Title

Game changers? NGO influence on the CSR practices of a Chinese sportswear firm

By Dirk C. Moosmayer & Susannah M. Davis, University of Nottingham Ningbo China

Abstract

NGOs are beginning to engage with Chinese firms. This raises the question of how Chinese firms react to NGO pressure. We examine the case of Li Ning, a major Chinese sportswear brand, which has been targeted by environmental NGOs. We use linguistic methods to analyze Li Ning’s CSR reporting to determine whether the company explicitly responded to NGO claims, and if so, how. We find that the vocabulary of Li Ning’s reports show the effect of NGO influence. We then compare Li Ning’s response to that of other international sportswear brands targeted by NGOs. (94 words)

Keywords: Nongovernmental organizations (NGOs), Corporate social responsibility (CSR), China, textile industry

Methodological area: Qualitative and quantitative
1. Introduction

Whereas nongovernmental organizations (NGOs) have played a major role in CSR in many western contexts, the influence of such organizations has been quite limited in Chinese CSR (Lin, 2010; Shen & Moon, 2011; Chi, 2011). Kourula’s (2010) case study reveals that even a multinational firm that works closely with NGOs in other contexts may do so less in China, where the NGO base is limited. Given the relatively high degree of state involvement in the economy and the relatively low level of NGO activity in China, it is not surprising that differences are observed in patterns of business-civil society engagement. However, neoinstitutional approaches to firm-NGO engagement (e.g., Yazji & Doh, 2009) suggest that this may change. As Chinese firms build up their brands and globalize, on the one hand, and as Chinese society becomes wealthier and more CSR-aware on the other, firm-NGO engagement may become more likely. Taken together, these developments suggest that NGOs could begin to play a more substantial role in Chinese CSR.

Our paper aims to explore this possibility by examining how Li Ning, a Chinese sportswear brand, responded to two industry-wide campaigns launched by NGOs demanding environmental responsibility in the Chinese supply chain. The first campaign was launched by Greenpeace, an international NGO with a branch in China, and the second was initiated by a group of domestic Chinese environmental NGOs. In order to understand Li Ning’s reaction to the campaigns, we adopt a sensemaking perspective and consider language to be an indicator of how a firm makes sense of and responds to situations (Basu & Palazzo 2008). In particular, we focus on the vocabulary used by the firm as an indicator of underlying institutional logics (Loewenstein, Ocasio & Jones, 2011). Accordingly, we analyze the
vocabulary of Li Ning’s corporate social responsibility reports both before and after the NGO engagements to understand how the firm responded to the NGOs. We supplement this linguistic analysis by exploring the actions taken by the firm to address NGO demands, examining press and NGO reports and interviewing the NGOs involved. We find that during and after the NGO engagements with Li Ning, the vocabulary of the firm’s CSR changed in ways that seem to reflect the themes emphasized by the civil society organizations. Moreover, we find evidence that the firm actively engaged with some NGOs and took concrete steps to address environmental concerns raised by the NGOs.

2. NGOs and CSR

2.1. Institutional influences on firm engagement with NGOs

Although NGO-firm engagement has not been especially visible in the Chinese context, in many other countries the prominence of NGOs and their demands on business has grown in recent years. Research has tried to understand why and how NGOs might challenge businesses, and in particular how institutional arrangements structure such engagements (e.g., Doh & Teegen, 2002; Teegen, Doh & Vachani, 2004; Doh & Guay, 2006; Vachani, Doh & Teegen, 2009). Business response to NGOs has also been examined, and it has been shown that a single multinational corporation (MNC) may adopt different strategies and tactics to engage with NGOs depending on the local institutional environment (Kourula, 2010). This can result not only from the fact that firms have different goals in different environments, but also because the level and strength of NGO activity also varies. Moreover, just as firms respond to institutional environments, a single international NGO such as Greenpeace may vary its behavior across contexts too, both in terms of action (Bloodgood, 2009) and its discourse (Heinz, Cheng & Inzuka, 2007).
Scholars seeking to understand the conditions that promote or inhibit firm-NGO interaction have identified both firm-specific and broader, institutional factors that shape these kinds of engagements. Adopting a neoinstitutional perspective, Yaziji & Doh (2009) suggest that NGOs are able to pressure companies to modify their business practices by engaging in ‘normative delegitimation’ campaigns that challenge a firm’s legitimacy by suggesting that a firm’s actions violate social norms. As NGOs typically lack direct influence over a company, they tend to adopt an indirect, ‘critical player’ approach in which they attempt to influence those with direct influence (e.g., shareholders, customers) to put pressure on the company. An NGO normative delegitimation campaign may provoke a company response:

