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UNIVERSITY OF TECHNOLOGY, SYDNEY

Harmonious CSR and Sustainability in China

—— Shoetown Footwear as a case study

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CERTIFICATE OF ORIGINAL AUTHORSHIP

I certify that the work in this thesis has not previously been submitted for a degree nor has it been submitted as part of requirements for a degree except as fully acknowledged within the text.

I also certify that the thesis has been written by me. Any help that I have received in my research work and the preparation of the thesis itself has been acknowledged. In addition, I certify that all information sources and literature used are indicated in the thesis.

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Acknowledgments

The word "sustainability" was first presented to me when I was pursuing my master degree in International Economics in Guangxi University in China. It was a completely new concept during the late 1990s in China, and it was not attractive to students or teachers since China was in its first phase of "Made in China" to attract foreign investment and managerial skills. Sustainability was not ignored, but it was out of the mainstream of economic and managerial thought at that time.

Early in 2000, I was nominated, by a state-owned international enterprise in the People's Republic of China, project manager and senior economist to a hydropower station project in Nepal. For me this was an opportunity to become involved, at a practical level, in the worldwide struggle of beliefs, values and trade-offs that surround "sustainability". This work enabled me to enhance my understanding of this cutting-edge terminology.

Even though adequate pre-survey work such as environmental impact reports had been prepared before the construction of the power stations, there were severe protests from different stakeholders during the course of construction. Obstacles came from many stakeholders including local labour unions, communities, environmentalists and sometimes from western tourists. I personally received many letters from various entities complaining about the destruction and pollution of the beautiful Nepalese environment. On many occasions, I had to stop at work sites and debate the significance of such construction work with foreign tourists.

Unfortunately, at that time, I did not appreciate the relationship between "development" and "environment". Hence, the debates in which I became involved often ended with little agreement and sometimes even in abuse.

Serious consequences included intentional damage to construction equipment such as concrete mixers and survey equipment. These caused serious delays to construction.

Nepal is one of the world's least developed nations as classified by the United Nations.

Obviously, it is in urgent need of rapid economic development; however, how best to maintain a proper equilibrium between economic development and the preservation of the environment is a critical consideration for all interest groups. During my time in Nepal, my answer to this was to provide more infrastructure development to the needy in this country without much thought to the environmental consequences. Such imbalanced thinking prevails in China today.

A solution was offered to me when I met Professor Sharon Moore in 2003. Sharon taught a joint MBA program in China where I acted as her interpreter. Her topic "Business CSR and Sustainability" gained considerable interest from her students. It was an era in China when the government was starting to implement its tenth five-year plan, with its focus on construction and attracting foreign investment. Construction work was going on in many places, 24 hours a day, 7 days a week. The professor joked that the "crane" was the national bird of China.

Many MBA students and thinkers in China were beginning to become passionate about the environment, and were thinking about whether China was going about its development in the best way, or whether there were better ways to maintain an equilibrium between economic development and environmental protection. Given this background, it is not surprising that I became a fan of Professor Sharon Moore, thanks to her personal presence and to business sustainability, her specialty. I remember going to many guest lectures and seminars that she was invited by business firms to speak at. These firms were beginning to think that sustainability would be the best alternative for China's future development. These lectures and sessions caused me to shift my research focus from traditional economic theory to the field of business and economic sustainability.

In 2009, I co-authored a book titled *Circular Economy and Sustainable Development*. It further stimulated my research interests in this area. In 2008, I was transferred from the associate dean of the School of Management to the executive dean of the MBA Education Centre of Guangdong University of Foreign Studies, where I was able to continue exploring the business issues surrounding sustainability. I am grateful to the many MBA students with similar interests who provided new insights for my research into business sustainability.

also extended my horizon to history, culture, politics and philosophy, as all these fields are closely related. I believe that the successful implementation of CSR and sustainability involves many more factors than most people can imagine. It is indeed a dynamic and complex holistic system in which many variables proactively interact constantly. A powerful and visionary leadership is fundamental for the smooth operation of such a system. This is necessary at both academic research and business practitioner levels.

I have been swimming in the ocean of literature and discussion about management, economics, history, culture, politics and philosophy around the clock during these past two years. I enjoyed every moment of being trapped by these splendid treasures of human wisdom, which have substantially enriched and nourished my knowledge and quality of life. The accomplishment of this thesis does mark a new milestone in my life and makes me feel that a steep mountain has just been conquered. Although this trip sometimes has been disturbed by hardship, the key themes have been happiness and honey-like sweetness. I have been bestowed with unprecedented courage and wisdom, which will accompany me in my future careers. I feel much more confident and courageous in tackling all kinds of obstacles in my life career.

My thanks once again to all who have contributed to my development.

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List of acronyms and abbreviations

AD	Anno Domini
ADB	Asian Development Bank
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of South East Asian Nations
BC	Before Christ
BCIM	The Bangladesh–China–India–Myanmar Forum for Regional Cooperation
BRICS	Brazil, Russia, India, China and South Africa
CASS	Chinese Academy of Social Sciences
CCCPC	The Central Committee of the Communist Party of China
CCP	Chinese Communist Party or Communist Party of China (CPC)
CFP	Corporate Financial Performance
CPCIC	The China Petroleum-Chemical International Conference
CSC9000T	China Social Compliance 9000 for Textile & Apparel Industry
CSR	Corporate Social Responsibility
CSRC	China Securities Regulatory Commission
ES&H	Environment, Safety and Health
ESG	Environmental, Social and Governance
EVA	Ethylene vinyl acetate
G-20	The Group of Twenty Finance Ministers and Central Bank Governors
GDP	Gross Domestic Product
GFI	Global Financial Integrity
GMC	Global Market Certificate
HSE	Health, Safety, Environment
ILO	International Labour Organisation
IOSC	Information Office of the State Council, PRC
ISO	International Organization for Standardization
ISO 14000	Environmental Management System
IUCN	International Union for Conservation of Nature and Natural Resources
KPI	Key Performance Indicators
NDRC	National Development and Reform Commission, P.R.China
NGO	Non-governmental organization
OEM	Original equipment manufacturer
PRC	People's Republic of China
PU	Polyurethane
R&D	Research and Development
RMB	Ren Min Bi (the Chinese yuan)
ROI	Return on investment
SA8000	Social Accountability International
SAI	Social Accountability International
SASAC	State-owned Assets Supervision and Administration Commission

SEZ	Special Economic Zones
SHAPE	Safety, Health, Attitude of management, People and Environment
SOE	State-Owned Enterprise
SRI	Stanford Research Institute
ST	Shoetown Footwear Co. Ltd.
TBL	Triple Bottom Line
tce	ton of standard coal equivalent
TEEB	The Economics of Ecosystems and Biodiversity Business Coalition
TPU	Thermoplastic Polyurethane
TVE	Township and Village Enterprise
UNCED	United Nations Conference on Environment and Development
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNGC	United Nations Global Compact
USD	US Dollar
VOC	Violate, organic, compound
WB	The World Bank
WBCSD	The World Business Council for Sustainable Development
WCED	World Commission on Environment and Development
WEF	The World Economic Forum
WRAP	Worldwide Responsible Accredited Production
WTO	World Trade Organization
WWF	World Wide Fund for Nature

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Abstract

Corporate Social Responsibility (CSR), sustainability and stakeholder theories have often been implemented in Chinese business without adequate consideration of the Chinese context. This thesis explores the successful implementation of CSR and sustainability at Shoetown Footwear Co., Ltd, and how this has been achieved. The Guangdong based Shoetown is one of Nike's global contract factories and strategic partners. Shoetown is an example of a large-scale Chinese private enterprise operating within a global value-chain.

The Shoetown case study illuminates a holistic system of sustainability management through a focus on people, community and harmony, which results in high-quality thinking, skill development, teamwork and enhancement of discretionary effort at every organisational level. The management approach at Shoetown utilises a skilful mix of eastern and western business theories embedded within the Chinese business context. This approach has resulted in sustained commercial success, technical innovation, high-quality environmental management and social sustainability.

It demonstrates that Shoetown has achieved good practice in implementing CSR and sustainability. Shoetown's management practice has a strong focus on Corporate Social Responsibility and Sustainability with a harmonious approach, which has been strongly influenced by traditional Chinese culture. It concludes that the harmonious approach is a key ingredient for Shoetown's success in its implementation of CSR and sustainability. A more appropriate Sustainability Phase Model for the Chinese context is proposed which includes enhancements to assist in implementing CSR and Sustainability. The author recommends that this Sustainability Phase Model for a Chinese context be tested in further research in other Chinese organisations.

Key words: CSR; Corporate Social Responsibility, sustainability; sustainable business; triple bottom line; Chinese business; business sustainability; sustainability management; sustainability phase model; stakeholder theory; harmonious culture; Chinese context; stakeholders; Confucius; Confucianism; Daoism; nature-man-oneness; Chinese culture; Chinese history; made in China; made by China; Shoetown Footwear; Nike

1 Introduction

In this opening chapter, the author provides a general introduction to the impacts of sustainability, Corporate Social Responsibility (CSR), and stakeholder theory and their implementation and practice in contemporary China. This is set against the counterinfluences of the Chinese political, economic, cultural and management contexts. Their mutual influences have led to the birth of the idea of CSR and sustainability with Chinese characteristics. In this view, the traditional Chinese harmonious culture is the core value.

The author then provides an overview of the Shoetown Footwear Co., Ltd, the business case to be analysed in the thesis. The research design and research question is presented to identify the key issues that are to be the focus of this thesis.

Finally, the author briefly discusses the value and significance of this research and provides a summary of the basic structure and research path of the thesis.

1.1 Sustainability, CSR, harmonious development scheme

Globalisation has enabled the global diffusion of new business development schemes such as sustainability and Corporate Social Responsibility (CSR). A general acceptable concept of sustainability is given by the World Commission on Environment and Development (WCED) as the development "that meets the needs of the present without compromising the ability of future generations to meet their own needs" (WCED 1987, p. 37). Compared with sustainability, there have been many more disputes and disagreements on the concept of CSR. Academia and practitioners tend to define CSR from their contexts and perspectives. For instance, Fifka (2009) has defined CSR from a business perspective and regarded CSR as "encompass[ing] the adherence to fundamental economic and legal obligations which a business encounters in environments where it operates as well as the responsibility to voluntarily contribute to the social development of these environments in an adequate and structured manner that is in accordance with the resources available to each business and the underlying business strategy" (Fifka 2009, p. 320).

Distinctive context-oriented features continue to impose significant impacts on decision-makers within both government and business sectors throughout the world. These ideologies have in turn been influenced by the context in which they are implemented and practiced (EC 2001; Li Shuanglong 2005). For instance, Matten and Moon (2008) discovered that CSR implementation in Europe and the United State has seen remarkable differences between companies on each side of the Atlantic. As a result, "U.S. corporations have over time made explicit their attachment to CSR, whereas European business responsibility to society has tended to be more implicit such that few specific corporate claims have been made" (Matten & Moon 2008, p. 405). Extensive research has demonstrated similar findings about CSR and sustainability implementation in other parts of the world (Bondy, Moon & Matten 2012; Wang & Juslin 2009). Since the 1950s, facilitating economic development has gained favour around the world; as a result, human beings have created unprecedented economic growth. Nevertheless, due to different development strategies adopted, different achievements have been made in different countries. Some countries only targeted economic growth and neglected social development and justice, environmental issues and resource conservation (Berglund 2003). Consequently, many unintended consequences followed rapid economic growth. These consequences included problems such as an imbalance in a country's economic structure, inadequate social development, shortages of energy and resources, deterioration of the natural environment, polarisation, unemployment, social corruption and political turmoil (Berglund 2003; Metz & Turkson 2000).

1.1.1 The initiation of sustainability and CSR

Science and technology has made substantial advances since the 1970s. There has been rapid growth in the knowledge-based economy, economic globalisation, industrialisation, urbanisation and population. Such development has resulted in a serious deterioration in food quality and sometimes in quantity, and it has led to energy and environmental problems. This has led to increasing pressures on the world's ecological environment. Human beings have been forced to re-examine their position in the environment and strive for a long-term survival and development path (Kalis, Merkt & Wunderlich 2003; Messerli et al. 2000). Consequently, a series of new development theories and concepts have been developed. Comprehensive,

multi-perspective scientific development theories are gradually replacing traditional and unilateral development outlooks.

New outlooks attach more emphasis on comprehensive development and progress. It incorporates economics, politics, society, culture, science and technology, the ecological environment, resource utilisation and other fields. Many thought that growth and prosperity could only be achieved on the basis of security and rationality. For instance, the establishment of a Green GDP[1] has advanced traditional GDP computation to a new stage because the traditional GDP reflects quantity and not quality of economic growth. Traditional GDP neglects factors such as the amount of inputs and resource consumption, the level of waste discharge and pollution, fairness and public happiness, as well as losses caused by natural disasters, environmental pollution, epidemics, crime and erroneous administrative decisions.

The new outlook emphasises sustainable development and progress. In 1987, the WCED put forth the general idea of "Our Common Future: From One Earth to One World," a report that systematically studied various aspects of sustainable development. The first clear definition of sustainable development is given as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (WCED 1987, p. 37). In 1992, the summit session of the United Nations Conference on Environment and Development (UNCED) issued the "21st Century Agenda", putting forward a basic strategy for sustainable development by integrating the three domains of nature, economy and society into an overall sustainability strategy (Holmberg 1992; Reed 1996). In the same fashion, in 1994, John Elkington (1997) coined the term "Triple Bottom Line (TBL)", which he later used in his 1997 book *Cannibals With Forks: The Triple Bottom Line Of 21st Century Business*. This work has acquired currency in the field of sustainability. The TBL concept also integrates economics,

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[1] The Green Gross Domestic Product (green GDP) is an index of economic growth with environmental consequences of that growth factored in. Green GDP monetises the loss of biodiversity, and accounts for costs caused by climate change. Some environmental experts prefer physical indicators (such as "waste per capita" or "carbon dioxide emissions per year"), which may be aggregated to indices such as the "Sustainable Development Index". Organisations such as Global Reporting Initiative (GRI) have been established with the core goals include the mainstreaming of disclosure on environmental, social and governance performance. Although organisations like the GRI are independent, GRI remains a collaborative centre of UNEP and works in cooperation with the United Nations Global Compact. GRI produces one of the world's most prevalent standards for sustainability reporting — also known as ecological footprint reporting, Environmental Social Governance (ESG) reporting, Triple Bottom Line (TBL) reporting and Corporate Social Responsibility (CSR) reporting. It is currently working on a Green GDP to be implemented worldwide (Cobb, Halstead & Rowe 1995).

people and the environment into a sustainability framework. These three pillars have become deeply imbedded into the decision-making in both governmental sectors and business organisations.

Moreover, economic globalisation has led to the birth of the concept of global development, the universal principle that includes the fundamental elements of equality, sustainability and harmony. Equity implies equal choice and opportunity between different generations and contemporaries. Sustainability in this context means the maintenance of the ecological system while efficiently utilising natural recourses. The principle of harmony refers to the harmonious coexistence among humans, nature, economy and society. In a broader sense, the strategy of sustainability is to enhance a harmonious situation among human beings and between humans and nature (Tian Yingkui 2008, p. 19).

This thesis looks at the term "harmonious" through the perspectives of China's ancient philosophers, through the words of recent Chinese leaders and through the application of "people-centred" management at Shoetown.

Nevertheless, economic globalisation imposes an even bigger challenge towards the management of business sustainability. Under different circumstances, people may hold totally different ideas about the seemingly similar attributes of sustainability, thus leading to the emergence of various theoretical frameworks that see people attempting to convince their audiences to abide by, for instance, the context-based theory, the systems approach and many other macro and micro explanations and implementation suggestions. Among these new approaches, CSR is one of the most dominant concepts, which reflects the principles of sustainability from the perspective of business corporations. Putting aside its myriad definitions, CSR basically implies that a business firm should voluntarily shoulder social responsibilities for its stakeholders other than merely being concerned with maximising profits for its shareholders (Marrewijk 2003; Mathis 2007; Montiel 2008; Moon & Shen 2010; Zhou Zucheng 2011).

Since the 1990s, many business firms have embraced CSR as a core concept in their business practices as they faced various critical issues, such as environmental protection, sustainable

development, human rights, labour rights, stakeholder relationships and poverty (Hopkins 2004). Nations such as the United States, United Kingdom and Japan have been exemplary contributors to CSR thinking and practice (Kolk, Peters & Extercatte 2005). In practice, CSR was introduced in China in the mid-1990s, when multinationals introduced western CSR into the Chinese market during the "anti-sweatshop campaign" against unacceptable conditions in supply chains within developing countries (Pun 2003; Virkkala & Myllyvainio 2006). Both practices and concepts of CSR are still in their infancy in China. Chinese enterprises only began passively to accept these standards, regulations and codes of conduct relating to working conditions, working rights, health and safety issues and wage conditions because their clients and customers required them to do so (Zhou 2006). As a result, many debates, standards and disclosures over CSR in China have tended to follow developments in the West (Moon 2002; Welford 2003). For instance, the main CSR-related standards and guidelines come from the West — standards such as SA8000, WRAP and ISO standards. The few Chinese local standards such as CSC9000T are in their infancy (CSC9000T 2006; ISO 2006; SAI 2007; WRAP 2008). Western standards are problematic in application to the Chinese business firms, many of these criteria are in conflict with Chinese practices (Chen 2006).

Nevertheless, as an emerging world economic power fond of seeking efficient approaches to satisfy its harmonious growth pattern, China has sought to adopt development concepts such as CSR and sustainability. Undoubtedly, the implementation of these strategies in China will be influenced by the Chinese political, economic, technological and cultural contexts since these concepts are all context-oriented (Li Shuanghong 2010; McElroy & Engelen 2012; Moon & Shen 2010; Zhu Guiping 2005). It therefore becomes critical to find an appropriate approach to implement these strategies in a Chinese context.

1.1.2 Evolution of the harmonious development strategy in China

After more than 50 years, especially during last the three decades of rapid development, China has stepped into a period of accelerated industrialisation, urbanisation, informatisation, marketisation and internationalisation. This period has witnessed significant economic, social, political and cultural transformation, as well as distinctive contradictions such as serious income

disparity, uneven development and corruption. The Chinese government has acknowledged that China is still in the primary stage of socialism and will remain so for a long time to come. Therefore, the general development target that has been set is to strive to satisfy people's aspiring material and cultural needs, to gradually realise the modernisation of the country while pursuing comprehensive human development (Qiao Chao & Li Baoling 2006; Sun Xia 2002).

In order to achieve this target, different Chinese leaders have formulated consistent strategies based upon the Chinese development context. For instance, the development strategy initiated by Deng Xiaoping attached great importance to consistent economic development as an overriding priority, and science and technology as a primary productive force. Deng's strategy emphasised both speed and efficiency, quantity and quality in economic development, while endeavouring to coordinate economic with political construction, and material with spiritual civilisation. The strategy took economic construction as the core task and treated balanced development as of equal importance to reform and to the opening-up of China to the outside world, and to anti-corruption (Zhang Kai 2005; Zhang Yunyi & Wu Qing 2006). During the initial stage of economic reforms in the 1980s, the Chinese government adopted a slanted policy that favoured certain sectors (such as the upper and middle classes) or regions (such as coastal provinces and cities); the so-called theory of "letting some people get rich first" ("*xianfu lun*"). As a result, China gained rapid economic growth during these periods; however, gaps between different regions and social strata widened tremendously (CASS Research Team 2005). Certain disadvantaged groups such as rural peasants and laid-off workers were prevented from sharing the benefits of China's economic development and became potential sources of social unrest.

The development outlook represented by Jiang Zemin further accentuated coordination and sustainability of development, and put forward two fundamental shifts from a planned to a market economy, and from an extensive to an intensive economy through the strategy of revitalising the country by means of science, technology and educational advancement. It promoted coordinated and sustainable development as the main theme, restructuring as the key link, reform and opening-up and technological advancement as the driving force, and higher living standards as the ultimate goal.

The strategy of "building a harmonious socialist society"[2] advanced by Hu Jintao is believed to be the value orientation for the process of building "socialism with Chinese characteristics". This strategy is meant to show that China has progressed to a different phase in its development. In a speech delivered to provincial cadres, President Hu Jintao (2005), cited other countries and regions as examples, and argued that when a country's annual gross domestic product (GDP) per capita exceeds $US1,000, its socioeconomic development enters a critical stage. In this stage, the country experiences either rapid economic growth and social stability or economic stagnation and social unrest, depending on whether or not its government makes the proper policies and decisions. In his speech, Hu identified a number of areas of social discord and problems that required a long-term strategy: rural–urban inequalities, regional disparities, uneven income distribution, energy supply shortages, environmental degradation, diversity in moral values and social interests, corruption and crime. The present challenge facing the party, Hu pointed out, was how to steer the development process in tackling all these problems and conflicts. The Party developed a resolution that describes the building of a harmonious socialist society as a continuous process to solve the social problems and conflicts generated by rapid development (CCP 2006).

The "harmonious society" has been defined as a society typified by "democracy and law; fairness and justice; integrity and friendship; vigour and vitality; stability and order; and the harmonious coexistence of man and nature"(He Yun 2012; Li Junkui 2006). In 2006, the strategy was placed on the agenda of the Communist Party Committee, whose plenum report proclaimed: "A harmonious socialist society is both a society full of vigour and a society of unity and harmony. We must stimulate the energy of society to its full; promote the harmony of relationships between political parties, ethnic groups, religions, social strata, and compatriots at home and abroad; strengthen the great unity of the people of all ethnic groups; and enhance the great solidarity of all the sons and daughters of the Chinese nation at home and overseas" (BWM & Trueman 2008, p. 157). This strategy has striven to reduce the widening social inequalities by prioritising the welfare of disadvantaged social groups and underdeveloped

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[2] The "harmonious socialist society" doctrine, first proposed by the Chinese government under the Hu-Wen Administration during the 2005 National People's Congress, purported to promote a focus on an overall societal balance and harmony rather than economic growth.

regions (Angang 2005; Fan 2006; Naughton 2005).

Progress has taken place since the recent and new leadership led by President Xi Jinping and Premier Li Keqiang. They further expanded former president Hu Jintao's exclusive economic growth strategy to a more scientific and realistic model, regarding health and justice development to be more important than growth itself. The new leadership especially attached great importance to the concept of sustainability, which treats the environment and equity as the key concerns in economic development. The new leadership has promised that China will never pursue temporary economic growth at the cost of environmental degradation and serious income disparity. In May 2013, Mr Xi Jinpin vowed in Beijing: " those who made rush decisions regardless of the ecological environment, resulting in serious consequences, must be brought to account, and should be held accountable for a lifetime … Only by implementing the strictest system and the most stringent rule of law can we provide reliable protection for ecological civilization" (Wu Wencong 2013).

Xi Jinping reaffirmed the urgent need of coordinating economic development and environmental protection, expecting an overall plan for land development, and for a scientific distribution for production, living and ecological space, leaving more room for nature to repair itself. Xi stated that the bottom line regarding ecological and environmental protection issues should never be overstepped, otherwise offenders should be punished. The environmental issues that threaten people's health should particularly emphasise environmental protection and pollution control, because a good environment is the fundamental basis for the sustainable development of society and humans (Wu Wencong 2013). Accordingly, government officials are required to be responsible for benefiting the people within their regions, not only in terms of gross domestic product, but also with green hills and clean water. Maintaining a good ecological environment should also be taken into account as part of an officials' political achievements, which in the past was completely ignored because the key performance measures for a government official's political achievement was limited to the GDP growth rate.

1.1.3 The impacts of harmonious culture on CSR and sustainability

Harmony is a central concept in traditional Chinese philosophies such as Daoism, Buddhism, Legalism, Mohism, Military school and others from the Hundred Schools of Thought, especially Confucianism (Delury 2008; Liang Huaping 2013). It is commonly believed that China's viability as a unified state was facilitated because Chinese emperors applied the moral precepts of the philosopher Confucius (551 – 479 BC). His ideas concerning the primary importance of rulers honouring their word and of virtue underwriting their legitimacy were so influential that they became the norms applied in Chinese society. The influence of Confucianism has an uninterrupted continuity to the present day, and it influences current Chinese business conduct and the political system.

In fact, Confucianism is a social ideal that governs not only family and interpersonal relations, but also those of the rulers and the ruled. It is important to recognise that in the Confucian classic, the pursuit of social harmony does not mean the absence of conflicts and disagreements, and there is even room for loyal opposition (Delury 2008). Later interpretations, however, tend to put emphasis on order and stability, which might inevitably minimise and ignore social disparities and conflicts (Zhang Desheng 2008).

Twenty-three dynasties (some of which did not rule over all of China) had conquered China at various times between 1766 BC and 1912 AD. In accordance with Confucian philosophy, it was interpreted as a divine sign that when the nation went into decline, the ruling dynasty had lost its "Mandate of Heaven" and was therefore ordained to end. The transitions from one dynasty to another usually involved the nation breaking up, with horrendous civil wars ensuing until a new dynasty reunited the country. Due to the dominance of Confucianism, there was remarkable continuity between dynasties in relation to the governing imperial court structures.

Currently, the People's Republic of China is implementing the construction of a harmonious society, and has integrated the traditional Chinese harmonious culture into its strategic philosophy. Obviously, the institutional philosophy and national mechanism in China are totally different from the expectation and practices of western nations. On the one hand, China is an

independent system in the world. On the other hand, however, China has paralleled with global practice since the late 1980's until today.

According to Hong Liu (2009), most books on Chinese business management have been written from a western perspective. They correspond to the western medical model, directly addressing the *what* and *how* issues, with less concern about the *why*. Therefore, the historical, cultural, economic, political and social foundations in China are all extremely critical for a thorough understanding of the context of Chinese business management practice and the systems Chinese businesses must consider and open to. They are also the key elements determining the behaviour of Chinese executives and consumers.

Trying to comprehend Chinese business management for CSR and sustainability without understanding Chinese history, philosophical thought (Confucianism, Daoism and Buddhism) would be no different to studying the human body by merely examining the skin, not the heart, brain or other organs. It is therefore necessary to analyse the broader context in China from the perspective of history, culture, politics, economics and society, especially the harmonious culture, if sustainability management in China is to be explored.

1.2   The research question, proposition and research design

This thesis explores the research question: How are CSR and sustainability being implemented in China and why are they being implemented? An exploration using the Shoetown case study. Through extensive exploration of literatures in CSR, sustainability and stakeholder theory and business practice in both Chinese and western academia, this author endeavours to distinguish the gaps between the thoughts of scholars in those two different contexts and its implications for practice within the Chinese context.

Shoetown is used as a case study to demonstrate the practice of managing CSR and sustainability with a harmonious approach, which is in effect adapting to a particular Chinese context. The case study provides an illustration of effective implementation of CSR and sustainability.

All businesses operate within their unique circumstances, so management for business sustainability would have to be carried out in accordance with context-based principles; that is, sustainability management "must be performed with explicit reference to, and in light of, actual social and/or environmental conditions in the world in order to be effective" (McElroy & Engelen 2012, p. 8). This seems extremely reasonable and has become one of the most influential factors for business conduct. For example, in order to perform a sustainable water supply program, the decision-makers will be required to consider the scale and adequacy of the source of water supplies. Management of CSR is another example, without consideration of the general wellbeing of its stakeholders, the societal impacts of an organisation's sustainability initiatives could never be determined.

1.3 Shoetown as an exemplary case in harmonious development

Shoetown used to be a case study of David Peng, an MBA student this author supervised. David Peng's study explored its success in industrial upgrading rather than business sustainability. However, after several site surveys and investigations by this author, it was discovered that this organisation appeared to be an outstanding example of managing CSR and business sustainability in China. This is especially demonstrated through its application of the traditional harmonious approach to its overall management strategy. David Peng's long-term familiarity with the leadership of the business and its business strategy, together with convenient access to the organisation, led this author to use Shoetown as a case study to explore how a unique approach to CSR and business sustainability management has been practised by a large-scale Chinese manufacturer operating within a global supply chain.

Shoetown is a large-scale Taiwanese-funded private enterprise specialised in shoe manufacturing on the basis of OEM.[3] It has the features of both a domestic and international enterprise while operating in mainland China. On the one hand, the leadership of Shoetown came from Taiwan, which is politically a part of the People's Republic of China and has a similar cultural background to mainland China; on the other hand, Shoetown has a direct and

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[3] An original equipment manufacturer, or OEM, manufactures products or components that are purchased by another company and retailed under that purchasing company's brand name. OEM refers to the company that originally manufactured the product.

close relationship with the US-based Nike, one of the largest shoe suppliers in the world. In fact, Shoetown originally acted as a simple supplier to Nike. Through its business expansion, Shoetown attempted to participate in the upstream business of the value-chain with Nike and ultimately became one of Nike's global strategic partners. That status was reached by Shoetown achieving a vast differentiation from other shoe-manufacturing firms in China, most of which are simple OEM businesses focusing on processing, assembling and manufacturing brands offered by their western industrial upstream counterparts. This business model, which will be discussed later, has proven to be unsustainable under turbulent global supply chain contexts as labour costs and business climates varied from time to time. Shoetown, on the contrary, has effectively solved this problem by adopting a new approach to maintaining a stable position when facing difficult business conditions. What Shoetown achieved has demonstrated an effective approach towards CSR and sustainability, which also became the prevailing target for Chinese business organisations.

This author, through detailed dissection of this manufacturing firm in mainland China, critically analyses Shoetown's successful implementation of a harmonious approach to CSR and sustainability, and further explores the driving factors and constraints of such practices. Readers will recall the many references to "harmonious" by Chinese government leaders in earlier parts of this thesis.

It is evident that Shoetown, during its management of CSR and sustainability, while facing trade-off decisions concerning short-term profit (cost of human capital, innovation management) and long-term sustainability, tends to strategically choose the long-term sustainable scheme. The leadership of Shoetown believe that short-term reductions in profit can be traded for current and future competitiveness (examples include construction of employee living quarters and community facilities, inclusion of stakeholders to include family members, employee training projects and educational programs). Hence, while there was a downturn in general global economic performance during the Global Financial Crisis, leading to a decline in overseas orders, Shoetown did not retrench any of its labour force. On the contrary, Shoetown focused on up-skilling its workforce, innovation management and technological development.

Ron Chang, the owner of Shoetown, has embraced the harmonious society as the core belief at Shoetown. He refers to "people-centred management". He says that this style of management must "come from the heart", and he says that to do business in China necessarily involves deep consideration of the interests of people (STPresidentchang 2012).

1.4 The significance of this research

Since the beginning of the implementation of China's opening door and reform policy, the Ricardo comparative advantage theory[4] has been influential in both academia and business circles in China (Hong Yinxing 1997; Zhang Qizai 2008). These authors hold that in order to gain competitive advantage, China has to concentrate on labour intensive industries as a comparative advantage under the global labour division context. This theory has also been employed to facilitate China's inclusion in the WTO (World Trade Organization) and to participate in international competition. This rationale has dominated Chinese decision-makers for decades — until it was discovered that heavy environmental pollution had been attributed to such industries (Wang Tiankai 2002; Xu Kangning 2002).

Traditional manufacturing in China has been mainly undertaken by private enterprises that are believed to play a critical role in Chinese economic development. This sector is considered to enjoy the utmost comparative advantage over other industries in China (Chen Yihui 2003; Chen Youfang 2002; Lemoine & Ünal-Kesenci 2004).

According to data released in *An analytical report on the situation of China's private economic development* by the All-China Federation of Industry and Commerce in February 2013, by September of 2012, the number of registered private enterprises in China reached 10.598 million, 12.6 per cent higher than the level of the previous year (Cui Jing 2013).

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[4] In economics, comparative advantage refers to the ability of a party to produce a particular good or service at a lower marginal and opportunity cost over another. Even if one country is more efficient in the production of all goods (absolute advantage in all goods) than another, both countries will still gain by trading with each other, as long as they have different relative efficiencies. The idea of comparative advantage has been first mentioned in Adam Smith's book *The Wealth of Nations*. However, the law of comparative advantages has been formulated by David Ricardo, who investigated in detail advantages and alternatives or relative opportunities in his 1817 book *On the Principles of Political Economy and Taxation* in an example involving England and Portugal. Classical comparative advantage theory was extended in two directions: Ricardian theory and Heckscher-Ohlin-Samuelson theory (HOS theory). In both theories, the comparative advantage concept is formulated for a two country, two commodity case. It can easily be extended to the two country, many commodity case, or many country, two commodity case.

The data also indicates that in the first 10 months of 2012, the output of the private sector occupied more than 60 per cent of China's total GDP. This shows a 14.9 per cent growth, which is 6.4 per cent higher than that achieved by state-owned industries. The role of the private sector is evidently critical for Chinese economic achievement. The employment contribution of the private sector also increased to 80 per cent of the national total. In the 53 National Economic and Technological Development Zones, private enterprises occupied 70 per cent of the total number that are contributing 75 per cent and 65 per cent of the new product development and innovation patents respectively (Cui Jing 2013).

However, due to both internal and external constraints, private businesses still face obstacles in development and expansion. These constraints include institutional problems (Li Gang 2012), legal and regulation system problems (Li Yining 2004), capital and labour issues (Mao Yushi & Zhang Yuren 2001; Mingjuan 2009), inadequate corporate governance (Wang Min 2011), market fluctuations (Li Yining 2004), financing difficulties (Haisu & Gang 2008; Liang Wenling 2000), global value-chain management challenges (Wang Min 2011), inadequate innovation (Zhang Lu & Zhang Lili 2006), poor employee motivation (Wang 2005; Xu Wenli 2004) and so forth.

Successful succession planning will also be a big challenge facing private enterprises in China. The statistical data shows that about 37 per cent of the new generations tend to create their own business and career, and 45 per cent of their children feel that they are incompetent to take over the businesses. International practice indicates that there have been only 30 per cent of private organisations successful in their succession plans. This may mean that 70 per cent of the five million private organisations in China will disappear in future years (Deng Yunjin 2013).

The latest survey carried out by GMC (Global Market Certificate) indicates that the average lifespan of manufacturing businesses in China is 11.1 years.[5] Specifically, as shown in the report, the lifespan of Chinese manufacturing businesses fall into these categories: 17.9 per cent

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[5] This report shows a longer life span of the manufacturing businesses than the average 2.5 years of Chinese SMEs reported by PriceWaterhouse Coopers in its report released in 2012 due to sampling variations. The GMC survey collects about 1000 samples from excellent manufacturing business clusters in both Pearl River Delta (60 per cent) and Yangtze River Delta (40 per cent). Very few private businesses enjoy lifespans longer than 30 years. They might be Taiwanese or Hong Kong-funded organisations if there are any (GMC 2013).

shorter than five years, 27.4 per cent between six to 10 years, 32.3 per cent between 11 to 15

years (which is the biggest proportion), 14.5 per cent between 16 to 20 years. Only 7.9 per cent

last longer than 20 years in business (GMC 2013).

It is evident that Chinese private manufacturing commenced after the reforms started in China,

and that the Chinese private manufacturing lifespan is not longer than 30 years. Chinese private

manufacturing originated from the transference of manufacturing work from Hong Kong,

Taiwan, South Korea and Japan, whose key industries are focused on electronics (digital

watches, for example), footwear and accessories, garment and bags, high-end electronics and

auto spare parts (GMC 2013).

As a matter of fact, the Chinese manufacturing industry has always been on the edge of crisis

due to its heavy reliance upon demographic dividends[6] and low entry barriers, as well as its

location in the downstream of the global value chain (Li Mingyu 2006; Xu Xiaoming & Gao

Jian 2003).

The 1990s used to be considered the golden age for Chinese manufacturing businesses, a time

when good profits were generated without too much effort. That occurred because OEM

operations relied heavily on low labour cost. Consequently, demographic dividends turned out

to be the core competitiveness attribute for these businesses (Li Mingyu 2006; Poutziouris,

Wang & Chan 2002).

OEM is therefore viewed as a double-edge sword that on the one hand facilitates the

development of China's manufacturing industry, but on the other becomes an obstacle to further

growth. Of the 13 billion annual shoes output, 10 billion are exported and only three billion are

sold domestically. From 2003 to 2012, the labour cost of Chinese shoes manufacturing

increased 3.5 times while the foreign exchange of the Chinese Yuan to the US dollar

appreciated by 30 per cent (Li Suwan 2013). Many entrepreneurs who relied merely on

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[6] The demographic dividend occurs when a falling birth rate changes the age distribution, so that fewer investments
are needed to meet the needs of the youngest age groups and resources are released for investment in economic
development and family welfare. That is, a falling birth rate makes for a smaller population at young, dependent ages
and for relatively more people in the adult age groups — who comprise the productive labour force. It improves the
ratio of productive workers to child dependants in the population. That makes for faster economic growth and fewer
burdens on families (Ross 2004).

exporting found their businesses in distress when the population dividends disappeared and the costs of raw materials soared (Li Gang 2012; Liu Wei & Liu Zongfeng 2012).

This indicates that China is losing its competitive edge as a low-cost manufacturing base with makers of everything from handbags, shirts and basic electronic components relocating to cheaper locales like Southeast Asia (Yajun et al. 2013). The Chinese government has been attempting to upgrade its industries from traditional low-end manufacturing and heavy investment spending to higher value production, thereby seeking to build a stronger consumer base at home. However, total foreign direct investment flowing into China fell 3.7 per cent in 2012 to US $111.72 billion. It is considered to be the first annual decline since the fallout from the Global Financial Crisis in 2009. It was driven by slowing overall growth in China and Europe's prolonged debt crisis, by the long-term trend of rising wages and other costs that are partly due to the higher expectations of China's urban population in terms of wages and working conditions, as well as severe objections to the pollution that often comes with low-level manufacturing (Yajun et al. 2013). This trend creates more opportunities for China's neighbours. For example, Southeast Asian nations, which claimed 2 per cent of global foreign investment in the wake of the 1997 Asian financial crisis, now account for about 7.6 per cent, approaching China's 8.1 per cent. It has been found that other Asian firms account for much of their investment drop in China. For instance, investment in China from 10 Asian economies — Hong Kong, Taiwan, Macau, Japan, the Philippines, Thailand, Malaysia, Singapore, Indonesia and South Korea — fell 4.8 per cent in 2012 and accounted for about 82 per cent of the total. For example, the foreign direct investment into Thailand grew by about 63 per cent in 2012, and Indonesia investment was up 27 per cent in the first nine months in 2012. It is evident that many foreign investors are trying to find lower labour-cost economies to avoid risks they might encounter in mainland China (Yajun et al. 2013).

As for the shoe manufacturing industry, it is believed that the total global demand remains unchanged, but about 30 per cent of the orders have shifted to Southeast Asian countries such as Vietnam, Malaysia, Thailand and Indonesia because these countries are experiencing rapid

industrial development opportunities. This situation is a challenge to the Chinese shoe manufacturing industry (Yajun et al. 2013).

The Pou Chen Corporation — an athletic and casual footwear manufacturer enjoying 20 per cent of the total global athletic and casual footwear on an OEM basis for Nike, Adidas and Reebok — has recently been constructing new plants in the Jiang Xi, Henan and Hunan provinces. However, mainland China's expansion is lagging far behind the shifting trend to Vietnam and Indonesia. For instance, the total production lines of Pou Chen Corporation in mainland China remained at only 204, which is 51 lines less than in previous years. Meanwhile, production lines have been expanded in both Vietnam and Indonesia, from 134 and 140 in 2011 to 157 and 156 in 2012 respectively. This narrowed the gap at year 2011 from 100 to less than 50 (Li Suwan 2013).

Of course, a shift to other countries does not mean companies are abandoning China. Those companies still committed to expanding their existing facilities in mainland China seek to mitigate the impact of rising labour and rental costs by producing more value-added products in their plants (Li Suwan 2013).

Recently, serious labour issues have occurred at Yue Chen, one of the branches of Pou Chen Corporation. The disruption has attracted widespread international concern. An unprecedented strike occurred in April 2014 and halted production, which is believed to have resulted in a substantial decline in overseas orders. The cause of the event is reported to be the result of worker dissatisfaction with remuneration, including overtime payments and employer social insurance and housing contributions (Sevastopulo 2014).

Sevastopulo (2014) reproduced the comments of Chen Jun who has worked at the company for 10 years. Mr Chen is quoted as saying: "The factory has been deceiving us for too long. They are sometimes partially transparent and sometimes completely non transparent, so we cannot trust them at all" (Sevastopulo 2014). This situation, and similar issues complained of at other business organisations are described in the following sections and are not found at Shoetown, where the workforce speaks of high levels of trust and respect for the management team and

institution. Readers of this thesis will conclude that the contrast between Shoetown and Pou Chen Corporation and the other organisations mentioned in the following sections is stark.

In addition to the Pou Chen Corporation, a number of other labour-intensive, OEM manufacturing companies in China have attracted serious international attention and concern. Bleak working conditions have been documented at OEM factories involved in manufacturing products for Apple, Dell, Hewlett-Packard, IBM, Lenovo, Motorola, Nokia, Sony, Toshiba, DuPont, Kentucky Fried Chicken, Pizza Hut, Kao and others (Sun Xiaohua 2007).

One such factory is Foxconn Technology Group, a Taiwanese multinational electronics contract manufacturing company and Apple Inc.'s largest supplier in mainland China. The Foxconn Investigation Report of 2012 concluded that even under severe media criticism, Foxconn seems to have little incentive to change its management systems. Foxconn workers continue to experience tough working conditions with no dignified treatment. The report affirmatively regards Foxconn as a twenty-first century sweatshop in mainland China (FIG 2012).

Therefore, it is of extreme significance and of high value to analyse the development mechanism of Chinese manufacturing industries, especially these OEM organisations, because they are directly operating in the international arena. In this era of globalisation, they are acting as an effective medium to connect China to the outside world. This is the platform for exchanging technology, even ideologies and universal values. This thesis researches how CSR and sustainability initiatives are implemented in a manufacturing firm, within in a particular Chinese context. The Shoetown case in this research demonstrates that such private organisations can achieve success by integrating CSR and sustainability initiatives into their long-term development schemes.

1.5 The research pathway and structure of the thesis

Figure 1.1 shows the structure of the thesis, which consists of eight chapters.

Chapter 1 Introduction
Chapter 2 China: History, Philosophy, Economy, Politics and Harmony Context
Chapter 3 Literature Review- Sustainability and CSR
Chapter 4 Literature Review- Stakeholder Theory
Chapter 5 Methodology
Chapter 6 Harmonious CSR and sustainability at Shoetown: Case Data Analysis
Chapter 7 An Analysis of CSR and Sustainability at Shoetown
Chapter 8 Findings, Implications and Conclusions

Figure 1.1 Thesis structure
Source: the author

Chapter 1 is an introductory chapter that explains the background and rationale of the research, the research question, harmonious culture and the structure of this thesis. At first, it briefly describes the evolution and concepts of sustainability, CSR, stakeholder theory, and then it describes the evolution of Chinese culture with a particular focus on the influence of harmonious ideology and their relationships. The primary reasons for choosing Shoetown Footwear as a case study in this thesis is presented. The research design, objectives and research question are introduced later. The case study is concerned with the exploration of how the harmonious approach to CSR and sustainability has been implemented in this large, privately owned Chinese manufacturing organisation. Finally, the chapter summarises the aims and content of each chapter of the thesis.

Chapter 2 deals with the broad context for managing CSR and business sustainability in China. It also deals with the impacts of key traditional Chinese philosophies on the ideology of

harmony and is directed at setting up a comprehensive foundation for the research. To achieve this, this author considers the 5000-year history of China with a particular focus on the predominant thinkers and philosophers, whose thoughts have endured throughout this period, and how their thinking has shaped the beliefs and inclinations of the Chinese people. These philosophies — based as they are on Confucianism, Daoism and Buddhism — have many commonalities including the importance of harmonious coexistence between human beings and the natural environment. The chapter then examines the problems facing China today and the strategies that the government is putting in place to deal with them. These problems include the challenges in the economic, political and environmental areas. The response of the Chinese government to these problems includes the strategies depicted in China's national Five-year Plans. Specifically, the Chinese government has been driving the upgrade in the country's industrial structures in recent years. This has heavily influenced the manufacturing industry. Moreover, the links between government responses and ancient philosophies are clear. That is, there is a strong alignment between the philosophies, desires and governance arrangements that have driven Chinese civilisation over the past 5000 years, and the intentions of the government led by various leaderships from the 1980s.

Chapter 3 examines the literature on CSR and sustainability to explore whether this alignment can be extended to the theory and practice of business sustainability. In fact, research in both CSR and sustainability is extensive in the western world as well as in China, but both concepts began in the western world and were imported to China, whose researchers have been influenced substantially by them. In order to gain a thorough understanding of these concepts, this author traces the history of both concepts and discovers that CSR and sustainability practices emerged in ancient times, both in the western world, and in China. However, the definitions and understanding of CSR and sustainability in China have been overwhelmingly dominated by the western patterns of thought. Additionally, Chinese businesses seem reluctant to accept these concepts in practice due to their lacking a Chinese context. This author argues this can be achieved through the implementation of CSR with Chinese characteristics, particularly with the introduction of a harmonious workplace culture. Two prevailing management models for CSR and sustainability are introduced in this chapter. Modifications

have been suggested to one model in case it is to be applied within a Chinese context.

Chapter 4 continues with the establishment of the theoretical framework for the thesis. It is concerned with stakeholder theory. Similar to CSR and sustainability, stakeholder theory is also an area with many conceptualisations and interpretations. Hence, this author seeks to clarify the development track of various literatures relevant to the concept. It has been discovered that the arguments and disagreements are abundant, especially the definitions and classification approach to stakeholder management. The main arguments and disagreements centre on what or who should be identified or classified as influential stakeholders. Numerous definitional approaches and classification models emerge. This shows that there are more alternatives to the identification and classification of stakeholders during the course of business administration than has traditionally been the case. Several influential stakeholder management models are also introduced in this chapter. Furthermore, this chapter identifies the gap between traditional stakeholder theories and current practice. This author holds that new perspectives should also be directed to the formation of stakeholder theory in the era of information technology and economic globalisation, as this does not appear to have been sufficiently researched, given that research has been limited and yet the changed business environments such as global value chain, global outsourcing are significant. It is also proposed that there is a tight theoretical relationship between CSR, sustainability and stakeholder theory, and they are all integrated within the Chinese traditional harmonious culture.

Chapter 5 pays special attention to the methodology employed in this research and demonstrates the reasons for using Shoetown as a case study in this thesis. The introduction of ontology, epistemology, methodology, research methods and research paradigm aims at establishing a philosophical theme for the chapter. The chapter then focuses on the discussion of the case study method because it is used as the primary research method in the thesis. A review of the literatures relevant to the relationship between the case study method and CSR and sustainability research is conducted to explain the validity of the case study method in this research. The case study method is then analysed in detail, covering the concept of case studies, classification of case studies, case study protocols, approaches to data collection and data

analysis, as well as how these principles are practised in the business case study of this thesis. The limitations of the research are also discussed in this chapter.

Chapter 6 is concerned with the data analysis of the research. It explores the Shoetown business case study. The main objective of this case study is to demonstrate how the harmonious approach to CSR and business sustainability is implemented in practice in an exemplary Chinese business organisation. The author has summarised the understanding and interpretation of CSR, sustainability concepts of Shoetown's leadership to construct a Shoetown CSR and Sustainability model to set up a basis for case exploration. As a strategic partner with Nike, Shoetown is a complex system, which is worthy of much more research from other perspectives. The implementation of CSR and sustainability initiatives in Shoetown is in consideration of the "Triple-Bottom-Line" principle with a focus on human-centred harmonious culture, which differentiates Shoetown from other organisations due to its unique circumstances. The data collection methods include personal interviews, participant observations, attendance at senior management meetings and a factory tour. Triangulation and pattern matching are key approaches to data analysis. The key themes that emerged during the data analysis demonstrated how Shoetown's CSR and sustainability management philosophy is functioning in the coordination of economic and environmental elements with people as the primary concern.

Chapter 7 explores the driving factors and constraints facing Shoetown regarding its management of CSR and business sustainability. Both external and internal forces have been analysed. They include the political, economic and cultural drivers, the influences and pressures from various stakeholders, as well as CSR and sustainability as an approach to gain business competitiveness. The chapter uses two approaches to evaluate the performance and challenges of CSR and sustainability implementation at Shoetown. The basic criteria of the McNall et al. model, the characteristics of sustainable companies, is used to examine Shoetown's achievements. The Phase Model for managing CSR and business sustainability developed by Dunphy et al. is enhanced by this author and used to evaluate the development phases Shoetown identifies as the potential gaps it has to bridge in the future.

Chapter 8 discusses the implications, findings and conclusions of this thesis. As mentioned

earlier, the chapter identifies the contribution to knowledge of this thesis; conclusions about the research question; and the implications for theory, methodology and future research. The key findings from this research include the unique Chinese business context; the significance of traditional Chinese culture in the implementation of CSR and sustainability initiatives; the role that private business can play in CSR and sustainability initiatives in China; the definitional issues of CSR, sustainability initiatives and the stakeholder theories; the significance of the McNall et al. model and phase model in CSR and sustainability research; and the importance Chinese-context in CSR and sustainability management in Chinese business administration, with Shoetown as a particular case. This author holds that there is an urgent demand for further research into the management of CSR and business sustainability initiatives, with consideration of traditional Chinese harmonious characteristics within a specific Chinese management context. The conclusion also outlines the many challenges ahead for the Chinese government, for Chinese businesses and for Shoetown. The chapter concludes with a warning to organisations endeavouring to copy Shoetown's methodologies. Duplication is likely to be a difficult process.

1.6 Summary

With the rapid development of economic globalisation, CSR and sustainability has gradually becoming a universal language and norm in business conduct. Under these business circumstances, CSR and sustainability performance are serving as measurements for the competitiveness and success of business organisations. However, the implementation of CSR and sustainability has been influenced vastly by political, economic, technological and cultural contexts. The concepts of CSR and sustainability were introduced into China during the 1990s and they are currently receiving a great deal of interest in academic research dealing with business. In responding to the government development strategy, greater numbers of Chinese business firms are striving for an appropriate approach to achieving competitiveness through the implementation of CSR and sustainability principles. Among the many successful firms, Shoetown has been appraised as an exemplary case in this respect. The success of Shoetown can provide a significant leadership role to the many Chinese private business firms, which remain

confused about how to survive and remain sustainable businesses during the challenging

globalisation era.

2   China: History, Philosophy, Economy, Politics and Harmony Context

Cultural heritage is the soul of a nation whose civilisation has been determined by its cultural developments (Noor & Begawan 2011). For about three decades in China, culture has been extensively studied in management literature, and these studies have emphasised cultural differences across national borders, and stimulated managers to show respect for different cultures, values and management styles (Fang 2012). Therefore, it is critically important to have a thorough understanding of Chinese history, politics and economics because the majority of contemporary Chinese cultures are significantly influenced by these factors. Moreover, the Chinese people are fond of past prosperity and attach a great deal of emphasis on historical traditions and culture. History continues to have a major impact on Chinese executives (Javidan & Lynton 2005).

China is the only country in the world whose ancient civilisation has been passed down continuously for over 5000 years. It has outlived all other great empires in Eurasia, including the Egyptian, Roman, Byzantine, Arabian, Ottoman and Tsarist-Soviet (Deng 2000). China has always played an important role in the development of human history. For instance, its industrial output had accounted for 33 per cent of the world total, against 22 per cent for the entire European total until 1880 (Kennedy 1987). Nevertheless, China after 1949 has a unique story. Before its open reforms of 1979, China remained a poor, stagnant, centrally controlled, inefficient and isolated economy. Only from its implementation of economic reform did China begin to become one of the world's fastest growing economies, with a real annual average gross domestic product (GDP) growth rate close to 10 per cent in 2012 (Fogel 2010). China is presently the world's second-largest economy, the largest merchandise exporter, second-largest merchandise importer, second-largest destination of foreign direct investment (FDI), the largest manufacturer, and the largest holder of foreign exchange reserves (Morrison 2013).

However, along with its future economic growth issues, China also faces numerous other

challenges, including widespread pollution, growing income disparities, an undeveloped social security net, corruption and extensive government intervention in the economy. The Chinese government has acknowledged that its current economic growth model needs to be altered (Wu Wencong 2013). In 2006, the Chinese government formally outlined a goal of building a "harmonious socialist society" by taking steps to lessen income inequality, improve the rule of law, enhance environmental protection, reduce corruption and improve the country's social safety net. In addition, the government has announced plans to rebalance the economy and boost innovation (RIETI 2010).

This chapter aims at providing a general picture of the foundations of the specific Chinese context for CSR and sustainability implementation in China. These support the overall research question of this thesis. In order to recognise how and why CSR and sustainability initiatives are playing out in a Chinese context, it is indispensible to thoroughly acknowledge the key elements determining the features of this context. This chapter focuses on discussion of the harmonious culture influenced by Chinese historical, philosophical, economic and political factors. The chapter starts with a brief introduction to Chinese history, and further explores the significance of changes of different dynasties during the course of such history. This author then analyses the most influential ancient Chinese philosophical beliefs such as Confucianism, Daoism and Buddhism in an attempt to explore the roots of "harmonious culture". The chapter next discusses the challenges facing China in the globalisation era and finally deals with the development schemes of the Chinese government that aim to tackle such challenges.

2.1 Chinese history and traditional philosophies

2.1.1 The continuity of Chinese culture across different dynasties

The written history of China can be traced back to as early as the Shang Dynasty (c. 1700–1046 BC). Chinese culture, literature and philosophy were well developed during the Zhou Dynasty (1045–256 BC). However, the Zhou Dynasty collapsed in the eighth century BC and eventually broke into different smaller states — this is known as the Spring and Autumn Period (770–476 BC) and the Warring States period (403–221 BC) (Jian Bozan 2006).

This is one of many periods of failed statehood in Chinese history. However, it is regarded as a golden age in China and "one of the greatest periods in Chinese history" (Xiao Jiansheng 2009). The monarchical controlling system had not yet emerged in China, and the dominant political system comprised independent federal duke administration under the nominal control of the Zhou emperor. The society was experiencing severe turbulence and it became the "age of propriety disintegration" (Xiao Jiansheng 2009). In such circumstances, federal dukes in different states were eager to initiate reforms to tackle the crisis to promote state competitiveness. As a result, human talents became the most treasured resource for all states, and human rights were significantly enhanced. Consequently, these periods enjoyed an unprecedented prosperity, rapid economic growth, freedom of speech and thought, rapid development in culture, art and science.

The Spring and Autumn Period and the Warring States period were also viewed as the most vibrant, prosperous, productive and resourceful times. Human freedom became the essential characteristic in these periods of Chinese history (Xiao Jiansheng 2009). The "hundred schools of thought" included the great philosophers such as Confucius, Mencius, Lao Tzu, Guan Tzu, Sun Tzu, Han Feizi and Mo Tzu. These Chinese philosophers were contemporaries of some of the great thinkers and teachers in the world, such as the Buddha from India (500 BC), Socrates (470–399 BC), Plato (427–347 BC) and Aristotle (384–321 BC) from Greece. The significance of these periods in Chinese history would be the equivalent to that of Greece in Europe, with its seminal thinkers having laid the foundation for western civilisation (Fairbank & Goldman 1998). Similarly, many classics of Chinese literature, psychology and strategic warfare can be traced back to these periods (Zhou Yang 2013).

Market exchanges also took place during these periods. As a result of the state monopoly of trading activities being eliminated, various markets and private traders began to emerge. This enabled a monetary economy to boom. Gold and silver were used for money, instead of cowry shells, tools or bronze. Commercial and economic prosperity had stimulated rapid urbanisation and the development of transport by land and water. Ancient business morals and ethics also emerged during these periods (Huang Xiaopeng 2010).

The Spring and Autumn Period and the Warring States period lasted for about 500 years until Qin Shihuang (the First Emperor) conquered all other states such as Qi state, Chu state, Yan state, Han state, Zhao state and Wei state. China was thus united to establish an imperial nation in the Qin Dynasty in 221 BC. From 221 BC, the Qin Dynasty started to control an area roughly half of the size of current the People's Republic of China. In order to conquer such a huge territory, Qin Shihuang became an autocratic monarch with absolute centralised power, signifying the beginning of imperialism in China. Qin used Han Fei's legalism theories to guide his governance practice with a degree of success. Though the Qin Dynasty was short-lived, Qin Shihuang made great achievements. He abolished the remnants of ancient Chinese feudal society and established the beginnings of a central bureaucracy based on Confucian principles. Systems of writing, currency, weights and measures were standardised and this greatly facilitated the development of China (Jian Bozan 2006; Woolf 2008).

Xiao Jiansheng (2009) demonstrates that the founding of the Qin Dynasty indicates a complete transition of China's feudal political system from regionally autonomous to centralised autocratic government. "It was a dynasty established upon power and violence, but without proper political designs. It embedded imperial power into traditional Chinese political philosophy" (Xiao Jiansheng 2009, pp. 93-6).

Furthermore, the bureaucratic systems were reinforced by each successive dynasty in Chinese history with the aim of enabling the Emperor to control vast territories directly. By the Tang Dynasty (618–907 AD), the imperial bureaucracy was regarded as the outstanding political authority (Moore 1966).

The Han Dynasty (206 BC – 220 AD) replaced the Qin Dynasty in 206 BC and lasted for 400 years. The Han Dynasty enjoyed prosperous development, both in culture and economics, as well as a great expansion of the empire's territory. The Han emperor began to seek a type of governance policy integrating moral, political legal and ideology supported by a philosophical system. Hence, many scholars were invited to offer strategies. Among these scholars, only the idea of "dismiss the hundred schools and revere only the Confucians" proposed by Dong Zhongshu was finally adopted by the Emperor, who began to eliminate the other hundred

schools of thought and establish Confucianism as the only policy doctrine (Li Tianxue 2006; Zhou Ling 2006). From then on, "Confucianism became the orthodox political and social philosophy of China and it had significant influence on the development of Chinese culture over the past 2,000 years" (Fairbank & Twitchett 2008, pp. 747-56). Even today, Chinese people still respect Confucius, the pioneer of Confucian thinking, as a "saint", "the supreme saint", or "an exemplary teacher for all ages" (Zhao Jihui 1995).

It was during this dynasty that Zhang Qian was twice dispatched to the western regions of China and the route Zhang pioneered became known as the Silk Road, which started from Xi'an city to Xinjiang province and extended to the east coast of the Mediterranean Sea. Owing to increased silk trading between the West and China, Buddhism was introduced to China at the end of West Han Dynasty (Jian Bozan 2006). The Silk Road was also becoming an exporting channel for China to export its many inventions such as paper and gunpowder to the western world.

After the collapse of the Han Dynasty, there were various imperial Dynasties. The influential dynasties included the Three Kingdoms (220–280 AD); Jin, Northern and Southern Dynasties (265–581 AD); Sui Dynasty (581–618 AD); Tang Dynasty (618–907 AD); Five Dynasties (907–960 AD) and Ten States (902–979 AD); Song Dynasty (960–1279 AD); Yuan Dynasty (1279–1368 AD); Ming Dynasty (1368–1644 AD) and Qing Dynasty (1644–1911 AD)(Woolf 2008).

The conventional view of Chinese history is that of alternating periods of political unity and disunity, with the repeated patterns of various emperors trying to conquer the country by reinforcing the traditional bureaucratic ruling system initiated by the Qin Dynasty. Occasionally, China was dominated by steppe peoples who were eventually assimilated into the Han Chinese population. Cultural and political influences were carried into China by successive waves of immigration, expansion and cultural assimilation from many parts of Asia that have become integral parts of modern Chinese culture (Chen Xiangyang 1998; Liu Wenjing 2000; Ou Changqing 2004; Tang Cheng 2009; Thompson 1995; Xiao Jiansheng 2009).

Sun Yat-Sen, the leader of the Chinese Xinhai Revolution[7], had been planning to overthrow the Qing Dynasty since 1894 to establish a republican government. The Xinhai Revolution was successful in 1911 through armed rebellion across southeast and central China. The Qing Dynasty ordered general Yuan Shikai to fight against the rebels, but he finally negotiated with them, offering to arrange for the abdication of the Qing Emperor in exchange for the presidency of the new government. This directly led to the collapse of the Qing Dynasty, which also meant the end of the Chinese imperial bureaucracy that had lasted for thousands of years (Fairbank & Kwang 1980).

Dynastic imperial China lasted 2133 years from Qin, the first dynasty that united China, to Qing, the last dynasty that abolished the imperial system. Most of the Chinese empires were ruled by only one emperor at any one time. The rise or fall of all these dynasties were commonly dependent on the ability, integrity and personality of the emperors themselves. When a dynasty changed, the new monarchs tended to be capable and morally upright and intelligent in running the dynasty. The successors of those dynasties, however, tended to be inept, despotic and dissipated, leading to the collapse of the dynasties (Peng Yunping 1986).

After the Qin Dynasty, the ancient Chinese philosophies and religions such as Confucianism, Daoism, Legalism and Buddhism played critical roles in the course of historical development. For example, current well-known ideas such as "human-centred" and "manage state affairs according to laws" were first proposed by the premier of the Qi State during the warring States period in ancient China (Wright 2001). It seems that this proposal has enjoyed a history of about 2600 years.

A patriarchal clan system integrated with Confucianism and autocracy was the fundamental social organisational form in China since the ancient times. The Chinese are believed to place more emphasis on family relationships than any other people in the world. Such a belief was initiated from Confucianism, which required that sons be subordinated to their fathers as

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[7] The Xinhai Revolution, also known as the Revolution of 1911 or the Chinese Revolution, was a revolution that overthrew China's last imperial dynasty, the Qing dynasty, and established the Republic of China. The revolution was named Xinhai (Hsin-hai) because it occurred in 1911, the year of the Xinhai stem-branch in the sexagenary cycle of the Chinese calendar(Xing 2013, p. 91).

officials are subordinated to their emperor. This is still influential in current Chinese business management philosophy, especially in the private sector (Chen Yufang 2003; Jiang Hui 2007).

2.1.2 The roots of harmonious culture[8]

Hofstede (1984) defines culture as "the collective programming of the mind which distinguishes the members of one category of people from another"(Hofstede 1984, p. 51). According to Zhang Dainian (1985, 1998), there is a consistent theme in the traditional Chinese culture, which "attaches great importance to the harmonious relationship between human and nature, human and human" (Zhang Dainian 1985, 1998; Zhang Dainian & Cheng Yishan 1990).

Di Liyan (2006) asserts that the traditional Chinese culture is contained within harmonious thought which denotes a culture integrating value, belief, fashion, the norm of a society and which reflects the value and an overall acknowledgement of a harmonious society, combining culture construction and social development (Di Liyan 2006). Chinese harmony culture, as defined by Liu Yutang & Liu Baochang (2007), has "harmony as the core value and culture as its form of expression. It integrates various ideologies, beliefs, customs, norms and values into the construction of a harmonious society. Harmonious culture provides principles for thinking and behaving and serves as a common value shared by all members in a society. It is an integration of social development and culture construction"(Liu Yutang & Liu Baochang 2007, p. 329). In this way, the harmonious culture is fundamentally coping with the ideas posed in the theory of sustainability, which integrates society, human beings and the nature (Chen Liuqin 2008; Liu Yutang & Liu Baochang 2007).

Chinese culture is believed to be passed down by God. It can be traced back to ancient mythologies such as Pangu's creation of heaven and the earth, Nü wa' s creation of humanity, Shennong's identification of hundreds of medicinal herbs, and Cangjie's invention of Chinese characters.[9] "Man models himself after Earth; Earth models itself after Heaven; Heaven models

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[8] The main results of this section were previously published in Huang Lei (2007).
[9] In ancient Chinese mythology, Pangu was the first living being who created earth and heaven; Nüwa was the mother goddess who created humankind; Shennong (literally, "The Heavenly Farmer") taught ancient people the practices of agriculture. He is also credited with risking his life to identify hundreds of medicinal (and poisonous) herbs and various plants of that nature, which were crucial to the development of traditional Chinese medicine; Cangjie is the inventor of Chinese characters (Christie 1985; Collier 2001; Helft 2007).

itself after Dao; Dao models itself after nature" (Boisen 1996 p. 48). The wisdom of unity of heaven and humanity of Daoism[10] has dominated throughout Chinese culture. "What the Great Learning teaches, is to illustrate illustrious virtue; to renovate the people; and to rest in the highest excellence" (Legge 1966, p. 308). Over 2000 years ago, Confucius established a school to educate people and imparted to society the Confucian ideals represented by the "Three Cardinal Guides and the Five Constant Virtues".[11] In the first century AD, Buddhism was introduced to China with its emphasis on compassion and salvation for all beings. Thereafter, Confucianism, Buddhism and Daoism became complementary beliefs in Chinese society.

The concept of "Nature-man Oneness" in traditional Chinese culture places importance on harmonious relationships between nature and humankind. This coincides with the basic principle of sustainability that environmental protection should be prioritised as humans struggle for increased economic growth. The application of this concept could counter the "development at all costs" drive of profit-driven approaches, and encourage environmental sustainability. These cultures also greatly influence current Chinese political and management practices and philosophy (Li Ming 2008).

The philosopher Mencius (Legge 1893) once stated "Refraining from overfishing will ensure fishing lasts forever; cutting wood according to the season ensures healthier forests". This is the simplest explanation of harmony and sustainable development. The roots of such ideas can also be found among the influential Chinese philosophies such as Confucianism, Daoism and Buddhism (Tao Xinhong 2007).

2.1.1.1 Confucianism

"Harmonious Culture" is the fundamental tenet of traditional Chinese culture. It initially focused on the harmonised coexistence of human beings and nature (Zhang Dainian 1998). For instance, the "Boundary between Heaven and Man" emphasised by ancient Confucianism and Daoism

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[10] For reasons of various versions of translation, Lao Zi (Tzu), Dao De Jing and Tao Te Ching are alternatively used in this thesis, Tao and Dao, Taoism and Daoism interchangeable as well.
[11] Three Cardinal Guides include the ruler guides his subjects, the father his son and the husband his wife; the Five Constant Virtues mean *ren* (benevolence), *yi* (righteousness), *li* (propriety), *zhi* (wisdom) and *xin* (fidelity/sincerity) (Song Xiren & Chen Laozhi 1989).

denotes the relationship between human beings and the natural environment in a holistic, mutually respectful way (Peng Fei 2001). Similarly, in regard to the relationship between heaven and humankind, the fundamental proposition of the ancient Chinese philosophy is "Heaven-man-oneness" or "Nature-man-oneness ". As for how people should relate to nature, the most typical view would be that of Lao Zhuang's theory of "Heaven-man-oneness", which is fundamental to both Daoism and Confucianism. The development of Chinese culture reflects these values and beliefs about humankind, and integrates a great many schools of wisdoms over thousands of years of history. The Chinese culture closely relates to contemporary tenets of sustainable development, therefore, it is useful to enhance and guide our understanding and formulation of sustainable development strategies, particularly given the environmental shortcomings of traditional western approaches (Mi Jiangxia 2004).

Dominating Chinese civilisation and culture for over 5000 years, Confucianism originated in an agricultural civilisation and demonstrates a continuous vigorous vitality still relevant today throughout the Chinese diaspora.

The core value of "Harmonisation", along with its related principles of "Rectifying and Cultivating oneself, Regulating ones' family, Governing the States, Making the whole Empire happy" (Confucius & Legge 1971) formulates the entire system of Confucianism. Harmonisation includes two types of meaning. First, it means "united", reflecting an ideal inner status. All internal forces should be in equilibrium and ready to supplement each other. Second, it means "unified", illustrating that after struggle and internal contradictions, all forces will be merged into one "rebalance" as part of an ongoing dynamic process. Unified is seen as the basis of "united", and both concepts have relevance to current debates about progress and sustainable development.

Based on the theory of Yin and Yang, *The Book of Changes*[12] emphasises "Nature-man Oneness", also relevant to sustainable development approaches today. For example, "We look at the ornamental figures of the sky, and thereby ascertain the changes of the seasons" (Legge 1996, p. 231), "Heaven hangs out its figures from which are seen good fortune and bad, and the sages

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[12] *The Book of Change* or *I Ching* is one of the Confucian classics. It is a book of divination practice based on philosophical theories. It was regarded as a classic as early as the Warring States times and was elevated to a foremost place among the classics in the Han dynasty (206 BC–220 AD).

made their emblematic interpretations accordingly" (Legge 1996, p. 374). In those statements, heaven not only represents the law of nature, but also symbolises a mysterious powerful force. In summary, the book focuses on harmonious relationships between nature and human beings, and explains the mutual interdependency of the two and, as a consequence, has significant influences upon future generations. Therefore, it is implied that humans must act according to the law of nature otherwise they will suffer adverse outcomes (Sun Xuguo 2008).

While human beings are regarded as superior to other living forms, Confucianism states that humans should not look down on or destroy other living forms in order to meet their own needs. Although Confucianism contends that all beings and lives are equal, human beings may be superior because they are able to treat each other in more ethical, humane ways (Yue Aiguo 2003).

Dominated by such harmonious ecological beliefs, ancient Chinese people established many programs for ecological protection. For instance, during the Zhou Dynasty (1045 BC – 256 BC), a "Hunting Forbidden" policy was introduced to preserve the forest and young animals, taking into account to their life stage and cycle. Consequently, during changes of seasons, human beings should not only protect the nests and eggs of birds and young animals, but such protection should be extended to other animals and plantations. This policy is thought to have saved the Zhou Dynasty from adverse impacts on the environment and resources following a period of unprecedented economic and population growth (Wu Xinying, He Yingchun & Wu Daixia 2005).

In relation to social relationships within the family, workplace and society, Confucianism posits the category of the "mean". Mean originated from the theory of Yin and Yang and was an early example of Chinese dialectic philosophy. The "mean" refers to the harmonious balance of all existing beings in the universe, essential to sustainability.

In traditional Chinese culture, Yin and Yang literally means "shadow and light" (many natural dualities including dark and light, female and male, low and high, cold and hot, water and fire are thought of as physical manifestations of the Yin–Yang concept). Shadow and light are employed to describe how seemingly opposite or contrary forces are interconnected and interdependent in the natural world, and how they give rise to each other as they interrelate to one another (Fang

2012). Thus, in ancient Chinese philosophy, these two extreme qualities are actually complementary forces rather than opposing ones. They interact to form an entity or gestalt that is greater than either of their separate parts. Yin and Yang form a dynamic system. Everything in the universe can be seen to contain both forces of Yin and Yang, and either may take a stronger hand in a particular object, depending upon what is used as the criteria for the observation.

Based on this concept, Confucianism advocated impartiality, reconciliation and compromise in one's approach to all people and matters. Since everything has two sides, one must take both sides into consideration to achieve a good unbiased outcome. Implicit in the methodology of the "mean" is criticism of extreme methods of settling problems. There should be a boundary for everything in establishing criteria for dealing with issues. Criteria are not acceptable if they are extreme in any way. "The superior man is affable, but not adulatory; the mean is adulatory, but not affable" (Legge 1966, p. 188). The essential meaning is the emphasis on analysis and on unifying contradictions in order to reach a state of equilibrium and harmonious relationships using tolerance in all matters.

Of course, the approaches suggested by Confucius to achieve a harmonious society may seem to be unique and even unacceptable to some extent. That is, the thinking style and behaviour of Chinese people may have been shaped by the well-known Confucian tenet "Three Cardinal Guides and the Five Constant Virtues", and this may have led the Chinese people to willingly and readily accept dictatorial rule. Hofstede has argued that Confucian thought is a double-edged sword in that while it aimed at creating a harmonious society through hierarchy (Hofstede & Bond 1988), and to some extent has done so, it has also sown the seeds of social instability because it gives rise to the mentality of respect for the absolute power or dictatorship, and some argue it may lead a country astray (Liu 2009). Regardless, China's harmonious belief system can be expected to play a critical and supporting role in facilitating future CSR and sustainable development thought and practice.

2.1.1.2 Daoism

Lao Tzu (c. 580 – 500 BC) and Confucius (551–479 BC) have traditionally been regarded as the

two most celebrated thinkers in Chinese philosophy. The former is the founder of Daoism and is studied worldwide, mostly by scholars. The latter is followed by people worldwide and from many walks of life, a truly global value set or philosophy. As has been observed by oriental and occidental readers (including Hegel), the ideas of Lao Tzu are more philosophical than those of Confucius.

Capra contends that "Among the great spiritual traditions, Taoism offers, in my view, the most profound and most beautiful expressions of ecological wisdom, emphasizing both the fundamental oneness of all phenomena and the embeddedness of individuals and societies in the cyclical processes of nature" (Capra 1989, p. 36).

It is generally acknowledged that Lao Tzu's philosophy underlies the structure or formation of the overall psychology of the Chinese people (Keping 2004).Written by Lao Tzu , the book of *Lao Tzu ,* or *Dao De Jing* is not lengthy, only about 5000 words. It is divided into 81 chapters. The first 37 chapters are *Dao Jing*; the second 44, *De Jing*.

Daoism asserts that the Dao (Tao or way) is obedient to the laws of nature. The Dao is the origin and source of all beings as well as the general rule and regulation of the universe. "The Tao that can be trodden is not the enduring and unchanging Tao. The name that can be named is not the enduring and unchanging name. (Conceived of as) having no name, it is the Originator of heaven and earth; (conceived of as) having a name, it is the Mother of all things" (Boisen 1996 p. 2). Here, "having no name " and "having a name" are used to represent the Dao, which is the origin, foundation and dominance of the universe (Lao Tzu et al. 1994). "There was something formless, yet complete, that existed before heaven and earth; without sound, without substance, dependent on nothing, unchanging, all pervading, unfailing" (Boisen 1996 p. 51). The Dao "produced the one. The one produced the two. The two produced the three, and the three produced the ten thousand things" (Boisen 1996 p. 85). It is a common understanding that One is the original material force that generates the two — Yin and Yang — and the Three are their blending with the original force, whose blending produces ten thousand things (Wang Zhongjiang 2009). Dao is therefore regarded as the first systematic theory of the creation of the universe in Chinese history. Although cosmology later developed much further, basically it was

influenced by the viewpoint of the *Dao De Jing* just outlined (Wang Tianwen 2008; Xu Xiaohu 1996). There seems to be a similarity between ancient and modern views of cosmos (Li Gang 2001; Liang Yi 2003).

Given this background, it is clear that the philosophy of Lao Tzu concerns the universe, human social life as well as politics. "Dao" is the metaphysical core of Lao Tzu's philosophy, derived from his perspicacious treatise on human life, society, politics and ontology. "De" is the unfolded and expanded version of Dao giving guidance to social, political and human life. Daoism is based on the concept of "Nature-man Oneness" and views heaven and earth as one whole. It believes that human beings and all other lives share some common laws and origins. This is regarded as a prominent contribution of Daoism to sustainability.

It can be concluded from the above discussion that Lao Tzu holds that "Dao" is both a form of formlessness and an image of nothingness. Dao is dependent on all other things and constantly changes and moves in cycles. Dao gives birth to heaven, earth and all things, and nurtures them so that they grow and flourish. Dao does not take possession, does not dominate and does not regard itself as mighty and powerful. It is a servant, not a master.

Lao Tzu believes that things are established in an antithetical relationship. When analysing things, one should see both sides of them, positive as well as negative. Lao Tzu emphasised that only through grasping both sides can we have understanding and make the best use of things. Turning back to the root and the beginning is another law of circular movement expounded by Dao. In addition, Lao Tzu emphasised the necessity to go back to the root and return to the beginning, while remaining tranquil and thoughtful. The similarities with Confucianism and modern concepts of sustainability are clear.

Another useful concept to harmony and sustainability is the relationship between "Dao", "being" and "non-being". Non-being is the beginning, and from the position of "non-being", we can perceive the complex mysteries of Dao; and from the perspective of "being", we can perceive order and boundaries. The original meaning of "De" seems to be a set of important political rules; for instance, ceremonies of ancestral sacrifices and leadership expectations of clans.

Gradually, they developed into a substantial set of social norms, orders, demands, and customs as unwritten laws to maintain the existence of the tribe. It is in this sense that "De" is a set of social norms and patterns, the manifestation and application of Dao.

The relationship between "Dao" and "De" is the relationship between a body and its various parts and functions. Dao refers to a natural state without interference, while De refers to return to the natural state, including human activities. From the perspectives of Dao and De, life, society and politics, is a series of concepts that consider sustainability and include nature and social actions among others. In chapter 25, Lao Tzu stated that "Man emulates earth, earth emulates heaven, heaven emulates the Dao, and the Dao emulates what is natural to it" (Boisen 1996 p. 53). As a result, man, earth and heaven should emulate what is natural to them. Human beings should not do anything unnecessary, or anything reckless and against nature, a very early guide to sustainable development.

With regard to human relations, Daoism advocates governing by non-action and addressing and reconciling social struggle. In Lao Tzu, descriptions about the ideal human world are presented as a world of "non-desire", "non-action" and "non-struggle". Lao Tzu advocates that we should aim to live in a peaceful environment with a generous spirit. The objective of Lao Tzu is to arouse people's awareness of the Ways of Nature as a means to achieving happiness and the good life.

2.1.1.3 Buddhism

Buddhism, one of the three dominant religions of the world, enjoys a longstanding history in China and is widely influential. Buddhist numbers are estimated to range from 350 million to 1.6 billion. Buddhism is also recognised as one of the fastest growing religions in the world (Beckford 2013). There are about 185 million resident Chinese people who identify as Buddhists (Jin Ze & Qiu Yonghui 2011) .

Buddhism originated in India and was introduced to China at the end of Western Han Dynasty (Jian Bozan 2006). It has always coexisted with Confucianism and Daoism in China as a religion

that tried to encourage the spread of peace and harmony in society, and it placed an emphasis on the importance of living in harmony with nature and respect for all forms of life. As a result, from its establishment, the ideas of Buddhism were promulgated and practised through its theories (doctrines) and guidelines (practices). Similar to Daoism, Buddhism negates the belief that God was the creator of the universe. Human beings are not dominated by any sort of almighty and they are fully capable of determining their own destinies (David 2005).

The Buddhist concept of environmental protection originated from the consciousness of Sakyamuni to the "Genesis". Buddhism considers that all matters in the world are from the Genesis so they are all integrated, and every part is interdependent. "All beings in the infinite universe and beyond, including us, are interrelated. In past lives we may have been born in other worlds and been related to the beings there." "All things are gathered in this world because of affinities; all things faded away from this world because of affinities" (Heng Qiang & Liang Chouji 2012, p. 57).

Buddhism advocates that human life is equal to other lives in the world. More specifically, Buddhism divides lives into two basic forms; namely, "sentient beings" and "insentient beings". Sentient beings comprise lives with sensation and consciousness, such as humans and animals. Insentient beings comprise lives without sensation and consciousness, such as plantations, mountains and the universe. Sentient beings can be further divided into six kinds of Ways: the Way of Heaven, the Way of Ashura, the Way of Human Beings, the Way of Animals, the Way of Ghoul and the Way of Hell. Though it is emphasised in the Sutra that the most important Way is the Way of Human Beings, the concept of "The Cycle of the Six Ways" established by Buddhism means that all beings will be reborn according to their levels of practice. It is claimed in *The Brahma Net Sutra* that "All sentient beings possess this Buddha Nature. All with consciousness, form, and mind are encompassed by the precepts of the Buddha Nature. Sentient beings possess the correct cause of the Buddha Nature and therefore they will assuredly attain the ever-present Dharma Body" (Heng Qiang & Liang Chouji 2012, p. 147). Such belief educates human beings to cherish the lives of others while they are cherishing their own lives because Buddhism believes that human beings are not the dictator of other beings.

Based on this belief, Buddhism is strongly opposed to taking animal's lives. This is also based on the foundation of "All lives are equal". All lives enjoy their rights to exist in this world, and human beings should treat all lives well so as to achieve a harmonious status with nature. The attitude of Buddhism towards insentient beings is closely related to that of sentient beings. According to Buddhism, humans should not abuse and waste trees, flowers, plantations, mountains and rivers because they are insentient. It is written in *The Brahma Net Precept* that human beings should not "start wildfires to clear forests and burn vegetation on mountains and plains" (Heng Qiang & Liang Chouji 2012, p. 161). A monk was instructed in *The Four Part Vinaya* not to "step upon the grass to terminate lives" (Heng Qiang & Liang Chouji 2012, p. 161).

The starting point of the ecological wisdom of Buddhism is the spirit of mercy. Humankind is part of nature, and no sharp distinction can be drawn between itself and its surroundings, as everything is impermanent and subject to the same natural laws. According to Buddhism, the factors of existence are interconnected by laws of causality. The factors are not fractions of the whole, yet they are interconnected and interdependent. The awareness that everything is impermanent and that humankind is subject to the laws of causality must be seen as an important basis for a proper understanding of humankind's role in nature according to Buddhist philosophy. Such awareness promotes humility and thoughtfulness. Buddhist doctrine is rich in information concerning the interconnectedness and interdependence of all conditioned things.

The recognition of humankind's unique position in nature, together with the ideal of spiritual development and humility towards nature, gives support to the achievement of a harmonious relationship between humankind and nature. This implies the possibility of a withdrawal from the usual ways of thinking that range from human submission to nature to its domination of nature. A harmonious relationship with nature leading to cooperation should be seen as a "third alternative" and not as a compromise between submission and domination. In the search for such a cooperative attitude towards nature, Buddhist philosophy can be an important source of inspiration.

2.1.1.4 Harmony, the core consistent value

Capra (1989) commented: "Taoism and Buddhism are both traditions that deal with the very essence of spirituality, which is not bound to any particular culture. Buddhism, in particular, has shown throughout its history that it is adaptable to various cultural situations … The strongest influence of the Buddhist tradition on my own thinking has been the emphasis on the central role of compassion in the attainment of knowledge. According to the Buddhist view, there can be no wisdom without compassion, which means for me that science is of no value unless it is accompanied by social concern" (Capra 1989, p. 37).

In the same fashion, Toynbee has also evaluated the traditional Chinese religions and philosophies by stating that "Confucianism stands for a harmonious cooperation between man and nature; Daoism for letting nature take her course, undisturbed by impertinent and clumsy human interference. … from these more perceptive and less aggressive religious and philosophical traditions is the one that now offers the most promising hope of salvaging mankind. The injunction to 'subdue,' which modern man has taken as his directive, is immoral, impractical, and disastrous" (Toynbee 1973, pp. 4-9).

Man-nature-oneness (unity of heaven and humanity) represents the Chinese ancestors' cosmology. It is common sense that kindness will be rewarded, and evil will be punished. It is an elementary virtue that "what you do not want done to yourself, do not do to others" (Legge 1966, p. 229). Loyalty, filial piety, dignity and justice have set the social standards, and Confucius' five cardinal virtues of benevolence, righteousness, propriety, wisdom and faithfulness have laid the foundation for social and personal morality (Lou Yulie 1994). Under these traditional principles, Chinese culture embodied honesty, kindness, harmony and tolerance, sought harmony between man and the universe, and emphasised an individual's ethics and morality. "The specifically cool temper of Chinese humanity and formal kindliness toward one's fellow man" (Weber 1951, p. 233), as Max Weber observed, well reflects the impact of traditional culture on the Chinese people. Such culture was based on the faiths of the cultivation practices of Confucianism, Buddhism and Daoism, and provided the Chinese people with tolerance, social progress, a safeguard for human morality and righteous belief (Dai Jinping & Dai Mingxi 2006; Lou Yulie 1994).

Confucianism is believed to focus on entering the mundane world. It emphasised family-based ethics, in which filial piety played an extremely important role, teaching that all kindness starts with filial piety. Such family-based ethics can be naturally extended to guide social morality that can naturally be sustained (Liu Hengshan 2004). This will enable persons to be cultivated, and families to be regulated. As a result, "their families being regulated, their states were rightly governed. Their states being rightly governed, the whole kingdom was made tranquil and happy" (Legge 1966, p. 313).

On the contrary, Buddhism and Daoism are considered to be focused on "leaving the mundane world". Buddhism and Daoism have influenced all aspects of ordinary people's lives (Ding Xiaoping 2009). Practices such as Chinese medicine, qigong, geomancy (Feng Shui) and divination all originated in Daoism. These practices, the Confucian ethics, and the Buddhist conceptions of a heavenly kingdom and hell, the karmic reward of good and the retribution of evil, have shaped the core of traditional Chinese culture (Fan 2000). The stable moral system of the Chinese people was established on the basis of the beliefs of Confucianism, Buddhism and Daoism. More importantly, this ethical system has formed the foundation for sustainability, peace and harmony in the Chinese society.

In summary, the core value of traditional Chinese culture as informed by traditions from Confucianism, Daoism and Buddhism is harmony; that is, harmonisation between humankind and nature as well as harmonisation between humankind itself. Traditional Chinese cultures attach great importance to human beings and regard "harmonisation" as the foundation of all existence (Delury 2008). Accordingly, humans should try to coordinate relationships between themselves to minimise conflicts and to achieve the goal of coexistence and co-development in the cosmos. These beliefs inform the unique traditional Chinese culture and arguably could make a significant contribution to modern concepts of the individual, family, society and sustainable development (Guan Zhonglian 2006).

2.2 The emergence of contemporary China

The founding of the CCP (Chinese Communist Party) in 1921 was regarded as of historical significance in Chinese history. The CCP claimed to be a pioneering party of the Chinese working class, with Marxism and Leninism as the principle theoretical guideline aiming to provide happiness to common Chinese people. A number of civil wars broke out for decades after the abdication of the Qing Dynasty. After the anti-Japanese war (1937–1945), the CCP, with reputation and ability, defeated the nationalist Kuomintang in mainland China in the second Chinese Civil War (1946–1949). It established the People's Republic of China in Beijing on 1 October 1949 (Woolf 2008). The Kuomintang was driven to relocate the ROC government in Taiwan. Since 1949, the People's Republic of China and the Republic of China (now widely known as "Taiwan") have remained in dispute over the sovereignty of China and the political status of Taiwan, mutually claiming each other's territory and competing for international diplomatic recognition (Fairbank & MacFarquhar 1987). However, being originated from the same cultural roots, Taiwanese and mainland Chinese are in fact sharing quite common views and practices of the traditional Chinese cultures despite some cultural traditions being destroyed in mainland China during the Culture Revolution. This will be illustrated during the business case employed in this thesis, since the owner of the Shoetown Footwear Co., Ltd is from Taiwan.

2.2.1 In the beginning (1949– 1958)

Under the leadership of Mao Zedong, the CCP consolidated its governance over China during the first few years of its rule. Domestically, the CCP attacked or expelled any vested interests that could have presented a threat to its authority, including remnants of the Kuomintang , foreign businesses and missionaries. Land reforms were initiated. Privately owned farms were confiscated and the lands were redistributed to the peasants in the rural areas. Thousands of landlords were killed during the land reforms. China adopted "the Soviet model of central planning for its economic development" (Fairbank & MacFarquhar 1987, p. 65). During the first five-year plan (1953–1958), large enterprises were nationalised and peasants were required to combine their holdings into large agricultural cooperatives. Heavy industry was expanded

rapidly. During this period, China's GDP "grew at an average annual rate of 8.9 per cent, as many new projects filled gaps in China's development" (Ma Hong 1982, pp. 51-2).

In 1956, Mao Zedong expressed concern that revolutionary zeal had degenerated into simple authoritarianism, and encouraged Chinese intellectuals to criticise the CCP under the slogan "Let a Hundred Flowers Bloom" (Sun Qiming 2004; Wu Xiaotao 2004). The anti-rightist campaign was initiated in 1957. The rightist was officially referred to as those intellectuals who appeared to favour capitalism and were against collectivisation. During this campaign, about half a million intellectuals lost their jobs or were imprisoned due to their criticism of the CCP (Woolf 2008).

The anti-rightist campaign was an independent campaign of brainwashing "combining political deceit and institutional violence in an authoritarian state to deprive [the] constitutional right of citizens by terrifying and cruel measures" (Xu Ben 2007). From then on, Chinese intellectuals have tended not to criticise the Chinese Communist Party and its government. The influence of Mao Zedong was substantially enhanced in the party. These were believed to be foreshadowing hints for later events, including the "Great Leap Forward" and the "Culture Revolution" (Wu Xiaotao 2004; Xiao Yonghong 2003).

2.2.2 The Great Leap Forward and Culture Revolution (1959–1976)

The second five-year plan was named the "Great Leap Forward". It intended to achieve rapid modernisation in both agricultural and industrial sectors simultaneously. Regarding grain and steel as the critical driving factors to economic development, Mao Zedong called upon the Chinese people to endeavour to enhance steel production to surpass the production of the United Kingdom in seven years and equal the production of the United States in fifteen years. Consequently, the entire country was mobilised in the steel production campaign through the construction of thousands of furnaces in backyards with smelting pots, pans and other metal artefacts. Workers were forced to work longer hours, and agricultural cooperatives were combined into vast communes to enhance productivity and efficiency. This resulted in serious damage to the original production system, and agricultural output dramatically declined. More

than 30 million people died of malnutrition and famine during this period (Fairbank & Goldman 1998). The policy was abandoned in 1962. Li Rui (1995) points out that the Great Leap Forward shares similarities with the ideology described in *Datong Shu* (literally "Book of Great Unity") by Kang Youwei (Kang Youwei 2002), a reformer in late Qing Dynasty(Li Rui 1995). The failure of the Great Leap Forward movement partially attributed to Mao Zedong's belief of "human willpower alone would overcome such shortcomings as a lack of capital and modern technology" and "Man can conquer nature" (Huang Lei 2007; Woolf 2008). The Great Leap Forward was obviously a challenge against the traditional Chinese culture of "man-nature-oneness".

The Great Proletarian Culture Revolution (short form for Culture Revolution) was generated by Mao Zedong who aimed to eliminate the Soviet model of "revisionism" inside the Chinese Communist Party and government. The stated goal of the Culture Revolution was to eliminate capitalist, traditional and cultural elements from Chinese society so as to enforce communism in China. It spread into all walks of life and social circles, and influenced the majority of the Chinese population. Much economic activity and the education system were virtually shut down. Cultural heritages were condemned as the "four olds" (old ideas, old culture, old customs and old habits). They were completely destroyed, and cultural and religious sites were ransacked during this period. The movement finally turned to violence and about 40 000 people died of maltreatment. The majority of victims were scientists, professors, scholars, engineers and government officials (Fairbank & Goldman 1998). The Culture Revolution was a time of "chaos, calamities or even holocaust" (Gao 2008, p. 31). The Culture Revolution still carries a powerful impact on the thinking and behaviour of Chinese people, including the senior leadership in both government and business. Nevis holds that the Culture Revolution had brought about two cultural attitudes, "first, great caution about standing out in any way became the norm. It was too risky to assert a great deal of initiative unless one was certain of how it might be received … Second, in order to reward loyalty to the work unit and the nation as a whole, the concept of sharing equally became prevalent" (Nevis 1983, p. 18).

