construction contract value (100 million US dollars)	35.4	131.1	199.0	240.5	157.2
Percentage of change compared with the previous year (%)		270.0	51.8	20.9	-34.6

Source: China Global Investment Tracker database.

(C)1994-2023 China Academic Journal Electronic Publishing House. All rights reserved. http://www.cnki.net

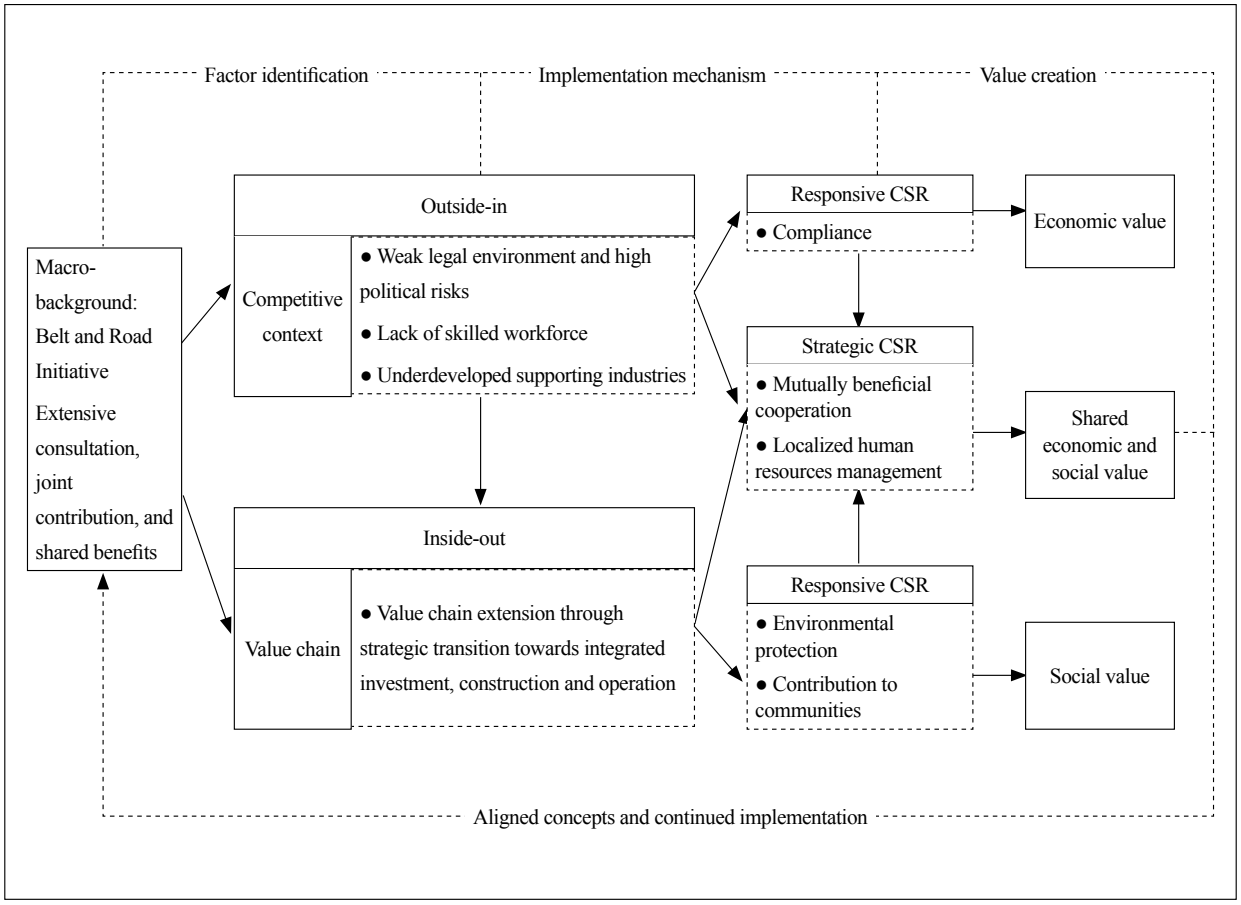

Figure 1: Theoretical Framework for Central SOEs' CSR Performance under the BRI

prompted firms to develop integrated industrial chains. The above-mentioned internal and external attributes drive central SOEs to perform their responsive CSR, including compliance, environmental protection, and community engagement, as well as strategic CSR with respect to win-win cooperation and localized human resource management. By driving value-chain extension, the competitive context further induces firms to perform strategic and responsive CSR. Responsive CSR also reinforces strategic CSR performance. Under the BRI, central SOEs have jettisoned zero-sum competition to seek common interests with all stakeholders, and treat local employees equally, respecting their cultural customs and religious faiths. Such strategic CSR creates shared economic and social value, and echoes the BRI's concepts of equality, openness, inclusion, and win-win cooperation. By cooperating with local stakeholders and hiring local workers as part of their strategic CSR, central SOEs continuously drive the BRI's implementation.

5. Conclusion

This paper uses case studies to investigate what drives central SOEs to perform CSR under the BRI, focusing on internal and external factors and the relationship between strategic and responsive CSR. Our study finds that under the BRI, China's central SOEs have performed CSR with respect to compliance, mutually beneficial cooperation, localized human resources management, environmental protection, and

(C)1994-2023 China Academic Journal Electronic Publishing House. All rights reserved. http://www.cnki.net

contributions to local communities. Among them, localized human resources management and mutually beneficial cooperation are strategic CSR, and compliance, environmental protection, and contributions to local communities are responsive CSR. Under the BRI, the external context and internal value-chain attributes drive central SOEs to perform CSR. By inducing firms to extend value chain, the external context attributes also drive CSR performance indirectly. Responsive CSR helps central SOEs perform their strategic CSR, which is chimes with the principles of extensive consultation, joint contribution, and shared benefits, and facilitates the BRI's implementation.

This study offers the following implications for Chinese enterprises involved in the BRI:

(i) Foster a strong CSR awareness. Firms should recognize their interdependence with society. Firms' development contributes to social prosperity, which in turn offers a better development context for firms. Instead of an optional obligation that runs parallel to profit goals, CSR is an important avenue for firms to stay competitive and create shared value.

(ii) Integrate CSR into corporate strategy. When planning for their overseas operations, firms should fully review their relationship with the external context and accommodate the interests of various stakeholders. Firms should identify and take the initiative to carry out CSR efforts that create shared value, and further capture value creation opportunities through strategic transitions such as value-chain extension to turn CSR into a driver of firm development.

(iii) Perform CSR dynamically under different conditions. When a significant change occurs in firms' value chain and competitive context, the scope of CSR should be adjusted accordingly. Firms should fully consider the differences and linkages between strategic and responsive CSR, and effectively combine the two. While responsive CSR may offer some assurance to firms' value creation, only strategic CSR offers the opportunity to create shared value. Firms should devote more resources to strategic CSR beyond acting as good corporate citizens or managing external pressures and risks.

References:

[1] Chandler, D., and W. B. Werther. 2014. *Strategic Corporate Social Responsibility: Stakeholders, Globalization, and Sustainable Value Creation*. California: SAGE Publications.

[2] Cheng, Cong, Renyong Chi, and Wei Zhang. 2019. "A Research on the Mechanism for Implementation of Firms' SCSR Program." *Science Research Management*, no.1: 139-150.

[3] Dai, Tianjing, and Guliang Tang. 2015. "Corporate Social Responsibility and Innovation in Management Accounting." *Research on Economics and Management*, no.8: 139-144.

[4] Delios, A., and P. W. Beamish. 2001. "Survival and Profitability: The Roles of Experience and Intangible Assets in Foreign Subsidiary Performance." *Academy of Management Journal*, 44(5): 1028–1038.

[5] Gaur, A. S., and J. W. Lu. 2007. "Ownership Strategies and Survival of Foreign Subsidiaries: Impacts of Institutional Distance and Experience." *Journal of Management*, 33(1): 84–110.

[6] Godfrey, P. C., C. B. Merrill, and J. M. Hansen. 2009. "The Relationship between Corporate Social Responsibility and Shareholder Value: An Empirical Test of the Risk Management Hypothesis." *Strategic Management Journal*, 30(4): 425-445.

[7] Goldberg, V. P. 1976. "Regulation and Administered Contracts." *The Bell Journal of Economics*, 7(2): 426-448.