There may be a set of inter-organizational moves and counter-moves between the NGOs and the firm that take various forms such as provision of (mis)information, negotiation, threats and so forth. Furthermore, there could be efforts by the firm itself to influence the critical players to counter the effect of NGO campaigns. (Yaziji & Doh, 2009: 61)

NGO legitimacy challenges can be understood as a type of ‘social risk’ that increases or decreases depending on conditions operating at the firm level or in the firm’s broader institutional environment (Yaziji & Doh, 2009: 62-70). At the firm level, risks may be experienced either by the industry as a whole or only by a specific company. For instance, involvement in a potentially polluting sector such as the oil industry increases social risk for all firms in that sector. However, risk can also be increased when a firm is a market leader, has high brand awareness, or does business in markets with different ethical expectations. At the social level, risks may be posed by the level of institutional complexity facing a firm, as well as the degree to which its operating environment supports NGOs. Specifically, social risk increases when a firm faces multiple and competing demands (e.g., competing or even
inconsistent demands from different shareholders. NGO activity may be greater and thus social risk may also be higher in wealthier, urbanized countries where internet use is high (Yaziji & Doh, 2009).

This brief review of Yaziji & Doh’s (2009) framework suggests several reasons to believe that Chinese firms may be at increasing risk of NGO challenge. First, at the firm level, some Chinese companies are gaining brand awareness and power in the supply chain (Ille, 2009). Moreover, as Chinese firms globalize and attempt to do business in more diverse markets, they may encounter mismatches between their firm’s core values and prevailing expectations in the markets where they operate (Tsoi, 2010). Second, at the institutional level, Chinese firms may face greater NGO challenges as they ‘go global.’ As Chinese firms seek overseas markets, they may encounter new standards of ethical business behavior and increased CSR expectations (Ille, 2009). Third, conditions favoring NGO activity may be changing within China. Not only are Chinese becoming wealthier and using more information technology, but society is developing greater trust in NGOs (Edelman Trust, 2012). Although NGOs in China are closely regulated (Johnson, 2011), rules on NGO registration may be easing in some jurisdictions (Beijing Today, 2011; China Daily, 2012). Moreover, other legal changes such as the adoption of environmental information disclosure laws, create a role for NGOs in environmental governance (Johnson, 2011; Mol, 2009). By making it possible for NGOs to gather and use public information about firms’ environmental impact, these laws provide NGOs new tools for challenging the legitimacy of firms’ behavior.

2.2 NGO-firm engagement in China
At least at the theoretical level, neoinstitutional approaches suggest that firm-NGO engagement should increase in China, especially as Chinese firms gain more brand awareness, and as they expand into new markets. But is this actually occurring in practice? Are NGOs challenging Chinese firms’ behavior? If so, how have Chinese firms responded to NGO challenges?

There is little academic research published in English to date that answers these questions, though there are exceptions. For instance, Lee, Plambeck, & Yatsko (2012) report on the efforts of a coalition of Chinese environmental NGOs that has put pressure on both international and Chinese firms to address environmental problems in their supply chains. Nevertheless, it is unlikely that NGOs strongly influence business in China today. First, interviews with Chinese businesspeople suggest that Chinese firms consider government, particularly local government to be a main source of legitimacy (Yin & Zhang, 2012; Cooke & He, 2010). Business partners such as major buyers are another source of influence (Chi, 2011), but other stakeholders such as the media or consumers are considered less important (Yin & Zhang, 2012). In such studies, it seems that NGOs are not even considered to be a potential influence. This is not unexpected: firms have not had to respond to NGOs because there have been few organizations involved in CSR in China (Cooke & He, 2010). According to Chi (2011), who reports on the textile industry, NGOs’ influence on Chinese CSR has been minimal.

The lack of NGO influence is reflected in Chinese companies’ CSR reports, which orient themselves towards the law and state-defined standards rather than claims made by civil society. In other words, companies do not appear to respond to NGO challenges in these reports. In a linguistic study of 21 CSR reports from 2007 and 2008 produced by companies representing several industrial sectors listed on the Shenzhen stock exchange, Strafella (2011)
concluded that: “Chinese companies are eager to show their commitment to be responsible corporate citizens, but do not express any anxiety to correct a possibly negative image” (Strafella, 2011: 221). The language and rhetorical strategies of the reports studied suggest that these Chinese firms do not need to defend themselves against pressure groups such as NGOs: there was no evidence of counterarguments against NGO claims (Strafella, 2011: 228).