The Culture Revolution officially ended in 1976 when Mao Zedong passed away. It was

declared "the Culture Revolution, initiated by a leader labouring under a misapprehension and capitalized on by counter-revolutionary cliques, led to domestic turmoil and brought catastrophe to the Party, the state and the whole people … Comrade Mao Zedong is mainly responsible for the Culture Revolution" (CCP 1981, p. 36).

In short, the Anti-rightist Campaign, the Great Leap Forward and the Culture Revolution were initiated by Chairman Mao Zedong. To an extent, this has clearly demonstrated the Imperial Power Worship culture in China. It is obviously an obstacle and contrary to the essence of harmonious culture. Undoubtedly, these events were mainly attributed to the ignorance of Chinese traditional culture of "nature-man-oneness". These events have caused serious damage to the traditional Chinese harmony culture (Huang Lei 2007; Wang Zhitao 2006).

2.2.3 The Reform and new Era (1978–present)

In the early 1970s, China established diplomatic relations with many developed nations such as the United States and Japan. It was admitted to the UN and gained a permanent seat as a member of the UN Security Council. China also became a member of numerous formal and informal multilateral organisations, including the WTO, APEC, BRICS, the BCIM and the G-20.

China began a process of economic modernisation in 1978 by expanding its cultural and commercial contacts with the western world, and it imported foreign technology to enhance its industry. Between 1989 and 2013, average annual GDP growth rate in China has reached 9.2 per cent.

CHINA GDP ANNUAL GROWTH RATE

Percent Change in Gross Domestic Product

Figure 2.1 China's GDP growth rate since 1989

Source: www.tradingeconomics.com (archived on 30 Sept. 2013)

CHINA GDP PER CAPITA

GDP Per Capita in US Dollars at Constant Prices Since 2000
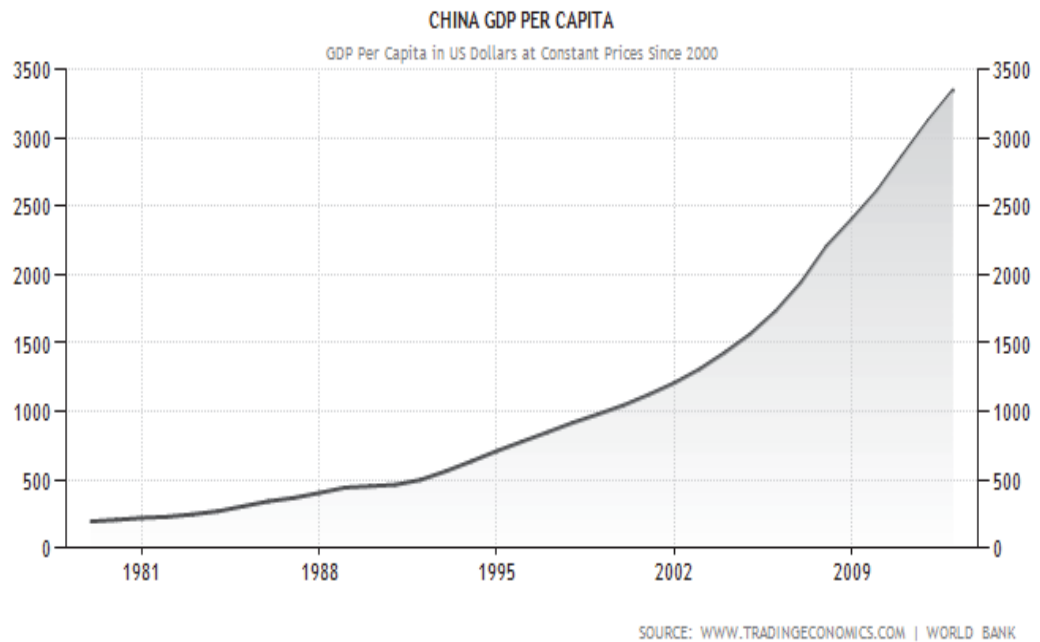
Figure 2.2 China's GDP per capita since 1978

Source: www.tradingeconomics.com (archived on 30 Sept. 2013)

Figure 2.1 and figure 2.2 show China's GDP growth rate since 1989 and China's GDP per capita

since 1978, respectively. Though high in the absolute value, the average GDP level in China is

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not that optimistic. GDP per capita in China was $US7957.62 in 2012; when adjusted by purchasing power parity (PPP), it ranked at about 95 in the world. From 1980 until 2012, China GDP per capita PPP averaged $US2705.8, reaching an all-time high of $US7957.6 in December of 2012 and a record low of $US524.0 in December of 1980 (WB 2013).

CHINA EXPORTS
Exports by month (USD Hundred Million)

Figure 2.3 China's exports since 1978
Source: www.tradingeconomics.com (archived on 30 Sept. 2013)

CHINA BALANCE OF TRADE
Balance of Trade (USD Hundred Million)
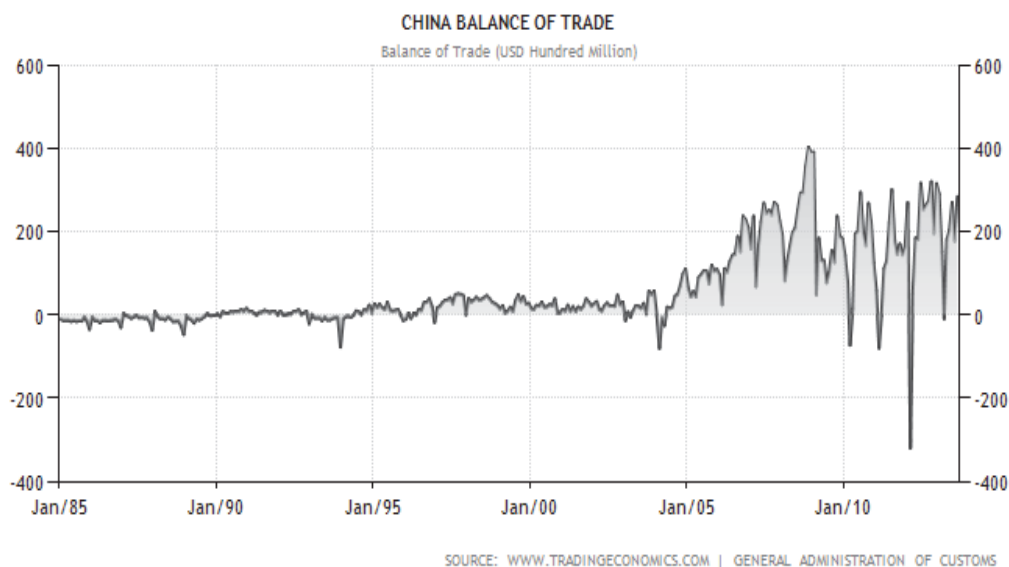
Figure 2.4 China's trade surplus
Source: www.tradingeconomics.com (archived on 30 Sept. 2013)

Figure 2.3 and figure 2.4 show China's exports since 1985 and a summary of China's trade plus respectively. Since 1995, China has been recording consistent trade surpluses. From 2004 to 2009, China's annual trade surplus has increased 10 times. In August 2013, China recorded a trade surplus of $US285.19 Hundred Million as global demand slows and the import of commodities for vast infrastructure projects and consumer goods grows. There has been a significant decline in trade surplus since 2011 (WB 2013).

2.3 Major challenges facing China

Economics and businesses do not operating in a vacuum. All businesses operate within their unique circumstances, therefore management of business sustainability should have to be carried out in accordance with context-based principles. Management for business sustainability "must be performed with explicit reference to, and in light of, actual social and/or environmental conditions in the world in order to be effective" (McElroy & Engelen 2012, p. 8).

The challenges facing China are extremely complex. These challenges underpin the implementation of a harmonious approach to CSR and sustainability in Chinese businesses. These challenges have been described differently by various scholars in various fields from their own perspectives. Tubilewicz (2006) believes that critical issues in contemporary China cover Chinese politics, the privatisation of China's economy and social services, regional economic and social inequalities, environmental, pollution and food security problems, ethnic minority and Taiwan relations, and social change (Tubilewicz 2006). Cheng Yushou (2007) expands the discussion to the characteristics and political orientation of China's new leadership, political reform in rural China, China's peaceful rise, energy shortages, international relations, fiscal reform and stability (Cheng 2007). This author will expand the analysis from the perspective of political, social and economy because they are closely related to the implementation of CSR and sustainability in the Chinese context.

2.3.1 Political challenges

At the beginning of 2012, Wen Jiabao, the then premier of the People's Republic of China, said in his annual press conference that China "must press ahead with both economic reform and

political structural reform, especially reform in the leadership system of our party and country. Reform has reached a critical stage. Without successful political structural reform, it is impossible for us to fully institute economic structural reform and the gains we have made in this area may be lost. The new problems that have cropped up in China's society will not be fundamentally resolved, and such historical tragedies as the Cultural Revolution may happen again" (Hartcher 2012).

The political system of a nation is determined by its history and culture. Therefore, it is natural that there exists many similarities between the contemporary Chinese political system and the autocratic monarchical system (Li Yinhe 2012).

The economic reforms in China were considered "Gradual Economic Reforms" when compared against the "Shock Therapy" in the former USSR[13]. However, such reform has turned out to be stronger government intervention in economic activities. While rapid economic growth has been achieved, large-scale special "interest groups" have formed in China (Guo Zhonghua 2008). Such interest groups are mainly created by government officials or by the bureaucratic system. Under the current political structure, the Chinese government has to heavily rely upon such bureaucratic system to execute its political policies.

It is believed to be the optimal status for these interest groups when the economy is under present semi-administrative control and semi-market regulation. Under such circumstances, it is more convenient for the interest groups to initiate "rent-seeking activities". Serious government corruption in recent years has support for such an argument (Ye Dan 2012). Because the government has set GDP growth rate as the key indicator for political performance, the gigantic Chinese bureaucratic system has been ground into a supersized GDP generator. These government officials spare no efforts to enhance GDP growth in order to gain their immediate political promotion. They financed for inefficient projects and repeated construction only for

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[13] Gradual economic reforms generally do not seek to bring about sudden radical or fundamental changes unlike revolution. Gradual economic reforms ensure that the structural changes arising out of reforms can be sustained. Moreover the society and its constituents get time and opportunity to adjust to the changes over time. Shock therapy, on the contrary, refers to the sudden release of price and currency controls, withdrawal of state subsidies, and immediate trade liberalization within a country. The shock therapy measure usually includes large-scale privatization of previously public-owned assets.

GDP growth without considering the adverse social, economic and environmental impacts (Ma

Guochuan 2010). Further reform will probably reduce their abilities to rent-seek. They are

therefore likely to be obstacles against such reforms (Wu Jinglian 2012; Xiao Huozhi 2012).

Similarly, Acemoglu and Robinson (2012) assert that it is man-made political and economic

institutions that underlie economic success. There are mainly two types of institutions in

different nations. They are extractive institutions and inclusive institutions[14]. Acemoglu and

Robinson (2012) assert that inclusive institutions will lead nations to prosperity while extractive

institutions will lead nations to failure because sustained economic growth can only be

stimulated by "creative destruction".[15] According to Acemoglu and Robinson (2012), creative

destruction and technological change will not take place when both political and economic

institutions are extractive. " [Economic] growth without creative destruction and without

broad-based technological innovation was not sustainable and came to an abrupt end"

(Acemoglu & Robinson 2012, p. 90). Acemoglu and Robinson (2012) believe that the

contemporary Chinese political and economic institution is essentially an "extractive"

institution that has enhanced rapid economic growth through technology catch-up and through

political centralisation. Such kind of institutions are in need of reform because they are unable

to generate sustained economic growth.

A large debate concerning whether there should be constitutional reform in China has been

undergoing since early 2013. The advocates hold that China's Constitution has also gone

through a period of extraordinary development with the transition and development of Chinese

economic institutions. However, behind China's economic institutions, the Chinese Constitution

has caused many issues in the modern economic system. For instance, the constitutional

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[14] Theory of Extractive and Inclusive Institutions was established by Acemoglu and Robinson(Acemoglu & Robinson 2012). In the extractive economic institutions, there is an absence of law and order. There are insecure property rights. There are entry barriers and regulations preventing functioning of markets. The extractive political institutions mean the political institutions concentrating power in the hands of a few, without constraints, checks and balances or "rule of law". On the contrary, the inclusive economic institutions have secure property rights, law and order, markets and state support (public services and regulation) for markets. The inclusive economic institutions also open to relatively free entry of new businesses, uphold contracts, and access to education and opportunity for the great majority of citizens. Inclusive political institutions allow broad participation, and place constraints and checks on politicians according to rule of law (closely related to pluralism).
[15] A term coined by Joseph Schumpeter to denote a "process of industrial mutation that incessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one" (Schumpeter 1950, p. 83). Creative destruction occurs when something new kills something older. Schumpeter believes that the "process of creative destruction is the essential fact about capitalism".

protection system for economic rights has been proven inefficient: there is a need to change the role of government in the Constitution, there is a lack of leading systematic economic principles in the Constitution, and the distribution of economic power between central and local mechanisms requires reinforcement. Therefore, dogmatic constitutional views must be abandoned to cultivate a comprehensive constitutional culture in China (Dong Heping 2009; Li Xiaoxin 2010; Yang Xiaokai 2003).

The opponents to constitutional reform assert that constitutionalism[16] is not suitable for contemporary China. Yang Xiaoqing (2013) claims that as the essential institutional framework for modern politics in the western world, Constitutionalism is far from a universal value. Its key institutional factors and ideology belong merely to capitalism and the bourgeoisie dictatorship, so it is not suitable for a people's democratic system in a socialist country. Constitutionalism and people's democratic systems are two opposite concepts that belong to two different systems in the western world and China respectively. Zheng Zhixue (2013) assures that constitutionalism only means the implementation of the capitalist constitution from the perspective of theoretical concepts or institutional practice. The advocating of "constitutionalism" clearly aims to eliminate the leadership of the Chinese Communist Party and overthrow the socialist regime. It is therefore not suggested that China to adopt constitutionalism as its essential political ideology" (Dong Heping 2009).

Some scholars have expressed their concerns about future Chinese political reform . The possibility of transition to a type of "crony capitalism[17]" has worried some academics and entrepreneurs (Li xiang 2007; Sun Ruishuo 2009; Xu Xiaonian 2011). Nevertheless, the Chinese people are in urgent need of a type of emancipation from a constitutional perspective concerning property rights, market rights, freedom of immigration, freedom of speech and publication. Only the establishment of human rights and freedoms will enable the Chinese people to be more self-regulated, autonomous and innovative. Any minor reforms without

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[16] Constitutionalism is "a complex of ideas, attitudes, and patterns of behavior elaborating the principle that the authority of government derives from and is limited by a body of fundamental law"(Fehrenbacher 1989, p. 1).
[17] Crony capitalism is a term used to describe an economy in which success in business relies upon close relationships between business people and government officials. Such relations may be expressed by favouritism in the distribution of legal permits, government grants, special tax breaks, or other forms of state interventionism.

touching the essential institutional problems should be viewed as blasphemy to human rights and freedom of the Chinese people (Wu Jinglian & Ma Guochuan 2012).

Suu Kyi (1992) claims that it is not power that corrupts but fear. "Fear of losing power corrupts those who wield it and fear of the scourge of power corrupts those who are subject to it. Totalitarianism is a kind of system based terror and violence. People living in this system for a long time, will unwittingly become part of the system, the fear is insidious, it is easy to make a person fear as part of his life, as a part of existence, and for fear to become a habit" (Suu Kyi 1992).

Traditionally, the Chinese people tend to worship the saint with perfect morality and believe that only such a saint can efficiently govern the country. There is a saint-complex in Confucianism, which holds that the country will be prosperous and people at peace once the saint appears. Consequently, ideologies such as separation of powers, and public supervision are not fundamental for Chinese society. This Confucian belief has led the Chinese people to be easily superstitious about the "wise leadership", the so-called "Wise King and Virtuous Court Officials" (Xiao Jiansheng 2009, p. 416).

In summary, as economic reform has been moving forward successfully, political structural reform is becoming more critical in China. Such reform will involve the leadership system of the CCP as well as the national administration systems in China. Currently, there are still active debates on this issue. This is a big challenge for the new leadership in China, and the success of political reform will determine the future development path of the country, including the harmonious development pattern.

2.3.2 Social challenges

The majority of China's territory has not yet been industrialised and urbanised, except for the eastern coastal areas. One hundred and twenty-two million Chinese people are living in poverty, in accordance with the country's new rural poverty line set in 2011 (rural residents' per capita annual net income being 2300 yuan ($US400)). It was extremely hard to carry out the poverty alleviation programs for these areas due to their harsh natural conditions. The population growth

trend is predicted to continue for a long time. The structural contradictions of China's labour supply and demand remain very critical because there are more pressures for re-employment, youth employment and new job creation in urban areas. Meanwhile rural labour is flowing to the cities. Moreover, the ageing population (citizens over 65 years of age) in China is now over 100 million people and the social security system has not yet been well established (IOSC 2013).

China's urbanisation has lagged far behind its industrialisation. Population migration and transfer has placed huge pressures on social management. Because the development between urban and rural areas are very different, there exists a huge gap in living conditions and public services in the rural areas compared to that of urban areas. The availability of public services also differs among regions, with the poverty-stricken areas having the most prominent problems (NDRC 2012).

The relative lack of rule of law in China has led to widespread government corruption, financial speculation and misallocation of investment funds. In many cases, government "connections", not market forces, are "the main determinant of successful firms in China" (Morrison 2013, p. 33). One study estimates that between 2001 and 2010, China was the world's largest source of illicit capital outflows at $US3.8 trillion (GFI 2012).

Due to a rigid political system, institutional constraints and an extractive national fiscal mechanism, Chinese people have not been endowed with more freedom or rights through economic development. Wealth generation motivation in the non-governmental sectors has been suppressed, and entrepreneurship has started to degenerate. Many highly influential private entrepreneurs seek to retire or immigrate to foreign countries just because of high taxation and the lack of safety and certainty (Wen Kejian 2013).

Liang Xiaosheng, a well-known Chinese writer, has summarised the current Chinese mindset as a kind of "Chinese disease". He asserts that there are currently two major "Chinese diseases". First, Pan-materialisation, which means that the Chinese people have become materialised without adopting an appropriate spiritual vision and belief in life. They treat money as the only

"king". Second, Pan-Darwinism, which means the laws of the jungle, have been implemented in daily life. From politics to business conduct, the winner takes all, and it is the survival of the fittest. There is no social justice and fairness, and hence the spiritual world of the nation is ruined (Xu Gegui 2012).

In summary, due to geographical variations and uneven development schemes, successful economic reform has also left China with unexpected disparities between the coastal and inland regions, the poor and the rich, the urban and the rural areas. Such disparity has caused serious instability in some regions in the country and has cost government a large amount of money to deal with the issue. This indicates that the construction of a harmonious society is becoming more urgent in contemporary China.

2.3.3 Economic development issues

Having utilised technology to subjugate nature to maximise business profits in many cases, commerce has succeeded in making life more comfortable and secure for millions of people around the world. However, there is a very significant cost. China's smog-covered cities, polluted waterways, devastated forests and chemical wastelands provide a reminder that our material triumphs have been gained at a terrible price (Lei Yi 2001). Not only is the beauty of the natural environment gradually being destroyed, but its capacity to sustain life is seriously threatened, and in the process of vanquishing nature, human beings have placed themselves in danger of losing their humanity (Klas Sandell 1987).

China's economy has shown remarkable growth over the past few years; however, it is commonly acknowledged that its current economic growth model has resulted in a number of negative economic (and social) outcomes, such as over-reliance on fixed investment and exporting, extensive inefficiencies that exist in many sectors (due largely to government industrial policies), widespread pollution, growing income inequality, and corruption as a result of rent-seeking-activities. Many of China's economic problems and challenges stem from its incomplete transition to a free market economy and from imbalances that have resulted from the government's goal of economic growth at all costs.

High energy consumption is one more issue in China .According to the Dou Hao (2011), energy consumption in China accounted for only one-tenth of the world total. That is, China consumed only 10 per cent of the world total energy to produce 8.9 per cent of world GDP. Similarly, the figure was unveiled at the China Petroleum-Chemical International Conference (CPCIC 2011) that China's energy consumption accounted for 20 per cent of the world total in producing 10 per cent of world total GDP. The figure disclosed by BP (British Petroleum) in its *Statistical Review of World Energy* (2010) stated that China's energy consumption occupied 20.3 per cent of the world total, which surpassed the 19 per cent of the United States, to top the world level (BP 2010).

More seriously, environmental degradation in China has worsened. Currently, greenhouse emissions in China has been ranked at No. 2 in the world and China's pollution emission GDP per unit has been 10 times greater than that of developed economies. Serious ecological disasters — including soil and water erosion, desertification and grassland degradation — are spreading. About one-third of the land area has been polluted by acid rain, and two-fifths of the water systems have been degraded, and in the rural areas approximately 100 million farmers are unable to reach a drinkable water source. In urban areas, out of 500 sample cities, 290 suffered from serious air pollution affecting a population of 100 million people. As per World Bank estimates, $US390 billion will need to be spent on diseases caused by coal burning after 2020 (Liu Shixin 2007).

It has been estimated by some independent scholars that the cost to China of environmental degradation and resource depletion over the last two decades has ranged from 8 to 12 percentage points of the nation's GDP growth rate (Elizabeth 2007). Such estimations are believed to be supportive of the idea that economic growth in China is nearly close to zero.

2.3.4 Challenges for sustainability

China is facing challenges, both international and domestic, in sustainability. Internationally, the Global Financial Crisis has had a significant impact, and the recovery and development of the world economy is uncertain. The willingness to implement sustainability policy has declined in some industrial countries. Moreover, massive wealth accumulated through rapid development of the global economy has not effectively brought equity to humanity. Income disparity between the developed and the poorest countries has continued to grow. The majority of developing countries has a serious shortage of funds, inadequate technical means and a weak development capacity. They are facing enormous challenges to achieve sustainable development. At the same time, all countries in the world are facing their own social issues caused by a widening wealth gap. Generally speaking, the external atmosphere is unfavourable (NDRC 2012).

Domestic challenges come from three areas: first, constraints on natural resources and the environment. China has a complex and diverse geographical and geological environment, with a high proportion of land unsuitable for human habitation. Fifty-two per cent of the country's total land areas are arid and semi-arid regions. Ninety per cent of natural grasslands have varying degrees of degradation, and half of the grasslands have moderate or significant signs of desertification and salinisation. As for natural resources, fresh water, arable land and forest resources per capita in China account for 28 per cent, 40 per cent and 25 per cent of the world average, respectively. Recoverable reserves of oil, iron ore and copper per capita are 7.7 per cent, 17 per cent and 17 per cent of the world's average, respectively (Wu Chuanjun 1998). Further, most of these natural resources and energy are mainly located in the western regions, which have harsh geographical and ecological environments, thus high costs will be incurred to exploit, utilise and protect such resources (Smil 2004). On top of that, the Chinese economy has a high proportion of heavy and chemical industries, so economic development can hardly avoid its dependence on the environment in the short run. It is a big challenge to coordinate economic development and social progress with stringent requirements of saving resources and protecting the environment, conserving energy and cutting emissions. It is also a challenge to achieve technological progress and realise management innovation simultaneously.

Second, China faces the double stresses of development and economic pattern transformation from a planned economy to a more market-oriented economy. China is a populous country with a vulnerable foundation and low productivity, it requires rapid economic development to stabilise this foundation and enhance its productivity. However, due to a critical disequilibrium between the supply and demand of resources and excessive pollution emissions, the current economic development mode in China is in urgent need of transformation.

Third, as discussed above, there is still uneven and imbalanced development in many respects such as including imbalanced industrial structures, imbalances between external and domestic demand, and imbalances between investment and consumption. Issues such as regional, urban and rural, economic and social development imbalances have yet to be resolved. Weaknesses in technical innovation and obstacles from institutional mechanisms need to be resolved as well (NDRC 2012).

2.4 The harmony development pattern

There are a number of critical events facilitating China's reform and opening-up process. The starting point was the Third Plenary Session of the Eleventh Central Committee of the CCP to initiate general policy for reform and opening-up in December 1978. Many initiatives were carried out accordingly. For instance, the "Contract Responsibility System" was considered to initiate China's reform. Under this system, rights to land use and other means of production, as well as production tasks, are contracted out from the agricultural collective to the individual farmer households. Agricultural productivity was significantly enhanced through such rural reforms, which helped to stabilise the foundation of the Chinese national economy. The construction of "Special Economic Zones" (SEZs) enabled China to more efficiently merge with global markets and supply chains. In these specified geographical regions, governing policies towards foreign economic activities are more flexible. Business firms were regulated primarily by the market mechanism and were encouraged to utilise foreign capital with certain types of preferential treatments. The success of such SEZs provided a window to the Chinese

government to construct a Socialist Market Economy as the new reform aim of early 1990s. It

offered preconditions for China's accession to the WTO in 2001 (BWM & Trueman 2008).

Table 2.1 Key features of Chinese government five-year plans

Five-year plans	Key emphasises	Key supporting industries
Tenth five-year plan (2000–2005)	Infrastructure Attracting investment Environmental protection Attracting labour skills Linking coastal provinces to western provinces	Real estate Manufacturing
Eleventh five-year plan (2006–2010)	Sustainability rather than pure growth rate Spreading the prosperity to bring more balanced development Serving the people to improve the quality of life Continuing support for central and western China; Revitalisation of northeast China Global cooperation	Steel Automobile Ship-building Petrochemical Textile Light industry Non-ferrous metal Machinery-manufacturing Electronics & information industries Logistics
Twelfth five-year plan (2011–2015)	"Inclusive Growth" — more balanced approach to growth Lower economic growth rate and focus more on structural adjustments More than 4 trillion RMB ($US600 billion) allocated to several key industries and inland regions	New energy New materials Information technology Biology and new medicine Energy conservation and environmental protection Aerospace Marine Advanced manufacturing Hi-tech services

Source: Huang Lei (2011)

Proactive measures have been taken by the Chinese government to tackle these severe problems.

Although manufacturing is still a key concern, government attitudes, agendas and strategies

have shifted significantly. The recent Chinese government Five-Year Plans,[18] which guides

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[18] The Five-year Plans of the People's Republic of China are a series of social and economic development initiatives. The economy was shaped by the Chinese Communist Party (CCP) through the plenary sessions of the Central Committee and national congresses. The party plays a leading role in establishing the foundations and principles of Chinese communism, mapping strategies for economic development, setting growth targets and launching reforms.

Chinese economic conduct for the following five years, will be critical to maintain this shift.

Table 2.1 traces the development of China's environmental/sustainability policies between the years 2000–2015.

The trend towards an increasing focus on sustainable development by the Chinese government from 2000 is clearly evident. The tenth five-year plan involved simple infrastructure construction to attract investment in order to boost GDP growth. The plan focus progressed to sustainability by the eleventh five-year plan. In the twelfth five-year plan, planning dramatically jumps to a model of "inclusive growth", emphasising increasing awareness of the significance of sustainable development. There has been a significant shift in the nature of supporting industry focus as well. The twelfth five-year plan has strategically shifted from simple manufacturing such as steel, automobile, ship-building, petrochemical, textile, light industry, non-ferrous metal and machinery-manufacturing to new energy, new materials, advanced manufacturing and hi-tech services.

The Chinese government's stated objective is that its new industry focus includes innovation, restructuring, merging and integrating, rather than simply assembling or processing. Thus, the industrial intent has gradually shifted from secondary industry (manufacturing) to tertiary industry (services). In the first half of 2010, tertiary industry's share of GDP rose 1.3 per cent from its 42.6 per cent level a year earlier, while the secondary industry share fell 0.4 percentage points, to 49.7 per cent (RIETI 2010).

The following section describes how the Chinese government has also timely adjusted its governing philosophies, in ways that are strategically consistent with, and rooted from, traditional harmonious Chinese culture.

The strategic concept of "building a well-off society in an all-around way" was declared in 2000 at the Fifth Plenary Session of the Fifteenth CCCPC, "with the arrival of the new century, China has entered a new development stage of building a well-off society in an all-around way and [by] accelerating the drive towards modernization."

The notion of an "all-around well-off society" is a quintessentially Chinese concept that can be traced back in history, but when endowed with modern meaning, ranges from the age-old problem of ensuring adequate food and clothing for people to the present-day task of modernisation. In Chinese language, such an "ideal society" has a synonym, *"xiaokang"* (well-off), which first appeared in *The Book of Ancient Poetry* (The She King) 3000 years ago. An extract from *The Book of Ancient Poetry follows* "Yes, burdened sore, the people live in grief. But we perchance may give them some relief. This is the nation's heart, Show kindness here. And through our regions peace will re-appear" (Legge 1876, p. 317). The term "*xiaokang*" was given systematic exposition in the Conveyance of Rites chapter of *Western-Han Classic of Rites* around the first century BC.

Moreover, the ideology of a "harmonious society" emerged early on in the Confucian and Daoist classics in ancient China. About 2500 years ago, Confucius advanced the social ideal of a world of "the Grand Union" in his work *Li Ji*. He held that, in such a society, people should emphasise honesty and good faith, strive for benevolence and friendship, coexist in harmony, and treat others equally. The period that we call "the Grand Union" should be "Males had their proper work, and females had their homes. They laboured with their strength, disliking that it should not be exerted, but not exerting it with a view to their own advantage. In this way (selfish) scheming were repressed and found no development. Robbers, filchers, and rebellious traitors did not show themselves, and hence the outer doors remained open, and were not shut" (Müller & Legge 1966, pp. 365-6). Similar Utopian societies had been described in *The Republic* by the ancient Greek philosopher Plato (Plato 2012) and *Datong Shu* by Kang Youwei. These people were expecting an ideal society in which everyone loves everybody else, everyone is equal and the whole world is one community.

More than 2500 years later in 2000, the concept of "*xiaokang*" was raised again; fortunately, this time the concept was made as a declaration to the 1.3 billion citizens of China (BWM & Trueman 2008).

As a follow-up to the "all-around well-off society" concept, the "Scientific Outlook on Development" concept was advanced in 2003. The essence of this philosophy is summarised as

"taking development as its top priority, putting people first as its core, comprehensive, balanced and sustainable development as its basic requirement, and overall consideration as its fundamental approach. Its methods are to integrate urban and rural development, regional development, economic and social development, harmonious development between man and nature, domestic development and opening to the outside world. Its important goals are to make sure that the aims and outcomes of all the work of the Party and the state are to realize, safeguard and expand the fundamental interests of the overwhelming majority of the people, respect the principal position of people, give play to their creativity, protect their rights and interests, and promote their all-round development and social progress" (NDRC 2012, p. 3). In addition to stressing economic development, the Scientific Outlook on Development, for the first time, emphasised the importance of social development (Guangxia 2007). This is truly a further advancement of the strategic concept of "building a well-off society in an all-around way and accelerating the drive towards modernization" declared by the Chinese government in 2000 (Chenguang 2009). Since 2003, China has proposed advanced concepts such as a "resource-saving and environmentally friendly society", an "innovation-oriented country", "ecological civilisation and green development", and it has continuously put them into practice (Jianguo 2010).

In October 2006, the CCP approved a resolution that attempted to "place the building of a harmonious socialist society in a more prominent position" as China entered a new century and a new stage of development. This was the first time that a CCP document had placed the building of a harmonious society in a prominent position alongside economic, political and cultural constructions. Thus, the objective of "building a well-off society in an all-around way" and "building socialism with Chinese characteristics" was expanded from a three-part scheme — that is, developing the socialist market economy, socialist democracy and advanced socialist culture — into a four-part scheme that added "building a harmonious socialist society" to the list (BWM & Trueman 2008, p. 153).

2.5   Key features of the Chinese culture, business, ideologies and challenges

The preceding sections have offered a thorough exploration of the general picture of the Chinese business management context through a study of history, philosophical tradition, economy, politics and cultural dimensions. This author holds that four outstanding features must be considered when CSR and sustainability initiatives are to be executed in a Chinese context.

First, China's long historical and traditional cultural background must be taken into account. China is the only country in the world whose ancient civilisation has been passed down continuously for over 5000 years. During this time China has played an important role in the development of human history. Dynastic imperial China lasted 2133 years, and most of the Chinese empires were ruled by only one emperor at any one time. The rise or fall of those dynasties relied on the ability, integrity and personality of the emperors themselves. This became a cyclical pattern, and the replacement of dynasties had been considered as replacement by new emperors. These Chinese imperial empires were viewed as extremely conservative and self-content as the "empire–power–worship" mindsets were shaped. During different Chinese dynasties, the emperors enjoyed extreme freedom, but the Chinese people were under severe domination.

According to Bond and Hwang(1986), the collectivism and deference to authority have, for many centuries, been so central to life in China that "the value placed upon 'harmony–in–hierarchy' has been suggested as the key to understanding Chinese social behaviour" (Bond & Hwang 1986, pp. 213-4). It is a value that can be traced deep into Chinese antiquity, to the philosophy of Confucius and his fundamental concern with achieving social harmony.

This philosophy is the opposite of the western tendency to make the isolated individual its starting point. According to Confucianism, the idea of the isolated individual appears as an unnatural and absurd abstraction. Instead, Chinese people tend to view individuals as inseparable from their relationships with others. Fulfilment is to be found through the performance of one's social roles and obligations, rather than by breaking free of them. Social

orders are maintained by "the Five Cardinal Relationships"[19] that bind emperor and subject,

father and son, husband and wife, older brother and younger brother, and friend and friend.

These relationships are seen in hierarchical terms, with seniors permitted authority over juniors.

Such rights are, however, balanced by rules of correct behaviour (*li*) and filial piety. The senior

is expected to display benevolence and justice. The Confucian tradition emphasises that humans

exists through their relationships to others; that these relationships are hierarchical in nature,

and that social harmony rests upon honouring the obligations they entail.

Other ancient Chinese philosophies and religions such as the Daoism, Legalism and Buddhism

played critical roles in the course of historical development. Philosophical thoughts such as

"human-centred" and "governance of a nation by legal systems" were first proposed by the

premier of the Qi State during the Warring States period in ancient China. The patriarchal clan

system has thus been integrated with Confucianism and autocracy, and become the fundamental

social organisational form in China. It has become a consistent theme in traditional Chinese

culture that also "attaches great importance to the harmonious relationship between human and

nature, human and human" (Zhang Dainian 1985, 1998; 1990). This implies that a harmonious

culture, which emphasises human-centred while attaching great importance to nature must be

treated as the core value of traditional Chinese culture.

Second, China exposes a complexity in its economic system and business formation. China is

generally a socialist country with Chinese characteristics regarding its economic system.

However, in mainland China, there exists a complex organisational system, which includes five

types of organisations such as the state-owned enterprises (SOEs), the township and village

enterprises (TVEs), the collectively owned enterprises, the private enterprises and

foreign-funded enterprises. Among these business organisations, the SOEs

(state-owned-enterprises) occupy a dominant proportion and they are the decisive forces in the

building of a "harmonious socialist society" with Chinese characteristics and with the

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[19] The Chinese Confucian tradition emphatically points out that there are five relationships that are most important; that is, the "Five Cardinal Relationships" (五伦 or *wu lun*). They are the relationships between the government and citizens (between the "ruler and subjects" in the olden days), between parents and offspring, between husband and wife, among siblings, and among friends.

foundation of the leadership of the CCP. "These socialist economic foundations are the basis of the state-owned economy, without which there will be no leadership of the Communist Party and no superstructure for socialism" (Jiang Zemin 2006, p. 71). Consequently, SOEs must proactively act as practitioners, promoters and guardians of the socialism core value system, which should be embedded into the corporate culture and ideology of the SOEs. The guidance of Marxism and the ideology of socialism with Chinese characteristics must firmly persist. SOEs prioritise the interests of the Communist Party and the country, and support the sole leadership of the Communist Party while relying upon the forces of the working class to promote the harmonious development of society, the economy and the environment As for Chinese private enterprises, Liu Runwei (2014) holds that they have been nurtured under the conditions of socialism with the full support of the Chinese Communist Party. There is an unbroken blood relationship between private enterprises and the socialist system in mainland China. The growth of private enterprise in China has relied heavily on the human resources, capital, natural resources and markets of Chinese societies. Without the nurturing of the people and the Communist Party, there would be no significant success among private entrepreneurs in mainland China. This phenomenon has endowed Chinese private enterprises with distinguishable features that differ from those of western private enterprises. That is, socialist factors naturally embedded in the ideology of these private enterprises in China are fundamentally different to what exists in western businesses. Moreover, many private entrepreneurs embrace Marxism and socialism with Chinese characteristics, and they are in favour of contributing to various societal events that would enhance the stabilisation of the socialist system (Feng Yuanyuan 2013; Gao Jiwen 2013; Liu Jianhua, Zhou Xiao & Ma Duo 2013; Liu Runwei 2014).

The numbers of private firms in China have substantially increased in recent years. According to statistical data released by the National Bureau of Statistics of the People's Republic of China, registered business entities in China numbered 8.29 million by 2012. Seventy-nine per cent, or 6.56 million in number, of these entities are private businesses (Liu Runwei 2014). This is a new phenomenon in China and all of these businesses have their own features, leadership, cultures and operational mechanisms. This phenomenon implies another big challenge in the

implementation of CSR and sustainability with harmonious approach in the Chinese context.

Third, there are diversified social ideologies and values in current Chinese society, which have had significant impacts on mainland Chinese business firms. According to Cheng Enfu and Hou Weimin (Chen Enfu & Hou Weimin 2013), there are seven major social ideological trends in contemporary China. They are neo-liberalism, democratic socialism, neo-leftism, classicism, eclectic Marxism, traditional Marxism and innovative Marxism. These ideological trends all have their own distinctive political propositions, viewpoints and social ideologies, which sometimes are in fierce dispute.

As shown in table 2.2, there are numerous proposals from these ideological trends, and they are all directed at offering solutions to the development challenges facing contemporary China, though there are obvious contradictory propositions and viewpoints among them. For instance, neo-liberalism relies on a remedy through the mechanisms of the free market and free economy, while neo-leftism treats the free market and free economy as a cause of current injustice and income disparity. Democratic socialism disagrees with taking Marxism as a monopolised ideology and proposes a multi-party political and mixed-economic system, while both traditional and innovative Marxism insist on Marxism as a social ideological guidance theory, the sole leadership of the communist party and state-owned economic system. Indeed, not one of these trends has taken a lead in social ideology; however, innovative Marxism is believed to be better aligned to the development directions and theory adopted by contemporary Chinese government (Chen Enfu & Hou Weimin 2013, p. 8). This implies that socialism and Marxism may possibly dominate the social ideological field in China for a certain period of time, and the stated-owned economic system. On the other hand, the remaining ideological trends will undoubtedly coexist side by side along the way. As a result, these ideologies will find their own ways into their corresponding business organisations. For instance, the state-owned enterprises may tend to accept socialism and Marxism, while other types of business firms may enjoy more freedom in choosing their social ideological beliefs.

Table 2.2 The seven major social ideological trends in China

S.N.	Trends	Proposals
1	Neo-liberalism	Free market and free economy without government interventions
		Privatisation
		Social welfare individualism
2	Democratic socialism	Diversification in socialism thoughts, objection to Marxism as Monopoly in social ideology
		Multi-party political system
		Mixed economic system
3	Neo-leftism	Anti-globalisation
		Free-market causes income disparity
		Justice and fairness
4	Classicism	Emphasis on thoughts of ancient philosophies such as Confucianism, Daoism and Buddhism in the construction of a harmonious society
		Ancient societies are ideal
		Perfect socialism must be a further development on the basis of these ancient philosophical thoughts
		Confucianism and democracy could be integrated
5	Eclectic Marxism	No distinguish of contradictions
		Opposite opinions would be mixed-up unconditionally
6	Traditional Marxism	Re-establishment of Mao Zedong's thoughts
		Re-evaluate achievements of Mao Zedong in his old age
7	Innovative Marxism	China should persist with Marxism as a social ideological guidance theory
		China should persist with the leadership of the Communist Party
		China should persist with state-owned economic system
		China should persist with the pursuance of productivity emancipation and development, elimination of exploitation and income disparity to finally realise communism.

Source: Summarised by this author based on Chen Enfu & Hou Weimin (2013)

Fourth, China faces numerous challenges, but formulates strategies to tackle them. The challenges facing China have been thoroughly explained in the preceding sections of this chapter. These challenges cover a huge range of issues, from political to economic concerns both globally and domestically. Specifically, they include Chinese politics; China's economy and social issues such as regional economic and social inequalities; environmental, pollution and food security problem; ethnic minority and Taiwan relations; social change; China's peaceful rise; energy shortages; international relations; fiscal reform and stability (Cheng 2007; Tubilewicz 2006). These challenges underpin the implementation of the harmonious approach of CSR and sustainability in Chinese businesses.

The Chinese government has taken proactive measures to tackle these complex challenges. For instance, government five-year plans, the construction of a "well-off society in an all-around way and accelerating the drive towards modernisation", the development of a socialist market economy, socialist democracy, and advanced socialist culture into a four-part scheme of "a harmonious socialist society" and other particular development policies have alleviated these challenges.

2.6 Summary

Thousands of years of history have endowed China with cultures and civilisations that have contributed to human development. It is also worth noting that China has experienced many invasions and attacks; however, Chinese culture has shown endurance and stamina, and its essence has been continuously passed down (Fei Xiaotong 1989). Many of the ancient and modern thinkers, philosophers, politicians and scientists are still influential today. Though China has experienced periods of humiliation, forfeiting its sovereignty, it has been at times a world superpower with material and cultural prosperity.

During the early twentieth century, Chinese revolutionaries had been greatly influenced by theories such as Marxism, Leninism, socialism and communism. However, the Chinese leadership of Mao Zedong did not rigidly and stereotypically copy these theories. These theories have been modified according to situations affecting Chinese culture and Chinese revolutionaries, so that these theories had Chinese characteristics and were able to lead the Chinese revolution to victory. Similarly, from the beginning, in his reforms and by opening up China to the outside world in the 1980s, Deng Xiaoping integrated the theory of socialism into Chinese practice and established a system called the "socialist market economy with Chinese characteristics". Under the guidance of this theory, China became a great economic power of the world. The establishment of "Special Economic Zones" was a mixture of capitalist ideology with Chinese practice. Hence, it has been a tradition in Chinese history that many western theories would have to be modified and integrated into the specific culture and practices of China in order to be practical and valid in the Chinese context.

As discussed above, the core value of traditional Chinese culture is harmony, which emphasises the harmonisation between humankind and nature, as well as harmonisation between humankind itself. Traditional Chinese cultures attach great importance to both nature and human beings and regard "harmonisation" as the foundation of all existence. This has been viewed as the root of Chinese culture and has influenced the reality in China today. However, in recent years, rapid economic development has caused serious impacts to the "harmony" in China. On the one hand, much rapid economic development has resulted in environmental destruction. On the other hand, it has resulted in problematic social inequality. Prodigious development that contravenes harmony has been viewed as a critical challenge within current China. Accordingly, harmonisation and the "socialist market economy with Chinese characteristics" — a socialist/Marxist economic system — combine to define the so-called "Chinese context".

The following literature review chapter discusses the theories surrounding CSR and sustainability. It shows that they are concepts developed in the western world and that they have been imported into China from the West. Accordingly, they have obvious western context-based flavours centred on the political, historical, economic, cultural and business settings in which they are implemented. On the other hand, it can be concluded that China's historically embedded cultural values of harmonisation provide a good foundation for successful CSR and sustainability initiatives in China.

3 Literature Review — Sustainability and CSR

CSR (corporate social responsibility) and sustainability initiatives have become effective approaches for business firms to gain competitive advantages. In order to inquire into how and why CSR and sustainability initiatives are implemented in the Chinese context, this thesis performs a detailed investigation into Shoetown Footwear Co., Ltd in the People's Republic of China, which implements CSR and sustainability initiatives with a focus on the traditional Chinese harmonious culture that has been explored in chapter 2. This chapter will deal with the literature reviews of the research in order to offer a fundamental understanding of the principles and mechanisms of both CSR and sustainability initiatives.

The chapter consists of two major sections: theory of sustainability and CSR. The sustainability section first explores the evolution of sustainability in the west through considering various influential events in history and the formation process of this concept. Some sustainability models will be introduced. The chapter then inquires into the development process of sustainability in the People's Republic of China. This author pays special attention to the influence of the traditional Chinese culture and philosophies on the concept of sustainability. On the basis of preceding discussions, this author further discusses sustainability research outcomes carried out by Chinese academics and compares the understandings and interpretations of sustainability between the west and Chinese scholars. The CSR section begins with a retrospective of the evolution of CSR theory, and then contrasts classifications and definitions of CSR to clarify the gap between the understanding of the concept in the western world and China, as well as in academic research and practice. The chapter also initiates a discussion upon the relationship between sustainability and CSR. It aims to identify their similarities and differences. The driving forces for CSR and sustainability in China are also discussed. The McNall et al. model and the Sustainability Phase Model will be introduced as assessment tools for CSR and sustainability performance. This author also proposes some modifications to the phase model if it is applied in a Chinese context.

3.1 Sustainability

Human pursuit of economic growth, material wealth and greed without restraint have caused serious problems in development. On the one hand, the conflict between the aspirations of human beings and nature becomes serious due to the depletion of natural resources, environmental pollution and disorder in the ecological system; on the other hand, it encourages the spread of money worship, hedonism and selfishness.

Kemp, Parto and Gibson (2005) assert that the concept of sustainability arose from two main sources: increasingly worrisome evidence of ecological degradation and other biophysical damage. The United Nations and associated agencies worried about these matters separately for some decades before appointing the WCED (World Commission on Environment and Development) to address them jointly (Kemp, Parto & Gibson 2005). Opposed to traditional economic thought, sustainability does not consider that there is a contradiction between economic growth and environment protection, but it does seek to maximise and effectively use natural resources without diminishing future productivity so that a mutual complement can be achieved between economic growth and environmental protection.

Though the concept of sustainability emerged from widespread discussions about global environment and development issues during the 1980s, its origins can be traced further back in history (Wang Chunhe 2007).

3.1.1 How the concept of sustainability evolved?

3.1.1.1 Hans Carl Von Carlowitz: the sustainability pioneer

The concept of sustainability was arguably developed by Hans Carl Von Carlowitz in 1713 in one of his writings (McElroy & Engelen 2012). In the early eighteenth century, the mining industry in Europe was in crisis due to the scarcity of lumber required for smelting. Whole forests disappeared through clear cutting, leading to soaring prices, bankruptcies and the collapse of the mining sector in many regions. In responding to the situation, Hans Carl Von Carlowitz, the Chief Mining Administrator at the court of Kursachsen in Freiberg (Saxony), published his

work *Sylvicultura oeconomica (The Economics of Forestry)* (Von Carlowitz 2009), in which he argued that the forestry industry should change practices so that the rate of logging does not exceed the rate at which trees grow. He called this approach "*nachhaltig*" (sustainability) (McElroy & Engelen 2012).

Von Carlowitz's arguments were believed to constitute the first formulation of what would later become known as the Triple Bottom Line (Elkington 1997). Edinger and Kaul (2003) state that the works of Von Carlowitz outlined "the triad principles of sustainability (ecology, economy and social aspects) and, like the modern ecological economists … subordinated human economic activity to natural restraints. Von Carlowitz believed that trade and commerce had to serve society and treat nature in a careful and considerate way. Also, he saw economic activity as responsible to future generations" (Edinger & Kaul 2003, p. 5).

3.1.1.2 From Thomas R. Malthus to John Stuart Mill and E.J. Mishan

In 1798, 85 years after Von Carlowitz's seminal work on sustainability, another milestone moment occurred in the evolution of sustainability. This came through the writings of Thomas R. Malthus in his well-known work, *An Essay on the Principle of Population* (Malthus 1798). The fundamental idea of Malthus's essay was his argument that the growth rate of the human population would eventually exceed the growth rate of food production, since population grows geometrically and food production arithmetically. He consequently concluded that population growth will sooner or later outstrip the food supply on Earth, with widespread famine and misery to follow.

John Stuart Mill is another key figure in the intellectual history of sustainability. Mill was one of the first economists to plead for conservation of biodiversity, or against the conversion of all natural capital into man-made capital (Costanza 1997). Just 50 years after Malthus published his essay, Mill published a work entitled *Principles of Political Economy with Some of Their Applications to Social Philosophy*, in which he introduces his concept of the stationary state (Mill 1885, book 4, Chapter 6). Mill argues that the stationary state is opposite to the prevailing progressive state, which refers to the growth-oriented, resource-based economy, while the

stationary state comprises a fundamentally different, if not Utopian, alternative. In his vision of a stationary state, Mill first asked: "Towards what ultimate point is society tending by its industrial progress? When the progress ceases, in what condition are we expect that it will leave mankind?" (Mill 1885, p. 746) He replied to his questions by envisioning a world in which all finite resources are harnessed, controlled or consumed by the (conventional, growth-oriented) progressive state, a prospect entirely possible in a world with limited resources – that is, our world. According to McElroy and Engelen, Mill's claims seem to be saying "manage our numbers and activities in the world, or else the world will manage them for us" (McElroy & Engelen 2012, p. 11).

In 1967, the US economist Mishan first brought up the issue of whether economic growth is worth pursuing. In his work *The Costs of Economic Growth*, Mishan (1967) stated that the "precondition of sustained growth is sustained discontent", warning developing nations that "the thorny path to industrialization leads, after all, only to the waste land of Subtopia" (Veldman 1994). He pointed out that loss outweighs gain in social welfare when economic growth becomes the mere objective. Technologies may provide benefits, but they heighten a person's anxiety.   Material wealth is not the only source of happiness, but also leisure time, culture and a beautiful living environment can also provide much joy.

3.1.1.3 The Club of Rome

In 1972, the Club of Rome issued its first report *The Limits to Growth*, which used a model to simulate the consequences of interactions between the systems of the earth and the systems of human beings in order to deal with some of the concerns and predictions of Thomas Malthus. According to Meadows et al. (1972), the purpose of the project was "to examine the complex of problems troubling men of all nations: poverty in the midst of plenty; degradation of the environment; loss of faith in institutions; uncontrolled urban spread; insecurity of employment; alienation of youth; rejection of traditional values; and inflation and other monetary and economic disruptions. These seemingly divergent parts of the world 'problematique' have three characteristics in common: they occur to some degree in all societies; they contain technical, social, economic, and political elements; and, most important of all, they interact" (Meadows et al. 1972, pp. 10-1).

The particular methodology employed by the Club of Rome in their work involved the development of system dynamics tools (Forrester 1969, 1971) and the development of a model of human activity named the *World* model, in which "sustainability context was firmly ensconced" (McElroy & Engelen 2012, p. 12). The conclusion was that after 1970, population and industrialisation were going to grow and accelerate, but the quicker shrinking of natural resources would constrain the pace of industrialisation. As time goes by, the population would soar with pollution becoming worse. The human race was predicted to collapse by 2100. To prevent that from happening, population needed to stop growing from 1975 and industrialisation from 1990. This is the so-called zero economic growth theory (Meadows et al. 1972).

3.1.1.4 The Brundtland report to the Rio Summit and Agenda 21

A significant event in the history of sustainability is the publication of *The World Conservation Strategy* in 1980, produced jointly by the IUCN (International Union for Conservation of Nature and Natural Resources), UNEP (United Nations Environment Programme) and WWF(World Wide Fund for Nature). The key objectives of this world conservation strategy were to maintain essential ecological processes and life support systems, to preserve genetic diversity, and to ensure the sustainable utilisation of species and ecosystems. It is said that the concept of "sustainable development" first appeared in the WCS, which stresses the importance of development within the reality of resource limitation and the carrying capacities of ecosystems (IUCN, WWF & UNEP 1980). An updated version entitled *Caring for the Earth: A Strategy for Sustainable Living* (UNEP, WWF & IUCN 1991) was published in 1991. Though modified several times, this publication lays a good foundation for sustainability.

No historical survey of sustainability theory and practice would be complete without a discussion on the treatment of sustainability by the WCED. In the report entitled, "Our Common Future", the WCED defines sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (WCED 1987, p. 37). This definition contains within it two key concepts: the concept of "needs", in particular the essential needs of the world's poor, to which an overriding priority should be

given; and the idea of limitations imposed by the state of technology and social organisations on the environment's ability to meet present and future needs.

The report further states that "… the strategy for sustainable development aims to promote harmony among human beings and between humanity and nature… the pursuit of sustainable development requires: a political system that secures citizen participation in decision making, an economic system that is able to generate surpluses and technical knowledge on a self-reliant and sustained basis, a social system that provides for solutions for the tensions arising from disharmonious development, a production system that respects the obligation to preserve the ecological base for development, a technological system that can search continuously for new solutions, an international system that fosters sustainable patterns of trade and finance, and an administrative system that is flexible and has the capacity for self correction" (WCED 1987, p. 50).

After the publication of the WCED report, the term "sustainability" has been widely adopted by a host of different actors and has become a buzzword among politicians, scholars, grass root activists and journalists in the debate on environmental protection and development. A common view of sustainability is that the three domains of nature — environment, economy and society, including culture — must all develop but not at the expense of each other. That is why sustainable development issues, prescriptions and tools always cut across the three domains. After the 1992 Rio Summit, 178 nations adopted Agenda 21, a set of guidelines for development in the twenty-first century. The 40 chapters of Agenda 21 cover issues that cut across the three domains.
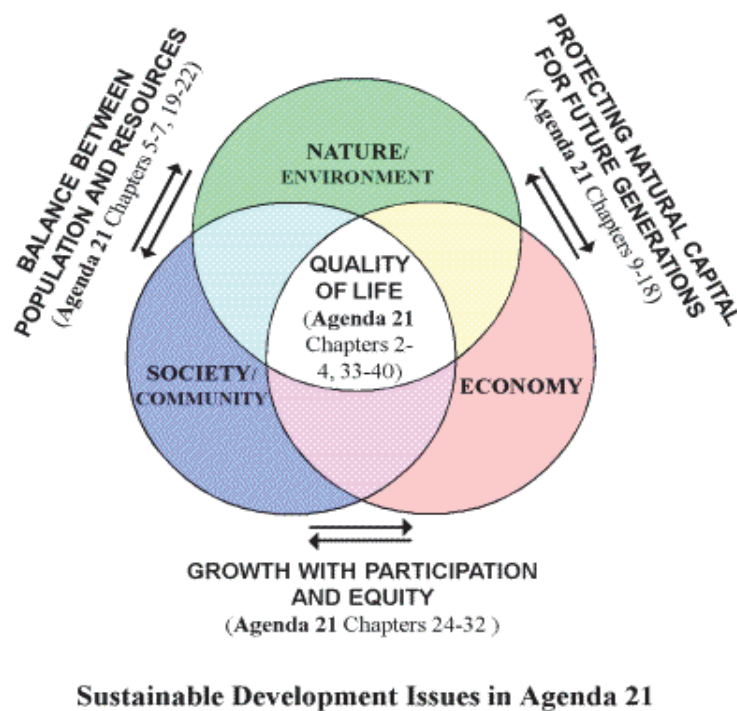
Figure 3.1 Sustainable development issues in Agenda 21
Source: United Nations (1993)

As depicted in figure 3.1, three aspects of sustainable development have generally been accepted in the common discussion since 1993. An economically sustainable system must be able to produce goods and services on a consistent basis, to maintain manageable levels of government and external debt, and to avoid extreme sectoral imbalances that damage agricultural or industrial production. An environmentally sustainable system must maintain a stable resource base, avoiding over-exploitation of renewable resource systems or environmental sink functions. This may cover the deliberate maintenance of biodiversity, atmospheric stability and other ecosystem functions not ordinarily nominated as economic resources. A socially sustainable system must achieve distributional equity, adequate provision of social services including health and education, gender equity, political accountability, and participation (Holmberg 1992; Reed 1996).

3.1.1.5 The sustainability model of Aras and Crowther

However, some analysts of sustainability, such as Dyllick and Hockerts (2002), and

Spangenberg (2004) do not agree that financial performance is an integral part of sustainability. Aras and Crowther (2009) state that researchers tend to make the assumption that there are always trade-offs among financial performance and social/environmental performance that an organisation would not achieve simultaneously. As a result, many research works in corporate sustainability fail to acknowledge that financial performance is a fundamental component of sustainability and, as a consequence, financial analysis is often ignored. Such works continue to argue that this is an essential aspect of corporate sustainability and therefore add a further dimension to the analysis of sustainability. Such works conclude that people should comprehensively recognise and analyse all four aspects of sustainability so as to reach a thorough understanding of sustainability.

No wonder that Aras and Crowther (2008) hold that sustainability is a controversial topic because it means different things to different people. There seem to be two common assumptions spread over the discourse of corporate sustainability. The first is that sustainability is synonymous with sustainable development. The second is that in order to be sustainable, a company should recognise the environmental and social issues and integrate these issues into its strategic programs.

According to Marrewijk and Werre (2003), no specific definition has been given to corporate sustainability, and therefore business needs to design its own definition to match its goals and objectives. Fortunately, there is a common assumption that corporate sustainability and corporate social responsibility are synonymous and interchangeable, and that both are based upon voluntary activity, which includes environmental and social concerns. This is discussed in detail later in this chapter.

Aras and Crowther (2012) suggest that societal influence is a measure of the impact that society makes on the corporation in terms of the social contract and stakeholder influence; environmental impact is the effect of the actions of the corporation upon its geophysical environment; organisational culture is the relationship between the corporation and its internal stakeholders, particularly employees, and all aspects of that relationship; finance is defined in terms of an adequate return for the level of risk undertaken. They say that these four aspects

must be treated as the core dimensions of sustainability. They are "all of equal importance" (Aras & Crowther 2012, p. 180).
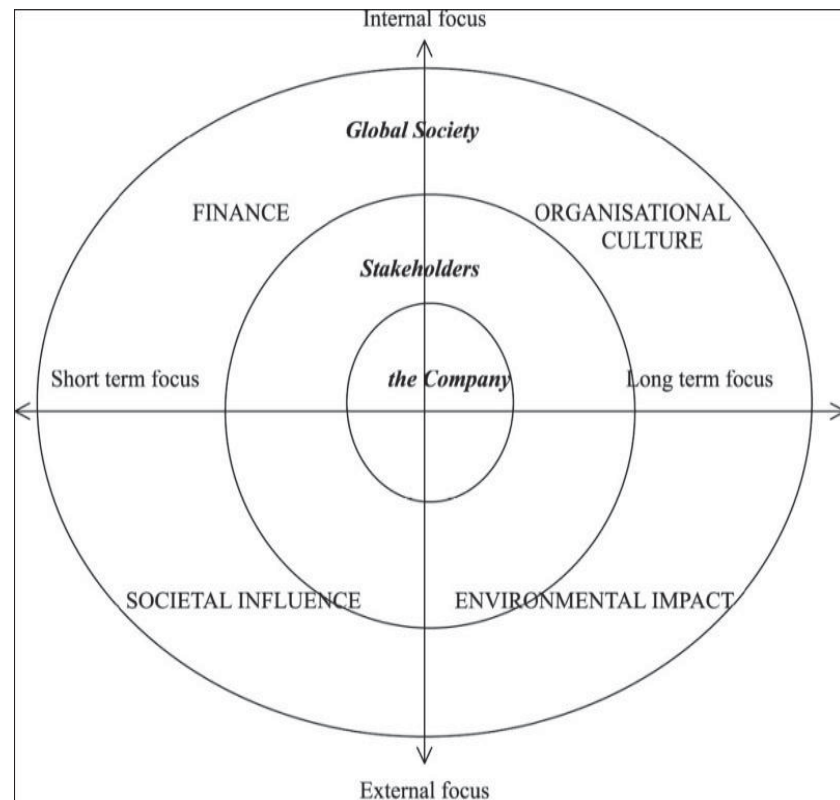
Figure 3.2 Model of sustainable development
Source: Aras and Crowther (2008, p. 180)

As shown in figure 3.2, Aras and Crowther (2008) integrated these four aspects into a two-dimensional matrix along the polarities of internal versus external focus and short-term versus a long-term focus, which can be used to express a comprehensive set to represent the overall performance of the organisation. Since globalisation dominates, global factors should be taken into strategic consideration for all time dimensions: past, present and future. This effectively makes a stakeholder out of everything and everybody, both in the present and in the future. For both time and space, sustainability has eliminated the boundary between present and future, which indicates that only a long-term perspective development pattern should be feasible (Aras & Crowther 2008).

3.1.2 Sustainability in China

3.1.2.1 The spark of sustainability in ancient China

Chinese scholars have claimed that the ideology of sustainability can also be found in ancient times in China. Besides the traditional philosophical thoughts such as Confucianism, Daoism and Buddhism, which have been detailed in chapter 2, the thoughts of Lü Buwei have been viewed to be containing sustainable ingredients similar with the contemporary concept of sustainability (Tan Qinyi 2008; Xu Liao 2008).

The Annals of Lü Buwei comprises selected readings of Confucian and other ancient Chinese classics gathered by retainers of Lü Buwei, prime minister of Qin dynasty. It is made up of 26 sections and is meant to cover all events that happened in the country prior to 239 BC. Numerous scholars have studied the book and some of them reveal excellent insights.

The Annals of Lü Buwei is a collection of many readings and beliefs of the ancient classics and it holds a special position in the literature of the Qin Dynasty. As state policy of Lü Buwei, the book contains a great deal of economic thinking and those concerning agriculture development are commonly found. Other sections concern population, consumption, commercial activity and management. Scholars have also studied the book from the sustainable development point of view, but the content is mostly confined to agriculture rather than commercial activities.

The term "long-term benefit" (Chang Li) is used in *The Annals of Lü Buwei* to describe sustainable development. It states, "the scholar-knights of the world consider what will produce long-term benefits for the world and steadfastly secure it within their own persons. They would not do something even though it might double the benefits today if it would disadvantage later ages. They would not put into practice something even though it might bring long-lasting security if it would show favouritism toward their own descendants" (Knoblock, Riegel & Lü 2000, p. 515). Such thinking is very close to the idea of sustainability.

The "three elements theory" of *The Annals of Lü Buwei* comes out of agricultural practice, accurately revealing the relationship between human beings and nature, and becoming the guiding

principle of agricultural practice. *The Annals of Lü Buwei* holds that the reason humanity is in danger of ecological damage and resource depletion is because humans put themselves above nature and wrongly exaggerate their initiatives. It is therefore stated in the book that "what sows the grain is Man, what germinates it is Earth, what nourishes it is Heaven" (Knoblock, Riegel & Lü 2000, p. 662). Here, it typically demonstrates the Chinese traditional agricultural ideas regarding Man, Earth and Heaven as the three key elements in the universe.

Similar expressions are found in other chapters of the book, such as "Heaven sends down the seasons, Earth bears its products; but they do not consult with people" (Knoblock, Riegel & Lü 2000, p. 657). "It is like the case of the good farmer. He chooses the most suitable land and is diligent about tilling and weeding it, but he is not guaranteed a good harvest. Yet when he does have good harvest, it must first and foremost be because the man happened to plant when the rains were seasonal. Seasonal rains are attributable to Heaven and Earth and not to anything that the good farmer was capable of doing" (Knoblock, Riegel & Lü 2000, p. 319).

Descriptions such as these vary, but share the one common understanding that human beings are not slaves or masters of nature, but active participants in agricultural activity and should hold a relationship with nature that is compatible, not opposed. The growing of a plant is a common result of the interaction of three elements. The budding, growing and maturation of a plant needs human attention, but in a certain natural environment. Agriculture is an ecological and economic system that combines biotic habitat, nature and humans (Xu Liao 2008).

The "three elements theory" is a human-oriented dynamic system in which sky governs the earth, humans constricted by nature and take advantage of it. The natural environment is constantly changing, as its relationship with other elements. This provides room for human initiative. But humans have to watch out for their activities to maintain a compatible relationship with nature. The "three elements theory" cautions people against taking action blindly and therefore it is essential to a healthy ecosystem and sustainable resource supply, which also demonstrates a requirement for coordinated and harmonious development with these three elements (Tan Qinyi 2008).

Nowadays, the advance of technology and human ability give human beings a sense of entitlement and control. The degradation of nature and resource depletion have awakened us and we need to look back and change. The sustainable tenets of *The Annals of Lü Buwei* show that ancient Chinese development ideology differs from western thought. As an important part of Chinese culture, it is surly a good reference for today.

3.1.2.2 Chinese traditional thought on sustainability

As mentioned above, thinking on sustainability emerged in ancient China. Chinese scholars have carried out much research to trace its evolution.

Zhi Wen and Shi Wenshan (2002) state that the argument about "man and heaven" during the Spring–Autumn period was actually a discussion about the relationship between human beings and nature. Sun Wenxue (2001) concludes that Lao Zi's proposals for human beings to respect nature and cope with nature in a harmonious way really offered critical ingredients to the evolution of the concept of sustainability. Gao Zhonghua and Li Ying (2003) regard that the philosophical thinking of "Mean" by the ancient Chinese people was used to balance and adjust the contradictions and relationship between humans and nature, humans and society, human and human. Therefore, the thinking of "Mean" indeed shared a common philosophical base with sustainability, and it matched well with the ideas of sustainability from the perspective of dynamic balance and coordination development between humans and nature. Wang Shengyun and Zhang Ruifang (2005) analysed the essential thinking on sustainability in the *Book of Change*, which includes perspectives on the environment, "dynamic change with the nature" and its sustainable development proposals.

Feng Hua (2002) pays special attention to the era of the early Qin Dynasty, when ancient Chinese society was evolving from hunting and gathering to farming and husbandry — for the first time human beings encountered conflicts between population, resources and production, and consumption. It was during this period that ancient Chinese people proposed to protect the natural bio-resources, to coordinate the relationship between population, landscape and production, and to establish a consumption philosophy of integrating wealth creation and thrift.

Though not a systematic theory of sustainability, it would be regarded as a comparatively comprehensive sustainable economic development idea.

Zhan Yi (2004) believes that there are many similarities between the modern systems theory and systemic thoughts proposed by the ancient Chinese philosophers. Sustainability was proposed to deal with environmental problems on the basis of modern systems theory, which coincides with ancient Chinese systemic thought concerning perspectives of integration and coordination.

Chen Qiunan et al. (2003) hold that harmonious nature–man–oneness is the essence and kernel of ancient Chinese culture, which supports the theory of sustainable resources and the environment. Human beings will have to deal with their relationship with the nature to rationally explore resources to maintain a harmonious interdependence with it. Similarly, Peng Fei (2001) employs the ideas of nature–man–oneness to reconsider and position the four dimensions of sustainability; that is, objectives, driving factors, approaches and coordination.

According to Ye Wenhua (1999), the ancient Chinese people's nature–man–oneness concept provides a necessary ethical basis for sustainable development. He proposes the viewpoints of the value of nature, man's position in the world, and the responsibility and obligation of humans to the nature. This has contributed to the theory and practice of ethics in sustainable development.

3.1.2.3 Sustainability in contemporary China

As discussed above, the theory of sustainability was initiated during the 1980s in the West. Sustainability became a globally recognised concept in the early 1990s, when it started to emerge in Chinese academia. The process of understanding this concept and theory, to Chinese scholars, is a process of observing, innovating and localising. Many Chinese scholars have traced this theory back to ancient Chinese history and seek approaches to apply the same theory to Chinese circumstances and practices (Zhu Haibing, Cai Daocheng & Zhang Qiao 2011).

China began drafting its national Agenda 21 in July 1992, immediately after the Earth Summit. The agenda consists of 20 chapters and 78 program areas, ranging from economic policy to education and natural resource conservation. The wording of the Chinese Agenda 21 reflects how the Chinese government has attempted to match agenda contents with its own political and economic priorities to "establish sustainable economic and social systems with [a] sustainable resource and environmental foundation" (CSC 1994, p. 12).

Table 3.1 Sustainability/sustainable development defined by the Chinese scholars

S.N.	Source	Definition	Core elements
1	Chinese Agenda 21 (CSC 1994, p. 12)	Sustainability means that consideration should be given to the needs for both present and future development, and development in the interest of the present generation should not be achieved at the expense of future generation's interests; it also means coordinated development of population, economy, society, resources and environment, that is to say, while the goal of economic development is pursued, natural resources and environment on which the human beings rely for existence should be protected so that future generations can enjoy the development forever, live in harmony and work contentedly. The core of sustainability is to pursue harmonious outcomes among these parties involved.	Generations Economy Social Environment Harmony
2	Liu Peizhe (1994, p. 17)	Sustainability is a three-dimensional comprehensive system — i.e. nature–economic–social in which human beings should actively coordinate these dimensions to promote quality of life and economic development without acting beyond the capacity of resource and environment availability.	Environment Economy Social
3	Liu Donghui (1994, p. 33)	Sustainability consists of three key components — i.e. ecological, economic and social sustainability, which are all interrelated. Technology and education are both core components of sustainability.	Environment Economy Social technology Education
4	Jia Huaqiang (1996, p. 26)	Sustainability is a social and economic development pattern that should enable human beings to maintain simultaneously the social progress, optimisation of economic systems, and the equilibrium between nature and human beings.	Environment Economy Social
5	Ye Wenhu and Luan Shengji (1996, p. 8)	Sustainability should enhance people's quality of life without further destruction of the quality of environment; to satisfy the needs of one generation without damaging the needs of future generations; to satisfy the needs of one region or nation without damaging the needs of other regions or nations.	Generations Environment

Table 3.1 (Continued)

S.N.	Source	Definition	Core elements
6	Feng Guorui (1997)	Sustainability includes the harmonious development of four major systems — i.e. resource, environment, economy and society.	Environment Economy Social Harmony
7	Chen Yiping (1997)	Sustainability is a grand comprehensive system that comprises five sub-systems such as population, economy, society, resources and the environment.	Environment Economy Social People
8	Wang Jun (1997, p. 45) He Zhonghua (1997) Liu Sihua (1997 p. 43)	Sustainability consists of three key components — i.e. ecological, economic and social sustainability, which are all interrelated. Ecological sustainability is the foundation while economic sustainability is regarded as the condition to achieve the goal of social sustainability.	Environment Economy Social
9	Hong Yinxing (2000, pp. 13-4)	Sustainability is an economic development on the basis of environmental protection. The potentiality of natural resources must be maintained while nature is explored to satisfy the future development of human beings.	Environment Economy People
10	Wang Zhongmin et al. (2002, p. 6)	Sustainability is an institutional arrangement and policy mechanism through government. The demand of the current generation should be satisfied without harming future generations. The development of a nation and region should not be at the cost of other nations or regions.	Environment Economy Social People Generations
11	Han Guanghui (2007, p. 32)	Sustainability is a comprehensive concept involving social, economic, cultural, technological and environmental perspectives.	Environment Economy Social Culture Technology

Source: The author

Table 3.1 summarises some typical definitions given by Chinese scholars.

It can be observed from table 3.1 that the definitions given by Chinese scholars have been deeply influenced by, or directly sourced from, western concepts, especially the definition by WCED as discussed above. The key elements integrated in these definitions are more or less similar to what has been denoted in the popular western definitions.

Nevertheless, Ren Baoping (2003) claims that some Chinese scholars (for example Hong Yinxing 2000; Liu Donghui 1994; Liu Sihua 1997 ; Wang Jun 1997) have linked the contents of sustainability with Chinese contexts, which have greatly contributed to the body of knowledge concerning the global development of research in sustainability. Ren Baoping (2003) summarises such contributions in five perspectives as follows:

The first perspective holds that the three aspects to be included in sustainability should be mutual evolution of human kind and nature, consistent ethical considerations and compatibility of efficiency and justice. This perspective sets the objective of sustainability as "achieving economic growth with better quality to meet the basic needs of human beings so that a stable population will be maintained" (Liu Donghui 1994, p. 33).

The second perspective holds that sustainability is an integration of ecological, economic and societal sustainability, which are all interdependent. Further, the features of sustainability rely upon the objective of encouragement of economic growth on "the basis of environmental protection to achieve goals of promotion of a standard of living that copes with social development" (Wang Jun 1997, p. 45).

The third perspective insists that the core of sustainability is sustainable economic growth that should be under "… specific strategic policies to strengthen protection and managing resources to facilitate technological advancement and institutional innovation in areas from social production to circulation, distribution and consumption". Meanwhile, this will enable "the structural adjustment, restructuring and optimization of the systematic functions for sustainability to enhance the quality of economic growth and overall societal development, as well as to create the basic sustainable condition for future generations without damaging the present ecological environment" (Liu Sihua 1997, p. 43).

The fourth perspective regards that the economic context for sustainability is to maintain sustainable economic growth on the basis of protection of the ecological system of the planet. The present generation should "maintain the potential ability of the natural resources while exploring the same so as to meet the needs of future generations" (Hong Yinxing 2000, pp.

13-4).

The fifth perspective criticises the ambiguity of the traditional concept of sustainability and regards it as a non-cost economic development pattern. Sustainability is therefore redefined as "an institutional arrangement and policy mechanism through government. The demand of the current generation should be satisfied without harming future generations. The development of one nation and region should not be at the cost of other nations or regions" (Wang Zhongmin, Ren Baoping & Wei Wei 2002, p. 6).

However, this author considers that the above-mentioned perspectives demonstrate that there are few significant differences between the Chinese definition of sustainability and those of the West, despite differences in wording. On one hand, this implies that the key principles of sustainability are seemingly universally acceptable, but, on the other hand, it indicates that there is still an urgent demand for the conceptualisation of sustainability based upon the authentic Chinese context so as to enable its practicality in implementation.

3.2 Corporate Social Responsibility (CSR)

3.2.1   Foundations of CSR in the West

3.2.1.1 Evolution of CSR in the West

Similar to sustainability, the idea of corporate social responsibility (CSR) can be found in history. Benn and Bolton (2011) hold that many debates of this nature have occurred around the concept of CSR since the mid-twentieth century (Benn & Bolton 2011). Since Oliver Sheldon introduced the concept of CSR in 1924, there has been a series of debates concerning whether a business firm should undertake social responsibility and how, and what type of social responsibilities a business should undertake if CSR is to become an established business conduct. CSR has since been widely recognised and accepted by entrepreneurs, economists and by practitioners in various social fields and circles (Ren Rongming & Zhu Xiaoming 2009).

Eberstadt (1973) confirms that from ancient Greek times until the Industrial Revolution,

businesses had been strictly controlled in western society. The current corporate responsibility movement is merely a repetition of ancient western traditions. He holds that in ancient Greece, great emphasis was attached to community benefits, while profit-seeking behaviours were strictly suppressed and merchants were required to act in accordance with societal norms (Eberstadt 1973).

Carroll and Shabana (2010) also agree that the idea that business enterprises have some responsibilities to society beyond that of making profits for shareholders has been around for centuries. For all practical purposes, however, it is largely a post–World War II phenomenon and actually did not surge in importance until the 1960s and beyond.

Unfortunately, not all academics have been in total agreement on the function of CSR because different scholars hold different views of the main goals of a business. For instance, Levitt (1958) holds that the function of a "business firm is to produce sustained high-level profits. The essence of free enterprise is to go after profit in any way that is consistent with its own survival as an economic system." Welfare and society are not the business of the corporate. The four functions of the economy such as government, business, labour and agriculture must therefore be kept separate and separable. If they become amalgamated and indistinguishable, they will probably become monstrous and restrictive (Levitt 1958).

In the same vein, both Friedman and Hayek relate CSR to socialist ideology and regard CSR as a subversive, collectivist force that promotes conformity and runs counter to the achievement of individual freedom. In his ideology of constitutions of freedom, Hayek (1960) was on the opposite side of CSR. He asserts that CSR in nature was a bias to freedom. The business firm's participation in social activity will reinforce government intervention; the freedom of firms would be harmed due to government authority when it executes its social responsibility. Furthermore, Hayek holds that the main objective of the business firm is to generate long-term profit for investors. Friedman (1970) asserts that responsibility of the (executive of a business) "is to conduct the business in accordance with their desires, which generally will be to make as much money as possible while conforming to the basic rules of society, both those embodied in law and those embodied in ethical custom" (Friedman 1970, p. 3).

Despite the disagreements mentioned above, CSR has been embraced by both academia and business practitioners during its development. Carroll (1999) provides a clear timeline for CSR by arguing that there has been an impressive history associated with the evolution of the concept and definition of CSR. He holds that the evolution of the CSR construct began in the 1950s, which marks the modern era of CSR. Definitions expanded during the 1960s and proliferated during the 1970s. In the 1980s, instead of new definitions, there were more empirical research and mature alternative themes developed, including corporate social performance (CSP), stakeholder theory, and business ethics theory. CSR continued to serve as a core construct during the 1990s. This can be referred to as a primary guideline when tracing the development of CSR.

Further to the views of Carroll, Min-Dong Paul Lee (2008) holds that the idea of CSR became almost universally agreed to and promoted by all constituents in society from governments and corporations to non-government organisations and individual consumers by the late 1990s. The majority of international organisations such as the United Nations, the World Bank, the Organization of Economic Co-operation and Development and the International Labour Organization not only endorse CSR, but have also established guidelines and permanently staffed divisions to research and promote it. By the end of 1990s, nearly 90 per cent of *Fortune 500* firms embraced CSR as an essential element in their organisational goal, and actively promoted their CSR activities in annual reports (Boli & Hartsuiker 2001).

3.2.1.2 Definitions and models of CSR in the West

Oliver Sheldon was the first scholar to develop the concept of CSR in 1942 by linking corporate social responsibility with the responsibility a business executive should undertake to satisfy various human demands inside and outside his or her industry. Sheldon believed that the moral factor was embedded in corporate social responsibility (Xu Guanghua, Chen Lianghua & Wang Lanfang 2007). In 1953, Howard Bowen, father of CSR (Carroll 1999), vaguely defined it as "refer[ring] to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society" (Bowen 1953, p. 6). According to Bowen, businessmen are ''responsible for the

consequences of their actions in a sphere somewhat wider than that covered by their profit-and-loss statements'' (Carroll 1999, p. 270).

Ten years later, McGuire (1963) argued that the idea of social responsibilities supposes that the corporation has not only economic and legal obligations, but also certain responsibilities to society which extend beyond these obligations. McGuire described the concept of social responsibilities by extending the contents beyond economic and legal obligations, as well as assuming that a corporation has these obligations in its own nature (McGuire 1963). Walton (1967) adopted similar assumption to define CSR as a concept that recognises the intimacy of relationships between business and society, and realises that such relationships must be kept in mind by top managers as the corporation and the relevant groups pursue their objectives (Walton 1967).

Votaw (1972) viewed CSR as something meaningful, "but not always the same thing to everybody", for it may convey the idea of legal responsibility or liability to someone; however, "to others, it means socially responsible behaviour in the ethical sense; to still others, the meaning transmitted is that of 'responsible for' in a causal mode; many simply equate it with a charitable contribution; some take it to mean socially conscious; many of those who embrace it most fervently see it as a mere synonym for legitimacy in the context of belonging or being proper or valid; a few see a sort of fiduciary duty imposing higher standards of behaviour on businessmen than on citizens at large" (Votaw 1972, p. 25). Davis and Blomstrom (1975) assert that CSR is "the managerial obligation to take action to protect and improve both the welfare of society as a whole and the interests of organizations" (Davis & Blomstrom 1975, p. 6).

Carroll (1979) proposes a four-part definition of CSR that was embedded in a conceptual model of CSP (corporate social performance). His basic argument was that for managers or firms to engage in CSP, they needed to have a basic definition of CSR, an understanding/enumeration of the issues for "which a social responsibility existed and a specification of the philosophy of responsiveness to the issues" (Carroll 1979, p. 499). Carroll defines CSR: "the social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time" (Carroll 1979, p. 500).

Carroll (1999) asserts that fewer definitions and more research and alternative themes were the features of CSR during the 1980s (Carroll 1999). In 1980, Jones (1980) defined CSR as "the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law and union contract" (Jones 1980, pp. 59-60) . In 1987, Epstein (1987) provided a definition of CSR as "relates primarily to achieving outcomes from organizational decisions concerning specific issues or problems which (by some normative standard) have beneficial rather than adverse effects on pertinent corporate stakeholders. The normative correctness of the products of corporate action has been the main focus of corporate social responsibility" (Epstein 1987, p. 104). In addition to defining CSR, he further offered definitions for corporate social responsiveness and business ethics, and then integrated them into his "corporate social policy process", which he viewed as "the institutionalization within business organizations of the following three elements: business ethics, corporate social responsibility and corporate social responsiveness" (Epstein 1987, p. 106).

According to Carroll (1999), the prevailing themes in the 1990s were CSP, stakeholder theory, business ethics theory and corporate citizenship with few unique contributions to the definition of CSR (Carroll 1999). In 1991, Carroll revisited his four-part CSR definition and referred to the discretionary component as philanthropic and it also embraced "corporate citizenship" (Carroll 1991, p. 40). He accordingly suggested that four kinds of social responsibilities constitute total CSR: economic, legal, ethical and philanthropic. These can be depicted as a pyramid.

Figure 3.3 Carroll's pyramid of CSR
Source: Carroll (1991, p. 42)

As depicted in figure 3.3, Carroll (1991) demonstrates that the pyramid starts with economic responsibility as a foundation; the component "Economic Responsibilities" is the primary and foremost responsibility of a business. Meanwhile, rules and regulations are set for the business to operate within certain limits. Meeting these rules constitutes the legal responsibilities of business. Besides the ethical norms embodied in the first two categories, there are additional ethical actions that are not included in law but imposed by society. The importance of ethical responsibilities has been well noted, although it is hard to determine the contents of an ethical behaviour. However, ethical responsibilities can be considered as the expectations above legal requirements that society expect from business. Discretionary/philanthropic responsibilities are even vaguer than ethical responsibilities. Society leaves these to the judgment and choice of business. To fulfil these responsibilities, the social role of business is voluntary. The decision to assume them is not required by law and is also above and beyond the ethical level. It is only led by the business's desire to be involved in this role and contribute to society (Carroll 1979).

Carroll (2004) argues that although the four components are discussed separately for illustration purposes, they are not mutually exclusive. To view the components separately could provide managers with clear views on various kinds of responsibilities. This will be helpful for

managers to distinguish the conflicts between components, such as a conflict between economic and the other three responsibilities. He asserts that the CSR business firm must endeavour to "generate a profit, obey the law, be ethical, and be a good corporate citizen" (Carroll 1991, p. 43).

A number of scholars (e.g. Carroll 1991; Quazi & O'Brien 2000; Van Marrewijk & Werre 2003) asserted that balancing the interests of different groups should be included as a component of the CSR definition. That is to say, to whom is a business responsible? Van Marrewijk and Werre (2003) hold that the following three categories can be employed to address the question with such an "interest group" approach.

First, the *shareholder approach* states that the primary responsibility of a business is to generate profit and create wealth. Therefore, business should treat shareholders as the focal point, and CSR should be implemented as per consent and profit value of the owner. Only the economic dimension is considered in this approach (Friedman 1970; Garriga & Melé 2004; Hayek 1960). Second, the *stakeholder approach* claims that a business is not only responsible to its owners, but also has obligations to various stakeholders, such as employees, customers, business partners, government and non-government organisations (Juslin & Hansen 2002; Panwar et al. 2006). As a broader view on CSR, the social approach suggests that a business is a part of the society and it should be responsible for the society as a whole. A business should strive to satisfy the needs of society constructively besides generating profit for itself (Van Marrewijk & Werre 2003).

Both CSR models discussed above, Carroll's (1979) pyramid and Marrewijk's (2003) interest group, could be encompassed by the "three concentric circles" approach established by the Committee for Economic Development (CED) in 1971.

Being more involved in actively improving the social environment

Awareness of changing social values

Economic function
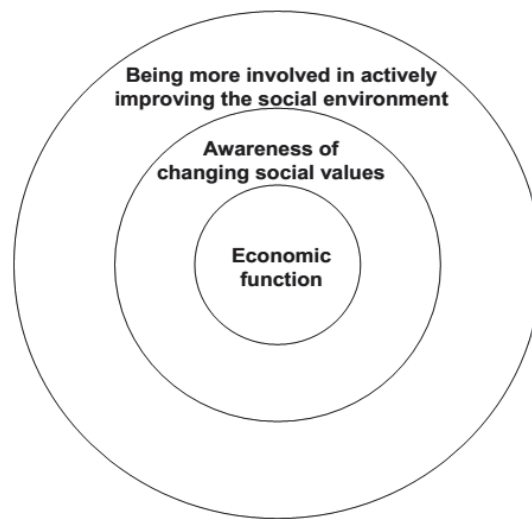
Figure 3.4 Three concentric circles of CSR
Source: Committee on Economic Development (1971)

The three concentric circles of CSR are depicted in figure 3.4. It demonstrates that the inner circle refers to economic tasks such as offering employment opportunities, goods and services, and profits. The second circle proposes that these economic targets should be achieved with consideration of the changing social values and the social contract that exists between society and businesses. The outer circle emphasises an active involvement in the promotion of the social environment (CED 1971).

More models have been generated since. For instance, Sethi (1975) defines corporate behaviour in a three-dimensional framework as social obligation, social responsibility and social responsiveness (Sethi 1975). Frederick (1983) puts CSR into two dimensions: voluntary and coerced social responsibility. Coerced social responsibility means those mandated by government regulations such as pollution controls, equal employment opportunity guidelines, industrial safety and health requirements, consumer protection measures, trade union recognition and wage-and-hour guidelines. Voluntary social responsibility includes activities such as "making charitable contributions, lending executives to a variety of community projects, advising governments on a whole host of national and local problems" (Frederick 1983, p. 151).

In short, the definitions and models have been used worldwide and offer specific guidance for organisational implementation of CSR initiatives.

3.2.2 Contemporary CSR –definitions and practice in the West

3.2.2.1 Further expansion of CSR definitions

As mentioned earlier, there has been significant bias and disagreement about the definition of CSR, which has been defined in many ways so that no universally accepted definition is in place. For example, Kakabadse et al. (2005) hold that "a portfolio of concepts expresses society's expectations as to the role and responsibilities of business, but none of them can actually be labelled as 'the' definition of CSR" (Kakabadse, Rozuel & Lee-Davies 2005, p. 281). Crowther and Rayman-Bacchus (2004) assert that the term of CSR means different things to different people. They discovered "the broadest definition is concerned with what is the relationship between the global corporation, government of countries and individual citizens. More locally the definition is concerned with the relationship between a corporation and the local society in which it resides or operates. Another definition is concerned with the relationship between a corporation and its stakeholders" (Crowther & Rayman-Bacchus 2004, pp. 2-3). However, it is of critical importance to explore the contemporary development of this concept in the West.

Lépissier (2001) holds that within academic literature, there is a mix of the concept of CSR with other concepts such as CSR or CSP. On the contrary, he believes that practitioners such as business organisations and social representatives tend to regard CSR and/or sustainable development as core issues so that the interests and values of stakeholders should be involved. As a consequence, CSR has been defined in a wide scope ranging from highly conceptual to very practical or managerial statements. According to Ougaard and Nielsen (2004), CSR is a multidisciplinary concept rather than distinct management discipline. This needs to be analysed through various perspectives.

Garriga and Melé (2004) assert that the area of CSR presents both a landscape of theories as well as "a proliferation of approaches which are controversial, complex and unclear" (Garriga & Melé 2004, p. 51). They further argue that various notions such as "society and business, social issues management, public policy and business, stakeholder management, and corporate accountability" have resulted in the complexity and variety of definitions for CSR (Garriga &

Melé 2004, p. 51). However, they assert that the above classifications are narrow in scope and there are not adequate arguments about the relations between society and business. They accordingly suggest the construction of a new theory on the business and society relationship. It should integrate four dimensions: instrumental theories (meeting objectives that produce long-term profits), political theories (using business power in a responsible way), integrative theories (integrating social demands) and value theories (contributing to a good society by doing what is ethically correct) (Garriga & Melé 2004, pp. 65-6).

In fact, the prevailing contents in CSR have been extended to notions such as corporate citizenship and corporate sustainability. However, no matter how CSR is defined, there has been a consensus that the current core business issue is unarguably social and environmental responsibility (Montiel 2008).

Fifka (2009) offers a more business-oriented definition for CSR as it "encompasses the adherence to fundamental economic and legal obligations which a business encounters in environments where it operates, as well as the responsibility to voluntarily contribute to the social development of these environments in an adequate and structured manner that is in accordance with the resources available to each business and the underlying business strategy" (Fifka 2009, p. 320).

Kakabadse et al. (2005) examine some of the key characteristics of CSR and discover that there are eight core elements in CSR definitions. These core elements include: 1) there are differences between CSR and corporate philanthropy; 2) CSR is a long-term perspective that is reminiscent of the concept of sustainability; 3) CSR goes beyond the law; 4) CSR is the idea that business is accountable to various stakeholders; 5) CSR is also often associated with the theme of the "social contract", or alternatively of "licence to operate"; 6) CSR is a notion of power, which indicates that the source of this responsibility is based on the power and influence that organisations have; 7) there must be legitimacy for the activity of business; 8) CSR is a contextual process that should not be static in times of dynamic environmental changes.

Based upon the examination of Kakabadse et al. (2005), these core elements could be

summarised as 1) philanthropy; 2) sustainability; 3) legal; 4) stakeholder involvement; 5) social contracts; 6) notions of power; 7) legitimacy; 8) context-orientation.

In the same vein, Dahlsrud (2008) summarises 37 existing CSR definitions from 27 authors, and covers the years from 1980 to 2003 according to their levels of influence, and concludes that there are five key elements in these representative definitions: voluntary, stakeholder, social, environmental and economic aspects (Dahlsrud 2008) .