[8] Kogut, B. 1985. "Designing Global Strategies: Comparative and Competitive Value-added Chains." *Sloan Management Review*, 26(4): 15-28.

[9] Li, Qingyuan, and Tang Jianxin. 2010. "Determinants and Productivity of Vertical Integration: Empirical Evidence from Chinese Manufacturing Firms." *Naikai Business Review*, no.3: 60-69.

[10] Li, Youtian, Runguo Li, and Yusheng Zhai. 2013. "An Analysis of Non-Economic Risks Raised from Oversea Investment of Chinese Energy Enterprises." *Management World*, no.5: 1-11.

[11] Lu, Chuang, Weihua Zhang, and Chenghao Cui. 2013. "Market Environment, Property Nature and Corporations' Vertical Integration." *Accounting Research*, no.7: 50-55+97.

[12] Meng, Qi. 2016. "Global Value Chain of Manufacturing Industry Based on 'One Belt One Road' Strategy." *Finance & Economics*, no.2: 72-81.

(C)1994-2023 China Academic Journal Electronic Publishing House. All rights reserved. http://www.cnki.net

[13] Munilla, L., and M. P. Miles. 2005. “The Corporate Social Responsibility Continuum as a Component of Stakeholder Theory.” *Business and Society Review*, 110(4): 371–387.

[14] Porter, M. E., and M. R. Kramer. 2006. “Strategy and Society: The Link between Competitive Advantage and Corporate Social Responsibility.” *Harvard Business Review*, 84(12): 78-92.

[15] Reimann, F., J. Rauer, and L. Kaufmann. 2015. “MNE Subsidiaries’ Strategic Commitment to CSR in Emerging Economies: The Role of Administrative Distance, Subsidiary Size, and Experience in the Host Country.” *Journal of Business Ethics*, 132(4): 845-857.

[16] Shi, Junwei, Lijun Hu, and Haiyan Fu. 2009. “Corporate Social Responsibility, Social Capital and Organizational Competitive Advantage: A Perspective of Strategic Interaction.” *China Industrial Economics*, no.11: 87-98.

[17] Suchman, M. 1995. “Managing Legitimacy: Strategic and Institutional Approaches.” *Academy of Management Review*, 20(3): 571-610.

[18] Sui, Wenjuan, Jinsong Tan, and Huiyu Zhang. 2012. “The Interaction and Co-evolution of Enterprise Environment, Strategy and Corporate Social Responsibility: A Theoretical Model and Literature Review.” *Chinese Journal of Management*, no.3: 345-355.

[19] Tong, Jiadong, Danyang Xie, Qun Bao, Qunhui Huang, Xiangyang Li, Zhibiao Liu, Bei Jin, Miaojie Yu, and Xiaosong Wang. 2017. “The Talks on Paper of the Deglobalization and Transformation and Upgrading of Real Economy.” *China Industrial Economics*, no.6: 5-59.

[20] Wang, Shuli, and Chuhao Wu. 2018. “China’s International Division Status of Labor under the Initiative of the ‘One Belt and One Road’: An Input-Output Analysis Based on the View of Value Chain.” *Journal of Finance and Economics*, no.8: 18-30.

[21] Wang, Huiyao, and Lv Miao. 2016. *Blue Book of Chinese Enterprise Globalization: Report on Chinese Enterprises Globalization 2016*. Beijing: Social Science Academic Press.

[22] Wernerfelt, T. B. 1984. “The Resource-Based View of the Firm.” *Strategic Management Journal*, 5(2): 171-180.

[23] Williamson, O. E. 1985. *The Economic Institutions of Capitalism*. New York: Free Press.

[24] Yang, Huixin, Yujun Ji, and Ping Lv. 2007. “Vertical Relations of Industry Chain versus Integration of Institutional Arrangement on Division of Labor.” *China Industrial Economics*, no.9: 14-22.

[25] Yang, X., and C. Rivers. 2009. “Antecedents of CSR Practices in MNCs’ Subsidiaries: A Stakeholder and Institutional Perspective.” *Journal of Business Ethics*, 86(2S): 155-169.

(C)1994-2023 China Academic Journal Electronic Publishing House. All rights reserved. http://www.cnki.net