2.3 A new role for NGOs in Chinese CSR?

The literature thus provides a mixed picture: while conditions conducive to NGO activity appear to be developing, there is little evidence to suggest that Chinese firms are in fact being challenged by NGOs, or that they are responding to such challenges. One problem is the relative lack of studies in English exploring Chinese firms’ response to NGO campaigns. In the discussion below, we attempt to address this gap in the literature by considering the case of a Chinese firm’s response to two industry-wide normative delegitimation campaigns undertaken in the textile/garment sector.

3. Material and methods

3.1 Language and sensemaking

Li Ning is a leading Chinese sportswear firm that has built up its brand and expanded into overseas markets such as the United States (Burkitt, 2010). Led by the Olympic champion gymnast whose name the company bears, Li Ning has been recognized for innovation in Chinese CSR efforts (Li, 2009). Given its relative brand awareness and market
power, as well as the CSR expectations that its overseas customers may have, the firm therefore provides characteristics that Yaziji & Doh (2009) suggest may make it vulnerable to social risk.

In fact, Li Ning has been the target of NGO campaigns in recent years. First, Greenpeace targeted Li Ning in a report that linked 18 major brands to suppliers using toxic chemicals in their supply chains in China and called on them to ‘detox’ and eliminate toxic inputs (Greenpeace, 2011). Second, a group of Chinese NGOs communicated Li Ning as one of 48 brands linked to suppliers with records of environmental pollution violations (Friends of Nature et al., 2011a). Because we want to learn how Li Ning makes sense of the NGO challenges and reacts to them, we follow Basu & Palazzo’s (2008) proposals for a process approach to CSR and examine the language the company uses to communicate its CSR message. In line with Loewenstein, Ocasio & Jones (2012), we focus in particular on the vocabulary used by the firm to talk about its social and environmental obligations. These authors advise studying ‘vocabulary structure,’ that is the conventions of word use that are demonstrated by word frequencies, word combinations, and the mappings of words to real-world examples. ‘Vocabulary structure’ can offer insights into underlying cultural categories that link vocabulary and practice, revealing the logics that guide an organization’s actions (Loewenstein, Ocasio & Jones (2012: 67). Accordingly, studying a firm’s CSR vocabulary may help in understanding how a firm perceives and reacts to NGOs.

CSR communication can be conceptualized as a dialogue between companies and civil society groups regarding a firm’s social and environmental obligations (Burchell & Cook, 2006). Discourse analysis of NGO and firm texts has been used previously to study how NGOs and firms discursively legitimate business practices (e.g., Joutsenvirta, 2011; Vaara & Tienari, 2008). Rhetorical analyses of legitimation strategies have also been used
Brennan, Merkl-Davies & Beelitz (2013) studied the dialogic features of communication between Greenpeace and several firms, including Li Ning in the context of Greenpeace’s 2011 ‘detox’ campaign (mentioned above). A related paper (Brennan & Merkl-Davies, 2013) examined the rhetorical features of this communication. We build upon the insights generated by these recent studies and use linguistic analysis to compare the language used by Li Ning before NGO campaigns with that used afterwards, therefore allowing us to track linguistic elements of the company’s response to NGO claims.