The overall results indicate that the CSR definitions from the West cover at least the following 12 core elements: 1) philanthropy; 2) voluntary; 3) sustainability; 4) Legal; 5) stakeholder involvement; 6) social contracts; 7) notions of power; 8) legitimacy; 9) context-orientation; 10) the environment; 11) economy and 12) multi-discipline.

3.2.2.2 Categories of CSR

On defining CSR, a business should proceed with a series of CSR-related activities to meet that definition. The performance of CSR in a business firm is heavily dependent upon its understanding and interpretation of how CSR should be implemented.

Similar to CSR definition, a great number of theories, approaches and terminologies will be involved with the implementation of CSR. Different understandings of the relationship between business and society may lead to different approaches embraced in CSR. In order to better understand the various theories behind CSR, the four categories: instrumental theories, political theories, integrative theories and ethical theories developed by Garriga and Melé (2004) will be explored as follows.

The first category, *instrumental theories*, states that CSR is regarded only as a tool to achieve economic goals. In a free society, the only responsibility for a business is to increase its profits (Friedman 1970). This theory also holds that satisfying the stakeholders' interests can contribute to the maximisation of shareholder value (Mitchell, Agle & Wood 1997; Ogden & Watson 1999). Profit maximisation for shareholders, competitive advantage strategies and cause-related marketing are the three groups of instrumental theories (Garriga & Melé 2004). Among these

three groups, profit maximisation for shareholders has been treated as the ultimate criterion for business decision-making. Garriga & Melé (2004) claim that a business decision should only be made on condition that it can increase the shareholder value while any social demand should be ignored in case it imposes a cost upon the corporate (Garriga & Melé 2004). As mentioned earlier, this does not exclude the consideration of the interests of stakeholders. In this regard, Jensen (2002) employs a term "enlightened value maximization" to specify the idea that the company could maximise shareholder value in the long term by taking into account stakeholder interests (Jensen 2002).

Competitive advantage strategies focus on achieving long-term competitive advantage through appropriate resource allocation (Husted & Allen 2000). Business is encouraged to invest in philanthropic activities that are relevant to its mission because this might generate more wealth than other types of donations (Burke & Logsdon 1996). For instance, a business could strive to turn poor or lower middle class customers into active customers and enhance its social and economic conditions so as to achieve business competitive advantage (Prahalad & Hammond 2002).

Additionally, cause-related marketing tends to differentiate the brand image of the company through association with CSR. Charitable causes such as organising social events and sponsoring sports teams will eventually bring in financial benefits for the company (Smith & Higgins 2000).

The second category, *political theories*, focuses on the interactions and connections between business and society, as well as the power and position of business in the society. Davis (1960) asserts that business possesses power to influence society and such a social power has in turn determined the social responsibilities of the business. Other groups may take over such power in case the company does not execute it appropriately, thus losing its position in society (Davis 1960).

In the same vein, the claim of corporate citizenship (Altman & Vidaver-Cohen 2000) promulgates the idea that a business needs to value the community where it operates (Logsdon

& Wood 2002). Furthermore, it might play a similar role as government (Matten, Crane & Chapple 2003). Some large multinationals have been considered to be surprisingly powerful in this respect, within the process of globalisation. On special occasions, they might take part of the power when the government fails to protect citizens (Garriga & Melé 2004).

The third category, *integrative theories*, demonstrates that business is dependent upon society in a broad sense. According to Garriga & Melé (2004), social demands are the way in which society communicates with business. Therefore, a business firm must listen to society and integrate social demands in its business management scheme (Garriga & Melé 2004). Since no responsibility has been specifically defined in this category, it becomes the business's task to identify the social demands and respond (Post & Preston 2012).

Various approaches will enable business to integrate social demands into its operations. For example, social responsiveness and management concerns identifying the gaps between the public expectations of the business and its actual performance (Sethi 1975). Business is requested to notice those gaps and to bridge them (Ackerman & Bauer 1976). Issues management, a broader concept, covers social responsiveness and emphasises the response to social issues in the company's decision-making process. This approach enables the organisation to quickly identify threats and opportunities so as to adapt to social changes.

Stakeholder management, which will be discussed in the next chapter, focuses on "people" rather than "issues" or "principles". The most efficient strategy for stakeholder management is to resolve issues affecting multiple stakeholders simultaneously. The central objective of this approach is to integrate stakeholders into the company decision-making processes so as to maximise the cooperation between various stakeholder groups and the corporation (Garriga & Melé 2004).

The last category, *ethical theories*, focuses on the ethical standards that could enhance a good business–society relationship. According to this group of theories, normative stakeholder management becomes an ethically based theory and it must be equipped with a normative core (Donaldson & Preston 1995; Freeman 1994). Ethics is confirmed as the core of this approach

(Garriga & Melé 2004), though different ethical principles may have been proposed by different scholars (Freeman 1994; Phillips 1997).

Cassel (2001) holds that human rights should be perceived as the basis for CSR (Cassel 2001). The universal rights approach is one of the human rights-based approaches for CSR. The ten principles established by UN Global Compact could be viewed as an example of this approach. The ten principles cover areas of human rights, labour standards and anti-corruption. They are widely embraced by many organisations (Garriga & Melé 2004).

Sustainability, which is discussed earlier in this chapter, also forms an approach within ethical theories. As discussed above, the main definitions of sustainability suggest that it is a process of achieving human development in an inclusive, connected, equitable, prudent and secure manner (Gladwin, Kennelly & Krause 1995). Van Marrewijk and Werre (2003) suggest that the process of achieving sustainability should be differentiated in different organisations, depending on their goals, strategies and specific contexts.

Another group of ethical theories is the common good approach (Mahon & McGowan 1991), which proposes that business could contribute to social common good in different ways. This includes wealth generation, job opportunities and human right protection. More importantly, business can assist in enhancing social wellbeing and construing a harmonious society.

In short, business should always be a positive contributor to the wellbeing of society(Fort 1999).

From the four groups of CSR theories and approaches discussed above, four main points are identified: 1) long-term profit maximisation; 2) responsible use of power; 3) social demand integration; 4) an ethical society. These four points completely coincide and reflect the 12 core elements abstracted from the typical definitions introduced in the preceding section. The relationship can be illustrated in table 3.2.

Table 3.2 Relationship between twelve core elements and four focusing points regarding CSR definitions and categories

Four focusing points	Twelve core elements
1)　long-term profit maximisation	11) economy
2) responsible use of power	7) notions of power
	8) legitimacy
3) social demand integration	12) multi-discipline
	3) sustainability
	5) stakeholder involvement
	4) legal
	6) social contracts
	9) context-orientation
4) an ethical society	1) philanthropy
	2) voluntary
	10) environment

Source: This author

Table 3.2 implies that the key themes of definitions and categories of CSR are to a certain extent consistent in the West, though it has been defined and interpreted in a great variety of ways.

3.2.2.3 The practice of CSR in the West

Influencing drivers of action have made CSR very practical in the West. It has become a fashion for a great number of business firms in the West to incorporate CSR initiative into their development strategies. According to Loimi (2002), these critical drivers of action can be divided into external and internal drivers. For instance, the external drivers of CSR include globalisation, the existence of environmental problems facing the world, international initiatives taken by business communities to address sustainability, political actions of governments which influence sustainability and management guidelines, pressures from the investment community, as well as from NGOs (non governmental organisations), and the media. The internal drivers identified by Loimi (2002) include risk management and maintenance of brand value, revenues and costs, pressure from employees and customers, and competitive advantage (Loimi 2002).

In the same fashion, Visser (2007) holds that there are currently five forces driving business firms in the West to embrace CSR initiatives in business operations. The five forces include: 1) Reporting requirements or government regulations which introduce a compulsory approach and which tend to encourage good companies to innovate; 2) The working of markets where customers, employees, or capital markets exert some form of preference or pressure; 3) The "reputation pull" where companies are motivated to behave well to promote and safeguard their reputation, or ability to attract investment; 4) Global ethics, in the form of the values of business founders or leaders, codes of practice, or individual judgments and 5) The impact of shock and crisis such as scandals.

A variety of stakeholders frames the CSR agenda in the West. These stakeholders include NGOs, consultants, researchers, governments and consumers (Visser 2007).

There are currently numerous and different guidelines for CSR implementation in the West. For instance, the Global Reporting Initiative (GRI) and the Accountability Institute of Social and Ethical Accountability have jointly published a brief for businesses on how to decide which guidelines to follow. According to Ligteringen and Zadek (2005), a corporation may use a variety of questions and tools to decide which standards the business should follow.

The standards can be broken down into three different types such as normative frameworks, process guidelines, and management systems. Normative frameworks provide substantive guidance on acceptable standards of performance. These frameworks include the International Labour Organisation (ILO) Tripartite Declaration of Principles concerning Multinational Enterprises (MNEs), UN conventions and declarations on sustainable development issues, UN Global Compact Principles, and the OECD Guidelines for MNEs. Process Guidelines describe how to measure and communicate performance. These include the AA1000 Assurance Standards and the GRI Sustainability Reporting Guidelines. Management Systems Guidelines deal with how to integrate specific issues into corporate activities. International Management System Guidelines include the AA1000 Framework, ISO 14001, ISO Social Responsibility Guidance, Social Accountability SA8000, and Sigma Guidelines (Ligteringen & Zadek 2005).

In short, the CSR definitions, models, drivers and guidelines discussed above have provided a clarity of vision and criteria for Western business firms to follow in their CSR implementation and evaluation. They provide a solid foundation for CSR practice in the West.

3.2.3   Foundations of CSR in China

The concept of CSR was introduced to China only in the 1990s, and it has become an element in both management theory and practice. Despite this, however, some Chinese scholars (e.g. Chen Liubin 2006; Cui Xinjian 2007; Zhang Jiqing 2010) claim that CSR is neither a concept nor a practice imported from the western world, but one that can be legitimately viewed as integrated within Chinese culture. For instance, throughout Chinese history, there has been an emphasis on respecting the Confucian trader, a businessperson who seeks profits with integrity and who displays a commitment to community development (Feng Leming & Wang Fei 2011). A Confucian trader not only knows how to make profits honestly, but also considers the distribution of wealth, tying it with social justice and community needs (BSR 2008). Since there was not a CSR concept during ancient times, this author argues that the business conduct of Confucian traders and similar merchants were actually practices of Confucianism business ethics, which has a tight link with contemporary CSR connotations. In fact, such traditional business ethics have had significant impacts on the understanding and practice of CSR and sustainability in contemporary China.

According to Jian Bozan (2006), ancient Chinese commerce originated during the Shang Dynasty (Jian Bozan 2006). While gradually becoming a critical profession in facilitating economic and social development, some merchants in this sector began to trigger social contradictions and interest conflicts due to their unethical business behaviours. This directly led to the birth of ancient commerce ethics, which was primarily employed to adjust the interest relations between buyers and sellers in their commercial transactions, as well as to provide guidance to merchants (Jian Bozan 2006).

Ancient Chinese business ethics was deeply influenced by traditional Chinese culture represented by Confucianism. While absorbing essences from the Legalism, Mohism, Military

school and others from the Hundred Schools of Thought,[20] ancient Chinese commercial ethics became an ethical and moral system embedded within the strong traditional Chinese ethical spirit and humanity (Liang Huaping 2013). The harmonious ideology of Confucianism is supported by the core values of the Five Constant Virtues introduced in chapter 2, which include *ren* (benevolence), *yi* (righteousness), *li* (propriety), *zhi* (wisdom) and *xin* (fidelity/sincerity) (Song Xiren & Chen Laozhi 1989; Tu Weiming 2004). The following section will discuss the significance and impacts of these Five Constant Virtues on ancient Chinese business ethics and social responsibility.

The first virtue is *ren* (benevolence), which is treated as the kernel of Confucianism. Benevolence (*ren*) contains three types of meanings in Confucianism ethics (Liu Yu 1997). First, it is a human-centred concept. In the Chinese language, the pronunciation of *ren* is the same as the Chinese character that stands for "human being". "Benevolence is the distinguishing characteristic of man. As embodied in conduct, it is called the path of duty (Dao)" (Legge 2013). Second, it emphasises the harmonious relationship among individuals. "The benevolent man loves others; the propriety man shows respect to others" (Legge 2013, p. 333). Third, it attaches great importance to the harmonious relationship between individuals and society. "Treat with the reverence due to age the elders in your own family, so that the elders in the families of others shall be similarly treated; treat with the kindness due to youth the young in your own family, so that the young in the families of others shall be similarly treated — do this, and the kingdom may be made to go round in your palm" (Legge 2013, p. 143).

In ancient Chinese society, humanity was therefore defined by "benevolence", which was viewed as "the distinguishing characteristic of man". As a result, the social responsibility of the ancient businessmen covered concepts such as "loving others" and paying special attention to the harmonious relationship with others and the entire society. Furthermore, benevolence also denoted that personal interest should be subordinated to interests of family, public and country, because "the world does not belong to one person; it belongs to the whole world; the harmony

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[20] The Hundred Schools of Thought (literally "all philosophers hundred schools") were philosophers and schools that flourished from 770 to 221 BC during the Spring and Autumn period and the Warring States period, an era of great cultural and intellectual expansion in ancient China (Graham 1989).

of the Yin and Yang forces does not favour growth in only one species of thing." (Knoblock, Riegel & Lü 2000, p. 71). "He who loves others is constantly loved by them. He who respects others is constantly respected by them" (Legge 1966, p. 756). According to this principle, only the ethical businessman who cares about his customers and serves society can gain loyalty from his customers and return from society.

The second virtue *yi* means righteousness in the English language. In ancient times, the Chinese people were extremely concerned with the relationship between "righteousness' and "benefit" (Wang Zeying 2005). There have been various types of perspectives on the relationship between righteousness and benefit in Chinese history. Confucianism proposed "valuing righteousness above benefit", while Legalism believed that benefit should overweight righteousness. In the views of Daoism, neither righteousness nor benefit should be viewed too seriously. On the contrary, Mohism puts equal weight on both righteousness and benefit. Nevertheless, "valuing righteousness above benefit" as proposed by Confucianism had been dominating Chinese business ethics from the Han Dynasty to the Qing Dynasty. From the perspective of Confucianism, business should be conducted strictly in accordance with established ethical principles. Benefit is important for business, but in obtaining such benefit, a businessman should abide by relevant ethics and moral criteria. In case there have been any conflicts between the two, Confucianism suggested a subordination of benefit to righteousness. Confucius claimed "Riches and honours acquired by unrighteousness are to me a floating cloud" (Legge 2009, p. 85).

In addition, Confucianism also held that that the position between righteousness and benefit might be interchangeable. In business conduct, righteousness would reflect intangible assets such as the good image and reputation of the business firm, which could result in stable revenues. Therefore, in order to gain "righteousness", it had not been uncommon for many ancient business firms to give up "benefit" to serve the society by donation for road and bridge construction, education and other philanthropic activities. Confucius said: "The mind of the superior man is conversant with righteousness; the mind of the mean man is conversant with gain" (Legge 1966, p. 44). In ancient China, those who were only "conversant with gain" were

viewed as unethical "mean men". A superior man always weighted righteousness above profits.

The third virtue is called *li,* which denotes propriety in the English language. Propriety can be narrowly and broadly defined. Broadly, propriety denotes institutional systems and social norms, whereas it only means ethical regulations narrowly. Since there were distinguished social hierarchies in ancient Chinese society, propriety became an effective mechanism to identify, regulate and maintain those social relations to promote harmonious social relationships among human beings. "They are the rules of propriety, that furnish the means of determining (the observances towards) relatives, as near and remote; of settling points which may cause suspicion or doubt; of distinguishing where there should be agreement, and where difference; and of making clear what is right and what is wrong" (Müller & Legge 1966, p. 63).

Consequently, propriety was used as a yardstick to distinct the status and hierarchy of social members to achieve a harmonious order, which was critical for social stability. Mencius claimed that it is the nature of things to be of unequal quality. "If you reduce them all to the same standard, that must throw the empire into confusion" (Legge 2013, p. 256). Xun Zi believed that such distinction was good for society because "if there are never proper distinctions between members of society, then the proper relation between lord and subject will never be established " (Legge 1966, p. 188). However, propriety should function well as a balance between distinction and unification. Confucius held: "The superior man is affable, but not adulatory; the mean man is adulatory, but not affable" (Legge 1966, p. 188). Here, Confucius was in fact emphasising a sort of harmony based upon the way of nature ("Dao" as proposed by Daoism).

The fourth virtue, *zhi*, shares a similar connotation to wisdom in the English language. According to Confucianism, wisdom connotes the comprehension of oneself and others. So an intelligent businessman must frequently examine himself regarding his behaviour and talk. Wisdom further means the knowledge of distinguishing right from wrong, benevolence from malevolence, righteousness from indignity. "The feeling of commiseration is the principle of benevolence. The feeling of shame and dislike is the principle of righteousness. The feeling of modesty and complaisance is the principle of propriety. The feeling of approving or disapproving is the principle of knowledge" (Legge 2013, p. 202). Confucius also agreed that it

was the man who could enlarge the virtue principles which he followed, "those principles do not enlarge the man" (Legge 1966, p. 231).

The final virtue is called *xin*. It has a similar meaning to fidelity and sincerity in the English language. It primarily means to scrupulously abide by one's promise in human relations, so as to treat equally with both aged and child customers (Miao Runtian 2003). Based on Confucianism, fidelity and sincerity determine the foundation of an individual's social identity. "I do not know how a man without truthfulness is to get on" (Legge 1966, p. 22). Confucius emphasised the important role of fidelity and sincerity in social life by stating: "Let his words be sincere and truthful, and his actions honourable and careful; If his words be not sincere and truthful, and his actions not honourable and careful, will he, with such conduct, be appreciated, even in his neighbourhood" (Legge 1966, p. 221).

Likewise, Xun Zi also confirmed that fidelity could help one to survive in all arduous situations. "If your deportment is respectable and reverent your heart loyal and faithful, if you use only those methods sanctioned by ritual principles and moral duty, and if your emotional disposition is one of love and humanity, then though you travel throughout the empire, everyone would consider you to be an honourable person" (Knoblock 1994, p. 154). From the perspective of Lü Buwei, fidelity and sincerity are concerned with the harmony and order of social life. He claimed that every social member should follow established social norms and regulations, or otherwise social order and harmony would be destroyed (Knoblock, Riegel & Lü 2000).

Based upon the traditional business ethics mentioned above, businessmen in ancient China attached great importance to the Five Constant Virtues. They kept promises and maintained integrity to customers in favour of fair trade, and executed these principles in their business conduct. They viewed business activities as a means of wealth generation and used the gained wealth to support their families, communities and societies. When getting wealthy, many merchants became fond of public philanthropy. "They donated for public goods, national defense, education, disaster relief, though the magnanimous acts had consumed huge amounts of their wealth or even spent all their fortunes. Similar ethical business conduct had been very popular throughout ancient Chinese history until the Qing Dynasty" (Huang Xiaopeng 2010, pp.

137-55).

3.2.4 Contemporary CSR – definitions and practice in China

3.2.4.1 Definitions of CSR in China

Since the 1990s, Chinese researchers have endeavoured to find proper ways to define CSR based upon Chinese contexts. The representative definitions of Chinese scholars are summarised in table 3.3.

Table 3.3 CSR defined according to Chinese scholars

S.N.	Source	Definition	Core elements
1	Yuan Jiafang (1990, pp. 3-4)	CSR means responsibilities to be undertaken by a business firm faced with various social demands and social issues in order to protect the fundamental benefit of a nation, a society and human beings, while striving for business survival and development.	Society Economy
2	Liu Junhai (1999, p. 6)	CSR means a business should not only set profit maximisation as a single target for shareholders, but also strive for all other social benefits, including benefits to employees, consumers, creditors, competitors, local communities, the environment, disadvantage groups and the general public.	Economy Society Stakeholder Environment
3	Lu Daifu (2002, p. 96)	CSR denotes the responsibility of a business firm to maintain and enhance societal benefits other than maximising shareholder profit. It covers the responsibility to employees, consumers, creditors, resources and the environment, community economic development, social and public welfare.	Economy Society Stakeholder Environment
4	Qu Xiaohua (2003, p. 13)	CSR reflects the obligation and responsibility undertaken by a business firm for its employees, business partners, customers, community and country through its business institutions and business activities. It is the positive response of a business firm to its markets and stakeholders, as well as a comprehensive index of the operational target of the business.	Economy Society Stakeholder Environment
5	Lin Jun (2004, p. 27)	CSR means the impacts a business carries to the whole of society, and on the contrary, what the society expects and demands from the business firm.	Society Stakeholder
6	Liu Changxi (2005, p. 164)	CSR means a comprehensive social contract responsibility undertaken by a business firm for its shareholders and all other stakeholders. Such responsibility covers the economy, the law, ethics and philanthropy.	Economy Society Stakeholder Legal Ethics Philanthropy

able 3.3 (Continued)

S.N.	Source	Definition	Core elements
7	Zhang Yanning(2005, p. 9)	CSR means the responsibilities and obligations to be fully undertaken by a business firm for the comprehensive and long-term benefit of the society it belongs to. It reflects the firm's adaptation to and participation with societal development, such as the construction of a harmonious society.	Society Harmony
8	Li Youhuan (2006, p. 45)	CSR is an indispensible duty for a business firm in modern times. CSR plays a critical role during the construction of a harmonious society. It is an effective channel for optimal wealth distribution, an effective leverage for adjusting social justice and economic efficiency, a stabiliser for social order and a protector for the social and natural environment.	Society Harmony Economy Environment Context
9	Tian Hong (2006, p. 36)	The nature of CSR is a moral restriction on the economic activity by a business firm per se. On the one hand, CSR reflects the mission and operational philosophy of the firm, on the other hand, CSR functions as a management and evaluation system to monitor and regulate economic conduct of its internal actors and external suppliers.	Society Stakeholder Ethics/moral Philanthropy
10	Chen Liubin (2006, p. 100)	CSR means the responsibility undertaken by a business firm for its shareholders during the production process. While making a profit, the business firm should also voluntarily undertake responsibilities for its employees, the environment, social benefits and so on.	Economy Society Stakeholder Voluntariness
11	State Grid Corporation of China (SGCC) (2006, p. 4)	CSR is the responsibility executed by a business firm for its owners, employees, customers, suppliers, natural environment and other stakeholders so as to achieve its social and economic sustainability.	Economy Society Stakeholder Sustainability
12	Li Youhuan (2007a, p. 6)	CSR is a dynamic mechanism embraced by a business firm during specific social development stages. The relevant responsibility covers areas such as the economy, laws and regulations, ethics, voluntary philanthropy and so on.	Economy Society Stakeholder Legal Ethics Philanthropy Context

Table 3.3 (Continued)

S.N.	Source	Definition	Core elements
13	Li Weiyang and Xiao Hongjun (2008, p. 182)	CSR is business behaviour for maximising integrated economic, social and environmental value in order for a firm to achieve its business and social sustainability targets. During the process, the firm should strictly follow laws, regulations and ethics to minimise the adverse impacts on various stakeholders and the natural environment through effective operation management.	Economy Society Stakeholder Legal Ethics Sustainability
14	Li Jiming (2009, p. 10)	CSR means all activities conducted by a business firm must be bounded with corresponding responsibilities for relevant stakeholders so as to achieve a balanced sustainable capacity in the economy, society and environment. CSR is a reflection of a social paradigm transformation from individual standards to societal standards.	Economy Society Stakeholder Sustainability
15	Zhang Jiqing (2010, p. 271)	CSR should exclude the responsibility of profit maximisation for its shareholders. It should only mean the responsibility for stakeholders other than shareholders. It can be broken into two levels. The first level is the "legal responsibility", which means abide by laws; the second level is "voluntary responsibility", which includes donations, community contributions voluntarily undertaken by the business firm. The second level is viewed as a higher level of CSR and it should be well encouraged and guided.	Society Stakeholder Legal Voluntary
16	Wang Huijie and Chen Hongjiao (2010, p. 182)	CSR can be viewed as a comprehensive legal and ethics principle to deal with interest relation issues between the business firm and the society. Specifically, CSR is driven by the sustainable development demand inside the business firm to maintain and enhance the social and public interest. Besides economic responsibility for the shareholders, CSR also requires a business firm to undertake legal and ethical responsibility for its stakeholders.	Economy Society Stakeholder Legal Ethics Sustainability

Table 3.3 (Continued)

S.N.	Source	Definition	Core elements
17	Zhou Zucheng (2011, p. 57)	CSR is a comprehensive responsibility undertaken by a business firm for its stakeholders and the entire society in order to maintain and enhance the legitimate interest of its stakeholders and to contribute to society.	Economy Society Stakeholder Legal Ethics Legitimacy
18	Guo Hongtao (2011, pp. 16-7)	CSR means the subjective intention of a business firm to promote societal benefits such as product quality, labour income, the environment, fair distribution during the process of self-benefit maximisation.	Economy Society Stakeholder Environment
19	Zhang Jiemei (2013, p. 154)	CSR is the responsibility undertaken by a business firm for other business stakeholders rather than the shareholders. Such responsibility is beyond the law and deemed to be voluntary. CSR is beneficial for enhancing business competitiveness and enabling business sustainability.	Society Stakeholder Voluntary Sustainability
20	Yu Ao et al. (2014, p. 84)	CSR has different levels. The bottom line is not to harm the benefits to stakeholders, and the highest performance contributes to total society welfare; being people-centred is the core factor of CSR, and its scope includes humanistic responsibility, economic responsibility, legal responsibility, ethical responsibility and environmental responsibility.	Legal Economy Environment Society Ethics

Source: Translated and summarised by this author

Table 3.3 shows that there are eleven core elements in the CSR definitions provided by Chinese scholars and institutions. They include: 1) philanthropy, 2) voluntary, 3) sustainability, 4) legal, 5) stakeholders, 6) society, 7) legitimacy, 8) economy, 9) context-orientation, 10) the environment and 11) harmony. Most of these core elements coincide with the 12 core elements covered in western definitions, except for two elements: the notion of power and multi-discipline, which are excluded from the Chinese definitions. However, harmony, which is not a theme in western definitions, has emerged in some of the Chinese definitions; for example, the definition given by Zhang Yanning (2005) and Li Youhuan (2006).

Undoubtedly, the definitions given by Chinese scholars have significantly contributed to the understanding and implementation of CSR in China (Duan Lihua, Zeng Lin & Yu Laiwen 2013).

However, from the above discussion, it has been discovered that there is no significant difference between western and Chinese definitions. This well reflects the influence of western CSR concepts upon Chinese scholars. It also indicates that the CSR research in China has been based on western-style CSR concepts and interpreted as per western values (Wang & Juslin 2009). It reflects that Chinese scholars do not view CSR as a multidisciplinary concept, and more research with adequate consideration of the Chinese characteristics, especially harmonious culture, will be in urgent demand because such a CSR approach is critical in the construction of a harmonious society in China.

3.2.4.2 The practice of CSR in China

As with the concept of sustainability, CSR has gained rapid development in theories, approaches and terminologies, and it has achieved great emphasis from both academia and industries worldwide since its initiation (Garriga & Melé 2004). A good number of scholars have asserted that CSR is deeply influenced by the cultural and social context in which it operates, and the contents of CSR will accordingly be shaped by its social, culture and time background (Cheng 1994; Maignan & Ralston 2002; Sethi 1975; Tsui 2004).

Scholars from both the West and China, such as Guo Peiyuan (2005), Jensen (2006), Mee Kam Ng, Kervis Chan and Peter Hills (2003), have conducted numerous studies of CSR in China. However, the majority of the research has been based on western-style CSR concepts and analysed in accordance with western values. As mentioned before, very few CSR concepts have taken Chinese reality, values and cultural elements into consideration (Wang & Juslin 2009).

CSR is considered to be an umbrella term overlapping with a number of concepts concerning business–society relations (Matten & Crane 2005), and CSR has to be applied with relatively open rules in a dynamic environment(Carroll 1999; Moon, Crane & Matten 2005). Even in the western world, it has been discovered that CSR has remarkable differences between applications in between Europe and the United States (Matten & Moon 2008). Klaus E. Meyer (2006) therefore warns that Asian scholars must be cautious when applying theories developed in other contexts, and they "can be more self-confident in exploring locally relevant research issues, and

in developing theories that explain Asian phenomena" (Meyer 2006, p. 119).

Similarly, Richard Welford's 2004 survey results also demonstrated that there is a link between the development of CSR and the economic development of countries, and that many CSR policies are based on localised issues and cultural traditions at a national level. He holds that supply chain aspects of CSR are growing in importance, particularly among countries with a strong trading tradition (Welford 2005). Even though the basic context of environmental management, social responsibility and sustainable development is the same in China and the West, there are still very different priorities in CSR in China (Welford 2003).

Further to Richard Welford's arguments, Wang and Juslin (2009) assert that the general CSR concepts imported from the West are unable to match well with the Chinese environment. To make CSR more current in China and to be better understood by Chinese business firms and society, CSR concepts must take Chinese cultural, political and economic contexts into consideration. They accordingly propose the harmony approach of CSR, which means "respecting nature and loving people … combining the harmony principles from Confucianism and Taoism to meet the Chinese management context" (Wang & Juslin 2009, p. 446). In the same fashion, Tsang (2009) states that the current situation of Chinese management researchers should be taken into consideration in order to accomplish the contextualisation of Chinese management research.

However, Jensen (2006) observes that the leadership in China seems to pursue an agenda of conceptualising CSR by reference to a blend of an eclectic interpretation of Western European welfare models and CSR conceptions with an eclectic interpretation of Chinese tradition and political culture (Jensen 2006). As a result, CSR in China lacks the element of multi-stakeholder dialogue, which is commonly recognised as the core element of CSR in western countries. He further claims that "much research remains to be done on the huge number of CSR projects taking place at the factory floor level in China recently" (Jensen 2006, p. 29).

An inductive analysis of CSR in China based on an open-ended survey of 630 CEOs and business owners in 12 provinces (municipalities) conducted by Xu Shangkun and Yang Rudai

has unveiled some unique dimensions of CSR in China. They conclude that CSR in China is different from that in western countries, and China's CSR is closely related to its social and cultural background (Xu & Yang 2010). This fact reveals that there is a substantial gap between practice and academic research in China. In other words, the implementation of CSR in China follows a Chinese context, while the researchers tend to be dominated by western perspectives.

Li Youhuan and Gong Chengwei (2009) confirm that there has not yet been any systematic theoretical works relevant to CSR and sustainability in contemporary China. A majority of research works merely focus on a specific dimension of CSR, which has led to a decline in CSR research quality in China. Moreover, these researchers have been greatly influenced by western academia, and most Chinese scholars just view CSR as an imported idea. When there is a new development in the concept in the western world, they simply translate and modify. This has resulted in the lack of a systematic theoretical framework of CSR in China, and the current researchers are fragmentary and non-innovative. "Few researches have been in serious consideration of the political, economic and cultural context of CSR implementation in China. To a certain extent, CSR research in China has become a vicious cycle" (Li Youhuan & Gong Chengwei 2009, pp. 11-3).

In practice, an increasing number of Chinese enterprises have attached greater importance to CSR and have reached a consensus that social compliance will ensure the sustainability of a company's competitiveness. Many companies place emphasis on improving relations with stakeholders and brand images. At the same time, news media, research institutes and trade associations have cooperated to promote CSR development through the establishment of CSR standards. Nevertheless, many Chinese business firms still face severe challenges in CSR in many respects. For instance, although some companies have started to issue CSR reports, these reports are generally at the "initial stage" and require substantial improvement with respect to their comprehensiveness, essentiality and comparability (Zhao Lifang 2013).

Meanwhile, extensive research on CSR implementation in China reveals that CSR has still been seriously ignored by some Chinese business firms (Li Youhuan & Gong Chengwei 2009). Early in 2005, a survey to 1500 Chinese business firms demonstrated that the CSR concept was

completely ambiguous to these firms, which accordingly did not put adequate efforts in CSR implementation (Yan Gefei, Yu Zhihong & Wu Fushun 2005). The situation remained unchanged for several years. Duan Xiangyun (2006) pointed out that three critical issues, including the absence of human-oriented thought, environmental protection consciousness and short-term vision and behaviour, were still dominating Chinese business firms. The survey of private enterprises in Zhejiang Province indicated that CSR consciousness for those enterprises was still at the primary stage. They weighted legal responsibility above business ethics and philanthropy (Chen Xudong & Yu Xunda 2007). Li Youhuan and Guo Wenmei (2009) claim that a majority of business firms fail to distinguish the responsibility boundary between business and government. Some business firms equalise implementation of CSR to "corporate run society", which means that all public services will be offered by business firms. Similarly, Lin Jujie (2010) asserts that a large number of enterprises view CSR as only a business philanthropic activity. Meanwhile, these firms have not yet initiated any proactive program to integrate CSR into their management systems.

3.3 Contrasting Sustainability with CSR

Some management literature uses the concepts of both CSR and sustainability to refer to social and environmental management issues, but there is no clear distinction between the two terms. Montiel (2008) holds that the conceptualisations and measures of CSR and Corporate Sustainability (CS) seem to be converging, even though there are points of difference between the two constructs (Montiel 2008). However, others argue that thought CSR and sustainability share common similarities, there are subtle differences between the two terms (Millar 2013). This section will discuss those key differences and similarities.

3.3.1 The similarities

Some researchers agree that although the concepts of CSR and sustainability may seem dissimilar at first, there is an inseparable link between CSR and business sustainability, or they are interchangeable (Ingram 2013; Millar 2013; Montiel 2008). Any attempt to distinguish the difference between CSR and sustainability is like "splitting hairs" (Millar 2013).

Montiel (2008) believes that current research shows there is a convergence of CSR and sustainability due to their shared environmental and social concerns, though they employ different paradigms. In practice, a socially responsible or sustainable business must address economic prosperity, social equity and environmental integrity. Conceptually, CSR integrates economic, social and environmental dimensions, which are very similar to the Triple Bottom Line conceptualisation of sustainability comprising economic, social and environmental considerations. Both CSR and sustainability require the business firm to coordinate the basic elements of Triple Bottom Line in order to achieve long-term sustainability and social responsibility (Montiel 2008).

There are also similarities in how CSR and corporate sustainability researchers apply their constructs to measure social and environmental performance. Montiel (2008) discovered that both groups of CSR and sustainability scholars adopt similar variables to measure CSR and sustainability (Montiel 2008). CSR variables include ethics policy, philanthropic contributions, stakeholder relationships, urban development, minority support programs, health and safety initiatives, pollution abatement programs, and conservation of natural resources. Besides environmental dimensions such as employee eco-initiatives, voluntary environmental restoration, eco-design practices, and systematically reducing waste and emissions from operations, sustainability variables also capture economic and social dimensions, such as government relationships, stakeholder interests, health and safety, and community development. "The measures and variables of the triple bottom line sustainability vision are similar with those of the tridimensional CSR vision" (Montiel 2008, p. 262).

3.3.2 The Differences

Though CSR and sustainability share common similarities, there are still some subtle differences between these two terms, which have been debated for a long time (Millar 2013). Ingram (2013) holds that CSR refers to doing business in ways that benefit, rather than harm, society and the environment, while business sustainability refers to a company's ability to survive into the future and to eventually outlive its current owners.

According to Michelle Millar, sustainability relates to making a company a greener, more energy

efficient operation, in addition to taking care of people and profit, whereas traditional CSR does not include the commitment to the environment. Millar (2013) further argues that some scholars simply say that sustainability is a component of CSR, and that the two are not mutually exclusive, while others say that CSR is one of the "Ps" in people, profit, and planet – another reference to sustainability (Millar 2013).

Montiel (2008) discovers that during the 1970s some researchers (e.g. Adizes & Weston 1973; Alexander & Buchholz 1978; Davis 1973) only concentrated on social issues without considering environmental issues in CSR conceptualisation, and others (e.g. Agle, Mitchell & Sonnenfeld 1999; Graves & Waddock 1994; Turban & Greening 1997) considered that environmental issues are merely a subset of social issues. As for sustainability, some scholars just identify sustainability as simply one approach to CSR, or vice versa. They also list CSP, corporate citizenship, issues management and cause-related marketing as alternative approaches.

Montiel (2008) continues to argue that though the CSR and CS constructs share similar conceptualisations of economic, social and environmental dimensions, scholars tend to ask different questions about them. Scholars of sustainability tend to claim that the economic, social and environmental pillars are interconnected, whereas most empirical CSR and CSP research treats social and economic performance as independent components. Further, the relationship between economic and social performance is still obscure, though a great number of quantitative analysis has been performed in this regard during the 1980s (Montiel 2008).

Montiel (2008) also holds that there are multiple definitions of CSR and the boundaries are blurry because different scholars research with different approaches. For instance, some researchers only study a single issue such as philanthropy (e.g. Brammer & Millington 2004; Keim 1978), whereas others combine a range of issues into a single construct, such as governance, pollution, and diversity (e.g. Abbott & Monsen 1979; Maignan & Ralston 2002; McGuire, Sundgren & Schneeweis 1988). On the contrary, there are less issues to sustainability research, mainly because sustainability is a new area and it benefits from having a seminal document (the WCED definition) that grounds much of the research (Bansal 2005; Chan 2005; Christmann 2000; Sharma & Henriques 2005).

Moreover, the constructs of CSR and CS both contain an economic dimension. For instance, Carroll (1979) holds that before anything else, the business institution is the basic economic unit in our society. As such it has a responsibility to produce goods and services that society wants, and to sell them at a profit. All other business roles are predicated on this fundamental assumption (Carroll 1979). According to Bansal (2005), the economic dimension of sustainability is the economic prosperity achieved through value creation, "Firms create value through goods and services they produce. Therefore, firms increase the value created by improving the effectiveness of those goods and services efficiently" (Bansal 2005, p. 100). In pursuance with CSR as defined by Carroll (1979), social responsibility is a supplement to economic prosperity, which is the primary fundamental responsibility of business, while Bansal regards social, environmental and economic responsibilities as complementary in his definition of sustainability. Consequently, Bansal (2005) holds that the three elements must be integrated in order to achieve a sustainable outcome in a business firm.

From the perspective of business implementation of CSR and sustainability initiatives, though there are much more differentiations than similarities in their comparison, Montiel (2008) claims that a combination of some elements of CSR and sustainability might lead to a much better definition for firms that are working towards becoming sustainable and socially responsible. In order to be more practical in implementation, it is recommended that business firms use both CSR and sustainability as interchangeably (Montiel 2008).

In the same fashion, other scholars (e.g. Banerjee 2008; Mpofu & Karedza 2013; Mujtaba & Cavico 2013; Ofori, Nyuur & S-Darko 2014) also assert that the term CSR is often used interchangeably with sustainability, as well as terms such as corporate responsibility, corporate citizenship, social enterprise, sustainable development, Triple Bottom Line, corporate ethics, and, in some cases, corporate governance.

Table 3.4 A contrast of CSR and sustainability

Differences and similarities	Criteria	CSR	Sustainability
Differences	1) Definition	Multiple definitions of CSR and the boundaries are blurry (Abbott & Monsen 1979; Brammer & Millington 2004; Keim 1978; Maignan & Ralston 2002).	Shares a seminal document (the WCED definition) that grounds much of the research (Bansal 2005; Chan 2005; Christmann 2000; Sharma & Henriques 2005).
	2) Business conduct	Doing business in ways that benefit, rather than harm, society and the environment (Ingram 2013).	The ability to survive into the future and to eventually outlive its current owners (Ingram 2013).
	3) Traditional views	Does not include a commitment to the environment (Adizes & Weston 1973; Alexander & Buchholz 1978; Davis 1973).	Making a company a greener, more energy efficient operation, in addition to taking care of people and profit (Millar 2013).
	4) Concept inclusiveness	Including sustainability (Millar 2013).	An approach to CSR, similar to CSP, corporate citizenship, issues management, and cause-related marketing (Smith & Higgins 2000).
	5) Economic prosperity	Business exists for profit (Friedman 1970; Hayek 1960).	Gain profit through value creation (Bansal 2005; Porter & Kramer 2011).
	6) Theoretical source	Stakeholder view (Boal & Peery 1985; Maignan & Ralston 2002)	Resource-based view (Hart 1995; Russo & Harrison 2005); motivation theory (Ramus & Steger 2000); institutional theory (Delmas & Toffel 2004; Hoffman 1999).
	7) Applicability	Business organisations	All types of organisations, including government sectors.

Table 3.4 (Continued)

Differences and similarities	Criteria	CSR	Sustainability
Differences	8) Relations among economic, social and environmental pillars	Independent. Social responsibility is a supplement to economic prosperity, which is the primary responsibility of businesses (Agle, Mitchell & Sonnenfeld 1999; Carroll 1979; Graves & Waddock 1994; Turban & Greening 1997).	Interconnected and complementary (Bansal 2005).
Similarities	1) Definition	Interchangeable (Banerjee 2008; Montiel 2008; Mpofu & Karedza 2013; Mujtaba & Cavico 2013; Ofori, Nyuur & S-Darko 2014).	
	2) Management literature	Refers to social and environmental management issues (Montiel 2008).	
	3) Environmental and social concerns	Both address economic prosperity, social equity and environmental integrity (Ingram 2013; Millar 2013; Montiel 2008)	
	4) Triple Bottom Line (TBL)	To achieve long-term sustainability and social responsibility through TBL (Ingram 2013).	
	5) Performance measurement	Similar variables are used; for instance, ethics policy, philanthropic contributions, stakeholder relationships, urban development, minority support programs, health and safety initiatives, pollution abatement programs, and conserving natural resources (Alexander & Buchholz 1978; Aupperle, Carroll & Hatfield 1985; Cochran & Wood 1984; McGuire, Sundgren & Schneeweis 1988).	

Source: summarised by this author

Table 3.4 summarises the similarities and differences between the concepts of CSR and sustainability that the author has derived from this literature review. Of course, these features are extremely debatable since disputes and disagreements in these two fields have been shown to be common.

3.4 CSR and sustainability management

There are many models for managing CSR and corporate sustainability. In this section, McNall et al.'s characteristics of sustainable companies and the sustainability phase model[21] developed by Benn et al. (2011) and Dunphy et al. (2007) will be introduced. McNall et al.'s characteristics of sustainable companies is a comprehensive model, which include specific details for measuring the CSR and sustainability performance of an organisation including corporate goal setting, mindset shifting, detailed energy-saving, resource protection, and market responses. This model is relatively static and it is more practical in evaluating CSR and sustainability performance at a particular time rather than being used as a dynamic process. In contrast, the Sustainability Phase Model breaks the CSR and sustainability process into 6 stages of development, and sets specific criteria for each of these stages. It is easy and convenient for any organisation to directly apply in CSR and sustainability evaluation as the organisation seeks to distinguish performance gaps and future directions. A combination of these two models has been used to enable a comprehensive CSR and sustainability performance evaluation of Shoetown.

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[21] The Phase Model has been updated in Benn, Dunphy and Griffiths (2014) in the 3rd edition in 2014.

3.4.1 Characteristics of sustainable companies, McNall et al.

Table 3.5 Characteristics of sustainability, McNall et al.

S.N.	Sustainable companies
1	Understand sustainability is an approach to management, rather than a specific goal or target
2	Require a mindset shift about CSR, management practices and the value of the organisation within society
3	Are value-driven with a sustainability core to its business practices and strategic planning processes
4	Ensure that all dimensions of the supply chain are managed to achieve better efficiencies, protect the biosphere in which they operate, and ensure that they will stay in business
5	Involve all members of the organisation in assisting to set and achieve the objective for sustainability
6	Understand that sustainability means managing for complexity and managing from a systems-level understanding of risk and inherent uncertainty
7	Recognise that sustainability involves concrete activities and specific goals for achieving sustainability within an organisation
8	Realise that sustainability cannot be achieved by themselves alone, and plan with diverse partnerships with a broad sense of community in mind
9	Seek to close the gap between intentions and actions, and measure progress towards all three dimensions of sustainability
10	Focus on the development, and balance of, long-term goals with short-term goals, which may be driven by market returns in a single quarter
11	Are proactive in responding to — and often leading — government mandates and regulations
12	Act in response to the rising cost of energy and natural resources, as well as desire to protect brand image
13	Understand that the survival of the organisation depends on the preservation and restoration of the biosphere on which they and their customers depend
14	Recognise that the challenges of sustainability provide new business opportunities that will lead to the creation of new technologies, products, markets and new solutions to environment, social and economic problems

Source: McNall et al. (2011)

Table 3.5 lists the details of the characteristics of sustainable companies proposed by McNall et al.
(2011). This model will be used to evaluate the CSR and sustainability performance of Shoetown
in chapter 7.

3.4.2 The sustainability phase model

The phase model is an influential management tool for making meaningful comparison between organisations to assess their current commitment to, and practice of, behaviours relevant to CSR and business sustainability in general. It is also a useful tool to guide organisations as they embrace the CSR and sustainability.

Table 3.6 Overview: the sustainability phase model

Phase	Key features
Phase 1 Rejection	The freeloaders and stealthy saboteurs
Phase 2 Non-responsiveness	The "bunker wombats"
Phase 3 Compliance	The reactive minimalists
Phase 4 Efficiency	The industrious stewards
Phase 5 Strategic proactivity	The proactive strategists
Phase 6 Sustaining corporation	The transformative futurists

Source: Dunphy et al. (2007)

As depicted in table 3.6, there are 6 phases in this model: rejection, non-responsiveness, compliance, efficiency, strategic proactivity and the sustaining corporation (Dunphy, Griffiths & Benn 2007). According to Benn et al. (2011) and Dunphy et al. (2007), there are distinguishing characteristics of each phase of this model (Benn, Dunphy & Perrott 2011; Dunphy, Griffiths & Benn 2007).
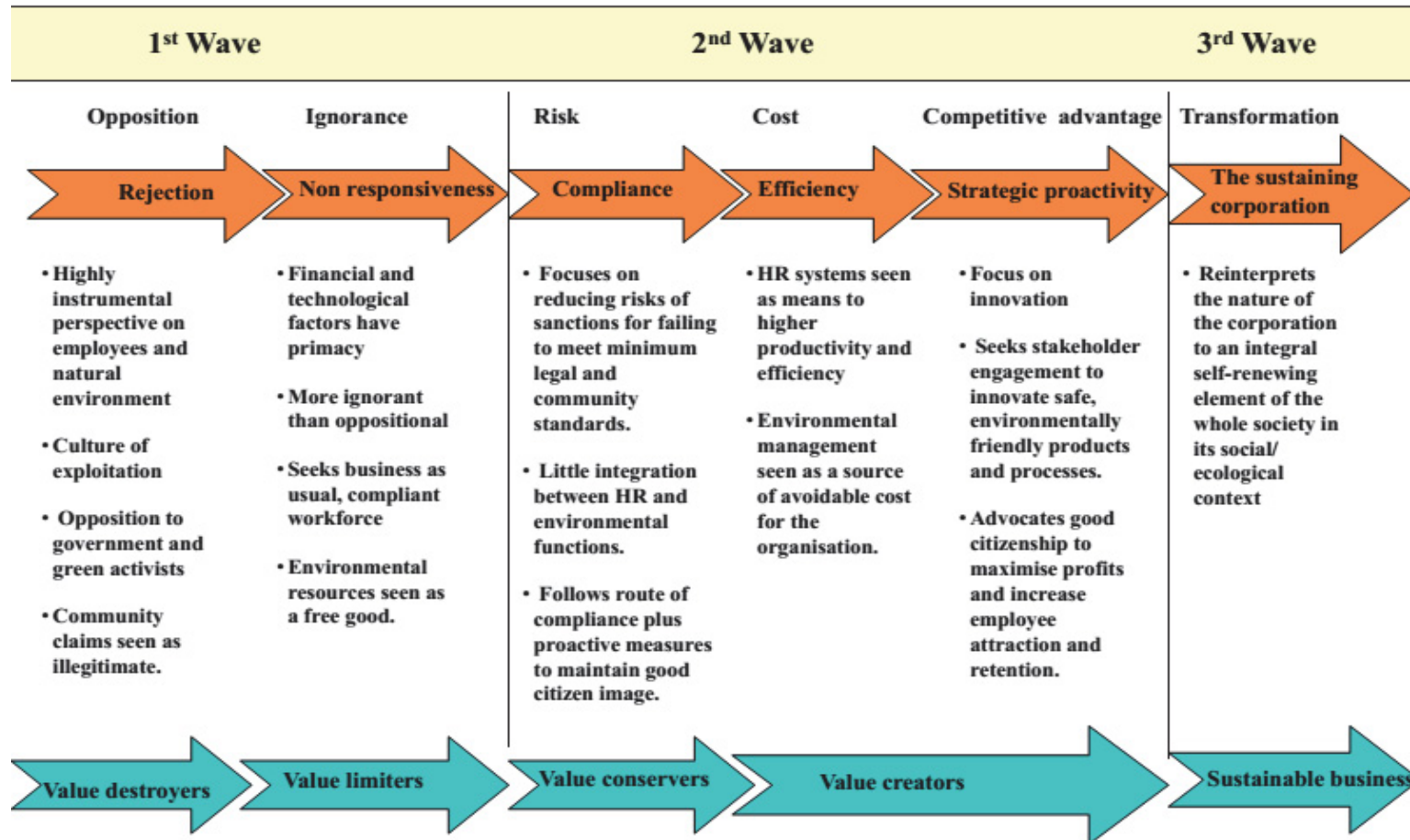
Figure 3.5 The sustainability phase model
Source: Dunphy et al. (2007, p. 17)

The distinguishing characteristics of each phase of the phase model have been shown in figure 3.5.

Phase 1 Rejection portrays a strong belief that the organisation exists simply to maximise profit, and that any other claims by the community are dismissed as illegitimate. Employees are regarded as a resource to be exploited without considering health, welfare, future career prospects and safety features. Community concerns are completely ignored. The environment is regarded as a "free good" to be exploited, and any pro-environmental action is seen as a threat to the organisation in this phase.

Phase 2 Non-responsiveness usually results from lack of awareness or ignorance rather than from active opposition to a corporate ethic broader than financial gain. Financial and technological factors dominate business strategies to the exclusion of most aspects of human resource management. Broader human resource strategies and policies are ignored; likewise issues of wider social responsibility and community concern. The ecological environment is not considered relevant in strategic or operational decisions. Little regard is given to environmental degradation resulting from organisational activities.

Phase 3 Compliance focuses on reducing the risk of sanctions for failing to meet minimum standards as an employer or producer. During this phase, financial and technological factors still dominate business strategies, but senior management view the organisation as a "decent employer". Human resource functions may be instituted but possibly with little integration between them. Community concerns are addressed only when the company faces the risk of prosecution or where negative publicity may damage its financial bottom line. The most obvious environmental abuses are eliminated while other minor environmental issues are ignored.

Phase 4 Efficiency reflects a growing awareness on the part of the dominant elite in the corporation that there are real advantages to be gained by proactively instituting sustainable practices. Systematic attempts are made to integrate human resource functions into a coherent HR system to reduce costs and increase efficiency. People are viewed as a significant source of

expenditure to be used as productively as possible. Community projects may be undertaken where funds permit and where cost benefits to the company can be demonstrated. Poor environmental practice is seen as an important source of avoidable cost. Environmental issues are ignored only if they are not seen as generating avoidable costs or increasing efficiencies.

Phase 5 Strategic proactivity sees the organisation further along the sustainability path by making sustainability central to the enterprise business strategy. Senior executives begin to see sustainability as providing a potential competitive advantage and they try to position the organisation as a leader in sustainable business practices, including good corporate governance and corporate citizenship. The focus here is innovation. Advanced human resource strategies are designed to attract high-level talent. The commitment to sustainability is strongly embedded in the quest for maximising longer term corporate profitability.

These organisations also have a strong capability to plan and achieve ongoing financial stability. At this phase, organisations incorporate the general concept of sustainable corporate responsibility into their ongoing strategic planning and management. The main value added at this phase comes through increased revenue and market share; stronger stakeholder support; higher retention rates of competent staff; faster attraction of new customers; being an established leader in developing new markets; becoming an employer of choice, thus attracting and retaining skilled managers and professionals; and operating at the high value-added end of the market. Benn et al. (2011) view the central theme of Phase 5 as "lead[ers] in value-adding and innovation" (Benn, Dunphy & Perrott 2011, p. xvii).

Phase 6 is the Sustaining Corporation. In this final phase, the strategic elite has strongly internalised the ideology of working for a sustainable world. As each advance in this area supports the developing strategies of the organisation. The business environment is redefined. If the organisation is a for-profit company, it still pursues the traditional business objective of providing an excellent return to investors, but it voluntarily goes beyond this by actively promoting ecological sustainability values and practices in the industry and society. The nature of the corporation is reinterpreted as an integral self-renewing element of the whole society in

its ecological context.

These organisations have developed the capability to create a business model that provides ongoing and continuing financial viability. There is ongoing and integrated knowledge capture, storage and dissemination of the ways the organisation sustains growth and viability. Stakeholder involvement is ongoing and engagement is a strong and accepted aspect of the culture. All key members of the supply chain are involved in well-coordinated sustainability practices, including a focused effort to improve the sustainable behaviour of customers and consumers. The potential business benefits of this phase are that the organisation is seen as exercising leadership for the global sustainability movement; its reputation is enhanced; and it continues to build reputation and stakeholder support and involvement. Benn et al. (2011) view the central theme of Phase 6 as to "Transform ourselves: lead in creating a sustainable world" (Benn, Dunphy & Perrott 2011, p. xviii).

Dunphy, Griffiths and Benn (2007) maintain that the sustainability phase model is used to depict the six stages in an organisation's sustainability across its human and ecological management domains. However, it does not mean that a business firm necessarily progresses through the phases step-by step on an "improvement" trajectory. In practice, it is possible for a business firm to overtake a phase or regress by giving up previous achievements in sustainable practice. "The implementation of phase model mainly depends upon the context and responses of stakeholders of a particular firm" (Dunphy, Griffiths & Benn 2007, p. 14).

The sustainability phase model is a practical tool guiding CSR and sustainability initiatives; however, it has been developed from a western academic background without consideration of other cultural contexts. This author holds that the sustainability phase model can also be applied in a Chinese context as a guide to firms implementing CSR and sustainability. Nevertheless, the model needs to be enhanced in order to deal with Chinese contexts. In figure 3.6, this author proposes enhancements to the sustainability phase model in case this model is applied in the Chinese context.
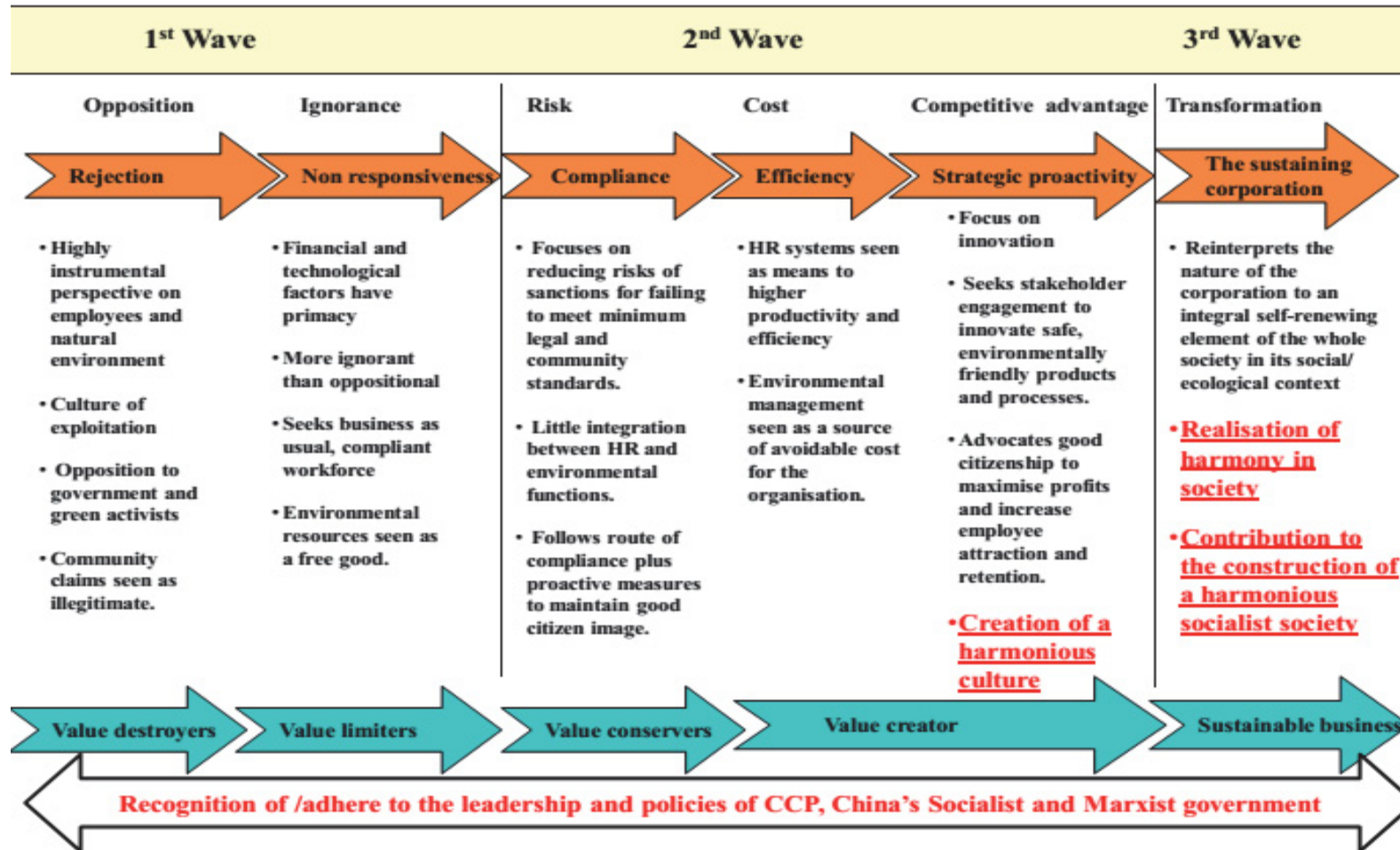
Figure 3.6 The sustainability phase model in China
Source: Enhanced by the author based on Dunphy et al.(2007, p. 17)

As depicted in figure 3.6, the key contents from phase 1 to phase 4 remained unchanged from the original model. This author believes that the criteria of these four phases are universally applicable. There are three major enhancements proposed by this author.

First, as shown at the bottom of the diagram, all businesses operating in China have to recognise and adhere to the leadership and policies of the CCP, China's socialist and Marxist government. This is a primary condition of doing business in China. This includes respecting the socialist ideology, and the legal, political and economic systems in China.

Second, CSR and sustainability initiatives with Chinese characteristics emerge in phase 5. Besides the original criteria, a proactive CSR and sustainability business should be ready and able to create a harmonious culture, which is defined as a culture "with harmony as the core value and culture as its form of expression. It integrates various ideologies, beliefs, customs, norms and values into the construction of a harmonious society. Harmonious culture provides principles for thinking and behaving and serves as a common value shared by all members in a society. It is an integration of social development and culture construction"(Liu Yutang & Liu Baochang 2007, p. 329) (Liu Baochang 1998). Harmonious culture is considered as the foundation of a responsible business. It also supportive of the rest of the criteria listed in this phase.

Third, a sustaining corporation should be the one that is able to realise a harmonious society within the Chinese context. The "harmonious society" has been defined as a society typified by "democracy and law; fairness and justice; integrity and friendship; vigour and vitality; stability and order; and the harmonious coexistence of man and nature" (He Yun 2012; Li Junkui 2006). As discussed in chapter 1, the Chinese government has proclaimed: "A harmonious socialist society is both a society full of vigour and a society of unity and harmony. We must enhance the energy of society to its fullest; promote the harmony of relationships between political parties, ethnic groups, religions, social strata, and compatriots at home and abroad; strengthen the great unity of the people of all ethnic groups; and enhance the great solidarity of all the sons and daughters of the Chinese nation at home and overseas" (BWM & Trueman 2008, p. 157). Obviously, these principles can be interpreted as the criteria for a sustainable business

organisation in China.

3.5 Summary

This chapter traces the origins of CSR and sustainability, and discovers that practices of both CSR and sustainability initiatives were evident during ancient times in both the West and China. Business has been strictly controlled in western society from ancient Greek times to the Industrial Revolution. Similarly, ancient Chinese business ethics were deeply influenced and embedded in traditional Chinese culture reflected in the traditional philosophical thoughts Confucianism, Daoism and Buddhism, especially the thoughts of Lü Buwei.

Though sustainability is commonly acknowledged as a three-dimensional approach — the environment, economic development and social equity — there are still disagreements over this three-dimensional approach among various academia (Newport, Chesnes & Lindner 2003). Similar disputes are applicable to the definition and concept of CSR. Implementation of both initiatives requires more interconnection, integration and involvement of a great many and varied stakeholders. Moreover, both CSR and sustainability are context-based concepts and diversity is fundamental, calling for prudence, adaptability and transparency. Though CSR and sustainability have been seen to be convergent in recent years, contrasts shows that there are still some differences between the two terms.

Regardless, it is of critical importance to note that all of these definitions, models, drivers and guidelines are almost entirely based on research in Western contexts. Several empirical studies have suggested that culture may have an important influence on perceived CSR priorities (Burton, Farh & Hegarty 2000; Edmondson & Carroll 1999; Pinkston & Carroll 1994). Dartey-Baah and Amponsah-Tawiah (2011) suggest that these western theories are not perfectly applicable [in the developing economies] for several reasons, all of which stem from key difference between   western countries (originators of these theories) which are relatively more socially and economically developed than the developing economies. Western countries have different drivers of CSR which tend to emphasise issues such as consumer competitiveness, "reputation pull", brand management strategies and environmental concerns (Dartey-Baah &

Amponsah-Tawiah 2011). Obviously, similar cultural issues will be encountered when these Western theories are applied to the Chinese context.

Both CSR and sustainability concepts are newly introduced to China. The literature shows that Chinese scholars have been influenced by western understanding and interpretations. Further, some Chinese researchers have blindly copied the western concepts and sought to apply the same to Chinese businesses without taking appropriate consideration of the unique Chinese context. This highlights the urgency of establishing CSR and sustainability research and practice with Chinese characteristics.

Both CSR and sustainability initiatives have become irrevocable trends for business firms as they seek competitiveness in the new global business era. Proactive leadership becomes essential to the success of such initiatives. Two practical CSR and sustainability management models —McNall et al.'s characteristics of sustainable companies and the Sustainability Phase Model of Dunphy, Griffiths and Benn — have been introduced to offer evaluation tools for CSR and sustainability performance and some enhancements have been suggested to the Sustainability Phase Model by this author to assist this models application within a Chinese context. Implementation of CSR and sustainability initiatives is a process that involves the various stakeholders of an organisation. Therefore, stakeholder management becomes very fundamental to the success of CSR and sustainability initiatives. To clarify the relationship between these concepts, stakeholder theory will be explored in the following chapter.

4 Literature Review: Stakeholder Theory

In the preceding chapter, the author carried out a thorough review of the literatures of both CSR and sustainability. It is obvious that CSR and sustainability are sometimes two identical and interchangeable terms, though differences exist between them. Moreover, the implementation of CSR and business sustainability involves multiple parties external and internal to the organisation, in addition to the traditional shareholders. Meanwhile, in practice, more and more business firms are beginning to suspect the traditional corporate ideology that regards shareholders as the primary concerns due to the intrinsic paradox between managerial theoretical belief and practice.

This chapter starts with a comprehensive description and discussion on the concept and definitions of stakeholder theory. It especially focuses on the two categories: broad and narrow views. The chapter then moves into the exploration of the evolutionary course of stakeholder theory, where different development stages and their key features will be introduced. The chapter next discusses the classification and identification of stakeholders, which is followed by the introduction of three key stakeholder management models. Later, the chapter introduces the new features of stakeholders in the globalisation era and summarises the relationship among CSR, sustainability and stakeholder theory, and identifies the linkages of these terms with the traditional Chinese harmonious culture.

4.1 The concept and definitions of stakeholder theory

A great many very different definitions of *stakeholders* and *stakes* have been given in the stakeholder theory literature. The definitions of stakeholders and stakes go from broad definitions such as the one provided by Freeman (1984) defining stakeholders as "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman 1984, p. 46) to narrow conceptualisations such as "the stakeholders in a firm are individuals and constituencies that contribute, either voluntarily or involuntarily, to its

wealth-creating capacities and activities, and who are therefore its potential beneficiaries and/or risk bearers" (Blair 1995; Blair 1998; Sachs, Post & Preston 2002).

Freeman (1984) acknowledges that the precise origin of "stakeholder" is surprisingly difficult to track down. He holds that the actual word "stakeholder" first appeared in management literature in an internal memorandum of the Stanford Research Institute in 1963 (Freeman 1984). The term was meant to generalise the notion of stockholder as the only group to whom management needs be responsive. Therefore, the stakeholder concept was originally defined as "those groups without whose support the organization would cease to exist"(Freeman & Reed 1983, p. 89). Ansoff (1965) points out that stakeholder theory originated from the objectives of an organisation to balance all conflicts among different stakeholders that include executives, employees, shareholders, suppliers and wholesalers. However, to date there is no consensus on the definition of stakeholder among academics.

Donaldson and Preston (1995) hold that one of the primary challenges in stakeholder analysis has been the construction of a universally acceptable definition of the term "stake". Clarkson et al. (1994) note that although there has been an abundance of articles and books using the stakeholder framework since Freeman's work, the meaning of the term "stakeholder" has not been applied consistently (Clarkson et al. 1994).

As summarised in table 4.1 by Friedman and Miles (2006), there have been about fifty-five definitions for stakeholder "covering seventy-five texts arranged in chronological order" since it was defined by the Stanford Research Institute (SRI) in 1963.

Table 4.1 Definitions of stakeholder

Date	Author	Stakeholder definition
1963	Stanford Research Institute	"Those groups without whose support the organization would cease to exist" (cited in Freeman 1984; Freeman & Reed 1983)
1964	Rhenman (1964, p. 28), adopted by: Steadman and Green(1997, p. 142)	"Stakeholders are the individuals and groups who are depending on the firm in order to achieve their personal goals and on whom the firm is depending for its existence"
1965	Ansoff (1965, p. 34)	"The objectives of the firm should be derived balancing the conflicting claims of the various 'stakeholders' in the firm … The firm has a responsibility to all of these and must configure its objectives so as to give each a measure of satisfaction"
1971	Ahlstedt and Jahnukainen (1971)	"Driven by their own interests and goals are participants in a firm, and thus depending on it and whom for its sake the firm is depending" (cited in Näsi 1995)
1983	Freeman and Reed (1983, p. 91)	Wide: "can affect the achievement of an organization's objectives or who is affected by the achievement of an organization's objectives" Narrow: "on which the organization is dependent for its continued survival"
1984	Freeman (1984, p. 46) adopted by: Berman et al. (1999) Burton and Dune (1996) Calton and Kurland (1996) Frooman (1999) Goodpaster (1991) Greenley and Foxall (1997) Heugens et al. (2002) Jawahar and McLaughlin (2001) Jones and Wicks (1999) Kujala (2001) Metcalfe (1998) Page (2002) Roberts (1992) Rowley and Moldoveanu (2003) Rowley (1997) Sternberg (1997) Wood and Jones (1995)	"Can affect or is affected by the achievement of the organization's objectives"

Table 4.1 (continued)

Date	Author	Stakeholder definition
1987	Cornell and Shapiro (1987, p. 5)	"Claimants" who have "contracts"
1987	Freeman and Gilbert (1987, p. 397)	"Can affect or is affected by a business"
1988	Bowie (1988, p. 112)	"Without whose support the organization would cease to exist"
1988	Evan and Freeman (1988)	Stakeholders are those who have a stake in or claim on the firm; benefit from or are harmed by, and whose rights are violated or respected by, corporate actions
1989	Alkhafaji (1989, p. 36)	"Groups to whom the corporation is responsible"
1989	Carroll (1989, p. 57)	"Asserts to have one or more of these kinds of stakes, which range from an interest to a right (legal or moral) to ownership or legal title to the company's assets or property"
1990	Freeman and Evan (1990)	"Contract holders"
1991	Low (1991)	Stakeholders are all those who have an interest in the firm's survival
1991	Miller and Lewis (1991, p. 55)	"Stakeholders are people who can help or hurt the corporation"
1991	Savage et al. (1991, p. 61)	"Have an interest in the actions of an organization and ... the ability to influence it"
1991	Thompson et al. (1991, p. 209)	"In relationship with an organization"
1992	Hill and Jones (1992, p. 133)	"Constituents who have a legitimate claim on the firm ... established through the existence of an exchange relationship" who supply "the firm with critical resources (contributions) and in exchange each expects its interests to be satisfied (by inducements)"
1992	Palgrave et al. (1992)	Those whose welfare is tied with a company
1993	Brenner (1993, p. 205)	"Having some legitimate, non-trivial relationship with an organization [such as] exchange transactions, action impacts, and moral responsibilities"
1993	Carroll (1993, p. 60) adopted by: Gibson (2000)	Stakeholders are "those groups or individuals with whom the organization interacts or has interdependencies" and "any individual or group who can affect or is affected by the actions, decisions, policies, practices or goals of the organization"

Table 4.1 (continued)

Date	Author	Stakeholder definition
1993	Starik (1993)	Any naturally occurring entity that affects or is affected by organisational performance
1994	Clarkson (1994)	Those who bear some form of risk as a result of having invested some form of capital, human or financial, something of value, in a firm or are placed at risk as a result of a firm's activities
	Freeman (1994, p. 415)	"[Participants in] the human process of joint value creation"
	Langtry (1994, p. 433)	"The firm is significantly responsible for their well-being, or they hold a moral or legal claim on the firm"
	Mahoney (1994)	Passive stakeholders who have a moral claim on the company not to infringe liberties or inflict harm and active stakeholders those whose claims are more in the nature of welfare rights
	Schlossberger (1994)	Investors who provide specific capital or opportunity capital to a business
	Starik (1994, p. 90)	"Those entities can and are making their actual stakes known, and, on other end, by those which are or might be influenced by, or are or potentially are influencers of, some organization or other, whether or not this influence is perceived or known"
	Wicks et al. (1994, p. 483)	" [Those who] interact with and give meaning and definition to the corporation"
1995	Blair (1995)	All parties who have contributed inputs to the enterprise and who have at risk investments that are highly specialized to the enterprise
	Brenner (1995, p. 76)	"Are or which could impact or be impacted by the firm/organization"
	Calton and Lad (1995)	Those who have legitimate claims
	Clarkson (1995, p. 106)	"Stakeholders are persons or groups that have, or claim, ownership, rights, or interests in a corporation and its activities, past, present, or Future"
	Donaldson and Preston (1995)	Stakeholders are those individuals with explicit or implicit contracts with the firm. They can be identified through the actual or potential harms and benefits that they experience or anticipate experiencing as a result of the firm's actions or interactions

Table 4.1 (continued)

Date	Author	Stakeholder definition
1995	Jones (1995, p. 407)	"Groups and individuals with (a) the power to affect the firm's performance and/or (b) a stake in the firm's performance"
	Näsi (1995, p. 19)	"Interact with the firm and thus make its operation possible"
1996	Gray et al. (1996)	Any human agency that can be influenced by, or can influence, the activities of the organization
1997	Carroll and Näsi (1997, p. 46)	"Any individual or group who affect or affected by the organization and its processes, activities, and functioning"
	Mitchell et al. (1997) adopted by: Agle et al. (1999)	Legitimate or urgent claim on the corporation or the power to influence the corporation
	Phillips (1997, pp. 63-4)	"Voluntary members of a cooperative scheme for mutual benefit … partners for the achievement of mutual advantage. A claim can only be justifiable in the case that it can be approved of by all those affected by the norm"
1998	Argandona (1998, p. 1099)	"Customers and suppliers, banks and unions, the local community, the authorities, interest groups, competitors, and so on, until it encompasses all men of all times, by virtue of the unity of the human family"
	Frederick (1998)	Everyone in the community who has a stake in what the company does
1999	Clarkson Centre for Business Ethics (1999, p. 257) adopted by: Whysall (2000)	"Parties that have a stake in the corporation: something at risk, and therefore something to gain or lose, as a result of corporate activity"
	Leader (1999, pp. 105-6)	" Rights [of stakeholders] are internally linked to the company, within its constitution. These constitutional rights must go along with constitutional powers"
	Reed (1999, p. 467)	" [Those with] an interest for which a valid normative claim can be advanced"
2000	Kochan and Rubinstein (2000, p. 369)	"saliency or influence of [Stakeholders] is a function of (1) the extent to which potential stakeholders contribute valued resources to the firm, (2) the extent to which they put these resources at risk and would experience costs if the firm fails or their relationship with the firm terminates, and (3) the power they have in or over an organization"

Table 4.1 (continued)

Date	Author	Stakeholder definition
2000	Scott and Lane (2000, p. 53)	" [Those who] have a direct influence on organizational performance and survival"
2001	Hendry (2001)	Moral actors … relationships cannot be reduced to contractual or economic relations, include social characteristics such as interdependence
	Lampe (2001, p. 166)	"Parties affected by an organisation"
	Ruf et al.(2001)	Constituencies who have explicit or implicit contracts with the firm
2002	Cragg (2002, p. 115)	" The activities of corporations impact on individuals and collectivities whose interests are thereby affected both negatively and positively"
	Orts and Strudler (2002, p. 218)	" Participants in a business (who) have some kind of economic stake directly at risk"
	Reed (Reed 2002, p. 174)	"[There are] distinguished three basic stakes—each one reflecting the basic claim of one of the three normative realms of morality, legitimacy, and ethics. These basic stakes—each of which can be further delineated in terms of the obligations they imply to particular stakeholder groups—are fair economic opportunity, political equality, and authenticity"
2003	Philips (2003, pp. 30-1)	"Normative stakeholders: for those whose benefit should the firm be managed. Derivative stakeholders: potential to affect organisation and its normative stakeholders"

Source: The author based on Friedman and Miles (2006, pp. 5-8)

Friedman and Miles (2006) hold that there are two dominant features in the definitions of stakeholder theory, although many researchers have contributed their understanding and interpretations to this concept (Friedman & Miles 2006).

First, there exists a mutual connection between an organisation and its stakeholders. The nature of the connection is generally indicated by a verb. For instance, the definition of Freeman (1984) is based upon the verb "affect", which demonstrates a strongly cohesive relationship.

Second, there exists a way of stakeholder identification. In this case, the definition may include a defining adjective, other type of qualifier or aspect of either the organisation or the stakeholder.

This definition tends to lead to a narrowing of the scope of who may be identified as a stakeholder.

Furthermore, Starik (1994) claims that there might be numerous levels of specificity as to what the term "stakeholder" means, depending on what the user is referring to. To simplify the process for analysis, he suggests these definitions be classified as narrow (or focused) and broad, so as to distinguish the different meanings among the varying notions of stakeholder. From his perspective, "a narrow definition might include only 'actual' 'stakeholders' (e.g. current customers), whereas a broad definition of the term might include 'potential' 'stakeholders' (e.g. family and friends of current customers)" (Clarkson et al. 1994, p. 91).

4.1.1 The broad definition of stakeholder

As mentioned above, Freeman (1984) defines stakeholder as any group or individual who can influence or will be influenced by the achievement of an organisation's objectives. Freeman (1984) tries to explain the relationship between the organisation and its external environment in conjunction with its behaviour within this environment.
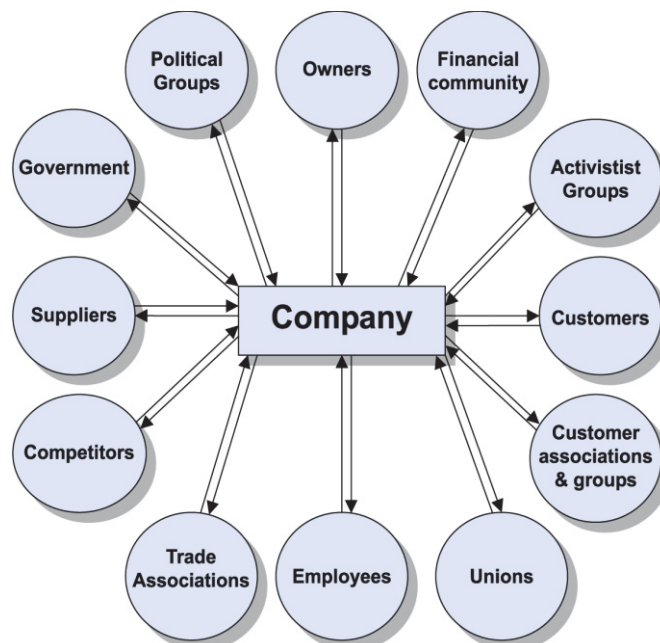
Figure 4.1 Stakeholder view of firm
Source: Freeman (1984, p. 25)

Figure 4.1 shows Freeman's (1984) stakeholder view of the firm. Freeman presents his model as a map in which the organisation is positioned at the centre and interacts with the surrounding stakeholders. These include stockholders, creditors, managers, employees, customers, suppliers, local communities and the general public. In this model, company–stakeholder relationships are dyadic and mutually independent (Frooman & Murrell 2005).

Though it is considered a classic, Freeman's stakeholder definition has been regarded as a broad definition. It's breadth has been criticised by Mitchell et al. (1997), because this definition "is certainly one of the broadest definitions in the literature, for it leaves the notion of stake and the field of possible stakeholders unambiguously open to include virtually anyone" (Mitchell, Agle & Wood 1997, p. 856). In later research, Freeman was fond of using this concept to define stakeholders. For instance, Freeman believes that stakeholders can be anyone who "can affect or is affected by a business", who "has interests in the organization", who are the participants of "the human process of joint value creation" (Beauchamp & Bowie 1988; Freeman 1994; Sethi & Falbe 1987).

During the course of development of stakeholder theory, quite a number of scholars tend to use the broad approach to define "stakeholder". For instance, Alkhafaji (1989) regards stakeholders as "groups to whom the corporation is responsible" (Alkhafaji 1989, p. 36). Thompson (1991) treats those who have a "relationship with an organization" as stakeholders (Varela, Thompson & Rosch 1991, p. 209). According to Carroll (1989), stakeholders are those who "assert to have one or more of these kinds of stakes — ranging from an interest to a right (legal or moral) to ownership or legal title to the company's assets or property" (Carroll 1989, p. 57). Wicks et al. (1994) explain that stakeholders are those who "interact with and give meaning and definition to the corporation" (Wicks, Gilbert Jr & Freeman 1994, p. 483). Clarkson(1995) defines stakeholders as those who "have, or claim, ownership, rights, or interests in a corporation and its activities" (Clarkson 1995, p. 106). Donaldson and Preston (1995) affirm that stakeholders are "persons or groups with legitimate interests in procedural and/or substantive aspects of corporate activity" (Donaldson & Preston 1995, p. 8). Näsi (1995) also agrees that stakeholders are those who "interact with the firm and thus make its operation possible" (Näsi 1995, p. 19).

All these definitions are obviously influenced by the broad definition attributed to Freeman, so that Jawahar and McLaughlin (2001) affirm: "Although debate continues over whether to broaden or narrow the definition, most researchers have used a variation of Freeman's definition of a stakeholder" (Jawahar & McLaughlin 2001, p. 400).

Undoubtedly, such broad definitions are comprehensive enough to include nearly everything, but they also consist of general pitfalls; that is, no quantitative analysis can be based upon such definitions. Therefore, researchers such as Freeman and Clarkson have tried to establish quantitative approaches to overcome such pitfalls. However, Freeman later has evolved from the quantitative approach to shift towards the normative approach to define stakeholders, and regards the normative approach as the foundation for stakeholder theory (Evan & Freeman 1988). Later, Freeman et al. (2007) constructed a basic two-tier stakeholder map model for identifying stakeholders while locating the firm in the centre of the map.
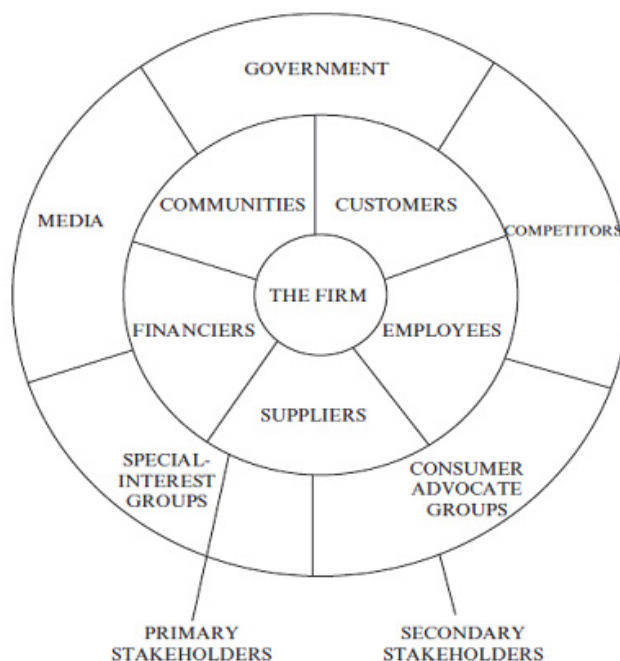
Figure 4.2 Basic two-tier stakeholder map
Source: Freeman et al. (2007, p. 7)

As depicted in figure 4.2, the business stakeholders are further classified into two broader categories, namely primary stakeholders and secondly stakeholders. In the primary stakeholder

tier are customers, employees, suppliers, communities and financiers. They are in this category because they are essential to the continued growth and survival of any business. These stakeholders are known as primary stakeholders or definitional stakeholders. On the other hand, government, competitors, media, environmentalist, corporate critics, special-interest groups are shown in the secondary stakeholder tier. The stakeholder map is essentially dependent on the particular context of an organisation. For example, businesses in the defence industry may view governments as primary stakeholders, while businesses involved in toxic waste disposal would tend to regard environmentalists as primary stakeholders.

Though quite broad, such a stakeholder mapping is easily embraced by business organisations, because "the organization or decision maker is more likely to explore its social and ethical responsibilities fully than when using a narrower definition" (Carroll & Buchholtz 2008, p. 84).

4.1.2 The narrow definition of stakeholder

It is believed that the narrow definitions of stakeholder emerged earlier than the broad ones. For instance, the definition given by the SRI is considered a typical narrow definition. The narrow definitions have also been employed by some later scholars such as Cornell and Shapiro (1987), who define stakeholders as the "claimants" who have "contracts" (Cornell & Shapiro 1987, p. 5). According to Hill and Jones (1992), stakeholders are the "constituents who have a legitimate claim on the firm ... established through the existence of an exchange relationship" who supply "the firm with critical resources (contributions) and in exchange each expects its interests to be satisfied (by inducements)" (Hill & Jones 1992, p. 133). Clarkson (1994) defines stakeholders as those who "bear some form of risk as a result of having invested some form of capital, human or financial, something of value, in a firm" or "are placed at risk as a result of a firm's activities" (Clarkson 1994, p. 5).

There are two typical narrow definitions of stakeholders given by Carroll and Buchholtz (2008), and Mitchell et al. (1997).

According to Carroll and Buchholtz (2008), stakeholders are the "individuals or groups with which business interacts who have a 'stake', or vested interest, in the firm" (Carroll &

Buchholtz 2008, p. 27). The idea of a stake can range from simply an interest in an undertaking at one extreme to a legal claim of ownership at the other extreme. In between these two extremes might be a "right" to something (Carroll & Buchholtz 2008).

Obviously, narrow definitions of stakeholders only attach to a key feature of stakeholders and to the emphasis of a core stake stakeholder's hold on an organisation. This seems to be more applicable to the practices of business firms. However, another problem appears with this narrow definition: What are the attributes of such stakeholders? This question is believed to have been answered in the definition given by Mitchell et al. (1997) in the stakeholder typology by emphasising three key stakeholder attributes: power, legitimacy and urgency. Mitchell et al.'s stakeholder typology will be further discussed in the next section of this chapter.

In summary, the broad definitions of stakeholders are constructed according to a descriptive basis that emphasises the individual or group who would ultimately be affected by the organisation regardless of whether they are legitimate or not. The narrow definitions of stakeholders are constructed on a normative basis that emphasises a few legitimate individuals or groups. All such definitions provide basic guidelines for recognition and identification of relevant corporate stakeholders, so as to carry out corresponding stakeholder management schemes.

However, this author has noted that much of the definitional literature was written before the internet, including social media, was created, and its potential understood. The globalisation of business does not appear to have factored into definitional thinking either. Given this, this author is wary of narrow definitions of "stakeholder". This is because the impact of the internet, social media and business globalisation and its pervasive attributes suggest that new stakeholders may emerge, from somewhere in the world, with the intent of taking market share, or with other interests, and with the capacity to fundamentally change the game and even destroy the organisation in its current form.

Narrow definitions may restrict an organisation's ability to see previously unforeseen risks and challenges, and as a consequence restrict an organisation's ability to deal with these new risks.

The McNamara fallacy, as reported in Handy (1994), deals with a similar problem in the field of an organisation's business information and knowledge leading to potentially disastrous consequences. This author considers that a similar situation could well apply to narrow stakeholder definitions. According to Handy (1994), the McNamara Fallacy is "The first step is to measure whatever can be easily measured. This is OK as far as it goes. The second step is to disregard that which cannot be easily measured or to give it an arbitrary quantitative value. This is artificial and misleading. The third step is to presume that what can't be measured easily really is not important. This is blindness.   The fourth step is to say what can't be easily measured really doesn't exist. This is suicide" (Handy 1994, p. 219).

This author recommends, in chapter 6, that further definitional studies be conducted to consider the potential impacts of the internet and globalisation on the definition of stakeholders, particularly whether narrow definitions place high risks on organisations.

It is worth noting that the majority of stakeholder definitions given in table 4.1 were developed when the internet, social media and globalisation were in their infancy or had not been invented. The potential consequences of this new contextual reality will be discussed later in this chapter and in chapters 7 and 8.

4.2   The evolution of stakeholder theory

As mentioned earlier in this chapter, stakeholder theory was initiated during the 1960s and continued through to the late 1980s (Blair & Roe 1999). Blair and Roe (1999) claim that stakeholder theory overturns the hypothesis of shareholder priority and is essentially supportive of the theory of CSR because stakeholder theory holds that a business is primarily an entity influenced by many markets and societies, not an organisation merely dominated by its shareholders (Blair & Roe 1999).

However, there is still obvious confusion existing in both the academic and business world regarding stakeholder theory. For instance, Roberts and Mahoney (2004) examined 125 accounting studies that used stakeholder language and found that nearly 65 per cent (81 studies)

"use the term stakeholder without reference to any version of stakeholder theory" (Roberts & Mahoney 2004, p. 400). The key finding is that writers use the same label to refer to many different concepts. This will probably carry great consequences on ethical, policy and strategic conclusions (Roberts & Mahoney 2004). It is therefore critical to get a thorough understanding of the development background of this theory so that it can provide a good base for guiding management sustainability practice.

Scholars from China and the West have tried to work out the evolutionary path of stakeholder theory. For example, Wang Hui (2005) claims that there have been different stages in the academic research of stakeholder theory. Based upon different understandings and research views of stakeholder theory, the academic research of stakeholder theory can be broken down into three stages: the corporate interdependence perspective, strategic management perspective and dynamic perspective (Wang Hui 2005).

Table 4.2 Stages of stakeholder theory research

Perspectives	Times[22]	View points	Key concerns	Representatives
Corporate Interdependence Perspective	1963–1984	Stakeholders are viewed as the precondition of the existence of the firm and it is interdependent with the firm.	Who are the stakeholders? Why should their benefits be considered?	SRI, Rhenman, Ansoff, Pfeffer, Salancik
Strategic Management Perspective	1984–1995	Emphasis on the roles of stakeholders in the firm's processes of strategic analysis, planning and implementation.	Why consider stakeholders' benefits and how to achieve this goal?	Freeman, Bowie, Goodpaster
Dynamic Perspective	1995 to present	There is a dynamic relationship between the benefit of the firm and stakeholders. The stakeholders should be dynamically managed.	Why consider stakeholders' benefits and how to achieve this goal? What would be the impacts on the performance of the firm?	Mitchell, Wood, Donaldson, Preston, Jones, Wicks, Clarkson

Source: Wang Hui (2005, p. 17)

Table 4.2 depicts the key features in these three stages and their relationship is summarised by Wang Hui (Wang Hui 2005).

The first stage, the "corporate interdependence perspective" developed between 1963 and 1984. The definition of stakeholder was originally developed by the Stanford Research Institute (now SRI International, Inc.). In this stage, stakeholders are viewed as the precondition of the survival of the firm and they are interdependent with the firm. The key concerns of the firm are related to questions of identification of stakeholders and their interests in the firm. The prominent scholars and institutes during this stage include SRI, Rhenman, Ansoff, Pfeffer and Salancik.

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[22] According to Wang Hui (2005), the time frame stipulated herein is roughly based upon the approximate prevailing of these perspective without a definite classification. For instance, the "strategic management perspective" as an independent perspective is still prevailing in academia up till date; however, Wang Hui has included the latest development of the "strategic management perspective" into the third stage:"dynamic perspective".

The second stage occurred between 1984 and 1995 and is called the "strategic management perspective". In 1984 Freeman (1984), published *Strategic Management: A Stakeholder Approach*, a milestone work on stakeholder theory. During this stage, scholars were concerned with the roles that stakeholders play in strategic analysis, planning and implementation of business organisations. They focused on inquiring into why the interests of stakeholders should be considered and how to achieve such an objective in the business organisation. The representative scholars during this stage include Freeman, Bowie, and Goodpaster.

The third stage, "dynamic perspective", began in 1995 and continues to the present day. Scholars believed that there exists a dynamic relationship between a firm's benefits and stakeholders. Accordingly, stakeholders must be managed dynamically. During this stage, scholars have been concerned with the influences of stakeholders upon corporate performance, as well as stakeholders' benefits and the approaches to achieving such benefits. Prominent scholars of this stage include Mitchell, Wood, Donaldson, Preston, Jones, Wicks, and Clarkson.

