



# Drivers for food risk management and corporate social responsibility; a case of Chinese food companies



Dongyong Zhang<sup>a,\*</sup>, Qijun Jiang<sup>b,1</sup>, Xinming Ma<sup>a</sup>, Bingjun Li<sup>a</sup>

<sup>a</sup> College of Information and Management Science, Henan Agricultural University, 15 Longzi Lake Campus, Zhengzhou East New District, Zhengzhou, Henan 450046, PR China

<sup>b</sup> College of Economics and Management, Shanghai Ocean University, 999 Hucheng Ring Rd., Pudong, Shanghai 201306, PR China

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## ABSTRACT

Corporate social responsibility (CSR) provides principles and guidelines for food risk management (FRM). This study aims to find the driving factors for both CSR and FRM. This is considered from the views of 183 food company managers in 14 regions across China. Both questionnaire survey and face-to-face in-depth interviews are employed. It is found that the current situation of FRM and CSR in Chinese food companies is still poor, and people do not have a clear understanding of the concept of CSR, FRM, and other related terms. The following nine drivers for FRM and CSR are identified: implementation of international standards, corporate value, trainings received, status of early warning systems, the cost, financial performance of the company, management support, CSR recognition (whether or not CSR being part of the company strategy), and management attitude to CSR. External affecting factors of FRM and CSR adoption are also explored. Finally, suggestions for policy-making and future research are made.

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## 1. Introduction

In recent years there have been increasing reports in the international media regarding the food safety crisis in China, the most well-known being the melamine milk scandal in 2008 when six babies died and 300,000 became ill after consuming infant formulas contaminated with the industrial chemical melamine (Qiao et al., 2012). Since then the EU and other countries around the world have banned imports of Chinese milk products (Jia and Jukes, 2013). A public survey in 2012 showed that Chinese people are very concerned about what they eat with increasing awareness of food problems such as clenbuterol in meat (94%), melamine in baby milk formulas (92%), swill-cooked “gutter” oil (85%) and tainted steamed buns (80%) (Li, 2012). Facing demands from both home and overseas, the Chinese government has endeavoured to improve its food safety record, and the most important action taken was the instigation of the new Food Safety Law of China on the 1st June 2009. The new law intends to address the deficiencies of the previous food safety regulations such as institutional fragmentation with responsibilities spread out across several government departments,

upgrade the government control infrastructure, and introduce a recall system (Zhang et al., 2013). Four government agencies (Ministry of Health, Ministry of Agriculture, General Administration of Quality Supervision, Inspection and Quarantine, and the State Administration for Industry and Commerce) share the responsibility for food quality and safety from production to consumption (Jiang and Zhu, 2013).

However, food safety scandals have continued after the new law came into effect. In December 2011, Mengniu, the big milk producer which was also involved in the 2008 scandal, admitted producing milk containing excessive levels of a cancer-causing chemical (Qiao et al., 2012). In 2013, 8 out of 18 samples of rice tested from canteens and restaurants were found to have cadmium levels exceeding national limits (Buckley, 2013). Food safety problems therefore seem beyond what the rule of law can solve. Government legislation can certainly be successful in pressuring some firms (especially large, state-owned enterprises) due to their high public visibility, but the food safety issue for millions of small firms can only be solved by encouraging voluntary implementation of legislation (Bai et al., 2007; Zhang et al., 2013). This is where the concept of corporate social responsibility (CSR) comes into play. In addition, food safety is not only relevant to the food producers themselves, it also influences the well-being of customers. This is an important issue that links company behaviour, their CSR, and the impact on society. This research considers CSR as a way to support effective

\* Corresponding author. Tel.: +86 15188393157.

E-mail addresses: [dongyongzhang.cn@gmail.com](mailto:dongyongzhang.cn@gmail.com) (D. Zhang), [qjjiang@shou.edu.cn](mailto:qjjiang@shou.edu.cn) (Q. Jiang).

<sup>1</sup> Tel.: +86 15692165632.

food risk management (FRM), and investigates the drivers and barriers for both CSR and FRM from food company managers' perspective.

## 2. Literature review

CSR is a notion that companies should be responsible not just for their shareholders, but also for other stakeholders, including suppliers, retailers, and most importantly the consumer and the communities they inhabit (Bazin, 2009; Doh and Guay, 2006; Freeman and Hasnaoui, 2011; Wilson, 2003; Wood, 1991). CSR stresses that each firm should not just stick to the direction they receive from legislation, as important as it is, but also take initiatives on their own to assume social responsibilities. Although originated in the West, CSR has deep roots in Chinese history and has been increasingly embraced by both corporations and Chinese policy-makers (Zhang, 2012). CSR was first linked to risk management by Wood (1991) who considered risk management as part of corporate social responsiveness, and CSR provided principles and guidelines for corporate social responsiveness. In recent years managing risk has become a central part of many corporate strategies, since a reputation that takes decades to build up can be ruined in hours through incidents such as safety scandals and environmental accidents (Eisingerich and Ghardwaj, 2011). By adopting CSR programmes, companies benefit from the favourable effects and minimize opportunism, resulting in a positive reputation and financial performance, hence can offset these risks (Jiang and Zhu, 2013; Kyle and Ruggie, 2005).

