

## Case Study on Strategic Corporate Social Responsibility of G Company

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### **Abstract**

*In recent years, there was an upsurge of CSR, which community greatly concerned. G Company stands out from the crowd which was awarded the title “Five-Star Enterprise of CSR” by CFIE<sup>1</sup> and UNIDO<sup>2</sup> in 2015, and not only that, but it was named as China Famous Brand and won a lot of national awards. This paper, based on the CSR theory of Porter, takes financial reports and CSR reports from 2012 to 2015 as the foundation of information, takes case study and statistical analysis as methods; we study that how G Company incorporates CSR into its strategies and achieves unique competitive advantages. We found that indeed CSR is the key factor to make G Company’s competitive advantages.*

**Key Words:** *Strategic CSR, Five Strategy Dimensions, Competitive advantage, G Company.*

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### **Introduction**

The issue of the strategic corporate social responsibility (Strategic CSR), which to reorient CSR toward a more strategic perspective, is worth attention and reflection. In recent years, there was an upsurge of CSR, which Chinese community greatly concerned. In order to achieve sustainable competitive advantage, firms have started to undertake CSR positively and actively (yu-hern Chang 2016), however, instead of integrating CSR into enterprise mission and core values, most of the firms being simply keen on corporate philanthropy to express their willingness to CSR (hong-ren Chen 2015), in fact, they do not know how to make the strategic CSR which could create values for firms .

Our study tries to draw a lesson from what have happened in G Company, and summaries up the experience of making a strategic CSR successfully. G Company listed on GEM<sup>3</sup> in 2009 in China, which was awarded the title “Five-Star Enterprise of CSR” by CFIE and UNIDO in 2015, and was named as China Famous Brand and won a lot of national awards. In particular, G Company not only has been communicating its intention of CSR to society even before IPO, but also has been formulating and translating it into real action of strategic CSR. Finally, it has gained abundant rewards which including both short-term profits and long-term strategic interests.

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<sup>1</sup> China Federation of Industrial Economics

<sup>2</sup> United Nations Industrial Development Organization

<sup>3</sup> Growth Enterprises Market board

## Literature Review

Burke, Logsdon (1996) examined the ways in which CSR programs can create strategic benefits for the firms, they asserted that five strategy dimensions are that kind of ways, which help to assess the value created for the firm by CSR programs: centrality, specificity, proactivity, voluntarism and visibility. And they noted that the value creation might be both short-term profits and long-term strategic interests.

Porter (2006) asserted that CSR should be raised to the level of business strategy, managers should find the connecting point of corporate and community. In other words, only from the viewpoint of strategy to select CSR areas, can firms create competitive advantage.

Jian-qiu Liu and Meng-ya Sheng (2017) asserted that strategic CSR is the strategic social responsibility behavior after the integration of traditional CSR and corporate strategic management theory. And they identified four strategy dimensions which help to assess the value created for the firm by CSR programs: centrality, proactivity, specificity and systematic. And they noted that the value creation from strategic CSR should be short-term interests, which expressed in financial performance, and long-term interests, which expressed in intangible resources.

Therefore, the five strategy dimensions can help the firms implement the SCSR effectively and bring enterprises competitive advantages. And the five strategy dimensions are (Burke and Logsdon 1996: Centrality. Centrality is a measure of the closeness of fit between a CSR policy or program and the firm's mission and objectives.

Specificity. Specificity refers to the firm's ability to capture or internalize the benefits of a CSR program, rather than simply creating collective goods which can be shared by others in the industry, community or society at large.

Proactivity reflects the degree to which behavior is planned in anticipation of emerging economic, technological, social or political trends and in the absence of crisis conditions.

Voluntarism indicates the scope of discretionary decision-making by the firm and the absence of externally imposed compliance requirements. Visibility denotes both the observability of a business activity and the firm's ability to gain recognition from internal and external stakeholders.

That is, it is important to identify five strategy dimensions one by one to make the strategic CSR which could create values for enterprises. They are: centrality, specificity, proactivity, voluntarism and visibility, and they help managers to incorporate CSR into its strategies and achieve unique competitive advantages, which could be both short-term profits and long-term strategic interests. And finding the connecting point of corporate and communities is the most essential issue of identification five strategy dimensions, in other words, firstly, enterprises should select their CSR areas reasonably.