In a similar fashion to the work of Wang Hui (2005), Elias et al. (2000) hold that development of the stakeholder concept in management literature can be classified into different stages as shown in the following diagram .
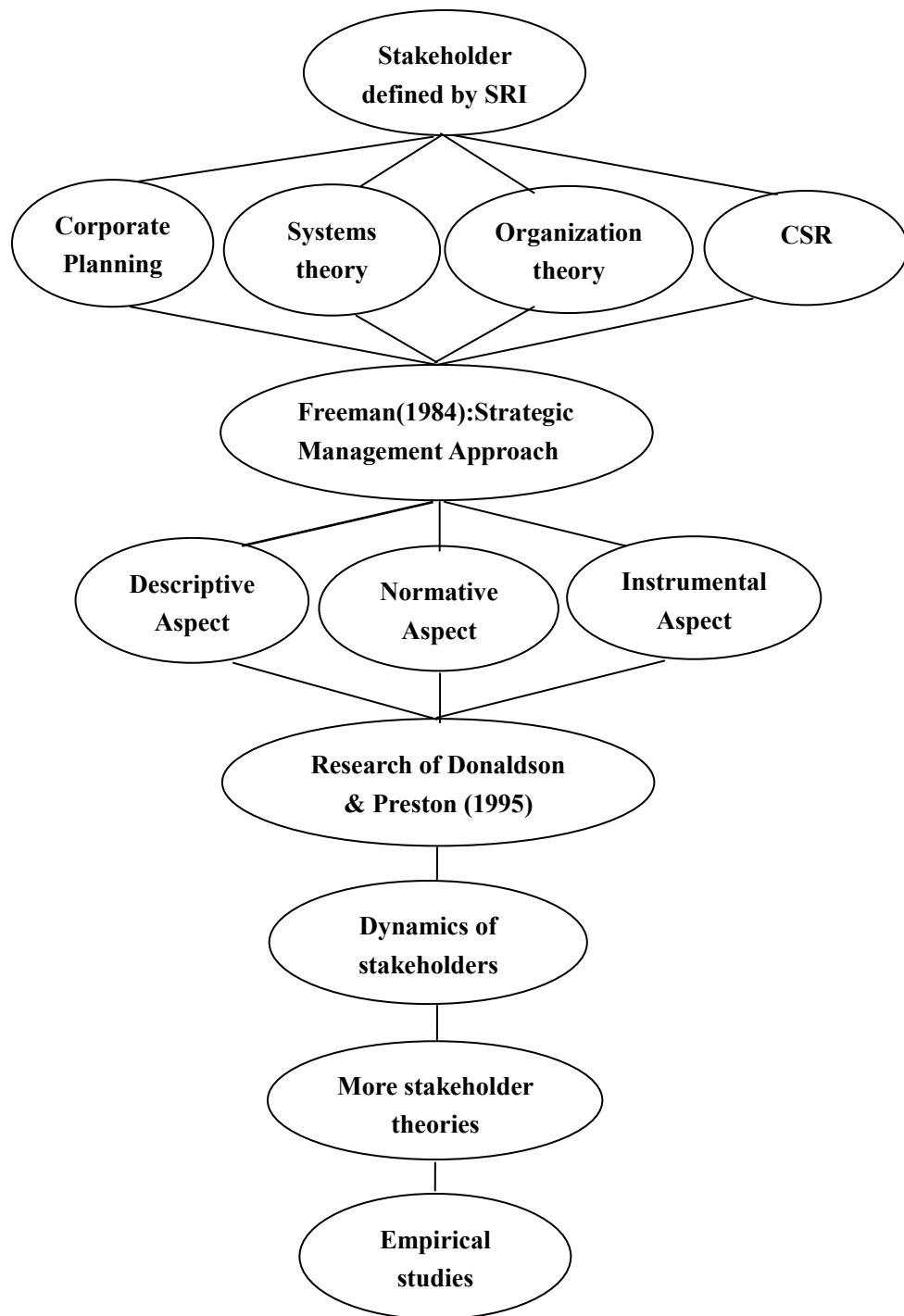
Figure 4.3 Stakeholder literature map
Source: Elias et al.(2000, p. 175)

Figure 4.3 comprehensively demonstrates the evolutionary stages and connections among

various perspectives in stakeholder theory. It is worth noticing that the first three levels of this

map were developed by Freeman (1984), and the rest by Elias et al. (2000). The following section explores of the key themes of these different stages.

4.2.1 The first stage: classical stakeholder literature

The first stage of stakeholder concept development, according to Elias et al. (2000), is called "classical stakeholder literature", which corresponds to Wang Hui's stage of "corporate interdependence perspective". This is the formative stage of stakeholder theory. As depicted in figure 4.3, after its development in 1963, the concept of stakeholder diversified into four different fields: corporate planning, systems theory, corporate social responsibility and organisation theory.

The stakeholder concept began to emerge in strategic planning literature in the 1970s. Some scholars held that the prestigious position of stockholder in the business organisation could vanish and be substituted by other stakeholders (Taylor 1971). This caused Hussey and Langham (1979) to develop models of the organisation and its environment with stakeholders, and such models were applied to the corporate planning process.

The school of corporate planning held that corporate planning is a systematic approach to clarifying corporate objectives, strategic decision-making and checking progress towards objectives. A corporate plan is a set of instructions to managers of an organisation that describes what role each department is expected to fulfil in the achievement its organisation's objectives (Gubbins 2003).

Meanwhile, systems theories also emerged in stakeholder literature. For instance, the methodology for stakeholder analysis of organisational systems established by Ackoff (1974) began to gain currency in this period. Ackoff (1974) claimed that involvement of stakeholders in organisational design became essential, and the support and communication of stakeholders would be helpful in settling societal issues. In the same fashion, Churchman (1968) established the systems theory, which was applied in settling social problems in an open system perspective. The system model of stakeholders attached great importance to stakeholder participation.

The theme of business firm social responsibility was also coming into currency. Post (1981) classified the main themes of research in this field and claimed that the distinguishing feature of social responsibility literature is that the concept of social responsibility included non-traditional stakeholders who used to maintain adversarial relationships within the firm (Post 1981). Some researchers (e.g. Ackerman 1975; Ackerman & Bauer 1976; Epstein 1969; Murray 1976) used the term of responsiveness instead of responsibility.

As for the literature of organisational theory, the term stakeholder was employed by Rhenman (1968) to illustrate those who are dependent on the business organisation to achieve their personal objectives and on whom the organisation relies. Afterwards, a model called "organisation–environment interaction" was developed by Pfeffer and Salancik (1978). It emphasised that management of demands is the source of organisational effectiveness, especially the demands from various interest groups to the organisation.

4.2.2 The second stage: strategic management perspective

The second stage, "strategic management perspective", is marked by the publication of *Strategic Management: A Stakeholder Approach*, a milestone work on stakeholder theory by Freeman (1984). In his book, Freeman proposed a framework to integrate three levels for stakeholder analysis: rational, process and transactional. The rational level is the starting point requiring an understanding of "who are the stakeholders of the organisation" and "what are their perceived stakes". Freeman uses a generic stakeholder map as a technique to provide guidance in this phase. It also suggested constructing a stakeholder map which centred around a critical strategic issue of the organisation. Next will be a stakeholder chart used to identify specific stakeholders based on the previous stakeholder map. Afterwards, the stakes of the specific stakeholder groups are identified and analysed (Freeman 1984).

Freeman (1984) also constructs a two-dimensional grid as an analytical device to illustrate various stakeholders of an organisation. The first dimension classifies stakeholders on the basis of their respective interests or stakes, while the second dimension examines their power of

influence. Freeman makes the grid more realistic by improving on the classical stakeholder grid to provide a real-world stakeholder grid.

As for the process level, Freeman believes that existing strategic processes that work reasonably well could be enriched by showing a concern for multiple stakeholders. Accordingly, he employs a revised version of Lorange's (1980) schema for strategic management processes. At the transactional level, it is fundamental to understand the set of transactions or conditions among the organisation and its stakeholders, and then decide if these transactions or conditions fit into the stakeholder map, and the organisational processes for stakeholders. Freeman (1984) asserts that successful transactions with stakeholders are dependent upon understanding the legitimacy of the stakeholder and acquiring processes to routinely present their interests.

After Freeman's book, stakeholder literature developed around three different factors: descriptive/empirical, instrumental and normative aspects. These three aspects were later integrated by Donaldson and Preston (1995) into their stakeholder theory of corporation. The key features of these three aspects will be explained in the following section.

The descriptive/empirical aspect "is used to describe, and sometimes to explain, specific corporate characteristics and behaviours" (Donaldson & Preston 1995, p. 70). Instrumental theory, in conjunction with descriptive/empirical data, where available, is "used to identify the connections, or lack of connections, between stakeholder management and the achievement of traditional corporate objectives" (Donaldson & Preston 1995, p. 71) . Normative theory is used to "interpret the function of the corporation, including the identification of moral or philosophical guidelines for the operation and management of corporations" (Donaldson & Preston 1995, p. 71).

It can be summarised that the normative aspect attempts to interpret the functions of, and offer guidance about, investor-owned corporations on the basis of underlying moral or philosophical principles, and it contains theories of how managers or stakeholders should act and should view the purpose of organisations, based on ethical principles (Donaldson & Preston 1995; Friedman & Miles 2006). The descriptive/empirical aspect is concerned with how managers and

stakeholders actually behave, how they view their actions and roles and how it is used to reflect and explain past, present and future states of affairs to corporations and their stakeholders. Instrumental stakeholder theory deals with how managers should act if they want to work for their own interests; for instance, to make a connection between stakeholder approaches and commonly desired objectives such as profitability (Donaldson & Preston 1995).

Donaldson and Preston (1995) confirm that though they are independent, these three aspects have unequal impacts upon the development of the research on stakeholder theory. In order to prove this, they constructed a concentric circle to depict their relationship and argue that they are nested within each other.
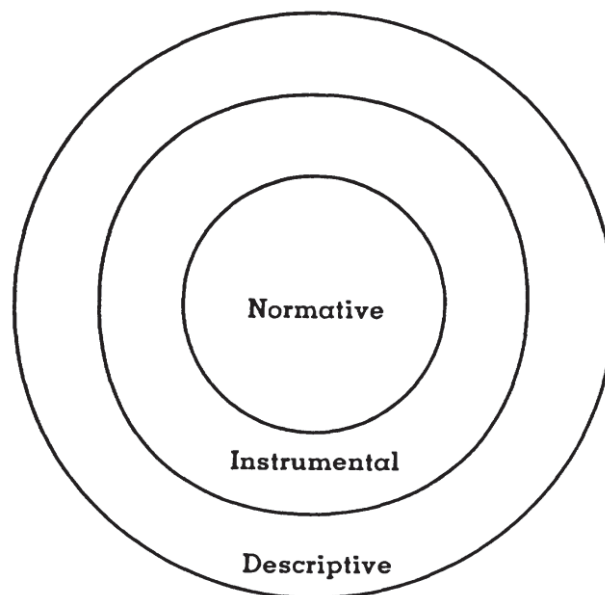
Figure 4.4 Three aspects of stakeholder theory
Source: Donaldson and Preston (1995, p. 74)

As shown in figure 4.4, the descriptive aspect is in the external circle. It represents and explains relationships that are observed in the external world. The instrumental and predictive values in the second level are shown as supportive of the theory's descriptive accuracy; certain results will be achieved when certain practices are performed. Normative is viewed as the central core of the theory. The descriptive accuracy of the theory presumes the truth of the core normative conception, insofar as it presumes that managers and other agents act as if all stakeholders'

interests have intrinsic value. In turn, "recognition of these ultimate moral values and obligations gives stakeholder management its fundamental normative base" (Donaldson & Preston 1995, p. 74).

Donaldson and Preston's theory has been criticised by Jones and Wicks (1999) who believe this theory fails to provide a complete picture of stakeholder formation (Jones & Wicks 1999). They consequently proposed to re-group research in stakeholder theory into two broader categories: social science-based theory, including instrumental and descriptive/empirical variants; as well as ethics-based theory, which focuses on normative issues (Jones & Wicks 1999).

However, Jones and Wicks have also been counter-criticised by other scholars such as Freeman (1999) and Donaldson (1999). Freeman (1999) believes that the "normative–instrumental–descriptive" is a useful typology because it is rooted in a centuries-old philosophy of science, in which descriptive theory tells us the way that the world really is. The same goes for the normative aspect "prescribes how the world should be, and instrumental theory links means and ends" (Freeman 1999, p. 233). Shen Hongtao and Shen Yifeng (2007) also assert that the Donaldson–Preston typology is the most prevailing and formal prescription of research on stakeholder theory (Shen Hongtao & Shen Yifeng 2007).

4.2.3 The third stage: dynamics of stakeholders

The third stage of development of the stakeholder theory is called "dynamics of stakeholders". In practice, the mix of stakeholders may change as time goes by. New stakeholders may present while others may vanish, which makes the process very dynamic. The concept "dynamics of stakeholders" was acknowledged by Freeman (1984) and contributed to by Alkhafaji (Alkhafaji 1989). To explain these dynamics, he defined stakeholders as the "groups to whom the corporation is responsible".

Another important contribution to this concept was by Mitchell et al. (1997). As mentioned above, they proposed to identify stakeholders on basis of the possession or attributed possession of one or more of three relationship attributes: power, legitimacy and urgency. By including

urgency as an attribute, a dynamic component was added to the process whereby stakeholders attain salience in the minds of managers.
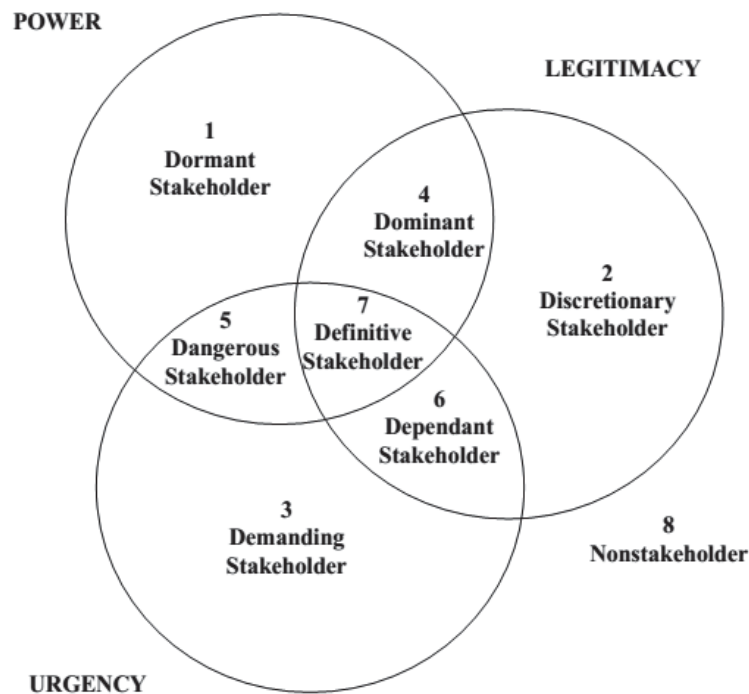
Figure 4.5 Stakeholder typology: one, two, or three attributes present
Source: Mitchell et al. (1997, p. 874)

As shown in figure 4.5, under this circumstance, power is defined as the probability that one actor within a social relationship would be in a position to carry out his own will despite resistance or the ability of those who hold power to generate the outcomes they intend. Legitimacy as quoted from Suchman (1995) means "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions." Urgency is defined as " the degree to which stakeholder claims call for immediate attention" (Mitchell, Agle & Wood 1997, pp. 865-67).

The dynamics of stakeholders is a practical and important aspect of the stakeholder concept at the corporate level. This author will propose to employ this model to identify the stakeholders of Shoetown in its CSR and sustainability stakeholder management in chapter 6. It will also be introduced as a stakeholder management model later in this chapter.

4.2.4 The stages beyond

Beyond the dynamic stage, Elias et al. (2000) and Wang Hui (2005) hold different views on the further development stages of stakeholder theory. Wang Hui (2005) asserts all research beyond the stage of "Strategic Management perspective (around 1995)" should be included in the "dynamic stage" because the majority of researchers are concerned with the dynamic relationship between the firm and stakeholders" (Wang Hui 2005, p. 27). Elias et al. (2000) further separates the stakeholder literature into different branches such as "more stakeholder theories" and "empirical studies". A discussion on these classifications follows.

According to Elias et al.(2000), many stakeholder theories were developed and proposed during the stage of "stakeholder theories" as illustrated in figure 4.1. They are the instrumental stakeholder theory by Jones (1995), the stakeholder theory of the corporation by Donaldson and Preston (1995), toward a theory of stakeholder identification and salience by Mitchell et al. (1997), convergent stakeholder theory by Jones and Wicks (1999), and divergent stakeholder theory by Freeman (1999) (Elias, Cavana & Jackson 2000).

However, this author discovered that there is a fallacy in such classifications because both Donaldson and Preston (1995) and Mitchell et al. (1997) have been duplicated in different stages. Namely, Donaldson and Preston (1995) have been classified in both the "strategic management stage" and "more stakeholder theories stage". Though "toward a theory of stakeholder identification and salience" is not identical to "stakeholder typology", they both originated from the same paper by Mitchell et al. (1997) and complemented each other. Therefore, this author holds that it is inappropriate to separate the same author and same perspectives into completely different development stages. In this regard, this author is supportive to the time-line classification of Wang Hui (2005), provided that a more specific and accurate classification is in demand. A combination of classification of Wang Hui (2005) and Elias et al.(2000) would be recommended.

Except for the pitfall mentioned above, this author appreciates the "stakeholder literature map " constructed by Elias et al. (2000) because it offers a comprehensive roadmap on the evolution of stakeholder theories.

4.3 Stakeholder classification and identification

Stakeholder management will be a key theme for business sustainability discussed in this thesis. However, successful management of stakeholders must be based upon a clear and scientific classification and identification of stakeholders. It means that managers have to find answers for some general questions such as: (1) Who are the organisation's stakeholders? (2) What are their stakes? (3) What opportunities and challenges are presented to the organisation in relation to these stakeholders? (4) What responsibilities (economic, legal and ethical) does the organisation have to all its stakeholders? (5) In what way can the organisation best communicate with and respond to these stakeholders and address these stakeholder challenges and opportunities? (Freeman 1984, p. 65)

In literature, various proposals have been established for classifying stakeholders by their respective level of importance. The stakeholder classification typologies are summarised in table 4.3 chronologically.

Table 4.3 Stakeholder classification typologies

Authors	Classification/criteria used
Freeman (1984)	Ownership, economic dependence, social interests
Frederick et al. (1988)	Direct: shareholders, employees, debtors, suppliers; Indirect: central and local government, communities, media and the general public
Goodpaster (1991)	The strategic and the moral stakeholder
Savage et al. (1991)	Stakeholder's potential powers to threaten or cooperate with the organisation
Charkham (1992)	Contractual stakeholders and community stakeholders
Clarkson (1994, 1995)	The primary stakeholders (with formal relationships) and the secondary stakeholders (without formal relationships)
Mitchell et al. (1997)	Power, legitimacy and urgency
Rowley (1997)	Network density and the centrality of the organisation focus
Scholes and Clutterbuck (1998)	Power of influence, impact on the organisation and affinity with organisational objectives
Wheeler (1998)	Social dimension.
Frederick (1998)	Direct stakeholders (direct market transaction relation with the firm) and indirect stakeholders (indirect market transaction with the firm)
Kochan and Rubinstein (2000)	Roles that stakeholders play in the organisation
Freeman (2003)	Pressure groups. Five internal stakeholders: financiers, customers, suppliers, employees and communities. Six external stakeholders: governments, environmentalists, NGOs, critics, the media and others
Phillips (2003)	Normative stakeholders, derivative stakeholders and dangerous or dormant stakeholders.
Kamann (2007)	Power and the level of interest
Fassin (2009)	Classical stakeholders, stakewatchers, stakekeepers
Mainardes et al. (2012)	Six stakeholder types (regulator, controller, partner, passive, dependent and non-stakeholder)

Source: Author, based upon Mainardes et al. *(2012, p. 1865)*

The key themes for each classification criteria will be examined in the following section.

Freeman (1984) takes into consideration three types of stakes: equity stakes, economic or market stakes, and influencer stakes. Equity stakes are held by those who have some direct "ownership" of the organisation; for example, shareholders, directors or minority interest

owners. Economic or market stakes are held by those who have an economic interest, but not an ownership interest, in the organisation; for example, employees, customers, suppliers and competitors. Influencer stakes are held by those who do not have either ownership or economic interest in the actions of the organisation, but who have interests as consumer advocates, environmental groups, trade organisations and government agencies.

Frederick, Davis and Post (1988) break stakeholders down to direct and indirect stakeholders. Direct stakeholders are those who have a direct market transaction relationship with the firm (including shareholders, employees, debtors and suppliers). Indirect stakeholders have indirect market transactions with the firm, including central and local government, communities, media and the general public.

Goodpaster (1991) classifies stakeholders on the basis of their strategic and ethical relationship and importance to the decision-making process in the organisation.

Savage et al. (1991) hold that stakeholders include those individuals, groups and other organisations that have an interest in the actions of an organisation, and that have the ability to influence it. So the stakeholders are classified according to their potentiality to threaten or to cooperate with the organisation.

Charkham (1992) classifies stakeholders into two broad groups: contractual and community stakeholders. Contractual stakeholders are those who establish kinds of legal relationships with an organisation to exchange goods or services. Players include customers, employees and suppliers. Community stakeholders are those with a non-contractual relationship with an organisation.

According to Clarkson (1995), the stakeholder groups may be divided into two: primary, those which have formal or official contractual relationships with the company, such as clients, suppliers, employees, shareholders, among others; and secondary, those not holding such contracts, such as governments and local communities.

Rowley (1997) uses a social network analysis approach to construct a theory of stakeholder

influences, which accommodates multiple, interdependent stakeholder demands, and predicts how organisations respond to the simultaneous influence of multiple stakeholders. He holds that organisations should focus on the network density and the centrality of stakeholders.

Scholes and Clutterbuck (1998) classify stakeholders on the basis of their powers of influence, impact on value, beliefs, policies, decisions and management of organisations, and affinity with organisational objectives. They proposed a comprehensive communication approach with stakeholders.

Wheeler and Sillanpää (1998) define a stakeholder as any individual or entity who can be affected by an organisation or who may, in turn, bring influence to bear. Stakeholders also include the "non-social" stakeholders that do not involve human relationships. They may also be divided into primary (direct) and secondary (indirect) categories: the natural environment, non-human species, future generations and their defenders in pressure groups (Wheeler & Sillanpää 1998).

Kochan and Rubinstein (2000) suggested that all stakeholders should be categorised by the role they play in the enterprise and list three criteria to identify the saliency of potential stakeholders: valuable resources they contribute to the enterprise; risky level of these resources; the power they have over the enterprise.

Freeman (2003), in a later version of the stakeholder model, reduced the scheme to five internal stakeholders: financiers, customers, suppliers, employees and communities. He placed a box around these five internal stakeholders, and introduced six external stakeholders: governments, environmentalists, NGOs, critics, the media and others. These are all linked to the firm as the central in the model.

Phillips et al. (2003) distinguish normative stakeholders, derivative stakeholders and dangerous or dormant stakeholders. Normative stakeholders are those to whom the organisation has a moral obligation. Derivative stakeholders are those who can either harm or benefit the

organisation, but to whom the organisation has no direct moral obligation. Blackmailers or thieves can be viewed as "dangerous" or "dormant" stakeholders (Jensen 2002).

Kamann (2007) agrees that stakeholders may be internal stakeholders — workers, religious groups etc. — and external stakeholders through an expression in a matrix using variables of "power " and "level of interest".

Fassin (2009) attempts to clarify the categorisations and classifications by introducing new terminology with a distinction between stakeholders, stakewatchers and stakekeepers. Stakewatchers mainly means the pressure groups and stakekeepers means largely the regulators.

Mainardes et al. (2012) propose a model to identify stakeholders. This model proposes six stakeholder types including regulator, controller, partner, passive, dependent and non-stakeholder. This approach to stakeholder classification is based on empirical research carried out with only public organisations. Therefore, the validity of this new classification scheme to other types of organisations needs to be tested.

The aforementioned classifications have been commonly separated into two broad categories: the multi-dimensional method and Mitchell score-based approach (Deng Xidong 2011; Jiang Ruomei & Qin Yunhui 2009). Obviously, except for the Mitchell et al. approach, the rest in the above table can be viewed as examples of multi-dimensional methods. Compared with the so-called multi-dimensional classification methods, the Mitchell et al. model has a less academic flavour and is full of dynamic and practical features. It has therefore been the most commonly discussed and deployed model in the literature. Many scholars have adopted this model to score stakeholders for different business firms so as to offer evidence of business decision-making (Deng Xidong 2011; Jiang Ruomei & Qin Yunhui 2009).

4.4 Stakeholder management models

Stakeholder management refers to the processes and behaviours by which a firm influences its relationships with its multiple stakeholders — constituents that affect and are affected by the achievement of its goals (Freeman 1984). In academia, scholars are increasingly treating

stakeholders as the actors that realise corporate equity rather than only the shareholders. Following Freeman's research on strategic stakeholder management, research in basic theory and managerial practice has been extensive within academia (Freeman 1984; Savage et al. 1991).

In practice, corporate decision-makers are increasingly concerned about the benefit propositions of stakeholders on top of their shareholders (Brenner & Molander 1977; Clarkson 1991; Donaldson & Preston 1995; Jiang Ruomei & Qin Yunhui 2009; Posnar & Schmidt 1984). Jiang Ruomei and Qin Yunhui (2009) conducted a survey to the CEOs of the commercial banks in Chinese Taiwan in 2004 and revealed that 63 per cent of interviewees agreed that a corporation is a carrier of the equity of their stakeholders not only their shareholders; 100 per cent of interviewees have put their stakeholders' interests into their consideration when making decisions; 25 per cent implemented specific management measures for their stakeholders (Jiang Ruomei & Qin Yunhui 2009).

Similarly, the *Principles of Corporate Governance: Analyses and Recommendations* issued by the American Law Institute (ALI) in 1992 still emphasised that the core objective of the corporate is to pursue corporate profit and return maximisation for shareowners; however, a corporate should attach great attention to social ethics though it might be hindering corporate profit and shareowners' objectives (ALI 1992).

Currently, there is a substantial increase in the number of critical consumers, citizens and investors, whose utilisation of information technologies has facilitated the exposure and dissemination of information on unethical civic, political, environmental and social behaviours of corporations (Becker-Olsen, Cudmore & Hill 2006; Little 2012; Michelini & Fiorentino 2012) . This has enhanced the power of the media, both to expose and to defend business practices.

Further to the literature discussed above, three key stakeholder management models — the stakeholder strategy formulation model (Freeman 1984), stakeholder salience model (Mitchell, Agle & Wood 1997) and social network model (Rowley 1997) — will be introduced in the

following section. These three models are viewed as general and are well known. They contain specific features worthy of recommendation. They are also regarded as the research foundation of stakeholder management structures (Yang & Shen 2014).

4.4.1 Stakeholder strategy formulation model

According to Freeman(1984), an organisation needs to address at least "three levels of the processes used to manage its relations with its stakeholders" (Freeman 1984, p. 53). First, to understand from a rational perspective who the stakeholders are in the organisation and what the perceived stakes are. Second, to understand the processes the organisation uses to either implicitly or explicitly manage the relationships with its stakeholders, and whether these processes "fit" with the rational "stakeholder map" of the organisation. Third, to understand the set of transactions or conditions within the organisation and among its stakeholders and to deduce whether the negotiation "fits" with the stakeholder map and the organisational processes for stakeholders. Freeman also suggests that an organisation's "stakeholder management capability" be defined in terms of its ability to put these three levels of analysis together.

Freeman's stakeholder strategy formulation model is constructed on the basis of the stakeholder view of the firm as depicted in figure 4.1 (Freeman 1984). The model is shown in figure 4.6.
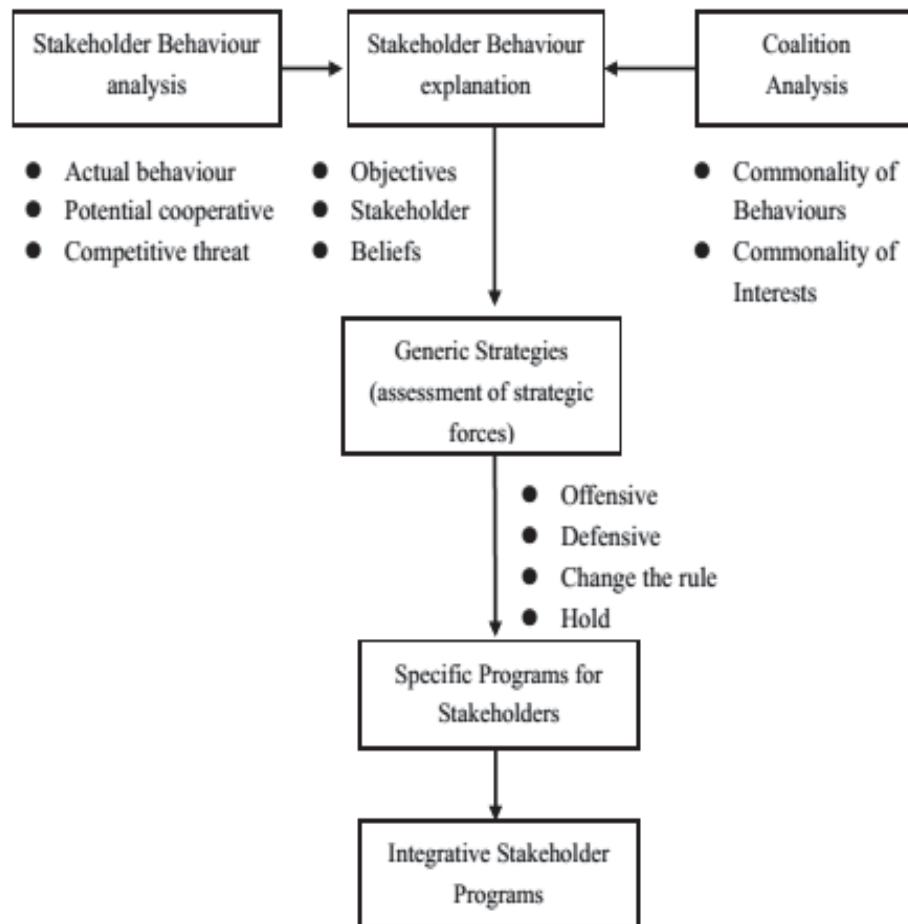
Figure 4.6 Stakeholder strategy formulation process
Source: Freeman (Freeman 1984, p. 131)

As depicted in figure 4.6, the initial step for stakeholder strategy formulation is to analyse stakeholder behaviour. This process is relevant to investigations into stakeholder behaviour, both in the past and future that might influence the objectives of the corporate. At this stage, the executive is required to construct a logical interpretation of stakeholder behaviour. Three issues are involved at this stage: stating the objectives of a stakeholder group, seeking to understand the external environment of that group, and examining their beliefs towards the firm. The final step is to search for possible coalitions among various stakeholders. In this regard, the executive may scan the environment for instances of similar actions, interests, beliefs, or objectives between stakeholder groups and then review group stakes, in consideration of the economic, technological, social, political and managerial effects.

The primary contribution of this model is its provision of a clear process to the formulation of stakeholder strategy. However, this model of stakeholder mapping has caused controversy according to many studies (Cleland & Ireland 1999; Jergeas et al. 2000). This model assumes that the business executive is able to grasp exhaustive information about stakeholder expectations and the firm is able to make optimal decisions, which is proven to be unrealistic (Crane & Livesey 2003). Furthermore, the stakeholders are counter-influenced by one another. The coalitions of stakeholders and intermediaries acting for stakeholders have been neglected in this model.

4.4.2 Stakeholder salience model

As discussed above, Mitchell et al. (1997) suggest that stakeholders can be classified according to whether they have, or are perceived to have, one, two or all three of the following attributes — *power* to influence, *legitimacy* of claims and *urgency* of claims with the organisation. Stakeholder power exists where one stakeholder can get another to do something that they would not have otherwise done. Stakeholder legitimacy represents the belief that the actions of a stakeholder or stakeholder group are desirable or appropriate within the company's accepted norms and values. Stakeholder urgency includes both criticality and time urgency, with a stakeholder claim considered to be urgent both when it is critical and/or when a response delay is unacceptable.

Stakeholders with *power* can influence or disrupt the company's core business operations, so powerful stakeholders are important. However, some stakeholders are not that powerful but are still influential because their claims are *legitimate* and are therefore acted upon by the company. Some powerful and legitimate stakeholders may not have influence when their claims are recognised; they are not acted on due to a lack of urgency.

Stakeholder salience represents different combinations of *power, legitimacy* and *urgency* attributes, and provides the basis for the typology of stakeholders. Based on Mitchell et al. (1997) and Mainardes et al. (2012), this author establishes a table of the importance of stakeholders in order to provide a clearer picture of these relations.

Table 4.4 The salience of stakeholders

Stakeholder Type	Salience	Attributes	Classification options
Latent stakeholders (hold only one attribute, probably receiving little company attention)	Low	Legitimacy	Discretionary stakeholders: Groups and individuals with legitimacy but that lack both the power to influence the company and any urgency. In these cases, attention should be paid to these stakeholders under the framework of CSR, as these stakeholders tend to be more receptive.
		Power	Dormant stakeholders: Groups and individuals with the power to impose their wills on the organisation, but lack either legitimacy or urgency. Nevertheless, company management needs to be aware and to monitor this stakeholder and evaluate its potential to take on a second factor.
		Urgency	Demanding stakeholders: Those with urgent claims, but no legitimacy or power. When the most important attribute is urgency. Without power or legitimacy, they do not demand much of the company but require monitoring as regards their potential to gain a second attribute.
Expectant stakeholders (hold two attributes resulting in a more active posture from the stakeholder and the firm)	Moderate	Power and legitimacy	Dominant stakeholders: Groups and individuals that hold influence over the company guaranteed by power and legitimacy. Correspondingly, they expect and receive a lot of attention from the company.
		Legitimacy and urgency	Dependent stakeholders: Groups and individuals that hold attributes of urgency and legitimacy, but which however depend on another stakeholder for their claims to be taken into consideration
		Power and urgency	Dangerous stakeholders: Those with powerful and urgent claims will be coercive and possibly violent. When there is power and urgency, but stripped of any legitimacy. The coercive stakeholder may represent a threat to the organisation
Definitive stakeholder	High	Power, legitimacy and urgency	Definitive stakeholder means an expectant stakeholder who gains the relevant missing attribute. Often dominant stakeholders with an urgent issue, or dependent groups with powerful legal support.

Source: author based on Mitchell et al. (1997, pp. 874-9) and Mainardes et al. (2012, p. 1866)

As described in table 4.4 (also refer to figure 4.5), if a stakeholder possesses only one of the three attributes, they are termed "latent stakeholders" and have low stakeholder importance. If the only attribute present is power, such stakeholders are called "dormant stakeholders"; if it is only legitimacy, they are called "discretionary stakeholders" and if only urgency, they are called "demanding stakeholders".

Stakeholder salience will be moderate, if two attributes are present, such stakeholders are called "expectant stakeholders". Among the expectant stakeholders, those having power and legitimacy only are called "dominant stakeholders"; those having legitimacy and urgency are called "dependent stakeholders", and those having power and urgency are called "dangerous stakeholders".

Stakeholder salience will be high where all the three attributes are perceived by managers to be present in a stakeholder, and they are called "definitive stakeholders". Further, dynamic qualities were illustrated by showing how stakeholders can shift from one class to another, when the salience of stakeholders increase/decrease by attaining/losing one or more of these attributes.

Friedman and Miles (2006) believe that the Mitchell model includes stakeholder powers of negotiation, relational legitimacy with the organisation, and urgency in attending to stakeholder requirements. According to Mitchell et al. (1997), stakeholder salience is a dynamic model, based on a typology of identification that enables explicit recognition of the uniqueness of each situation, and managerial perceptions to explain how managers should prioritise relationships with stakeholders. They demonstrate how the identification typology enables forecasts to be made as to managerial behaviour as regards each stakeholder class, as well as predictions as to how stakeholders may change from one class to another, and the consequences for management.

The Mitchell model also suggests that strategic behaviour is subject to various groups located in the surrounding environment with organisational strategies needing to match the demands of these groups on the basis of their importance. According to Mitchell et al. (1997), the model is dynamic because of reasons that the three attributes are variables (and neither static nor

stationary); the attributes are socially constructed (and thus not objective); and stakeholders do not always know that they are in possession of one or more attributes. These aspects demonstrate that the stakeholder salience model is fairly dynamic and frequently changing. The stakeholders, for example, may possess one attribute today before acquiring one or two more at some point in the future. This understanding is especially critical for decision-makers in all organisations.

This model provides insight into the identification of the influences of various stakeholders upon the activities of the business firm, and it has been cited by a great number of scholars (Rodgers & Gago 2004; Tan, Pan & Lim 2005). However, this model ignores the different levels of those attributes, though it provides an easy way to achieve the corresponding classification of stakeholders (Pajunen 2006). Pajunen (2006) holds that neither the resources nor the network positions of stakeholders are static, the levels of these attributes can vary from time to time, but all these are not reflected in this model (Pajunen 2006).

4.4.3 Social network model

This model is developed by Rowley (1997) who believes that the real multiple and interdependent interactions among different stakeholders will bring in a more complex outcome than what is mapped in Freeman's model. A social network analysis approach would be more reliable than individual stakeholder influences in examining the salience of the stakeholder formation, as well as their impact on the organisation's behaviours. He investigates how aspects of an organisation's stakeholder network, namely network density and the focal organisation's centrality, influenced the focal organisation's degree of resistance to stakeholder pressures. In this regard, Rowley (1997) proposes two propositions. First, the ability of a focal organisation's stakeholder to constrain the organisation's actions increases along with the increase of network density. Second, an organisation's ability to resist stakeholder pressures increases as the focal organisation's centrality increases.

Table 4.5 A structural classification of stakeholder influences

		Centrality of the Focal Organization	
		High	Low
Density of the Stakeholder Network	High	Compromiser	Subordinate
	Low	Commander	Solitarian

Source: Rowley (1997, p. 901)

The structural classification of stakeholder influences is illustrated in table 4.5. This model is constructed on the basis of the propositions discussed above.

The social network model, which incorporates social network constructs (density and centrality), moves beyond the traditional analysis of dyadic ties and considers structural influences and the impact of stakeholders who lack a direct relationship with the focal firm, but who affect the firm's behaviour. The focus is on relational context. Nevertheless, Rowley (1997) also admits that this model only represents a subset of variables. It is unable to reveal the relational context, which includes the attributes and behaviours of the organisation. Therefore, in practice, it is recommended to be integrated this model with other theories, such as the stakeholder strategy model and the stakeholder attributes model.

In short, stakeholder management is critical to the success of an organisation, especially in managing CSR and sustainability initiatives, which involve multiple stakeholders from different fields. The three models are regarded as foundational research on the design and establishment of a stakeholder management framework because they analyse stakeholders from different aspects. They provide a basic practical guideline for organisational stakeholder management.

4.5 Stakeholder theory in the new era

According to Tencati and Zsolnai (2009), there are important developments in the theory of stakeholders and proposals presented for new types of stakeholders. From perspective of strategic management, it should be noted that stakeholders carry a significant impact on

business development in the context of balancing its social, ecological and cultural aspects (Tencati & Zsolnai 2009).

The proceeding discussions are mainly concerned with the traditional perspective of stakeholder theory. In recent decades, theorising on stakeholders has moved towards a focus on stakeholder theory that upholds traditional philosophical and scientific distinctions and dualisms. Phillips et al. (2003) argue that such an approach has become "virtually unopposed" and "overtly hostile to ethics" (Phillips, Freeman & Wicks 2003).

In contrast to this approach, quite a number of scholars (for example Dunham, Freeman & Liedtka 2006; Freeman 1994, 1999, 2008; Freeman & McVae 2001; Freeman, Wicks & Parmar 2004; Wicks, Gilbert Jr & Freeman 1994) have positioned themselves as working for a stakeholder theory that is "divergent and full of narratives about how value is created in stakeholder relations" (Freeman 1999, p. 233). According to Freeman, stakeholder theory is "a genre of stories about how we could live" (Freeman 1994, p. 413). This generates "arguments or further narratives which include business and moral terms to fill in the blanks" (Freeman 2005, pp. 499-500) on how corporations ought to be governed and how managers ought to act. In this regard, Freeman (1984) argues that stakeholder theory should be more consistent with the quantity and kinds of change occurring, and that stakeholder theory should be flexible enough to handle environmental shifts (Freeman 1984).

According to Freeman et al. (2007), the present business world has changed significantly from a number of directions, and these changes are extremely unpredictable and unstable. Freeman et al. (2007) argue that changes have occurred along the three dimensions of business discussed below, and each has carried critical effect on business executives.

The first dimension is relevant to four macro changes "that make business more complex and uncertain" (Freeman, Harrison & Wicks 2007, p. 26). These four macro changes include: 1) the liberalization of markets; 2) the liberalization of political institutions; 3) the emergence of environmentalism and other social values, and 4) the explosion of information technology. The second dimension belongs to "the critical relationships that define a business – relationships

with customers, suppliers, employees, communities, and owners –[which] have experienced substantial change as we begin the twenty-first century" (Freeman, Harrison & Wicks 2007, p. 26). The third dimension is found in "the ability of other groups and individuals to influence these primary relationships [which] has changed dramatically, making governments, environmentalists, interest groups, the media, and even illegal groups relevant to business" (Freeman, Harrison & Wicks 2007, p. 26).

Obviously, the power of globalisation, information technology and social media will carry significant impact on stakeholder theory. However, according to Jensen and Sandström (2011), globalisation is a blind spot in research of stakeholder theory and this has undermined its explanatory power and usefulness to managers in global corporations. This author endorses the view that stakeholder theories need to be enhanced for a global world.

Jensen and Sandström (2011) assert that globalisation has imposed new demands on stakeholder theory by addressing two particular challenges. The first challenge is relevant to how globalisation changes the power relations for corporations and how this influences a key stakeholder question: Who gets to define what a stake and a stakeholder are (or, who are silenced and at what cost)? The key argument is that even though the traditional powerful stakeholders such as multinationals are still able to mobilise significant resources in order to influence others, globalisation has enabled non-traditional stakeholders to exercise influence as well. Therefore, a new platform must be created for stakeholder managers to identify, understand and work with stakeholders. In this regard, they introduce sub-politics, re-bureaucratisation and re-hierarchisation on the basis of the models of Mitchell et al.(1997) and Phillips (2003).

The second challenge concerns the new dimension of responsibility brought on by globalisation. Because of globalisation, the corporation is connecting with a multitude of stakeholders and locations in complicated ways, and the actions of the corporation will directly and indirectly influence the remote actors and locations, which may not be considered as stakeholders in the traditional view. This complexity ought to reflect the responsibility of the corporation in its value creation processes. Therefore, there should be a change in stakeholder relations based on

legitimacy and trust. This will concern a re-addressing of the questions relevant to where the corporation's responsibilities begin and end, and who/what the organisation should include in its sphere of responsibility. Accordingly, they extend the limited take on responsibility suggested by Phillips (2003) and Phillips et al. (Phillips, Freeman & Wicks 2003) by introducing political responsibility to a stakeholder theory sensitive to globalisation.

On top of that, mass media is also emerging as a key stakeholder for promoting CSR in developing countries(Vivarta & Canela 2006). According to Nanz and Steffek (2004), the public sphere in modern democracies is largely constituted through the mass media, because "reporting by mass media is but one element of a public sphere, although an important one, given the number of addressees it can potentially reach" (Nanz & Steffek 2004, p. 333). Similarly, Luhmann and Cross (2000) emphasise the importance of the mass media in modern societies, as well by admitting "whatever we know about our society, or indeed about the world in which we live, we know through the mass media" (Luhmann & Cross 2000, p. 1).Although mass media has been viewed as a key player for political legitimacy (Donges & Jarren 2006; Sarcinelli 1998), legitimisation through communication in the public sphere is a (political) strategy that is increasingly adopted by stakeholder theory researchers (Calton 2001; Scherer & Palazzo 2007; Ulrich & Sarasin 1995). According to Vallentin (2004), conceptualisations of the mediated public sphere and public opinion are mostly missing in the realm of stakeholder theory and CSR. This author has formed a similar conclusion from his research.

For instance, the debate about the sweatshops of Nike and other companies demonstrate that the public sphere and the mass media play a central role, not only for the perception of politics, but also for the perception of the economy and business in society. Past research on media coverage of the economy and business, and its influence on the recipient, reveals that "in case of doubt, people in their perception of the reality rely more heavily on media reports than on actual 'reality' "(Brettschneider 2003, p. 252). Research suggests that the mass media also plays a key role in organisational legitimacy (Johnson & Holub 2003; Manheim 2000). Hybels (1995) conceptualises the media as representatives of the fourth estate who play a critical role in the legitimisation of business and other types of organisations (Hybels 1995, p. 244). Palazzo and

Scherer (2006) conclude their discussion on corporate legitimacy by pointing at the importance of further studying the role of the mass media for organisational legitimacy (Palazzo & Scherer 2006, p. 83). In conclusion, Perrin (2012) holds that these studies assume that the mass media is playing certain roles as a source of corporate legitimacy, and it can be understood as a stakeholder of the corporation. However, until now neither the role of the mass media as stakeholders nor its impact on corporate legitimacy has been thoroughly discussed in stakeholder theory. It is therefore suggested that further research into the interrelation between the mass media and its impact on corporate legitimacy becomes fundamentally important in stakeholder theory research (Perrin 2012, p. 2). This author supports this view.

4.6   Stakeholder theory research and practice in China

Liu Li and Gan Shengdao (2009) hold that stakeholder theory research in China can be divided into two phases. The first phase is before 1999 (1999 included). During this phase, the research focused upon the introduction of Western stakeholder theory into China. The second phase is from 2000 until the present. Domestic stakeholder theory research in China gained rapid progress during this later phase.

Researchers of stakeholder theory in China include Yang Ruilong and Zhou Ye'an (1998, 2000), Yang Ruilong and Hu Qin (2000), Yang Ruilong (2001), Li Wei'an (2002), Li Xinhe (2003), Ye Zhengmao (2000), Chen Kunyu (2002), Chen Honghui (2004), Jiang Ruochen (2006), Wu Ling (2006), Liu Li (2009), Feng Junhua et al. (2011). Although many scholars have published numerous works and articles on this area, the Chinese research on stakeholder theory is still viewed as being at a primary stage (Liu Li & Gan Shengdao 2009). A majority of the research by Chinese scholars is merely translation and restatement of Western theory.

Similarly, a majority of the research outcomes are dominated by normative and descriptive research. Few empirical studies or application research has been undertaken by Chinese researchers. Liu Li and Gan Shengdao (2009) assert that the existing application research is too general and abstract and in lack of operability. These research outcomes can hardly offer practical guidance for business implementations. Liu Li and Gan Shengdao (2009) therefore

propose that future Chinese stakeholder theory research be more focused on empirical studies and the practical application of the research outcomes so as to offer practical guidance for business operations and enhance the interest of stakeholders (Liu Li & Gan Shengdao 2009).

Furthermore, four stakeholder groups have emerged as the most powerful activists for CSR and sustainability initiatives in the developing economies. These stakeholder groups include the development agencies (Jenkins 2005), the trade unions (Kaufman et al. 2004), international NGOs (Pendleton et al. 2004), and business associations (WBCSD 2000). In China, these groups provide a platform of support for Chinese local NGOs, but they are not always well developed or adequately resourced to provide strong advocacy for CSR and sustainability. Future research of stakeholder theory should also be focussed on these newly emerging support groups in China.

In addition, there is a wide variation in understanding, appreciation and acceptance of stakeholder groups between Chinese scholars and Chinese business, and the Western theory relating to newly emerging stakeholder groups. A survey conducted by Feng Junhua et al. (2011) clearly demonstrates this..

This survey is principally designed for identification and recognition of stakeholders for Chinese private business firms. Feng Junhua et al. (2011) surveyed about 300 private firms across seven provinces in mainland China. The classification of stakeholders was based upon the proposal of Jiang Ruochen (2006), which include the 18 stakeholders shown in the following table 4.6.

Table 4.6 Rate of stakeholder recognition in Chinese private firms

Stakeholder	Recognition Rate	Stakeholder	Recognition Rate
1. Customer	98.9%	10. Transporter	51.4%
2. Executive	97.5%	11. Strategic partner	50.7%
3. Employee	97.1%	12. Industrial expertise	32.0%
4. Shareholder	94.6%	13. Advertising company	29.5%
5. Supplier	91.7%	14. Market research & study company	19.8%
6. Government	85.6%	15. Media	17.6%
7. Creditor	72.3%	16. Universities and research institutions	16.5%
8. Wholesaler	67.6%	17. Business association	13.7%
9. Community	55.0%	18. Social organization	11.5%

Source: summarised by this author on Feng Junhua et al. (2011, p. 146)

The percentage in table 4.6 shows the rate of recognition of stakeholder from the firms surveyed. The higher the percentage, the more important the stakeholder is regarded by the firms. As depicted in table 4.6, media and business association which are highly recognised in the West gained very low rate of recognition in China. Emerging stakeholder groups such as development agencies, trade unions and international NGOs have been completely ignored in this survey. On the one hand, this indicates the different stakeholder context between China and the West. On the other hand, it shows the stakeholder recognition inconsistencies between Chinese academia, Chinese business and the theories of Western scholars.

The Chinese government issued the *Code of Corporate Governance of Listed Companies* in early 2002. There is a specific chapter on stakeholders in this document. It directs that a listed company shall respect the legal rights of banks and other creditors, employees, consumers, suppliers, the community and other stakeholders; and that a listed company shall actively "cooperate with its stakeholders and jointly advance the company's sustained and healthy development and provide the necessary means to ensure the legal rights of stakeholders who

shall have opportunities and channels for redress for infringement of rights" (CSRC 2001, pp. 9-10).

4.7 CSR, sustainability, stakeholder theory and the harmonious perspective

It has been widely recognised by contemporary business firms that current CSR is focused on a stakeholder model. According to Shen Yifeng and Shen Hongtao (2003), the research of CSR, sustainability and stakeholder theory has tended to be convergent since the 1990s, though these theories have been categorised into different academic fields: CSR and sustainability tend to belong to sociology while stakeholder theory tends to fall into the category of management theory (Shen Yifeng & Shen Hongtao 2003).

For instance, the European Commission defined CSR as essentially a "concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment This responsibility is expressed towards employees and more generally towards all of the stakeholders affected by business and which in turn can influence its success" (EC 2001, p. 5). CSR is accordingly considered a process by which companies manage their relationships with a variety of stakeholders who can have a real influence on their license to operate — the business case thus becomes apparent. As a result, CSR should be treated as an investment, not a cost, much like quality management. CSR, and sustainability can thereby have an inclusive financial, commercial and social approach, leading to a long-term strategy of minimising risks that are linked to uncertainty.

It is further argued that being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing "more" into human capital, the environment and into relations with stakeholders. Such business operations have been proven to be able to contribute to a company's competitiveness. Other forms of business conduct going beyond basic legal obligations in the social area such as training, working conditions and management–employee relations can also "result in a direct impact on productivity as well as open a way of managing change and of reconciling social development with improved competitiveness" (EC 2001, p. 8).

Among other things, this definition helps to emphasise that CSR is a voluntary concept; it covers social and environmental issues; it is not or should not be separate from business strategy and operations. It is about integrating social and environmental concerns into business strategy and operations; furthermore, an important aspect of CSR is how enterprises interact with their internal and external stakeholders such as employees, customers, neighbours, non-governmental organisations, public authorities and so on, so as to achieve the goal of sustainability.

Nevertheless, it is extremely dynamic because stakeholders change as the company's context of reference changes (Dunfee 1991; Hasnas 1998). Business is dependent on stakeholders to acquire the necessary resources for its survival and development. The legitimacy of the business to use these resources depends on whether its behaviours are viable to societal rules and values. Normally, employees will prefer to work in a socially responsible organisation and consumers prefer goods produced in respect of the basic rights of workers. Investors, except for considering returns on investment, will integrate the risk of loss of "reputation capital" when deciding on their investment portfolios.

Carroll (1991) asserts that there is a "natural fit between the idea of CSR and an organization's stakeholders" (Carroll 1991, p. 43). He suggests "the stakeholder concept personalizes social or societal responsibilities by delineating the specific groups or persons business should consider in its CSR orientation and activities. Thus, the stakeholder nomenclature makes clear the 'names and faces' on the societal members or groups who are of critical importance to business and to whom the business should be responsive" (Carroll 1991, p. 43). Indeed, the objective of CSR is to determine the range of responsibilities business ought to accomplish while the concept of stakeholder is to address the issue of whom business is or should be responsible for. The two concepts are clearly interrelated in this respect (Kakabadse, Rozuel & Lee-Davies 2005).

Several interpretations of stakeholder theory have been proposed, but the bottom line agreed upon was that it can be useful to explain, as well as to guide, the structure and operations of the established corporation (Donaldson & Preston 1995). This is not only to say that corporations have to act in a responsible way to avoid growing stakeholder pressures, but to achieve a better or "good" society. Moreover, it became clear that the CSR paradigm is not only the final result

of a process, but also a process itself that must be considered in all decision-making, as well as evaluated and measured (Jones 1980).

Since many studies of "stakeholder theory" are based upon different scenarios and backgrounds; it has become very hard to analyse the so-called "stakeholder model " or "stakeholder theory" (Jones, Wicks & Freeman 2002). As discovered by Jones, Wicks and Freeman (2002), the principal theoretical fields contributing to the establishment of the concept of stakeholder include CSR, corporate planning, systems theory and organisation theory. The roles of stakeholders in all these fields are different because they have been analysed from specific bodies of assumptions and specific perspectives, which can be referred to as "pluralism" (Jones, Wicks & Freeman 2002). Hummels (1998) argues that in "the more traditional managerial approach, management has a moral duty to protect the interests of stakeholders" and to take into account the legitimate interests of them, and to safeguard a fair distribution of benefits and burdens. However, other approaches such as feminist interpretations, ecological interpretations, or the psychoanalytic interpretation, have provided "a different set of stakeholders and stresses[,] the importance of specific values, rights, and interests." As a result, different stakeholder interpretations have led to " different distributions of benefits and burdens, of pleasures and pains, of values, rights and interests" (Hummels 1998, p. 2).

Eccles and Serafeim (2013) argue that companies that have implemented CSR and sustainability programs by merely "mish mashing" tactics of cutting carbon emissions, reducing waste and otherwise enhancing operational efficiency are not really adding up to a sustainable strategy. To endure, a strategy should take into consideration the interests of all stakeholders, including investors, employees, customers, governments, NGOs and society at large. Firms should recognise the trade-offs between healthy financial returns and its ESG (environmental, social and governance) performance. Firms can boost both financial and ESG performance simultaneously through "strategically concentrating on the ESG issues that are the most relevant (material) to shareholder value by integrating four things together" (Eccles & Serafeim 2013, pp. 4-6). This comprehensive, systems approach to stakeholder management can be witnessed at Shoetown. Because the management approach there is genuinely "human centred", requiring

good listening, it would seem that an all-embracing approach to stakeholder management becomes a logical consequence.

Eccles and Serafeim's argument comprehensively demonstrates the tight relationship among CSR, sustainability and stakeholder theory. It is therefore recommended that both research and practice of CSR and sustainability should take into consideration stakeholder theory so as to establish a pragmatic foundation for both concepts.

This is especially important for the implementation of a harmonious approach to CSR and sustainability in the Chinese context. As discussed in chapter 1, the concept of harmony or harmonious society has been defined as society typified by "democracy and law; fairness and justice; integrity and friendship; vigour and vitality; stability and order; and the harmonious coexistence of man and nature" (He Yun 2012; Li Junkui 2006). In such a society, there will "be full of vigour and a society of unity and harmony. We must stimulate the energy of society to its full; promote the harmony of relationships between political parties, ethnic groups, religions, social strata, and compatriots at home and abroad; strengthen the great unity of the people of all ethnic groups; and enhance the great solidarity of all the sons and daughters of the Chinese nation at home and overseas" (BWM & Trueman 2008, p. 157). Consequently, the concept of harmony or harmonious approach essentially connotes an involvement of multiple parties within a specific phenomenon. Such multiple parties, from the perspective of management, are in fact the various stakeholders to business organisations. This is one of the key areas of contribution of this thesis. The Chinese concept of harmony should be included into stakeholder theory when applied to a Chinese context.

4.8 Summary

The chapter explored stakeholder theory in depth, as it is a key part of the theoretical framework of this thesis. Research revealed that stakeholder theory originated during the 1960s, and a great number of scholars have contributed to the development of this theory since. Hence, there have been various development phases and different perspectives. A retrospect to the evolutionary history of stakeholder theory helps to trace the route of how this theory was established, merged

and diversified during its course of maturity. The research showed that scholars have classified the evolution stages differently. They also defined stakeholders from different angles based upon their own cultural background, perspectives, practices and understandings. This has made stakeholder theory a rather large pool of ideas and views. An outcome is that researchers tend to encourage people to define stakeholders to match with their specific needs.

Stakeholder classification and identification approaches were found to serve well as a tool for organisations to identify their stakeholders from different perspectives to enhance their effectiveness of stakeholder management. Following the introduction to these approaches, three key models for stakeholder management are discussed.

Critically, the research concluded that there is a gap between the stakeholder theories and reality because the dominant stakeholder theories were developed prior to the explosion of information technology and economic globalisation — they consequently lack elements and insights from these current and prevailing trends. Dahlsrud (2008) states that new stakeholders and different bodies of national legislation have emerged with the trend of globalisation, and this has caused significant and rapid changes in the business context with new expectations on business. Thus, innovative CSR management tools are needed in addition to the previously established patterns to develop and implement a successful business strategy (Dahlsrud 2008, p. 6). This is the new phenomenon facing Chinese business firms.

As a consequence, the chapter also briefly discussed the impacts of mass media, which is increasingly becoming an influential output of technological development.

These modern developments suggest that new and possibly critical stakeholders may appear, and if not managed well they may prove to be quite disruptive to the organisation. Consequently, organisations need to be well prepared for the resultant ever-changing mix of stakeholders. A further consequence of these modern developments and the limited research that has been undertaken in that respect has led this author to conclude that there is a need for more academic research, both within China and throughout the world, into how globalisation and information technology should be included in stakeholder theory. This gap in the literature is particularly

relevant to this study because the stakeholders of Shoetown are spreading over the global value chain. They not only include Nike but also competitors in other countries and regions.

The chapter also summarised the relationship between CSR, sustainability and stakeholder theory, and it identified the linkages of CSR, sustainability and stakeholder theory to traditional Chinese harmonious culture. The research found that from the 1990s, CSR, sustainability and stakeholder theory has become convergent. Further, that current CSR and sustainability research tends to be focused on the stakeholder model.

The overriding conclusion from this review of the literature is that stakeholder identification and management is a difficult and complex matter. It requires sensitivity and sophistication to identify stakeholders who may not be obvious, to understand their needs in a sensitive way, and to manage relationships and the nuances within them. This is not a "tick-the-box" exercise. The following chapter will explain how gaps in CSR, sustainability and stakeholder theory can be addressed in researching the related case chapters.

5 Methodology

Methodology, as defined by Ishak and Alias (2005), is "the systematic, theoretical analysis of the methods applied to a field of study, or the theoretical analysis of the body of methods and principles associated with a branch of knowledge. It, typically, encompasses concepts such as paradigm, theoretical model, phases and quantitative or qualitative techniques" (Ishak & Alias 2005, p. 2). The *American Heritage Dictionary of the English Language* defines methodology as "a body of practices, procedures, and rules used by those who work in a discipline or engage in an inquiry; a set of working methods". It is also defined as "The study or theoretical analysis of such working methods" (Soukhanov, Ellis & Severynse 2000, p. 4575). Methodology can properly refer to the theoretical analysis of the methods appropriate to a field of study, or to the body of methods and principles particular to a branch of knowledge.

Methodology is considered a set of practices that are widely used across an industry or scientific discipline, the techniques used in a particular research study, or the techniques used to accomplish a particular project. Clearly outlined directions and procedures in the methodology will tend to increase the consistency of research and create work that can be repeated elsewhere, which is an important characteristic of rigorous scientific research. In addition to being popular in the hard sciences such as chemistry, astronomy and physics, methodology is also very critical in the social sciences. Researchers who conduct studies on human populations attempt to use rigorous methods so that their results will be respected by other people in the field, and write-ups of such research often include an extensive discussion of methodology along with errors and issues that the researchers themselves have identified.

Methodology forms the most fundamental part of a dissertation. It will be extremely directive, rather than merely a way of doing things.

As claimed by Jensen, in China there is still much more research to be conducted on the huge number of CSR projects taking place at the factory floor level during these years (Jensen 2006). Similarly, Wang and Juslin (2009) suggest that further studies of CSR in China would be "more

focused on issues such as the opinions of Chinese enterprises on the harmony approach to CSR, how this concept can be implemented in practical CSR performance and how this concept can be adapted to corporate cultures and strategies" (Wang & Juslin 2009, p. 446).

As explored in chapter 2, harmony is the essence of the traditional Chinese culture, and still carries significant influence on the current Chinese culture. It is important to note that the ideas of Confucianism, Daoism and Buddhism, as well as the belief of nature-man-oneness, are all highly relevant to the modern concept of CSR and sustainability.

The literature reviews in chapters 3 and 4 discussed the concepts of CSR, sustainability and stakeholder theory and found that they have all been imported into China from the West. These theories are almost entirely based upon research in Western contexts, which are relatively more socially and economically developed than China. The literature also demonstrates that Chinese scholars have been heavily influenced by western understandings and interpretations of these theories, which do not perfectly align with the Chinese business and management context. This author holds that the implementation of CSR, sustainability and stakeholder theory in China may take the traditional Chinese culture, especially the harmony approach into account for implementation to be successful there.

Based upon specific practices of CSR and business sustainability implementation in an exemplary business in China, the business case study of this thesis would be an exploration of a harmonious approach to CSR and sustainability in a real Chinese factory floor with the aim to clarify all these paradoxes.

This chapter begins with an introduction to the research paradigm and methodology employed in this thesis, and then explains the reasons for choosing the case study as a methodology in sustainability research. The chapter then explores the case study mechanism covering basic concepts of case studies, design and protocol of case studies, conduct of case studies and how the principles are used in the specific case study in this thesis. The chapter then demonstrates the data collection, and analysis approaches adopted in the case study for Shoetown to construct

a foundation for the case description in later chapters. The chapter concludes with a discussion on the limitations of this research.

5.1 Ontology, epistemology, methodology, methods and paradigm

Ontology, epistemology, methodology, methods and paradigm are key concepts in the philosophy of social sciences. For many researchers, ontology, epistemology and methodology together can be related to each other as a framework, or even as one unified view that some researchers call a paradigm (Guba & Lincoln 1994). All these concepts are interrelated in various ways, depending upon the more general philosophical position of a specific research.

Ontology deals with the ideas about the "existence of and relationship between people, society and the world in general. Ontological assumptions embrace all theories and methodological positions" (Eriksson & Kovalainen 2008, p. 13). The qualitative approach used in this thesis is based upon the ontological assumption in which reality is understood as subjective. This means that the research is based upon perceptions and experiences that may be different for each participant, and change over time and context.

In addition to ontology, which focuses on the question "what is there in the world?", it is of critical importance to comprehend the significance of epistemology in research. Epistemology is concerned with the questions "what is knowledge and what are the sources and limits of knowledge?"

According to Eriksson and Kovalainen (2008), epistemology defines how knowledge can be created and debated for, as well as the criteria by which knowledge is possible. In scientific research, the provision of structures to the availability of type of scientific knowledge and the limitations of such knowledge is usually determined by epistemology. Additionally, epistemology also provides solutions to the questions about what scientific practice and process really mean. Therefore, there exist several different epistemological commitments, directions and views, for instance, according to the epistemological view, "no access to the external world beyond our own observations and interpretations is possible" (Eriksson & Kovalainen 2008, p.

14). Among the three directions within epistemology, subjectivism views reality as being socially structured. This means that knowledge is available only through social actors.

Methodologies deal with how human beings come to understand the world. They refer to organising principles, which provide the procedure for guiding the research process and the research design. The focal point is to describe how a given issue or problem can be studied. Silverman (2005) asserts that methodologies can be defined broadly and schematically (for example, quantitative and qualitative methodologies), or narrowly and precisely (for example, grounded theory, case study and ethnography) (cited in Eriksson & Kovalainen 2008, p. 16). Thus, methodology is used to answer the question of why, what, where, when and how data are collected and analysed.

Collis and Hussey (2009) distinguish methodology and method by stating that "methodology refers to the overall approach to the research process, from the theoretical underpinning to the collection and analysis of the data while methods refer only to the various means by which data can be collected and analysed" (Collis & Hussey 2009, p. 54).

The concept of paradigm is widely used in social science and in business research. The research paradigm is fundamental in business research because it determines the ways of methodology, research design, data collection and analysis, and the entire course of the research project (Collis & Hussey 2009). Collis and Hussey (2009) assert that the term "paradigm" refers to "the progress of scientific practice based on people's philosophies and assumptions about the world and the nature of knowledge … about how research should be conducted" (Collis & Hussey 2009, p. 47). Paradigms are "universally recognized scientific achievements that for a time provide model problems and solutions to a community of practitioners" (Kuhn 1962, p. viii). Paradigms provide a framework comprising an accepted set of theories, methods and ways of defining data.

Morgan (1979) proposes that the term "paradigm" can be employed at three different levels. The first is at the philosophical level, where it is used to demonstrate the basic beliefs about the world. The second is at the social level, where it is used to offer guidelines about how the

researcher should conduct research. The final is at the technical level, where it is used to specify the methods and techniques that ideally should be adopted when conducting research.

There are two major research paradigms or philosophies, which can normally be labelled as "positivistic paradigms" and "phenomenological paradigms". In reality, these terms may be explained differently by different authors. Table 5.1 summarises some of the common terms of the two paradigms.

Table 5.1 Alternative terms for the main research paradigms

Positivistic paradigm	Phenomenological paradigm
Quantitative	Qualitative
Objectivist	Subjectivist
Scientific	Humanistic
Experimentalist	Interpretivist
Traditionalist	

Source: Collis and Hussey (2009, p. 47)

Creswell (1994) holds that the positivistic paradigm is referred to as "quantitative and [the] phenomenological paradigm is referred to as qualitative" (Creswell 1994, p. 5). Phenomenology is the science of phenomena. A phenomenon is " an occurrence, a circumstance, or a fact that is perceptible by the senses … That which appears real to the mind, regardless of whether its underlying existence is proved or its nature understood" (Soukhanov, Ellis & Severynse 2000, p. 5445). Phenomenological paradigm, as explained by Collis and Hussey (2009), is concerned with understanding human behaviour from the participant's own frame of reference. It is assumed that social reality is within human beings; therefore, the act of investigating reality has an effect on that reality. Considerable regard is paid to the subjective state of the individual. Phenomenological paradigm is a qualitative approach stressing the subjective aspects of human activity by focusing on the meaning, rather than the measurement, of social phenomena.

In different ways, phenomenologists believe that social reality is dependent on the mind. There is no reality independent of the mind; therefore, what is researched cannot be unaffected by the

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process of the research. The research methods used under this approach are "an array of interpretative techniques which seek to describe, translate and otherwise come to terms with the meaning, not the frequency of certain more or less naturally occurring phenomena in the social world" (Maanen 1983, p. 9).

Crotty (1998) suggested that in designing a research proposal, four questions must be considered. The first question is about the epistemology of the research. This is concerned with the theory of knowledge embedded in the theoretical perspective. For instance, the researcher needs to define whether the research is objectivism or subjectivism; the second question is about the theoretical perspective (philosophical stance) lying behind the methodology in question. The research needs to clarify whether it is about positivism and postpositivm or interpretivism or critical theory and so on. The third question is about the methodology (strategy or plan of action that links methods to outcomes) that governs the choice and use of methods. This is concerned with specific approaches employed in the research; for example, experimental research, survey research, ethnography or case studies. The final question is about the methods (techniques and procedures) proposed for the research. For instance, questionnaire, interview, focus group or observations (Crotty 1998).

The paradigm adopted has great importance to the methodology employed. The research methods used under a phenomenological paradigm are closely interwoven with the assumptions and philosophies of the paradigm that permeates the entire research design. The main features of the two paradigms are summarised in table 5.2.

Table 5.2 Key features of the two main research paradigms

Positivistic paradigm	Phenomenological paradigm
Tends to produce quantitative data	Tends to produce qualitative data
Uses large samples	Uses small samples
Concerned with hypothesis testing	Concerned with generating theories
Data is highly specific and precise	Data is rich and subjective
The location is artificial	The location is natural
Reliability is high	Reliability is low
Validity is low	Validity is high
Generalises from sample to population	Generalises from one setting to another

Source: Collis and Hussey (2009, p. 54)

The primary research question and objective in this thesis will be the enquiry of how a harmonious approach to CSR and sustainability is implemented in an exemplary business firm in the Chinese context. The research is about the "how" question at a specific location with small samples of subjective data aiming to achieve a more comprehensive understanding of how harmonious CSR and sustainability is implemented in a particular business context. The phenomenological paradigm will therefore be adopted in this thesis. The epistemological view associated with this position will be interpretivism, which will be illustrated through a business case study on the basis of qualitative data collected from multiple sources through interviewing and site observations.

5.2 Case study as a method in CSR and sustainability research

As discussed in the literature review in chapter 3, both CSR and sustainability have been defined from various perspectives. Though CSR and sustainability are widely recognised as "good things", it is clear that definitions vary from field to field, from issue to issue, and from discipline to discipline (Benn & Dunphy 2007; Benn, Dunphy & Perrott 2011; Marshall & Toffel 2005). More specifically, different forms of interdisciplinary cooperation can be distinguished by different researchers (Baumgärtner 2006; Baumgärtner et al. 2008).

It is certain that CSR and sustainability consist of numerous practical models and practices supportive to their research with equal amounts of variability along a series of axes and approaches. Researching in CSR and sustainability is therefore considered about researching cutting edge and pioneering initiatives, models or ideas that embrace many innovations (McMichael, Butler & Folke 2003).

Unarguably, human society is the key factor that connects different researches in CSR and sustainability. It is not something concocted in the laboratory to be released into society in order to determine the effect of the phenomenon on sustainability. This process highlights the social dimensions of CSR and sustainability (Corcoran, Walker & Wals 2004). CSR and sustainability must ultimately be practised by numbers of individuals within the society. It is relevant to the actions of human beings in the world (Petts, Owens & Bulkeley 2008).

The social flux needs to be handled in CSR, and sustainability research for the main research arena of CSR and sustainability is the human world in which research upon initiatives, innovations and phenomena should be undertaken for the purpose of knowing better how these may enhance higher levels of sustainability. The fact is that the human world is not only multivariate and subjected to multiple uncontrollable influences (both social and physical), the relationship among all these variables are constantly changing as time passes. It becomes a large challenge for research to be confidently concluded and well structured to offer rigour, validity and usability, given the flux within which human beings work.

Feagin, Orum and Sjoberg strongly assert that formal case studies are considered as an effective approach to answer these questions and to realise such collaboration because case studies are an ideal methodology when a holistic, in-depth investigation is needed (Feagin, Orum & Sjoberg 1991).

Case studies have been widely used in organisational studies and across the social sciences such as sociology, organisational psychology, anthropology, employment relations and political science. There are some suggestions that the case study method is increasingly being used (Robson 2002; Yin 2009), and a number of publications examine the approach (Abramson 1992;

Eisenhardt 1989; Hamel, Dufour & Fortin 1993; Stake 1995; Yin 2009). There is growing confidence in the case study as a rigorous research strategy in its own right. Case studies, on the other hand, are designed to bring out details from the viewpoint of the participants by using multiple sources of data.

Traditionally, researchers tended to establish the theory of business management through integrating observations from previous literature, common sense and experience. However, it became more and more popular for scholars to develop theories from case study approaches in recent decades. Several aspects of such processes have been analysed in the literature to build theories from case studies. For instance, Glaser and Strauss (1967) initiated a comparative method for developing grounded theory, Yin (2002) described the design of case study research, and Miles and Huberman (1984) codified a series of procedures for analysing qualitative data.

The overall results indicate that case studies have become more and more a popular research method among researchers, as well as a powerful tool for building theories. Because the area of studying business and society relationships is relatively new, and there is the lack of a common acceptable approach for research in this area, the case study research method is becoming especially important (Eisenhardt & Graebner 2007; Harrison & Freeman 1999; Woodside & Wilson 2003; Yu 2008). The case study method is proving to be an effective tool in the research area of CSR and business sustainability because CSR and sustainability are interdisciplinary and operating within complex phenomena.

5.3 The case study method

A case study is the descriptive, explorative and prospective study of a concrete real-world situation, including its practical context and its determining factors, for the purpose of generating and testing hypotheses (Eisenhardt 1989; Scholz & Tietje 2001; Yin 2002). Yin (2009) holds that a case study "is an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident" (Yin 2009, p. 18). Further, Yin (2009) asserts that the case study inquiry "copes with the technical distinctive situation in which there will be

many more variables of interest than data points, and as one result, relies on multiple sources of evidence, with data needing to converge in a triangulating fashion, and as another result, benefits from the prior development of theoretical propositions to guide data collection and analysis" (Yin 2009, p. 18). Although Stake (2005) holds that case study research is not a methodology but a choice of what is to be studied (that is, a case within a bounded system, bounded by time and place), others confirm it as a strategy of inquiry, a methodology, or a comprehensive research strategy (Denzin & Lincoln 2011; Merriam 1998; Yin 2009).

Gerring (2004) maintains that a case study is best defined as "an intensive study of a single unit with an aim to generalize across a larger set of units which rely on the same sort of covariational evidence utilized in the non-case study research. And the case study method is correctly understood as a particular way of defining cases, not a way of analysing cases or a way of modelling causal relations" (Gerring 2004, p. 341).

Cassell and Symon (2004) demonstrate that case study research consists of a detailed investigation, often with data collected over a period of time, of phenomena, within their context. The aim of the case study is to carry out an analysis of the context and processes that illuminate the theoretical issues being studied. The phenomenon is an integral part of its context, and both phenomenon and its context have mutual influence on each other. There is an increasing interest in understanding context as an explanatory factor in organisational behaviour (Rousseau & Fried 2001). There are many methods that can be used to address this, but case studies are considered a key way.

Cassell and Symon (2004) further assert that the case study is "not a method but a research strategy" particularly applicable for research questions that require a detailed understanding of social or organisational processes because of the rich data collected in this context. In organisational research, the case study is likely to be one or more organisations, or groups or individuals operating within or around them (for example, particular departments, types of employee, customers or clients). Case studies can therefore focus on other levels of analysis, from public policy such as Allison's 1971 study of the Cuban missile crisis (Allison 1971) to individual psychodynamics such as Freud's famous studies (Bromley 1986). All of these

behaviours involved a similar overall approach: generally inductive analysis focusing on processes in their social context. Bonoma (1985) notes that case studies must be "constructed to be sensitive to the context in which management behaviour takes place" (Bonoma 1985, p. 204).

One of the advantages cited for case study research is its uniqueness, its capacity for understanding complexity in particular contexts. A corresponding disadvantage often cited is the difficulty of generalising from the single case (Simons 1996). Furthermore，Yin, Stake and others who have wide experience in this type of methodology have developed robust procedures. When these procedures are followed, the researcher will be following methods as well developed and tested as any in the scientific field. Whether the study is experimental or quasi-experimental, the data collection and analysis methods are known to hide some details (Stake 1995).

Franklin strongly asserts that this is the reason why case studies have been commonly used in CSR and sustainability research. As a matter of fact, many scholars (for example Baumgärtner et al. 2008; Carroll & Shabana 2010; Castka et al. 2004; Chapple & Moon 2005; Chaudhri & Wang 2007; Salzmann, Ionescu-Somers & Steger 2005; Tappeiner, Tappeiner & Walde 2007; Weber 2008; Woodside & Wilson 2003) have employed case study approaches in their CSR and sustainability research works. To know how human practice may affect the environment, researchers study individual cases or initiatives to explore consequences, possibilities and potentialities that result from particular social practices and their relationships with outcomes in environment — an environment defined both physically and socially. If researchers study real-world phenomena that cover both physical and social aspects, as well as ideas and initiatives that "are expressed within a context or milieu which has multiple influences, action and potential outcomes, then methodologically the case study method is the appropriated choice for sustainability research" (Franklin & Blyton 2011, p. 57).

Collis and Hussey (2009) maintain that a unit of analysis is the kind of case to which the variables or phenomena under study and the research problem refer to, and is about what kind of data is collected and analysed. A case study approach implies "a single unit of analysis, such as a company or a group of workers, an event, a process or even an individual. It involves

gathering detailed information about the unit of analysis. A research study may include a single case or a number of cases" (Collis & Hussey 2009, p. 66).

Therefore, this author chooses to employ the case study as a research method that represents a type of design in the qualitative research of an object of study, as well as a product of the inquiry. Case study research is a "qualitative approach in which the investigator explores a real-life, contemporary bounded system (a case) or multiple bounded systems (cases) over time, through detailed, in-depth data collection involving multiple sources of information (e.g. observations, interviews, audiovisual material, and documents and reports), and reports a case description and case themes" (Creswell 2012, p. 98).

5.3.1 Classification of case studies

Many types of study have been given the label of "case study research". Using different objectives, various disciplines have employed the case study method differently. For instance, single cases of individuals or groups have been employed in psychology to explore particular phenomena (Yin 2003). In education, case studies are mainly used to evaluate specific pedagogical initiatives (Berends & Garet 2002). Similar approaches have also been adopted widely in business studies (Agranoff & Radin 1989; Stake 2006). However, this can mean different things in terms of research effort involved and the depth of data collection and analysis. Sometimes a case study can be purely based upon secondary data analysis (for example, from website materials or company histories and reports); a case study can be of a business, a project, an initiative, a scheme, it can be of a village, a school or even a country. A similar diversity can be found within sustainability research (Marshall & Toffel 2005) and this variability has important implications for the interpretation of data, analysis and the subsequent recommendations of research.

According to Cassell and Symon (2004), case studies generally include many methods because research issues can be best addressed through this approach. These methods may cover "participant observation, direct observation, ethnography, interviews (semi-structured to

relatively unstructured), focus groups, documentary analysis, and even questionnaires may be used, or in combination" (Cassell & Symon 2004, p. 324).

Yin and other scholars (e.g. Glaser & Strauss 1967; Gomm, Hammersley & Foster 2000; Pyecha 1988; Tellis 1997) state that there are a number of different types of legitimate case studies employed in various academic fields encompassing degrees of plurality ranging from a single case study to different models of multiple case studies. Multiple case studies are used only to strengthen pattern matching, to allow stronger assertions about the sustainability behaviours or outcomes in this context. Different questions concerning different types of sustainability initiatives can be addressed through case study approaches (Yin 2009).

Case studies are often described as exploratory research, used in areas where there are few theories or a deficient body of knowledge. Nevertheless, this is not their only form. Scholars have classified case studies in various categories.

For instance, Scarpens (1990) classifies five types of case study. First, descriptive case studies, where the objective is restricted to describing current practice. The research objective of these studies is to provide a description of practice. Second, illustrative case studies, where the research attempts to illustrate new and possibly innovative practices adopted by particular companies. Third, experimental case studies, where the research examines difficulties in implementing new procedures and techniques in an organisation and evaluating the benefits. Fourth, exploratory case studies, where the research is used to explore reasons for particular business practices to produce generalisations about the reasons for such practices. Fifth, explanatory case studies, where existing theory is used to understand and explain what is happening. The focus of the research is "on the specific case. If available theories do not provide convincing explanations, it may be necessary to modify them" (Scapens 1990, p. 265).

According to Yin (2009), case study approaches are generally categorised into exploratory, explanatory and descriptive case studies. Exploratory case studies are more applicable to social events of new or innovative practices or ideas, including "cutting-edge" sustainability initiatives, pioneering projects and innovative schemes, and so on. When using this method, fieldwork is

recommended prior to the introduction of theoretical principles. Tellis (1997) holds that exploratory case studies can be employed as pilot studies to inform social research projects, or may be social research project themselves. Explanatory case studies are suitable for examining casual factors, particularly those that link special social, political or technical circumstances with particular behaviours or outcomes. In extremely complicated and multivariate cases, pattern matching techniques can be used for analysis for such techniques will allow an understanding of these linkages to be developed (Yin & Moore 1987). In descriptive case studies, there will be a descriptive theoretical framework at the beginning followed by an examination of evidence on data gathered from various sources to support the evidence presented in the theory. Pattern matching techniques are also recommended for such case studies to demonstrate the casual links that underpin the ideas. In sustainability research, the cause–effect relationship of the hypotheses can thus be analysed, and the hypothetical possibilities that may be able to enhance better sustainable practices will be explored.

However, the different types of case studies are not "well delineated and one type may be combined with or merged into another" (Collis & Hussey 2009, p. 66). Similarly, Scapens (1990) warns that case studies are only a research method, they are not a methodology. The use of case study methods depends on both the nature of the research and the methodology adopted by the researcher. Different types of case studies are better suited to some methodologies than others. There are not "distinctions between these different types of case studies" (Scapens 1990, p. 266).

As discussed earlier, the nature of the majority of sustainability researchers are looking at cutting-edge ideas, projects or practices; it is clear that the case study method will offer a methodological approach that allows researchers to make confident claims of potentialities, causality or development. Nevertheless, the case study method requires fundamental rigour at the level of first principles. Because there is no set "method", there is no set "model" that can be used without fundamental interrogation of the research field, the research question or the theories that underlie the research enquiry. It has been suggested by Franklin and Blyton (2011) that each individual research project be "build from scratch" to reflect the particulars of the

specific enquiry. This means that case study is not the simplest method to use, but it means that confidence in "the rigour and validity of a well-constructed case study project offers the sustainability researchers the ability to make confident assertions about the principles they examine" (Franklin & Blyton 2011, p. 62).

The case study used in this research involves an enquiry into a specific business firm focussing on its implementation of CSR and sustainability in its own particular context. The case study provides a detailed description of the CSR and sustainability practices in this organisation. These descriptions are used to examine causal factors, particularly those that link its particular social, political and technical circumstances with behaviours and performance within this organisation. The case study begins with a descriptive theoretical framework, which is followed by an examination of evidence through data gathered from various sources within the organisation to link the theory with observed practice. This approach is employed to describe and to explain how Chinese contextual factors, especially the traditional Chinese harmonious culture, influence CSR and sustainability implementation in this Chinese business.

5.3.2 Case study protocols

Yin (2009) recommends that the first stage in the case study of sustainable practice be the development of the case study protocol to avoid "internal and external inconsistency". Hence "a case study must be built around the following components: its propositions, if any; its units of analysis; the logic linking the data to the propositions; and the criteria for interpreting the findings" (Yin 2009, p. 20). Such a case study protocol provides a useful rubric to begin to explore the design of case studies for sustainability research.

Yin (2009) held that the researcher should possess or acquire the following skills: the ability to ask good questions and to interpret the responses, to be a good listener, adaptive and flexible so as to react to various situations, to have a firm grasp of issues being studied, and to be unbiased by preconceived notions. The investigator must be able to function as a "senior" investigator (Feagin, Orum & Sjoberg 1991).

An empirical investigation of a contemporary phenomenon within its real-life context is one situation in which case study methodology is applicable. Yin (2009) cautions that case study designs are not variants of other research designs and proposes five components of protocol in case studies. They include "a study's questions; its propositions, if any; its unit of analysis; the logic linking the data to the propositions; and the criteria for interpreting the findings" (Yin 2009, p. 20).

The first component of the protocol consists of the actual research question. Yin states that there have to solve be two key aspects in a research question. The first is the form of the question; that is, the "who", "what" and "how" component. The second is its "substance"; that is, what the study is about. In sustainability research, the substance clearly will be relevant with actions and sustainable outcomes, and the form will take the shape of "what", "why" and "how" questions.

As for the propositions of the case study, it is believed to be an indication of its theoretical orientation. The proposition will link the actions together with the outcomes and a conclusion can be drawn around these links.

The third component of the case study protocol is the "unit of analysis". As defined by Jill Collis and Roger Hussey (2009), a unit of analysis is the kind of case to which the variables or phenomena under study and the research problem refer to, and about which data is collected and analysed. A case study approach implies a single unit of analysis.

The fourth component of the protocol of the case study is the approach linking the data to the propositions. Careful consideration and rigorous logic in the design of the study are required in this respect. The research would have started with the proposition that had confirmed whether the data gathered actually addressed these propositions. However, as stated by Yin (2009) that in a case study there would be more variables of interest than data points, researchers should not extract the phenomena they are looking for from the world within which it is situated. The links between the propositions and the data should always be carefully examined so as to address the

internal and external validity of the research, as well as make the analysis and findings more robust.

Nevertheless, the case study as a research methodology has been criticised due to some obvious weaknesses. For example, 1) it is not of a scientific nature so a replication is impossible; 2) it is hard to access and negotiate with a suitable organisation; 3) it is hard to verify the delimitations or boundaries of the research; 4) the complexity of "relationship and interactions of the organization with the rest of the society" (Collis & Hussey 2009, p. 67). However, some scholars (e.g. Feagin, Orum & Sjoberg 1991; Stake 2005; Yin 2012) have refuted these viewpoints and correspondingly suggested an outline for what a case study protocol could include. Yin (2009) asserts that the protocol would be more critical than the instrument, for the development of the rules and procedures contained in the protocol enhance the reliability of case study research. The protocol should include the following four sections: first, an overview of the case study project — this will include project objectives, case study issues and presentations about the topic under study; second, field procedures — reminders about procedures, credentials for access to data sources, location of those sources; third, case study questions — the questions that the investigator must keep in mind during data collection; and fourth, a guide for the case study report — the outline and format for the report. This author has strictly followed the details of this protocol during the entire process of case study.

The rules of games and regulations in the protocol restricting the investigator will be critical to the overall progress and reliability of the case study. It will guide the researcher to be more focused on the main tasks and goals of the case study and to tackle the problems emerging during the process of the actual investigation. The overview of the project is a useful way to communicate with the investigator, while the field procedures are indispensable during data collection. The case study questions are those under study, not those contained in the survey instrument. Each question should also have a list of probable sources.

The guide for the case study report is often omitted from case study plans, since investigators view the reporting phase as being far into the future. Yin (2009) proposed that the report be planned at the start. Case studies do not have a widely accepted reporting format — hence, the

experience of the investigator is a key factor. Some researchers have used a journal format (Feagin, Orum & Sjoberg 1991), which was suitable for their work, but not necessarily for other studies.

Yin (2009) asserts that there should be three conditions for the design of case studies: the type of research question posed; the extent of control an investigator has over actual behavioural events; the degree of focus on contemporary events. As clarified by these conditions, it is clear that the author had no control over behavioural events, which is a characteristic of case studies. As for the third condition, the case is evident in the current study and the events being examined are contemporary. However, since it is a longitudinal case study, historic information was considered fundamental.

This author holds that the above guidelines are applicable to the case study employed in this thesis and, in fact, they have been used by this author throughout the entire process of the case study.

5.3.3 Principles of data collection for case studies

The second stage of the case study method, as recommended by Yin (2009), is the conduct of the case study. This includes three tasks for a successful case study: *preparation for data collection*, distribution *of the questionnaire* and *conducting interviews*. All these stages are interrelated and mutually reliant upon one another. This phase is the execution of the research plan once the protocol has been developed and tested. The primary objective in this stage is the data collection, the availability of which in the case organisation might have been described in the protocol mentioned above. According to Yin (2009), data collection should be viewed as a design issue in a case study that will enhance the construct and internal validity as well as the external validity and reliability of the case study. Yin (2009) holds that most of the field methods described in the literature treat data collection in isolation from other aspects of the research process. This has been regarded as inefficient in case study research.

Case study design provides the chance to check a wide range of evidence. Of all the methods of social enquiry, it allows the researcher the chance to determine the context and to sift through the details of the empirical situation (Franklin & Blyton 2011). According to Collis and Hussey (2009), there are three types of approaches for data collection in a case study: "documentary analysis, interviews and observations" (Collis & Hussey 2009, p. 66). Yin (2009) identified six common sources of evidence for case study research: "documentation, archival records, interviews, direct observation, participant observation, and physical artefacts" (Yin 2009, p. 92). These are all valid for sustainability research. For evidence of the presence of the theoretical construct, approaches such as studying the press, government records, interviewing relevant figures, participant observations and analysis of the physical environment will also be employed. By such means, the case study will allow the "investigator to address a broader range of historical, attitudinal, and behavioural issues" (Yin 2009, p. 92).

Of course, the researcher is required to be equipped with different skills in employing each of these sources. Moreover, not all sources are essential in every case study; however, it is well recognised that multiple sources of data have been proven important to the reliability of the study (Stake 1995; Yin 2009). Furthermore, no single source has a complete advantage over the others; rather, they might be complementary and could be used in tandem. Thus, a case study should use as many sources as are relevant to the study.

Table 5.3 summarises the strengths and weaknesses of each type of these sources.

Table 5.3 Strengths and weaknesses of data source

Source of evidence	Strengths	Weaknesses
Documentation	• stable — repeated review • unobtrusive — exist prior to case study • exact — names etc. • broad coverage — extended time span	• retrievability — difficult • biased selectivity • reporting bias — reflects author bias • access — may be blocked
Archival records	• same as above • precise and quantitative	• same as above • privacy might inhibit access
Interviews	• targeted — focuses on case study topic • insightful — provides perceived causal inferences	• bias due to poor questions • response bias • incomplete recollection • reflexivity — interviewee expresses what interviewer wants to hear
Direct observation	• reality — covers events in real time • contextual — covers event context	• time-consuming • selectivity — might miss facts • reflexivity — observer's presence might cause change • cost — observers need time
Participant observation	• same as above • insightful into interpersonal behaviour	• same as above • bias due to investigator's actions
Physical artifacts	• insightful into cultural features • insightful into technical operations	• selectivity • availability

Source: Yin (2009, p. 80)

Documents include letters, organisation brochures, memoranda, agendas, study reports, or any items that could add to the database. Careful review of the validity of the documents is critical for incorrect data being included in the database would be harmful to the whole project. One of the most important uses of documents is to corroborate evidence gathered from other sources. Scholars have criticised the potentiality of over-reliance on documents as evidence in case studies. There could be a danger of this occurrence if the investigator is inexperienced and mistakes some types of documents for unmitigated truth (Yin 2009).