The series of food safety scandals in China have put many Chinese food companies at great risk. Food risk management (FRM) has become the centre of discussion in both academia and industry. Much empirical work has been done to try to identify the incentives for and barriers to adopting effective FRM systems. Jin et al. (2008) and Zhou et al. (2013) studied the food industry and aquatic industry in Zhejiang Province, China respectively and found the common factors that motivate Chinese firms to adopt FRM (including self-inspection systems and HACCP) are three expected benefits: the improvement of product quality, customer satisfaction and profit. They also found that market-orientation, company size, the manager's knowledge of the management system, and the manager's perceived importance of the system are factors that influence the adoption of FRM. In addition, Jin et al. (2008) found that most food companies that had adopted HACCP have also implemented other international standards such as good manufacturing practices (GMP), ISO9000 etc. The benefit of HACCP implementation such as potential market expansion and avoiding food safety problems and barriers such as high costs for and lack of trainings in FRM systems have also been found to be true for food companies in other countries like Serbia (Tomasevic et al., 2013) and Turkey (Bas et al., 2007; Karaman et al., 2012). Massoud et al. (2010) found the incentives for implementing environmental management systems in Lebanese food companies included following international food sector trends and enhancing company image, and the barriers included the lack of government support and stakeholder demand. Management commitment was also found to be a driving factor for the implementation of HACCP in Canadian companies in Ontario (Wilcock et al., 2011).

A few studies have considered the role of CSR in promoting risk management. Both Kong (2012) and Chen and Chang (2012), based on data on public listed companies in China and Taiwan respectively, concluded that the CSR programme of a company can help reduce risk and sustain long-term development. Zhang et al. (2013) investigated the relationship between CSR and FRM from the perspective of food company managers in central China, and found

that companies' attitude to CSR and their CSR performance positively influence their implementation of FRM. They also found that spending on FRM is a strong driving factor for the effectiveness of FRM. Jiang and Zhu (2013) interviewed 20 food companies in Shanghai and found the reasons that Chinese food companies find it hard to commit to CSR are the changing customer expectations, the pressure for food companies to minimize costs driven by price competition, and a lack of regulatory enforcement.

However, most previous studies have only looked at the individual management system instead of the entire food risk management system. None of them has either considered the mutual supportive relationship between FRM and CSR or investigated drivers for both CSR and FRM. In addition, most previous work has employed only questionnaire surveys for data collection, and the sampling coverage for China-related studies has been limited to individual regions in China, which could cause bias. Our study considers CSR as a strategic platform for FRM, and explores drivers for both FRM and CSR. Both questionnaire survey and in-depth interviews are employed, and the sampling covers 14 regions in China.

## 3. Methodology

In the pilot study, which was carried out in December 2011, seven food company managers were randomly selected to form a focus group. The discussion was focused on the current situation of FRM and CSR in their companies and the perceived drivers and barriers for adopting FRM and CSR. Based on the information gathered in the group discussion a structured questionnaire was developed. It comprised three parts: part one asked for basic information of the companies, part two included questions about the current situation of the companies relating to FRM, CSR, company value, economic performance, etc., and questions about whether accreditations (such as ISO9000, ISO14000, HACCP and GMP) have been implemented are asked in part three.

A convenience sampling method was employed, and 200 food companies across China were selected because they had business connections with the authors' institutions. The field work was carried out in two stages, the first was in summer 2012 and the second in July 2013. In the first stage each company was given a questionnaire to complete, and the targeted respondents were CEOs and managers who were responsible for product safety. In-depth face-to-face interviews with food company managers were conducted at the second stage, aiming to cover the gaps identified in the questionnaire survey and allow for a triangulation<sup>2</sup> of the views of managers, and uncover the external factors that affect companies' FRM adoption and CSR engagement. Eight companies were selected from the responding companies, including one in Henan Province and seven in Shanghai City. In addition, a small number of questionnaire surveys were also carried out in the second stage by following up the companies that did not return questionnaires and the ones that returned invalid questionnaires in the first stage, so as to increase the response rate.

## 4. Results and discussions

A total of 183 questionnaires were returned (91.5% of the total), and they were all valid. These questionnaires were coded and SPSS19.0 was employed to analyse the data. The in-depth interviews were transcribed.

<sup>2</sup> Face-to-face interviews are usually more accurate than other data collection methods (Opdenakker, 2006).

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