## Analysis of G Company's strategic CSR

### About G Company

G Company listed on the GEM in October 2009, is Chinese new material industry<sup>4</sup> of the GEM listed companies. G Company specializes in the R&D and manufacture of RTV silicone sealants which are widely applied to construction curtain wall, energy-saving window and door, electric and electronic apparatus, automobile manufacture, new energy industry, airport and many other fields, and awards "A

<sup>4</sup> <http://en.cnguibao.com/About.aspx?id=2>

Well-Known Trademark in China enterprise" in RTV<sup>5</sup> silicone sealants industry. Products through a number of environmental protection and quality certification, not only win good reputation in China, but also export to Europe and the United States, enjoy high reputation in international market. At the same time, G Company constantly won the title "Five-Star Enterprise of CSR" by CFIE and UNIDO in 2014 and 2015, which is fully affirmed of the public for G Company. In addition, since listing on the Shenzhen stock exchange in October 2009, with more than 10 year hard working, G Company has become the leader of China silicone sealant industry, and broken the monopoly of foreign silicone sealant in China market. G Company has achieved sustained growth for 7 consecutive years. Figure 2 indicates that G Company steadily grow in sales revenue, total assets and net profit during 2009-2015, and keeps the industry leading level in both quality and technology.

Since establishing in 1998, G Company adhering to "Honoring customers needs, caring of employees, responsible for the community and meeting investors' expectations" business philosophy<sup>6</sup>, still integrates the ideas of CSR into the process of its CSR development strategy and business activities, and constantly reveals its CSR reports from 2010, which shows its willingness, attitude and action of undertaking CSR. We analyse the CSR-related activities during Daily operation by centrality, specificity, proactivity, voluntarism and visibility based on financial reports and CSR reports and other information from 2012 to 2015, further summarize CSR programmes of strategic CSR choice of G Company, prove CSR programs of G Company are strategic and have an important effect on enhancing competitive advantage of G Company.

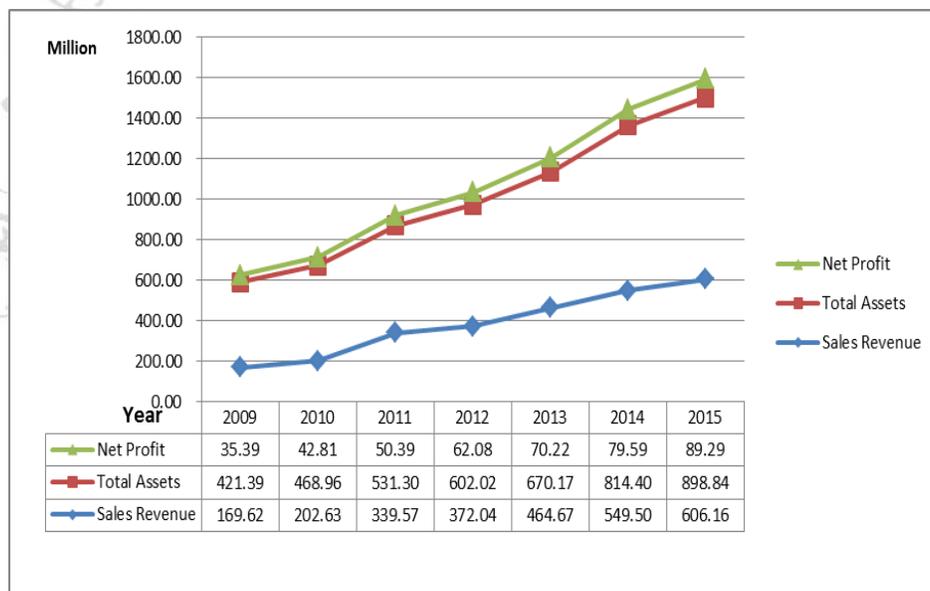


Fig 1. The Financial indicators of G Company  
Data sources: annual financial reports from 2009 to 2015

### Identification of Five Strategy Dimensions

Based on financial reports and CSR reports and other information from 2012 to 2015, we analyse the CSR-related activities during Daily operation by centrality, specificity, proactivity, voluntarism and visibility, further summarize CSR programs of G Company's implementation.

