

Corporate Social Responsibility Analysis of Walmart in China

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Abstract: The paper will analyze the corporate social responsibility (CSR) of Walmart in China based on ISO 26000 standard. Firstly, the seven aspects of ISO 26000 standard would be included, which is organizational governance, human right, labor practices, environment, fair operating practices, consumer issues and community involvement and development. Then would be a critical analysis according to the CSR investigation. Next the conclusion part would be briefly summarized the what aspects need to improvement. Finally, some recommendation would be given that based on the analysis before.

1. Introduction

The company social responsibility(CSR) which means the company should be undertaken the responsibility it term of views. The CSR thinks that the company not just based on the shareholders theory but also the stakeholders theory. Which means that the company could not be seek the profit maximum only. Other aspects are also important to the sustainable development of the company. And the resources of society are used by the company firstly, then should be returning it to the society by the different way that is CSR standards. CSR more and more discussed and attention by different organization today. There are some different definition and standard of CSR show in the international organization, but this paper would be research on CSR of multinational enterprises in sub-market based on the ISO 26000 standard, which critical analysis the Walmart situation from main 7 angles in China market.

Walmart is the largest private employer and retail chain in the world, and most valuable brand in topped the fortune global 500 lists. The company main business including the physical stores, online e-stores,and so on.Walmart has many business and brand in 27 countries so that their revenue have good performance, and have lager staff over the world. The data show that global revenue reached \$514.4 billion in fiscal 2019, with more than 2.2 million employees worldwide[1]. The company's mission is the sustainability, corporate philanthropy and job opportunities.

Walmart core value is "service customers, respect the individual, the pursuit of excellence, integrity," in china. Walmart actively participates in the market exploitation and development in China, and adopts a variety of operation methods, such as shopping malls, Sam's club stores, Walmart supermarket, etc. Walmart has conducted in-depth cooperation with China and adopted a localized operation mode, the data show that the company corporate with china supplier over the number of 7000, employee 99.9% comes from china, and sale the local product over 95%[2]. Since 2010, the company has also focused on the development of online business, which is in line with the rapid development of the Internet in China.

This paper will discuss the situation of Walmart CSR in China, which based on the data of china market. The seven aspects of ISO 26000 standards would be included, which is organizational governance, human right, labor practices, environment, fair operating practices, consumer issues and community involvement and development.

2. Methodology

The qualitative and quantitative methods are both could be used but more founded on the qualitative methods that analyze the focus group, observation and cased study analysis. Focus group is a

popular qualitative research methods for gathering data which analysis of different attitude consensuses. The methodology would be focused on the analysis of the data that collecting from the authority data provided and the specific statement. Based on the ISO 26000. The date comes from the Walmart report and other secondary resources or research.

3. Results and discussion

This part will show the Walmart CSR situation from 7 core subject according to the ISO 26000. it will analysis the CSR is good or not based on the situation mention before, and identify any areas of CSR need to be improve.

3.1 Organizational governance

Mission: Walmart China's CSR Mission: A Retailer with a Strong Sense of Corporate Social Responsibility. The company pay attention to the CSR areas, which the Walmart has donated more than 1.4 yuan to various charities nationwide With RMB 100 million in capital and goods, the total investment of Walmart employees in China in social welfare undertakings has exceeded 24More than 10,000 hours [3].

Partner with locally: On the morning of June 21, 2016, Jingdong officially announced that it has officially confirmed the "global strategic cooperation" relationship with the international retail giant Walmart, and Walmart will invest 5% in Jingdong group. Jd also announced that it will own Yihaodian's main assets, including its brand, website and APP. It is understood that Walmart will receive 145m new class A shares, or about 5 percent Jd.com's latest share price. Jd.com's share price rose as much as 8.45 percent on NASDAQ after the news was released.

Supplier: Currently, Walmart China sells more than 95 percent of the total. The total value of the deal is more than 20 billion yuan, based on products locally and has established partnerships with nearly 20,000 suppliers. Walmart always regards suppliers as partners and develops together with them.

Lower human resource costs: Because China has a different population from other countries, it has far more human resources than other countries, and thus lower human resource costs .Moreover, China is a country with vast territory and abundant resources and relatively developed commodity manufacturing industry, which makes it a very ideal material supplier. China has become an important base for Walmart's global sourcing and is one of its biggest suppliers.

In China's organizational governance, it can be found that Walmart has a good basis for cooperation with stakeholders. Not only did he have in-depth cooperation with local suppliers in China, but also established strategic alliances and exchanged shares with local enterprises. Such behavior is good for Walmart's local development. Walmart is also A Retailer with A Strong Sense of Corporate Social Responsibility. China has become A major supplier to the Retailer because of its cheap labor and abundant materials. However, the development of Walmart itself is not very smooth, which shows that the company's strategy and organizational governance is not perfect, and localization is not successful enough.

3.2 Human rights

The company CSR focus on the women rights, the main objects is that promote the Women economic independence, for women to provide more development opportunities.