3.2 Linguistic analysis of company and NGO reports

To understand how Li Ning reacted to NGO claims of water pollution in its supply chain, we analyze the seven publicly available CSR reports published by the company and posted to the company’s website between 2006 and 2012 (for report details, please see Appendix 1). This allows us to compare the language of its CSR reports before NGO campaigns with the language used during and after the campaigns, and provides an indication of how the firm reacted to the campaign. Li Ning is listed on the Hong Kong Stock Exchange, where CSR reporting is not required (Oxfam Hong Kong, 2010). Thus, Li Ning’s CSR reporting is voluntary. The four-page stand-alone CSR reports available at Li Ning’s website are actually extracts of each year’s annual report, providing the ‘corporate social responsibility’ section only (available from http://www.lining.com/eng/csr/). Although the website is bilingual and the reports are presented in both Chinese and English, we have used the English versions of reports for our analyses. These publicly-available documents, available on the company’s website, present Li Ning’s CSR policy to a global public, and thus represent the image it wants to project of its CSR efforts not just to China, but to the entire world.
After ‘cleaning’ the documents to remove headings and non-English text (e.g., phrases written in Chinese characters), we analyzed them using the Wordsmith Tools 5 software package. Our analysis is corpus driven, which means that we did not use the software to test hypotheses about the texts; rather the software indicated patterns in the data which we then examined (Baker, 2006; McEnery, Xiao & Tono, 2006). The analysis provided word frequency reports, as well as keywords analyses. Keywords analyses compare word frequency in the analyzed text with a reference corpus containing texts of a similar nature. This provides a report that ranks words according to how ‘overrepresented’ they are in the text compared with the reference corpus. Therefore, very frequent words in the target text that are either absent from the reference corpus, or present in only very small numbers, will have a high keyness rank. Words that have very similar patterns of use to the reference corpus will not. The keywords analysis thus provides an indicator of what a text is ‘about’ (Mahlberg 2007). We have used the Freiburg-Brown (FROWN) corpus of American English informative texts as a reference. WordSmith Tools 5 also provides concordance analyses, which display a word in its context, indicating frequent word partners or ‘word-to-word’ relationships. These can indicate the semantic aspects of word use, such as negative or positive connotations of a word. This information can support discourse analysis of a text (Baker, 2006; Mahlberg, 2007).

We have supplemented the vocabulary analysis of the reports with additional evidence. Other sources of data include the NGO reports in which Greenpeace and the coalition of Chinese NGOs made their claims about pollution (Greenpeace, 2011; Friends of Nature et al., 2012a, 2012b; see Appendix 2). We also analyzed the vocabulary of the CSR report of one of Li Ning’s competitors, Adidas, which was targeted by the NGOs (see Appendix 3). In order to better understand the NGOs’ claims, we interviewed NGO staff
involved with the campaigns, as well as representatives of other civil society organizations familiar with the events. This provided a total of 17 interview and over 20 hours of recorded material with representatives of groups in Mainland China, Hong Kong, and Europe. The interviews were conducted in English, Chinese, or German and transcribed. Where necessary interview transcripts were translated into English. Finally, for further background on the campaigns, we collected press reports from the Chinese and international press. Chinese materials were translated into English.

3.3 Two NGO challenges to Li Ning’s supply chain practices

3.3.1 Greenpeace ‘detox’ campaign

Li Ning was one of 18 brands targeted by Greenpeace in its 2011 ‘detox’ campaign aimed at eliminating toxic chemicals from the textile supply chain. Greenpeace publicized the brands’ association with polluting suppliers in the ‘Dirty Laundry’ report, a 115-page document that focused on the effects of chemical pollution on Chinese rivers (see Appendix 2). In addition to mentioning Li Ning in its report. Greenpeace also organized a protest outside a Li Ning annual board meeting in Hong Kong in 2011, personally delivering a letter to the board in which it made demands on the company (Tan, 2011).

Several of the brands targeted in the campaign issued press releases and engaged in a public dialogue with the NGO (Brennan, Merkl-Davies & Beelitz, 2013). While Li Ning did not respond to the NGO with a press release or statement, the company did join with several other firms targeted by Greenpeace to form the ‘Roadmap to Zero,’ an industry effort to eliminate toxic chemicals (Roadmap to Zero, 2011; Li Ning, 2011). This suggests a direct response to the concerns raised by the NGO.
3.3.2 Chinese NGOs ‘cleaning up the textile industry’ campaign

Li Ning was one of 48 brands contacted by a group of Chinese NGOs in its 2012 apparel supply chain investigation (Friends of Nature et al., 2012a; 2012b). The NGOs contacted the 48 firms to ask them for information about their suppliers’ environmental violation records, and to encourage the firms to take measures to screen their suppliers for such problems. Li Ning replied to the NGOs with the information requested, communication which the NGO assessed favorably as ‘responsive positive’ (Friends of Nature et al., 2012b: 50).

4. Findings

4.1 Content of Li Ning CSR reports changes after NGO campaigns

4.1.1 Vocabulary

The results of text analysis suggest that Li Ning responded to NGO challenges by modifying the vocabulary and style of its reports to address NGO concerns. This can be seen quite clearly in the vocabulary used in the reports (see Table 1). Whereas the vocabulary used prior to 2009 shows little indication of NGO influence, the reports for 2009 and thereafter have patterns of vocabulary use that suggest company responsiveness to NGO concerns.