<sup>5</sup> Room Temperature Vulcanization

<sup>6</sup> <http://en.cnguiba.com/About.aspx?id=1>

**1. Centrality**

The vision of G Company is to be a global brand in silicone material. Firstly G Company actively carries out brand promotion and expansion of overseas markets by participation in international exhibitions, industry summit meeting and other forms, which has established international reputation in the sealant Market (Financial report 2012). Secondly, G Company innovates products to meet market demand. Table1 provides CSR-related activities that’s correlation with centrality.

Table 1 CSR-related activities identified by Centrality

CSR dimension	CSR-Related activities
Centrality	<ol style="list-style-type: none"> <li>1. Launching circulation special glue named "Silicon treasure" in 2012.</li> <li>2. Ultra high performance product has become one of the few domestic brands in 2014.</li> <li>3. Setting up overseas Testing Center in India in 2014.</li> <li>4. Promoting Malaysia SIRIM certification in 2015.</li> <li>5. Researching of battery glue products used in new energy vehicle power battery sealant in 2015.</li> </ol>

Data sources: Annual financial reports from 2012 to 2015

**2. Specificity**

The core competence of G Company mainly focuses on independent innovation technology superiority, brand and service superiority, sales network superiority, the talented person superiority and so on (annual financial report 2012-2015). On the one hand, Most of senior management and core technical staff of G Company are industry experts, National Technical Committee, such as, chairman of the board is expert of China Association of Fluorine and Silicon Material Industry and member of National Standardization Technology Committee for Light and Decoration Materials and General manager is expert of China Association of Fluorine and Silicone Material Industry (Finance reports 2012-2015). On the other hand, G Company steadily invests research and development of technology and product innovation, which accounts for 3% of sales revenue in annual year (Finance reports 2012-2015). Table2 indicates CSR-related activities of G Company that is summarized based on specificity.

Table2 CSR-related activities identified by specificity

CSR dimension	CSR-related activities
Specificity	<ol style="list-style-type: none"> <li>1. Setting up innovative practice base of Post doctor in 2012.</li> <li>2. Marking in the production of "green building products" logo as the first Company in industry in 2013.</li> <li>3. Obtaining CNAS<sup>7</sup>'s approve for Company Technology Center in 2014.</li> <li>4. Having identified by technology for "High storage stable condensed equal proportion of two component silicone sealant" in 2014.</li> <li>5. Establishing Research and development center of advanced silicone materials in Beijing University of Chemical Technology in 2015.</li> <li>6. Receiving 61 patents by the time of 2015 and achieving market-oriented and the conversion rate of 100%.</li> </ol>

Data sources: Annual financial reports from 2012 to 2015

### 3. Proactivity

Table 3 reflects CSR-related activities identified by proactivity. In 2012, G Company constantly promotes brand in the electric corrosion industry with air pollution gradually increasing and high efficiency sealant being included in key product and services directory of National Strategic Emerging Industries (Financial report 2012). In 2013, the seminar of the environmental protection industry policy and service industry development revealed: 2013-2017 years, China will invest 1.7 billion yuan for controlling air pollution during 2013-2017. So G Company continues to increase investment in environmental protection products. With transformation and changing to be a social consensus, G Company sets up a special automation equipment limited Company; In 2015, Ministry of science and Technology issued the "national key research and development plan of new energy vehicles key special implementation plan (Draft), which leads G Company to advance Lithium battery field(Financial report 2015).

Table 3 CSR-related activities of G Company by Proactivity

CSR dimension	CSR-related activities
Proactivity	<ol style="list-style-type: none"> <li>1. Establishing Chengdu high tech Zone energy conservation and environmental protection industry alliance in 2014</li> <li>2. Increasing the development and research of solar energy sealant of new energy products in 2014</li> <li>3. Researching Intelligent precision robot in 2015</li> <li>4. Establishing a wholly owned subsidiary of anti-corrosion Engineering Co.Ltd.</li> </ol>

Data sources: Annual financial reports from 2012 to 2015

### 4. Voluntarism

G Company regularly engages in voluntary behaviors in its core business functions. In 2012 Full-automatic production line can be used in operation, which Improves production efficiency and reduces normal loss. New type of Synthetic technology and methods for synthesizing KH550 coupler reduce the cost of raw materials. At the same time, G Company constantly implements office automation and the Company's daily energy saving measures that water saving, energy saving, energy saving (annual CSR report 2012-2015).Table4 reflects CSR activities of G Company by voluntarism.