Archival records include service records, maps, charts, lists of names, survey data and even personal records such as diaries. They are useful in some studies. The investigators are required to be meticulous in determining the origin of the records and their accuracy (Tellis 1997).

Interviews are one of the most important sources of case study information. As a key approach for data collection, personal interviews enable the qualitative investigators to "get closer to the actor's perspective through detailed interviewing and observation" (Denzin & Lincoln 2011, p. 10). Interviews can take one of several forms: open-ended, focused or structured. In open-ended interviews, the researcher could ask for the informant's opinion on events or facts. This could serve to corroborate previously gathered data. In focused interviews, the respondent is interviewed for only a short time, and the questions asked could have come from the case study protocol. Structured interviews are particularly useful in studies of neighbourhoods where a formal survey is required. The use of tape recorders during the interviews will be dependent upon the discretion of the parties involved (Tellis 1997). Furthermore, Bridget Byrne (2004) suggests "qualitative interviewing is particularly useful as a research method for accessing individuals' attitudes and values — things that cannot necessarily be observed or accommodated in a formal questionnaire. Open-ended and flexible questions are likely to get a more considered response than closed questions and therefore provide better access to interviewees' views, interpretation of events, understandings, experiences and opinions … [Qualitative interviewing] when done well is able to achieve a level of depth and complexity that is not available to other, particularly survey-based, approaches" (Byrne 2004, p. 182).

As suggested by Tellis (1997), direct observation in a case study occurs when the investigator makes a site visit to gather data. The observations could be formal or casual activities, but the reliability of the observation is the main concern. Using multiple observers is one way to guard against this problem.

The strength of the case study method for this type of enquiry also enables triangulation to be engaged. Triangulation is a powerful technique that facilitates validation of data through cross verification from two or more sources in qualitative research in social science. According to Cohen and Manion (2007), triangulation is the use of two or more methods of data collection in

the study of some aspect of human behaviour. It is an "attempt to map out, or explain more fully, the richness and complexity of human behaviour by studying it from more than one standpoint" (Cohen, Manion & Morrison 2007, p. 141). O'Donoghue and Punch (2004) define triangulation as a "method of cross-checking data from multiple sources to search for regularities in the research data" (O'Donoghue & Punch 2004, p. 78). This approach "gives a more detailed and balanced picture of the situation" (Altricher et al. 2008, p. 147). Four kinds of triangulation have been introduced by Patton (1987, 2002): the triangulation of data sources (data triangulation); triangulation from different evaluators (investigator triangulation); triangulation of perspectives on the same data set (theory triangulation); and triangulation of results from different methods (methodological triangulation). In the same fashion, Denzin (2006) asserts that methodological triangulation involves using more than one method to gather data, such as interviews, observations, questionnaires and documents. He argues that the use of different methods by a number of researchers studying the same phenomenon should, if their conclusions are the same, "add to greater validity and reliability than a single methodological approach" (Denzin 2009, p. 297).

Obviously, different sources offer different measures for the same research phenomena. By employing triangulation, which carefully uses multiple sources of evidence, the construct of validity and theoretical framework, as well as the reliability of the interpretation of the data, should confidently be assured.

5.3.4 Analysis on the case study evidence

"Data analysis consists of examining, categorizing, tabulating, or otherwise recombining the evidence to address the initial propositions of a study" (Yin 2009, p. 102). The analysis of case studies is one of the least developed aspects of the case study methodology. The researcher needs to rely on experience and literature to present the evidence in various ways, using different interpretations. This becomes necessary because statistical analysis is not necessarily used in all case studies. Miles and Huberman (1984) have suggested alternative analytic techniques of analysis in such situations, such as using arrays to display the data, creating

displays, tabulating the frequency of events, ordering information and other methods. This must be done in a way that will not bias the results.

Yin (2009) suggests that every investigation should have a general analytic strategy, so as to guide the decision regarding what will be analysed and for what reason. He also recommended some possible analytic techniques such as pattern matching, explanation-building and time-series analysis. Generally speaking, the approach of analysis should rely upon the theoretical propositions that led to the case study. If theoretical propositions are not present, the researcher could accordingly consider developing a descriptive framework around which the case study is organised.

Trochim (1989) asserts that pattern matching is one of the most desirable strategies for data analysis. Pattern matching minimally involves the specification of a theoretical pattern, the acquisition of an observed pattern, and an attempt to match these two. There are two types of pattern matches in program evaluation: process pattern matches and outcome pattern matches. Process pattern matches assess the construct validity of the program, participants or measures, while outcome pattern matches assess the causal hypotheses and address the traditional concerns of internal and external validity. Each of the three types of process pattern matches can be further divided into characteristic pattern matches (which examine the interrelationships between key characteristics across programs, participants or measures) or object pattern matches (which view interrelationships between programs, participants or measures based on their overall degree of similarity). Outcome pattern matching can be accomplished for any process pattern match by examining outcomes across programs, participants or measures viewed either in terms of their characteristics or as molar objects. This technique compares an empirically based pattern with a predicted one. If the patterns match, the internal reliability of the study is enhanced. However, the actual comparison between the predicted and actual pattern might not have any quantitative criteria. The discretion of the researcher is therefore required for interpretations.

Explanation-building is included as a form of pattern matching, in which the analysis of the case study is performed by building up an explanation for the case. This implies that it is most useful

in explanatory case studies, but it is possible to use it for exploratory cases as well as part of a hypothesis-generating process. Explanation-building is an iterative process that begins with a theoretical statement, refines it, revises the proposition and repeats this process from the beginning. This is known to be a technique that is fraught with problems for the investigator. One of those problems is a loss of focus.

In order to ensure the quality of the research analysis, Winston Tellis (1997) suggests that researchers pay serious attention to the adequate employment of all relevant evidence and all rival explanations. Researchers should also be required to fully utilise their knowledge and experience to ensure that the most significant aspect of the case study has been addressed in the analysis.

As per the preceding discussions, the author will employ the pattern matching triangulation approach for data analysis in this case study, which will involve the correlation of data collected through various sources in the data-collection process.

5.4 Why Shoetown is chosen as a business case study

The case study employed in this thesis is of a large Taiwanese-funded business that is attempting to employ the leading edge of manufacturing practice while being true to the Chinese context of management in CSR and business sustainability with a harmonious perspective. Shoetown is a sport shoes manufacturer located in Qingyuan, Guangdong Province. The company is the first contracted supplier for Nike in mainland China, and is one of Nike's global contract factories and strategic partners. Ron Chang is the President of the Evervan Group, the owner of Shoetown.

Shoetown has received a great number of government awards regarding its contribution to local economic growth and peaceful community construction. It is regarded as an exemplary enterprise in many respects (Cui Jianjun 2012), especially its achievements in CSR and sustainability management, which is reflected in its construction of a harmonious society within. The reasons why Shoetown has been chosen as the case study are numerous.

First, President Ron Chang states that the local government encouraged him to show his business to other businesses to help them develop their own enterprises in a more sustainable way; that is, the government sees Shoetown as an exemplary business (Cui Jianjun 2012). In this respect, Shoetown has been awarded a good number of awards and titles from the government and other institutions. Samples are detailed in table 5.4.

Second, Ron Chang disclosed that he had chosen my research team over a well-known business school in a US university (Princeton) who wanted to carry out a case study of Shoetown. He said that the university had approached him twice, so Princeton University knows that Shoetown is special (STPresidentchang 2012).

Third, one of the MBA graduates of this author had told him about the excellence of Shoetown as he has been the Shoetown banker, and presumably his learning from his MBA program enabled him to know the characteristics of an outstanding business.

Fourth, the owner of Shoetown and his top executive team offered comprehensive access to the business. This set of circumstances is unique.

Finally, the leadership of Shoetown had trust that this author had a good knowledge background of Chinese management culture and had some links with international academia. Shoetown leadership also tended to gain comprehensive feedback integrating both Chinese and western views upon their policy and strategy for CSR and sustainability.

5.5   Approaches for data collection and analysis

Once Shoetown decided it would be the case study organisation, this author started to organise effective communication with its leadership to enable the possibility of a field survey and interview of relevant entities of the organisation. For this purpose, the author invited two scholars from Australia to help conduct a relevant field survey and interviews. They are professor Sharon Moore, who used to be this author's supervisor at UWS (University of Western Sydney), and Dr Patrick McCarthy, who is very experienced in the field of organisational behaviour and business sustainability, and who is experienced in field survey.

Besides carrying out lots of work on data collection and analysis, the other investigators and this author spent nearly four days at the site of the organisation to conduct interviews and to observe data collection from different sources related to the organisation.

A total of 39 managers and workers were interviewed during the course. Those interviewed were selected by management. They were chosen because they had progressed through the ranks and had a wide range of experience. They had all worked at Shoetown for more than five years, and selection ensured that each functional team at Shoetown was represented by at least one interviewee.

This is clearly not a random sample of interviewees and it is likely to exclude those having views significantly different from management. The focus of the research was, however, how CSR and Sustainability had been successfully implemented at Shoetown and this group of interviewees were well suited to provide insights into the research question. The validity of these insights was triangulated with the responses from other interviewees and other data sources.

Interviews with the leadership group occurred on many occasions and in total lasted many hours. This group spoke good English so interpreters were not needed. Interviews with workers typically lasted 30–45 minutes and many required interpreters.

The workers and many of the managers provided a drawing depicting what they liked about working at, and living in, the vicinity of Shoetown. The researcher gave no other guidelines to workers regarding what was to be in their drawings. The researcher chose to enrich the interview in this way by using their drawings to focus the attention of the *interviewee*.

Details of the interviewees to be referred to in the data analysis are shown in appendix 1.

The illustrations enabled a check to see that the researcher understood what was being said via interpreters, and they provided a friendly way of beginning each interview. Interviewees other than senior management were asked about their experiences of working at Shoetown from their perspective, and from the perspective of their families.

Observations during factory tours and attendance at meetings that involved other people served to confirm the validity of sentiments expressed during the interviews and in the illustrations presented.

Analysis and enquiry about organisation documentation such as reports, brochures, monthly publications, production and human resource plans also helped to accumulate data and evidence to support the research.

Data is analysed using triangulation and the pattern matching approach. This enabled the identification of key themes. For example, visionary strategies for future development, leadership and management, value chain stakeholder management practice, people-centred culture, serving society, team work mechanism, culture of innovation, personal growth with the development of Shoetown, employee participation and engagement, communication systems, CSR and sustainability awareness at Shoetown, and construction of harmonious culture at Shoetown. All these themes are consistent with the research question of this thesis, which clearly illuminates how the harmonious approach to CSR and sustainability is implemented in practice in this Chinese OEM business firm. These will be analysed in chapter 6.

According to Jill Collis and Roger Hussey (2009), in a phenomenological study, it is essential to "quote extensively from the data collected through interviews and other means" (Collis & Hussey 2009, p. 67). Therefore, quotations have been used extensively to capture the feelings being expressed in the research. There was overwhelming enthusiasm expressed about Shoetown during discussions.

Interviews

Documentation   Direct observation

To describe what has been seen in a unitary phenomenon

Harmonious CSR and sustainability in practice at Shoetown
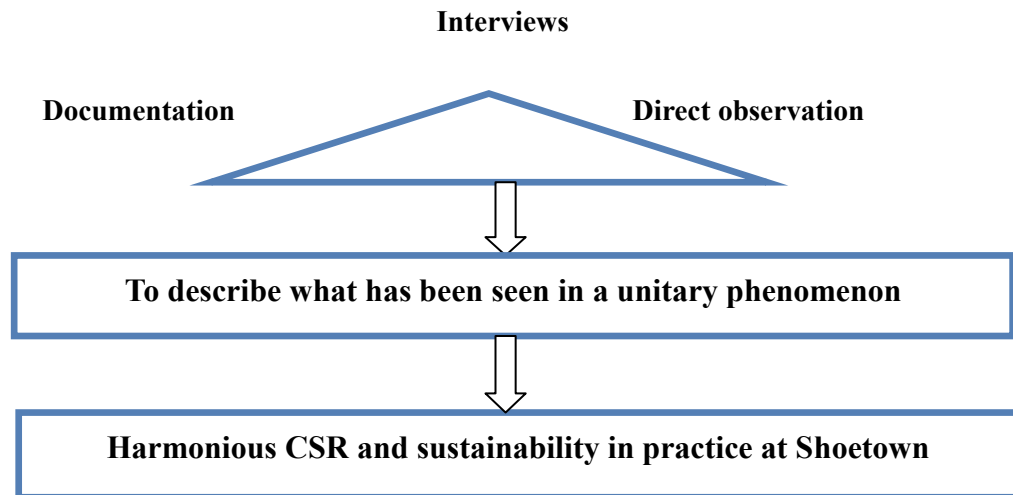
Figure 5.1 Triangulation for data analysis
Source: summarised by the author

Figure 5.1 illustrates the mechanism of triangulation to be employed for data analysis. Data is collected through interviews, documentation and direct observations through factory tours/attendance at management meetings etc. All data is collected from or provided by a unitary phenomenon — Shoetown. All data is used to explore how harmonious CSR and sustainability has been implemented at Shoetown. This author found that personal interviews provided one of many an effective approaches to data collection because the people involved are the key management and leadership resources within this organisation. In addition, a broad range of the workforce were also interviewed and this enabled a level of cross checking. The views and responses of these people reflected the what, how and why CSR and sustainability have been undertaken in this organisation. Nevertheless the author is aware of the potential pitfalls of interview techniques and they are mentioned later in this chapter as potential research limitations possibly impacting on the reliability of the data collected.

In order to enhance the reliability of data, this author researched organisational documentations such as company web pages, brochures and monthly publications, and, as mentioned above, undertook direct observation of company meetings, and toured the factory to collect more data to compliment what had been discovered in the interview process. In addition, there were many informal discussions with various employees in informal settings such as over lunch and there was much follow up through email. The data collected from these approaches have been

complementary and has tended to support reviews of the company undertaken by various government organisations, industry bodies and academics. This triangulation has led this author to conclude that his data collection methods have resulted in an accurate and comprehensive outcome. This conclusion has been confirmed in writing by the case study organisation.

Shoetown operates in a highly competitive, international marketplace. This means that much market sensitive, hard data and analysis is not available to researcher because it would be highly valuable intelligence for competitors. Of course, the drawings provided by the interviewees constituted only one form of data collection — others included interviews, written requests for data, follow-up questions, literature reviews, factory tours and observations. All these approaches will enable the triangulation of a variety of data types.

There were a number of reasons for using the drawings. These included the potential uncertainty about how comfortable the workers would feel about being interviewed by foreign academics, and indeed how they would feel about being interviewed by a Chinese national. It was designed in part to be an "ice-breaker" and to empower the interviewee as the employee would determine what would be talked about at the start of the interview. It certainly worked well in those regards; moreover, it was designed to be fun. The evidence is that the workers enjoyed the experience. The drawings required the workers to think about the interviews in advance, thereby helping to maximise their formal time with the interviewer. That is, they didn't come to the interviews without preparatory thinking having been done (one person is quoted in this the case study — she had trouble sleeping the night before because she was thinking about what to draw).

Checkland and Poulter (2006) state that "a picture is a good way to show relationships; in fact it is a much better medium for that purpose than linear prose" (Checkland & Poulter 2006, p. 25). It has been proved that drawings are a very useful source of data, and the interviewees seemed to enjoy the preparation of them, and they enjoyed talking about them with the researcher.

According to Zweifel and VanWezemeal (2012), the use of sketches or drawings by participants is unusual and referred to "in a thin layer of literature". These authors refer to the research of Monk & Howard (1998), Ragsdell(2000), Checkland &Poulter (2006), Fougner &Habib (2008)

and Berg & Pooley (2011) in support of this statement. A related view has been expressed by Greenland and Rayman-Bacchus (2014) who report that there is not adequate visual research in the marketing arena. These researchers continue with the statement that "visual research has been somewhat overlooked and its value as a distinct methodology is yet to be fully realised" (Greenland & Rayman-Bacchus 2014, p. 9).

Zweifel and Van Wezemael (2012) contend that drawings provide for a detailed and "less linear insight into complex situations if compared to speech alone" (Zweifel & Van Wezemael 2012, p. 1). They argue that drawings help in the understanding of complexity. They conclude that drawings can inspire new questions and new insights. Additionally, Zweifel and Van Wezemael (2012) argue that the discussion of the drawings leads to other topics and introduces points that would not have appeared in a classical interview. They further contend that drawings provide a more easy way for the researcher to change the flow of the interview in going back to interesting subject matter than occurs during a straightforward discussion.

Additionally, Greenland and Rayman-Bacchus (2014) refer to the work of Schrat et al. (2012) who observed that photographs and images are not functioning only as illustrations, but more importantly, they are the focus of the data collection and analysis process. It is a new approach supportive to the interpretative methods. As mentioned previously, Shoetown management has advised that the data collected at Shoetown by this researcher has enabled a valid picture of the circumstances of Shoetown to emerge

In fact, asking interviewees to talk about their drawing proved to be a very non threatening way to commence the interview as it meant that the interview began with a personal focus on what was important to the individual being interviewed. It appeared to be empowering for the interviewees as the drawing enabled them to talk at the beginning of the interview about what they thought important- it placed the interviewees in control of the start of the interview.

This approach also served as a mechanism for the researcher to identify patterns and to ensure that these patterns of key issues were dealt with in depth through other data collection mechanisms such as the interview. This observation is consistent with findings reported by

Randle et al. (2014) in their comparison of group-based research methods. These scholars reported that "non-moderated groups discuss any topics they choose, and for as long as naturally occurs" (Randle, Mackay & Dudley 2014, p. 24). Their journal article reports Madriz (2000) as concluding that by giving groups greater control resulted in them wondering from the discussion guide and "tapping into areas of the topic that I had not previously considered. The process added a wealth of information to my research and gave me new insights" (Madriz 2000, p. 846).

Because the formal interview questions related to the way Shoetown conducted its business, there was a data synergy between the request for employee personal experience as shown in the illustrations and responses to interview questions. Further, there was an alignment with data collected elsewhere about what the organisation's leadership said it aspired to and what it believed it was achieving through its vision, values and actions.

The illustrations were therefore an important data triangulation tool. Pattern matching was used to analyse the illustrations. The researcher was looking for trends and common themes and the themes that emerged included smiling faces, families, aspirations, progress against aspirations, team working, joint problem solving, skill development, appreciation of the environment, and what appeared to be a genuine respect and even love for Shoetown. This enabled interviewers to check alignment between illustrations, and interview responses which were often conveyed through interpreters. In combination, these data sources pointed to special areas of focus to be considered during factory tours, discussions with senior management and observance of management meetings. The research team concluded that the illustrations formed an important part of the data collection process. The employees seemed to enjoy preparing them, and they were all able to participate in their own way with very little guidance other than " please bring to the interview a drawing depicting what you liked about working at, and living in, the vicinity of Shoetown."

Additionally, it was used to check that the foreign investigators (two Australian scholars accompanied this author in the case survey) understood what was being conveyed through their answers to questions as conveyed through interpreters. An interesting feature of the drawings at Shoetown was that most of the drawings depicted changes in work and personal circumstances

over time. Figures 6.33, 6.34, 6.35 and figure 6.36 in chapter 6 are examples. This feature was very clear from the drawings and was not clear from the interviews alone. This time line focus aligns with the experience of Zweifel and Van Wezemael (2012) who report that drawings "work as maps over time" whilst allowing interviewees to overcome the linearity of spoken words resulting in "more dense and rich interviews" (Zweifel & Van Wezemael 2012, p. 13).

Of course, this author was looking for insights through the drawings that were not available to him through other avenues. The case study analysis of the drawings is full of these insights that one would have missed otherwise.

Photographs are placed throughout this thesis. They were taken by this researcher as evidence to support findings emerging from other forms of data collection. For example, photographs of dedicated meeting rooms and training rooms were evidence of commitment to quality training and employee involvement. Photographs also served as reminders over time and during thesis writing this author discovered new insights from them. An example is the photograph at figure 6.4 illustrating the Shoetown goal of having a harmonious work place. Greenland and Rayman-Bacchus (2014) point to these subtle benefits that can flow from the use of photographs which they argue can provide new ways of examining situations.

Moreover, it was used to check that the foreign investigators (two Australian scholars accompanied this author in the case survey) understood what was being conveyed through their answers to questions as conveyed through interpreters.

Of course, this author is looking for insights through the drawings that were not available to him through other avenues. The case study analysis of the drawings is full of these insights that one would have missed otherwise.

On top of that, this author also realises that no data collection method is perfect; for example, pure data is very often flawed by rounding, altering at various levels of the data compilation process, and by the political process. Usually many pieces of data are necessary to compile a picture and conclusions require judgments that may vary on different occasions. Researcher can

be impacted by not listening well, misinterpreting responses and by motivated reasoning; however, that does not mean that interviews are not an accepted means of data collection.

5.6   Research limitations

As discussed above, this research adopts the phenomenological paradigm and interpretivism as the epistemological view. They are illustrated through a business case study on the basis of data collected from multiple sources (Collis & Hussey 2009).

In this research, for instance, personal interviews enable the qualitative investigators to closely approach the actors, and they are particularly useful as a research method for accessing individuals' attitudes and values. However, according to Silverman (2013), there are certain requirements for the interview group. First, investigators must think of themselves as discrete individuals with personal experiences and goals. Silverman (2013) holds that this emergence of the self as a proper object of narration may be a relatively modern phenomenon. For example, in feudal or aristocratic societies, one was primarily identified through membership of a collective caste (for example, peasants or aristocrats); second, the interview demands subjects who are happy to confess their innermost thoughts and emotions to the appropriate professional. Silverman believes that very few people can accomplish this target in the present day; third, the interview society requires mass-media technologies and myths that give a new twist to the perennial polarities of the private and the public, the routines and the sensational (Silverman 2013). Silverman (2013) accordingly concludes, "if we recognize the impact of these historical and cultural changes, it becomes difficult to continue the present situation where qualitative researchers use the interview as an unquestioned resource to look into people's 'experiences' … when people 'confess', the researchers should properly dismiss appeals to the 'immediacy' and 'authenticity' of their data. Instead, they should treat what they hear as simply a contingent narrative or account and examine the cultural resources that speakers skilfully deploy" (Silverman 2013, p. 135).

Indeed, though the interview data is rich and the validity is considered to be high, interview data is subjective. Answers to interview questions might not be consistent with the changes of

interview context, persons being interviewed and even the interview timing can impact reliability. It is possible that the emotions of the interviewees including their attitudes and concerns, such as fear of unfavourable reactions from their leaders, may have influenced their responses. Nevertheless these reliability limitations are thought unlikely given the broad consistency of responses. That is, interviewees tended to say similar things but presented their responses in a wide variety of ways. One way of dealing with these possibilities is data triangulation which occurred. Another way would involve a consistent tracking of future developments regarding the implementation of CSR and sustainability initiatives at Shoetown.

Drawings and photographs, like interviews, are subjective but in the case of this research dependency on the data was limited to the identification of broad trends which could be validated through other data collection methods. The drawings were not analysed for subtleties which would likely lead to conclusions that could reasonably be challenged on grounds of validity.

Rose (2007) referred to in Greenland and Rayman-Bacchus (2014) states that the same criticisms attributed to qualitative research can be attributed to drawings and photographs. This researcher would not dispute that view but, as mentioned earlier, there were practical reasons for including drawings and photographs in the data collection process- for example, to be an interview ice-breaker, to empower the worker at the interview, to serve as memory jolters during the process of writing the thesis. As argued by Bell and Davison (2013), a further problem with drawings and photographic data is that "there has been limited guidance on how visual data should be analysed and interpreted, which is problematic, because this is one of the biggest challenges that visual researchers often face" (Bell & Davison 2013, p. 174). Belk and Kozinets (2005) also noted that there have been in lack of convenient, reliable, and cost effective approaches to capture and analyse such drawings and photographic data.

Greenland and Rayman-Bacchus (2014) point out that although visual research is commonly employed in anthropological, sociological and ethnographical studies, they note that other researchers have pointed to "an expanding volume of image driven research", but this growth

has mainly been in the traditional research disciplines, and there has been comparatively rare usage of this approach in business and management research.

Furthermore, this is only a single OEM business case study. It is hardly a complete reflection of the entire circumstance of CSR and sustainability implementation in China. It is well known that there is a complex organisational system in mainland China. In the Chinese context, it is far too simplistic to think of business organisations as only covering private enterprises in the economy; this sector, while important, comprises only one of the organisational types that are behaving like business organisations in China. For example, there are five types of organisations that comprise the category "mainland Chinese business organisations". These include state-owned enterprises (SOEs), township and village enterprises (TVEs), collectively owned enterprises, private enterprises and foreign-funded enterprises. These are all part of the group of Chinese organisations that "behave, to varying degrees, like business organisations in China" (Guthrie & Wang 2007, p. 99). All these business firms have their own features, leadership, cultural background and operational mechanisms. Exploration into CSR and sustainability implementation with a harmonious approach in different business system would be a very significant research scheme for CSR and sustainability research in the Chinese context.

Only one stakeholder on the supply chain was interviewed during this research, and this stakeholder was selected by Shoetown's management. Additionally, further and more insightful questions would have been asked around stakeholder behaviour if the interview had been conducted after the literature review had been concluded.

Nevertheless, top-level management at Shoetown has confirmed that the data collected during this research has resulted in a comprehensive and accurate understanding of the Shoetown business. The research methods produced comprehensive data and contributed to the triangulation process that has led Shoetown management to confirm the outcome.

5.7   Summary

This chapter explored the mechanism of case study method employed in the research of CSR and business sustainability. Chapter 5 began with an introduction to the research paradigms and general ideas on methodology. The chapter then reviewed the concepts of case study methods and analysed the approaches and principles of implementation of a case study from the classification of case study types, case study protocols on to how to conduct a business case study and the proper carrying out of data analysis to reach reasonable conclusions. On the basis of the guidance of these theoretical principles, the author demonstrated in detail how the case study for Shoetown Footwear Co., Ltd was conducted. Further, this chapter also indicated the limitations of this research. The knowledge demonstrated in this chapter will serve as a foundation support to the case study detailed in chapter 6, which explores the key themes on how a harmonious approach to CSR and business sustainability is implemented in practices at Shoetown.

6 Harmonious CSR and Sustainability at Shoetown: Case Data Analysis[23]

Shoetown Footwear Co., Ltd, a sport shoe manufacturer located in Qingyuan, Guangdong Province, is one of Nike's global contract factories and strategic partners. Shoetown is part of the Evervan Group, with factories throughout China as well as in Indonesia, Vietnam, Bangladesh and South Korea. It supplies about 65 per cent of product to Nike worldwide (Huang Zhaiyu, Huang Huizhen & You Zhibin 2009).

In order to clarify how and why Shoetown is managing its business for CSR and sustainability in such a unique approach, this author has made efforts to provide a grand picture of the business environments it operates. These cover political, economic, social and technological factors as well as influences from different stakeholders. More importantly, this author will be using the data collected from the business survey at Shoetown to support the key themes discovered. The data collection avenues which included interviews, drawings, photographs, documentation and site visits were described comprehensively in the previous chapter. All those components are integral parts of this business case study, which aims to give a holistic panorama of the business conducted at Shoetown.

6.1 Shoetown in brief

Shoetown is a large-scale Taiwanese privately owned footwear manufacturing business. The company is the first contracted supplier for Nike in mainland China, and is one of Nike's global contract factories and strategic partners. Shoetown has also expanded its cooperation with other famous global brands such as Columbia, Crocs, Converse and FILA in order to avoid the single brand risk.

Ron Chang is President of the Evervan Group, the owner of Shoetown.

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[23] The main results of this chapter were previously published in Huang et al. (2014)

Shoetown launched its business in Guangzhou in 1989. By the time the business was relocated to Qingyuan in 2001, the factory had been producing 300,000 pairs of Nike shoes per month and generating annual revenue of RMB 600 million ($US100 million). The product consisted mainly of children's shoes. There were four factory buildings occupying 80 MU[24] of space. At its peak in Guangzhou, Shoetown employed nine thousand workers, 95 per cent of whom were recruited from other provinces. Few technical people were employed.

Figure 6.1 Shoetown in 1989
Source: Shoetown management

Figure 6.1 shows a production line at the previous Shoetown factory in Guangzhou in 1989.

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[24] 1 US Acre = 6.07 Chinese MU

Figure 6.2 Shoetown in 1990

Source: Shoetown management

Figure 6.2 shows one of the four Shoetown factory buildings in Guangzhou in 1990.

Qingyuan was attractive for many reasons. A beautiful mountain called Ba Pian provides a backdrop to the chosen factory site. The staffs enjoy a better quality of life in a smaller city where many of the workers have family members. In addition, the cost of accommodation, food and education is cheaper. The new purpose-built Shoetown was more than five times larger than its predecessor, occupying 500 MU (about 34 acres) of space. The new factory was purpose built on vacant land and involved an investment of about $US50 million. The organisation is currently equipped with 12 production lines for basketball shoes and 9 production lines for football shoes, with annual output of 14 million pairs of shoes generating revenue of about $US150 million. Twenty thousand people are currently employed at the site.

Figure 6.3 Shoetown in 2010
Source: Photographed by the author

Figure 6.4 Shoetown in 2012
Source: Photographed by the author

Figure 6.3 and 6.4 show Shoetown at Qingyuan in 2010 and 2012 respectively. Special features of the new purpose-built Shoetown included, landscaping, a small golf course, art gallery, a special learning centre and a large number of meeting rooms ranging from quite small to a large theatre that can hold 1000 people. A well-equipped medical clinic and dining rooms/cafeterias

were also features of the factory.

6.1.1   Vision, mission, core value and strategic drivers

Decisions at Shoetown are framed by the following points. The vision is to become a world-class lean production manufacturer; the mission is to sustainably create maximum value for customers and society through product quality, speed and innovation; and the core values include professional, enthusiasm, respect and mutual trust.

Figure 6.5 Core values at Shoetown
Source: Photographed by the author

Figure 6.5 shows the statues in front of the main building with Chinese characters depicting Shoetown's core values: professionalism, enthusiasm, respect and mutual trust. The strategic drivers of success, operations and management philosophy at Shoetown are embedded in these core values.

First, Shoetown will firmly adhere to the core value of "professionalism, enthusiasm, respect and mutual trust"; it will establish the principle of "human-centred" to enhance the spirit of teamwork; and it will establish a mind-set for rapid innovation.

Second, Shoetown will strive for reasonable profits. On the one hand, Shoetown needs to pay

attention to demands from customers to maximise value for them; on the other hand, Shoetown will make efforts to enhance sustainable corporate performance so as to maintain the jobs of its employees and increase their incomes.

Third, Shoetown will make efforts to create a comfortable and sustainable living environment. The organisation always endeavours to create a happy and harmonious environment for work, living and education for all employees to promote their abilities, skills and quality of lives.

Finally, Shoetown will strive for business sustainability. Sustainability is the key development strategy of the organisation. This strategy includes environmental protection and more broadly, protection of the planet, an increase in employment, returns to society and action on social responsibility.

Figure 6.6 Shoetown's logo
Source: Shoetown management

Shoetown's values system is embedded in its logo, as shown in figure 6.6. The logo vividly depicts the corporate values of Shoetown in the following respects.

First, people are the core assets at Shoetown. Blue and orange demonstrate that people are walking forward. A young face is depicted to indicate man/woman as the core in the operations. Mutual trust, teamwork and speedy innovation are demonstrated by the blue colour.

Second, Shoetown is a going concern organisation. A spiral track of movement is a perpetual circle denoting the continuous creation of passion and innovation to bring the organisation into a global arena.

Third, professional and enthusiastic spirits are embedded in the corporate culture of Shoetown. Orange denotes activity and passion, and illustrates the enthusiasm and passion of all staff. It matches the corporate colour of Nike.

Fourth, blue demonstrates the professional, prudent, truthful and practical spirits of the people of Guangzhou. It focuses on the idea of harmony.

6.1.2 Organisational functions

There are five broad functions within the matrix and team modus operandi of the organisational structure. These are shown figure 6.7.
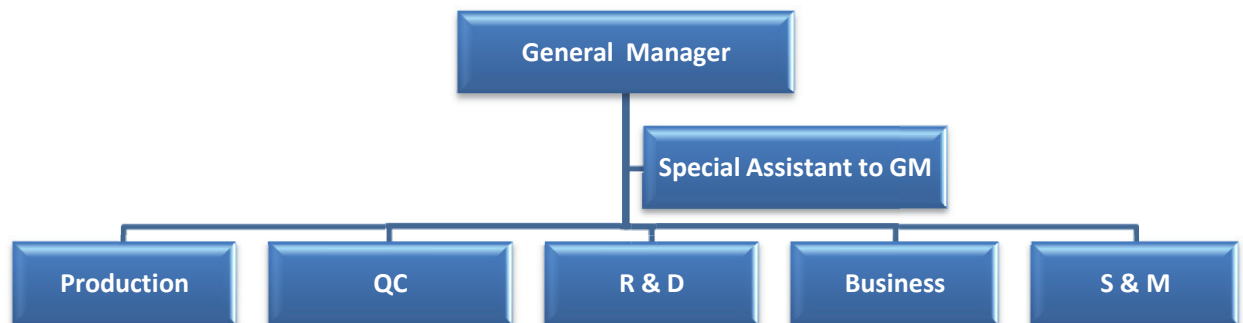
Figure 6.7 Organizational structure of Shoetown
Source: Shoetown management

As depicted in figure 6.7, the Production Department is in charge of the production processes. The Quality Control section connects customers and the company regarding quality issues. The Research and Development Centre (R & D) mainly deals with advanced development of all types of footwear. The Business Sector takes care of orders, production scheduling and procurement. The Service & Maintenance (S & M) sector includes Human Resource Management and other administrative support such as general office administration and

educational programs.

6.2 Harmonious approach to CSR, sustainability and stakeholder management

6.2.1 How CSR, sustainability and stakeholders are defined and integrated

Chapters 3 and 4 provide exploration of the literatures of CSR, sustainability and stakeholder theories. Section 3.3 of chapter 3 also summarises the similarities and differences between the concepts of CSR and sustainability that the author has derived from the literature review. In section 4.6 of chapter 4, the relationship between CSR, sustainability, stakeholder theory and the harmonious perspective in the Chinese context were explained. It is evident that there is confusion and disagreement upon the definitions, classifications and management approaches related to these three areas, both in academia and business organisations.

According to Eccles and Serafeim (2013), companies that have implemented CSR and sustainability programs by merely "mish mashing" tactics of cutting carbon emissions, reducing waste and otherwise enhancing operational efficiency do not really add up to a sustainable strategy. To endure, a strategy should consider the interests of all stakeholders including investors, employees, customers, governments, NGOs and society at large. Firms should recognise the trade-offs between healthy financial returns and their ESG (environmental, social and governance) performance. Firms can boost both financial and ESG performance simultaneously through "strategically concentrating on the ESG issues that are the most relevant (material) to shareholder value by integrating four things together" (Eccles & Serafeim 2013, pp. 4-6). This statement further verifies the context-based nature and interdependence of these three concepts.

It is clear to this author that leadership at Shoetown have its own ways of understanding CSR and sustainability and the relationship between the two. Leadership believes that sustainability is a long-term objective for the organisation to be prosperous, to grow and develop through dynamic implementation of CSR. Sustainability is a relatively set target, while CSR can be seen through Shoetown's sustainability initiatives and a wide range of community philanthropic activities. At Shoetown, CSR acts as a sub-set of sustainability, the implementation of which

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needs to be timely and culturally adjusted (STPresidentchang 2012; STsnr-01 2012; STsnr-02 2012).

Following is a quote from Ron Chang, the president of Shoetown.

"Enterprise in Chinese literally means a career that is determined by human beings. Externally, the competition among businesses is the competition among talents, and moreover, government is aiming at protecting labour, which imposes a requirement upon the businesses to attract and retain these talents; internally, only a qualified team is able to expedite the process of problem solving. Value is the core ideology to integrate and construct the team. Therefore, in the face of various challenges, the only way for sustainability is to construct a happy working team who work in harmony, which also fits well with our initial intention at the beginning of plant construction" (STPresidentchang 2012).

"Sustainability is a long-term strategy for us. It requires a long-term accumulation of culture, habits through employee activities. We always regard that the long-term intangible benefits are far higher than the short-term costs. Therefore, we encourage and support all activities in our budget. These activities may seemingly be unrelated to operations; however, they change people's perspectives and mindset. These activities will in turn be turned into the spirits to the pursuit of operational ideology of high quality and high efficiency" (STPresidentchang 2012).

The above two interview statements from Ron Chang, President of Shoetown, partially reflect Shoetown's understanding of human-centred CSR and sustainability.

Depending upon its unique business context, Shoetown leadership holds that a "harmonious society" contains two tiers. Tier one lies in the corporate level. It denotes that a business firm should firstly be responsible for its own, to create a harmonious society for itself. According to Ron Chang (2012), Shoetown is only a sub-society when considering the entire nation as a grand environment. It is the primary task for a business firm to construct a harmonious community inside itself. This is the biggest contribution of an organisation to the country as a whole. The second tier of "harmonious society" is the entire country. In this regard, these two

"societies" complement each other. As the Chinese proverb goes: "If one doesn't start by sweeping his room, how can he sweep to victory globally?" A successful CSR and sustainable corporation will in turn be able to benefit the country in its own way (STPresidentchang 2012).

6.2.2 Stakeholder identification at Shoetown

According to Dunphy et al. (2007) , there are forces from external and internal stakeholders that cause corporations to shift to a more socially responsible position. External pressures on the firm come from governments, community members, consumers, customers and market expectations, other corporations, industry associations, and other non-government organisations. The internal stakeholders include corporate leaders and change agents who recognise the benefits of the business case for sustainability. Wilkinson et al. (2001) claim that decisions made by managers from marketing, human resource management and operations have been influenced by sustainability factors (Wilkinson, Hill & Gollan 2001). Stakeholders — including employees, shareholders and investment companies — assess the firm's performance against sustainability criteria such as the maintenance of intellectuals, knowledge and social capital, commitment and values, risk management and, increasingly, an innovative corporate culture. All are factors that will assist in the long-term survival of the firm in the new economy (Dunphy, Griffiths & Benn 2007).

The WEF (2003) holds that the relationships with key stakeholders is fundamental to success inside and outside the company. It requires the company to identify and work with key stakeholders in their main spheres of influence. Such spheres will include the workplace, marketplace, supply chains, community and public policy dialogue. The WEF recommends that key stakeholders will vary, based on particular circumstances, but the most common and fundamentally important ones applicable to the majority of organisations will be the "employees, customers and shareholders as well as host communities and governments, and a growing variety of civil society organizations" (WEF 2003, p. 2).

As for stakeholder management, Ron Chang believes "[Shoetown] needs to make clear who our key stakeholders are, and we must take care of them. At this development stage, besides our

clients and suppliers, our employees should be considered as our primary stakeholders who require special attention" (Ron Chang cited in Wang Feng 2010, p. 6). The leadership at Shoetown knows that if a company bankrupts, it will be meaningless for its employees. On the contrary, no production plans or quality target can be met without a stable and qualified labour force. Therefore, the three main targets Shoetown set at present are "the pursuit of a reasonable profit level, a comfortable lifestyle and a sustainable future. These targets are all in consideration of our employees" (Ron Chang cited in Wang Feng 2010, p. 6).

Meanwhile, Shoetown has taken stakeholder engagement (identifying, balancing, and responding to stakeholder needs) as an important factor in implementing its CSR and sustainability visions. It can be thought of as a series of management interventions directed at managing dynamic stakeholders at different development stages of the business.

Table 6.1 Shoetown's primary stakeholders at different development stages

Development stage	Key features	Primary stakeholders
1989–2000: primary stage at Guangzhou	• New business launched in Guangzhou • Survival issues • Profit-maximisation	• Guangzhou government • Financial institutions • Nike • Employees • Customers
2001–2004: Move to Qingyuan City and further business development	• 2001, move to Qingyuan • 2002, focus on innovation, quality and speed	• Qingyuan government • Financial institutions • Nike • Customers • Suppliers • Employees • Community • Educational institutions
2005 to present: Stable development and key economic units in Qingyuan; Concerning CSR and sustainability	• 2005, Strategic partner of Nike • 2006, Nike award: Best Quality • 2008, Excellent enterprise • 2011 New innovation, R&D centre	• Nike • Employees • Global customers • Global competitors • Suppliers • Environment • Community • Financial institutions • Community • Educational institutions

Source: the author

As indicated in table 6.1, Shoetown's primary stakeholders and strategies varied at different business development stages.

As discussed earlier in this chapter, Shoetown launched its business in Guangzhou in 1989. By the time the business was relocated to Qingyuan in 2001, the factory had been producing 300,000 pairs of Nike shoes per month. The product consisted mainly of technically simple children's shoes. There were only four small factory buildings at this stage. At its peak in Guangzhou, Shoetown employed 9000 workers, 95 per cent of whom were recruited from other provinces. Few technical people were employed. At this primary development stage, the key issue that faced Shoetown was survival through profit maximisation. Shoetown needed government policy support as well as financial assistance from the banking system. Undoubtedly, Nike, the

Guangzhou government and banks were its primary stakeholders. On top of that, it was a time when China had begun to open up to the outside world. Many farmers started to flow into the urban areas and the labour supply was abundant. However, Shoetown leadership started to realise the value of its employees, so it has viewed employees as a critical stakeholder ever since. Further, since the government placed emphasis upon development rather than the environment in those days, environmental protection was not a key concern at Shoetown.

The movement from Guangzhou to Qingyuan in 2001 turned a new page for Shoetown. Company expansion had been fully supported by the Qingyuan local government, but Shoetown also relied upon its ambitious development strategy. Shoetown had a vision of turning Qingyuan into a shoe manufacturing centre. At this stage, besides attracting the support of the government, as well as financial support from the bankers, Shoetown began to pay special attention to innovation and technological advancement. This had directly caused Shoetown to establish a closer relationship with Nike, Shoetown's strategic global partner. Meanwhile, employee talent became fundamental for further innovation and development. As a result, the primary stakeholders at this stage included Nike and employees, and the Qingyuan community, in addition to the Qingyuan government and the financial institutions, who were still playing critical roles in supporting the development of Shoetown with policy and financial resources.

In 2005, Shoetown was contracted as Nike's global strategic partner. This recognised Shoetown's stable and prestigious position in Nike's global value chain. At the same time, the business volume of Shoetown increased substantially, and Shoetown became a key economic powerhouse in Qingyuan City. Shoetown had become more proactive in business functions and its stakeholder management schemes. Its stakeholder spectrum had extended to a global level. On the one hand, Shoetown needed to pay closer attention to its client, Nike. On the other hand, Shoetown was also required to be clearly aware of its competitors all over the world. Additionally, from 2005, environmental protection has been listed as a key concern of government development schemes. As a result, the stakeholders Shoetown has to deal with currently have increased in. Stakeholders include employees, Nike, global competitors, suppliers, the environment, community, and government and financial institutions.

In order to identify more clearly the current stakeholders at Shoetown and to provide a foundation for effective stakeholder management, this author will employ the criteria in the Mitchell typology of stakeholders to list possible stakeholders under relevant categories.

Table 6.2 The Mitchell et al. typology of stakeholders reflected at Shoetown

Stakeholder type	Salience	Attributes	Classification options	Examples at Shoetown
Latent stakeholders	Low	Legitimacy	Discretionary	NGOs
				Interest groups
		Power	Dormant	Labour union
		Urgency	Demanding	Trade associations
Expectant stakeholders	Moderate	Power and legitimacy	Dominant	Government
		Legitimacy & urgency	Dependent	Banks
		Power and urgency	Dangerous	Potential employee sabotage
				Local activists
				Customers
				Media
				Environment
Definitive stakeholder	High	Power, legitimacy & urgency	Definitive	Employees
				Nike
				Suppliers
				Competitors
				Community

Source: author based on Mitchell et al. (1997, pp. 874-9) and Mainardes et al. (2012, p. 1866)

Table 6.2 attempts to list possible stakeholders according to their prominence in different categories. It offers a basic guideline for Shoetown's current stakeholder management strategy.

As discussed earlier, Mitchell suggests that stakeholders can be classified according to whether they have, or are perceived to have, one, two or all three of the following attributes: *power* to influence, *legitimacy* of their claim and *urgency* of their claim within the organisation. The three categories are included in the table covering latent stakeholders, expectant stakeholders and definitive stakeholder.

Latent stakeholders include those who hold only one attribute, probably receiving little company attention. It includes discretionary stakeholders, dormant stakeholders and demanding stakeholders.

Discretionary stakeholders include groups and individuals with legitimacy, but who lack both the power to influence the company and any urgency. Attention should be paid to this stakeholder group under the framework of corporate social responsibility, as it tends to be more receptive. NGOs and interest groups are included to this category at Shoetown.

Dormant stakeholders include groups and individuals with the power to impose their wills on the organisation, but lack either legitimacy or urgency. Hence, their power falls into disuse with little or no ongoing interaction with the company. The company management needs to be aware and to monitor this stakeholder group, and to evaluate its potential to take on a second factor. The labour union is considered to belong to this category at Shoetown.

Demanding stakeholders include those with urgent claims, but no legitimacy or power. The most important attribute is urgency. Without power or legitimacy, demanding stakeholders do not demand much of the company, but require monitoring as regards their potential to gain a second attribute. Trade association fits this category at Shoetown.

Expectant stakeholders are those who hold two attributes, resulting in a more active posture from the stakeholder and firm. It can be broken down into dominant stakeholders, dependent stakeholders and dangerous stakeholders.

Dominant stakeholders include groups and individuals who hold influence over the company guaranteed by power and legitimacy. Correspondingly, they expect and receive a lot of attention from the company. The local government fits this category at Shoetown.

Dependent stakeholders include groups and individuals who hold the attributes of urgency and legitimacy, but who depend on another stakeholder for their claims to be taken into consideration. Financial institutions fit this category at Shoetown.

Dangerous stakeholders include those with powerful and urgent claims. They will be coercive and possibly violent. When there is power and urgency, but stripped of any legitimacy, the coercive (and possibly violent) stakeholder may represent a threat to the organisation.

Definitive stakeholders include expectant stakeholders who gain the relevant missing attribute. Often, these are dominant stakeholders with an urgent issue, or dependent groups with powerful legal support. Whenever the stakeholder possesses power, legitimacy and urgency, managers should pay immediate attention and prioritise this stakeholder. The definitive stakeholders identified in Mitchell et al. typology of stakeholders correspond to the stakeholders identified through Rowley's (1997) social network model discussed in chapter 4. They include Nike, employees, suppliers, domestic and global competitors, and the community.

The above stakeholder identification is directed at providing a general picture for the case study data analysis in next section of this chapter.

6.3 CSR and sustainability strategies in action at Shoetown—case data analysis

This section will focus on triangulated analysis of the data collected through interviews, corporate documents, direct observations and factory tours. As seen in chapter 5, the interviews include 32 illustrations, which were presented and discussed. They were realistic, conceptual and symbolic at the same time. They were personal, career and family focused. There was an absence of conflict and tension. No differences could be detected in age, gender or seniority within the organisation.

This author and the survey team carried out an investigation around the factory premises. The areas covered included the administration offices, design workshop, production line, warehouse and factories of the suppliers, the clinics, the cultural centre, the dining halls, the Guangshuo Garden and so on. Evidences and facts are collected. Some minor enquiries were also made during the tour.

Data collected from the analysis and enquiry into organisational documentations such as reports, brochures, monthly publications, production and human resource plans were also used for the

research.

The details of interviewees to be referred to in this research are shown in appendix 1 of this thesis.

Figure 6.8 Interviews with the R & D section
Source: Shoetown Management

Figure 6.9 Interviews with the model workers
Source: Shoetown Management

Figure 6.10 Interviews with the line managers
Source: Shoetown Management

Figure 6.11 The investigation team is having lunch in the dining hall
Source: Shoetown Management

Figure 6.12 The factory tour
Source: Shoetown Management

Figure 6.13 A briefing and report to the Shoetown leadership after the interviews
Source: Shoetown Management

Figure 6.14 This author presents a gift to the Shoetown president
Source: Shoetown Management

Figure 6.15 A group picture with the Shoetown leadership
Source: Shoetown Management

Figure 6.8 to figure 6.15 clearly demonstrate the process of the data collection by this author

and the survey team.

At Shoetown, as discussed earlier, CSR, sustainability and stakeholder management are integrated into a holistic system that views sustainable corporate as a set target where a harmonious society integration of people, and a social and ecological environment are achieved. During this process, critical stakeholders are involved in the corporate goal, which underpins the primary Shoetown ideology of human-centred harmonious culture through visionary leadership. Therefore, based on the principle of Triple Bottom Line, the case data analysis will be focused upon the people element, with a brief indication of Shoetown's achievement in economic and environmental concerns, which is seen at Shoetown as an outcome directly coming from its human-centred harmonious ideology.

Many consistent themes emerged during the data analysis. All these themes are strongly supportive and correlated with the research question: how harmonious CSR and sustainability are to be implemented at Shoetown. The themes reflect Shoetown's philosophical framework underpinning its CSR and sustainability initiatives, which strongly hold that CSR, sustainability and stakeholder management are integrated in a holistic system. In order to reach the goal of sustainability, a business firm should make efforts to integrate critical stakeholders into the corporate strategy to build up a harmonious society through a visionary leadership.

The themes will be expanded from leadership strategy to practical implementation details of CSR and sustainability programs. They cover visionary strategies for future development, leadership and management, value chain stakeholder management practice, people-centred culture, serving of society, teamwork mechanisms, a culture of innovation, personal growth within the development of Shoetown, employee participation and engagement, communication systems, CSR and sustainability awareness at Shoetown, and the construction of harmonious culture at Shoetown. All these themes are consistent with the research question of this thesis, which clearly illuminates how the harmonious approach to CSR and sustainability is implemented in practice in this Chinese OEM business firm.

6.3.1 Leadership and future-oriented visionary strategies

Although Shoetown was satisfying its customer Nike, and performing well against Nike's

balanced scorecard, the leadership team at Shoetown considered the business vulnerable on a number of fronts. They considered that the simple shoe range they manufactured could easily be replicated elsewhere — by another Chinese manufacturer, or even in another country. Shoetown therefore needed to upgrade its product in order to differentiate itself from the myriad of other factories capable of producing the same, low value added sporting shoe.

While the leadership and management approach at Shoetown is not specifically present in drawings, it is clear from the comments of the workforce that leadership has provided the backdrop to the concepts, achievements and happiness depicted.

For any sustainability manager, it is critical to be able to engage with the CEO and the Board of Directors in order to develop programs, initiatives and strategies that are aligned to, and support, business priorities and objectives (Netterstrom 2013).

The organisation is led by a visionary and charismatic leader who believes deeply that his people are his best asset. His investments in people in both money and time are substantial and holistic. Ron Chang has recruited technical specialists and he has ensured that his organisation listens to specialist advice. He has trained through individual training and development plans, he has ensured that training has been all-encompassing to the extent that employees comment that Shoetown has made them more "human", and that people have noticed this. When meeting Ron Chang, one notices how he leans forward to listen intently and respectfully. He dresses in the same way as his workforce. His office is located within the general administrative office. This is to encourage any employee to have access to him about ideas or problems.

Figure 6.16 Interviewing leadership of Shoetown
Source: Shoetown management

Figure 6.16 depicts a view of Ron Chang's office. The door on the left side is directly open to the general administrative office where around 40 staff work. The grand portrait of the Great Wall, the traditional Chinese furniture, the traditional Chinese vase and the traditional Chinese tea pots suggest that the owner is a traditional Chinese culture lover. Ron Chang advised the author that he loved the Chinese classics including those dealing with Confucianism, Daoism and he said that he spends time reading these classics most days.

This high level of employee satisfaction would not be possible without the strategic input of the leadership. Indeed, the interviews were peppered with affirming statements about the high quality of leadership and management at Shoetown.

As Ron Chang states: "Happy workers are my goal" (STPresidentchang 2012). Ron Chang had high ideals when establishing Shoetown, and his beliefs, management philosophies and practices are reflected in the company logo. When young, Ron Chang used to work with an OEM in Taiwan, he achieved well and was promoted to a very senior position in the organisation. Despite having a high income and senior position, power and a good reputation,

Ron was annoyed with the circumstance he found himself in: a typical Chinese family business with an extremely hierarchical management structure and style where workers and employees were treated as machines. Ron was concerned by very high levels of overtime, and demonstrations and strikes for basic rights. Ron Chang was also distressed by the plight of psychologically ill workers. Some workers committed suicide. Many workers had very poor living and dwelling conditions. Ron subsequently resigned and started his own business in mainland China (STPresidentchang 2012).

"That was a nightmare for me. From that, I learned to respect human lives. Lives are the most precious property in the world. Profit is of course critical, but money itself is lifeless. On the other hand, how can you create wealth without qualified manpower? Therefore, I completely changed my perspective on business and management as well as money. Yes, I made up my mind at the beginning to run a business differently. A business that cares for human beings, not only money. That's a dream for my life" (STPresidentchang 2012).

As reported by Wang Feng (2010) in the *Guangrong Monthly*, the internal monthly journal of Shoetown, the case of Foxconn suicides[25] and other adverse events have aroused international and domestic concerns, and carried serious negative impacts on many business firms, especially the firms in the Pearl River Delta. However, not all firms in this region are that pessimistic and negative. According to Ron Chang, this is extremely relevant to the culture of an organisation and the vision and philosophical view of its leadership (Wang Feng 2010). When the Foxconn event took place, many business firms began to panic and felt uncertain about the solutions. Some firms gloated over the misfortune and regarded that this was natural for large-scale and labour-intensive firms. Ron Chang is confident with Shoetown and states: "We based our business conducts upon deep-rooted cultural heritage and outstanding corporate culture. The culture essences are well reflected from our vision, philosophy to daily management routines. We are always pursuing an atmosphere of happiness and harmonious working and life

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[25] Foxconn is a large contract manufacturer for Apple, Dell, HP, Motorola, Nintendo, Nokia and Sony. The Foxconn suicides occurred between January and November 2010 when 18 Foxconn employees attempted suicide with 14 deaths. The suicides prompted 20 Chinese universities to compile a report on Foxconn, which they described as a labour camp. Long working hours, discrimination of mainland Chinese workers by their Taiwanese coworkers, and a lack of working relationships, have all been held up as potential problems (Duhigg & Barboza 2012; FIG 2012; FLA 2012; Jay 2012).

environment and caring about our employees. We could never be a sweatshop. We are proactively seeking ways for improvement and taking precautions before it is too late. We never wait for reminders from others because it would be too late then" (Wang Feng 2010, p. 4).

Ron Chang claims that it is far from adequate that only the top leadership insists on such a philosophy and belief. The transmission of the philosophy is highly dependent upon the middle managers of the organisation.

As Wang Feng (2010) reports in the *Guangrong Monthly*, Ron Chang strongly believes in the philosophy that there is no absolute black and white managerial measures. "Management strategies should be varied according to change of people, event, time and materials. However, what cannot be changed is the value and ideology we believe in. I have meetings with my managers and other leaders every week. And I also meet with team leaders every month. During these meetings, I repeatedly emphasize that specific methods for dealing with particular issues should be flexible, but our corporate value statement and ideology must be consistent. We must persist on our core value: human-centred. With this culture foundation, we are confident to face all challenges ahead" (cited in Wang Feng 2010, p. 5).

Ron Chang is persistent in requiring all leaders and executives to make every effort to understand their employees and make the employees feel happy, safe, have prospects- a future and pride from working at Shoetown.

"We should make full efforts in communication with our employees to eliminate all misunderstandings right away, because we are open and aboveboard, and have nothing to hide from the public and employees" (STPresidentchang 2012).

From the perspective of Ron Chang, management is not a complicated process, "It is mainly about empathy and compassion. When you scold your employees, why not put yourself in their shoes? What would you feel if you are the employee and someone comes to scold you? There is nothing wrong with our philosophy and corporate culture. There are three major targets we pursue at Shoetown. They are a reasonable profit level, a comfortable living condition and a

sustainable business. All these targets are of benefit of our employees. Why do they sometimes misunderstand? I think the only issue concerns our line managers, whose management attitudes, ways of dealing with employees might create misunderstanding. We should pay special attention to these issues when they emerge so that we would be able to lower the turnover rate significantly"(cited in Wang Feng 2010, p. 6).

In fact, in this manufacturing sector, employees are a critical driver for productions. As quoted by Li Zhihua in the *Guangrong Monthly*, Ron Chang claims: "No production plan could be well executed if there is not a stable labour force with us" (Li Zhihua 2011).

As reported by Huang Zhaiyu et al. (2009) in the *Qingyuan Daily*, a local government newspaper, some friends really laughed at Ron Chang by saying that he was muddleheaded. As a Taiwanese who sets up a business firm in mainland China, it should be his principle to earn more money, not to invest so much into the construction of a culture plaza, employee living quarters and community construction. These activities will definitely reduce overall profit margins. Ron always turns a deaf ear to these criticisms. In his eyes, it is the employees who generate the profit. The business firm, community and society are all interlinked. Both the business firm and the community are required to operate within a harmonious environment (Huang Zhaiyu, Huang Huizhen & You Zhibin 2009).

The senior team had other concerns as well. The ability of the business to grow larger and to improve was impacted by space constraints, there were energy supply capacity limitations at the factory and the team foresaw potential worker recruitment difficulties ahead. Specifically, the process of urbanisation in Guangzhou has changed it from being a village into a business district in the city. Along with city development, there was a rapid expansion of capital, hi-tech and service industries. The costs of production were being increased substantially by the prices of raw materials. This has led to an inevitable shrinkage in the competitiveness of labour-intensive manufacturing businesses.

The requirement of industrial upgrading also imposed a vital challenge upon the indigenous research and development (R&D) capacity of the organisation, especially spare parts and

accessories for shoe manufacturing firms such as Shoetown. The output volume that enables

Shoetown to achieve its economies of scale has been estimated to be 1.35 million pairs of shoes.

Furthermore, a thorough integration of other accessories factories and departments — such as

the module factory, the rubber sector, the EVA (Ethylene vinyl acetate) and PU (Polyurethane)

sectors — must be undertaken to form a complete set of related technology and industry so that

economic efficiency and industrial chain competitiveness can be achieved. Such performances

are achieved through the strong visionary leadership at Shoetown.

6.3.2   CSR and sustainability initiatives at Shoetown

Shoetown's CSR and sustainability strategy has been clearly illustrated in its corporate value

statement afore-mentioned in section 6.1.1 of this chapter.

Ron Chang believes that the same technologies are available to any competitor and therefore he

had concluded early in his working life that "it is the people who make the difference"

(STPresidentchang 2012). The concept of building a people-centred business was well accepted

by his top team. What appears to differentiate Shoetown from many others is that the

management team appears to have successfully implemented a whole systems approach to

institutionalising a people-centred business. That is, all systems endeavour to integrate and have

consistent philosophies underpinning them.

The whole systems approach at Shoetown has embraced concepts such as sustainable

manufacturing and sourcing, and built to last philosophies, the integration of the supply chain

from top to bottom and the forming of strategic partnerships with suppliers and customers.

Management focus, policies and strategies underpin the intentions described above. Profit and

related inputs are monitored as a matter of course. There are six other key indicators: quality,

waste, injuries, energy, technology and training hours. These cascade down into subsidiary

performance indicators. These areas of focus align with Nike's audit and certification system

points based system. In the Nike system, points recognise key areas of focus such as lean

production, green in respect of energy and carbon usage, and occupational health and safety. A

selection of Shoetown's key performance indicators will be described below. They demonstrate a holistic and sophisticated approach to leading and managing the Shoetown business.

By way of example, Shoetown's sustainability strategy is directed at the coexistence and co-development of profit, people and the planet.
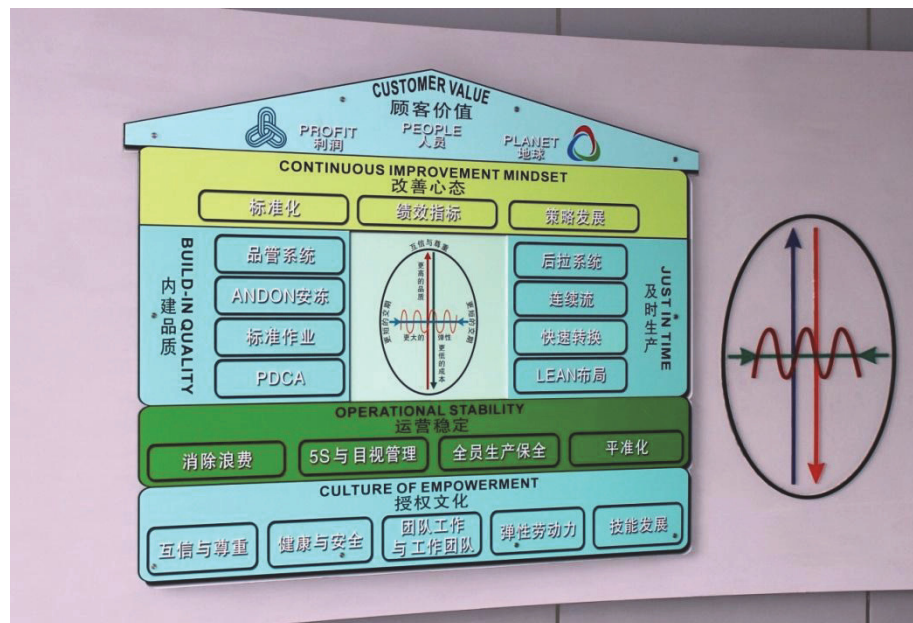
Figure 6.17 Value relations and mindset
Source: Photographed by the author

Figure 6.17 shows a knowledge panel illustrating the relationship between mindset training and employment culture and customer value. It is concerned with management and corporate culture training, which play critical roles in the construction of a harmonious culture. It also highlights the intended culture of empowerment of people within the organisation. The panel also indicates that customer value is created on the basis of the Triple-Bottom-Line (Profit-People-Planet) principle of CSR and sustainability.

There are five areas of focus in the environmental strategy: environmental sustainability, human resource management, health and safety, lean production, and energy and carbon. These are as follows:

First, environmental sustainability. This requires Shoetown to reduce production waste and improve its waste treatment systems.

Second, human resource management. This requires Shoetown to improve business performance and develop an organisational culture that fosters a stable, flexible and empowered workforce where training and promotion opportunities are offered to outstanding employees.

Third, health and safety. This requires Shoetown to eliminate toxins, improve working conditions, reduce injuries and reach the goal of zero injury accidents, zero incidents, zero impacts.

Fourth, lean production. This requires Shoetown to increase efficiency through continuous improvement with empowered employees

Finally, energy and carbon. Shoetown should strive to reduce energy consumption and carbon emission during production processes.

"Sustainability is a major business goal. Our boss includes social goals and customers in the strategic plan, along with automation and technical development. The aim is to be competitive, technologically advanced and sustainable" (STmgr-04 2012).

Many interviewees demonstrated that they understood the meaning of sustainability.

Credit was given to Nike's governance systems, which includes Triple Bottom Line management. Nike was also seen to provide important operating guidelines and requirements for Shoetown (STsnr-03 2012; STtech-01 2012).

Shoetown's win/win business philosophy was considered as being fundamental to a sustainable way of doing business. Additionally, Shoetown's work organisation, business systems, human resource management and culture were consistently viewed as important to creating a sustainable future. Most people interviewed specifically expressed the view that the human-oriented management at Shoetown is the key to sustainability there.

An environmental scientist commented that Shoetown has a very comprehensive appreciation of sustainability starting with the manufacture of raw materials, through all of the processing and manufacturing, to the customer, and finally to discarding waste in landfill. Her view was that

Shoetown deals well with waste, and that it gives high priority to adherence to environmental standards. Auditing against standards occurs as a routine matter. Environmental issues, chemical and production processes are well managed in her view. This person said that Shoetown management always listened to advice on sustainability improvements and acted accordingly (STchem-01 2012).

Some said that Shoetown was a sustainable workplace because the environment was good, there were green trees and pure water. Many also saw the importance placed on people's careers and lives at Shoetown as important ingredients of sustainability. Many referred to the business being financially sound and "well-situated" for future growth as a business as evidence that Shoetown is a sustainable business (STcr-01 2012; STnbbm-01 2012; STnbgm-01 2012).

One referred to the goal of making the business one of the green business leaders in China (STdvpm-03 2012). To this end, the engineering team was trying to make the factory more sustainable. One of the reasons for developing automation is to create a better work environment (STmef-01 2012).

Shoetown's focus on the inclusion of the broader community through its community liaison initiatives and community service activities was also recognised as an important element of Shoetown's sustainable business practice.

In summary, the workforce illustrations and interviews confirmed widespread understanding and acceptance of the company's leadership and management actions. Indeed, Shoetown appears to have achieved considerable discretionary effort from its workforce because the organisation, through its leadership, operates by its clearly enunciated and widely accepted values and principles.

There have been many media reports on Shoetown's performance in managing CSR and sustainability. A few of them will be described below.

The county Party secretary of Qingxin county says that he is greatly inspired and moved every time he visits Shoetown. It is encouraging when Shoetown people claim to contribute to the

construction of "a Shoetown for the world". It inspires not only the Shoetown employees, the Qingxin citizens, but it also heartens the county government. He stated that he was deeply influenced by the cohesive force, implementation capacity and self-identity resulting from the corporate culture of Shoetown in his every visit. He confirms that the corporate culture in Shoetown well reflects the Chinese traditional harmonious culture. The organization respects its employees and treats them as their family members. So that their independent personalities can be maintained and they are able to follow their professional conscience (Cui Jianjun 2012).

He further states that all these outcomes might be attributed to the management philosophy of the leadership of Shoetown, especially Ron Chang. He highly praises the Ron Chang's philosophy: "the objectives of a business firm should be for the interest of the employees. Consideration of your employees is of equal importance as consideration of yourself. The peak height level of an entrepreneur is to engage and nurse the hearts of his employees" (Cui Jianjun 2012). Accordingly, the county Party secretary recommended Shoetown as an exemplary business to be well studied by other local businesses (Cui Jianjun 2012).

6.3.3 The people-centred harmonious culture at Shoetown

6.3.3.1 Integration of worker, family and community

Nothing can be more critical than human resources for a labour-intensive business firm. Considerable thought was also given to integrating the family of workers into the "Shoetown family" because the Shoetown leadership well understands traditional Chinese culture that only by "living in peace" can the employees "work happily" ("安居"才能"乐业"). Hence, around 1200 apartments were built for the workforce, providing housing for approximately 4000 people only at the basic constructional cost (Huang Zhaiyu, Huang Huizhen & You Zhibin 2009). Many Shoetown workers mentioned with great satisfaction that their job at Shoetown had enabled them to buy an apartment; others mentioned their aspiration to do so. (The provision of housing for a large proportion of the workforce is rare in the case of private enterprises in China.)

Figure 6.18 A view of the the Guangshuo Garden
Source: Photographed by the author

Figure 6.18 shows a view of the Guangshuo Garden, the living quarters of many Shoetown employees, and where a cultural centre called the Guangshuo Cultural Plaza is located side by side with the living quarters. These facilities benefit many in the Shoetown community.

A story titled *Shoetown Footwear: A firm with strong cultural vision is attractive* by Huang Zhaiyu et al. (2009) has been printed in the *Qingyuan Daily*. The story is about Ben and his wife. Both came from Sichuan Province. They fell in love and got married at Shoetown. It became extremely hard to find a proper place to stay when their child was born. It was definitely impossible for a worker like Ben to afford a house at the market price in that area. Ben recalled that "the Guangshuo Garden was just completed and sold to employees at the constructional cost. It was about 850 RMB ($US120) per square meter. A flat of 130 square meters would only cost me about 110 thousand RMB ($US20,000). It was easy for us to afford this flat if we are employed. We bought it and also brought our parents here to stay with us. It is so convenient" (Huang Zhaiyu, Huang Huizhen & You Zhibin 2009).

The Guangshuo Cultural Plaza, the 17,000 square meter cultural centre of Shoetown required an investment of 37 million RMB ($US6 million). The plaza is equipped with a western food

dining hall, a skating court, a tea house, an internet cafe, and singing and dancing halls. All facilities are open to the public, and the Shoetown employees receive a subsidy of 80 per cent towards any type of consumption.

Another story concerns Ning, a production-line worker from Hunan province, who likes to go with her workmates to spend leisure time at the Guangshuo Cultural Centre after work. Here they can go skating or internet surfing. "I used to work in Dongguan where I did not know how to kill my time after work. It is unexpected that the boss here could construct a cultural centre to meet our spiritual needs"(cited in Huang Zhaiyu, Huang Huizhen & You Zhibin 2009). The cost of skating here is only 5 yuan, the skating shoes are rent-free, and all skaters have access to a free coach. Net-surfing only costs 7 yuan ($US1) for three hours in the VIP room. The cost of this entertainment is much cheaper than the market price outside Shoetown.

There is a nursing room open between 9.50 to 15.00 in the factory for young mothers and their babies during the mother's lactation periods. There is also a Shoetown kindergarten, and education and broad curricular learning classes are provided for interested family members. When a worker's family experiences difficulties, the family is often visited by the employee's manager to see whether Shoetown can provide practical assistance.

Also unique is the building of a community art gallery and golf course at the front of the factory complex. Aside from signalling that something unique was being planned for Shoetown, the art gallery and golf course continues to invite all people, Shoetown workers and their families, the broader community, strategic suppliers and so on, to think beyond the confines of their existing lives. A subsidised bus service continues to transport workers from Guangzhou to and from work each day.

Figure 6.19 In the community art gallery
Source: Shoetown management

Figure 6.20 A group picture besides the grand Chinese calligraphy
Source: Shoetown management

Figure 6.19 shows Ron Chang instructing one of the survey researchers in traditional Chinese

calligraphy. Figure 6.20 shows a group picture in front of a large traditional Chinese calligraphy.

In the art gallery, there is a collection of different types of traditional Chinese works of art

ranging from calligraphy to paintings by various artists. Ron Chang mentioned that this art gallery is also used as an education base for traditional Chinese cultures.
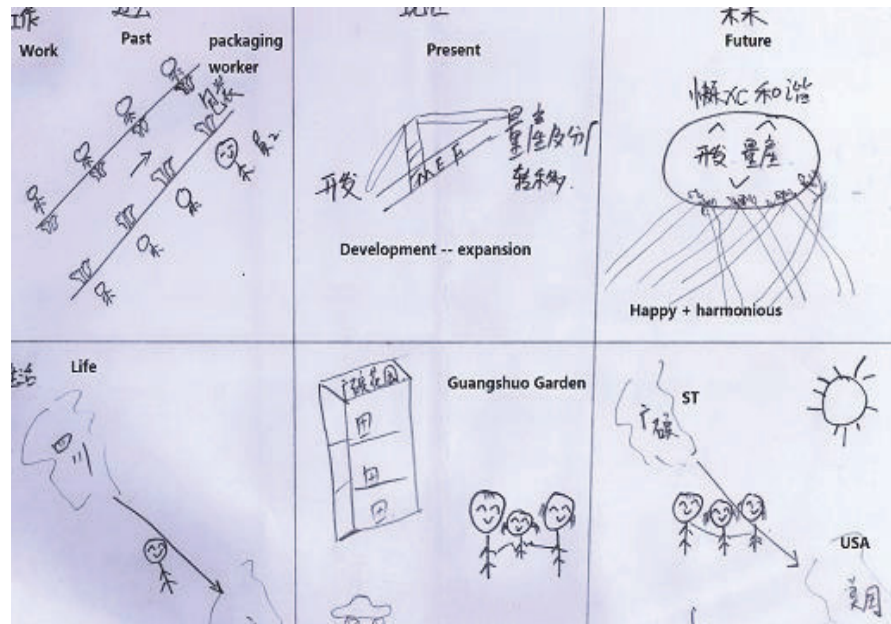
Figure 6.21 Interview drawings — STmef-01
Source: Shoetown management (STmef-01 2012)

Figure 6.21 shows the illustration of staff from the manufacturing engineer function. A description of the illustration follows:

"I have worked at Shoetown for 10 years, and I have always been paid in full and on time. I came from a rural area in Sichuan province. I have grown up with the development of Shoetown. I got married here and also bought my apartment in the Guangshuo Garden. I have a son and bought a car, too. In the past, I did a very simple job. I meant I was only working on the packaging line when I first came to Shoetown in Guangzhou. I have witnessed the growth and expansion of the company. It has become a strategic partner with Nike and established its research and development centre where new product can be designed. Shoetown will be able to enjoy big scale in production and expand to other places. This is important because it is the foundation of happiness and harmony in Shoetown, both at the present day and the future" (STmef-01 2012).

More significant for stakeholders was the decision to build towards a sustainable future. The

plan was to build a Shoetown that produced high value added products. A conscious decision was made to take a whole systems approach to both building and workplace design, and to enable the workforce to experience the satisfaction of higher level needs (STsnr-01 2012; STsnr-03 2012). This latter point meant that not only would remuneration continue to be paid in full and on time, as had always been the case, but that workplace and community safety would remain a high order priority. Everything that was done in designing for the future and operating the new facilities was targeted at enabling workers to experience the satisfaction of higher level needs such as having new opportunities for learning, together with greater involvement in problem-solving and decision-making (STPresidentchang 2012). These sentiments were supported by Shoetown employees in informal conversations during the factory tour

Aside from the narrative quoted at the beginning of this section, the illustrations used gave no reference or emphasis to what could be described as Maslow's hygiene factors. It is clear from the illustrations that interviewees had no concerns about the satisfaction of their physiological needs such as receiving sufficient and reliable money for living, and satisfaction of safety needs such as security of employment and safe working conditions.

In contrast to the passing reference to remuneration quoted above, most illustrations focused on the integration of family, family life and community with work at Shoetown. Most dealt with the acquisition of new skills. People skills have been of predominant interest.

A Shoetown worker states: "My family has seen me grow into a real person"(STpwkr-01 2012).

While many family members live very far away, all workers seemed to talk about their family. Many Shoetown workers help family members — their education, money for health, financially supporting elderly parents and so on. Many workers plan to live with their families by relocating loved ones to Shoetown.

Most illustrations track personal and family development, as well as professional and work development, drawing direct parallels between the two.

A similar theme is reflected in the descriptions of many interviewees.

"Shoetown's advantage is that it combines heart and soul". "The core values are respect and learning" (STpwkr-04 2012).

"Ron has a great vision for much more than just a factory — we grow with the factory, and the community — like a family" (STpwkr-05 2012).

"I love the corporate culture here. Ron is very compassionate, and the management culture is excellent. Ron has a belief in people" (STpwkr-06 2012).

"Ron is here every day and is visible and open — management is out and about, they do things, we keep on improving and learning, there is a focus on innovation and developing leadership. Leaders are visionary and proactive, and we have good links within the factory with customers in the supply chain" (STpwkr-02 2012).

"It is also my task to talk to people about what they are thinking about — problems in their jobs, for instance. And I am required to develop a plan for people who have the potential to be a manager. Sometimes I change their jobs as a consequence of this planning for their future" (STmgr-04 2012).

People spoke of Shoetown valuing their opinion and life as follows:

"I feel that they value my input. When there is a problem an action plan is developed to address it" (STtech-01 2012).

"Shoetown is a thoughtful place. Worker suggestions are listened to" (STpwkr-01 2012).

"There is no real difference in wages between Shoetown and its competitors, but training and learning is much better here" (STpwkr-07 2012).

"The systems are understandable and consistently applied at all levels — fair and equal treatment and teamwork. The pay system also leads to stable employment — you can rely on the system and the regulations are clear" (STpwkr-03 2012).

"Very people-focused, good human rights, not too much stress. People are open to sharing ideas, communication is not one-sided, and people do not feel controlled" (STpwkr-03 2012).

"Management makes the workplace as safe and healthy as possible. Supervisors discuss health issues and have annual health checks. This month has been safe production training month" (STchem-01 2012).

"Ron makes clear decisions and communicates them well to everyone — he promotes his values in the factory and in the community. Everyone knows that if you write to Ron he reads it and will do something about it — two weeks ago we complained about the food, and now it is better" (STodr-01 2012).

"Management has gone to great lengths to improve the work environment for workers ... windmills blow fresh air into the factory ... chairs on the production line are very comfortable ... workers can place their cups under their chairs ... fire safety is very clear in the production line ... not noisy so workers can communicate ... very bright, very clean ... workers check the product themselves" (STscu-01 2012).

"I'm very connected to the community of Shoetown, it's my home, my work relationships overlap into my family and community life, and this is positive. Shoetown helps families" (STwus-01 2012)

One worker said that families benefit in a spiritual or happy way. In this respect, a worker said that Shoetown had given him his life, his family and the skills to become a middle manager. Another commented that the company is stable and that his family had seen him grow as a human being. Others commented that they can help their parents because they are well paid and are paid on a regular basis. Others said that Shoetown makes a difference in the community (STmgr-03 2012; STpwkr-05 2012; STpwkr-06 2012; STpwkr-07 2012; STtech-01 2012).

6.3.3.2   Team working and other skills

Shoetown is organised around teamwork and functions as a matrix organisation. This approach,

and the ability to work and learn as a team member, was constantly commented upon in most favourable terms. This focus on the workforce achieving higher level needs included the introduction of team-based work; a way of working that has been described as "teams being learning machines". Another important strategic decision was to significantly increase the numbers of employees with specialised, high-level technical qualifications.

There was a widely held belief that teamwork has created achievements in production and was the key to increased productivity and high-quality problem-solving. One team member said that teamwork works "because of mates, you always need support from other departments; for example, the technical team and the production team support us every other day" (STchem-01 2012).

It was said that the teamwork focus, which includes all departments and people, has resulted in very little silo behaviour at Shoetown (STwus-01 2012).

As mentioned earlier, teams have been described as "learning machines" and learning is clearly very important to people at Shoetown. People commented on the problem-solving ability of teams, they very much enjoy the social aspects of teamwork, and many think that their work is more interesting and important due to team interdependence, as illustrated by the interviewee's comment:

"I enjoy the flexibility and autonomy, developing people skills, and contributing to team leadership and problem-solving" Shoetown Manager(STmgr-03 2012).

Employees seemed to appreciate that there are reasonable levels of overtime, and some thought that the workplace is less stressful because people work together in teams (STpwkr-08 2012; STqc-02 2012; STrndc-02 2012; STtech-01 2012).

Many illustrations show teams of people sitting around tables, some drinking tea, others communicating, problem-solving and planning. Some drawings depicting teamwork have the sun shining on the Shoetown office and factory.

This author observed the above in practice while touring the factory and visiting the Research and Development Centre.
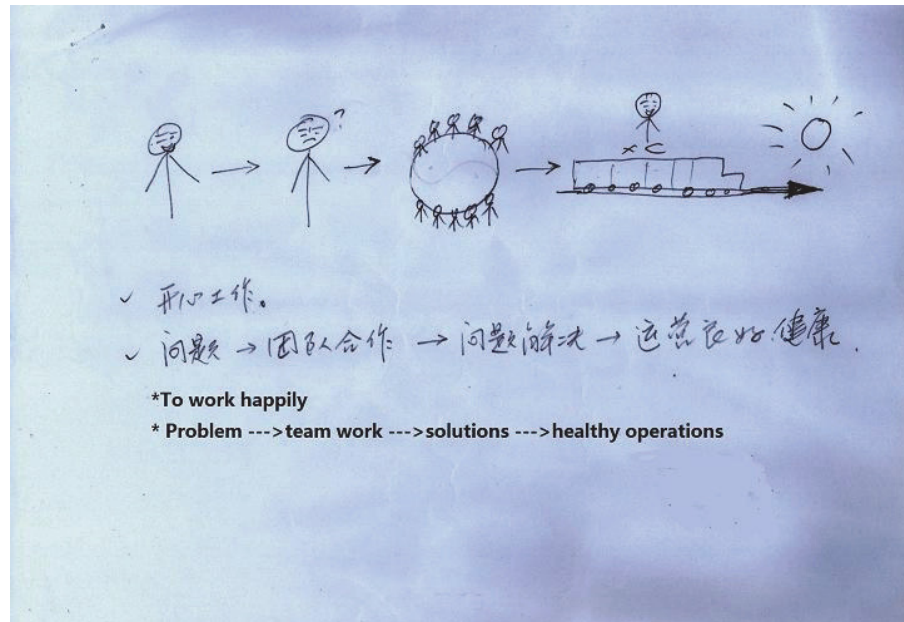
Figure 6.22 Interview drawings — STmgr-02
Source: Shoetown management (STmgr-02 2012)

Figure 6.22 depicts an interview drawings offered by a Shoetown production manager, who explained it as follows:

"I am working happily in Shoetown, especially for the working environment. I did enjoy it. We pay great attention to teamwork. Teamwork enables us to resolve problems from different perspectives. It is a sort of brainstorming. The solutions are usually comprehensive and practical for operation reality. This also helps Shoetown to create a good environment for healthy operation. This environment of course is very important not only for Shoetown, but also for us, the employees of the company" (STmgr-02 2012).
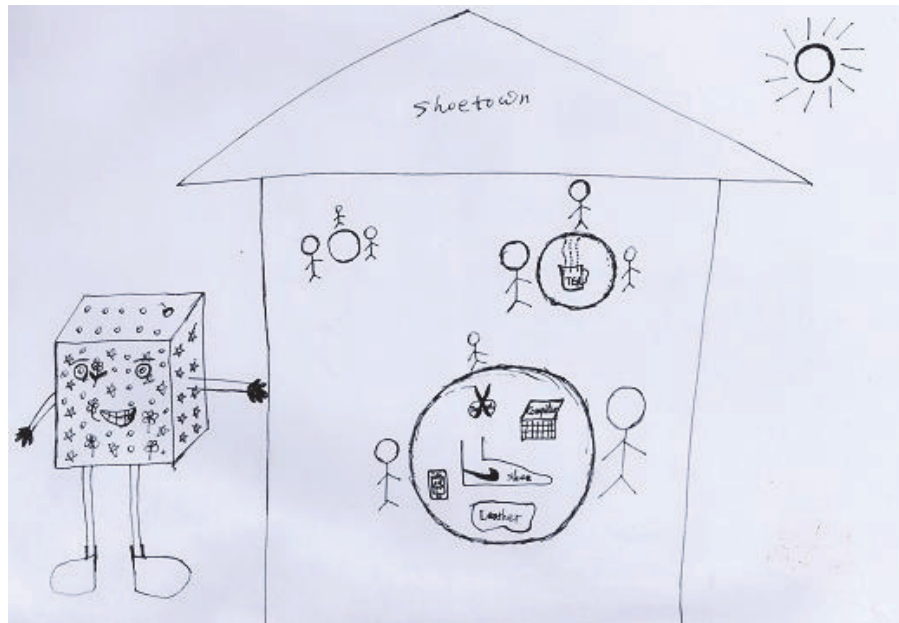
Figure 6.23 Interview drawings — STdvpm-01
Source: Shoetown management (STdvpm-01 2012)

The illustration in figure 6.23 is from a manager of the development sector. She expressed her satisfaction of working as a manager in the development section.

"The environment is always amiable and enjoyable. We sit together to discuss the development of new products. We have all types of tools and equipment in our office. Sometimes we may argue with the team members, but we all realise that this is the way to accumulate our collective wisdoms to tackle the most challenging issues. If we feel tired or cannot reach an agreement, we may sit round another table to have some teas or talk about something else. The team working mechanism and the environment make me feel that there is sunshine everywhere in Shoetown" (STdvpm-01 2012).

Other skills shown include computing, communication and the core skills of shoe making — "the more you learn the more you get paid" (STpwkr-03 2012).

6.3.3.3 Personal and professional development in a supportive environment

Several illustrations are about nature and the environment, and Shoetown. For example, from small plants to slender trees with intertwined branches and then a forest of trees are depicted.

Figure 6.24 Interview drawings — STmgr-03
Source: Shoetown management (STmgr-03 2012)

Figure 6.24 shows that Shoetown is located in a very beautiful and organic environment, and in harmony with nature. The mountains surrounding Shoetown are another dominant image.

"I grew up with Shoetown. I am especially impressed with the beautiful natural environment it is now situated. I started my career as a production line worker. Now I have become a manager. I like to share my experience with the new workers that if you are working hard and ready to learning new things, there are plenty opportunities here in Shoetown. Just stay confident"(STmgr-03 2012).

There is a very strong learning culture at Shoetown. Every worker has an annual training *program* that embraces work skills, health and safety, and environmental protection.

There are said to be many opportunities to multi-skill while developing production and team working skills. Shoetown systems are said to be very comprehensive, and there is training of workers at all levels, not only work-related training, but training for living, "where everything is included" (STmi-01 2012).

The opportunity to learn is greatly appreciated by the workforce, and the personal development of loved ones who work at Shoetown is noticed and appreciated by the extended family of the

individual worker. Individuals frequently spoke of loving their work because of learning and training opportunities, while others spoke of problem-solving opportunities in their jobs (STpwkr-07 2012; STqc-02 2012). The predominant means of learning is by doing, which is often referred to in the literature as "adult learning".

"My job is interesting and full of challenges — I have to make decisions and negotiate changes up and down" (STmgr-02 2012).

One person described Shoetown as being like a school and family all in one. Interviewees spoke of having developed their confidence through management encouragement and empowerment. The continuous availability of stable work enabled workers to purchase their flat or apartment and often a motorcycle or car that, of course, is very supportive of one's self-confidence (STchem-01 2012; STpwkr-03 2012; STpwkr-08 2012; STpwkr-09 2012).

Some said that they had developed personally through manufacturing highly complex athletic shoes using advanced technology. Work was often described as being important and interesting, with lots of contact with colleagues and foreigners. An individual commented on Shoetown's consolidated supply chain, much of which is on site; for example, the component factory and mould shop (STchem-01 2012; STpwkr-06 2012; STtech-01 2012; STwus-01 2012).

Managers and workers spoke of having been supported in obtaining a college degree, some mentioned learning English, others mentioned that their learning included shoe making. This comprised cutting, processing and decorating, waste management, working with chemicals, office software, lean production, automation, training in teamwork, problem-solving through teams, ISO 9000, general management skills, communication and frontline management skill development, health and safety, presentation and skills that influence others, leading project teams, teaching colleagues, using new technology, and Chinese classical literature. There is clearly an extensive array of professional development opportunities on offer (STchem-01 2012; STmi-01 2012; STpwkr-03 2012; STpwkr-06 2012; STqc-02 2012; STrndc-02 2012; STscu-01 2012; STtech-01 2012).

Many managers referred to training that they had received in Hong Kong, and in other countries including the United States and Taiwan (STdvpm-02 2012; STqc-02 2012; STrndc-01 2012; STtech-02 2012).

One manager (STmgr-04 2012) mentioned that she holds a weekly program to share experiences and exchange views. There are programs for managing life, such as a Shoetown family project that helped resolve problems with a worker's mother-in-law. Other programs have a psychological and stress management focus and "promote a positive attitude and mindset". These include "sweeping rubbish from your mind" and "spring-like river" courses, which are programs dealing with baby care; and parenting teenagers; relationship education; and family planning for young workers (STcr-01 2012; STdvpm-03 2012; STodr-01 2012).

Figure 6.25 Interview drawings — STdvpm-02
Source: Shoetown management (STdvpm-01 2012)

Figure 6. 25 depicts a young lady wandering around a peaceful country yard at ease. The interviewees described the illustration as follows:

"I feel so happy in my work. And my work and pay enable me to enjoy the lifestyle I have dreamt of. During my leisure time, I can visit my friends or go to the countryside freely. This is a poetic life without disturbance from the outside world. Shoetown helps me to realise my dream"

(STdvpm-01 2012).

There is a training appraisal system to check on the effectiveness of this training. Management often uses multi-skilling programs, induction training and other performance-based training programs. This training is valued by the staff.

"My boss gives me opportunities to learn new things, it is like climbing mountains — I can see what I didn't see before — every day is different" Shoetown worker (STmef-01 2012).

Figure 6.26 The Shoetown training centre
Source: Photographed by the author

Figure 6.26 shows the Shoetown training and leaning centre, where multiple programs are conducted.

Figure 6.27 A poster in the learning centre training room
Source: Photographed by the author

Figure 6.27 shows an example of a retractable poster in the large learning centre training room. It is about the family planning education.

6.3.3.4 Employee participant and engagement

Participant and engagement in various activities made employees feel that they are the real owners and members of the Shoetown family. This has helped Shoetown to retain its workforce effectively. For instance, the Technical Innovation Proposal Scheme, which "encourages people to talk" (STrndc-01 2012; STsnr-01 2012), is a way encouraging technological innovation at Shoetown.

The proposal panels are located around the factory yard so that they can be within sight of everybody whenever they are going to work or wander around. The proposal panels depict several things: the innovation item; the department of the innovator; the innovator; what the item performed before; what progress was achieved after innovation.

Figure 6.28 How to submit a technical improvement proposal
Source: Photographed by the author

Figure 6.28 is a cartoon illustrating the process of submission of a technical improvement proposal. Special rewards and bonus are dedicated to the proposal initiators as motivation and incentives. The proposal covers any improvement in enhancing productivity such as productive efficiency, quality improvement, labour-stress reduction and so on.

Figure 6.29 Proposal scheme-01
Source: Photographed by the author

Figure 6.29 is a panel showing an improvement of clip usage.

Table 6.3 Proposal scheme-01

Items	Improvement of clip usage
Department	Computerised sewing department
Innovator	Hu Shulan
Before innovation	Clips are used to stabilise the shoe components on the board. More than 80 clips were required to stabilise a shoe before.
After innovation	Two clips are directly fixed on the bottom of the board. These clips are adjustable to meet different needs of various types of shoes. RMB 732 ($US110) will be saved for each type of shoe in this respect as well as previous labour force consumed for clip fixing.