In the period from 2006-2008, the vocabulary used in the reports was consistent with the thematic content of 21 Chinese CSR reports from the period 2007-2008 described by Strafella (2011). Words such as ‘award’ and ‘awarded’ (italicized in Table 1) suggest the firm’s commitment to CSR, e.g. via the recognition it has received for its good CSR record. (While a few mentions of ‘award’ refer to employee motivation schemes, the majority occur
in sentences referring to awards the firm has received for its CSR practices.) This suggests a ‘proactive’ CSR orientation (Strafella 2011). Other words indicate an orientation to typical themes of Chinese CSR, such as employee relations and philanthropic giving (Xu & Yang, 2009). For instance, ‘employees’ has a very high keyness rating and is the top-ranked keyword in 2006 and 2007, and the second most highly ranked word in 2008. ‘Employees’ is often used in combinations that suggest a concern with employee relations (e.g. ‘retain and motivate our employees.’). This orientation is supported by other keywords such as ‘training,’ ‘development,’ and ‘skills,’ which suggest opportunities for employee growth and development. A concern with ‘charity’ is also evident in 2007, though less so in 2006 and 2008. This vocabulary also appears to be in line with a proactive CSR orientation.

The 2009 report seems to represent a transition year in which the vocabulary of Li Ning’s CSR reporting begins to change. This may be in part related to the NGO scrutiny that NGO experienced during the 2008 Olympic year. For instance, the ‘Play Fair’ coalition of NGOs published a report in 2008 that examined labor issues in the supply chains of major sportswear producers including Li Ning (Play Fair, 2008). Among other things, the NGOs reported on the profits earned by major sportswear companies and pointed out that Li Ning’s pre-tax profits increased by 289.49% between 2004-2007 (Play Fair, 2008: 13).

It therefore seems significant that the vocabulary begins to change in 2009. One notable change is the increased emphasis on the company’s references to itself (e.g. ‘Group’ and ‘Group’s’). From 2009 onwards, ‘Group’ (referring to the Li Ning Group) becomes the most highly ranked keyword. Such self references indicate a focus on one’s own activities which is typical of ‘promotional’ texts such as advertisements (Fairclough, 2010). Company reports of all kinds are considered to be hybrid ‘promotional-informative’ texts. While they are informative, they are also considered promotional, because one of their functions is to
promote the company (Bhatia, 2004). The fact that Li Ning’s post-2008 CSR reports place greater emphasis on ‘Group’ suggests that the firm may be adopting a more ‘promotional’ orientation in these texts. This is important as it implies that the firm may feel the need to promote its point of view more strongly, perhaps because it perceives differences of opinion about its own CSR practices and responds to these.

Also notable in 2009 is the first appearance of ‘eco’ in the top 25 ranked keywords (highlighted in bold in Table 1). This too suggests a slight shift in focus of the 2009 report to address a theme of concern to many NGOs, namely environmental concerns. In 2009, Li Ning uses ‘eco’ to refer to its launch of an environmentally friendly product line, as well as the events that were associated with this launch (Li Ning, 2009: 72). In the paragraphs of the report about this project, the firm refers to its collaboration with civil society groups. This also reflects the prominence of civil society and its concerns in Li Ning’s CSR reporting.

The Li Ning CSR report for 2010 builds on the changes that appeared in 2009. Vocabulary of the report indicates concerns specific to that year; for instance, ‘Shanghai’ and Expo’ appear on the keywords list because of Li Ning’s involvement with the 2010 Shanghai World Expo. The promotional orientation of the text is enhanced with ‘Li’ and ‘Ning’ gaining prominence in the keywords ranking, together with ‘Group’ and ‘Group’s.’ Strikingly, the word ‘suppliers’ enters the keywords list very prominently as the 6th most highly ranked keyword. (‘Suppliers’ was the 41st keyword in 2009, and thus does not appear in Table 1 as this lists only those ranked 25 and lower.) ‘Suppliers’ have been a focus of NGOs active in CSR, and for instance received attention in the report of the Play Fair 2008 coalition. Li Ning’s 2010 CSR report seems to address this concern. For instance, in 2010 Li Ning announced its cooperation with a ‘manufacturer monitoring organisation’ to monitor the company’s suppliers (Li Ning, 2010: 87). The company further launched a project to improve
management of environmental, health and safety issues in its supply chain (Li Ning, 2010: 87).