Table4 CSR-related activities of G Company by Visibility

CSR dimension	CSR-related activities
Voluntarism	<ol style="list-style-type: none"> <li>1. Actively promoting office automation during 2012-2015</li> <li>2. Operation of fully automatic production line in 2012</li> <li>3. New Synthetic methods for synthesizing KH550 coupler in 2012</li> <li>4. Implementing constantly charity project of "G seed scholarship" during 2012-2015</li> </ol>

Data sources: Annual financial reports, CSR reports from 2012 to 2015

### 5. Visibility

The Strategic CSR implemented wins the support of internal and external stakeholders. For product, it was awarded many certifications. For social, G Company has undertaken many national and provincial awards. Table 5 provides a number of awards granted for G Company.

Table5 CSR-related activities of G Company by Visibility

CSR dimension	CSR-related activities
Visibility	1.Obtaining financial subsidies of the first strategic emerging industries 10 million 2. Investment subsidies 4 million 500 thousand of Sichuan Province industrial revitalization and technological transformation projects 3. "G" brand trademark has been recognized as China's well-known trademarks

Data sources: Annual financial reports, CSR reports from 2012 to 2015

**How G Company’s strategy is linked to CSR**

From Table1, Table2, Table3, Table4 and Table 5 we found that G Company is more concerned about these CSR programs which are product, environment and charity, from the analysis of CSR-related activities of G Company using the five dimensions. Firstly, CSR programs of G Company closely fits to its mission and objectives (Centrality). Secondly, G Company also combines CSR programs with core strategic resources to research new products with advantage resources (specificity), and G Company pays tightly attention to changing social trends to improve the ability to adapt and capture the key element for innovation (proactivity). Thirdly, G Company must regularly engage in voluntary behaviors with respect to its business functions (voluntarism). Finally, G Company has positive consequence by the recognition from internal and external stakeholders (visibility). All of these are critical to the success of G Company and value creation by implementing CSR. G Company’s value-creation process of strategic CSR is presented in Figure 2.