Source: Translated and summarised by the author

Details of figure 6.29 are demonstrated in table 6.3.
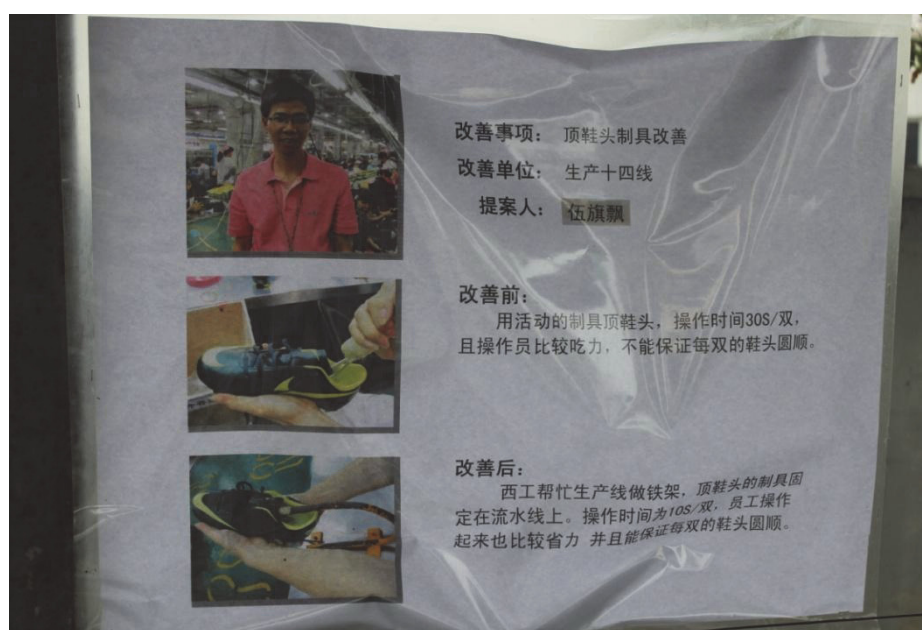
Figure 6.30 Proposal scheme-02
Source: Photographed by the author

Figure 6.30 shows a shoe head pointer improvement outcome. Details are given in table 6.4.

Table 6.4 Proposal scheme-02

Items	Shoe head wedge
Department	Production line 14
Innovator	Wu Qipiao
Before innovation	Movable shoe head wedge consumes 30 seconds for a pair of shoes and it is hard to control.
After innovation	When the shoe head wedge is fixed on the production steam-line, the time spending on each pair of shoe can be reduced to 10 seconds only. It is much more easier to control the process.

Source: Translated and summarised by the author

All these innovations are seemingly simple, but they are collectively contributing to cost-reduction and substantial quality improvements (STdvpm-01 2012). More importantly, such engagement has helped to shape the sense of ownership and involvement of the employees. Employees from all sections and departments could be involved in such innovations. It well reflects the results of education and professional training at Shoetown. Working at Shoetown is different from the traditional perception of the so-called labour-intensive industry, there is a big demand made of intelligence and talent.

6.3.4 Innovations, R&D at Shoetown

As Nike's strategic partner, Shoetown has gained substantial competitive advantage through its strong capacity in innovation, R&D. This has enabled Shoetown to differentiate itself from other OEM organisations because Shoetown has successfully extended its business value-chain into the up-stream of the global supply chain. The new Innovation, Research and Development Centre established in 2011 has enhanced Shoetown's capacity in this regard.

Further to discussion of the previous section, the people-centred culture at Shoetown has facilitated innovation. Having been influenced by Nike, Shoetown has concentrated on evolving from a traditional hierarchical mechanised production line business characterised by islands of activity to an integrated, end-to-end, production line. This has required an emphasis on communication, information, openness, teamwork, empowerment and learning. Shoetown's way

of thinking is deliberately challenged, as it integrates technologies from other industries with specialised shoemaking technology.

Shoetown plans to increase its reliance on technology, including robots and other automation. The management team articulates the necessary emphasis. This will enable the self-inspection and correction needed to avoid the catastrophic failures that can happen when highly automated systems fail (STqc-01 2012; STqc-02 2012).

"A clever and empowered workforce is seen by Shoetown as essential. We need them to be qualified in both the technological and communication level ... Of course, good management skills ..." (STsnr-02 2012).

As discussed earlier, Shoetown leadership made conscious decisions when moving the business to Qingyuan. It sought to be a sophisticated manufacturer equipped with local innovation capacity. It decided to increase the number of people with specialised technical qualifications. It planned for a purpose-built learning centre. It built many meeting rooms for conversations and learning, and to encourage sound and clever thinking. Shoetown's management team was guided by its clearly enunciated values and principles. The research confirmed that Shoetown is a people-centred, learning organisation (Senge 1995), and makes decisions in alignment with its values.

Opportunities for learning are numerous and form a key support for the Shoetown human resources policies that, as mentioned previously, are directed at improving business performance and developing an organisational culture that produces a stable, flexible and empowered workforce. Management at Shoetown speak of training that "expands the mind". Learning, communication and teamwork are seen as keys to innovation.

From the workforce's perspective, the value of this training was clearly enunciated by most people in their illustrations, and in the interviews described in previous pages. Communication at Shoetown is pervasive. Not only do twenty thousand workers receive education and training, it occurs within an environment that seeks consensus, and an appropriate level of leadership and

participation from "the base level". Team-based work and the matrix organisation structure, the consultative and listening style of management, the meeting rooms, the staff suggestion scheme, the cafeterias, information displays and opportunities to post messages on information boards all send a clear and consistent message that people and communicating are highly valued at Shoetown.

Implicit in all of the drawings and discussions held was an overwhelming spirit of goodwill felt towards Ron Chang and his leadership team, and to the Shoetown business. The resulting reservoir of discretionary effort available to the business is encapsulated by the following employee comment: "Because of the culture, when Ron asks for help in changing, people are happy to help" (STmgr-03 2012)

The lessons from the Global Financial Crisis strengthened the resolve of the leadership to be at the forefront of innovation in all its forms. Ron believes that Shoetown cannot rely too much on the traditional labour-intensive production process, which is not sustainable at all. He insists that Shoetown should be strengthening the capacity of integrating technological advantage of Shoetown to turn it into a research and development centre. Ron says:

"We should make efforts to produce high-end products with hi-tech and high price instead of low-end products here. For this purpose, Shoetown will invest more in automation reform, including investment in both hardware and software to facilitate industrial upgrading. All these concern our innovation ability, primarily a challenge to our human resource and management capacity. There is also our competiveness on the value-chain, and as a strategic partner with Nike" (STPresidentchang 2012).

Given its culture of innovation, and the extent of cooperation between supply chain partners discussed later, it is not surprising that there is much innovation evident at Shoetown. Innovation obviously provides significant benefits to Shoetown and the other businesses in the Everton Group. Suppliers and Nike also benefit. Shoetown management acknowledge that significant benefits are achieved through, for example, improved efficiency, reduced manual work, lower costs, more stable quality and energy savings.
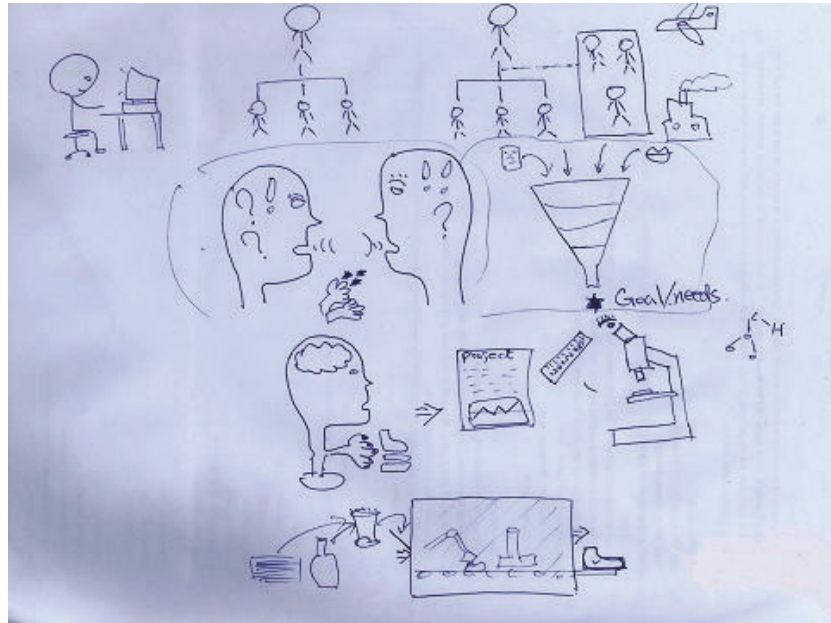
Figure 6.31 Interview drawings — STrndc-01
Source: Shoetown management (STrndc-01 2012)

Figure 6.31 is offered by a staff member in the R&D centre at Shoetown. It depicts a person who shows his development from a "computer geek" into a manager who has to learn to communicate, understand and lead people. He is keen to develop new products — "green" shoes — and use environmental recycling. His illustration is like a cartoon showing chemistry, right and left brain thinking, scientific equipment and processes — while charting his and Shoetown's R&D progression (STrndc-01 2012). His quote below illustrates his pride in Shoetown:

"NBA players wear the shoes I designed, which makes me very proud, and we are very committed to developing and manufacturing new products" (STrndc-01 2012).

The industrial chain has been integrated in Shoetown. Examples include the two-colour design of the EVA (Polyurethane) and the large TPU (Thermoplastic Polyurethane) sole of football shoes, which comprises 60 per cent of the global sole market of Nike. These technological advancements have equipped Shoetown with more capabilities in the R&D field.

The sharing of benefits from innovations produced through the interaction of different companies that work together occurs in the following ways:

Scenario 1: When innovation occurs due to Shoetown cooperating with machine or material

venders, the ownership of any patent belongs to the machine or material vender on condition that the new machine/material is supplied solely to Shoetown for a certain period of time.

Scenario 2: When Shoetown cooperates with machine or material venders and Nike, the ownership of any patent will also belong to the machine or material venders. But Nike can spread these ideas to other contract factories.

Scenario 3: When Shoetown undertakes projects within its in-house facilities (producing shoe bottom parts and components), the ownership of any patent belongs to Shoetown's in-house facilities. Shoetown can use it for other brands (other than Nike).

Scenario 4: Innovation developed at Shoetown with Nike cannot be used in non–Nike producing factories of the Everton Group.

For instance, Nike planned to shift the key football shoes manufacturing to Shoetown and decided to make Shoetown the "Football shoes development centre of the Asian-Pacific region". Besides the reliable innovation and R&D capacity, Shoetown is also attractive to Nike with its human-centred management philosophy, which matches well with what Nike has demanded.

Innovation has placed Shoetown in a strong position on the global value-chain as a strategic partner with Nike. It also plays an important role in cost reduction, productivity enhancement and profit margins.

A visit to the Research and Development Centre at Shoetown showed the spirit of the innovation in this organisation. The staff in this centre are all qualified manufacturing engineers. Some have an overseas educational background and they upgrade their knowledge and seek innovative ideas by attending various technical innovation meetings and conferences around the globe. They spoke, in commercial –in –confidence terms of their desire to develop a leading edge shoe innovation.

6.3.5   Serving the society

As Shoetown has grown, its leadership decided that community service obligations needed to take on extra importance, so it was incorporated into its strategies and ways of doing business. Objectives of the business include becoming exemplary neighbours to its community and society. Benefits that accrue to the business include improved risk management through, for example, quick detection and elimination of any currently unforeseen adverse environmental issues. Shoetown has made it clear that it will listen to emerging concerns of the surrounding community.

Serving the people of Qingyuan is a key consideration of top management. It means maintaining a good corporate status within the community, but further, there is a focus on the creation of a harmonious climate so that the entire "Shoetown family" gains the respect and friendship of the people in the city. A benefit that this provides is the opportunity for the people of the city of Guangzhou and Qingyuan to better understand the efforts and promises of Shoetown.

Consistent with this philosophy, Shoetown has established good relationships with various hospitals and implements many health-related programs to promote the health care of the staff as well as local citizens. Shoetown donates to victims of natural disasters (for example, flood and earthquake victims) and also donates to improve the living standards of the poor. Shoetown acknowledges that with community support it makes a profit, it thus sees its obligation to support the community.

The county Party secretary of Qingxin county states: "The business firm should be viewed as a tool for producing happiness in society, not only as a profit generator. Shoetown has accomplished this well, not only for its own employees, but also the community, and it influences the entire city of Qingyuan" (Cui Jianjun 2012).

The cooperation between Shoetown and the local governmental sectors has fostered a solid foundation for Shoetown's long-term development. Every year, the municipal government leaders would visit Shoetown to carry out relevant surveys of business conduct to comprehend

the circumstances of the business and the assistances that the business may require from government. The municipal leaders are also taking the chance to listen to the development strategies of the business and to receive feedback on the government's industrial policies. The government assists Shoetown in technological innovations and industrial upgrading. They have a common understanding. As stated by Ron Chang, "there may be backward technologies, but there will never be backward industries" and "Shoetown Footwear is not a business by itself, but a business that belongs to the entire Qingyuan city" (cited in Wang Feng 2012).

6.3.6   Stakeholder management on the value-chain

6.3.6.1   Improving the relationship with the value-chain client: Nike

Nike is the largest producer of athletic shoes and sports apparel in the world. It was established in 1962 by Bill Bowerman and Phil Knight. Two strategies made Nike successful. First, the product strategy is to design innovative, fashionable footwear and apparel for affluent markets. Operations were subcontracted to low-wage countries and regions such as China, Indonesia, Thailand and later to Vietnam and Bangladesh to take advantage of low-cost labour. Second, Nike's marketing strategy is to create a carefully calculated brand image. Through its marketing strategy, Nike has moved from low-cost shoes and T-shirts to high-priced, high-fashion products (Steiner & Steiner 2012).

In the early 1990s, Nike received severe criticism over its business conduct, including that it operated "sweat-shops". In order to eliminate the situation, Nike became one of the loudest advocates of improving working conditions. In 1992, Nike established a code of conduct for suppliers. In 1996, it helped create the Apparel Industry Partnership, which drew up a code of conduct for factories. Nike first published the results of its monitoring in 2000, and it listed details of all the factories in its supply chain in 2006 (Editor 2012).

Until recently, Nike was being criticised in public because of its unacceptable labour practices, which badly damaged the reputation of the company and greatly hindered its sales. A number of recent events, including the Cambodia strikes and a collapsed factory in Bangladesh, indicated that large parts of Nike have not yet improved; however, Nike has made efforts to promote its

image.

In social sustainability, Nike was ranked among *Newsweek*'s top 10 green companies in 2009 and 2010 (Newsweek 2009, 2010). However, its ranking has dropped from top 10 in 2010 to number 243 in 2011 (Newsweek 2011). According to Dr James Salo, Senior Vice President, Research Strategy at Trucost, besides the changes in techniques for normalising data, Nike's failure in high ranking could be attributed to the fact that the evaluator has "also learned that their footprint is slightly larger than we were aware, as they outsource more than we knew before" (Makower 2011).

Nike's experience shows, a piecemeal approach can be a zero-sum game, generating as many negatives as positives. From its experience, Nike has learned that public shaming and consumer perceptions of its social and environmental responsibilities will probably carry a huge impact on its brand image. As a result, Nike realises that it needs to monitor the environmental and social footprints of its supply chain creatively and responsibly. This implies that Nike needs to adopt a more systematic and holistic view regarding its CSR and sustainability management on its value chain in different contexts worldwide, though it has achieved significant progress in this regard (Greenberg, McKone-Sweet & Wilson 2011).

Proactive actions have been initiated at Nike. Cramer and Karabell (2010) described that at Davos in 2010, Nike was found everywhere to promote its focus on sustainability. "CEO Mark Parker spoke at several events about how sustainability was central to the company's ability to innovate, and to its overall future success. Nike's chief sustainability officer led seminars on the topic of sustainable consumption … Nike's foundation president was busy promoting the company's work on the Girl Effect, a project that focuses on the crucial role young women and girls have in global economic development. At private meetings, Nike executives lobbied visiting members of the US Congress to pass climate-change legislation" (Cramer & Karabell 2010, p. 33). Sustainability is the latest evolutionary development in business strategy. The story of how Nike transformed its image is at heart the story of a business strategy with sustainable excellence as its anchor (Cramer & Karabell 2010).

According to Nike's head of corporate social responsibility, Nike has taken this to heart by trying to incorporate the need to protect workers within its production process. The person occupying this role is now jointly accountable for enforcing the code of conduct with the supply chain, a change which the occupant says has removed an "us-versus-them siloing problem". Members of Nike's 140-strong corporate social responsibility team are involved in all components of their supply chain. Moreover, Nike is reconsidering its schedules of product launches, and espousing a philosophy of continuous improvement while delegating increased responsibility to workers. Nike believes that "It will only work if they (the workers) are treated well" (Editor 2012).

Nike's code of conduct details the principles applicable to all suppliers. It embraces management practice; labour; compensation; benefits, hours of work/overtime; and environment, safety and health (ES&H). For example, all contractors are required to use "Management practices that respect the rights of all employees, including the right to free association and collective bargaining; minimize the impact on the environment; provide a safe and healthy work place; promote the health and well-being of all employees" (Locke, Fei & Brause 2007).

As Nike's global strategic partner, Shoetown has been influenced significantly by Nike's business vision, behavioural norms and codes of conduct. The practices of Shoetown clearly reflect the characteristics of what Nike has expected of Shoetown. For example, Nike requires that all criteria are assessed through its compliance rating system. This requirement applies to all contractors and suppliers. Nike's corporate values and support have complemented and helped shape the business conduct of Shoetown (Ron Chang 2011).

Additionally, Nike realises that the Shoetown leadership has a thorough understanding of the Chinese business context and an awareness of Nike's development strategy for the Chinese market. In order to help Shoetown retain its employees and promote product quality, Nike has cooperated with Shoetown to set up a Nike Brand Name reputation among Shoetown employees. Nike also increases its orders to Shoetown, substantially due to Shoetown's philosophy and brand recognition (Wang Feng 2010).

Further, Nike's outlook on CSR and sustainability has greatly influenced the business culture and philosophy of Shoetown, which has to act according to Nike's code of conduct. However, it seems to this author that Shoetown, as a sustainability leader, has positively assisted Nike in its move to reclaim competitive advantage through CSR and sustainable business practices. In summary, Nike needs to benefit from Shoetown's experiences in sustainable leadership.

6.3.6.2 Suppliers downstream

The supplier of Shoetown's adhesives and associated products, Nan Pao Resins Chemical Co Ltd — Sports Goods Adhesives & Materials, has a long history that focuses on health and health products. In the early 1980, it banned smoking in its offices in China, and the company has been progressing from using oil-based adhesives in favour of water-based adhesives from 1992–93.

As would be expected, the Nan Pao Company employs many chemists and chemical engineers. Its health and safety environment is guided by ISO 14000 (environmental management system), HSE (health, safety and environment) considerations, SHAPE (safety, health, attitude of management, people (or human rights) and the environment) considerations, and other quality assurance systems and regulations. Adherence to the VOC (violate, organic compound) reduction management system provides further environmental and safety protection. All relevant performances of vendors in the supply chain are audited and evaluated by Shoetown.

Figure 6.32 A discussion with managers of Nan Pao
Source: Photographed by the author

Figure 6.32 shows the research team discussing CSR and sustainability initiatives and company development with the two managers from the Nan Pao company. Nan Pao describes its relationship with Shoetown as "high intensity". The company's objectives in its dealings with Shoetown include strategic cooperation with Shoetown; increased opportunities for conversation and information-sharing among peers; and, creation of a "Green" environmentally sound business utilising automated business solutions.

In practice, this sees the Sports Goods and Adhesive Division of Nan Pao Resins Chemical meeting formally with Shoetown and Nike biannually to improve adhesive and related products, operating standards and products. These meetings also attempt to drive solutions that lead to labour savings, use of less energy and more efficiency. Over the past five years, Nan Pao has undertaken joint innovation projects with Shoetown. One project involved the automation of a process starting with one worker per machine, and it resulted in the development of a new water-based hot melt and film-coating product, automation and consequential labour savings.

There are many other companies in Shoetown's strategic supply chain, which in turn is part of the Nike strategic supply chain. All relationships are built on working together. Innovation is often an outcome from this cooperation.

The preceding description, which covers an example of Shoetown's supply chain relationships, demonstrates that Shoetown's approach to learning, to open communications and to innovation extends beyond the Shoetown business and into its strategic partnerships, both with suppliers and customers.

6.3.7 The continued growth of Shoetown: local and global focus

There was often some reference to Shoetown's international business strategy and development, alongside a strong focus on social sustainability and CSR.
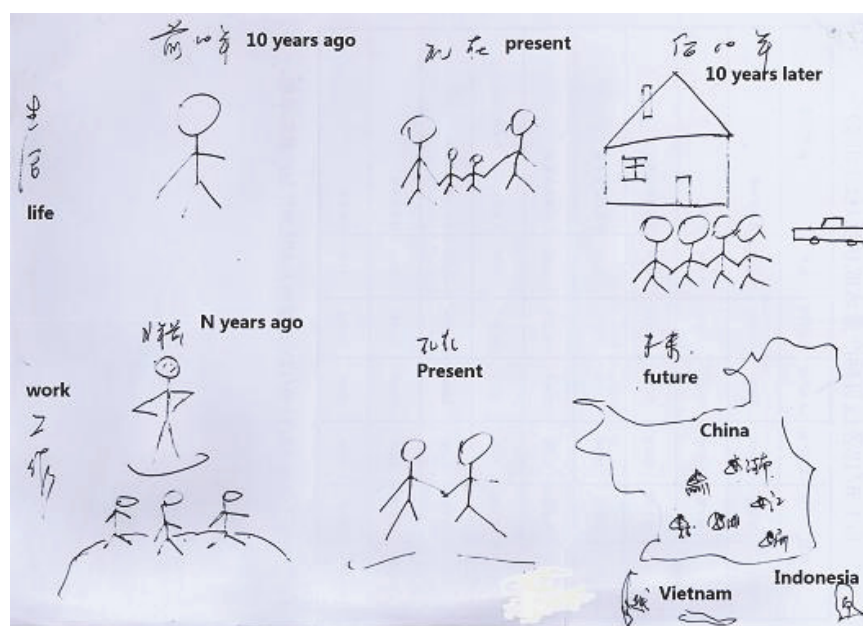
Figure 6.33 Interview drawings — STpwkr-03
Source: Shoetown management (STpwkr-03 2012)

Figure 6.33 is an illustration by a production line worker who drew a comparison between his life and work in the past and the future. He is from the countryside in Hunan Province and has been working at Shoetown for ten years. He began working on the assembly line and has been promoted to a group leader position where he is responsible for leading ten people. The following is his statement at interview.

"I had only a high school certificate before coming to Shoetown, but now I have obtained my college diploma because the company offered the chance for everyone to receive higher education in their spare time. Shoetown is expanding to other inland provinces, and I hope I can

be a manager over there to lead a bigger team in future. Or I may be able to work overseas in countries such as Vietnam, Indonesia. We have partners there, and I think I can contribute my line experience with others" (STpwkr-03 2012).
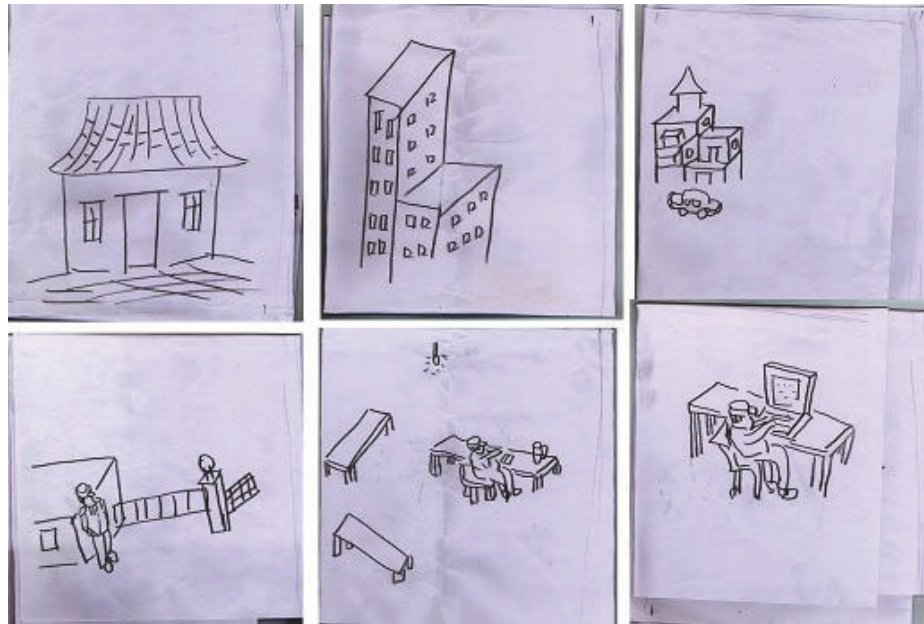
Figure 6.34 Interview drawings — STscu-01
Source: Shoetown management (STscu-01 2012)

Figure 6.34 is a drawing provided by an employee who is a veteran in the security section. He feels happy to work as a security guard in Shoetown because he enjoys the same rights and opportunities as other employees in this organisation. Commonly, it is known that a guard will be only standing in front of the gate like a pole. It is completely different here. At Shoetown, all security staff are required to acquire a certain level of computer and IT knowledge because they need to use computer-control system to execute their duties. He described the illustration as follows:

"We are all educated to be aware that we are the windows of our company. So we must be very cautious in every aspect; for instance, the image, the language, the attitude and so on. We safeguard not only the physical property of our company, but also the harmonious environment and its reputation. All these means that security guards in Shoetown must be human and culture centred" (STscu-01 2012).

A guard, in the view of traditional Chinese people, is a low-rank position in society. But at Shoetown, a guard feels proud of himself because he can learn as much as other professionals, and no discrimination is inflicted on him.

It is clear from the illustrations and related interviews that workers and their families see transformational changes in their character development, skill sets and living circumstances because of Shoetown.

Illustrations typically show that workers used to be single, small and poor, living in traditional housing, often in the country on a farm. Workers now live in an apartment, "ideally with an elevator", and have moved from walking or riding a bike to saving for a car.
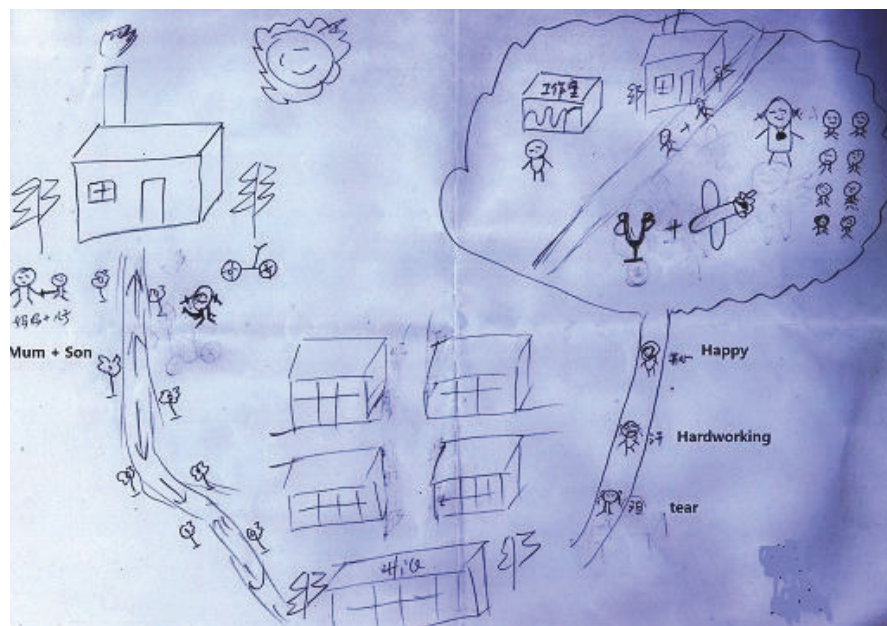
Figure 6.35 Interview drawings — STrndc-02
Source: Shoetown management (STrndc-02 2012)

Figure 6.35 is an illustration from a staff member of the Research and Development Centre. It shows the garden-like factory site and the harmonious relationship between the living quarters and the factory. She has bought an apartment in the Guangshuo Garden and her mother is staying with her family. Her mother is looking after her son and taking care of the house, so that she does not need to worry too much about family problems.

"I am happy to be able to focus on my work. There are big challenges to work in the production

development section. Sometimes I felt great stress from work and even cried when problems could not be settled as expected. However, we could always find solutions after brainstorming with the teams. Sweat and hard work are always followed by happiness. I enjoy the feelings of success after efforts and hard work with my team. This is also the path of my growth, both my personality and professional capacity. I thank Shoetown for giving me so much" (STrndc-02 2012).
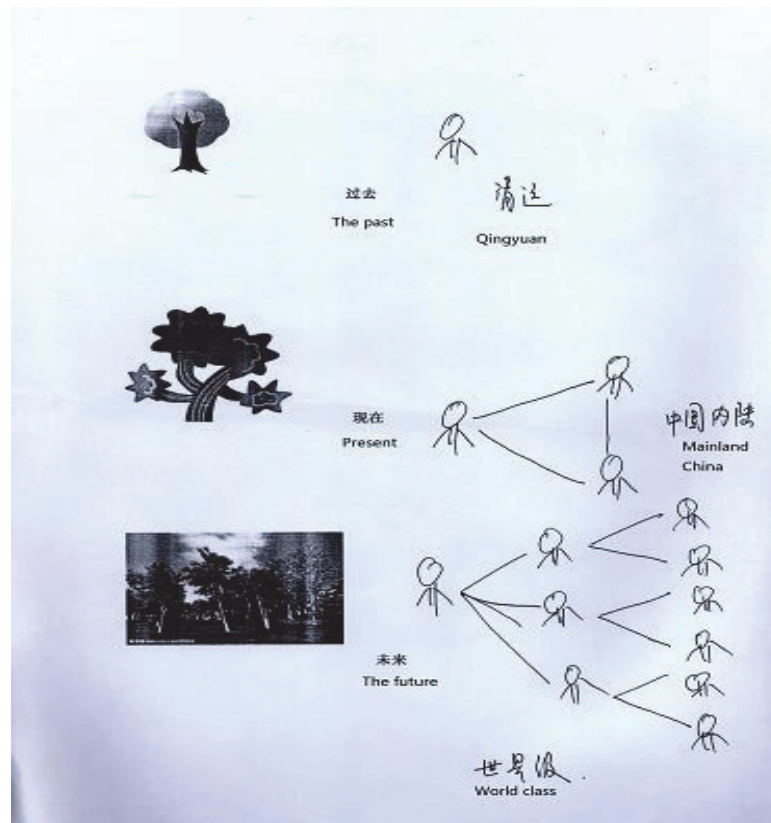
Figure 6.36 Interview drawings — STbns-02
Source: Shoetown management (STbns-02 2012)

The illustration in figure 6.36 depicts the expectation of the Shoetown staff member to grow with the organisation. There seems to be a clear link between the nuclear and extended families, work, and work and the community. This integration is articulated in one simple illustration that uses traditional Chinese paper cuts. At present, the staff member is a team leader in charge of a small number of workmates, with the vision of "a world class lean manufacturer". She wishes she could work in other countries to manage a much bigger group (STbns-02 2012).

In summary, the foregoing illustrations show images of country life, of coming to the city and becoming an urban factory worker experiencing personal growth through ongoing skill development. The illustrations also emphasise the importance of family and work to happiness.

6.3.8 Communication mechanisms at Shoetown

A healthy communication system or mechanism is extremely critical for the organisation to diffuse knowledge, and its philosophy and corporate culture. Therefore, enormous effort has been dedicated to communication at Shoetown. Purpose-built facilities provide many options for communication, ranging from small meeting rooms to a large conference facilities that accommodate more than 500 first line team leaders and senior management.

Each Monday, more than 250 of the most senior managers meet for up to 2.5 hours to discuss matters of importance to the business. These matters cover the full range of financial, human resources, production, environmental, change management and other issues of current and strategic relevance. The meetings are conducted in a respectful manner, where knowledge transfer and cooperation are modelled from the top of the organisation. A series of scheduled meetings down to the team level passes information throughout the organisation (STsnr-01 2012; STsnr-02 2012).

Video conferencing facilities enable other relevant organisations, including other factories from the Evervan Group, to participate in the meeting and decision-making process.

Each month more than 500 team leaders and supervisors gather in a large conference hall for two hours for a large group dissemination of information and discussion. Smaller meeting rooms are positioned throughout the facility.

Figure 6.37 Conferencing meeting in progress
Source: Photographed by the author

Figure 6.37 shows a meeting attended by the top 250 managers. The room is fitted with video conferencing facilities. A video conference with a distant factory is in progress. This conference involved managers from factories of Shoetown in Hunan Province and Jiangxi Province. The topics covered included production process innovations, energy savings, budgeting, employment issues and so on.

Figure 6.38 Conferencing meeting in progress
Source: Photographed by the author

Discussions between line managers and senior leadership were observed to be conducted in a friendly, respectful and consultative manner. All participants were encouraged to share their views with others. Figure 6.38 shows a line manager debating a point about Shoetown's energy reduction target with the presenter.

The author's tour of the production line included the large training room used for inducting new workers into the culture of Shoetown. Job-specific training and basic personal development and security are included in induction training. Large, retractable posters were seen to surround the perimeter walls of the training room and they explain such practical issues as how to avoid unwanted pregnancies.

On the production floor, production teams are provided with feedback in the form of performance graphs and explanations covering aspects of production such as line balance, throughput and quality outcomes. Common problems and ways of dealing with them are prominently and clearly enunciated and displayed.

Production line workers wear protective head covering to prevent their hair becoming entrapped

in machines. Recently employed workers wear red caps denoting their newness to encourage team leaders to provide more assistance because of inexperience. Within each work area, there are highly visible and accessible emergency buttons available to all workers to call for technical assistance, or to call for the assistance of their team leader.

Figure 6.39 The *Guang Rong Monthly*
Source: Photographed by the author

Figure 6.39 shows some issues of the *Guang Rong Monthly*, the monthly journal published by the headquarters of Shoetown. The publication acts as a vehicle to transmit the value proposition of the employees and leadership. It is a platform for constructing corporate culture for Shoetown, as well as a channel for communication among all stakeholders. It is a platform for employees to understand the development policies of the organisation, a channel to offer suggestions to the leadership, to diffuse traditional Chinese culture and modern management theory and practice, and even to publish personal stories. A. Lin, a worker from Hubei Province, stated that he loved Shoetown so much and was ready to settle down there. "I sent back home a copy of this monthly to my parents every month. I just wanted my parents to know something about my working environment. However, it is surprisingly unexpected that some of my relatives even wanted to follow me to work here in Shoetown after reading this monthly" (Huang Zhaiyu, Huang Huizhen & You Zhibin 2009).

6.3.9 Strategy for constructing harmonious culture

Harmonious culture has been mentioned during the interviews and many illustrations have touched upon this theme. They expressed that the corporate culture in Shoetown comprises a great "flavour" of traditional Chinese culture, which emphasises the idea of harmonious community and society.

Figure 6.40 "Happiness and harmony at Shoetown"
Source: Photographed by the author

Figure 6.40 shows a poster: "Happiness and harmony at Shoetown" in the large meeting room. The two Chinese characters in red "快乐 *kuai le*" mean "happiness"; the two Chinese characters in blue "和谐 *he xie*" means "harmony" or "harmonious". Similar posters have been found nearly at all public locations.

Figure 6.41 Interview drawings — STdvpm-04
Source: Shoetown management (STdvpm-04 2012)

Figure 6.41 is an illustration simply drawn, a heart with a character of "love" in the centre, surrounded by different sized stars and hearts. It was drawn by an employee from the product development centre. She described the illustration as follows:

"In my *mind, Shoetown is like a very big heart that attract us from different places and backgrounds. Here you just feel the love emerging from the leadership, from your workmates, from your family and from the environment you are working. People are respecting each other here, no matter it is between the employees themselves or managers and employees. I feel the dignity of being a human here in Shoetown, which enables me to live and work happily. In return, I also show my love to this big and harmonious family, and am ready to contribute to its development at any time"* (STdvpm-04 2012).

Figure 6.42 Interview drawings — STpwkr-07
Source: Shoetown management (STpwkr-07 2012)

Figure 6.42 demonstrates a harmonious panorama of Shoetown with the community and environment. People can be seen dancing and playing in the yards and the fields. The natural environment is beautifully located.

"In my eyes, Shoetown is completely like a big garden or a big family, not a business firm as conventionally *viewed. There is no distinguished boundary between the factories and the living quarters where our families are locating. The factory is constructed in a beautiful area, so are the living quarters. The employees are enjoying the working hours as they are enjoying a special type of* family *life. The systems are perfect and there is not too much overtime work. So we can all enjoy more time with our families. It is like a paradise valley"* (STpwkr-07 2012).

The leadership of Shoetown recognises that understanding traditional Chinese thought and taking up the Chinese intellectual heritage is of the utmost importance to each Chinese personally, which will help to enhance the construction capacity of a harmonious society. Especially, Chinese culture has been deeply influenced by Confucius whose influence extends throughout the world even today. Confucius believed that moral principles, virtues and discipline should be the very first lessons taught to a child, and that children need to practise them daily. This idea directly leads to the initiation of the Chinese Classics for Children

Education program in Shoetown.

This program is a weekend class especially tailored for the children of Shoetown employees. The classes are free of charge for employees, each intake lasts for three months and they are held every Saturday. The education mainly aims at the diffusion of traditional Chinese cultures through reciting and explaining traditional Chinese classics such as *Standards for being a Good Pupil and Child (Di Zi Gui).*[26] This work is based on the ancient teaching of the Chinese philosopher Confucius. It emphasises the basic requisites for being a good person and gives guidelines for living in harmony with others (Feng Xinming 2013). The book first teaches people how to be dutiful to their parents, and how to be respectful and loving to their siblings. It then teaches people how to be cautious with all people, matters, and objects in their daily lives; how to be a trustworthy person; and to believe in the teachings of the ancient saints and sages.

For instance, Confucian moral injunctions of filial piety and fraternity ("*Xiao*" and "*Ti*") have been the very foundation of Chinese culture for 5000 years. Filial piety means to be dutiful to one's parents with affection, and to understand the basic relationship of grandparents, parents and self. Fraternity means sincere fraternal love. Here the term refers to the principle and standard of conduct between brothers, not only when they are at home, but when they are away from home. In Buddhism, its meaning also extends to include conduct towards all older persons of any generation (PLLC 2005, p. 19).

At the beginning, the book starts with the principles of being dutiful to parents at home. "When my parents call me, I will answer them right away. When they ask me to do something, I will do it quickly. When my parents instruct me, I will listen respectfully. When my parents reproach me, I will obey and accept their scolding. I will try hard to change and improve myself, to start anew" (PLLC 2005, p. 22).

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[26] *Di Zi Gui* (simplified Chinese:弟子规) (*Standards for being a Good Pupil and Child*) is sourced from the *Analects of Confucius*, Book I, chapter 6. It was taught by Confucius, Mencius and other Chinese saints and sages of the ancient past. *Di Zi Gui* was written in the Qing Dynasty during the reign of the Kangxi Emperor (1661–1722) by Li Yuxiu. The book is based on the ancient teaching of the Chinese philosopher Confucius that emphasises the basic requisites for being a good person and guidelines for living in harmony with others. Like the *Analects of Confucius*, it is written in three-character verses. The source for the main outline is also from the Analects. There are altogether seven chapters in *Di Zi Gui*, with each chapter listing one duty that a good person should follow in life.

Chapter 5 is about "loving all equally". It states "Human beings, regardless of nationality, race, or religion — everyone — should be loved equally. We are all sheltered by the same sky and we all live on the same planet Earth. A person of high ideals and morals is highly respected. What people value is not based on outside appearance. A person's outstanding abilities will naturally endow him with a good reputation. Admiration from others does not come from boasting or praising oneself" (PLLC 2005, p. 36).

The first class intake was taught by Shoetown's manager of the Human Resource Department . All children are required to be accompanied by their parents because of their young age. Moreover, in order to facilitate communication between the children and their parents, an adult class was additionally opened. Many parents highly valued the class and expressed great appreciation for the efforts of the organiser. They reflected that the behaviour of their children had been greatly re-shaped after the training class. Many filial piety behaviours were observed in daily life. For example, children proactively helped their parents with housework, expressed respect to parents' hard work, and even offered massages for parents when they came back from work. On the date of closure, many children did burst into tears when they were narrating the gratitude they gained from their parents (Huang Zhaiyu, Huang Huizhen & You Zhibin 2009).

Table 6.5 A summary of the Chinese classics education

Semesters	Commence	End	Teachers	Parents	Pupils
1	01-Nov-2008	17-01-2009	15	30	33
2	15-03-2009	21-06-2009	26	58	62
3	18-10-2009	31-01-2010	24	59	62
4	31-10-2010	23-01-2011	27	58	64

Source: Shoetown management

Table 6.5 depicts that from November 2008 to January 2011, four semesters of Chinese classics have been offered to Shoetown employees and their children. More than 500 participants, including instructors, parents and children, have benefitted from the project. Columns 3, 4 and 5 show numbers of people who attended sessions.

Many illustrations include images from nature — the sun is shining, a river is depicted, trees and parks are shown as fundamental parts of the Shoetown experience.

Figure 6.43 Interview drawings — SThrm-01
Source: Shoetown management (SThrm-01 2012)

Figure 6.43 is a drawing offered by a staff member from human resource management. It shows a young lady with two groups of people. By her left hand are her family members and by her right hand are Shoetown employees. She is trying to demonstrate that how hard and happy she is to balance family work with the company job. In her mind, both jobs are of equal importance.

"In Shoetown, the human resource sector is not only concerned with normal routines such as employee recruitment, compensation, but also caring for programs binding the organisation with society and community, especially the families of the employees. We have initiated various projects in this respect. The Chinese Classics for Children Education is one of these projects. I love this job. I love to spend my weekend with the family of our employees. I am so content whenever I see the little kids showing their gratitude to their parents. The value of such outcomes are of equal importance of money or sunshine in my heart. I am proud of my contribution to the harmonious culture construction" (SThrm-01 2012).

The construction of harmonious culture requires support from various stakeholders. The Spiritual Experience Sharing Activity, one of the many supportive conducts at Shoetown, well

represented this trend.

Figure 6.44 Spiritual experience sharing board-01
Source: Photographed by the author

Figure 6.44 depicts spiritual experience sharing: observation of others and comments to express gratitude to life. All paper cut-outs are in different shapes, like flowers and fruits that tell of events observed by the employees, and a very brief comment is shared at the end. Two groups are assigned from Monday to Friday. Interpretations of some statements on the cut-outs follow.
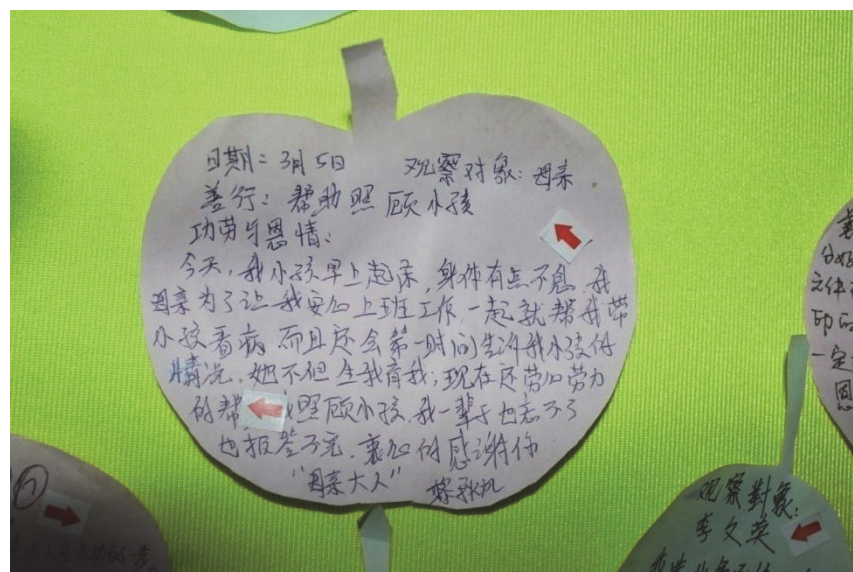
Figure 6.45 Spiritual experience sharing board-02
Source: Photographed by the author

Figure 6.45 shows the gratitude of a daughter to her mother for taking care of her child, so that she is able to concentrate on work. Details are described in table 6.6 below.

Table 6.6 Spiritual experience sharing board-02

Date	5th, May
Objectives	My mother
Good deed	Taking care of my kids
Credits and loving-kindness	Today, my kid got up with a bad feeling in health. My mother took him to hospital on my behalf and reported to me when the medical check-up was in progress. My dear mother, you raised me up and now offered your love even to my kids. My gratitude will come to you for my whole life. I love you, Mum.

Source: Translated and summarised by the author
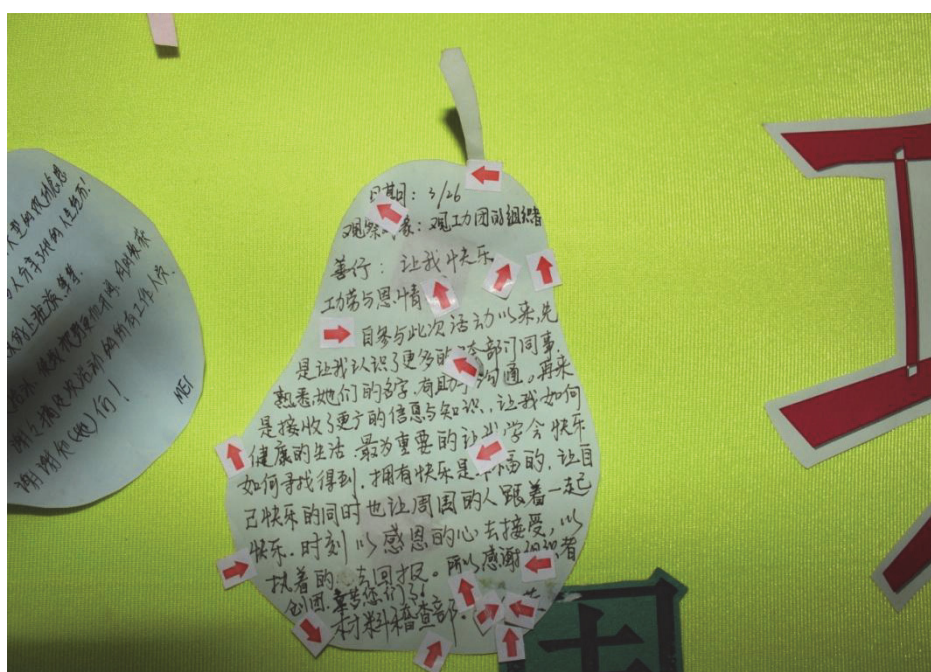
Figure 6.46 Spiritual experience sharing board-04
Source: Photographed by the author

Figure 6.46 shows the gratitude to the organiser of the observation activity. Details are described in table 6.7 below.

Table 6.7 Spiritual experience sharing board-04

Date	26th, March
Objectives	Organiser of the observation activity
Good deed	Make me happy
Credits and loving-kindness	Since participating in this observation activity, I have been acquainted with many workmates from all levels. I got to know their names, too. I also learnt knowledge from such activity. It made me realise the source of happiness. We need to be happy and make the people around us to be happy. Everyone bears responsibility for the creation of a harmonious environment around us. That's the true meaning of happiness

Source: Translated and summarised by the author

6.3.10　A blending of eastern and western management theories

The organisational structure and culture at Shoetown combine to promote commitment, innovation and sustainable competitive advantage in a turbulent global market. The quotations sprinkled throughout the case study attest to the quality of thinking at every organisational level. It was interesting to reflect on what it meant when all levels of the workforce are confident enough to express their admiration for the company, their colleagues and management.

The Shoetown management blends the western and eastern management approaches and philosophies. The underpinning philosophies of Confucianism and Daoism are applied at Shoetown. The result is authentic relationships in all levels of dealings. The application of these philosophies provides Shoetown with a competitive advantage.

Personal interviews, documentation research and direct observations by this author, confirmed that the relationships at Shoetown are genuine, broad, deep and based on mutual respect and trust. Such relationships have been extended to the family, community and government. There is genuine concern for the environment, a concern emphasised by Ron Chang many times during our conversations, and which this author found in reports in the local media. people are treated as individuals and as part of society. They are developed to be a "whole" person.

The strong influence of Confucianism and Daoism in the way business is conducted at Shoetown is obvious: their underpinning principles permeate all systems including environmental sustainability; labour management; relationships between employees, strategic partners and the broader community; in decision-making and in social sustainability. These principles include the construction of a harmonious society, coexistence and co-dependence of human beings and the natural environment (nature–man–oneness, equilibrium).

Personal relationships at Shoetown typically appear to have been developed over many years. People seem very respectful, open and honest, team focused, and they appears to have high levels of trust. These relationships extend through work teams, to families, the community, to strategic partners, suppliers and government. Workers talk of the "Shoetown family" and what it has done for them. One worker said that when Ron Chang needs help, the workforce is happy to oblige (STpwkr-04 2012). In summary, relationships at Shoetown can be described as authentic (Fan 2000; Li Weixiang & Zhang Zili 2005; Lin & Ho 2009; Wang 2004).

The success in managing CSR and business sustainability in Shoetown, as per observation of the survey team, would probably rely upon its long-term strategic thinking and on the intention of blending western management theories with Chinese management theories in a context with both features of western practice and Chinese traditions.

Given the variations in management practices applied in the west and east, which of course vary between countries, regions and company cultures, a depiction of Shoetown's practices is better seen in the form of a Venn diagram than as discrete boxes which seek to show that there are profound differences.
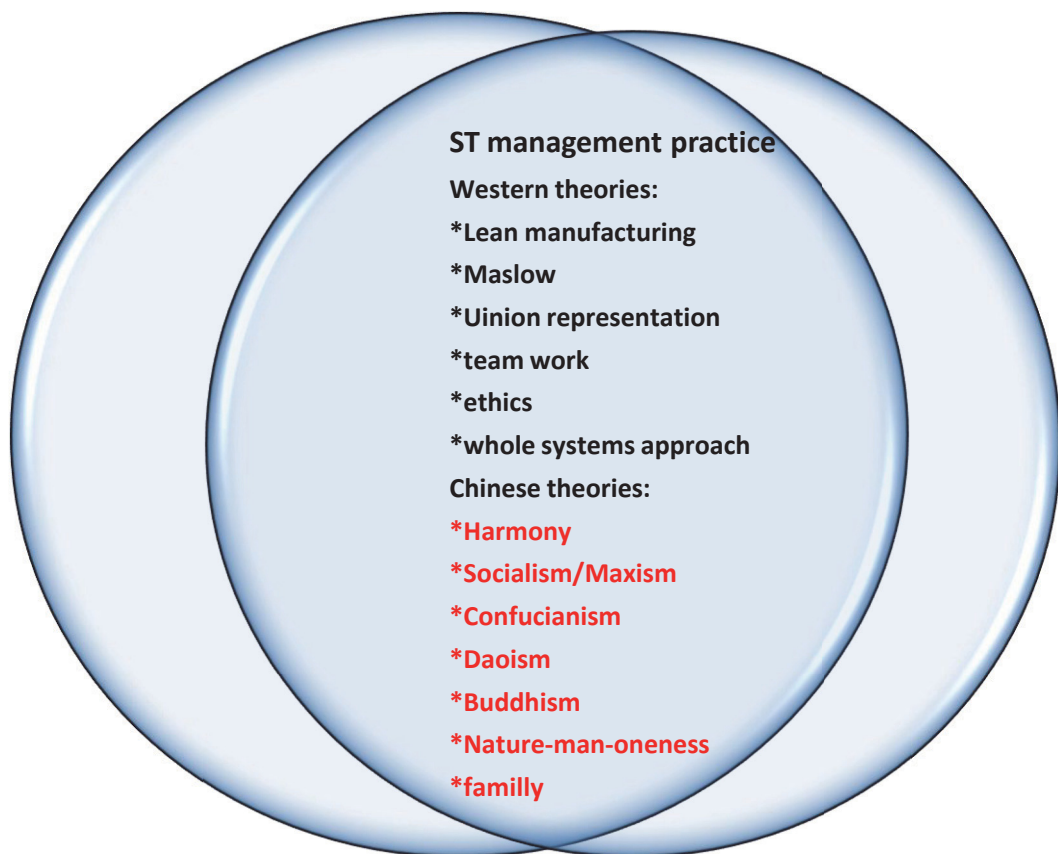
Figure 6.47 A blending of western theory with Chinese harmonious culture
Source: Huang et al. (2014)

Figure 6. 47 illustrates this blending of eastern and western philosophies at Shoetown.

What seems to differentiate Shoetown from many businesses is that espoused values are actually practised at Shoetown. This particularly applies to those values related to how employees are regarded and dealt with. That is, employees at Shoetown are seen as the company's most important asset and are dealt with in that way. Shoetown actually applies its stated values while in many other businesses espoused values remain unfulfilled aspirations.

In addition, Shoetown tailors many of its management practices to suit the characteristics of its Chinese workforce. For example, as discussed earlier, the training programs aimed at preventing unwanted pregnancies, and to the display of paper cut-outs in the form of different shapes such as flowers and fruit that tell of events experienced by employees' spiritual experience sharing.

All businesses operate under their unique circumstances, so management for business

sustainability needs to be carried out in accordance with reasonable assumptions and context-based principles (Ghoshal 2005; Klisberg & Feng Ying 2013). Managing for business sustainability "must be performed with explicit reference to, and in light of, actual social and/or environmental conditions in the world in order to be effective" (McElroy & Engelen 2012, p. 8). Integrating western management theory with Chinese culture and philosophies has enhanced the achievement of Shoetown regarding its business sustainability.

As for the influences of traditional Chinese harmonious culture, Ron Chang claims that he has been deeply influenced by traditional Chinese culture when young. Many of those doctrines have guided his strategies. "As Mencius (Legge 2013) claims, the superior man is distinguished from other men by what he preserves in his heart — namely, benevolence and propriety. The benevolent man loves others; the propriety man shows respect to others. He who loves others is constantly loved by them. He who respects others is constantly respected by them. Our country is in the process of constructing a harmonious society; as a business firm, it would also be our responsibility to construct a harmonious factory, and a harmonious community" (cited in Huang Zhaiyu, Huang Huizhen & You Zhibin 2009).

6.3.11 A holistic and systems management approach is adopted at Shoetown

The whole systems approach, or the holistic approach, is where the business works towards outcomes for the natural environment, successful long-term economic performance and constant support for its people and social outcomes. This appears to reflect Shoetown's human resource policies and programs, occupational health and safety, and risk management approaches, and corporate social responsibility initiatives, which all coexist alongside stringent financial targets. Achievements in this respect over the last five years have produced results that include steady corporate growth. For instance, five new factories, in rural and remote parts of China all achieved the revenue target within a tough global environment "where 30 per cent of competitors have gone out of business in the year of 2011 alone" (STPresidentchang 2012).

In this way social sustainability can be viewed as integral to successful Triple Bottom Line management. It does not focus only on financial or environmental sustainability, it focuses on

enhancing the lives of people at work, the communities in which the business operates and the society in which it is a part. Shoetown has been set as a Triple Bottom Line business leader by the local government, with a particularly strong commitment to its employees, stakeholders and community. This author holds that this is a critical success factor for Shoetown, a source of competitive advantage, and serves to indicate that sustainable businesses and organisations.

The Shoetown business is a production system. It is a holistic system that puts people, learning and thinking at the heart of all considerations that reflect the vision, values and commitment of its president and leadership group. This is reflected in the president's words:

"Taking care of your people must be in your mind and in your heart" (STPresidentchang 2012) .

Discussions with a wide variety of people, together with the analysis of the corporate key performance indicators, the formal management and worker interviews, the tour of the Shoetown complex and the witnessing of large meetings, fully justify the conclusion that Shoetown is focused on effective communication and learning by its staff and fostering an open and innovative corporate culture in order to ensure continued business success.

6.4 Achievements and developments at Shoetown

This section will briefly explain the other two pillars of Triple Bottom Line: economic and environmental achievements at Shoetown. These achievements are believed to be essentially due to the people-centred harmonious culture at Shoetown.

6.4.1 Economic and business performance

Shoetown has successfully tackled these problems in a holistic way. Leadership interventions have been sustained over a long time frame and leadership continues to focus its energy on whole systems thinking, transparency, open communication, ethical behaviour, and fully integrated systems and processes. Business sustainability is talked about widely: the concept is understood and accepted, thinking clearly and cleverly and innovation is evident, and Shoetown

leadership is at the forefront of interventions throughout the entire business. This culture underpins a production system utilising lean production methods including team-based work. This culture also underpins Shoetown's program of automating its previously mechanised production systems.

Shoetown sought to be a sophisticated manufacturer. It decided to increase the numbers of people with specialised technical qualifications, planned for a purpose-built learning centre and built many meeting rooms for conversations and learning, and to encourage sound thinking at every organisational level. Shoetown's management team is guided by its clearly enunciated values and principles. Shoetown is a people centred, learning organisation and makes decisions in alignment with its values.

Figure 6.48 shows the growth of the business from its inception to recent years.

Figure 6.48 Product growth at Shoetown
Source: Shoetown management

The above figure shows a rapid and constant development of the product range. In 1987, Shoetown's key products were merely simple shoes for kids and some basket-ball shoes lines. Today, the product scope has expanded to Nike's multiple functional basketball shoes, football shoes, tennis shoes and other well-known shoe types.
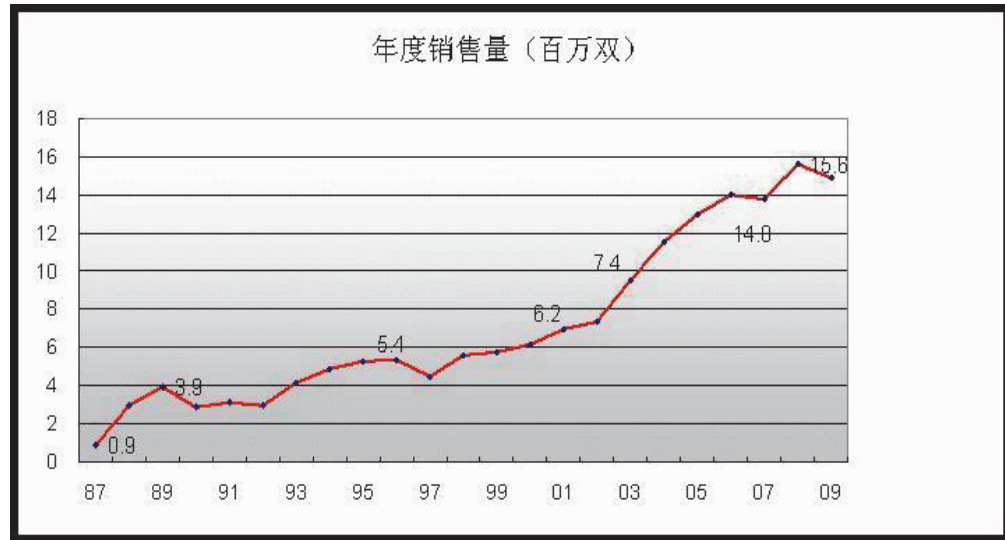
Figure 6.49 Shoetown's annual sales[27]
Source: Shoetown management

Figure 6.49 shows the annual sales trends at Shoetown from 1987 to 2009.
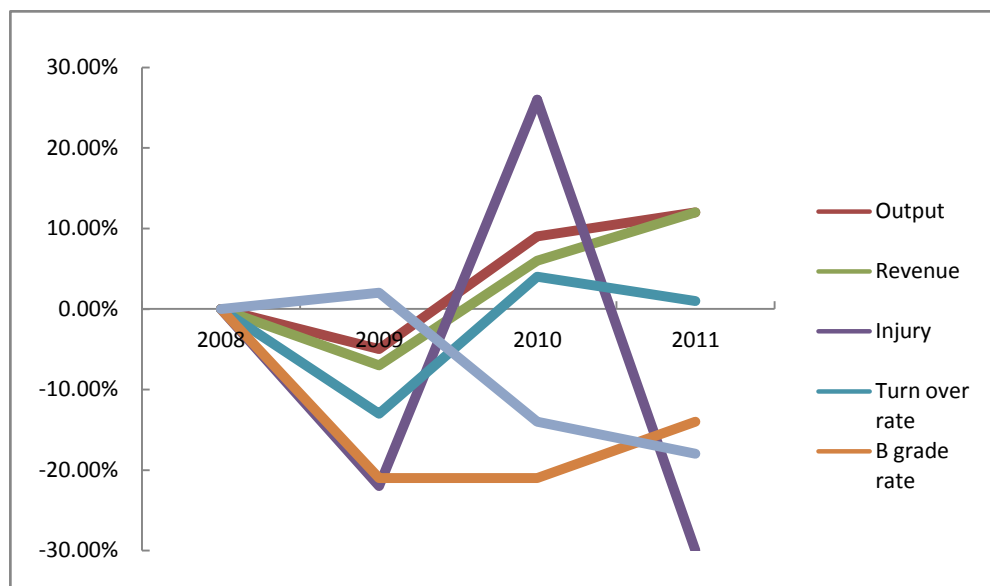
Figure 6.50 Key performance indicators, Shoetown 2008–2011
Source: Shoetown management

Figure 6.50 shows supporting data that indicates the growth in output, revenue, overall improvement in quality, reductions in staff turnover, energy usage and lost time due to workforce injury.

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[27] Although orders dropped during the early stages of the Global Financial Crisis, management reached a consensus with its employees that their normal employment arrangements would continue. Employees continued working and being paid for 8 hours work, with spare capacity taken up on initiatives to improve the work environment and training to upgrade skills. In addition, investments were made in automation and technology upgrades in anticipation of, and to drive future growth in, product demand.

Table 6.8   Key performance indicators, Shoetown 2008–2011[28]

Year	Output (%)	Revenue (%)	Injury (%)	Turnover (%)	B grade (%)	kWh/pair (%)
2008	0.00	0.00	0.00	0.00	0.00	0.00
2009	−5.00	−7.00	−22.00	−13.00	−21.00	2.00
2010	9.00	6.00	26.00	4.00	−21.00	−14.00
2011	12.00	12.00	−30.00	1.00	−14.00	−18.00

Source: Shoetown management

Table 6.8 shows Shoetown's key performance indicators from 2008 to 2011, which is further evidence of the data given in figure 6.50.

6.4.2 Environmental contribution

As a large-scale manufacturing firm, Shoetown's key environmental concern is energy consumption during production. The local government has also set up energy consumption targets for Shoetown. Shoetown has made efforts to save energy during the production process and daily life in order to be an environmentally friendly manufacturer.

Table 6.9 Energy saving target during the 11th five-year plan

Unit: tce[29]

Period	Government target	Actual energy saving at Shoetown
2006–2010	890	2111.26

Source: Shoetown management

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[28] Injury refers to lost time. Turnover relates to annual staff attrition (in this respect multiple turnover occurs with new hires — turnover for workers is about 5 per cent per annum while it is about 1.5 per cent for higher level workers). B grade rate refers to the percentage of shoes that are not of the highest quality. kWh/pair is the electricity consumed (kWh) in making one pair of shoes. Absenteeism is very low; about 1 per cent per day.

[29] tce (ton of standard coal equivalent). 1 ton of diesel =1.4571 tce; 10,000 kwh electricity = 1.229 tce.

Table 6.10 Energy saving target during the 12th five-year plan

Unit: tce

Period	Government target	Actual energy saving at Shoetown by 2012
2011–2015	727.39	364.83

Source: Shoetown management

Both table 6.9 and table 6.10 show the energy saving achievement of Shoetown in the eleventh five-year plan and the twelfth five-year plan respectively. In responding to local government's energy saving target, Shoetown has achieved 137 per cent higher than the target set by the government during the eleventh five-year plan. By 2012, Shoetown had accomplished 49 per cent of the targeted energy saving set in the twelfth five-year plan to 2015 by the government (Shoetown management).

An energy-saving leadership group has been established at Shoetown to monitor energy consumption. Shoetown has been established as a pilot factory of energy saving, which is used to demonstrate how new technologies and policies are adopted to reduce energy consumption during the production processes. Many energy-saving training programs have been offered by Shoetown to other manufacturers, from both internal and external of Shoetown.

6.4.3 Rewards and titles received

Shoetown's achievements have been deeply recognised by various Chinese government authorities and relevant business associations.

Table 6.11 Shoetown: samples of awards and titles received

S.N.	Awards and titles	Source	Time
1	Third Ranking in Contribution to Export of Overseas-funded Enterprise	Government of Baiyun District, Guangzhou Guangdong	
2	National "Double Excellency" of 2002	China Association of Enterprises with Foreign Investment (CAEFI)	2002
3	A Class Tax Payer (2006–2007)	Qingxin County on behalf of China Tax Bureau, Qingyuan City	2006–2007
4	Advance Enterprise in Administration Transparency and Democratic Management of Guangdong Province	Guangdong Province	2006
5	Ron Chang receives a contribution award for attracting investments from overseas	Qingyuan City	2006
6	Top 10 Excellent Enterprise of Qingyuan City	Qingyuan City	2006
7	Top 10 Excellent Enterprise of Qingyuan City	Qingyuan City	2007
8	Designated enterprise for Business Climate Survey in Qingyuan City	Bank of China	2007
9	Advanced Labour Union	Qingyuan City	May 2007
10	Advanced Youth League Union	Qingyuan City	May 2007
11	Integrity Enterprise; Integrity Enterprise for Customs Clearance	Guangzhou Customs	June 2007
12	Excellent Volunteers Association	Qingyuan City	May 2008
13	Advance Enterprise in Administration Transparency and Democratic Management of Qingxin County	Qingxin County government	August 2008

Table 6.11 (Continued)

S.N.	Awards and Titles	From	Time
14	A Class Tax Payer (2007–2008)	China Tax Bureau, Qingyuan City	October 2008
15	Exemplary Enterprise of Management for Standardised Fire Protection	Government of Qingxin County	November 2008
16	Labour Union: An Exemplary Home for Employees of Qingyuan City	Qingyuan City	December 2008
17	Advanced Social Donation Unit for Earthquake and Disaster Relief Rescue Operation	Guangdong Charity Federation	March 2009
18	Enthusiastic Supporter for Sports Activities	Qingxin County	December 2009
19	Export Award	Chinese government	February 2011
20	Auditing Enterprise for Cleaning Production	Qingyuan City	April 2011
21	Advanced Enterprise in Tax Paying, Output and Exporting	Qingxin County	2006–2011
22	Advanced Labour Union	Qingxin County	2006–2011

Source: Shoetown Management

As shown in table 6.11, these awards and titles are comprehensive, ranging from economic contribution, tax paying, energy saving and environmental protection, labour unions, philanthropy, community construction, labour relations, management culture and so on. The awards and titles have been offered from the national level down to the local level. They cover government, federations, labour unions and financial institutions. The awards and titles denote that Shoetown deserves its reputation as an exemplary business organisation, and to be the subject of a case study.

6.5 Summary

In only 20 years, Shoetown has grown from a workshop of about 300 employees with manual operations as the key method of production, to a manufacturer with sub-branches all over China and employing over fifty thousand people. As demonstrated in the data analysis in this chapter, success can at least be partly attributed to Shoetown's corporate culture, which is rooted in traditional Chinese philosophy. The leadership at Shoetown has placed emphasis on current development philosophies such as CSR and business sustainability and has deliberately and strategically identified and managed key stakeholders. From discussions with many senior managers it is clear that Shoetown seeks to continue to strive for comprehensive future development. During the course of Shoetown's growth, harmonious culture has played a critical role in informing the organisation's human-centred practices, stakeholder management, community construction, environmental protection, energy consumption and business conduct.

The positive view of Shoetown is a considered view based on a great deal of reflection by this author. There has been much verbatim reporting of evidence gathered from many sources.   . Triangulation of data has included interviews with a broad range of staff and a supply chain contractor, many follow up questions over many months, general discussions over meals and in similar informal situations with many employees from varying positions of authority within the organisation, attendance at management meetings, observations during tours of the factory and administration areas, worker illustrations dealing with their experiences of working at Shoetown, Shoetown Staff Journals, and academic journal articles authored by other scholars.

Surprisingly perhaps, no negative, contradictory data was identified. The two people who assisted this author in field work data collection are very experienced in examining recognised excellent practice organisations throughout the world, one principally as an academic and the other principally as a senior business practitioner. Both confirm their belief that Shoetown is a good practice organisation. This view appears to be widely held in China given the many best practice awards received by Shoetown (see table 6.11 Shoetown: samples of awards and titles received) and the approaches that Shoetown has received from Princeton University to study Shoetown (Ron Chang in personal discussions).

The author has conducted an extensive review of the literature on CSR, sustainability and stakeholder theory consciously seeking to identify recommended approaches and guidelines. He has sought to compare what he has observed at Shoetown against two models that provide sign posting for organizations seeking to implement CSR, sustainability and stakeholder theory well. Shoetown's performance appears, to the author, to be in alignment with this theory and recommended practice.

Despite all of this evidence of good achievement at Shoetown with regard to CSR, sustainability and stakeholder management, this author is aware that the world is an imperfect place and things are often not quite as they appear or are presented. In addition, no research methodology is infallible and the limitations on case study research have been fully discussed in chapter 5. Nevertheless, given that this author did not discover any evidence to contradict the positive nature of his findings about Shoetown during his extensive research, he feels obliged to be true to himself in reporting what he has found. This has required him to report Shoetown's progress in positive terms, and in a way that endeavours to convey the atmosphere that is expressed by workers and leaders employed at Shoetown, and which is felt by observers of Shoetown.

7 An analysis of CSR and Sustainability at Shoetown

As demonstrated in the case data analysis in chapter 6, it has been evident that in light of its specific context, Shoetown has successfully implemented its CSR and sustainability initiatives with substantial consideration of traditional harmonious Chinese culture. In this chapter, this author explores the driving forces in Shoetown to implement CSR and sustainability initiatives that show why Shoetown has executed CSR and sustainability in such a manner. The chapter will draw on the literature reviews and theoretical framework explored in chapter 3 and chapter 4 respectively. The author will cover theories of sustainability, CSR (corporate social responsibility) and stakeholder management. The background to contemporary China discussed in chapter 2 will be integrated into the discussion in this chapter.

The chapter first discusses the general motivations for CSR and sustainability implementation at Shoetown, and then assesses the CSR and sustainability performances of Shoetown through the employment of two prevailing business sustainability models: "characteristics of sustainable companies" in McNall et al. (2011) and the phase model in Dunphy et al. (2007). The chapter then summarises and analyses the potential constraints on Shoetown as it manages its business to achieve sustainability. It concludes with a summary of the chapter.

7.1 The key driving forces for CSR and sustainability implementation at Shoetown

It has been confirmed that both CSR and sustainability initiatives are context-based. As suggested by Marrewijk and Werre (2003), the process of achieving sustainability should be differentiated among organisations, depending on their goals and strategies in specific contexts.

It is important to recognise that all businesses operate in unique circumstances. This requires individual management teams seeking business sustainability to carry out their roles in accordance with reasonable assumptions and context-based principles applying to such circumstances (Ghoshal 2005; Klisberg & Feng Ying 2013). Managing for CSR and business sustainability "must be performed with explicit reference to, and in light of, actual social and/or environmental conditions in the world in order to be effective" (McElroy & Engelen 2012, p. 8).

According to Benn et al. (2011), the pressures or drivers of CSR and sustainability initiatives may come from "external stakeholders, industry or government through their changing attitudes to sustainability. Drivers may also stem from internal sources, as management and staff themselves realise the need to change organisational standards and behaviour for sustainability management" (Benn, Dunphy & Perrott 2011, p. xii).

As an OEM shoe manufacturer in mainland China, Shoetown has been deeply influenced by the macro and micro environments in China. Its business conduct is uniquely Chinese. The key driving factors for its implementation of CSR and sustainability are also a unique reflection of the Chinese political, economic, cultural, stakeholder demands as well as a way to enhance business competitiveness. A detailed discussion on these key driving forces at Shoetown will be extended as follows.

7.1.1 The political driver

As discussed in chapter 2, politics plays a critical role in the Chinese economy. China is a socialist country with the Communist Party in power. It is active in national economic, social and cultural construction. As mentioned in chapter 3, it is a primary condition for business organisations to abide by Chinese socialist morality, law, regulation and ideology when operating in China (Cheng Wei 2013; Sun Xia 2002). Business firms are recommended to integrate government development schemes into their business strategies in order to be more sustainable.

For instance, the Chinese government has initiated schemes to construct a "harmonious society" and "scientific outlook on development", which have been discussed in chapter 2. Essentially, CSR and sustainability will facilitate the realisation of these government schemes (Liu Jianhua, Zhou Xiao & Ma Duo 2013) because the principles of CSR and sustainability form the moral foundation of a society to maintain justice and order. Business firms are wealth generators offering material foundation for a harmonious society that will in turn enhance the growth of business wealth. The construction of a harmonious society includes the natural environmental factor (nature–man–oneness); therefore, it becomes an opportunity for, as well as a

responsibility of, business firms. Meanwhile, as Hu Junmiao (2008) observes, a corporation is a social cell whose development heavily depends on a harmonious societal environment. Business firms will benefit from their execution of CSR during the construction of a harmonious society. Therefore, corporation should undertake corresponding social responsibility to enhance the construction of such a society. Furthermore, implementation of CSR and sustainability will help business firms to sustain overall harmonious development within society and the environment so as to realise the Chinese scientific outlook on development (2008).

Furthermore, CSR has efficiently remedied some of the defects of government intervention and market regulation for market failure, which cannot be settled by the business firm or government alone. CSR can help a business firm to achieve a win–win outcome between economic profit and environmental protection to enhance the outputs of government political objectives in China (Jin Yueqin 2004).

The leadership of Shoetown well recognises such circumstances. It has become one of the most critical tasks of Shoetown's leadership to study government political policies at every development stage. Ron Chang, President of Shoetown, is especially concerned with government schemes. He states that a responsible business firm should never view itself as a passer-by in society, since the country is in the process of constructing a harmonious society. "As a business firm, it would also be our responsibility to construct a harmonious factory, and a harmonious community" (cited in Huang Zhaiyu, Huang Huizhen & You Zhibin 2009). This research documents the translation of this "responsibility into action at Shoetown.

7.1.2 The economic driver

Economic factors also influence a business's CSR and sustainability initiatives. For instance, Liang Guiquan (2004) contends that the implementation of CSR and sustainability in China is an immediate result of globalisation's impact on China and China's accession to the WTO. Indeed, CSR has been globally impelled by two social forces. The first is the labour movement against capital globalisation. Various international labour organisations have demanded the implementation of international labour standards to protect labour rights, as labour relations

conflict has been deepened by globalisation. The second force is the implementation of "international labour trade barriers" aimed at retarding low price products from developing economies with low labour costs, which have directly threatened the markets and employment levels in industrial economies (Liang Guiquan 2004).

Shoetown has launched its business on the basis of OEM, a type of business directly linked to the global supply chain. Consequently, business at Shoetown has been affected by global market fluctuations.

Domestically, the Chinese economy has experienced an average annual growth rate of about 8 per cent over two decades, relying upon the well-known "Made in China" approach to manufacturing. This approach is characterised by limited value added because the design, innovation and other high-level thinking and skilled work occurs in other countries, leaving the low skill work to be performed in China. "Made in China" has continued to act as an anchor of stability in the global economy (Yingming 2010). Acemoglu and Robinson (2012) assert that Chinese economic growth has been largely on the basis of a catch-up strategy of importing foreign technology and exporting cheaply manufactured products. They argue that the dividends from such a strategy will dry up as the country reaches a living standard comparable to a middle-income country (Acemoglu & Robinson 2012).

"Made in China" has been severely criticised within China. First, low labour costs have often acted as the key driver for competitive advantage and this has led some to claim that labour is employed under "sweatshop" conditions. Second, rapid Chinese economic growth driven by "Made in China" has occurred at the cost of considerable environmental destruction. Third, "Made in China" based on OEM has placed China on the low end of the global value-chain continuum, resulting in slim profit margins (Jay 2012; Li Jun 2012; Williamson 2003).

In short, "Made in China" is a key challenge to business sustainability in China. This has been particularly problematic since the Global Financial Crisis, when the Lewis turning point[30] first

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[30] The Lewis turning point is based on a development model created by Nobel Prize winning economist Arthur Lewis, who looked at the dual aspect of a developing economy. The first is represented by its agricultural sector, which engages a major part of the labour force, and the second by the modern market-oriented sector, which is primarily engaged in industrial production. The growth of the economy is driven by the modern sector with the support of

appeared in China. This problem combined with substantial declines in western orders and reductions in low labour cost advantage as wages increased in China (Tang Liming 2011).

By way of contrast, the "Made by China" concept involves Chinese innovation, high skilled work and the production of high-end products — value added compared with the "Made in China" approach, where the design and value add occurs in other countries. "Made-in-China" poses fundamental questions for China, not only questions on how to grow, but also how to upgrade Chinese manufacturing businesses (Chen Zhiwu 2012; Han Caizhen 2007; Peretti & Micheletti 2004). There have been numerous definitions of "Made by China" (or "Created in China"). However, the definition used for this research was that used and clarified by China's former Premier Wen Jiabao in his speech at the World Economic Forum Annual Meeting of the New Champions in 2010. Wen Jiabao (2010) said that "all enterprises registered in China according to Chinese laws are Chinese enterprises. Their products are made-in-China products. And the innovative products based on their research and development are created-in-China products" (Wen Jiabao 2010).

According to Wen Jiabao, the core elements of "Made by China" are the ingredients of research and development; any products, if they are researched, designed and developed in China, should be considered as "Made by China". Such products have drastically increased in comparison with the authentic OEM products that are simply manufactured in China while the research and development have been completely controlled and undertaken by foreign organisations.

Keane (2006) claims that China is progressing rapidly in the development of its creative industries and policies have been implemented to generate value and investment. And "Creative processes need to be deeply embedded in the education system, and the idea that quantity of production equates with economic value, a legacy of the socialist era, must be put to the sword" (Keane 2006, p. 294). Obviously, this statement implies that product quality turns out to be

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unlimited supplies of labour, which is mainly drawn from the agricultural sector. This migrant labour force accepts low wages corresponding to the living standards prevalent in farming. The modern sector (also called the capitalist sector) is able to reap profits and — helped by low labour costs — generate savings. Growing savings finance   capital formation for expansion. However, a point is reached when no more labour is forthcoming from the underdeveloped, or agricultural, sector and wages begin to rise. This is known as the Lewis turning point (Cai 2010; Shah 2012).

more critical for sustainability in current China, and this will be more dependent upon "Made by China" rather than "Made in China".

Although Shoetown is considered to be an OEM organisation, its business model has changed substantially over the years. Section 6.3.1 refers to the scientific intent of management to upgrade its skill base and to direct its activities to high-end products as it prepared to move to its new purpose-built production site. This strategy has been successful, as Shoetown is now known as a global strategic partner of Nike. As described in section 6.3.4 in chapter 6, Shoetown has been deeply embraced into Nike's up-stream value chain, including Shoetown's research and development functions. For instance, Shoetown retains some of its patents for the innovative products it develops. Section 6.3.4 describes the arrangements put in place to share the benefits of innovations developed at Shoetown. This section also refers to the specialist expertise recruited by Shoetown as part of its drive to become a high-end manufacturer. This section further comments on the international training and other training given to Shoetown staff. In addition, section 6.3.8 refers to staff attending conferences that are not related to footwear with a view to obtaining new ideas for implementation at Shoetown. This is clearly consistent with the intent of Wen Jiabao's "Made by China" philosophy.

It is clear from the above that Shoetown is moving beyond a traditional "Made in China" approach by seeking to value add by improving production processes, product quality, product design, innovation and so on, as well as implementing CSR and sustainability in a Chinese context. In this regard, Shoetown has substantially increased its bargaining power within Nike's global value chain. It would seem that Nike and Shoetown are also becoming increasingly mutually reliant upon each other (see Section 6.3.4), although due to its brand ownership, Nike still has more power in the relationship.

For this reason, Shoetown has been viewed as being consistent with the "Made by China" philosophy. The foundation of this is provided by a sound, thought through and clearly articulated set of corporate values, which are embodied in the management and leadership system, in human resource policy and practice, in production, and in other supporting organisational functions, as well as in the built environment. This leads to a systems related, and

integrated approach to everything that is done at Shoetown.

For instance, the move to Qingyuan was directly inspired by the expressed desire of top leadership to elevate the business from one that was not differentiated from its competitors "Made in China" approach to a business that aspired to be at the leading edge of technologies, products designed and produced, and having these developed and used by the highest calibre of employees according to skills and attitudes. The commitment to "Made by China" can be observed in the enabling of people at Shoetown to be highly skilled through learning strategies; team-based work; leadership that emphasises coaching; empowerment and joint decision-making; and the management of boundaries, through job design that places a high priority on decision content in jobs; through recruitment of specialists and encouragement of specialist staff participation in trade fairs and the like to identify and later to diffuse technologies from other unrelated industries into Shoetown processes.

The "Made by China" driving philosophy can also be seen through facility design that encourages communication, meetings and joint problem-solving through other innovation strategies that involve working with suppliers on new developments and sharing the benefits of innovation.

Facilities such as meeting rooms and the training centre are used extensively to encourage discussion about best practice. Jobs, training and facilities are designed as part of a whole system; the corporate vision focuses on what could be rather than what is. There are continuous programs of learning, innovation and change. The workforce frequently expressed a connection to their clients. Teams are used for problem-solving, learning and interdependency, and this makes jobs more interesting. There is much scope for decision-making content in jobs with key information and feedback displayed in the production areas. Collaboration and respect is a dominant impression gained by observers. Everybody seems to feel that their contributions were important and noted. This is a clear manifestation of a harmonious approach to implementing "Made by China" at Shoetown.

7.1.3   The cultural driver

Culture is also a key driving force in Shoetown's CSR and sustainability initiatives. Zhang Dainian and Fang Keli (1994) assert that in China, the implementation of CSR and sustainability is an intrinsic demand and claim from traditional Chinese culture. They hold that there is a solid traditional culture foundation that advocates CSR and sustainability in China. Traditional Chinese values have been deeply influenced by the views of Confucianism on righteousness and benefit, which privileges righteousness. Righteousness hence becomes the primary criterion for judging business behaviour. The statement from Confucianism that "the superior man holds righteousness to be of the highest importance" (Legge 1966, p. 270) should be valued by Chinese entrepreneurs (Zhang Dainian & Fang Keli 1994, p. 87). Chai Fei and Qian Yunchun (2008) hold that though CSR and sustainability are not compulsory, their implementation will enable a business firm to freely choose its philanthropic activity, and expose its business conduct under the supervision of ethics and advanced social and historical ideology, to gain a good reputation and sustain its long-term development and growth capacity (Chai Fei & Qian Yunchun 2008).

As discussed in preceding chapters, Shoetown is a Taiwanese-funded private business organisation that has been deeply influenced by traditional Chinese culture. First, traditional Chinese culture has been better preserved in Taiwan while similar culture was devastated in mainland China during the Cultural Revolution. Second, the leadership of Shoetown highly values traditional Chinese culture because they believed that business philosophy based upon traditional Chinese culture is suitable to Chinese business organisations. Third, Shoetown has made efforts to diffuse relevant traditional Chinese culture through multiple approaches, which has resulted in a "harmonious society" in the Shoetown community. Finally, the people-centred harmonious corporate culture of Shoetown has helped it retain and enhance its human resources over many challenging development stages. This contributed substantially to Shoetown's competitiveness and success.

7.1.4   Demands from stakeholders

Generally speaking, CSR and sustainability are in demand from various stakeholders of the firm. Stakeholder theory, which has been explored in chapter 4, reinforces the necessity of an enterprise to execute its social responsibility and define the objectives and scope of such social responsibilities. Stakeholder theory hence offers a valid insight and strategic guidance to CSR management. Li Xindong (Liu Xindong 2010) discusses that CSR and stakeholder theory used to be two independent parts in the interdisciplinary research of sociology and management. However, these two areas have tended to be merged since the 1990s. Stakeholder theory defines the scope of social responsibility, while CSR provides stakeholder theory with supportive empirical research outputs that enhance the effectiveness of stakeholder theory. The two theories are mutually complementary to each other. Li Youhuan (2007b) asserts that claim for rights and interests from stakeholders, such as consumers, have also become an immediate driver of CSR (Li Youhuan 2007b).

As discussed in chapter 6, in order to sustain its business operations, Shoetown has to respond to demands from various stakeholders during the course of its development and operations. Stakeholders include the various levels of government, Nike, employees, customers, suppliers, financial institutions, communities, domestic and global competitors and so on. For instance, as a business unit located in China, it became a necessity for Shoetown to respond to government policies including "harmonious socialist society construction". An example of Shoetown complying with this specific government policy can be seen in the way that Shoetown relates to its local community, which it supports in many ways including financial donations and other philanthropic endeavours. Shoetown leadership recognise that the organisation and the community are mutually interdependent.

More importantly, Shoetown is Nike's global strategic partner. Many of Nike's operational philosophies and mechanisms have heavily influenced Shoetown. The majority of Nike's philosophies are relevant to stakeholder management, CSR and sustainability (Cramer & Karabell 2010). Nike's code of conduct details the principles applicable to all suppliers. Its code embraces management practice, labour, compensation, benefits, hours of work/overtime, the

environment, safety and health (ES&H).

For example, as quoted by Locke et al. (2007), the code of conduct of Nike states:

"*Nike partners with contractors who share our commitment to best practices and continuous improvement in:*
1. Management practices that respect the rights of all employees, including the right to free association and collective bargaining
2. Minimizing our impact on the environment
3. Providing a safe and healthy work place
4. Promoting the health and well-being of all employees
  Contractors must recognize the dignity of each employee, and the right to a work place free of harassment, abuse or corporal punishment. Decisions on hiring, salary, benefits, advancement, termination or retirement must be based solely on the employee's ability to do the job. There shall be no discrimination based on race, creed, gender, marital or maternity status, religious or political beliefs, age or sexual orientation" (Locke, Fei & Brause 2007, p. 24).

All these criteria must be assessed through Nike's compliance rating system. "Nike's corporate values and support have complemented and helped shape the business conduct of Shoetown" (Ron Chang 2011). Nike is, therefore, clearly a key stakeholder in Shoetown, and has assisted Shoetown in developing its CSR and sustainability initiatives.

7.1.5 CSR and sustainability as an approach to business competitiveness

For about five decades, scholars have been engaging in research upon the relationship between corporate financial performance (CFP) and CSR. Based upon the literature review, the relationship between CSR and CFP could be put into three groups: positive, neutral and negative (Liu Fengjun et al. 2009). The first group holds that there is a positive relationship between CSR and corporate performance (e.g. Frooman 1997; Li Zheng 2006; Lin Feng & Zhao Meng 2012; Preston & O'Bannon 1997; Roman, Hayibor & Agle 1999; Shen Yifeng & Shen Hongtao 2003; Simpson & Kohers 2002; Van der Laan, Van Ees & Van Witteloostuijn 2008; Xu Yemei 2012). The second group believes that there is a negative relationship between CSR and corporate performance (Ingram & Frazier 1980; Vance 1975). The last group concludes that there is no relationship between CSR and corporate performance (Abbott & Monsen 1979; Alexander & Buchholz 1978; Aupperle, Carroll & Hatfield 1985; McWilliams & Siegel 2000;

Ullmann 1985).

According to Duan Wen (2007), the majority of research indicates that there is a positive relationship between CSR and the CFP. In the majority of circumstances, corporate undertaking CSR tends to achieve greater financial performance. The World Economic Forum (WEF) (2003) holds a similar view that CSR vision will be one of the key successful factors for business firms in the era of globalisation. This indicates a significant reason for CSR implementation in business firms.

The leadership at Shoetown strongly believes that there is a positive relationship between CSR, sustainability and corporate performance and competitiveness, as shown in the quote below:

"CSR and sustainability initiatives are a long-term strategy for us that require a long-term accumulation of culture, habits through employee activities. We always regard that the long-term intangible benefits are far higher than the short-term costs. Therefore, we encourage and support all activities in our budget. These activities may seem unrelated to day-to-day operations; however, they change people's perspectives, which will in turn be transferred to the pursuit of an operational ideology of high quality and high efficiency. The experiences in Shoetown have shown the direct relationship between them. That's also one of the reasons why we strive in such a way to implement CSR and sustainability along the way of our development" (STPresidentchang 2012).

Indeed, ignorance of CSR, sustainability or of human factors has trapped many business organisations in failure. Business crises arising from human issues are not uncommon in current business operations when profit is set as the primary target of a business firm. Cases include Pou Chen Corporation worker wage issues and strikes, and the Foxconn worker suicides mentioned in chapter 1 (FIG 2012; Sevastopulo 2014). These events have caused substantial loss of orders to these firms.

Similar events can be found in similar circumstances in Nike's suppliers in other countries. A number of recent events include Indonesian worker abuse, Cambodian strikes and protests in Sabrina (Cambodia) Garment Manufacturing in Kampong Speu province, and the factory collapse in Bangladesh. Large sections of Nike have yet to improve their performances, although Nike has made efforts to promote its image (Grudgings 2013; Nisen 2013; Reuters

2013; Stephen 2011).

This implies that Nike still needs to adopt and implement a more systematic and holistic view regarding its CSR and sustainability management in its value chain in different contexts worldwide. However, it has achieved significant progress in this regard (Greenberg, McKone-Sweet & Wilson 2011). Proactive actions have been initiated at Nike. Nike has taken this to heart by trying to incorporate the need to protect workers within its production process. The CSR and sustainability leader at Nike headquarters is now jointly accountable with suppliers for enforcing the code of conduct within the supply chain (Cramer & Karabell 2010). Nike's responses, on one hand, seem to indicate that it will probably be stricter with its global suppliers in the future. On the other hand, Shoetown's CSR and sustainability initiatives have prevented Shoetown from experiencing similar negative consequences. This will enhance its competitiveness because Nike's problems with suppliers are not found in Shoetown, where the workforce speaks of high levels of trust and respect for the management team and for Shoetown. In turn, this has encouraged the Shoetown leadership to persist with its management philosophy of reinforcing CSR and sustainability initiatives at Shoetown.

7.2   Evaluation of Shoetown's CSR and sustainability performance

In order to gain a more thorough understanding of the achievements and potential challenges facing Shoetown, two models will be employed in this section to further explore the detailed criteria and corresponding performances in the organisation. These two models are "Characteristics of sustainable companies" developed by McNall et al. (2011) and the "Phase model" developed by Dunphy et al. (2007).