The vocabulary of the 2011 report provides the clearest evidence that Li Ning has responded to NGO demands. First, six of the 25 most highly ranked keywords of the 2011 report (highlighted in bold in Table 1) relate to Li Ning’s membership in the Roadmap to Zero group. The terms relate to the Roadmap to Zero process for eliminating hazardous chemicals from the textile supply chain, the industry process that Li Ning, together with other sportswear brands established. This suggests a direct response to concerns that Greenpeace raised in its ‘Dirty Laundry’ publication. With the exception of ‘suppliers’ these words had not previously appeared on the list of top 25 keywords. The fact that Li Ning began to speak about chemicals in the supply chain after Greenpeace’s report appeared seems to indicate a more ‘reactive’ form of CSR discourse, in which the company attempts to respond to threats to its legitimacy (Strafella, 2011).

The prominence of the word ‘responsibility’ in 2011 is also notable, and seems to indicate the firm’s attempt to highlight its responsibility and thereby enhance its legitimacy following NGO challenges. The word is used in previous years, but it is most prominent in 2011, where it is ranked as the third most key word of the report. This indicates the relative overrepresentation of ‘responsibility’ relative to a reference corpus of informative texts.

The vocabulary of the 2012 report suggests the continuing influence of NGO concerns. ‘Environment’ remains a focus of the report, and this term is the 10th most highly ranked keyword. Although it falls in prominence, ‘suppliers’ is still a notable keyword, ranked 25th. The promotional style of the report is maintained, with ‘Group’ and ‘Li Ning’ remaining highly ranked keywords.
Beyond the vocabulary of the report, other changes in the 2012 text are notable. In particular, the report makes explicit reference to the company’s dialogue and communication with civil society groups:

In 2012, under the guidance of striving for the sustainable development in terms of commercial returns of the Group, environmental performance and social interests, the Group collaborated with active social groups and civic organizations, and had open dialogues and interactions with them on the basis of equality and mutual benefit, with an aim to establish a stable and long-term communication channel. (Li Ning, 2012: 85)

Recall that during 2012 Chinese environmental NGOs addressed information requests to Li Ning, asking for explanations about the documented pollution violations occurring at some firms in the company’s supply chain. The firm responded to these, receiving a ‘responsive positive’ assessment from the NGOs (Friends of Nature et al., 2012b: 50), and it seems that such engagements and dialogue also received new prominence in the company’s CSR 2012 report.

5. Discussion and managerial implications

5.1 Discussion

Neo-institutional approaches suggest that Chinese firms will face increasing social risk as social actors such as NGOs begin to raise concerns about their practices and to launch ‘normative delegitimation campaigns’ against companies. Although there are indications that NGO engagement with Chinese firms could be on the rise, there has been little research on this topic published to date in English. Very little seems to be known about how Chinese firms respond to NGO pressure. We have addressed this question by exploring the response of a prominent Chinese firm to NGO challenges. Taking the case of Li Ning, a sportswear
brand active in various markets, we consider a firm that might be considered to have a relatively high exposure to social risk. Adopting a sense-making perspective, we have examined the language of Li Ning’s CSR reports published from 2006-2012.

Although our study is exploratory in nature and considers a single case, we can identify some results that point to directions for further study. First, we see evidence that, in line with the predictions of neoinstitutional approaches, Chinese firms may be facing greater social risk and specifically increased pressure from NGOs. Second, we note a modification in the style of one firm’s CSR reports, which seem to develop a somewhat more ‘reactive’ orientation, indicating the firm’s use of the CSR report to respond to NGO claims and present its own position. This suggests an implicit acceptance of the need to engage with NGO claims. Finally, we see also that Li Ning, the Chinese firm we examined, seems responsive to NGOs demands. This is evident both in the development of the company’s CSR agenda including concrete steps to phase out toxic chemicals in its supply chain as well as in the emphasis on dialogue with civil society groups noted in its 2012 CSR report. This suggests an explicit acceptance of the legitimate role of NGOs as stakeholders whose claims require company attention.

It is useful here to consider some similarities and differences between the Chinese firm’s response to NGO engagement and that of its western competitors. Below we consider three ways in which the dynamics of firm-NGO engagements have differed to some extent from its western counterparts. First, Li Ning’s status as a Chinese firm has become salient in its response to NGOs, and some have commented explicitly on the enhanced legitimacy threat that Chinese firms may face when NGOs make claims about a firm’s business practices in China. Second, while Li Ning has demonstrated responsiveness to NGO demands, it has not engaged as much in public dialogue as some western firms have. Thirdly, the firm seems
to provide somewhat less comprehensive information about its supply chain practices to the public than some competitors do.