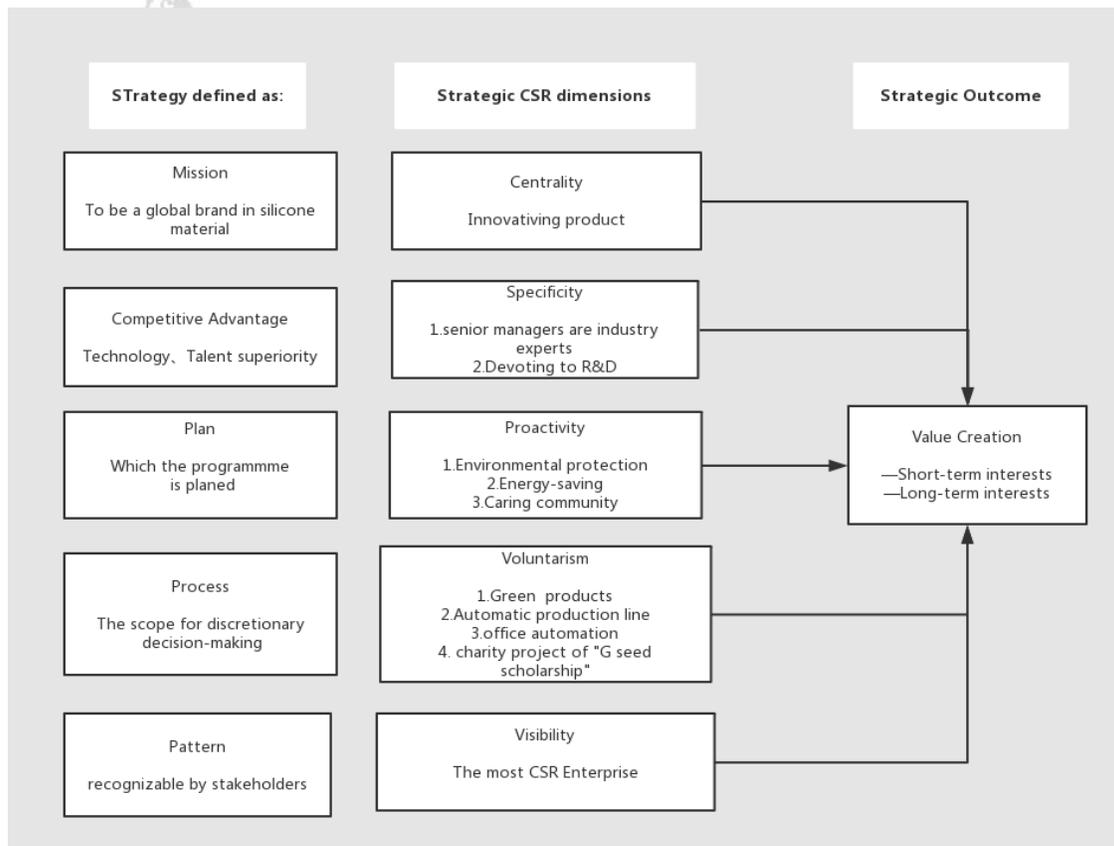


Figure2. How G Company’s strategy is linked to CSR

Data sources: annual financial reports, CSR reports from 2012 to 2015

1. Centrality. With the guidance of vision, to be a global brand in silicone material, G Company constantly innovates products to meet market demand at home and abroad.
2. Specificity. The core competence of G Company mainly focuses on independent innovation technology superiority, and the talented person superiority.
3. Proactivity. Adhering to the concept of innovation driven, green development, G Company develops environmentally friendly products. Meantime, responding to the government, G Company devotes the society by setting up scholarship and education fund.
4. Voluntarism. Voluntarism is closely linked to proactivity. Fitting to operation characters, G Company incorporates green, energy-saving in the specific operation activities.
5. Visibility. Actively implementing CSR strategy, G Company acquires positive recognition of stakeholders and has been granted with many awards from social.
6. G Company finds the joint of community and itself, implements positively and actively, which creates the value creation including short-term and Long-term interests, which enhances its competitive advantage.

**The value creation of G Company’s strategic CSR**

G Company has reoriented CSR toward a more strategic perspective to inspiring more CSR activities, thus serving stakeholder and societal interests more fully, meanwhile it has gained abundant rewards which including both short-term profits and long-term economic interests, and this leads to it’s competitive advantages. The relationship of Strategic CSR and competitive advantage is presented in Figure 3.