7.2.1 Consistency with the characteristics of sustainability model, McNall et al.

This author compared sustainable business evidence gathered at Shoetown the against the characteristics of the sustainability model developed by McNall et al. (2011) to check compliance. The results are demonstrated in table 7.1.

Table 7.1 Characteristics of sustainability at Shoetown

McNall et al.'s characteristics of sustainable companies	Observed at Shoetown	Examples/Evidence
Understand that sustainability is an approach to management, rather than a specific goal or target	Yes	Workers at all levels articulated a sophisticated understanding of the meaning of sustainability (see Section 6.3.2)
Require a mindset shift about CSR, management practices, as well as the value of the organisation within society	Yes	Thinking and discussion is encouraged at Shoetown by the culture, management style and built environment. The workforce is well aware of Shoetown's contribution to its community (see Section 6.3.5)
Are value-driven with a sustainability core in its business practices and strategic planning processes	Yes	Many examples include a KPI directly related to energy consumption. Specialist sustainability staff employed and they confirm that management act on their advice (see Section 6.4.2)
Ensure that all dimensions of the supply chain are managed to achieve better efficiencies, protect the biosphere in which they operate, and ensure that they will stay in business	Yes	Example of Shoetown working with a supply chain partner on productivity and sustainability (see Section 6.3.6)
Involve all members of the organisation in assisting to set and achieve the objective for sustainability	Yes	The widespread understanding of sustainability by interviewees is evident (see Section 6.3.2)
Understand that sustainability means managing for complexity and managing from a systems-level understanding of risk and inherent uncertainty	Yes	Team-based work including team problem-solving, decision content in jobs, many technical experts employed and overseas training. These are testaments to appreciating that the business is complex (see Section 6.3.3.2)
Recognise that sustainability involves concrete activities and specific goals for achieving sustainability within an organisation	Yes	Extensive training and development at every organisational level; focus on health, safety and environment; community development. Specific goals for each (see Section 6.3.3.3)

Table 7.1 (Continued)

McNall's characteristics of sustainable companies	Observed at Shoetown	Examples/Evidence
Realise that sustainability cannot be achieved by themselves, alone, and plan with diverse partnerships with a broad sense of community in mind	Yes	Broad ranging and deep relationships and partnerships exist. They are based on high-quality interaction — clients, supply chain partners, workforce and community (see Section 6.3.3.4; Section 6.3.6)
Seek to close the gap between intentions and actions, and measure progress towards all three dimensions of sustainability	Yes	The three dimensions — linking of intentions with actions and measurement — are reviewed and discussed regularly through a scheduled arrangement of meetings that cover all people employed at Shoetown (see Section 6.3.8)
Focus on the development, and balance of, long-term goals with short-term goals, which may be driven by market returns in a single quarter	Yes	As above
Are proactive in responding to — and often leading — government mandates and regulations	Yes	Shoetown has close interactions with government. Government encourages others to learn from Shoetown (see Section 6.3.2)
Act in response to the rising cost of energy and natural resources, as well as a desire to protect brand image	Yes	Specific KPI dealing with energy consumption. Energy usage is a standing agenda item at monthly management meetings (see Section 6.4.2)
Understand that the survival of the organisation depends on the preservation and restoration of the biosphere	Yes	Environmental scientists are employed at Shoetown. Advice is sought and acted upon (see Section 6.3.2)
Recognise that the challenges of sustainability provide new business opportunities which will lead to the creation of new technologies, new products, new markets, and new solutions to environmental, social and economic problems	Yes	Research and development functions were seen to actively embrace this concept (see Section 6.3.4)

Source: Summarised by author, based on McNall et al. (2011), examples and evidence from research undertaken at Shoetown

From table 7.1, it is evident that Shoetown satisfies nearly all the criteria in this model. Shoetown has strategically integrated CSR and sustainability initiatives into its long-term development schemes. This model is used to demonstrate the CSR and sustainability performance that Shoetown has achieved. In order to evaluate the processes and progress of such performance, Dunphy et al.'s (2007) enhanced sustainability phase model is recommended in the following section.

7.2.2 Shoetown and compliance with the sustainability phase model

This section contains an evaluation of Shoetown's achievements based on criteria from the phase model developed by Dunphy et al. (2007). The sustainability phase model has been fully discussed in section 3.4.2 in chapter 3. Dunphy et al. (2007) maintain that the phase model is used to depict the six phases in an organisation's sustainability stance across both its human and ecological management domains. However, it does not mean that a business firm necessarily progresses through the phases step-by step on an "improving" trajectory. In practice, it is possible for a business firm to by-pass a phase or regress by giving up its previous achievement in sustainable practice. The implementation of phase model mainly "depends upon the context and responses of stakeholders of a particular firm" (Dunphy, Griffiths & Benn 2007, p. 14). This is illustrated by the implementation of CSR and sustainability performance at Shoetown. From table 7.2, it can be observed that Shoetown's achievements are shown as being in Phase 4 Efficiency to Phase 6 Sustaining Corporation. This indicates that the phase model is proven to be an effective and practical approach in evaluating CSR and sustainability achievements in the Shoetown case. The model also offers guidance for organisations aiming for business sustainability through the implementation of CSR at a business level.

Table 7.2 endeavours to depict the key features in different phases and the achievements of Shoetown regarding these CSR and sustainability initiatives. It is worth noting that this model has been enhanced in order to meet the particular Chinese context of the CSR and sustainability initiatives at Shoetown.

Table 7.2 Shoetown and the phase model[31]

Phases	Features	Observed at Shoetown	Examples/Evidence
Phase 1	• Profit maximisation	• No	Shoetown is beyond this phase
	• Dismiss community claims	• No	
	• Employee exploitation	• No	
	• Ignore environmental protection	• No	
Phase 2	• Ignorance of ethics	• No	Shoetown is beyond this phase
	• Financial and technological factors dominate business strategies	• No • No	
	• Ignore human resource management	• No	
	• Ignore social responsibility, ecological environment and community concern		
Phase 3	• Meeting minimum standards as an employer or producer.	• No • No	Shoetown is beyond this phase
	• Financial and technological factors dominate business strategies	• No • No	
	• Human resource functions may be instituted but with little integration	• No	
	• Address community concerns only when facing risk		
	• No obvious environmental abuses		

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[31] As discussed in chapter 3, the enhanced phase model in China requires business to recognise and adhere to the leadership and policies of the CCP, China's socialist and Marxist preference, in all phases. This fundamental requirement will be applicable from phase 1 to phase 6, where the phase model is to be used in a Chinese context.

Table 7.2 (Continued)

Phases	Features	Observed at Shoetown	Examples/Evidence
Phase 4	• Proactively instituting sustainable practices • Systematic integration of human resource functions • Undertaking community projects • Environmental management seen as source of avoidable cost	• Yes • Yes • Yes • Yes	• Such as environmentally friendly water-based glues used in the manufacturing process. The company is researching the development of "green" shoes (see Section 6.3.3.2) • Workers at all levels articulate a sophisticated understanding of the meaning of sustainability (see Section 6.3.2) • Human resource management (HRM) is the central consideration of everything that is done at Shoetown. HRM is integrated into all business activities (see Section 6.3.3) • Community projects undertaken to promote harmonious culture, such as traditional Chinese classics reciting classes, family-planning education and other social philanthropic activities (see Section 6.3.3.3) • The workforce is well aware of Shoetown's contribution to its community (see Section 6.3.5) • Realisation of importance of environmental protection to meet government criteria — senior leadership talks about this (see Section 6.4.2) • Specialist sustainability staff employed, and they confirm that management act on their advice (see Section 6.3.2) • Specific KPI dealing with energy consumption. Energy usage is a standing agenda item at monthly management meetings (see Section 6.4.2) • Working with a supply chain partner on productivity and sustainability (see Section 6.3.3.4; Section 6.3.6)

Table 7.2 (Continued)

Phases	Features	Observed at Shoetown	Examples/Evidence
Phase 5	• Integrating sustainability in business strategy • CSR and sustainability as competitive advantage • Focusing on workforce skills, mix and diversity • Emphasis on management and innovation • A member of the community and offering sponsorship or employee time to participate in wellbeing projects • Environmental strategies as competitive advantage • On seeking competitive leadership through spearheading environmentally friendly products and processes • Creation of a harmonious culture	• Yes • Yes • Yes • Yes • Yes • Yes • Yes	• CSR and sustainability initiatives have been integrated in Shoetown's long-term business development strategy (see Section 6.3.1) • Innovation is actively encouraged at Shoetown through team-based work, education, participating in the trade exhibitions of unrelated industries with a view to finding new, cutting-edge techniques. Innovation is regarded as an approach to sustainability and competitive advantage (see Section 6.3.4) • Shoetown initiates volunteer programs to support local communities regarding education and poverty-relief. Donations are made to disaster relief funds and to the local hospital (see Section 6.3.5) • Shoetown initiates innovations on environmentally friendly products and processes constantly. Many of these innovations have been recognised by Nike and integrated into production processes (see Section 6.3.3.2) • Extensive training and development at every organisational level; focus on health, safety and environment; community development. Specific goals for each (see Section 6.3.3.3) • Establishment of a harmonious corporate culture based upon traditional Chinese culture represented by Confucianism, Daoism and Buddhism (see Section 6.3.3.3)

Table 7.2 (Continued)

Phases	Features	Observed at Shoetown	Examples/Evidence
Phase 6	• The strategic elite has strongly internalised the ideology of working for a sustainable world	• Yes	• There is a strong belief in the leadership to contribute to a sustainable world. There is much evidence that this belief has been turned into action (see Section 6.3.1)
	• Responsibility for contributing to the process of renewing and upgrading human knowledge and skill formation in the community and society	• Yes	
		• Yes	• People are respected as valuable in their own right, the human-centred management ideology and culture well reflects this fact. Staff are involved in decision-making and problem-solving. All staff are given extensive training and development. People do not appear to suffer discrimination because of gender. There is much evidence of work–life balance. Staff commented that there was not too much overtime and there were many personal and family-related activities encouraged and even sponsored by Shoetown (see Section 6.3.3)
	• A strong promoter of equal opportunity, workplace diversity and work–life balance as workplace principles	• Yes	
	• A strong and clearly defined corporate ethical position based on multiple stakeholder perspectives	• Yes	
	• People are valuable in their own right	• Yes	
	• An active promoter of ecological sustainability values and seeks to influence key participants in the industry and society in general	• Yes	• Shoetown is actively promoting ecological sustainability values and makes efforts to influence key participants in the industry and society in general (see Section 6.3.5)
	• Nature is valued for its own sake and environmental best practice is espoused and enacted		• Shoetown also offered many philanthropic contributions to society — money to earthquake victims, education for community and so on (see Section 6.3.5)
	• Realisation of a harmony in society		• Shoetown has close interactions with government. Government encourages others to learn from Shoetown and sets Shoetown as an exemplary business in this respect (see Section 6.3.2)
	• Contribution to the construction of a harmonious socialist society		

Table 7.2 (Continued)

Phases	Features	Observed at Shoetown	Examples/Evidence
Phase 6			• Broad ranging and deep relationships and partnerships exist. They are based on high-quality interaction — clients, supply chain partners, workforce and community (see Section 6.3.3.4; Section 6.3.6) • Shoetown's value propositions — such as human-centred, professional, prudent, truthful, practical and enthusiastic spirits — are all based upon multiple stakeholders' propositions, these stakeholders spread from product end-users to up-stream supply chain clients and also to the community around Shoetown (see Section 6.2) • Shoetown employs people with environmental skills and qualifications to monitor Shoetown's impacts on the environment. These specialists confirm that their advice is acted upon by senior management (see Section 6.3.2) • Integrating people, social and environment into a harmonious society in the community (see Section 6.3; Section 6.4) • Help in the construction of a harmonious socialist society (see Section 5.4) • Shoetown will be required to engage in ongoing efforts in strategy and practice to achieve more because sustainability is a dynamic and never-ending process

Source: Phases enhanced by author, based on Dunphy et al. (2007), examples and evidence from research undertaken at Shoetown

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As depicted in table 7.2, Shoetown is undertaking activities that are consistent with phase 4, 5 and 6. It is important to point out that phase 6 represents a signpost that points to a desirable CSR and sustainability future. Phase 6 does not mandate quality standards that would be impractical because of the variety of circumstances facing individual organisations. It seems that what is important is the direction and acknowledgement that phase 6 is a dynamic and long-term process that will never be totally satisfied by even the world's most sustainable corporations.

Moreover, as discussed in chapter 3, it is recommended that the phase model to be enhanced in order to cope with the Chinese context. First, the enhanced phase model being used in China requires business firms to recognise and adhere to the leadership and policies of CCP, China's socialist and Marxist culture in all phases of the model. This fundamental requirement will be applicable from phase 1 to phase 6 when the phase model is to be used in China.[32] Second, in phase 5, one additional feature dealing with the Chinese context is recommended for inclusion: a firm should endeavour to create a harmonious culture within the organisation. Third, in phase 6, two more features have been added; they encourage the realisation of a harmonious culture within Chinese society and contribution to the construction of a harmonious socialist society.

Shoetown's CSR and sustainability achievements have been demonstrated in both phase 5 and phase 6 respectively. In phase 5, a distinguishing feature at Shoetown is that the harmonious culture established there has been based upon traditional Chinese culture represented by Confucianism, Daoism and Buddhism. Harmony is at the heart of the management philosophy held by the Shoetown leadership (see Section 6.3.1, Section 6.3.3 and section 6.3.9).

Meanwhile, in phase 6, a harmonious society that integrates the economy, people and environment in the community is established. For instance, people at Shoetown are respected as valuable in their own right; the human-centred management ideology and culture well reflects this. Reference has been made earlier in this chapter to the decision content in jobs which is an important way of enriching jobs and giving workers greater control over their work, training and development, work–life balance and the lack of gender and other forms of discrimination,

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[32] This has been shown in figure 3.6 in chapter 3 and as a footnote in table 7.2.

together with family and community development, that is encouraged and sponsored by Shoetown (see also Section 6.3.3). Shoetown employs people with environmental science skills and qualifications to monitor Shoetown's operations. Moreover, Shoetown actively promotes ecological sustainability values and makes efforts to influence key participants in the industry and society in general (see Section 6.3.5). Shoetown has achieved outstanding performance in both economic and environmental areas, which are clearly demonstrated in section 6.4.

Shoetown's achievement has contributed to the construction of a "harmonious socialist society" for Chinese society. As demonstrated in table 5.4 in chapter 5, Shoetown has received many awards and titles from national and local government sectors. Many of these awards and titles are relevant to the outstanding implementation of CSR and sustainability initiatives, which are in alignment with the Triple Bottom Line characteristics of the economic, people and environment.

Shoetown aims to operate as a model Chinese corporate citizen. In discussions, Ron Chang confirmed that Shoetown works with government to help implement its policies. Shoetown, like all sustainable businesses in China, recognises that it operates consistently within the intentions communicated by CCP leadership. This has been demonstrated by Shoetown's many government awards (see table 5.4 in Section 5.4). Adherence to government pronouncements, and recognition that China is a socialist/Marxist country, is the reality of conducting business in China. This applies to businesses operating at any stage of the phase model. Readers will note that enhancements to the phase model have been recommended to recognise the reality of doing business in China.

As in life and business generally, things always develop along what is a bumpy road and there is always scope for improvement. It is clear that Shoetown, like other organisations pursuing this path, will seek to continue along its CSR and sustainability improvement trajectory, finding new ways to improve its CSR and sustainability initiatives while simultaneously managing the challenges that occur along the way.

7.3 Major challenges and constraints

Shoetown has striven for good performance in the Triple Bottom Line of managing business sustainability, but there are still future uncertainties. According to Wheatley (2010), the time we are living in is a new time of chaos, rich in potential for new possibilities. During this time, new ideas, new ways of seeing, and new relationships to help us are required in such a turbulent national and global economic environment (Wheatley 2010).

For instance, succession plans and technological advancement are large challenges for Shoetown. For example, the "additive manufacturing" employing 3D printers and robotics has the potential to turn conventional manufacturing on its head. In the future, companies like Nike may sell patterns to customers rather than conventional products so that individuals around the world will be able to go to a local store that has a 3D printer and have their shoes produced to order and within a very short timeframe. This could pose a significant threat to Shoetown's current business model.

Potential anti-dumping legislation has also been seen as a key risk for Shoetown. During interviews, a senior executive said that what keeps him awake at night is the threat that customer countries might introduce anti-dumping laws that adversely impact the Shoetown business. From the perspective of many consumer countries, manufacturing sectors in emerging economies with labour-intensive and low labour costs have an unfair advantage. The concern is that such countries might intervene through the imposition of anti-dumping laws to "even up the playing field" and thereby significantly reduce Shoetown's ability to export its products there.

In the beginning of 2012, more than 500 firms closed in Dongguan, a manufacturing city near Shoetown, due to multiple causes such as increases in labour and material costs, the potential pitfall of labour-intensive industry, a slump in the global market, consumers' higher expectation for shoe quality, as well as keen competition from lower labour cost nations including Vietnam, Indonesia, Bangladesh and others. This threat of lower labour cost competition represents a threat to many of the "Made in China" businesses discussed in section 7.1.2.

According to the Chinese interpretation of the word "crisis", it connotes two opposite meanings. On the one hand, it means dangers and threats. On the other hand, the Chinese believe that there are always opportunities whenever there are dangers and threats. All above-mentioned issues are definitely threats and constraints for Shoetown in managing its CSR and sustainability initiatives; however, they are also implicitly presenting opportunities for future developments.

7.3.1 Decline in the demographic dividend

China enjoyed a significant competitive advantage at the beginning of reform in 1980s thanks to its huge labour force and low wage rates. However, this advantage has been eroded between 2000 to 2012, when the average wage rate in China grew at an average annual rate of 11.8 per cent.
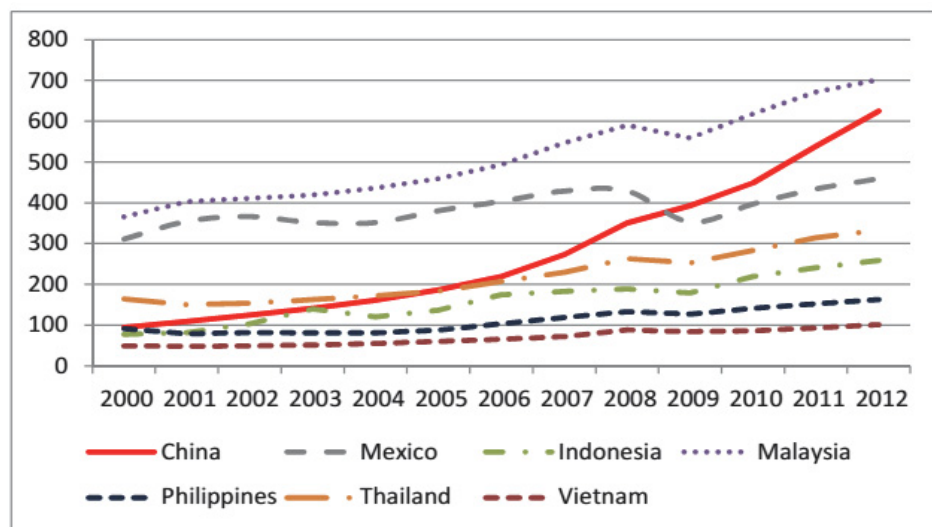
Figure 7.1 Average monthly wages for selected countries: 2000–2012
Source: Morrison (2013, p. 12)

As depicted in figure 7.1, in 2000 the monthly average wages in China were $US94 compared with $US311 per month for Mexico. However, in 2012, China's average monthly wages increased to $US625, which was 32.6 per cent higher than those of Mexico ($US459). In 2000, China's average wages were 92 per cent higher than those of Vietnam, but by 2012, they rose to 434 per cent higher.

A survey by the American Chamber of Commerce of its member companies in China indicated that 47 per cent of respondents said that rising labour costs ranked as the biggest business risk facing their China operations (up from 39 per cent in 2012). This is the first time labour costs were the top-ranked risk faced by surveyed companies, and shortages of qualified employees and managers ranked third and fourth, highlighting the tightening labour market (AmCham China 2013, p. 5). Rising labour costs are one of the main reasons why the Chinese government has focused on boosting the nation's innovation and productivity levels. This will be a critical challenge for Shoetown. Shoetown is preparing to increase the level of automation and make more efforts in R&D so as to minimise risks due to rising labour costs.

7.3.2 Leadership and succession plan

Ron Chang, President of Shoetown, had worked at factories similar to "sweatshops" when he was young. It is his dream to create a humane manufacturing base. Shoetown is his trial field or his "Utopia" — he implemented this program with a very clear vision.

As illustrated in the sustainability phase model, in order to be a sustainable corporate in phase 6, the strategic elite of the organisation should strongly internalise the ideology of working for a sustainable world, and there should be a strong commitment to equal opportunity, workplace diversity and work–life balance as workplace principles. There should also be a strong and clearly defined corporate ethical position based on multiple stakeholder perspectives. People should be valued in their own right and there should be capacity in the organisation to build a constructive culture that encourages openness, debate, innovation and participation (Benn, Dunphy & Perrott 2011). All these business attributes demand visionary leadership. To maintain its status as a genuine sustainable organisation, and remaining a successful business, visionary leadership continues to be fundamental to the future of Shoetown.

Succession planning is a critical factor in business sustainability, and in this respect a private business like Shoetown must, and indeed does, pay close attention to it so that there are qualified people available to fill vacancies and to tackle new challenges. According to Deng Yunjin (2013), about 37 per cent of the next generations tend to create their own businesses and

careers, and 45 per cent feel they are not competent enough to take over businesses. International practice shows that only 30 per cent of private organisations have been successful in their succession plans. This indicates that 70 per cent of the five million private organisations in China may disappear in future years (Deng Yunjin 2013). This is definitely a critical threat to the sustainable development of private enterprises.

Most businesses in China and elsewhere are family businesses, and there is a rich body of academic research into this often very complex and difficult field — see Leach (2007) and Poutziouris et al. (2006) for examples. In fact, the culture and style of management of CSR and sustainability in Shoetown is mainly attributed to President Ron Chang, his personal experience and his charisma. This was clearly evident during the interviews. Succession planning is therefore critical to the long-term sustainability of Shoetown as President Ron Chang will not be there forever.

7.3.3 Stakeholder dynamics

As discussed in chapter 4, a very important feature of stakeholder theory is its dynamics. In practice, the mix of and importance of different stakeholders may change over time. The global economy is changing more quickly than ever before. The advancement of technologies such as improved transportation and the more rapid exchange of information have made the world more integrated (Altman 2011). Consequently, the number of interactions among people from all parts of the world is growing exponentially. New stakeholders may join and wish to be included into considerations, while others may drop out, through no longer being involved in the process. As has been explored in chapter 4, according to Freeman (1984), in reality stakeholders change over time, and their stakes change depending on the strategic issue under consideration. Alkhafaji (1989) also contributed to the understanding of this concept by defining stakeholders as the "group to whom the corporation is responsible". The Mitchell et al. (1997) model also proposed that classes of stakeholders can be identified by the possession or attributed possession of one or more of three relationship attributes: power, legitimacy and urgency. By including urgency as an attribute, a dynamic component was added to the process whereby stakeholders attain salience in the minds of managers in particular circumstances and on certain issues.

As for stakeholder communication, Luoma-aho and Vos (2010) hold that corporate communications is becoming less predictable as interaction with stakeholders is moving from organisational control towards "issue arenas", places of interaction where an issue is discussed by stakeholders and organisations both online and within the traditional media. The role of corporate communications and public relations (PR) is broadening beyond the traditional relationship management to issue arena monitoring (Luoma-aho & Vos 2010).

All the above indicates that, as an organisation operating in a turbulent business environment both internationally and domestically, Shoetown needs to be more proactive in its stakeholder management process. First, Shoetown needs to maintain the well-established labour-relationship while the labour issue is still a continuing problem in the labour-intensive manufacturing sector in China. Second, though Shoetown has diversified its customer base, Shoetown still needs to pay closer attention to Nike, its global strategic partner whose strategy will always determine the fate of Shoetown, especially in the dynamic economic globalisation era. This may mean that Shoetown should find new approaches to strengthen its strategic relationship with Nike, including from the perspectives of CSR, sustainability and technological innovation. Third, Shoetown should pay special attention to the impact of globalisation, technological advancement and social media on stakeholder management strategy to establish and adjust its stakeholder identification strategy. Finally, the economic development policies of the Chinese government still greatly influence the long-run development strategies of Shoetown. Therefore, Shoetown should not ignore the fact that the government is always a key stakeholder in its business management in China. For instance, the name "Shoetown" actually reflects the ambition of both the local government and the business. Each plans to turn Qingyuan city into a shoe manufacturing city. Therefore, giving sufficient focus to government development policies and maintaining a tight relationship with the government and NGOs could be an important strategic choice for such stakeholder management in this Chinese context.

Shoetown is already addressing these issues and it must continue to monitor stakeholder issues, which may become more salient, and more unpredictable in the era of social media and globalisation.

7.3.4 Long-term CSR and sustainability schemes

Shoetown will need to be more proactive in securing its long-term viability in the marketplace, and in securing competitiveness and profitability. The global manufacturing industry continues to become more competitive. Low-cost countries are becoming more and more attractive for global brands such as Nike. As mentioned above, implementation of sustainability helps Shoetown to attract more orders from Nike. It will also be able to gain economies of scale[33] through expansion of its manufacturing base to other provinces in China (many Chinese local governments welcome such investment and offer favourable conditions for them —preferential taxation conditions and finance, to name a few).

Shoetown needs to track and measure its sustainability improvement. During communication with leadership, Shoetown leaders were eager to gather suggestions that would help the organisation develop comprehensive guidelines for future directions. This author would support the continued inclusion of measurement of ROI, sustainability reports and putting in place measurement system to assess its CSR and sustainability performance.

Though Shoetown has made effort in innovation and R&D, it needs to reinforce its innovation capacity construction. Innovation capacity is one of the core competencies that Shoetown needs to maintain its relationship with Nike as a long-term strategic partnership.

7.4 Summary

This chapter developed the key themes of the case data analysis of chapter 6, focussing on the analysis of Shoetown's implementation of CSR and sustainability initiatives and comparing Shoetown's performance against two leading CSR and sustainability management models. The key driving factors highlight the reasons why Shoetown is implementing CSR and sustainability initiatives with due consideration of the key aspects of the harmonious society. The key driving factors have helped to answer the research question of this thesis, which is how CSR and

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[33] Economies of scale is a microeconomic term. It refers to the reduction of per-unit costs through an increase in production volume.

sustainability are being implemented in a particular Chinese context, and why they are being implemented.

The chapter began with a general introduction to the motivations behind CSR and sustainability initiatives in China to provide a background for the discussions of the practices adopted at Shoetown. The driving forces in this particular business organisation include its responses to government regulations and the influences and pressures from its major client, Nike, and many other stakeholders. The driving forces include Shoetown's strategic supply chain management, its approach to learning, to open communications, its innovation extending beyond the Shoetown business and into its strategic partnerships, its human-centred ideology, its visionary leadership style, its whole systems and integrated approach to administration and so forth.

Two management models have been employed in this chapter to evaluate the CSR and sustainability performance at Shoetown. They are the model of "characteristics of sustainable companies " developed by McNall et al. (2011) and the enhanced "sustainability phase model" developed by Dunphy et al. (2007). The criteria of the "characteristics of sustainable companies " developed by McNall et al. (2011) have been used to summarise the observations made at Shoetown. It was evident that Shoetown satisfies all criteria in this model. It indicates that Shoetown has strategically integrated CSR and sustainability initiatives into its long-term development schemes.

For further assessing CSR and sustainability initiatives in Shoetown, an enhanced version of the sustainability phase model of Dunphy et al. (2007) has been developed and applied. Through this model, it has been shown that Shoetown has made substantial achievements from its CSR and sustainability initiatives in its Chinese cultural context. Shoetown has applied harmonious culture to its management strategy for CSR and sustainability. It has created a harmonious society inside the community it operates. This has also contributed greatly to the harmonious culture of Qingyuan city.

In addition, the success of managing CSR and business sustainability in Shoetown has and will continue to rely upon its long-term strategic thinking and its intention of blending western

management theories with Chinese management theories in a context that includes western and Chinese traditions, particularly harmonious culture.

As CSR and sustainability are both dynamic and long-term development aims, there are naturally numerous challenges and constraints to all organisations pursuing the objective of being and continuing as a "sustaining corporation" (Benn, Dunphy & Griffiths 2014; Dunphy, Griffiths & Benn 2007). As for Shoetown, these issues involve domestic and international, external and internal factors relevant to economic, political, managerial and cultural concerns. There are still more measures that will need to be taken for the purpose of being and continuing as a real "sustainable corporation" because CSR and sustainability initiatives are dynamic long-term processes.

8 Findings, Implications and Conclusions

Chapter 8 will identify the contribution to knowledge of this thesis and conclusions about the research question. The implications for theory, methodology and future research will also be introduced, as well as the limitations of this research. The chapter begins with a review of the primary research question of this thesis. The chapter then summarises the major differences in the Chinese context for CSR and sustainability implementation, and explores the key findings and contributions to knowledge. Finally, the author discusses the limitations of research and its implications for future research.

8.1 Conclusions about the research problem and related issues

The primary research question of this thesis is how and why CSR and sustainability initiatives are implemented within a particular Chinese context. The case study of a large-scale Chinese OEM business organisation is explored to support this research.

8.1.1 Definitional clarification of CSR and sustainability is needed in China

With the rapid development of globalisation, China is opening a wider door to the outside world. Consistent with the overwhelming inflow of new technologies and ideologies from the West, the adoption of CSR and sustainability initiatives in China can undoubtedly be attributed to such economic integration and convergence. Chinese scholars and business practitioners have come to realise the importance of following the "rules of the game" if Chinese businesses are to gain a share in the global market. That is, Chinese businesses need to apply similar business practices to those applied throughout the world. Thus, increasing numbers of Chinese academic scholars and business executives have viewed CSR and sustainability initiatives as approaches to achieve business competitiveness as perceived by their western counterparts. However, in some cases, Chinese CSR and sustainability initiatives have merely copied the concepts from the western world blindly. Without adequate consideration of particular Chinese contexts, CSR and sustainability initiatives may not be effectively implemented. For example, some entities and business organisations may narrowly view CSR as only philanthropic activities such as

donations to the poor or for natural disasters. As a result, they may not feel guilty when their production methods may cause serious environmental destruction or when child labour is employed, or when excessive overtime is imposed on their workers. Poor organisational conduct could be socially glossed over when these organisations appear in public as "donating" firms during public events or natural disasters.

Furthermore, as discussed in chapter 3, even the concepts and definitions behind these initiatives are subject to numerous versions, disagreements and different interpretations in both the western world and China. There are similarities and differences between the terms "CSR" and "sustainability" that can add to the confusion as was summarised in table 3.4. For instance, both CSR and sustainability refer to social and environmental management issues, and address economic prosperity, social equity and environmental integrity. Both concepts can involve TBL (Triple Bottom Line accounting) and may employ similar variables for performance measurement.

Nevertheless, both CSR and sustainability are context-based concepts. The implementation of these concepts is greatly dependent upon the business context facilitating and restraining the implementers. As to be introduced later in section 8.2.5 of this chapter, the Shoetown leadership team has interpreted CSR and sustainability in its own way — it viewed CSR as a sub-set of sustainability (see table 8.2). At Shoetown, CSR, sustainability and stakeholder management are integrated into a holistic system, which views being and continuing to be a sustainable corporation as its ultimate target. In order to achieve this ultimate target, Shoetown strategically involves critical stakeholders in supporting its corporate goal through its visionary leadership with substantial consideration of traditional Chinese harmonious culture.

8.1.2   Chinese-context is important in CSR and sustainability endeavours

It is confirmed from the literature review that CSR and sustainability are both context-based concepts deeply influenced by the political, historical, economic, cultural and business factors in which they are implemented. These contexts have been thoroughly discussed in chapter 2 of this thesis. Specifically, four outstanding features must be considered when CSR and sustainability

initiatives are to be executed, since these two concepts of CSR and sustainability were both imported from the western world. These features are discussed below and describe the Chinese context, within which the concepts were implemented at Shoetown.

First, China's long historical and traditional cultural background. China is the only country in the world whose ancient civilisation has been passed down continuously for over 5000 years. During this time, China has played an important role in the development of human history. Ancient Chinese philosophies and religions such as the Confucianism, Daoism, and Buddhism played critical roles in the development of Chinese civilisation. These cultures are still important to current Chinese business management philosophies, and have become a consistent theme in traditional Chinese culture, which also attaches great importance to the harmonious relationship between human and nature, and between human and human. This implies that a human-centred harmonious culture, which attaches great importance to nature, must be treated as the core value of traditional Chinese culture.

Second, China is a socialist country with the CCP as the dominant leadership. China's economic system and business scene is complex. It includes five types of organisations: state-owned enterprises (SOEs), township and village enterprises (TVEs), collectively owned enterprises, private enterprises and foreign-funded enterprises. The social ideology and management philosophies are different in different type of business firms.

Third, there are diverse social ideologies and values in current Chinese society. These have significant impacts on mainland Chinese business firms. The ideologies include neo-liberalism, democratic socialism, neo-leftism, classicism, eclectic Marxism, traditional Marxism and innovative Marxism. These ideological trends have their own distinctive political propositions, viewpoints and social positions. They are sometimes in fierce dispute. These ideological trends also have influence on how Chinese business organisations operate.

Fourth, China is still facing complex challenges; however, the government has formulated strategies to tackle them. These challenges cover political and economic concerns, both globally and domestically. These challenges underpin the implementation of the harmonious approach of

CSR and sustainability in Chinese businesses. Chinese government measures are believed to be supportive of CSR and sustainability initiatives because they are mainly concerned with the construction of a "harmonious society", which aims to integrate the economy, people and environment into a whole harmonious system.

In short, historical and political complexities, business formation, social ideology, the economic system, as well as contemporary challenges, must be taken seriously when CSR and sustainability initiatives are to be implemented within a Chinese business context. This also implies a requirement to explore the relationship between CSR, sustainability and the above factors.

8.1.3 CSR and sustainability are implemented successfully at Shoetown

How and why are CSR and sustainability initiatives implemented within a particular Chinese-context? This thesis has identified and explored some of these initiatives. Answers may vary according to the research approaches used. The phenomenological paradigm and qualitative approach adopted in this research enable this author to deeply investigate the business operations of the Shoetown organisation with a focus upon its implementation of CSR and sustainability strategies to achieve business competitiveness. Corresponding to the beliefs of the leadership at Shoetown, the results of data analysis from the case study clearly illustrate that CSR and sustainability initiatives at Shoetown have been strategically placed within its unique corporate culture background and ideology – the harmonious culture approach, which is also the essence of traditional Chinese culture.

For instance, acknowledging that the corporate culture of Shoetown has been deeply inculcated with the traditional Chinese culture, especially Confucianism, Shoetown's leadership accordingly grounds its management style and strategy on the basis of such culture. The harmonious elements of traditional culture has been reflected in the "human-centred" strategy adopted by Shoetown, so that economic, environmental and philanthropic factors are efficiently coordinated.

Other elements that may have helped to shape Shoetown are the driving forces of CSR and sustainability. Therefore, a further analysis on such driving forces has been conducted in this research in order to offer a more comprehensive explanation to the research question. The key driving forces have been explored in chapter 7, which include the following drivers: political, economic, cultural, stakeholder, as well as business competitiveness from CSR and sustainability initiatives.

8.2 The key findings and contributions to knowledge

The key findings and contributions to knowledge flowing from this thesis include the Chinese business context is unique, Chinese harmonious culture is supportive of modern CSR and sustainability, CSR and sustainability are context-based, systems-based and dynamic, CSR, sustainability and stakeholder theories and practices can contribute to business success in a Chinese business, private business firms can play a critical role in CSR and sustainability initiatives in the Chinese context, definitional problems exist with CSR, sustainability and stakeholder theories, modifications required to CSR, sustainability and stakeholder theories and practices to recognise the Chinese context, stakeholder management theory is dynamic and requires a greater focus on globalisation, two practical models for monitoring CSR/sustainability progress though enhancements are recommended for Chinese applications, harmonious approach is a key ingredient in CSR and sustainability initiatives at Shoetown. These are summarised in section 8.2.1 to 8.2.5 below.

8.2.1 The Chinese business context is unique and Chinese harmonious culture is supportive of modern CSR and sustainability

Chapter 2 has a thorough exploration of the general background of China, with a focus on its impact on the business context. The chapter has summarised the development course of different dynasties in Chinese history, and highlights a unique cultural heritage of the Chinese people. The outstanding features have been summarised in section 8.1.2 of this chapter. For instance, China has a communist-led socialist economy with Chinese characteristics, which is dominated by socialism and Marxist ideologies but still influenced by traditional cultures such

as Confucianism and Daoism. In addition, other social ideologies are becoming more widespread. There exist complex business structures in China, where different ideologies prevail. Moreover, government interventions are still commonplace in national economic activities. This indicates that ignorance of government economic policies and trends can easily cause business failure in China.

The case data analysis demonstrates that the development of Shoetown is a reflection of the development course of China's economic reform and opening up to the outside world from the late 1990s. Furthermore, government preferential policies and supports have helped Shoetown to upgrade industrially and to innovate technologically. The most important finding is that Shoetown's CSR and sustainability strategies are rooted in the traditional Chinese harmonious culture; this research illustrates how Shoetown continues to implement CSR and sustainability initiatives in a Chinese context.

Chapters 2, 3 and 4 contain discussions leading to the conclusion that the principles of CSR and sustainability are embedded in the ideas, values and practices of Chinese thinkers and leaders throughout China's 5000-year history. Though CSR and sustainability are newly established, the principles on which they are based originated in ancient times in both the West and China. As discussed in chapter 3, from ancient Greek times until the Industrial Revolution, business operations in western society had been strictly controlled in accordance with social ethics and morals. In the same fashion, traditional Chinese harmonious culture represented by Confucianism, which attached great importance to business ethics, had a significant influence upon ancient Chinese business ethics. The practice of sustainability can be found in literature on ancient China, reflected in traditional philosophical thoughts including Confucianism, Daoism and Buddhism, and especially in the thoughts of Lü Buwei. This demonstrates that CSR and sustainability shared similar roots in both the West and China. It also denotes that the harmonious approach to CSR and sustainability is supported by a long historical tradition. This has been reflected in the business operations at Shoetown. For instance, the leadership of Shoetown shows great admiration for the spirit of Confucian traders and has educated its employees with this mindset.

The influence of this philosophical force can also be found in Shoetown's corporate vision and values statement. It has also been embedded into many of Shoetown's corporate training programs. For example, the "spiritual sharing activity" and "traditional Chinese classics reciting activity" are both based upon the essences of the traditional Chinese culture of harmony.

The discussions and literature in chapters 2, 3 and 4 are supportive of the view that traditional Chinese culture is supportive of CSR and sustainability initiatives as a business strategy. Essentially, the traditional Chinese culture is contained within harmonious thought, which embraces cultural integrating values, beliefs and trends as the norm of a society. This, in turn, reflects an acknowledgement of harmonious society, combining culture construction and social development. In this way, the Chinese culture coincides with the ideas posed within CSR and sustainability as Chinese culture integrates society, human beings and nature as one. Accordingly, the conceptualisation and implementation of CSR and sustainability in China are characterised with obvious salience of Chinese culture. The business case study of Shoetown partially reflects this fact. It demonstrates how a harmonious approach to CSR and sustainability is implemented within a particular Chinese business context. It is not sound to state that the implementation of harmonious CSR and sustainability has led to the success of this business (see conclusion in this Chapter), but it not clear to say that this business strategy has and contributes to and enhance the sustainable growth and expansion of Shoetown.

8.2.2 Context-based CSR, sustainability and stakeholder theories and practices can contribute to business success in a Chinese private business

In the business case study of Shoetown in chapter 6, CSR and sustainability initiatives have been confirmed as being context-based and systems-based. They are also concepts facing trade-offs among multiple goals as the organisation's circumstances change. They are therefore considered long-term and a part of a never-ending process. As mentioned in chapter 6, Shoetown is a Taiwanese business firm heavily influenced by traditional Chinese culture. Therefore, the implementation of CSR and sustainability initiatives has not automatically copied any rigid principles or experiences from any other organisation. The leadership of Shoetown recognised the actual circumstances applying to this organisation, its corporate culture, its

business nature and its stakeholder formations. Leadership emphasised traditional Chinese business ethics and philosophies while also incorporating western organisational and managerial theories into its organisational and operational management practices. Leadership educated employees in traditional Chinese harmonious thoughts and in cutting-edge innovative and technological knowledge. Shoetown management believes that both are of equal importance. As for the trade-offs among various business objectives, the construction of living quarters for employees at Shoetown involved heavy investment; however, leadership insisted that "short-term sacrifice of profits will turn in long-term healthy development" (Ron Chang 2012) by retaining a human resource focus on human-centred management strategies. While paying special attention to human issues, Shoetown has successfully maintained and managed its critical stakeholders such as up-stream clients and down-stream suppliers, and coordinating environmental and social elements in its CSR and sustainability initiatives.

The Shoetown case study has provided further evidence that CSR and sustainability initiatives need to be tailored to meet the circumstances of each individual business entity. Sustainability was a major factor driving Shoetown leadership in developing the design and associated systems for its new factory complex. When Nike was facing criticism about labour abuse, Shoetown made efforts to emphasise its human-centred strategy so as to attract and retain its human capital and to help re-establish the reputation of Nike, its strategic partner. In order to reinforce its role in the global value chain, Shoetown has striven to enhance its innovative capacity by strengthening its teams' talent pool to avoid dependence upon mere OEM functions. Strategies to cope with circumstances at each development stage have enabled Shoetown to maintain and enhance its competitive advantages over time.

As discussed in chapters 3, 4 and 7, increasingly researchers show that a growing number of businesses are aware that CSR and sustainability initiatives are powerful approaches to enhancing business competitive advantage. Many researchers (for example, Frooman 1997; Li Zheng 2006; Lin Feng & Zhao Meng 2012; Preston & O'Bannon 1997; Roman, Hayibor & Agle 1999; Shen Yifeng & Shen Hongtao 2003; Simpson & Kohers 2002; Van der Laan, Van Ees & Van Witteloostuijn 2008; Xu Yemei 2012) have indicated that there is a positive

relationship between CSR and corporate performance. CSR and sustainability issues have to be fully integrated into business strategies in order to be successful. Meanwhile, more and more business organisations have realised the importance of stakeholder management and the value of CSR and sustainability. They have integrated CSR and sustainability initiatives into their long-run development schemes to achieve competitive advantage (Porter & Kramer 2006). This has also been demonstrated in the Shoetown case study. Based upon its unique corporate cultural background, Shoetown implemented its CSR and sustainability initiatives by adopting the harmonious approach to focus on a people-centred management philosophy and to meet with the government's environmental and other social targets. This has enabled Shoetown to retain and attract its valuable talented employees, even while many other organisations were facing labour shortages. As an exemplary business firm in many other respects, Shoetown has not only increased its business volumes with Nike, but also expanded its business into several other regions in China. Human-centred CSR and sustainability initiatives have also saved Shoetown from the labour issues that have frequently affected competitors and similar businesses recently (Grudgings 2013; Nisen 2013; Reuters 2013; Stephen 2011).

Moreover, the Shoetown case also implies that private business can play a critical role in CSR and sustainability initiatives in China. As discussed earlier in this chapter, private business firms are becoming an indispensible component of the Chinese economy. These private firms not only contribute substantially to GDP growth, but also play a critical role in employment. Official statistical data shows that the private sector represents 90 per cent of total business firms in China. These firms make up 50 per cent of GDP and have contributed 50 per cent of the national tax revenue in China (Chen Xiangtao & Zhan Manlin 2011). Meanwhile, there are some early signs that some firms are becoming involved in CSR initiatives. For instance, 63.6 per cent of private firms have actively donated to public philanthropic activities. The total amounts to 117.9 billion RMB ($US20 billion), in addition to the 133.7 billion RMB ($US23 billion) invested in poverty-stricken areas. Nevertheless, there are still very serious issues existing in the operations of these private enterprises. These issues include neglect of business integrity, tax dodging and evasion, poor product quality, environmental pollution and poor labour relations. These have been viewed as large obstacles to corporate sustainability (Lin Zhouyu 2009; Ye Fan 2011).

According to Tian Hong (2006), under the Chinese context, many business organizations tend to interpret CSR and sustainability in their own way and are at a very early stage of development.

Table 8.1 CSR focus for different types of business organizations

Business type	National benefit	Human rights	Labour equity	Environment protection	Philanthropy
State-owned	Yes	No	No	Yes	Yes
Private	No	No	No	No	Yes
Multinationals	No	Yes	Yes	Yes	No

Source: Tian Hong (2006, p. 20)

As observed from table 8.1, the three types of business firms have their own focuses on elements of CSR. Amongst the 5 selected criteria i.e. national benefit, human rights, labour equity, environment protection and philanthropy, most private firms regard philanthropy as their only CSR concern. It seems from Tian Hong's work that the majority of Chinese business organizations are at phase 1 and 2 of the sustainability phase model that has been discussed in chapters 3 and 7. Some organizations, especially private business firms shown in the above table, seem to be positioned at the "rejection" stage in terms of CSR and sustainability implementation. Table 8.1 suggests that for the majority of Chinese private business firms, and to a possibly a lesser extent, the state-owned and multinational businesses that, there is still "a long journey ahead when it comes to CSR and sustainability implementation in China" (Tian Hong 2006, p. 21).

Generally speaking, state-owned enterprises (SOEs) are viewed as the key drivers of CSR and sustainability schemes in China. Private firms, on the contrary, are considered to be quite ignorant of such initiatives as they tend to be primarily profit-driven. However, the case of Shoetown strongly demonstrates that a private business firm is able to play a critical role in CSR and sustainability initiatives in China. In this respect, Shoetown sets a practical example not only for the SOEs but also for other private business firms in China.

8.2.3 Enhancements required to CSR, sustainability and stakeholder theories and practices to recognise the Chinese context and worldview

As mentioned earlier in this chapter, there have been ongoing debates about the definitions of CSR and sustainability among researchers and practitioners. The absence of a unified definition of CSR has caused controversies at the conceptual level for different stakeholders. This has produced significant obstacles for researchers seeking to carry out cohesive empirical studies of CSR and sustainability, including the measurement of their impact. There can also be a large gap between stakeholder perception of CSR and actual corporate practices. Therefore, different stakeholders may view CSR as different things. The stakeholder concept of CSR, though, is seemingly holistic; nevertheless, it generates a lot of issues and controversies at the conceptual levels of various stakeholders (Sahoo 2011). Accordingly, definitions of CSR and sustainability and stakeholder theories require further research in part because definitional problems are compounded by different interpretations under different circumstances.

Scholars and practitioners from different cultural backgrounds have defined and interpreted these concepts from their unique perspectives and backgrounds (Aras & Crowther 2009; Benn & Bolton 2011; Matten & Moon 2008; Shen Hongtao & Shen Yifeng 2007). For example, Williams and Aguilera (2008) identified a difference between the Canadian (Montreal school of CSR), the Continental European and the Anglo-Saxon approaches to CSR (Williams & Aguilera 2008). According to Knox (2007), CSR should mean different things in different countries and regions to reflect unique differences. For instance, for Chinese consumers, a socially responsible company makes safe, high-quality products; for Germans it provides secure employment; in South Africa it makes a positive contribution to social needs such as health care and education (Knox 2007). Even within Europe the discussion about CSR is very heterogeneous (Jonker & Schmidpeter 2005).

Definitions and interpretatons of CSR and sustainability originated according to capitalist free market economies and free busienss enterprise systems. Wang Xiaogwen (2007) generalises these definitions into six catogories: the economic view, the philanthrophical view, the ethical view, the legimacy view, the comprehensive view and the stakeholder view. Though each of

these definitions has captured a certain feature of CSR and sustainability, none of them has comprehensively and acurately included the real content and intents of CSR and sustainability.

In the same fashion, the evolutionary course of the CSR and sustainability concepts clearly demonstrates that there have been different focuses in different stages. For instance, the primary focus during the 1950s was on businesses' responsibilities to society, while stakeholder involvement and ethical obligations were addressed during the 1960s, In the 1970s, business managers applied traditional management functions to deal with CSR issues, and in the 1980s firms became more responsive to their stakeholders. During the 1990s the idea of CSR became almost universally sanctioned and was coupled with the strategy literature. Since the 2000s, CSR began to serve as an important strategic issue to many companies incorporating social, ethical and legal responsibilities.

At Shoetown, the leadership has its own understandings and means of interpreting CSR and sustainability. They view CSR as a sub-set of sustainability in implementation. At Shoetown, the principles of CSR and sustainability have been integrated into its corporate culture, including particular Chinese Confucian elements that view harmony as the essence. This author therefore suggests that the CSR and sustainability definitions need to include cultural perspectives since the cultural perspective and how culture affects CSR and sustainability initiatives have rarely been explored, particularly in China. This research proposes enhancements to the sustainability phase model of Dunphy et al. (2007) to reflect the Chinese cultural context.

With the advancement of information technology and globalisation, the behaviour of traditional stakeholders has changed. Accordingly, the traditional management perspective for dealing with stakeholders should be reconsidered and possibly changed. For instance, social media is becoming increasingly used by many critical stakeholders. Further, the stakeholder range has widely expanded to an international or a global rather than a regional or country level. As demonstrated in the Shoetown case, Shoetown's primary stakeholder has been Nike, its global supply chain client with its headquarters far from China. Meanwhile, Shoetown's CSR and sustainability initiatives should also consider the responses of various competitors who are rarely considered in most traditional stakeholder models.

This research shows that there are gaps between academic research and business practice in relation to CSR, sustainability and stakeholder theory. In addition, these concepts are western-centric with little acknowledgment that Chinese contexts may require modifications to theory and practice.

First, the literature reviews in chapter 3 have indicated that there exists many similarities in the way Chinese and western academics consider the definitions and interpretations of these concepts. Although extensive research has been conducted by Chinese academia, there have been few breakthroughs by them in terms of identifying specifics related to Chinese circumstances.

Second, there is a gap between theory and practice. This is obviously a consequence of the previous point. Since academic researchers are mainly following western patterns without adequate consideration of Chinese context, the resulting theoretical framework can hardly offer practical guidance to business executives. Due to this, Chinese businesses find it difficult to buy into the academic research output in CSR and sustainability. The Shoetown case shows that both CSR and sustainability have been implemented within the organisation; however, the leadership views these implementations as consistent with the well-known Chinese proverb "wade across the stream by feeling the way[34]". The enhancements to the sustainability phase model of Dunphy et al. (2007) provide a practical and realistic theoretical framework supportive of the "harmonious approach" to CSR and sustainability in a Chinese context. It reflects the way that CSR and sustainability have been implemented at Shoetown.

Traditional stakeholder identification and management theory does not pay sufficient attention to the impacts of globalisation and to internet-enabled applications such as social media. Management of CSR and sustainability involves relationships with multiple stakeholders. Successful identification and management of stakeholders is fundamental to the success of business in implementing CSR and sustainability initiatives. There are a number of approaches

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[34] The direct translation for this proverb would be "crossing the river by feeling the stones", which means that there is no previous experience to fall back on. We have to cautiously advance step by step. This prevailed at the beginning of China's opening to the outside world, when there was no existing experience for such reform practices in the Chinese government.

in the defining, identification and classification of stakeholders in academic research (for example Carroll 1991; Freeman 1984; Luoma-aho & Vos 2010; Mainardes, Alves & Raposo 2012; Mitchell, Agle & Wood 1997; Parmar et al. 2010). This implies that business firms must be proactive in identifying and managing their stakeholders in different development stages, and be aware of the adverse behaviours of destructive stakeholders and minimise their impacts, while maintaining and enhancing the established relationship with supportive stakeholders. The increasing importance of the mass media and environmental factors emerging during the globalisation era should be specially considered in terms of developing appropriate approaches to stakeholder management.

As discussed in chapter 7, Shoetown's implementation of CSR and sustainability initiatives has been deeply influenced by Nike's vision and value proposition (Shoetown is Nike's global strategic partner). Furthermore, as a global OEM firm, Shoetown has to face challenges from different competitors throughout the world because of Nike's global out-sourcing of its supply chain business strategy. This requires Shoetown to establish its global vision to manage its stakeholder more effectively.

Additionally, as illustrated in chapter 4, "stakeholder theory" is a dynamic concept that changes along with business situations. The Shoetown case recognises the changes of its stakeholder formation during the course of its development. It is obvious that Shoetown's stakeholder topology becomes more complex over time because its operations have involved more objectives, and more exposure to global markets, the global economy, and global stakeholders.

8.2.4 Two practical models for monitoring CSR/sustainability progress though changes are recommended for Chinese applications

Both Dunphy et al.'s (2007) sustainability phase model and McNall et al.'s (2011) characteristics of sustainable companies model are practical tools for guiding CSR and sustainability initiatives. The McNall et al.'s (2011) characteristics of sustainable companies model lists detailed criteria for evaluating CSR and sustainability achievements. It has proven a comprehensive and convenient measurement covering critical elements of CSR and

sustainability initiatives. Dunphy et al.'s (2007) phase model works as a classification system that fairly and adequately reflects what has been observed at Shoetown. It is clear that the achievements of CSR and sustainability at Shoetown are spread over Phase 4 Efficiency, Phase 5 Strategic sustainability and Phase 6 Sustaining corporation. It therefore appears to be a sound model for describing the progress of an organisation along the journey of becoming a CSR and sustainable organisation.

These models could possibly be enhanced by requiring a rating of the degree and quality of compliance, and perhaps there could be some way of describing the range, number and pervasiveness of CSR and sustainability initiatives being undertaken. However, such enhancements run the risk of narrowing the CSR and sustainability possibilities available to organisations through the model becoming too prescriptive. In addition, perhaps there would be a high risk of turning the model into a tick the box system and thus destroying its usefulness.
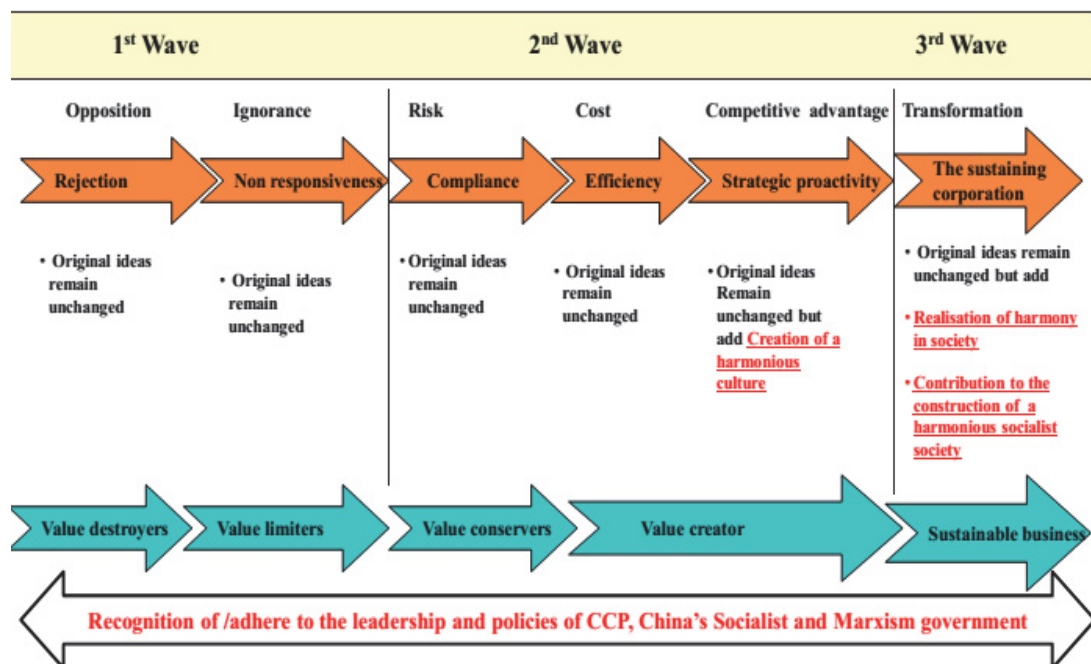
Figure 8.1 Enhanced sustainability phase model in China
Source: Enhanced by the author based on Dunphy et al.(2007, p. 17)

As shown in figure 8.1, this author has proposed enhancements to the phase model for a Chinese context: "the creation of harmonious culture and society", and "contribution to the

construction of a harmonious socialist society" have been added as necessary features of phases 5 and 6 respectively. In addition, "Recognition of and adherence to CCP leadership and policies, China's socialist/Marxist context" is applicable to each phase, 1 to 6 (more details of the enhanced phase model can be referred to figure 3.6 of chapter 3).

8.2.5 Harmonious approach is a key ingredient in CSR and sustainability initiatives at Shoetown

As indicated in the case and literature reviews, Shoetown is a Taiwanese-funded organisation. Taiwan maintained authentic traditional Chinese culture when most of the essences were destroyed during the Cultural Revolution in mainland China. Confucianism, which was viewed as an opposition ideology during the Cultural Revolution in mainland China, is the prevailing belief at Shoetown. The Confucian concept of leading a virtuous life and adhering to the performance of your duties pervades the Shoetown corporate culture. The three main Confucian principles of *ren* (humaneness and love of your fellow man), *li* (morality and uprightness) and *chi* (virtuous life) are all cornerstones of how to go about your life. The five social roles — between father and son; between ruler and subject; between the older and the younger; between husband and wife; and between friends — are understood by all Chinese people. As described in chapter 6, Shoetown management has established formal programs to reinforce such a culture to create a harmonious climate, not only in the organisation per se, but to extend such culture throughout its community. Shoetown fosters a human-centred environment to facilitate sustainable development in the organisation through its people-based culture that maximises discretionary effort and skills-up its workforce, which pursues participative practices, joint decision-making, team-based work and the engagement of technical specialists. Arguably the majority of business firms in mainland China have not embraced Confucian or other traditional Chinese philosophies. This author suggests that this cultural heritage should be embraced for the successful implementation of CSR and sustainability with traditional Chinese harmonious characteristics because there are still some fundamental differences between these western and Chinese cultures.

Based upon the literature reviews and Shoetown business case study data analysis results, this

author has developed his definitions of the Chinese harmonious culture, harmonious CSR and sustainability in a Chinese context.

Chinese harmonious culture emanates from the traditional Chinese philosophical beliefs and ideologies such as hierarchy and man-nature-oneness presented in the doctrines of Confucianism, Daoism and Buddhism. The Chinese harmonious culture integrates various values, ideologies, beliefs, customs, and norms into a holistic system to offer guidance on the ways of thinking and behaving in Chinese society. The Chinese harmonious culture evolved over centuries as circumstances and social structures changed. It emphasises hierarchy but is gradually becoming less suppressive and is allowing individual development.

This author has also established concepts of CSR, sustainability and stakeholder definitions applying to the observed Shoetown business context and practices. These are given in table 8.2.

Table 8.2 Author developed definitions of CSR, sustainability and stakeholder as applied at Shoetown

Terms	Definition
CSR	The process of involvement of different stakeholders in the achievement of multiple corporate objectives rather than merely profit maximisation. The core element of this process is a human centred–based harmonious culture with weighty consideration to both the micro and macro business context in which the corporation operates.
Sustainability (corporate)	This is the ultimate goal of Shoetown, which strives to balance its economic objectives with the requirements of human beings, and with ecological requirements. A sustainable Shoetown business should be a harmonious sub-society, which must also be able to contribute to the construction of a countrywide harmonious society.
Stakeholder	Stakeholders are individuals or groups who can affect or be affected by Shoetown's CSR and sustainability initiatives.

Source: developed by this author

It has been discovered through the Shoetown case that at Shoetown, harmonious CSR, sustainability and stakeholder management are integrated into a holistic system, which views a sustainable corporation as the target/goal. In order to achieve this ultimate target, the corporation's leadership makes every effort to integrate critical stakeholders so that they are supportive of the corporate goal. In addition, the organisation intentionally plays what it sees as

its part in the construction of a harmonious society, and this has been found to be regarded as of significant importance to sustainability for Shoetown. Further, it was found that Shoetown regard CSR, when accompanied by visionary leadership and a human-centred approach in its dealings with people, policies and processes, as a suitable process for the engagement of various stakeholders, and this has resulted in a harmonious community.

This author has developed a model that demonstrates these relationships: see figure 8.2.
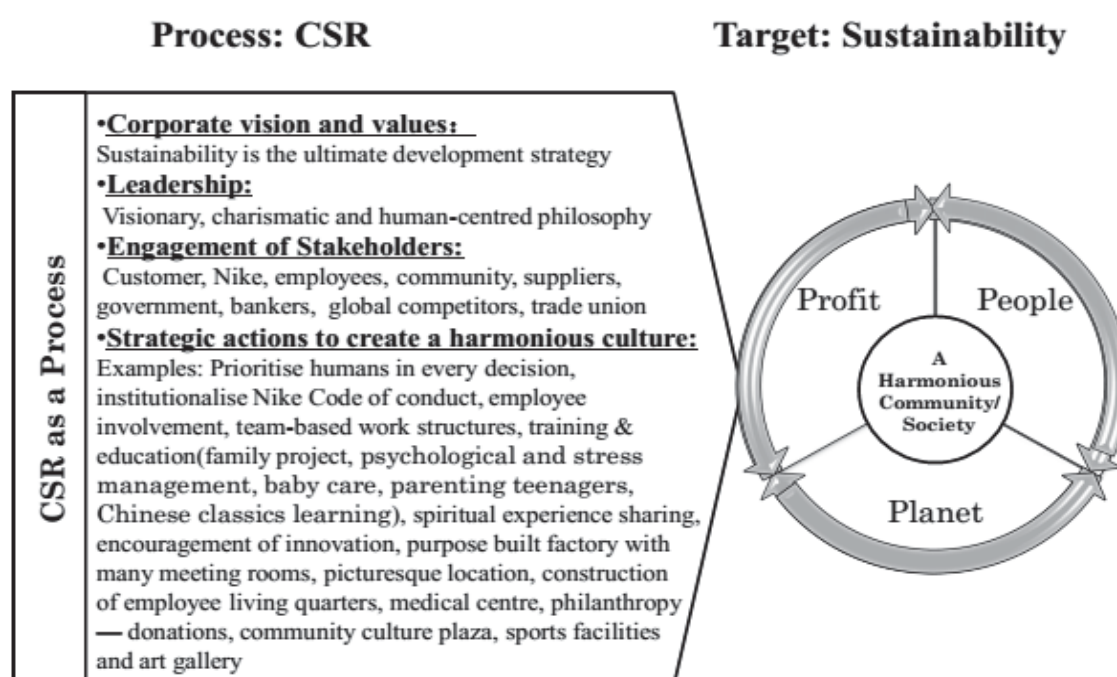
Figure 8.2 The harmonious CSR and sustainability model at Shoetown[35]
Source: Developed by the author

Shoetown's implementation of CSR to achieve sustainability has been analysed in detail in chapter 7 using the enhanced sustainability phase model proposed by this author.

Table 8.3 provides an overall summary of the key findings of this research and their contributions to knowledge, implications for theory, practice, methodology, as well as for future research.

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[35] This model applies to Shoetown. It may not apply to other organizations as it has been developed from a single organization case study.

Table 8.3 A summary of the findings and contributions to knowledge

Findings	Contribution to knowledge	Implications: theory	Implications: practice	Implications: methodology	Implications: future research
1.1 The Chinese business context is unique (see Chapter 2)	Businesses in China need to be more aware of its context differences; Shoetown has implemented its CSR and sustainability schemes on the basis of this context	Businesses in China need to be more aware of its context differences	Shoetown has implemented its CSR and sustainability schemes on the basis of this context	Not applicable	Comparison studies regarding social ideologies impact on CSR and sustainability initiatives are recommended
1.2 The principles of CSR and sustainability are embedded in the values and practices of traditional Chinese harmonious culture in Chinese history (see chapters 2 and 3)	Both CSR and sustainability enjoyed a long history in China.	This historical perspective provides an important supportive foundation and can inform the development of modern Chinese CSR sustainability theories and practices that recognise the Chinese context	The Shoetown case study has shown that Chinese business can integrate features of traditional Chinese culture into CSR and sustainability.	Not applicable	More correlations between current business CSR/sustainability concepts and practices and ancient practices should be researched
1.3 Chinese government policy strongly supports CSR and sustainability initiatives. Harmonious culture, and the Chinese government are supportive of modern CSR and sustainability initiatives (see chapters 1, 2 and 3)					

Table 8.3 (Continued)

Findings	Contribution to knowledge	Implications: theory	Implications: practice	Implications: methodology	Implications: future research
2.1 CSR and sustainability has been confirmed as being context-based, systems-based and it is a long-term process that never ends (see chapter 3)	There is very little Chinese research available on how a business can implement CSR and sustainability strategies within the Chinese context	The practical case of Shoetown adds to CSR and sustainability theory.	The practical case of Shoetown adds to CSR and sustainability practice	Not applicable	How CSR and sustainability initiatives are implemented in different contexts, including political, economic, historical and cultural elements
2.2 The Shoetown case study illustrates that CSR and sustainability concepts, strategies and practices can contribute to business success (see chapters 6 and 7)	The Shoetown case study can assist other organisations design CSR and sustainability programs.	This thesis reported on the literature related to CSR, sustainability and stakeholder theory. It has identified gaps in the literature and recommended further research	The Shoetown case study can assist other organisations to design CSR and sustainability programs	Not applicable	How CSR and sustainability initiatives are contributing to business competitive advantage
2.3 The Shoetown case study demonstrates that private business firms can play a critical role in CSR and sustainability initiatives in China.	Shoetown has become an exemplary large-scale private business firm in CSR and sustainability implementation	CSR and sustainability can be successful in large-scale private business firms	Large-scale private business firms can be proactive in CSR and sustainability implementation	Not applicable	Contrast of features of CSR and sustainability initiatives in different types of business organisations

Table 8.3 (Continued)

Findings	Contribution to knowledge	Implications: theory	Implications: practice	Implications: methodology	Implications: future research
2.4 The Shoetown case study research methodology has demonstrated that the inclusion of drawings and photographs as part of data collection methodology can provide additional insight that may be overlooked by relying solely on more traditional data collection methods.	The application of drawings and photography as data collection tools have had limited utilisation by business researchers Drawings and photography offer potential as an effective additional means for understanding complexity in business settings	Potential additional insight for guiding theory development could come from greater empowerment of interviewees at interview through the discussion of their drawings	New insight flowing from case study drawings and photographs offer possibilities for new business practice	Leading case study methodology literature is largely silent on the use of drawings and photograph as data collection tools	More frequent use of, drawings and photography in case study research Studies into the effectiveness of these tools for gathering additional insight

Table 8.3 (Continued)

Findings	Contribution to knowledge	Implications: theory	Implications: practice	Implications: methodology	Implications: future research
3. CSR and sustainability, stakeholder theory and practice are western-centric with little acknowledgment that Chinese contexts may require modifications to theory and practice and further research (see chapter 3 and 4)	It has been concluded from this research that western theories and practices have been introduced into China without sufficient recognition of the Chinese context. Understanding of CSR/sustainability and stakeholder theories encompasses disputes and disagreement. The impacts of globalisation, the internet and its outcomes such as social media have not received adequate attention in stakeholder theory.	Universally accepted definitions for CSR and sustainability and stakeholder theories do not particularly exist, within the Chinese context. Stakeholder theory might be necessary following globalisation and the widespread take-up of the internet by business and society	CSR and sustainability practices used in China should not merely automatically copy western theories and practices. Stakeholder theory management should consider factors such as globalisation and internet.	Not applicable	Much research is required to differentiate between research and practice in the West and China. CSR and sustainability definitions with Chinese characteristics, especially harmonious perspectives, required

Table 8.3 (Continued)

Findings	Contribution to knowledge	Implications: theory	Implications: practice	Implications: methodology	Implications: future research
4. The phase model and characteristics of sustainable companies model are practical tools for guiding CSR and sustainability initiatives. Modifications to the phase model have been recommended to recognise the uniqueness of the Chinese business context (see chapters 3 and 6)	The Shoetown CSR/sustainability performance was checked against the two models, which were found to be practical models.	The two models are practical for evaluating CSR/sustainability progress. The phase model needs to be enhanced according to the context it is used	The phase model needs to be enhanced according to the context it is used	Not applicable	The phase model may need localisation to input local contents when applying it under different circumstances
5.The harmonious approach to CSR and sustainability at Shoetown is fostered by its unique culture (see chapters 6 and 7) and the Shoetown case study shows that harmonious CSR and sustainability is the key ingredient for Shoetown's success. This finding is particularly significant as there are very few, if any, case study documentations of successful CSR and sustainability implementations in China by private enterprise organisations adopting a harmonious approach (see chapters 2, 6 and 7)	Shoetown's focus on harmony should be encouraged in other businesses seeking to implement CSR and sustainability initiatives	Traditional harmonious Chinese culture embraces CSR and sustainability initiatives. The case has been accepted as an MBA teaching aid at a university and is to be published an international journal	Traditional harmonious Chinese culture can be considered for business as CSR and sustainability is implemented	Not applicable	What are the incentives or constraints in implementing harmonious CSR and sustainability initiatives in other types of business organisations?

Source: The author

8.3   Limitations of the research

As discussed in the methodology chapter 5, there are certain limitations regarding this research.

The research was based on personal interviews, interviewee drawings, direct observations and documentation studies, and data was mainly gathered via Shoetown management and employees during an extended visit to Shoetown by the investigators. Due to the harmonious culture at Shoetown, there may have been some reluctance of informants to be critical of Shoetown management.

Further, this thesis relies on a single OEM business case study, and as a consequence, it is impossible to capture the comprehensive picture of CSR and sustainability implementation in China. This is because there is a complex organisational system in mainland China that include state-owned enterprises (SOEs), township and village enterprises (TVEs), collectively owned enterprises, private enterprises and foreign-funded enterprises. All of these types of business firms have their own features, leadership, cultural backgrounds and operational mechanisms. Exploration into CSR and sustainability implementation with a harmonious approach in these different Chinese business systems would be a very significant research undertaking. Additionally, only one the supply chain stakeholder was interviewed during this research, and this stakeholder was selected by Shoetown's management.

8.4   The potential for diffusing or generalising the Shoetown experience

This thesis deals with qualitative research, therefore statistical generalisability does not apply.

This author believes that theoretical generalisability of his work in China applies to the enhancements he has recommended to the Phase Model (see Figure 8.1). These theoretical enhancements deal with the creation of a harmonious culture (2nd Wave), realisation of harmony in society (3rd Wave) and the recognition of/adherence to the leadership and policies of CCP, China's Socialist and Marxist government. This theoretical contribution can be considered generalisable because of the strong support of the Chinese government to these concepts.

With regards to the specific features of the Shoetown culture and methodologies that it applies, that is, the way things are done at Shoetown and how the organisation has developed and maintains harmony, this author recommends great caution in claiming potential generalisability of conclusions and recommendations. He is cautious for the following reasons:

First, this thesis is based on a single Case Study.

Second, there has been frequent mention throughout the thesis that the circumstances in each business/organisation are unique and need to be taken into account.

Third, it has been pointed out in table 8.1 that there are different types of businesses in China, and the ownership of those businesses currently have varying philosophies for carrying out their business. The culture of Shoetown and the management philosophy there would appear to be very different to the circumstances shown in that table. From a practical perspective, it would likely be extremely difficult to champion a Shoetown style approach in other organisations with fundamentally different belief systems.

Finally, in the conclusion of this chapter, this author points out that the system at Shoetown is holistic and the reality is that the system is like a complicated recipe. The author warns in the conclusion against organizations applying shortcuts and omitting bits of the recipe. In addition, the author warns of the problems and failures that organisations have experienced in endeavouring to replicate the Toyota production system as a way of giving practical meaning to the recipe analogy.

Nevertheless, the thesis does note that the Chinese government is actively encouraging other organisatiuons to learn from Shoetown and this may result is some diffusion of the Shoetown model that has been documented in figure 8.2. The further research referred to below may also result in diffusion of the Shoetown model.

8.5 Recommendations for further research

There is a need for more scholarly research to be conducted within the People's Republic of China into CSR, sustainability and stakeholder theories. As mentioned in the preceding discussions, CSR, sustainability and stakeholder theories are all context-based concepts and theories, they are all heavily influenced by the political, economic, historical and cultural phenomena of the context within which they operate. The longitudinal research used in this thesis only reflects the CSR and sustainability initiatives executed in a single OEM company in China. There is a requirement for more latitudinal research into this area. Such research may involve the comparison of how a harmonious approach to CSR and sustainability initiatives will be conducted in different types of business organisations in mainland China. Moreover, research into the relationship, and comparisons, between traditional Chinese harmonious culture and socialist and Marxist ideologies would be strongly recommended and encouraged for many Chinese business organisations, especially the SOEs, which are mainly influenced by socialist ideology and Marxist theory. Research could be focused upon the relationship between CSR and sustainability and the prevailing social ideologies, as well as how to integrate CSR and sustainability initiatives into different types of business organisations with different cultural and social ideologies. This may further illuminate distinguishing features concerning the implementation of CSR and sustainability initiatives applying in China compared with the rest of the world.

Although this author has used the terms "CSR" and "sustainability" in this research, it is important to recognise that there are some differences between these two terms as discussed in chapter 3. Moreover, both terms have been imported from the West to China, and neither the research nor practice of CSR and sustainability in China has been aligned with current trends in the western world because some researchers tend to automatically copy and try to apply the western theories to Chinese practices. Consequently, no systematic theoretical works relevant to CSR and sustainability have been developed in contemporary China. Few researchers have seriously considered the political, economic and cultural contexts of CSR and sustainability implementation in China.

Furthermore, because differences in institutional contexts have determined how business firms interact and cooperate with different stakeholders in a social context, this author suggests that further research should be addressed at the differences in business and societal relations in different countries. These differences should be considered in defining CSR and sustainability. The literature in this research clearly shows that China has different economic and political systems, social structures, institutions and interests, and dominant issues, shaped by its histories and cultural traditions. All of these factors can have major impacts on the implementation of business CSR and sustainability initiatives in a Chinese context.

This author holds that Chinese cultures have influenced stakeholder interactions. These Chinese cultures embrace the philosophical thoughts of Confucianism, Daoism and Buddhism as well as Chinese traditions such as hierarchy, family orientation, harmony and *guanxi* and so forth. This author recognises that stakeholder theory could raise particular issues such as hierarchy, when considered in light of traditional Chinese philosophies. However, these are not specifically examined in this case study because these are beyond the scope of this thesis. Nevertheless, this author suggests that they will be the subject of future research.

Moreover, further research should be conducted into the potential offered by drawings and photography as data collection mechanisms during business case studies. It is the intention of this researcher to publish on this topic.

8.6 Conclusions

This thesis has contributed to the body of knowledge about CSR, sustainability and stakeholder management in a Chinese context. It has reported and examined an exemplary Chinese business and how it has gone about dealing with these issues. Limitations to the research have been acknowledged and further research has been recommended.

Suggestions have been made that offer business researchers potentially enhanced data when applying case study research methods.

The study is significant for many reasons, including that there are few, if any, detailed and

comprehensive academic case studies about exemplary Chinese businesses and how these particular Chinese businesses implement CSR and sustainability initiatives while paying adequate attention to the essence of traditional Chinese culture — harmonious relationships. Further, although Shoetown is only one organisation, it is a private organisation, and private organisations in China have generally shown limited interest in introducing CSR and sustainability initiatives in a comprehensive way. This study is also useful in demonstrating that it is possible to implement CSR and sustainability initiatives, to a high standard, while utilising the Chinese harmonious approach. This can be achieved by private enterprise in China, even though the theories and practices of CSR and sustainability have been developed in other countries.

It is clear that the Chinese government is committed to policies of harmonious and sustainable development in China. In Confucian terms, it is at the top of the hierarchy. Harmonious and sustainable development has been ascribed a central role in China. The government has established the national development target to construct a "harmonious socialist society", which needs to involve effort from all fields and circles in the Chinese society. The achievements of Shoetown in managing its CSR and sustainability to construct a harmonious society in the organisation on one hand shows Shoetown's proactive response towards the government development strategy, on the other hand, it illustrates that the government ambitions, commitment and policies on harmony and sustainable development can be met or even exceeded by a particular community such as Shoetown.

This study indicates that the infusion of a harmonious approach may be a key ingredient to implementing CSR and sustainability in a Chinese context.

The latter point is important and worth reflecting on as the research aimed at discovering the ingredients used by management in successfully implementing CSR and sustainability in a particular Chinese business firm in mainland China. It was discovered that there are differences in both theories and practices when comparing China with the western world. CSR and sustainability were found to be context-based concepts, whose implementation should be considered in the political, economic, cultural and business environments within which the

enterprise operates. These differences between China and the West have been found to be significant. They introduce considerable implementation complexity within the Chinese context. It has been concluded that these differences need to be acknowledged and acted upon if implementation is to be successful.

Adding to this complexity are the differences between the way CSR and sustainability are understood in China and the West, and there are also ongoing definitional debates surrounding the meanings of CSR and sustainability. This creates obvious difficulties for businesses seeking implementation guidance. Again, these complexities need to be appreciated and taken into account when CSR and sustainability initiatives are implemented. Similar problems are encountered with "traditional stakeholder theory", which does not fully address the increasingly digital world.

The sustainability phase model and the characteristics of sustainable companies model were both found to adequately reflect and demonstrate the directions, strategies and achievements of Shoetown. These models were found to be practical models for evaluating and guiding CSR and sustainability progress. However, the phase model should be enhanced to include a harmonious approach when it is used in a Chinese context.

Perhaps most importantly, the research has confirmed that CSR and sustainability initiatives can be successfully implemented in a large private Chinese commercial enterprise, and that CSR and sustainability outcomes can be achieved at a very high standard. An overarching human-centred, harmonious management approach by Shoetown has provided a supportive culture leading to the organisation being successful in its implementation of CSR and sustainability initiatives. These initiatives have enabled Shoetown to effectively enhance its competitiveness in the global markets for its products, and in its value chain. This is largely due to the philosophy held by Shoetown's leadership. It believes that there is a positive link between a human-centred harmonious approach and economic and environmental performance. "Human-centred" is considered as the core in these three elements because only when endowed with well-qualified, knowledgeable and respected human resources can long-term profits be generated and environmental problems be resolved in an organisation.

The CSR and sustainability initiatives executed at Shoetown are firmly based upon its unique business and cultural context. Shoetown's achievements have been shown to align with commonly acknowledged CSR and sustainability evaluation criteria and systems. The evidence indicates that Shoetown's CSR and sustainability system is holistic in its nature; everything in its business system is related and consistent in intent.

Pleasingly, growing numbers of Chinese business organisations have realised the important roles that CSR and sustainability initiatives can play in providing competitive advantages, and business firms are increasingly integrating these initiatives into their long-term development strategies. Nevertheless, research did not identify any other business organisation in China that had implemented CSR and sustainability to Shoetown's standard, although this was clearly also not an objective of the research

In identifying the reasons for Shoetown's success, it is important to reflect on, the *post hoc fallacy*.[36] That is, one must be cautious because the success of any business organisation can be attributed to a great number of factors, and no individual or combination of factors can be identified as the factor(s) that made the difference — the cause of such success. The Shoetown approach can be thought of as being similar to a recipe for preparing a very complicated meal — the entre, main course, desert and the selection of wines to complement each course. When a meal is judged a success, it is because all the ingredients have combined to produce a unique experience. However, it is not possible to say that a particular ingredient, or a particular number of ingredients, created the success. It is the whole working together — the whole system that has produced the result. Shoetown's recipe for success is far more complex than this. No doubt CSR and sustainability initiatives did contribute substantially to Shoetown's business achievements and success; however, it is far from safe to conclude that Shoetown's business achievements and success are due solely to such initiatives. Nevertheless, this author concludes that the integrated recipe used at Shoetown — which includes the style and nature of its human-centred and harmony-focused leadership, human resource practices, built environment,

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[36] The *post hoc ergo propter hoc* (after this therefore because of this) fallacy is based upon the mistaken notion that simply because one thing happens after another, the first event was a cause of the second event by stating "Since event Y *followed* event X, event Y must have been *caused* by event X". Post hoc reasoning is the basis for many superstitions and erroneous beliefs. Many events follow sequential patterns without being causally related.

lean manufacturing practices, team-based work, employee skill development, community philanthropy, innovation focus and so on — have, in combination, been major ingredients in producing the success that Shoetown enjoys.

It is important that other organisations learn from the success of Shoetown; in fact, the Chinese government is already encouraging other organisations to visit Shoetown and to learn from it. In doing this, people seeking to replicate the Shoetown system should reflect on the difficulties others have had in endeavouring to replicate the Toyota production system. The Toyota production system is widely regarded as an exemplar and has been studied closely. "What's curious is that few manufacturers have managed to imitate Toyota successfully — even though the company has been extraordinarily open about its practices, and hundreds of thousands of executives have toured Toyota's plants" (Spear & Bowen 1999, p. 97). Spear and Bowen postulate that many observers were confused by the apparent paradox between the discipline of the tools and practices they observed at the plant, and the overall Toyota system, which is extremely flexible. It is likely that organisations that were unsuccessful in replicating the Toyota system did not fully understand it, omitted important components of the recipe during implementation, or did not maintain the new system, or failed to properly adapt that system for their particular context.

Further, implementers need to be wary of the problems inherent in diffusing ideas from one place of business to another. This point is often referred to as the "not invented here syndrome". This syndrome can often drive resistance towards adopting another business's ideas.

In summary, it is critical to emphasise again that the Shoetown system is sophisticated and nuanced, and implementation elsewhere cannot exclude elements of the Shoetown system without cost to the effectiveness of the whole system. However, every company is unique and adaptation will be necessary to effectively implement CSR and sustainability in a different company.

Turning to the future, there is still a range of constraints and challenges for Shoetown to tackle. These constraints and challenges include, but are not limited to, the reality that China is

currently facing numerous challenges in its economic, political, social and sustainable development. These challenges include worsening income disparity, degraded ecological environments that are worsening, erosion of benefits to disadvantaged groups, the declining of the demographic dividend and the possibility of a slowing at economic growth.

Businesses like Shoetown will be required to balance the trade-offs among economic, social and environmental objectives, and to manage the complexities of business formation and the impacts of the social ideological trends discussed early in this chapter. There are other significant challenges to Shoetown, such as leadership succession planning, technological advancement, potential technological substitution (for example, the potential disruption to its business from 3D printers), increases in the prices of raw materials and labour costs, appreciation of the RMB currency, potential challenges to energy supplies, greater automation, potential anti-dumping legislation in customer countries, and other risk issues.

Despite these significant challenges, based on his research into Shoetown, this author concludes that the Shoetown leadership, management practices and its workforce team are very aware of these constraints and challenges, and that Shoetown is well prepared to deal with the challenges that are likely to confront the organisation.

Appendix 1   Interviewees to be Referred in the Data Analysis

A summary of the interviewees

S.N.	Department and sector	Numbers	Reference in data
01	President Ron Chang	1	STprchang
02	Senior Leaders	5	STsnr-01
			STsnr-02
			STsnr-03
			STsnr-04
			STsnr-05
03	Human Recourse Management	1	SThrm-01
04	Workers Union	1	STwus-01
05	Research & Development	2	STrndc-01
			STrndc-02
06	Manufacturing-engineer Function	1	STmef-01
07	Production management	4	STmgr-01
			STmgr-02
			STmgr-03
			STmgr-04
08	Business Sector	2	STbns-01
			STbns-02
09	Material Inspection	1	STmi-01
10	Chemistry	1	STchem-01
11	Technique Service	2	STtech-01
			STtech-02
12	Customer Relations	1	STcr-01
13	Order	1	STodr-01
14	Development	4	STdvpm-01
			STdvpm-02
			STdvpm-03
			STdvpm-04
15	Supplier	2	STnbbm-01
			STnbgm-01
16	Security	1	STscu-01
17	Production line Workers	9	STpwkr-01
			STpwkr-02
			STpwkr-03
			STpwkr-04
			STpwkr-05
			STpwkr-06
			STpwkr-07
			STpwkr-08
			STpwkr-09
Total			39

Source: summarised by the author

The table in this appendix shows the detailed of interviewees referred in the thesis. Besides the president (referred to as STpresidentchang in the data), there were five senior leaders (referred to as STsnr-xx in the data) in the list of interviewees. The departments involved include Human Recourse Management (referred to as SThrm-xx in the data), Workers Union (referred to as STwus-xx in the data), Research & Development Centre (referred to as STrndc-xx in the data), Manufacturing-engineer Function (referred to as STmef-xx in the data), Production management (referred to as STmgr-xx in the data), Business Sector (referred to as STbns-xx in the data), Material Inspection (referred to as STmi-xx in the data), Chemistry (referred to as STchem-xx in the data), Technique Service (referred to as STtech-xx in the data), Customer Relations (referred to as STcr-xx in the data), Order (referred to as STodr-xx in the data), Development (referred to as STdvpm-xx in the data), Supplier (referred to as STnbbm-xx and STnbgm-xx in the data), Security (referred to as STscu-xx in the data), and the Production line Workers (referred to as STpwkr-xx in the data).

Appendix 2   Research Plan- Shoetown

1. Engaging with the owner and executive team at Shoetown

Agree scope of case study and resource requirements – university and Shoetown

Agree extent of interaction with staff

Agree protocol for clearing information and papers for publication

Agree timeline

Agree feedback mechanisms so that Shoetown owner and executives are regularly appraised of progress

2. Review this plan in the light of discussion at step 1

3. Preliminary Data Collection

Interview owner and senior executives about:

- **Foundations of Shoetown:** What is the history of Shoetown
- **Progress to date:** What has been achieved with people, customers, clients, systems, production, marketing etc/ What information can management provide to support these achievements/ What external recognition/ awards have been received/ What principles have guided action to date
- **Future Plans:** What is intended

4. Draft preliminary questions for data collection

Questions are based on information collected to this stage

- **Test draft questions through a pilot study:** Use a slice group of executives, supervisors and shop floor staff to ensure they understand the questions and to ensure that you are asking the 'right' questions

5. Conduct data collection

- Determine who will be interviewed
- Determine how interview will be conducted
- Factory tour and observations

(note: (1) consider asking interviewees to draw a picture of what it's like working at Shoetown before interview- this will likely help shop floor people who will be able to draw but may experience considerable difficulty answering questions- drawings are likely to provide rich insight (2) At interview interviewees could be asked to explain their drawing)

6. Data analysis

  Consider using pattern matching as a key analytical tool

7. Write up Case Study

8. Develop Research Question for Ph D thesis

This will emerge from the data have collected

9. Develop Journal Articles for publication

Appendix 3   Research Survey Agenda—ST Business Case

1. **Time**: 24th, June—26th, June, 2012

2. **Venue**: Shoetown Co. Ltd, Qingyuan City, Guangdong, China
3. **Participants**
- UTS/GWMBA: Harry Huang Lei; David Pang Hui (Assistant)
- Professor Sharon Moore; Dr. Patrick McCarthy
- Shoetown: Ron Chang; Ben Lee; Bonnie Luo; nominated about 40 members from various departments and relevant stakeholders
4. **Schedule**

Date	Time	Interviewees	Interviewers	Notes
24th, June	2:00- 5:00	President Ron Chang Vice President Ben Lee + 3 senior leaders	Harry Huang Lei Sharon Patrick	This will be a collective interview for the leadership regarding strategies of the organisation concerning issues of corporate governance and sustainability, HRM etc. One meeting room is required.
25th, June	9:00-12:00	3 members from the labour union + 2 from research department	Harry Huang Lei Sharon Patrick	This will be a collective pilot interview for evaluation for further interviews. One meeting room is required.
25th, June	2:00-5:00	10 members as recommended by Shoetown	Harry Huang Lei Sharon Patrick	This interview will be in two groups of 5 each led by professor Sharon Moore and Dr. Patrick respectively. Harry will act as the coordinator and observer in both locations to collect all interview data this round. Two meeting rooms are required.
26th, June	9:00-12:00	10 members as recommended by Shoetown	Harry Huang Lei Sharon Patrick	This interview will be in two groups of 5 each led by professor Sharon Moore and Dr. Patrick respectively. Harry will act as the coordinator and observer in both locations to collect all interview data this round.

				Two meeting rooms are required.
26th, June	2:00-5:00	10 as recommended by Shoetown	Harry Huang Lei Sharon Patrick	This interview will be in two groups of 5 each led by professor Sharon Moore and Dr. Patrick respectively. Harry will act as the coordinator and observer in both locations to collect all interview data this round. Two meeting rooms are required.
26th, June	5:00-6:00	Survey briefing to Shoetown leadership	Harry Huang Lei Sharon Patrick	Briefing and discussion for further research cooperation. Chaired by Harry Huang Lei.

5. Notes:

All interviewees shall be kindly requested to draw a drawing demonstrating the reasons why they love to work and live in Shoetown. There will be no specific requirements for such drawings and all members can draw whatever they like in their own ways. Of course, the interviewers shall ask some specific questions during the course of interview and take notes. This methodology is called pattern matching in an attempt to verify the practice of Shoetown with research theory/ models.

Appendix 4   Letter of Informed Consent

I hereby consent to be interviewed for this case study research. I consent freely without pressure from Shoetown or the research team, and I am pleased to contribute to academic business case research.