The five goal as following:

- Increased procurement of women-owned businesses;
- Providing training, market access and employment opportunities for women on farms and in factories;
- Education and job training for women;
- Increasing the proportion of female suppliers;

- Make charitable donations to the women economic self-reliance project;

Some measure they taken, like, The mother business cycle program aims to provide financial and technical support for women in poor areas to engage in agriculture to help them start their own business and promote sustainable development of local agriculture. The women-owned enterprise program focuses on supporting the growth of women entrepreneurs, seeking partners, and helping them seek opportunities to enter large international retailers. This is also reflected in the corporate culture, where women make up a high proportion of employees and managers. The data show that Women make up more than 60 percent of employees and about 40 percent of managers, which It embodies gender equality.

However, in addition to woman's legitimate rights and interests, other parts of human rights also need to be paid attention to and improved. In a given society, vulnerable groups can include women and people Disabled persons, children, indigenous peoples, migrant workers and their families. Walmart also need to care about other vulnerable groups to give them a fair opportunity.

3.3 Labor practices

As we know, the one advantage of international enterprise is labor, which means the MNC could enjoy the cheaper labor resources from a sub market in development countries especially. So some labor measures or question about Walmart in china market as following:

Pay attention to the health of the staff, require an annual physical examination, if the sick request to be cured after returning to work.

Walmart not only requires food department employees to have certain work experience, but also provides them with professional training. Walmart also has some open classes for employees, mainly to help them learn other skills and knowledge related to their work, so as to better serve customers.

Walmart gives every employee its "profit sharing plan," "employee discount policy," and "scholarship programs," such as paid vacation, holiday benefits, health and life insurance Many Walmart employees believe they will be paid less and it will be harder to work outside the company[4].

Walmart do not allow the employee to work if their illness, the measure is roughly because may reduce the income of the employee. And there are no measures to support employee to get treatment. It is not enough rely on the basic government health insurance, which needs a commercial insurance purchased by the company or otherwise.

Although Walmart give employee some benefit, like "profit sharing plan," "employee discount policy," and "scholarship programs" , which mean those measures reduce the indeed income of employees, owing to the company would not give more cash to them. Which mean that some benefit sacrifices some of the employees' income. These policies may not be in line with China's reality, most people need more cash to pay for their living costs or their children's education, which it not change the salary become benefit. However, the best choice is that keep the enough salary and benefit.

When Walmart facing market competition, usually tend to be the reduce the running cost of the company by reducing the number of employees. But the some informal measures were taken by Walmart, which reduced the number of hours employees worked to reduce the cost of operations. Because of the large scale of the layoffs will cause social concern, and to pay employees more compensation. But the move is opposed by employees because it has greatly reduced their income and they have no other source of income. The move is also seen as a form of redundancy, allowing workers to leave voluntarily.

3.4 Environment

With a strong supply chain, Walmart attaches great importance to integrate sustainable development into all aspects of its supply chain and operations. Which it has made sustainable develop-

ment its most important mission in the world and formulated the "sustainable development 360" strategy.

The three objectives: 100% renewable energy; "Zero" waste; Sell goods that benefit resources and the environment. In addition to implementing the concept of sustainable development in all aspects of its operations and supply chain, Walmart is also committed to introducing and selling more sustainable seafood and increasing the proportion of sustainable palm oil used in its own-brand products[5].

Carbon intensity (Scope 1 and 2) vs. revenue

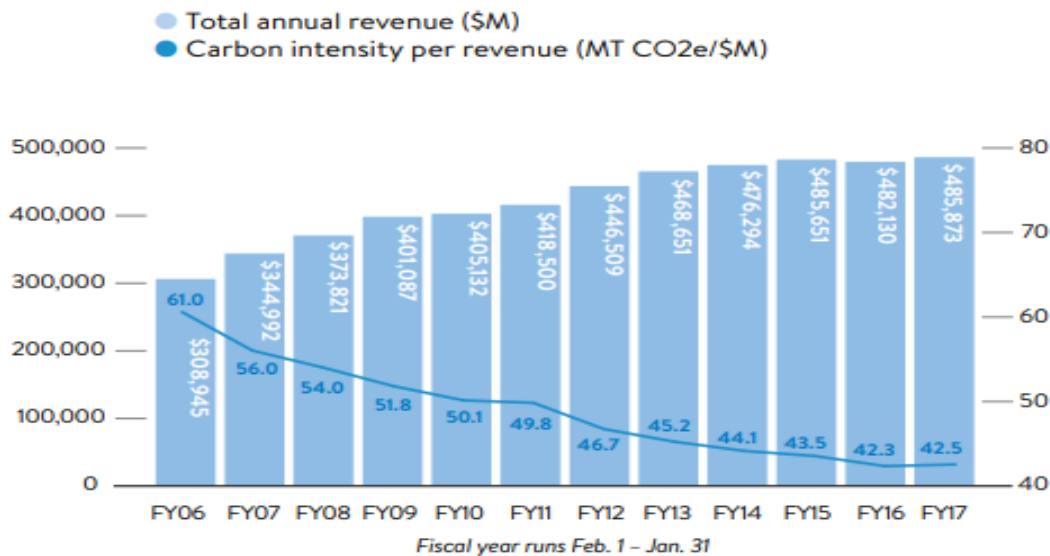


Figure 1. Carbon intensity situation
Source: Walmart report 2018

According to the U.S. Environmental Protection Agency Green Power Partnership and the Solar Energy Industries Association, as of 2017, Walmart ranks 1st for total number of sites using on-site solar, 2nd for total on-site solar power usage[6].