First, it is interesting to note that Li Ning’s status as a Chinese firm became salient in its response to NGO claims. The threat to the company’s legitimacy may actually have been increased relative to its western counterparts, as the following blog post suggests:

Out of all the clothing companies Greenpeace was targeting, Li Ning was the one that bothered me the most. Not because it was any more or less guilty than the rest, but because this was a Chinese company. Polluting in Chinese rivers and endangering the lives of Chinese people. And in that, it was harder for Li Ning to say, "we didn't know". Harder for Li Ning to say, "we don't care." And it's easier for the Chinese people to say to them, "hey, this isn't right." (Tan 2011, emphasis in the original)

This comment, posted by a Greenpeace staffer, is instructive. While this evidence is anecdotal, it indicates the potential for some stakeholders of Chinese firms to hold these companies to greater account for environmental or social problems in the Chinese supply chain. Interestingly, this suggests that a firm characteristic, namely Chinese identity, could increase the social risk Chinese firms may face as engagement with NGOs increases.

A second way in which Li Ning’s response has been perceived as distinctive involves its ‘silence’ during the public debate between Greenpeace and some western brands during the 2011 ‘detox’ campaign. Brennan, Merkl-Davies & Beelitz (2013) study the press releases of the NGO and the targeted firms and find that of the 18 brands targeted, 11 did not issue press releases in response to the NGO campaign (p. 672). Li Ning was one of these 11 brands that remained ‘silent’ during the campaign. (Interestingly, Meters/bonwe and Youngor, the other two Chinese companies addressed by Greenpeace, also remained silent.) By contrast, Li Ning’s competitors Adidas, Nike, and Puma all issued press releases within days or weeks of
the NGO’s first press release and engaged directly with the NGO’s claims. This does not mean that Li Ning was unresponsive, but it does seem to have responded as publicly and slightly less rapidly than its western competitors. Brennan, Merkl-Davies & Beelitz (2013) suggest that it is difficult to interpret the meaning of a firm’s silence, but that some firms may consider that silence is a beneficial strategy that may safeguard brand image (p. 675).

Thirdly, when comparing Li Ning’s response to NGOs with that of western competitors such as Adidas, it appears that Li Ning has made less information related to NGO claims available to the public than has its counterparts. For instance, whereas Li Ning refers to its “Basic Social Responsibility Requirements for Suppliers” in its 2011 CSR report, this document does not seem to be easily accessible on its website, either in English or in Chinese. By contrast, Adidas makes its Workplace Standards document (which applies to both its own and its suppliers’ factories) available on its company website (see Appendix 3). Similarly, although Li Ning’s 2009 public CSR report refers to another, extended CSR report published in 2009, the expanded document does not seem to be available via the company’s website. By contrast, Adidas publishes an annual ‘sustainability progress report’ that adheres to Global Reporting Initiative guidelines and is made available to the public on the company website (see Appendix 3). Adidas also publishes a ‘global factory list’ (http://www.adidas-group.com/media/filer_public/2013/07/31/2013_may_global_factory_list_en.pdf) on its website, thereby making the identity of its suppliers public. Li Ning’s company website does not appear to provide this sort of information.

5.2 Managerial implications
Discussion of the Li Ning case above suggests that managers of Chinese firms may want to consider their own exposure to social risk and to develop greater awareness of the role of NGOs in CSR. Three lessons from the Li Ning case seem pertinent. First, firms doing business in China, and particularly Chinese firms, should develop their understanding of NGO activity in China and particularly the developing role of NGOs in Chinese CSR. Second, firms should consider developing a strategy for addressing NGO concerns. Finally, firms should recognize the potential benefits of engagement with NGOs. While relationships with NGOs may begin under conditions of conflict, there is evidence that firm-NGO relationships often develop into more collaborative partnerships over time (Yaziji & Doh, 2009). Moreover, when NGOs are able to play a watchdog role it can enhance firm credibility (Baur & Schmitz, 2012).

A first implication that can be gleaned from the Li Ning case is that Chinese firms should take social risk seriously. Particularly those firms that engage in multiple markets and have high brand visibility could be vulnerable. Moreover, it seems possible that Chinese identity could be a factor that actually increases vulnerability when claims are made about environmental and social responsibilities in China: it may be that higher standards are expected of firms operating in their home context. Firms need to learn about the NGOs active in their markets and in their industries; they should also be aware of developments in other industries. Learning about the organizations, their goals and their tactics may help firms anticipate NGO concerns and demands. This in turn can enable firms to prepare for challenges and develop strategy for addressing them.