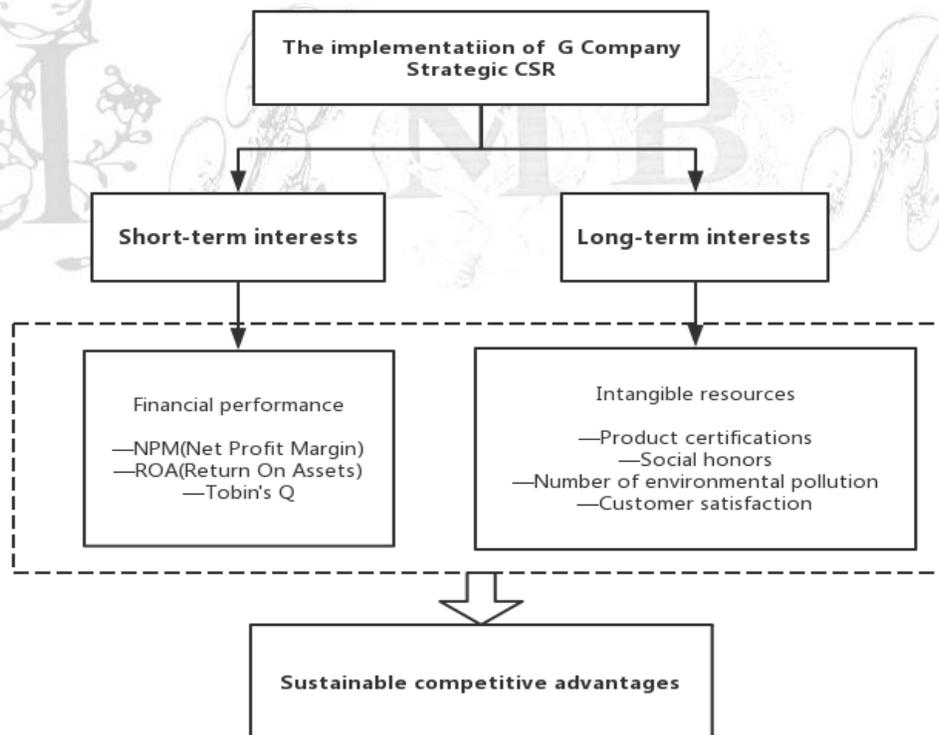


Figure3. The relationship of Strategic CSR and competitive advantage

Based on financial reports and CSR reports and other information from 2012 to 2015, we find G Company not only improves financial performance, but also enhances public image and increases reputation capital, which further enhance the competitive advantage of G Company.

**Short-term interests**

Jun-wei Shi (2009) measures of competitive advantage based on financial performance, namely sales revenue (SR) and Return on assets (ROA). One reflects operation performance and the other is operation effective. This paper uses Net profit margin (NPM) and Return on assets (ROA) due to Sales revenue(SR) is an absolute value.

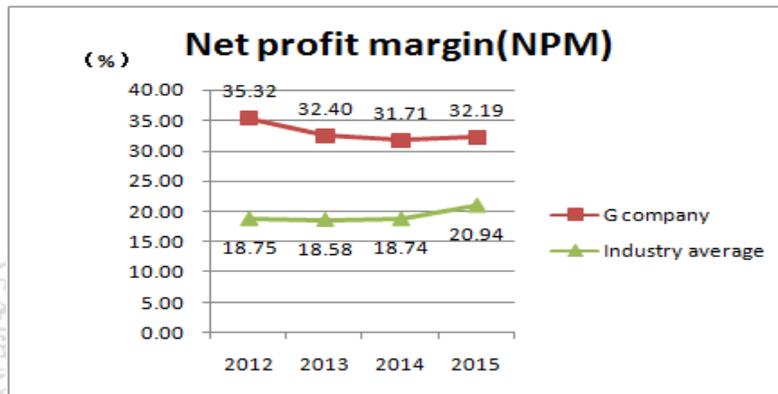


Fig4. Net Profit Margin of G Company

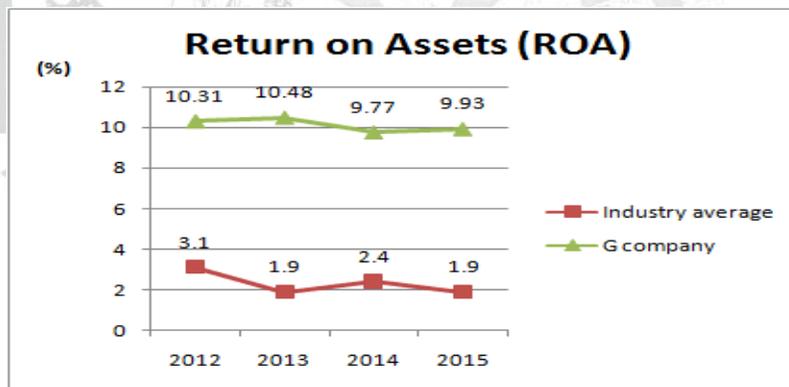


Fig5. Return on Assets of G Company and Industry average

Data sources: CSMAR

Net profit margin (NPM ) in Figure 4 indicates though the NPM of G Company slightly declines, the overall net profit margin(NPM) is significantly higher than the industry average of 10%, which shows good operation performance. From Figure 5, we can draw a conclusion that production efficiency of G Company is significantly higher than the industry average.

In order to further demonstrate value-creation of G company from the overall characteristics, we measure with Tobin’s Q (Zheng Li 2006). Tobin’s Q reflects the market value of firms. According to Figure 6, Compared with industry average, the value of G Company is significantly higher than the industry average; with respect to G Company itself, the value increases more than twice with the time increasing from 2012 to 2015.