While the goals and strategies for protecting the environment are good, they are difficult to implement. The first is that it is hard to police the bad behavior of suppliers and consumers. Second, different places have different requirements and material conditions for environmental protection, so it is difficult to deal with problems in a unified and standardized way. Third, how to deal with waste left by consumers in a green way is also a problem in China.

3.5 Fair operating practices

Set the standards for suppliers: Walmart take different approach to monitoring the supply chain, the important one is that separate the regions based on risk level. Serious regions or high risk areas would be taken more regulatory measures. Like audit measure more taken in high risk areas or high potential risk geography, and it would be spent more time to investigate those places who violate the Walmart supplier standards. The Walmart CSR report shows that the team finds over 500 cases who disobey the supplier standards in FY2018.

Walmart and other stakeholders: based on the third-party audit firms who belongs to social compliance audits, audit programs and NGOs. Established the Association of Professional Social Compliance Auditors (APSCA).

3.6 Consumers issues

Walmart care about the customer service, and how to satisfy the customer needs is the research focus. The company thinks that Customer satisfaction is the key objective of company strategy and Promising investments that guarantee future success and growth. Walmart has also taken steps to gain customer loyalty and recognition, such as offering "high quality service" and "unconditional refund". "Three-meter smile" principle: Smile at customers to provide better service. To investigate customer expectations and responses, the management personnel collect information according to the computer information system, as well as through direct investigation to collect customer expectations and timely update the combination of goods, organize the procurement, improve the display of goods, and create a comfortable shopping environment. However, Walmart has dreamed of replicating in China the same business model and culture it has adopted in every store around the world, but has repeatedly failed.

Walmart China said it actively supports the "offline seven-day return without reason" campaign initiated by the China consumers association in 2018, and has made a promise of all-round return and replacement services based on this. Walmart will also ensure that customers are heard through multiple channels, with the aim of protecting consumers' rights and creating a reassuring environment for consumers. Consumers could enjoy the "worry free fresh 100% refund", which fresh food products can make a refund within 14 days after purchase. For all fresh food returned goods, Walmart will be destroyed in time to prevent re-sale. For non-food items, with the exception of special items and exceptions posted in-store, you can enjoy 90 days of no-reason returns at Walmart malls and Sam's club stores. So we can find that the Walmart focus on customer satisfaction and loyalty. Certainly not enough for a company's CSR. What works in other countries, doesn't work in China because China has a unique culture. In China to establish a unique business philosophy, the development of local corporate culture.

3.7 Community involvement and development

Walmart has extensive store distribution and large group of employees so that could be encouraging them to participate in the community development. Some activities the employee to engage in, which including volunteer activities, visiting the elderly, disabled people and left-behind children in the community. Walmart donates supplies and money when there's a natural disaster somewhere. The second is to encourage employees to participate in more community activities and services. However, the cost to the company is relatively small, and more time is invested. Walmart lacks ties to local communities, local suppliers and the government.

4. Conclusion

Walmart's organizational governance structure in China is not perfect enough, and the degree of integration with the local is not enough. That's why Walmart isn't doing so well in China. Moreover, the strategy developed by the company is not suitable for China, and the localization needs to be strengthened. It is not realistic enough in terms of Labor and human rights, nor is it able to provide competitive wages relative to competitors. It also needs to provide employees with fairer employment opportunities and promotion channels, and lack of support for the disadvantaged. Some concepts and goals of environmental protection have not been fully implemented, and should be strengthened in the light of the actual situation of communities and consumers' consumption habits. On the charity side, Walmart only makes donations and supplies in the event of a disaster. And it's hard to compare with local business. In charity, daily activities are also important. Lack of supervision over suppliers, no corresponding standard processing process, and insufficient contact with the government.

5. Recommendation

Companies should further consider the opinions of local managers, especially senior managers, when formulating strategies. Should be Create and model a company culture where the principles are practiced. Delegate authority proportionately to the responsibilities assumed by each member or employee of the business. Keep track of decisions to ensure they are followed through, and to determine responsibilities for the results of the business' activities, either positive or negative. Efficiently use financial, natural and human resources, while ensuring fair representation of historically under-represented groups (including women and racial and ethnic groups).

Further balance the needs of relevant interests and establish two-way communication channels. Protecting vulnerable groups, Respect economic, social and cultural rights and civil and political rights. Recognize that employment relationships involve rights and obligations Fulfill all legal obligations to workers; eliminate discrimination in hiring and dismissals. Avoid contracting with partners, suppliers or sub-contractors who use unfair, exploitative or-abusive labor practices. Strengthen links with the community, provide jobs for the community, make social investments, and promote technology and sustainable development.

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