This leads to a second implication, which is that Chinese firms may want to develop strategy to address potential NGO claims. This can be proactive. For instance, Bach & Allen (2010) suggest that firms should go beyond stakeholder thinking and instead develop
nonmarket strategies that address a broader range of social issues that are impacted by the
ccompany. This may require firms to develop a more cosmopolitan mindset (Ghemawat, 2011)
and to consider the concerns of social actors outside their immediate environment as one
cannot necessarily predict if NGO pressure will come from nearby or from far away.

A third implication is that engagement with NGOs may be a beneficial option. Yaziji
& Doh (2009) have argued that firm-NGO relationships typically develop through an
evolutionary process, both at the dyadic level of a single NGO and firm, but also over time at
the field level that includes all NGOs and firms. Their four-stage model anticipates somewhat
conflictual relations at the start, followed by increasing trust and collaboration between the
parties. This suggests that perhaps some conflict with NGOs should be anticipated and
understood as a first step towards better future relations. Some have argued that firms should
accept NGOs’ watchdog role and indeed consider how they can benefit from this. Being
monitored by civil society groups may actually increase a firm’s legitimacy (Baur & Schmitz
2012). Taken together, these points seem to suggest that firms may have a lot to gain from
engaging with NGOs, even if the relationship begins with a conflictual normative
delegitimation campaign.

6. Conclusions

Our paper has considered the potential for firm-NGO engagement to increase in
China. Although NGOs have played a marginal role in CSR in China to date, there are
indications that this could change, and some Chinese firms have already experienced
legitimacy challenges by NGOs. In order to better understand how Chinese firms may react
to these legitimacy threats, we have considered the case of Li Ning, and its reactions to NGO
campaigns. By examining the vocabulary used, we observe a shift in focus and emphasis of CSR reporting over a seven-year period. We see the increasing prominence of terms that indicate an engagement with the issues raised by civil society, as well as explicit statements by the firm suggesting its recognition of NGOS as legitimate stakeholders.

The results of our exploratory vocabulary analysis suggest the need for further research to better understand how Chinese firms are making sense of NGO challenges. First, vocabulary analysis could be applied to study the CSR reports of a wider range of Chinese firms in different sectors. It is important to find if the increasingly reactive orientation of the reports we examined is unique to Li Ning, or whether other Chinese firms have also exhibited changes in their CSR reporting style in response to NGO claims. Second, additional qualitative methods should be used to supplement the vocabulary structure approach and provide further data regarding Chinese firms’ perceptions of NGOs. While vocabulary use can provide some indications of firm’s beliefs regarding the legitimacy and importance of NGO claims, interview data could provide additional insights into managerial thinking on these issues, providing a fuller understanding of company’s sensemaking processes (Basu & Palazzo, 2008). Third, there is a need for further, in-depth case studies of firm-NGO engagement in the Chinese context. Models such as Yaziji & Doh’s (2009) ‘four stage’ model of firm-CSR engagement have been developed primarily based on the experiences of western companies in western contexts. Whether similar patterns of evolution in NGO-firm relationships will also be found in the Chinese context remains an open question.
Appendix 1

Li Ning’s CSR Reports, 2006-2012

<table>
<thead>
<tr>
<th>Year</th>
<th>Link</th>
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</thead>
</table>

Li Ning’s Commitment to Zero Discharge of Hazardous Chemicals

<table>
<thead>
<tr>
<th>Year</th>
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## Appendix 2

### Reports of Greenpeace and Chinese NGO campaigns

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<th>Author(s)</th>
<th>Report Title and Link</th>
<th>Date of Publication</th>
<th>Word Count&lt;sup&gt;a&lt;/sup&gt;</th>
</tr>
</thead>
</table>

<sup>a</sup>Note that word counts are based on the ‘cleaned’ versions of documents used for the analysis. Cleaning involves deleting headings, footnotes, photo captions, and other words and phrases that are not part of the main text.
Appendix 3
Adidas Sustainability Progress Report and Workplace Standards document

<table>
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<tr>
<th>Author(s)</th>
<th>Report Title and Link</th>
<th>Date of Publication</th>
<th>Word Count¹</th>
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¹Note that word counts are based on the ‘cleaned’ versions of documents used for the analysis. Cleaning involves deleting headings, footnotes, photo captions, and other words and phrases that are not part of the main text.
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Table 1

Keywords of Li Ning’s CSR reports, 2006-2012