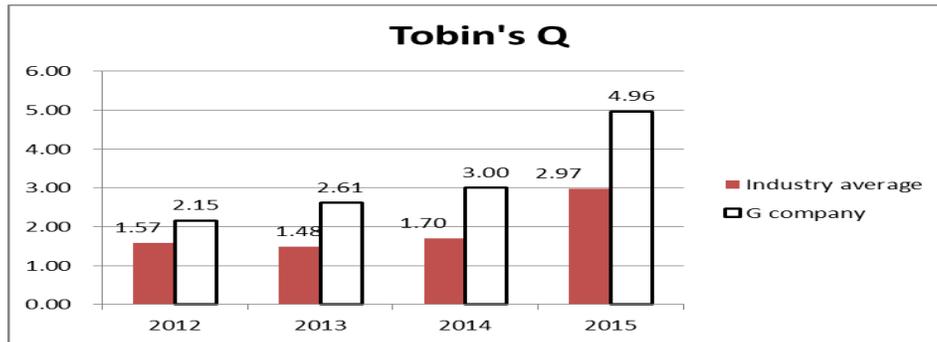


Fig 6. Tobin Q of G Company and Industry average  
Data sources: CSMAR

**Long-term interests**

Products of G Company have acquired full set of certifications domestically and internationally, while customer satisfaction is also increasing year by year, thereby products has always been in the industry leader. In terms of social recognition, G Company receives internal and external stakeholders affirmed through the reasonable implementation of CSR. In the environment, G Company strictly complies with the provisions and innovates the production operations to reduce pollution. All of these can enhance reputation capital (Xing-dong Shao 2009). Table6 reflects the Long-term outcomes by implementing CSR during the period of 2012-2015.

Table 6 The Long-term outcomes by implementing CSR strategy

Year	Product certifications	Social honors	Number of environmental pollution <sup>8</sup>	Customer satisfaction <sup>9</sup>
2012	TUV <sup>10</sup> , UL <sup>11</sup> certification	The most CSR Enterprise	0	85%
2013	Green building products, Green building certificate	Outstanding private enterprise in Sichuan	0	85%
2014	ASTM <sup>12</sup> ,EN1279 <sup>13</sup> certifications	Five-Star Enterprise of CSR	0	87%
2015	Certificate of environmental protection building materials business standard.	One of TOP 100 furniture enterprises in China	0	91.85%

Data sources: annual financial reports, CSR reports from 2012 to 2015

8 Annual CSR Reports from 2012-2015

9 Annual CSR Reports from 2012-2015

10 It's a safety certification mark of product customization components designed by The German T V, widely accepted in Germany and Europe.

11 Underwriter Laboratories Inc(UL) is the most authoritative, but also in the world engaged in safety testing and identification of the larger civil institutions.

12 American Society for Testing Materials (ASTM) is one of the oldest and largest non-profit standards academic organizations in the United States, whose main task is to formulate the characteristics and performance standards in the areas of materials, products, systems, and services

13Hollow glass products CE certification by EU

The outcomes, which are product leader, environmental performance, social honors and Customer satisfaction, enhance reputation of G Company that improves the competitive advantage of G Company. Thereby, G Company not only, compared with industry average, has good operation performance and operation efficiency, but acquired many honors and certificates all over the world, which prove its competitive advantage helping the vision come true quickly.

## Conclusion

Proponents of CSR are convinced that it 'pays off' for the firm as well as for the organization's stakeholders and society. The case of G Company once again supports this viewpoint.

G Company not only has been communicating its intention of CSR to society even before IPO, but also has been formulating and translating it into real action of strategic CSR. Finally, it has gained significant strategic benefits which including both short-term profits and long-term economic interests.

It is verified that the assessment of five strategy dimensions is the key in carrying out strategic CSR. According to its own characteristics and advantage of resources, G Company has identified clearly its five strategy dimensions to incorporate their intention of CSR into strategic analysis.

G Company has found the connecting point of corporate and communities successfully and selected their CSR areas reasonably. Having the largest population in the world, China is exposed to the most serious environment pollution, that the Green environment and green manufacturing are the pressing needs of communities and government. In addition, there is also a serious waste of resources in China. G Company has been performing its responsibilities absolutely by investing continuously in new green technology, new green products, by optimizing the processes for energy and emission reduction; on the other hand, there is a wide spread concern over the large gap between rich and poor in China, G Company has been performing its responsibilities by donating constantly in primary education and providing employment to community land.

Our study definitely makes sense in theory and practice in strategic CSR, both G Company and many other companies have had guidelines to incorporate these dimensions into a strategic analysis of their social responsibility correctly and effectively.

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