本人在此同意参与本案例研究的面谈。此次面谈属于本人自愿行为，没有来自研究团队或广硕鞋业公司的任何压力。我很高兴能够为企业的案例研究作出自己的贡献。

Signature
签字：

Date:
日期：

Appendix 5　Interview Questions—Leadership

1. What are the differences between Shoetown now and the past? Do you have a written history of Shoetown?
   广硕鞋业现在和过去有何不同？广硕有无书面历史资料？

2. Can you describe the various developmental stages in the evolution of Shoetown?
   请描述广硕鞋业发展的各个阶段。

3. How would you compare Shoetown with other competitors and manufacturers?
   你如何将广硕鞋业与其他企业比较？

4. What is your overall guiding mission and vision?
   企业愿景和任务的总体指导原则是什么？

5. What theory or models have guided your strategic thinking and decisions? Are there any particular journal articles or books influence you in this regard?
   是什么商务理论或模型指导广硕鞋业的战略思维和决策？这方面是否存在影响力较大的文献资料或书籍？

6. What government policies have helped you made Shoetown successful?
   政府有哪方面的政策支持广硕鞋业取得成功？

7. Does it seem to you that Shoetown's business processes are linked together in a complementary way— do you think the business functions as a whole system rather than disjointed parts pulling in different directions?
   在您看来，广硕鞋业的业务流程是否相连互补？您认为其商务功能部门是一个完全的系统，还是各自为政的分裂体？

8. Do you think that, as an overriding priority, Shoetown is actively focused on sustainable business practices including innovation?
   包括创新在内的可持续商务流程是否是广硕鞋业压倒性的重点业务？

9. What do think Shoetown will look like in 10 years time?
   您认为 10 年后的广硕鞋业是怎样的？

10. What does sustainability mean to you? Do you place special emphasis on particular aspects of sustainability?
    您认为可持续发展是什么意思？在这方面您是否有特别关注的领域？

11. How do you manage your supply/value-chain
    您是如何管理供应/价值链的？

12. Do you give special attention to matters of corporate governance e.g. ethics/ policy on payment of bribes/CSR/Corporate Citizenship /anticorruption/compliance with laws?
    您是否特别重视有关公司治理的问题？如行贿的伦理/政策/公司社会责任/公司公民/反腐/遵守法律等？

13. How important is innovation to the success of Shoetown—how is innovation encouraged?
    创新对广硕鞋业成功的重要性如何？如何鼓励创新？

14. Do you have any outsourcing strategy? How？

公司是否有外包战略？请描述。

15. How do you summarize your HRM strategy— recruitment, induction, training, leadership development, remuneration, work-life balance, workplace health and safety?
请概括公司的人力资源管理战略—招募、引导、培训、领导力培训、薪酬体系、工作生活平衡、工作场所卫生和安全等。

16. What are the key elements of your change management and organisation development (culture development) strategies?
公司的管理和组织发展（文化发展）战略的核心内容是什么？

17. How do you manage risks to your business?
您如何进行公司的风险管理？

18. Do you have any views and related strategies regarding the development of your own brand rather than OEM?
您在公司业务从 OEM 转向自我品牌制造方面有过怎样的思考？相关战略怎样？

19. Do you think that the way you do business forces changes in the way your partners, suppliers, and stakeholders operate?
您认为公司的运作方式是否对合作伙伴供应商和利益相关者的运作方式的转变起强制作用？

20. Is there a question that we should have asked you but have not?
是否有哪些问题您认为应该问到而我们没有涉及？

Appendix 6　Interview Questions—R & D

A. **Please describe the drawing that you have brought with you, which describe why you like to work at Shoetown.**
请描述您的画，请说明为什么你喜欢在广硕鞋业工作和生活。

B. **Additional questions:**
其他问题：

1. Do you enjoy working in Shoetown? Why?
你享受在广硕鞋业的工作吗？为什么？

2. What is the focus of R & D — business innovation? New approaches to work organisation (lean manufacturing, teams), new product development?
R&D 的核心在哪里？商业创新？组织创新（扁平制造，扁平化团队）？新产品开发？

3. Do you think that the top management is enthusiastic in its support of the R & D function regarding cutting edge/breakthrough ideas? How does the top management show support?
广硕管理层是否在尖端技术/突破性思维方面对研发部门热情支持？详细说明之。

4. Do you think that, as an overriding priority, Shoetown is actively focused on sustainable business practices including innovation?
包括创新在内的可持续商务流程是否是广硕鞋业压倒性的重点业务？

5. How do you prioritize the work of the R & D function?
您是如何对研发部门的工作进行优先次序考虑的？

6. What business and theoretical frameworks influence your work?
哪些商务和理论框架对您的工作产生影响？

7. Do you use different research approaches, unique/special approaches and data collection methods?
您是否采用不同的研究方法、独特/特别的数据收集手段？

8. Is there a question that we should have asked you but have not?
是否有哪些问题您认为应该问到而我们没有涉及？

Appendix 7　Interview Questions— Workers Union

A. **Please describe the drawing that you have brought with you, which describe why you like to work at Shoetown.**
请描述您的画，请说明为什么你喜欢在广硕鞋业工作和生活。

B. **Additional questions:**
其他问题：

1.　Do you enjoy being a union representative at Shoetown?
作为广硕鞋业的工会代表，您是否很开心？

2.　In what way is Shoetown different from other organisations?
广硕鞋业在哪方面跟其他企业存在差异？

3.　Are you elected or nominated by the party, are you elected and chosen by the work force?
您是通过认命还是群众选举出来的？

4.　In what way are you/ your role supported by the government?
政府对您角色的支持表现在哪一方面？

5.　How would you describe your role and influence at Shoetown?
请描述您在广硕鞋业的作用和影响。

6.　Do you have a role in wage negotiations and employment contracts?
在薪酬谈判和雇佣合同谈判中，您是否能够发挥作用？

7.　How would you describe the culture and management style at Shoetown?
请描述广硕鞋业的文化和管理风格。

8.　Do you think Shoetown workers are better paid, better trained and have more interesting jobs than workers at other businesses?
您认为广硕鞋业的工人是否比其他企业薪酬更高、培训更好、工作更有意思？

9.　Do workers have enough influence, are their jobs interesting, do workers have the accesses to training, and is the workplace safe?
工人的影响力是否足够？工作是否有意思？是否能够参加培训？工作场所是否安全？

10.　How are work place conflicts resolved at Shoetown? Is the union involved in conflict resolution?
工作场所冲突问题是如何处理的？工会是否参与？

11.　Is there a question that we should have asked you but have not?
是否有哪些问题您认为应该问到而我们没有涉及？

Appendix 8   Interview Questions—Workers

A.   Please describe the drawing that you have brought with you, which describe why you like to work at Shoetown.
请描述您的画，请说明为什么你喜欢在广硕鞋业工作和生活。

B.   Additional questions:
其他问题

1. Do you enjoy coming to work each day?
    您是否享受每天都来上班？

2. What do you think are the differences between Shoetown now and the past/ how has Shoetown changed?
    广硕的现在和过去有何区别？广硕有怎样的改变？

3. Do you think that Shoetown is different from other competitors/manufacturers in China?
    您认为广硕鞋业与竞争对手/其他制造商的不同之处在哪里？

4. Are you proud to be a Shoetown employee?
    您是否为自己是广硕员工而感到骄傲？

5. Is your family pleased that you work at Shoetown?
    您家里人是否为您在广硕工作而高兴？

6. Do you think your family benefit from being part of Shoetown?
    您认为自己的家庭因为您在广硕工作而受益吗？

7. How do you describe the management style in Shoetown e.g. is management interested in your ideas to improve the business, e.g. does management train you in new skills, is management friendly ?
    您是如何描述广硕的管理风格的？如管理层对您提高业务的建议是否感兴趣？管理层是否对您进行技能培训？管理层是否友好？

8. Do you enjoy working in a team with your mates?
    您是否喜欢在团队中工作？

9. Have you learned new skills? If yes, describe these skills.
    您是否学到了新的技能？如有，请描述之。

10. Is your job interesting to you? E.g. can you make decisions, are you part of the team?
    您的工作是否有意思？如，你是否可以决策？是否是团队成员？

11. Do you think that you might gain promotion to higher level in Shoetown?
    在广硕，您认为有机会升职吗？

12. Do you think that you are well paid compared to your friends who work at other businesses?
    您认为您的薪酬是否比在其他企业工作的朋友高？

13. Do you think that management tries to make your workplace as safe as possible for you? Can you give examples?
    您认为管理层是否努力提高您工作场所的安全水平？举例说明。

Appendix 9　Interview Questions—Suppliers

1. What is your involvement with Shoetown?
   您与广硕鞋业的业务关系在哪方面？

2. Do you enjoy dealing with Shoetown? Why?
   您喜欢与广硕鞋业进行业务往来吗？为什么？

3. Is Shoetown different to other organisations that you deal with? How would you describe the differences?
   与您的其他商业伙伴比较，广硕鞋业有何不同？请描述之。

4. Does Shoetown's culture have an impact on the way you do your business with them? Does this impact/ way of working have positive benefits for your business?
   广硕鞋业的企业文化对您与之的业务往来有无影响？这种影响对你您的业务是否带来积极的影响？

5. Does it seem to you that Shoetown's business processes are linked together in a complementary way—do you think the business functions as a whole system rather than as disjointed parts pulling in different directions?
   在您看来，广硕鞋业的业务流程是否相连互补？您认为其商务功能部门是一个完全的系统，还是各自为政的分裂体？

6. Do you think that, as an overriding priority, Shoetown is actively focused on sustainable business practices including innovation?
   包括创新在内的可持续商务流程是否是广硕鞋业压倒性的重点业务？

7. Are you impressed with Shoetown's attention to corporate governance?
   您对广硕鞋业的公司治理努力是否留下印象？

8. Is there a question that we should have asked you but have not?
   是否有哪些问题您认为应该问到而我们没有涉及？

Appendix 10　Follow-up Questions for Shoetown Leadership

Q1. You have successfully built up a culture of human-centred management and related strategies to make your business sustainable. Would you please again summarize the reasons for doing so? I am interested in both external and internal driving factors.

您已经成功地建立了以人为本的管理及相关战略文化来实现企业的可持续发展。请您再一次总结您这样做的原因？希望您能够从内部及外部对那些驱动因素进行总结。

回答：企業就中文而言本就是止於人的事業，--从外部来说，当今的竞争实质上是人才的竞争，而且政府也不断加强对劳工的保护，所以企业必须竭尽所能吸引人才、留住人才；从内部来说，只有好的团队才能快速解决问题。而要构建好的团队，价值观则是凝聚团队的核心理念！因此面对各种不同的外在挑战，只有建立快乐工作及和谐团队，才能永续发展，也才符合我创立事业建厂的初衷。

Answer: Enterprise in Chinese literally means a career that determined by human beings. Externally, the competition among businesses are the competition among talents, and more over, government is aiming at protect labours which imposed a requirement upon the businesses to attract and retain these talents; internally, only qualified team is able to expedite the process of problem solving. Value is the core ideology to integrate and construct the team. Therefore, in face with various challenges, the only way for sustainability is to construct a team of happy working and harmony, which also fits well with our initial intention at the beginning of plant construction.

Q2. As a matter of fact, Ron's personal experience has a great impact on Shoetown's overall business strategy of sustainability. Would you kindly provide a relatively detailed personal background story in this regard?

事实上，Ron 的个人经历对广硕整体可持续企业战略产生了重大影响，您可否提供详细的与此相关的个人背景故事？

回答：在我来中国大陆设厂之前，我曾经在某鞋业集团担任高管。驱使我离开的原因就是经营理念和我追求的相去甚远。只以绩效论英雄，今天你做好了你就升职加薪，但是明天出了什么差错可能就被解雇掉了，人人自危，没有什么团队永续可言。而我追求的是大家志同道合，互相信任的工作环境，我认为只有这样才能传承企业的理念，才能在激烈的竞争中生存发展。

Answer: I have been working as a senior executive in a shoe-manufacturing group before coming to establish my own plant in the mainland. The factors drive me to leave is the gap of operational ideology between the group and mine. They relied everything on performance, which means that you may be promoted today if you are doing well and might be fired tomorrow if you make a mistake tomorrow. There is no sense of sustainable teamwork over there. My pursuit is a shared value to all, a mutual-trust working climate only on which I believe we can transfer our business ideology to survive in the keen competition environment.

Q3. In the process of building the Shoetown culture of human-cantered management and related strategies to make your business sustainable, what constraints, difficulties, hurdles or blockages did you encounter along the way? Again, I am interested in both external and internal factors. (We know from our own work experiences, for example, that not every manager around the

world believes in an empowered workforce and that this can lead to significant power struggles within a business)

在建设以人为本的管理及相关战略文化来实现企业可持续发展进程中，您面临了什么样的约束、困难、障碍或阻碍？希望您能够从内部及外部因素进行总结。（我们从自己的工作经验中得知，比如说，世界上并非所有的经理都相信授权管理哲学，因为这些人认为这会导致企业内部的权力争斗）

回答：基本上以人为本的管理，指的就是从人的需求为最优先的管理理念，从外部来说，客户的需求最常会影响经营策略，有时客户长期的要求和员工的利益会有冲突，例如客户要求严格控制加班时数，但对于勤奋的中国人而言，适当更多的加班费收入也是员工的期望！就内部而言，团队建基于许多人的组合，人的理念和文化习惯又须要靠长期的训练及教育，而中国因地方大许多来自不同地方背景的人，就有不同的观念及期望值，因此人与人之间的认知差异，领导者如何在其中取得平衡，也是企业管理中较会遇到的困难！

Answer: Human-centred management means management should take human needs as first priority. Externally, the operational strategy may be influenced by client demand. Some long-term demand from the client may conflict with the benefits of the employees, for example, some clients require us to restrict overtime working but this might conflict with the hardworking nature of the Chinese workers for they might expect more working time to earn more bonuses. Internally, team based upon many people with different ideas and culture background, which require long-term training and education. China is with huge diversification, so as our employees. How leadership make well a trade-off among all these objectives also impose a big challenge in management practice.

Q4. How did you overcome these problems?

您是如何克服这些困难的？

回答：对于客户政策的要求，我们当然要遵守，同时也要想方设法确保员工的利益，例如在加班的问题上，客户限制了时数，我们就通过提高员工的技能来保障他们的收入；对于干部的管理水平提升，我们要求高层主管有更大的耐心，更高的热情，以自己的专业来领导同仁，因此我们会在固定的会议中持续传达我们的理念，也要求各级领导设计各项团队活动，达到相互尊重相信团队能朝共同目标前进的共识。

Answer: We must abide by the requirements of our client but we also need to protect the interest of our employees. Overtime for instance, because the clients have limited the hours, we should have to promote the skills of employees to ensure their income; as for promotion of the managerial skills of the management team, we require senior executives to be more patient, more enthusiastic to lead them by the professional abilities. Hence, we will convey our ideology at scheduled meetings and require leadership at all levels to design their team activities to share the value of mutual respect and common goals.

Q5. Does government have a role and capacity to provide support to Chinese companies implementing the range of strategies that you have put in place to remain sustainable?

政府是否承担这样的角色并拥有能力，为中国企业提供支持，帮助这些企业实施那些已经规划好的可持续发展战略？

回答：作为当地的龙头企业，我们的发展得到了政府的大力支持。可持续发展是大势所趋，我们很多改变都走在前面，政府也很肯定，并透过一些奖励方案支持我们。

Answer: we are the top leading enterprise locally and earning many supports from the

government. Sustainability is a long-term trend and we have been in the fronts in many respects, which have earned positive encouragement from the government, and some of them have earned reward schemes.

Q6. Are you able to tell us about the system Shoetown used to evaluate the cost and benefit of its sustainability strategy (for example, Shoetown has invested heavily in construction of living quarters as well as entertainment centres for employees, and has carried out many activities seemingly unrelated to productions itself, how did Shoetown evaluate whether they are a cost or a benefit?)

您可否告诉我们关于广硕用以评估可持续战略的成本和回报体系？（比如说，广硕已经重金投资在雇员的生活设施、娱乐中心等等的建设上，并组织了很多看似与生产本身无关的活动，广硕是如何评估这些行为是费用还是收益？）

回答：可持续发展是我们长期的策略，长期策略当然须要许多员工活动来累积习惯及文化思想，我们一直认为短期投资对长期策略所带来的无形效益远大于成本，故在预算内的活动我们都会鼓励并支持！因此看似和生产无直接关联，但事实上从人的观念改变，一定会在生产上转化成追求高品质高效率的生产理念！

Answer: Sustainability is a long-term strategy for us, which requires a long-term accumulation of culture, habits through employee activities. We always regard that the long-term intangible benefits are far higher than the short-term costs. Therefore, we encourage and support all activities in our budget. These activities may seemingly unrelated to operations, however, they change people's perspectives which will in turn be transferred to the pursuit of operational ideology of high quality and high efficiency.

Q7. It is clear that Ron has a very powerful belief in people as the core of business success and that he has gathered a team of like-minded people to lead and embed the fantastic Shoetown culture. The leadership at Shoetown is clearly seen by the workforce as charismatic. The result of the leadership values and style, and its delivering on its promises has provided an enormous pool of discretionary effort that can be called upon by the leadership.

My question is: How do you ensure that this style of management and leadership survives over time, particularly when leadership transitions occur- market downturns happen and, radical new technologies disrupt the business etc?

很明显，Ron 有一个非常有强烈的信仰，即人是企业成功的核心，因此，他能够把有相同想法的人凝聚在一起组成团队，领导他们并植入非凡的广硕文化。雇员们能清晰地看到广硕有魅力的领导力。正如在广硕所体现的一样，领导力价值观和风格的成果显著，它可以聚集极大的力量协同实现公司目标。

我的问题是：您如何保证这种管理和领导力风格经过时间的洗礼还能持续维系，尤其是在领导力变迁发生时-比如说进入市场低迷期，比如由于重大的技术革新阻碍了业务发展等等。

回答：管理手法本来就无绝对的正确与否，随着人事时地物须不断调整，惟我们相信价值观理念是不会改变也不容许改变的。我每周会和经理级以上的干部开会，每月会和组长级以上干部开会，及时检讨异常情况，这对所有参加会议的干部都是借鉴学习的机会；我也会在会议上提出我的期望和要求，让大家有明确的方向。我一再强调方法要保持弹性随时能调整，价值理念则不能改变必须有所坚持！由于本人多年的坚持，基本上团队已经累积相当程度的共识，并一直共同努力面对不间断的挑战！

Answer: There is no absolute black and white for managerial measures. They should be alternated according to change of people, event, time and materials. However, what cannot be changed is the value and ideology we believe in. I have meetings with managers above level every week and with team leaders above every month. We need to carry out timely evaluation on all unusual cases and this is good opportunities for all participants to learn. I will also put forth my requirements and expectations to clarify the directions. I repeatedly emphasize that method should be flexible toward situations but value and ideology should be consistent. Owing to my personal persistence for years, we have accumulated certain level of common value on this point. We are striving to face all challenges ahead.

Q8. Turning to the future, it seems that so called 'additive manufacturing' employing 3D Printers and robotics has the potential to turn conventional manufacturing around the world on it's head. We have heard one commentator predict that in the future, parent companies like Nike may sell patterns to customers rather than conventional products so that individuals around the world will be able to go to a local store which has a 3 D printer and have their shoes produced to order and within a very short time frame. In complicated assemblies, robots are predicted to work in conjunction with the 3D Printer. I would very much like to hear what you think of this possibility and what it would mean for Shoetown and for manufacturing more generally. How would Shoetown deal with a threat of this nature?

谈到未来，目前，人们称谓的"辅助生产"正在采用 3D 打印机技术，而且机器人有可能改变全世界的传统制造业流程。一个最为普遍流传的关于未来的预测就是，像耐克那样的母公司或许会向客户销售专利而非传统产品，因此，世界各地的消费者都可以到当地有 3D 打印机的商店，在很短的时间内定制鞋子。在复杂的流水线上，人们预测机器人将会与 3D 打印机合作。我希望听到您对上述事情可能性的想法，以及在更为广泛背景上，这个对于广硕来说意味着什么，对制造业又意味着什么。广硕将如何应对这点对未来的威胁。

回答：所提生产业的未来方向，其实在我们工厂已部份在进行或正研究发展中，这样的趋势是会在用人"数"方面减少，但在用人"质"方面却必须更大提升，而这对以人为本的我们,所有长短期在人的投资会让我们更具优势，而不会成为威胁！Shoetown 非常清楚这个发展的趋势，所以也一直在加强我们在自动化设备和人才方面的投资。

Answer: This has been partially in progress or in research. The trend will be a reduction in "number" of people but substantial promotion in "quality". For us, from both long term and short term, they are all our competitiveness in investing in human resource rather than a threat. Shoetown is extremely aware of this trend and this has facilitated the strengthening of our investment in automation and talent.

Q9. Are there other concerns that you have about the future that you think may disrupt a sustainable future for Shoetown? Would you please summarize them in both external and internal factors?

您认为，在未来广硕可持续性发展过程中，可能会存在哪些主要的阻碍因素？请您根据内部和外部影响来分类这些因素？

回答：外部因素：原材料价格上涨，人民币升值，最低工资上涨，能源供应不足；内部因素：员工结构调整，管理层水平提升，人员观念改变

Answer: Externally, increase of prices for raw materials, appreciation of RMB, minimum wage rate increase, and insufficient energy supply. Internally, employee structure adjustment, quality

promotion for management team, ideological change of staff.

Q10. What advice would you give to other Chinese companies starting off on the journey that you have travelled?

对一些正在走广硕同样路径的中国公司，你有怎样的建议？

回答：先清楚自己企业的经营理念，在策略行动上能以 SWOT 分析不断调整！无论人力资源情况如何，以人为本是永远不能也不会改变的！居安思危，不断提升技术水平，走差异化的路线！

Answer: firstly to make clear of your operational ideology and make further adjustment on basis of SWOT analysis for strategic implementation; secondly, whatever conditions of your human resource, never change the concept of human-centred; finally, to think about crisis when you are safe. To enhance technological advancement for differentiation.

Source：Translated & organised by the author

Appendix 11　Other Illustrations From the Interviews
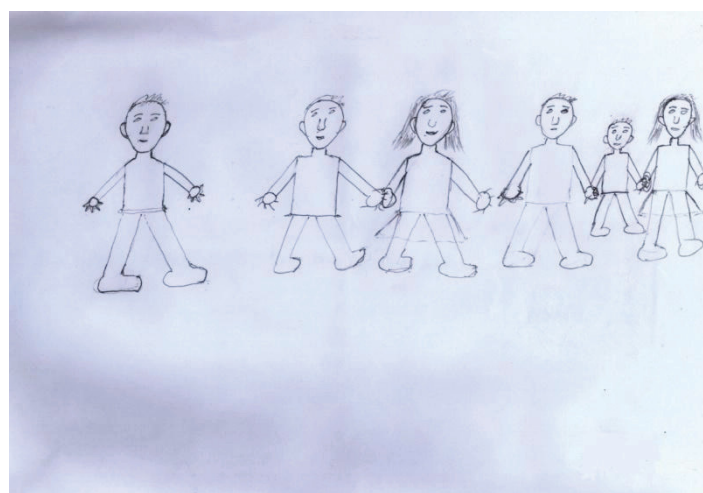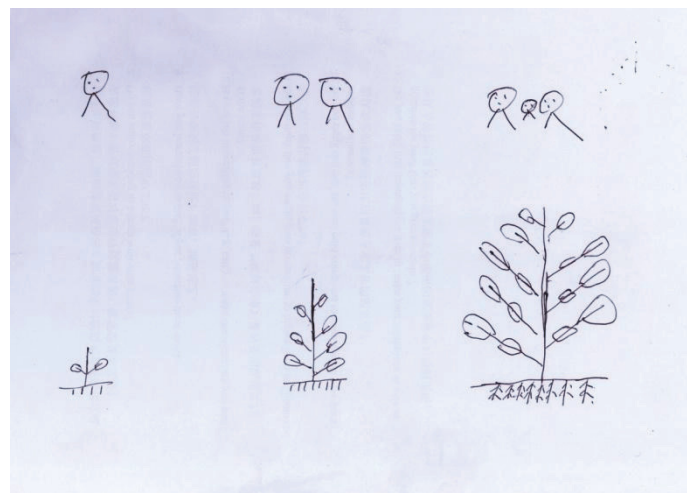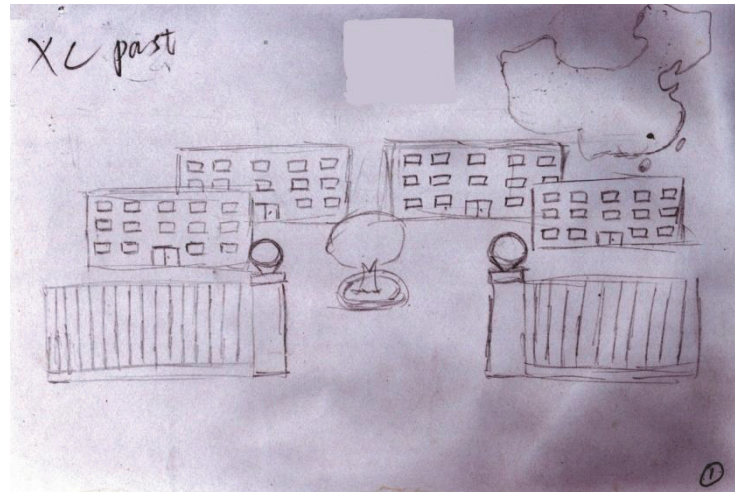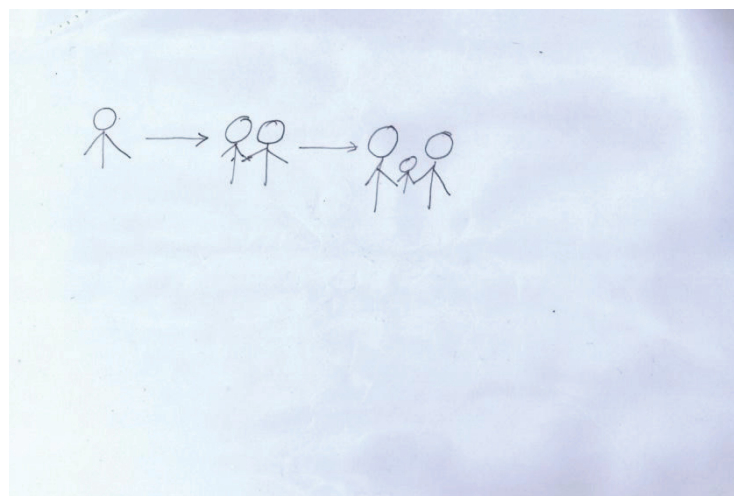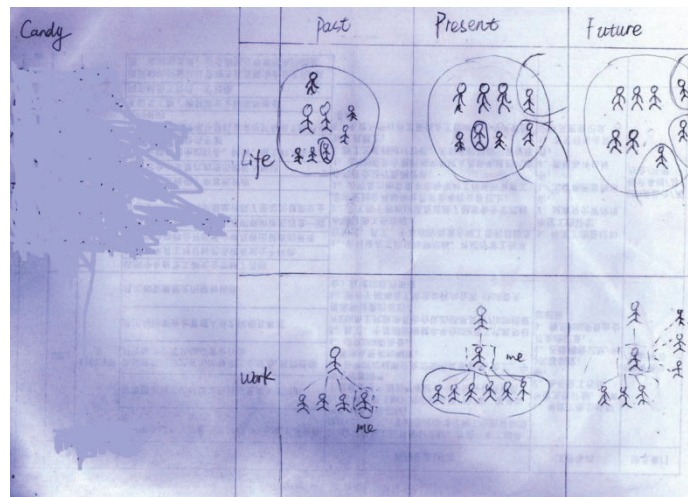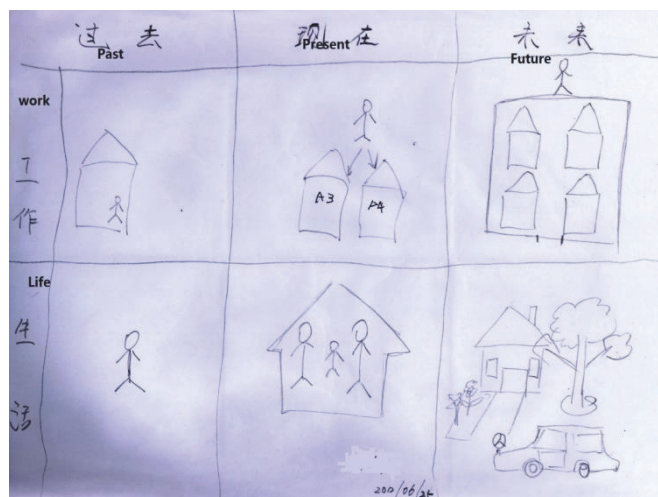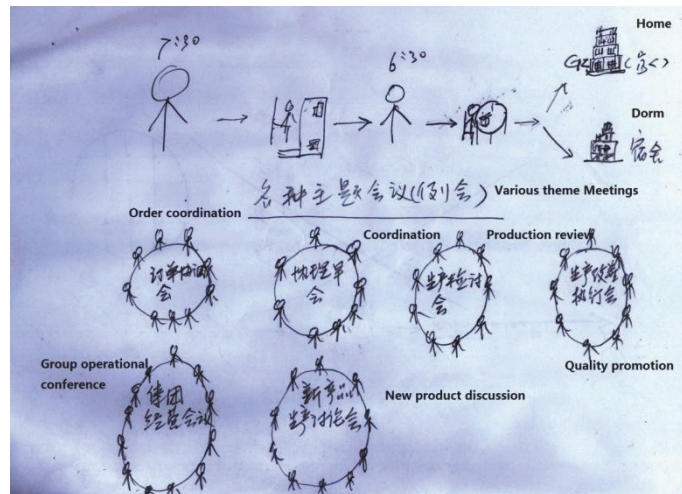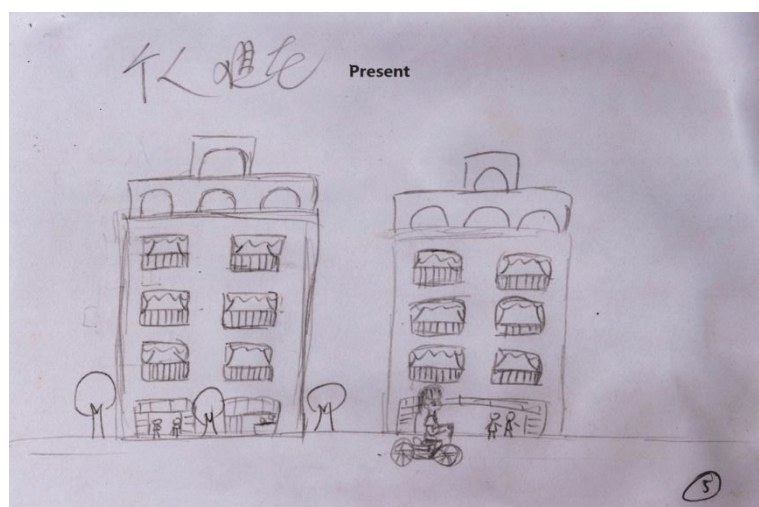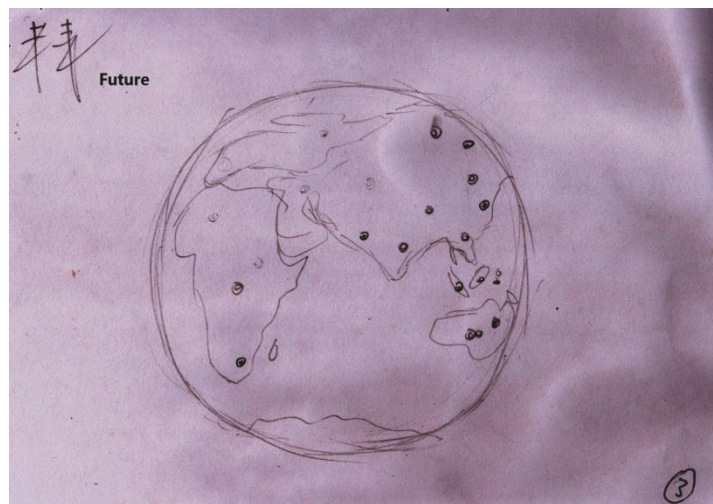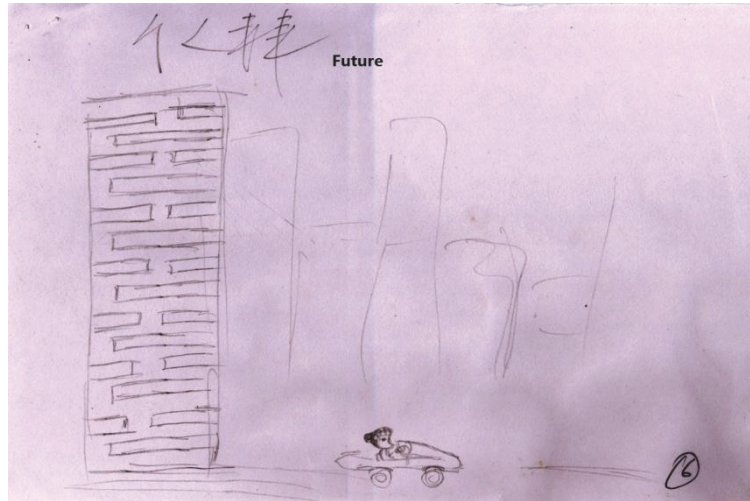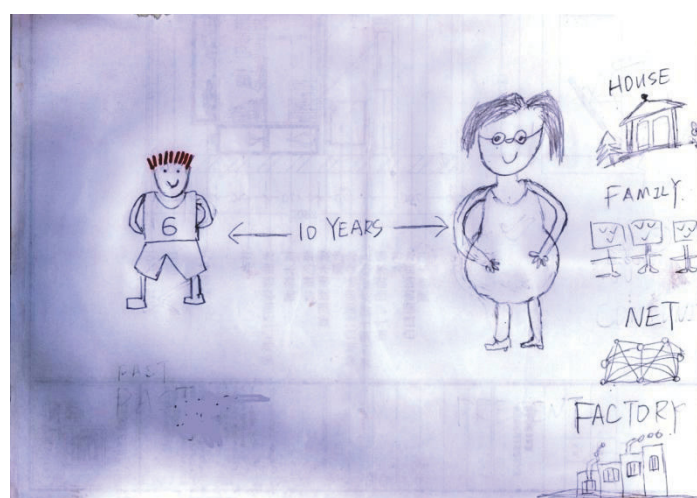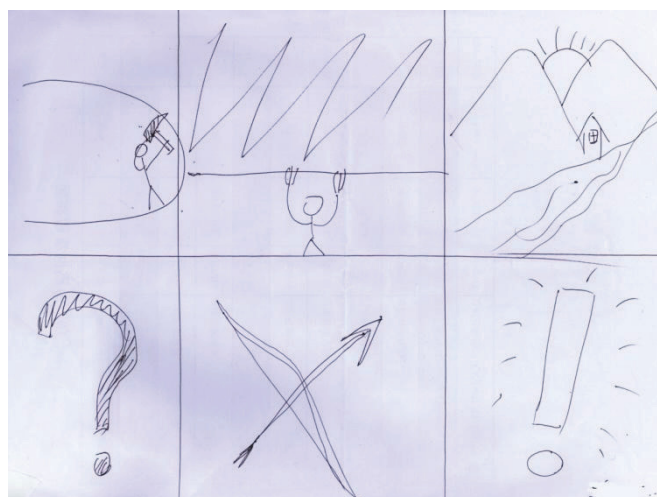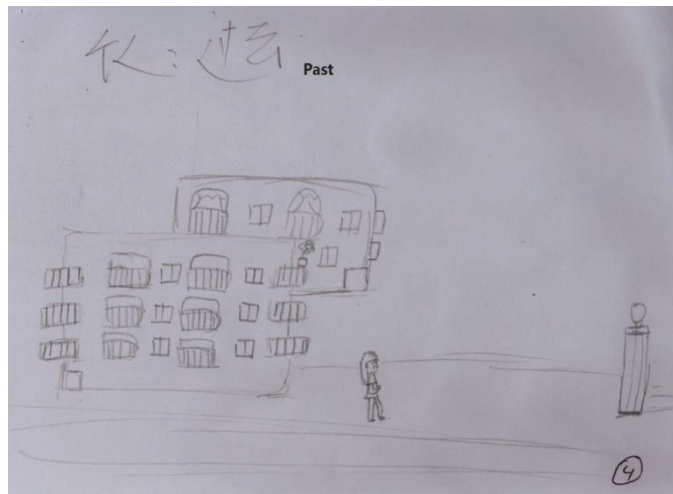
Appendix 12   Ethics Approval Letter

Dear Applicant

The UTS Human Research Ethics Committee reviewed your application titled, "A case of business sustainability in China: Shoetown Footwear Co., Ltd.", and agreed that the application meets the requirements of the NHMRC National Statement on Ethical Conduct in Human Research (2007). I am pleased to inform you that ethics approval is now granted.

Your approval number is UTS HREC REF NO. 2013000706
Your approval is valid five years from the date of this email.

Please note that the ethical conduct of research is an on-going process. The National Statement on Ethical Conduct in Research Involving Humans requires us to obtain a report about the progress of the research, and in particular about any changes to the research which may have ethical implications.   This report form must be completed at least annually, and at the end of the project (if it takes more than a year). The Ethics Secretariat will contact you when it is time to complete your first report.

I also refer you to the AVCC guidelines relating to the storage of data, which require that data be kept for a minimum of 5 years after publication of research. However, in NSW, longer retention requirements are required for research on human subjects with potential long-term effects, research with long-term environmental effects, or research considered of national or international significance, importance, or controversy. If the data from this research project falls into one of these categories, contact University Records for advice on long-term retention.

You should consider this your official letter of approval. If you require a hardcopy please contact Research.Ethics@uts.edu.au.

To access this application, please follow the URLs below:
* if accessing within the UTS network:
http://rmprod.itd.uts.edu.au/RMENet/HOM001N.aspx
* if accessing outside of UTS network: https://remote.uts.edu.au , and click on "RMENet - ResearchMaster Enterprise" after logging in.

We value your feedback on the online ethics process. If you would like to provide feedback please go to: http://surveys.uts.edu.au/surveys/onlineethics/index.cfm

If you have any queries about your ethics approval, or require any amendments to your research in the future, please do not hesitate to contact Research.Ethics@uts.edu.au.

Yours sincerely,

Professor Marion Haas
Chairperson
UTS Human Research Ethics Committee
C/- Research & Innovation Office
University of Technology, Sydney
T: (02) 9514 9645
F: (02) 9514 1244
E: Research.Ethics@uts.edu.au
I: http://www.research.uts.edu.au/policies/restricted/ethics.html
P: PO Box 123,
BROADWAY   NSW   2007
[Level 14, Building 1, Broadway Campus]
CB01.14.08.04
Ref: E13

Appendix 13　Letter of Permission of Case Use

Letter of permission for use of business case

案例使用许可函

致：广东外语外贸大学 MBA 学院　To: Graduate Business School, GDUFS

The undersigned has scrutinized the Case Study titled *Shoetown Footwear Co Ltd:- People Centered Production System- 'Made By China*, dated 7 December 2012 and authored by Huang Lei, Sharon Moore and Pat McCarthy and, the undersigned confirms that the content of the document is acceptable to Shoetown Footwear Co Ltd. Furthermore, the undersigned agrees that this Case Study and its content, which may be used by the Graduate Business School, GDUFS or its authorized institutions for research and teaching purposes.

Based upon the above understandings, the undersigned, on behalf of Shoetown Footwear Co Ltd, hereby authorizes:

1. The Graduate Business School, GDUFS to use this Case Study for research and teaching purposes

2. The Graduate Business School, GDUFS and the authors to enjoy copyright of the contents of the Case Study.

　　本人已阅读附件中由黄磊（**Huang Lei**）及其团队成员 **Sharon Moore** 和 **Pat McCarthy** 创作的、签署日期为 2012 年 12 月 7 日，题为"*Shoetown Footwear Co Ltd:- People Centered Production System-'Made By China*," 的管理案例，本人确认，本案例事实与广硕鞋业的管理实际情况相符，并了解该案例及其相关未来将可能用于广东外语外贸大学 MBA 学院或其授权的机构用于课堂教学。

　　基于以上了解，本人代表个人以及所在的企业/机构授权：

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Authorized person 授权人：Ben Lee 李文彬

Position 职位：Vice President 总经理特别助理

Organization Title 企业/机构名称：QING YUAN CITY SHOETOWN FOOTWEAR CO., LTD.清远市广硕鞋业有限公司

Address 地址：BAPIAN VILLAGE, XUANZHEN ROAD, TAIHE TOWN, QINGXIN COUNTY, QINGYUAN CITY, GUANGDONG PROVINCE, PRC 中国广东省清远市清新县太和镇玄真路八片村

Date of signing 签署日期：　2017/01/07

Signature

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Signature removed prior to publication.

Appendix 14   Book Chapters Arising from the Thesis

Wu Yinming , Huang Lei and Xu Yuefang (2009)
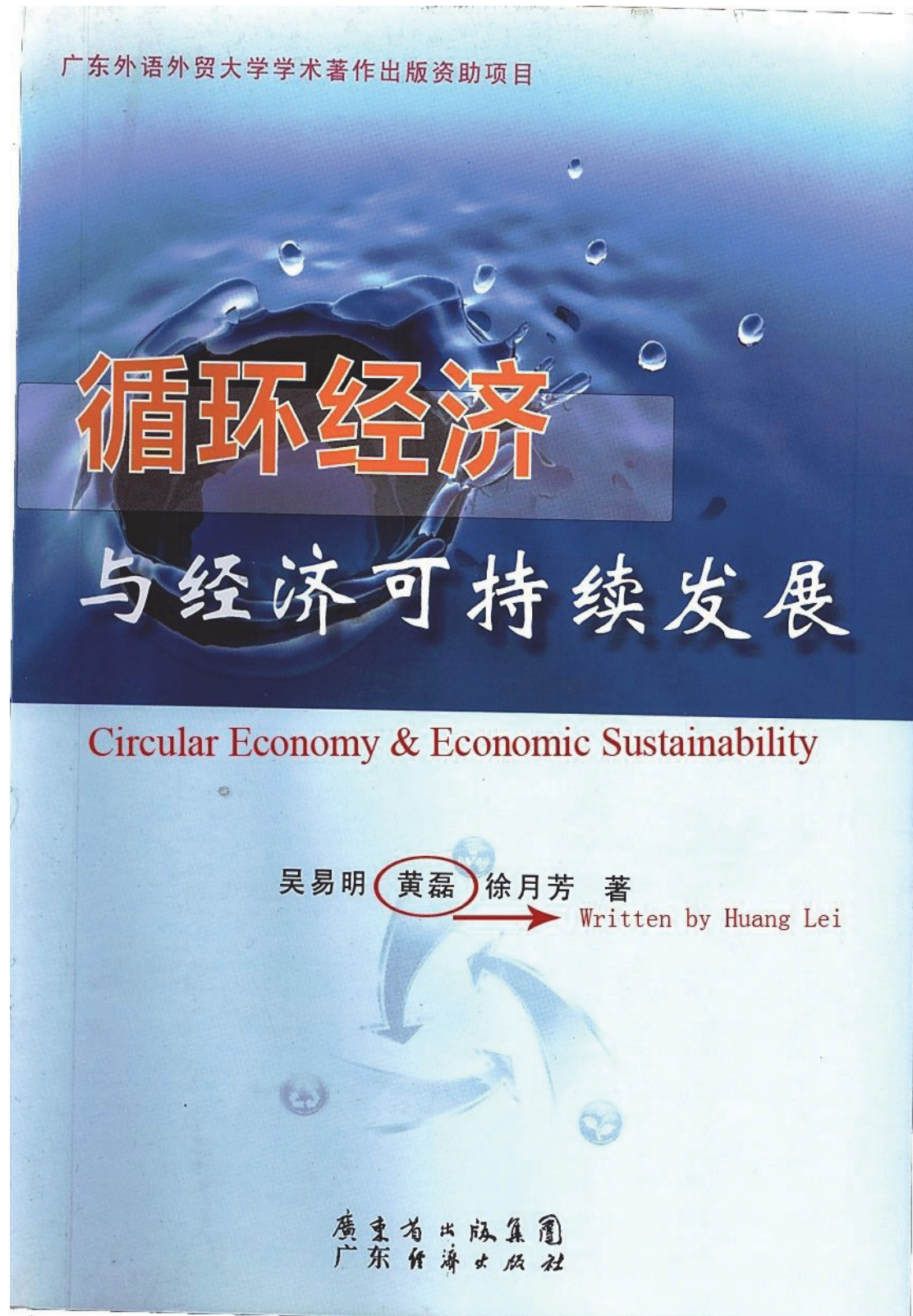
Appendix 15   Book Translation During PhD Research—01
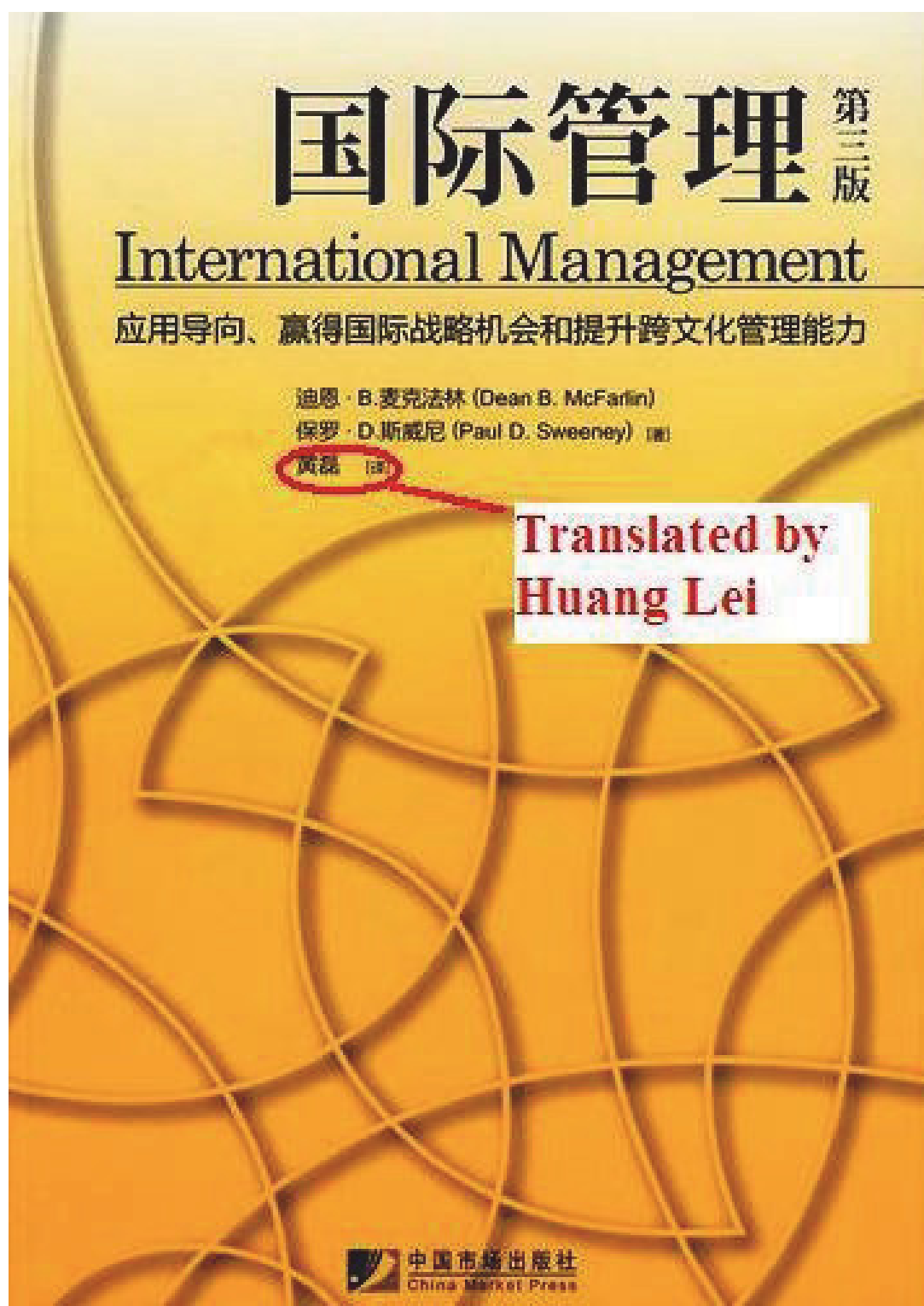
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加拿大西安大略大学 **Ivey**

[加]路易丝·A·林德斯 (Louise A. Mauffette–Leenders)
[加]詹姆斯·A·厄斯金 (James A. Erskine)　　著
[加]迈克尔·R·林德斯 (Michiel R.Leenders)

赵向阳　黄　磊　译　**Translated by Zhao Xiangyang Huang Lei**

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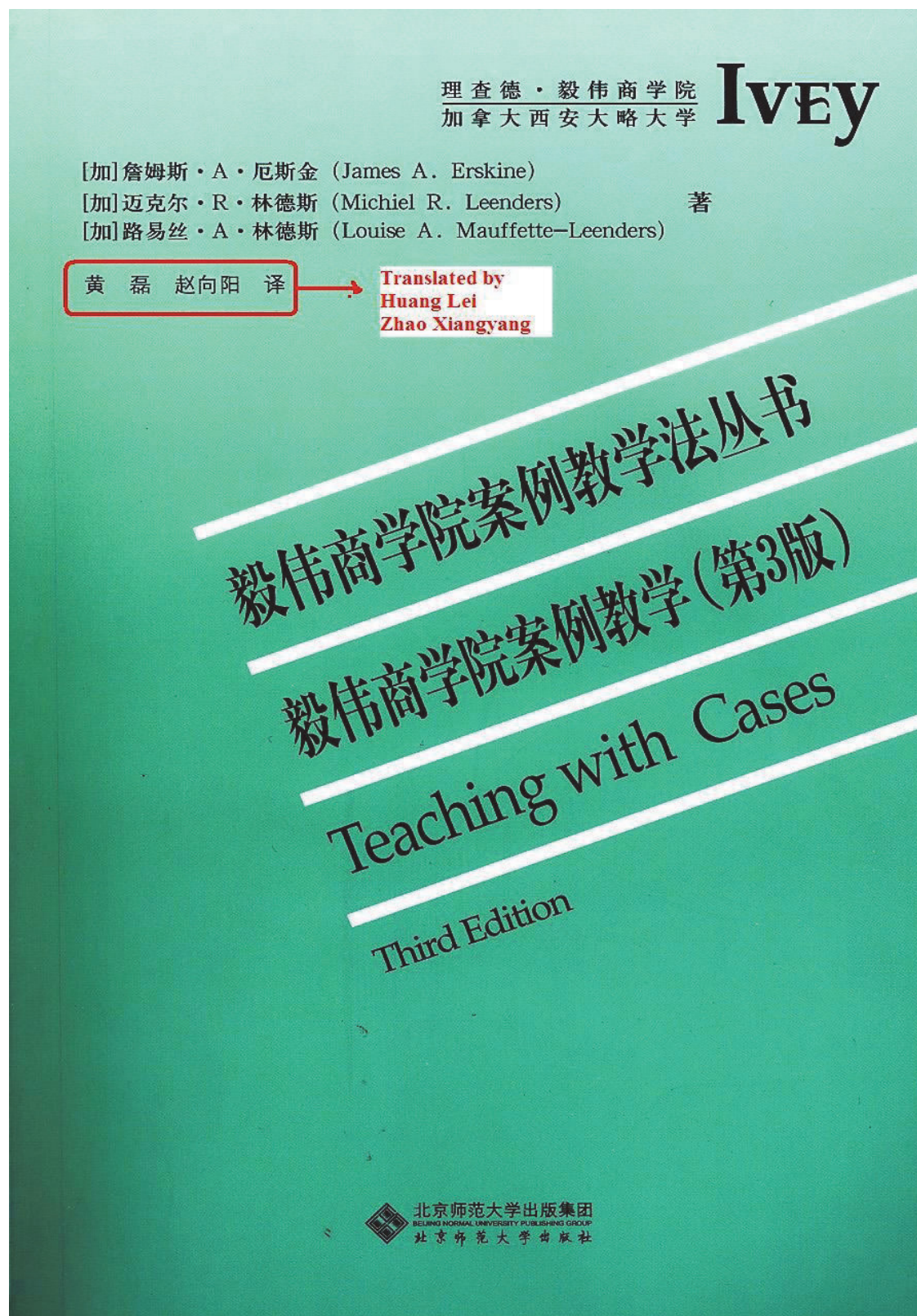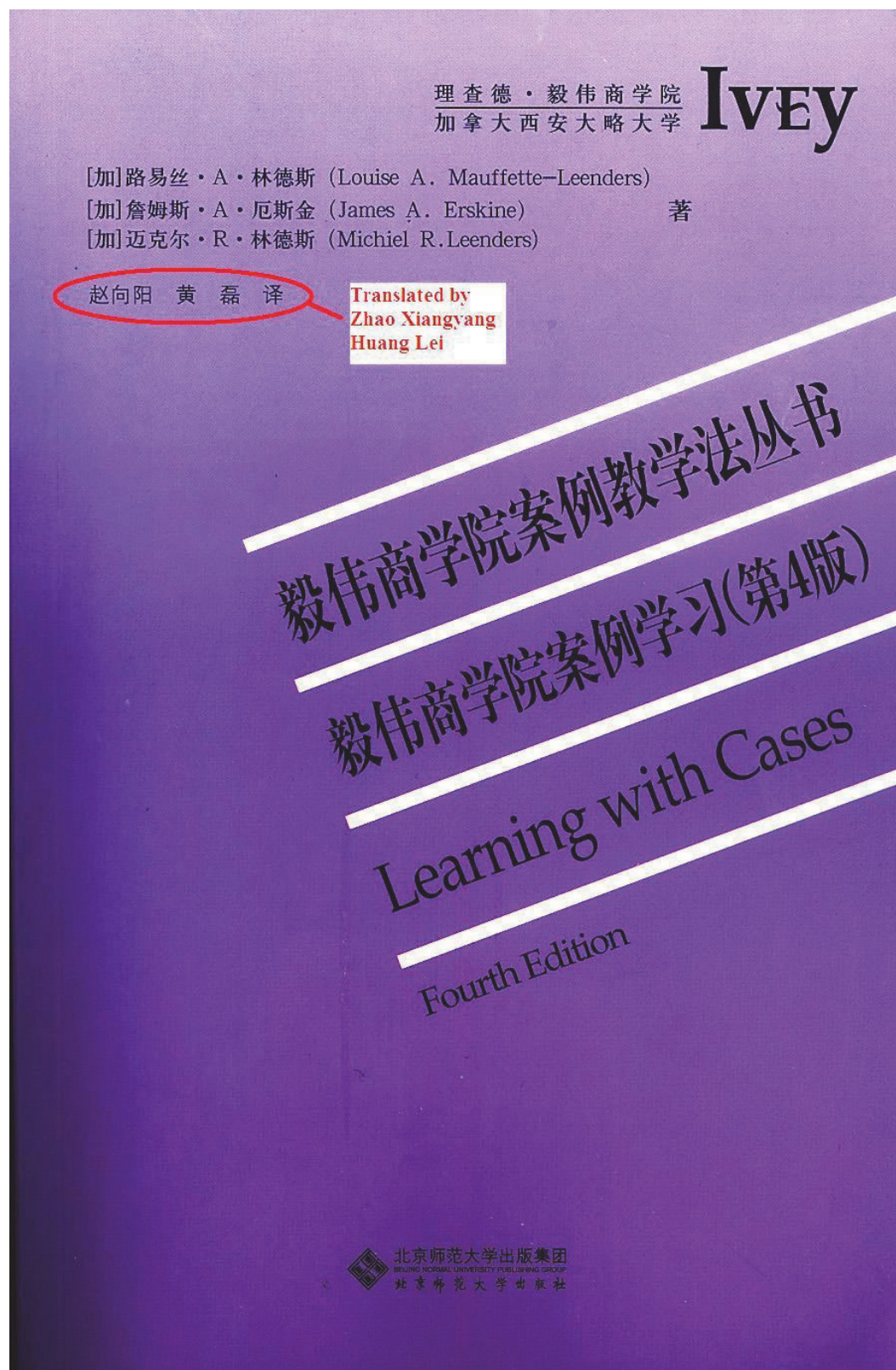
Appendix 18   Book Translation During PhD Research—04

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加拿大西安大略大学

[加]迈克尔·R·林德斯 (Michiel R. Leenders)
[加]路易丝·A·林德斯 (Louise A. Mauffette−Leenders) 著
[加]詹姆斯·A·厄斯金 (James A. Erskine)

Translated by
Huang Lei
Zhao Xiangyang

赵向阳 黄 磊 译

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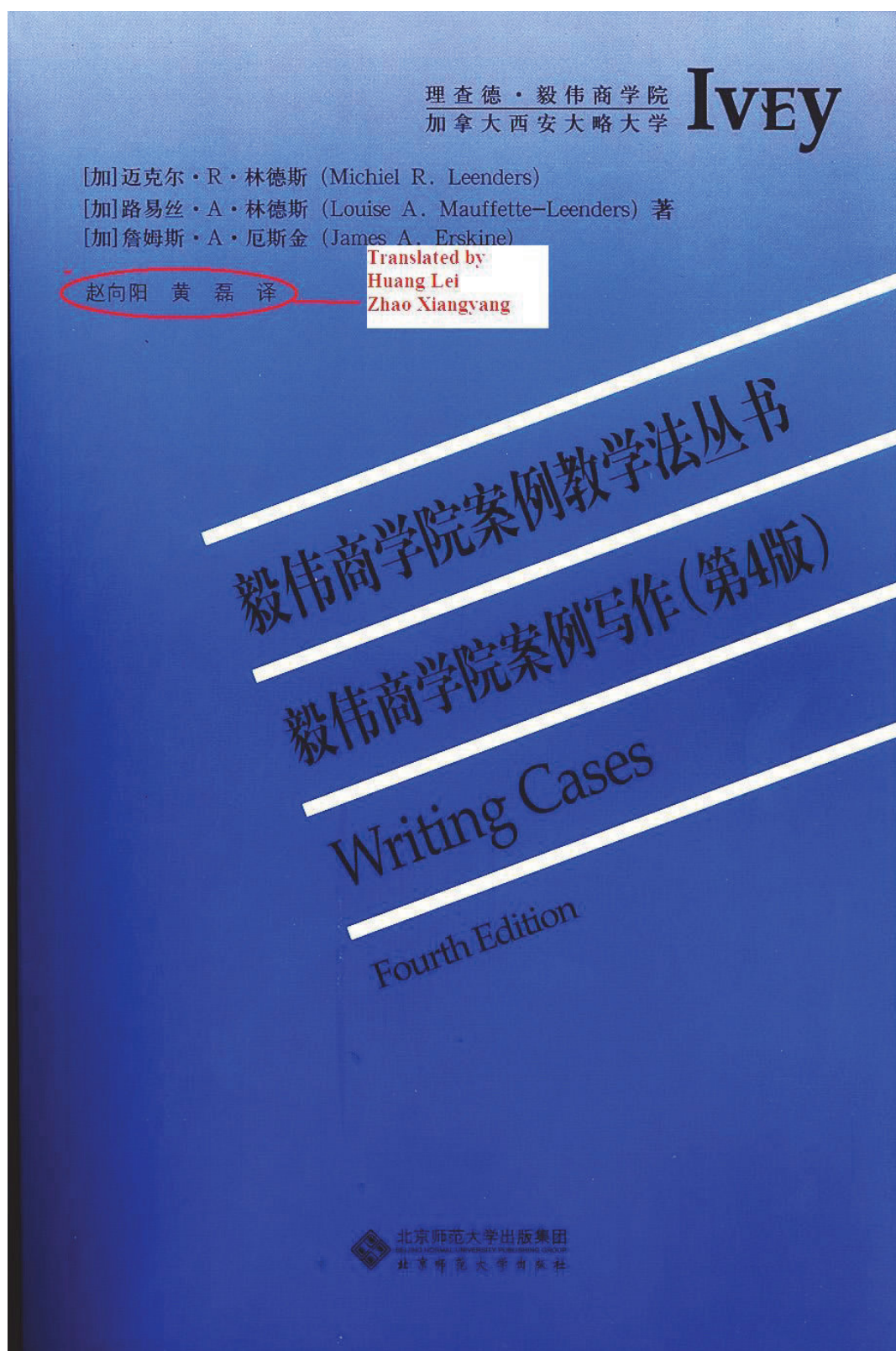
Appendix 19　Papers Arising from the Thesis—01

"A research on traditional Chinese harmonious cultures and sustainable development"
Huang Lei (2007)

理论探索
CONTEMPORARY ECONOMICS

中国传统和谐文化与可持续发展研究

○黄　磊
（广东外语外贸大学国际工商管理学院　广东　广州　510420）

【摘要】中国传统文化的精华就是"和谐文化"，强调人与自然的和谐共存关系、人与人之间的和谐人际关系。从对中国文化产生深刻影响的儒家、道家和佛教学说和理念中，我们不难发现中国传统和谐文化与当代的可持续发展观念有着密切的内在联系，如天人合一、众生平等等观念。我们应该努力挖掘和发扬中华传统文化中的优秀成分，用以指导我们的可持续发展战略和建设。

【关键词】中国传统　和谐文化　可持续发展　儒家　道家　佛教

一、导言

当今世界物质高度发展，也是生态环境极度危机的时代。工业科技发展如日中天，地球生态却空前恶化：环境污染、水土流失、土地沙化、森林锐减、物种灭绝、资源枯竭、全球变暖等。面对现实，人们认识到要想人类文明得以延续，必须找到一条"既满足当代人的需要，又不对后代人满足其需要的能力构成危害的发展"之路，由此，可持续发展概念应运而生。可持续发展（sustainable development）是一个涉及经济、社会、文化、技术及自然环境的综合概念，主要包括自然资源与生态环境的可持续发展、经济的可持续发展和社会的可持续发展。可持续发展以自然资源的可持续利用和良好的生态环境为基础，以经济可持续发展为前提，以谋求社会的全面进步。可持续发展的核心就是人与自然的和谐以及人与人之间的和谐。

和谐文化是以和谐思想为内涵、以文化为表现方式的一种文化，它融思想观念、理想信仰、社会风尚、行为规范、价值取向为一体，包含着对和谐社会的总体认识和评价，是社会发展和文化建设的有机结合。"（翟丽艳，2006）。和谐文化是在一定的社会主体的历史、现实以及未来的社会生活的自觉性和期望的条件下形成的。它对和谐社会建设的功能显而易见。对于个体而言，它是人们的思想和行为准则；对社会整体而言，它是社会高度认同的共同价值观念的体现。和谐社会本质所体现的就是一种和谐的文化精神。

中华民族传统文化的精华就是"和谐文化"。起初强调的是人和自然的和谐关系。中国传统和谐文化与当代的可持续发展观念有着密切的内在联系。因此，我们必须努力挖掘和发扬中华民族传统文化中的优秀成分，古为今用，用以指导我们可持续发展思想和战略。

二、中国传统和谐文化思想讨论

中国传统文化博大精深，一直到现在依然是世界各国关注的焦点。过去，不少人认为中国传统文化的主流是儒家，而事实上，儒、道、佛三家互动互补，相拒相融，才是中国传统思想与文化的特殊生存状态。诸子百家在汉武帝"罢黜百家，独尊儒术"之后，也并没有从中国文化中完全消失，而是潜移默化地影响着主流文化。儒、道、佛三家对"和谐"的理解和诠释也各有千秋。本文着重研究儒家、道家及佛教的思想中有关"和谐"的代表部分。

1、儒家和谐文化思想

在中华五千年的文明历史上，儒家文化始终占主流地位。儒家文化以深厚的农业文明为背景，在朝代更替的历史长河中表现出强大的生命力。

在儒家八条目中，"修身、齐家、治国、平天下"构成一个完整的思想体系，它的核心就是和谐，主要包括两层意思：一是指"和"，即事物存在的理想状态，事物各要素之间的力量均衡。二是指"合"，指事物内部矛盾不断由对立、冲突、斗争、走向同一并不断完善自身的动态过程。事物只有在"合"的基础上才能最终实现"和"。

《易经》是最早的儒家经典著作，是中国远古先民们在长期生活和占卜实践中，对大自然现象的概括和总结。《易经》强调"天人合一"的思想，认为人的行为只有符合天道运行的规律，才能趋吉避凶。《易经》强调人与自然和谐关系，同时也表达了人与自然之间的双向影响，对后世产生了巨大的影响。

另外，儒家虽然认为人因其道德理性而优越于动物，人类所关注的次序也是从人类本身出发，再推及其他生命，但是，

这并不意味着人类的价值就绝对比其他生命高。人固然比其他的生命具有更高的智慧，但是在生命的价值上，所有的生命都是相同的。儒家的宇宙哲学认为：人与大地的关系应该是融洽无间的。人并不能把自己看作世界上万事万物的主宰，不能以自然为仆人，而应视所有的生命形式都与自己相通。

关于人际关系的和谐，儒家提出了一个基本的范畴，这就是"中庸"（或"中和"）。中庸的方法论源于儒家的阴阳学说，是早期的辩证法哲学。既然万事万物都有其两面性，那么，处理时就要兼顾双方，做到不偏不倚。中庸之道讲究做事留有余地，不主张走极端的道路。孔子吸收晏子、史伯的和同观，指出"君子和而不同，小人同而不和"。在孔子看来，凡事都有一个界线或尺度，达不到或超越这个界限或尺度都不可取。儒家的中庸、中和观念不论就其"和而不同"的意义而言，抑或就其"过犹不及"的意义而言，虽然都不能简单地归结为折中主义或调和主义，它的实质、精蕴乃是强调矛盾的统一与均衡，强调通过对事物之"度"的把握以获得人际关系的和谐。

2、道家和谐文化思想

道家比较系统地论述了"天人关系"，提出了一系列正确处理人与自然关系的精辟见解。《道德经》是道家思想创始人老子的作品，它表达了一个朴素、自然、豁达、飘逸的宇宙观和人生观。其思想核心，是对宇宙本体、国家政治及人生观的探讨。道家文化是建立在"天人合一"的整体观念上的，它将天地视为一个有机统一体，认为人与自然万物有某种共同的本源和共同的法则，这是道家文化对可持续发展理论的突出贡献。

道家认为法自然的"道"既是万物的本源和母体，亦是支配和制约天地万物的总的法则和总的规律。道本身是一个和谐体，它在天地生成之前就存在，听不见它的声音，也看不到它的形体，它独立存在而永不衰竭，循环运行而生生不息，可以为天地万物根源。在老子看来，作为天地万物本原的东西不是什么别的东西，而是先于天地而生的"道"。基于此，老子提出"道生一，一生二，二生三，三生万物"（《老子》四十二章）的观点，阐发了自己的宇宙观：道"是天地万物的本原，道"分化为"阴阳"二气，"阴阳"二气相互作用而生成第三者，即"冲和"之气或曰"中和"之气，由它们再产生出千差万别的天地万物，宇宙万物莫不背负着"阴气"，胸怀"阳气"，这"阴""阳"二气相互拥抱、相互影响而生成新的和谐体。

在道家文化中，宇宙间一切自然之物都是以"道"为其最大共性和最本原的有机统一体。同时，人也是天地万物的一部分，老子认为"道大、天大、地大、人亦大"（《老子》第二十五章）。在老子那里，这四样并不是并列排列的，它们是逐次涵盖，各有等差。在这四大之中"道"最大，它生生不息，独立而不改，而且无所不在，世界上万事万物都是由道派生而来；其次是天，天为"道"所包涵，并且覆盖大地；再次为地，地为天所覆盖，同时又孕有着万物与人类；最后是人，"人者，天地之德，阴阳之交，鬼神之会，五行之秀气也"。由此，老子提出"人法地，地法天，天法道，道法自然"的理论，人以天地为法则，地以天为法则，天以道为法则，道以自然为法则，而自然的法则就是自然而然。

庄子继承和发扬了老子的这种"天人合一"的思想。在他看来，依照事物的本性，回归自然，就是尊重生命。天地与我一同生存，而万物与我合而为一，把自己与天地万物隔离开来只能是自取灭亡，人并不是自然界的支配者和主宰者。

在人际关系方面，道家主张无为而治，反对社会冲突，希望社会和谐。《老子》中给人们描绘了一个人与人之间"无欲"、"无为"、"无争"，彼此和谐相处，宽大为怀，人人"甘其食，美其服，安其居，乐其俗"的理想社会。老子提出的"无知"、"无为"、"无争"、"知止"、"知足"等主张，无非是要人们效法天道，"有余以奉天下"，实现社会中人与人之间的相对均衡。

3、佛教和谐文化思想

佛教是一个充分尊重生命、尊重自然的宗教，而且，这一观念从最初起，即通过佛教的思想理论（教义）和行为准则（戒律）得到传播和实践。

佛教宣扬人与其他生命是平等的，所说的"众生平等"、"普渡众生"、"众生皆有佛性"、"众生皆能成佛"，其目的就是为了教化世人。既要珍惜人的生命，也要珍视并尊重其他生命。具体说来，佛教把生命状态分为两种，即有情众生与无情众生，所谓"情"，即情（感情）识（意识）。凡是有情识的，如人与动物等，都叫有情众生。没有情识的，如植物乃至宇宙山河大地，都叫无情众生。有情众生又依生活的世界分为六类：天道有情、阿修罗道有情、人道有情、畜生道有情、饿鬼道有情、地狱道有情。尽管佛经之中强调，佛陀乃是出现于人间，在人间成佛，所以六道之中，最尊贵的是人道。但是，佛教确立"六道轮回"的观念，说明如果生活在人道的有情造恶业的话，将来仍然会堕落到饿鬼或者地狱之中，并非一成不变。所以，佛教虽然肯定人在六道中的特殊性，但并没有"唯人独尊"，其他万物都是为我所用、必须无条件为我服务的观念。相反，佛教一再强调，因为六道的轮回，一切有情众生之间，有着不可思议的亲缘关系。"一切男子是我父，一切女人是我母，我生生无不从之受生。故六道众生皆是我父母，而杀而食者，即杀我父母，亦杀我故身。"（《梵网经》）基于这样的观念，佛教是坚决反对杀生的。这是在众生平等的基础上提出来的。一切生物都有其生存的权利，人类必须善待一切灵，这样人类才能与自然达成和谐。所以，佛教对待有情众生最根本的两点，即平等和报恩。

佛教对无情众生的态度，与对待有情众生的态度是紧密相关的。佛教并不因为花草树木、山川河流的"无情"，而轻视他们甚至滥用和浪费他们。佛教把人由于过去世之业因而感得的有情之身心生命称为"正报"，把国土世间等无情众生，称为"依报"。佛教认为，外在的环境乃是有情众生"共业"所感之果，也就是说，"依报"的好坏，是由有情众生来决定的。如果有情众生都心存善念、勤行善业，则依报就会变得美好。反之亦然。从这一点来说，佛教只承认"人祸"，不承认"天灾"，因为一切的天灾的根源就是人祸！所以，佛教对待无情众生最根本的也有两点，即自律和珍惜。

佛教的生态智慧观的出发点是慈悲的精神。譬如旷野沙碛之中，有大树王，若根得水，枝叶华果悉皆繁茂。生死旷野菩

提树王,亦复如是。一切众生而为树根,诸佛菩萨而为华果,以大悲水,饶益众生,则能成就诸佛菩萨智慧华果。……是故菩提,属于众生。若无众生,一切菩萨,终不能成无上正觉。"(《普贤行愿品》)这就要求人们,要用慈悲的眼与心去对待一切众生,而且时刻不能忘记是众生成就了人们,人们必须与自己的同类和谐共处,与其他生物和谐共处。

三、结论和启示

综上所述,中国传统三大主流文化的核心内容和基本精神乃在于"和谐":人与自然的和谐,人与人的和谐。中国传统文化以人为本位,以"和"为宇宙万物存在发展的基础,由此形成了内容丰富、独树一帜的中国古代"和谐"思想文化。

这是万物得以正常运作的基本因素,这也是中国传统和谐文化与可持续发展理念的相通之处。从中国传统和谐文化中,我们可以总结出其对可持续发展理念的重要意义。

1、天人合一观念

中国传统和谐文化的天人合一观强调人与自然和谐统一,可持续发展的第一重要原则就是要求在发展经济的同时,把保护环境放在重要的地位。这对于纠正我们片面追求经济效果,忽视环境保护的价值观具有重要的借鉴意义。

我国在上世纪五六十年代"大跃进时期"和"十年动乱时期",忽视"天道"强调"人道",盲目强调人的主观能动作用,提出"征服自然"、"改造自然"的雄心壮志,推行毁林毁草开荒、围湖围海造田和打虎灭雀等运动,结果造成了植被覆盖率降低、水土流失严重、生物多样性锐减、环境污染加剧、生态环境恶化、自然灾害频繁等一系列严重后果。改革开放之后,尽管党和政府采取了一系列保护生态环境、保护野生动植物的措施,退田还林还草、治沙治水治山,但由于欠帐过多,积重难返,治理污染艰难和恢复生态缓慢,至今没有从根本上扭转环境污染和生态破坏恶化的趋势。

如今,尽管可持续发展已经成为主导世界经济发展观念,但是,在中国不少地方仍然只把经济利益放在首位来考虑。长期依赖粗放型经济增长方式,结构不合理,技术装备落后,管理水平低,使我国能源利用效率低下。如广东某些地区在被视为"世界工厂"的同时,也被认为是"世界垃圾"仓库。有些地方以牺牲长期环境为代价,获取短期的经济增长目标。

古今实践和教训证明,谁违背大自然的规律谁就会遭到大自然的报复。因此,我们必须正确地把握以人为本的实质和方向,才能正确处理和协调好人与自然的关系;只有研究并遵循自然生态规律,才能实现人与自然界合作共处,共同进步;把环境保护与发展科学技术和生产力有机地统一起来。在这一点上,中国传统和谐文化的天人合一观可给我们带来很大的启发。

2、众生平等观念

中国传统和谐文化的众生平等观强调人与人之间的和谐统一,可持续发展的另一条重要原则就是要求在发展经济的同时,必须维系社会的平等和公正。社会公正是真正的社会和谐的基础。但是,在当今的中国,最大的社会问题依然是由于缺乏公正和公平所引起的。

收入差距问题。中国改革开放27年来,经济取得了飞速的发展。中国人均GDP增长了5倍,绝对贫困人口减少了数亿,然而,随着社会结构的转型和富裕阶层的出现,中国的贫富之间的差距在不断扩大,以衡量收入分配差距的基尼系数看,中国的收入差距正从改革开放初期80年代基尼系数0.20的高度平均,迅速扩大到目前基尼系数0.447,突破了国际公认的贫富差距0.40警戒线的现状。东部与西部,沿海与内陆,地域之间都存在很大的发展差距。

就业机会问题。随着高教育的扩招,每年几百万大学毕业生毕业,但就有几十万甚至上百万的大学毕业生找不到工作。民工的工作环境更是堪忧,每年一两个亿的农民工进城打工,他们在城市做着最低贱最卑微的工作,拿着最微薄的薪水,但是却处于被歧视的地位,生存状况极其恶劣。

城乡差别问题。尽管中国政府已经实行了中国的城市化进程,但中国的城市化进程很缓慢,中国社会城市与农村的二元结构没有达到彻底的改变,占全国69%的人口是农村人口,中国的户籍制度严重束缚了中国的城市化进程。

社会福利和保障问题。中国的社会福利和保障制度还是远远满足不了大多数人的需要,其覆盖面只是保障到城市,并且对城市人口的保障能力也是极其有限的。占总人口69%的广大农村人口被排除在这个保障体系之外。

贪污与腐败问题。今天,剥削制度当然已经不存在,但是,一些腐败分子的私欲膨胀,贪污与腐败一直是这个社会的一颗毒瘤,造成了社会的不公,破坏了社会和谐的基础。

和谐是社会进步的基础,平等是和谐的动力。中国传统文化在这一点上,观念也是很鲜明的。解决社会不平等问题与发展经济、谋求环境保护等宏观目标一样重要,只有很好地解决了这些问题,社会、经济、环境和谐的可持续发展的目标才可以顺利实现。

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Appendix 20   Papers Arising from the Thesis—02

Managing for business sustainability in China: a case study of Shoetown Footwear Co., Ltd.

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Abstract: Shoetown Footwear Co., Ltd. is one of Nike's global contract factories and strategic partners. It is part of the Evervan Group which has businesses throughout China, in Indonesia and Korea. Shoetown achieves world-class best practice in sustainable management. The Shoetown case study illuminates a holistic system of sustainability management through a focus on people and community resulting in high-quality thinking through skill development, teamwork and discretionary effort at every organisational level. The management at Shoetown utilise a skilful mix of eastern and western business theories embedded in the Chinese business context. This approach has resulted in sustained commercial success, technical innovation, high-quality environmental management and social sustainability. The paper analyses Shoetown's success, with a particular focus on sustainable management, value-chain management and social leadership and provides an example of a large-scale Chinese business operating as a sustainable business within a global value-chain context

Keywords: sustainability; management for sustainability; social sustainability; value-chain management; Made in China.

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This paper is a revised and expanded version of a paper entitled 'Managing for business sustainability: Shoetown Footwear Co., Ltd.' presented at the *2nd International Symposium on Corporate Responsibility & Sustainable Development*, Guangzhou, China, 9–12 April, 2013.

1 Introduction

1.1 'Made in China' vs. 'Made by China'

The Chinese economy has experienced an average annual growth rate of about 8% over two decades relying upon the well-known 'Made in China' approach to manufacturing. This approach is characterised by limited value-add because the design, innovation and other high-level thinking and skilled work occur in other countries leaving the low-skill work to be performed in China (Yingming, 2009).

Made in China has been severely criticised within China. First, low labour costs have often acted as the key driver for competitive advantage and this has led some to claim that labour is employed under 'sweatshop' conditions. Second, rapid Chinese economic growth has occurred at the cost of considerable environmental destruction. Third, rapid

economic development has not always brought about a harmonious outcome for Chinese society. Fourth, Made in China based on original-equipment-manufacturing (OEM) has placed China at the low end of the global value-chain continuum resulting in slim profit margins (Jay, 2012; Li, 2012; Williamson, 2003).

In short, Made in China is a key challenge to business sustainability in China. This has been particularly problematic since the global financial crisis, with substantial declines in western orders and reductions in the low labour cost advantage as wages increased in China (Tang, 2011). By way of contrast, the 'Made by China' concept involves Chinese innovation, high-skilled work and the production of high-end products – value added compared with the 'Made in China' approach where the design and value added occur in other countries. 'Made in China' poses fundamental questions for China on how to grow and how to upgrade Chinese businesses (Chen, 2012; Han, 2007; Peretti and Micheletti, 2004).

Within this critical context, many 'Made in China' manufacturers are seeking solutions. Whilst some have accomplished industrial technology and process upgrades, others have become bankrupt through low margin operations. Furthermore, many foreign-owned firms are now considering withdrawing from China and transferring their operations to cheaper nations and regions (Sirkin et al., 2011).

1.2 Chinese government sustainability agenda

Acemoglu and Robinson (2012) assert that Chinese economic growth has been largely a catch-up strategy of importing foreign technology and exporting cheap manufactured products. They argue that the dividends from such a strategy will dry up as the country reaches a living standard comparable with a middle-income country. Furthermore, high energy consumption in China is being noted internationally. The China Petroleum-Chemical International Conference reported that China's energy consumption accounted for 20% of the world total; 10% of world total gross domestic product (GDP). China's energy consumption surpasses the USA level of 19%, placing China as the top energy user in the world (BP, 2010).

Proactive measures have been taken by the Chinese government to tackle these severe problems. Although manufacturing is still a key economic driver, government attitudes, agendas and strategies have shifted significantly. The trend towards an increasing focus on sustainable development by the Chinese government from 2000 is clearly evident. The 10th 5-year Plan development involved infrastructure construction to attract investment to boost GDP growth. The plan focus progressed to sustainability by the 11th 5-year Plan. In the 12th 5-year Plan, the planning dramatically jumped to a model of 'inclusive growth' emphasising increasing awareness of the significance of sustainable development. The Chinese government's stated objective is that its new industry focus includes innovation, restructuring, merging and integrating rather than simply assembling or processing. Thus, the industrial intent has gradually shifted from secondary industry (manufacturing) to tertiary industry (services) (RIETI, 2010).

Shoetown, under the leadership of Mr. Ron Chang who is the President of the Evervan Group, has been developing its strategic directions in alignment with government economic development intents. Shoetown has put considerable effort towards its upstream, value added Made by China activities within Nike's supply chain whilst also striving for new sustainable approaches to manage its own business and its suppliers more effectively.

This paper explores these global business challenges facing China by conducting a case study of Shoetown, a business that seems to be doing things very differently, when compared with its competitors, in its approach to value-chain management, people management and sustainable business practices.

2   Literature review

2.1   Corporate sustainability theory

A common view of sustainable development is that the three domains of nature, economy and society, including culture, must all develop but not at the expense of each other. This explains why sustainable development issues, prescriptions and tools always cut across the three domains.

Corporations and societies pay increased attention to sustainability. This has been interpreted in various ways including corporate social responsibility (CSR), corporate social performance (CSP), going green or the 'triple bottom line' (Elkington, 1997; Savit and Weber, 2006). Early assumptions about sustainability contended that only large companies enjoyed sufficiently adequate resources to pursue this objective. Nevertheless, a more recent research stream has suggested that SMEs also play a significant role in the field of sustainability (York and Venkataraman, 2010).

Beyond simply being the 'right thing to do', sustainability is believed to be a source of business differentiation and a source of competitive advantage (Jenkins, 2009). The following characteristics have been summarised as the key features applicable to organisations, which are effective in the pursuit of sustainability: turning sustainability into a corporate strategy (Porter and Kramer, 2006); reinforcing and integrating the value of sustainability and strategy into the corporate culture (Jenkins, 2009) and sustainability value is espoused by the corporate management (Mette and Dennis, 2009; Tonya and Marcia, 2009).

2.2   Managing for business sustainability

According to Madu and Kuei (2012), sustainability is the continuity of economic development, environmental protection and social equity and management is the activity that enables conditions for sustainability. In their view, sustainability management requires a systematic evaluation of an organisation's sustainability competencies and its sustainability initiatives within the context of the organisation's overall strategic initiatives, components and critical success factors. That is, to respond well to the requirements of sustainability management, organisations should cultivate their strategic, technical, procedural and organisational capacities and capabilities. Galpin and Whittington in Wagner (2012, p.68) formulated an evidence-based model entitled a 'virtuous cycle of sustainability' to provide a blueprint for business leaders attempting to build a culture of sustainability in their organisations.

As depicted in Figure 1, Galpin and Whittington's model illustrates that a reinforcing virtuous cycle is created through the full engagement of employees to the firm's sustainability efforts. This level of engagement creates results and helps to shape future mission, strategy and the value setting of the firm. The cycle recommences with an even higher level in respect of the firm's societal status, expectation on sustainability and

performance. As the cycle continues over time, more innovative ideas will be gained from employee engagement in firm direction-setting, and as well, it can foster organisational innovation, enhance employee buy-in to new initiatives and improve implementation. All have important implications for the development, implementation and ultimate success of the sustainability efforts of an SME.

Figure 1 Virtuous cycle of sustainability (see online version for colours)
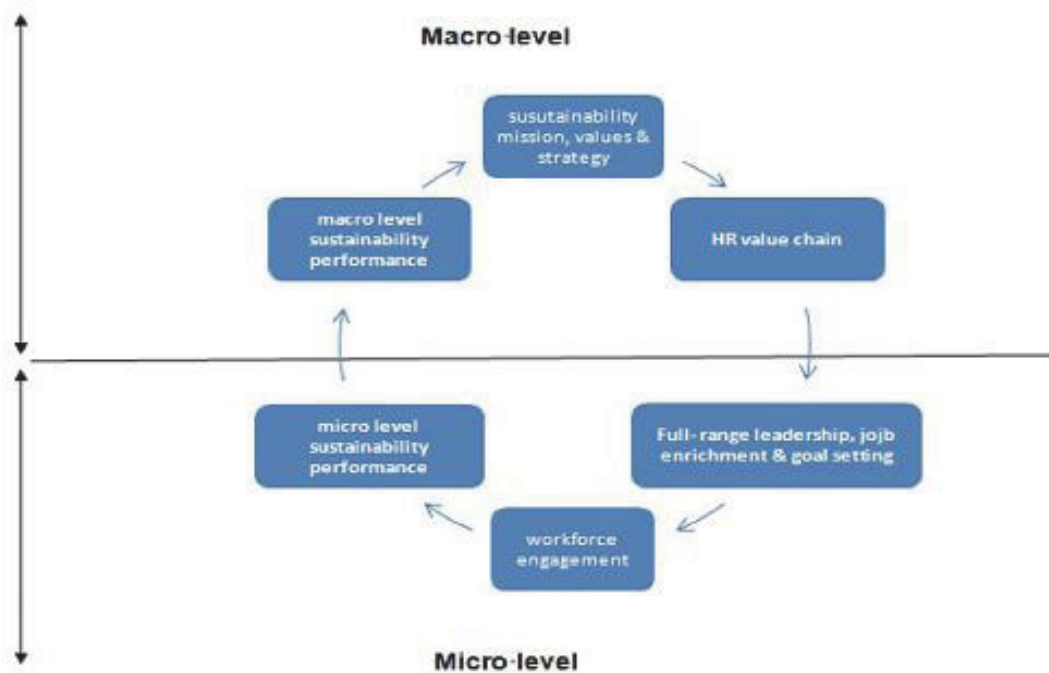
Source: Wagner (2012)

3 Methodology

A case study of a Chinese OEM company will be employed to demonstrate how one Chinese business is managing its business for sustainability. Case study, as defined by Yin (2009, p.18), "is an empirical enquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident". Franklin and Blyton (2011) believe that this is the reason why the case study has been commonly used in sustainability research. To know how human practice may affect the environment, researchers study individual cases or initiatives to explore consequences, possibilities and potentialities, which result from particular social practices and their relationships with outcomes in environment; an environment defined both physically and socially. When researchers look at real-world phenomenon, which contain both physical and social aspects, as well as ideas and initiatives that are expressed within a context or milieu, which, in turn, has multiple influences, action and potential outcomes, methodologically the case study method is an appropriate choice for sustainability research (Franklin and Blyton, 2011).

The authors studied the Shoetown Qingyuan factory where 40 managers and workers were interviewed. Interviews with the leadership group occurred on many occasions and

in total lasted many hours. This group typically spoke English and interpreters were not needed. Interviews with workers generally lasted 30–45 min and required interpreters. People interviewed were selected by management on the proposals of the authors that an authentic reflection of the organisation would result and subjects were chosen because they had progressed through the ranks and had a wide range of experiences. They had all worked at Shoetown for more than 5 years and selection ensured that each functional team at Shoetown was represented by at least one interviewee.

The workers and many of the managers provided an illustration depicting what they liked about working at, and living in the vicinity of, Shoetown. The researchers gave no other guidelines and chose to enrich the interview in this way by using the illustrations to focus the attention of the *interviewee*. The illustrations enabled a check that the researchers understood what was being said via interpreters, and they provided a friendly way of beginning each interview. Observations during factory tours and attendance at meetings that involved other people served to confirm the validity of sentiments expressed during the interviews and in the illustrations presented. Data was analysed using pattern matching. This enabled the identification of key themes.

4   Case study: Shoetown Footwear Co., Ltd.

4.1   History of Shoetown

Shoetown Footwear Co., Ltd. is a large-scale privately owned footwear-manufacturing business. The company is the first contracted supplier for Nike in mainland China and is one of Nike's global contract factories and strategic partners. Shoetown launched its business in Guangzhou in 1989. By the time the business was relocated to Qingyuan in 2001, the factory was producing 300,000 pairs of Nike shoes per month and generating annual revenue of RMB 600 million. The product consisted mainly of technically simple children's shoes. There were four factory buildings occupying 5.4 acres of space. At its peak in Guangzhou, Shoetown employed 9000 workers, 95% of whom were recruited from other provinces. Few technical people were employed. Current Shoetown workers remember working very hard in Guangzhou.

Qingyuan was attractive for many reasons. A beautiful mountain provides a backdrop to the chosen factory site. The staff could enjoy a better quality of living in a smaller city where many of the workers had family members living. In addition, the cost of accommodation, food and education would be cheaper for them. The new purpose-built Shoetown was more than five times larger than its predecessor occupying 34 acres of space. The new factory was purpose built on vacant land and involved an investment of about US$ 50 million. The organisation is currently equipped with 12 production lines for basketball shoes and nine production lines for football shoes with an annual output of 14 million pairs of shoes generating revenue of about US$ 150 million. 18,000 people are currently employed on site.

Special features of the new purpose-built Shoetown included a special Learning Centre and a great number of meeting rooms ranging from quite small rooms to a large theatrette that can hold 1000 people. Each month all team leaders and above come

together to hear about, and discuss, new initiatives, to hear about progress on existing business plans and to discuss other topical issues. Well-appointed medical facilities, staffed by 5 doctors, and dining rooms that serve subsidised food for all were also designed into the new Shoetown.

4.2 Nike influence: corporate values and leadership

Understanding Nike's leadership and participative relationship with Shoetown is an important precursor to appreciating the culture and processes adopted at Shoetown. Globalisation, with its volatile mix of economic opportunity and potential for social disruption, has provoked fierce debate over working conditions and labour rights in developing countries. On the one hand, direct foreign investment and the diffusion of global supply chains in an array of different industries – apparel, electronics, footwear, toys and so on – have provided developing countries much-needed capital, employment, technology and access to international markets. Seen in this light, globalisation is having a catalytic and transformative effect on local economies, allowing poor countries to finally achieve their long sought-after goal of development (Moran, 2002). On the other hand, global corporations and their local suppliers are often depicted as agents of exploitation, taking advantage of developing countries' low wages and weak social and environmental regulation to produce low-cost goods at the expense of the local workers' welfare (Pruett, 2005).

In the early 1990s, Nike received severe criticism of its business conduct including that it operated 'sweatshops'. Nike and other well-known brands such as Gap and Coca-Cola have been targeted by the movement known as 'Ethical Supply Chain' at various times over the past 20 years (Editor, 2012). To eliminate this situation, Nike has become one of the loudest advocates of improving working conditions. In 1992, Nike established a code of conduct for suppliers (Apple took similar action in 2005). In 1996, Nike helped create the Apparel Industry Partnership, which drew up a code of conduct for factories. Nike introduced monitoring and first published the overall results of its monitoring in 2000, and in doing so, it listed details of all the factories in its supply chain in 2006 (Editor, 2012).

Nike has introduced many initiatives to protect workers within its production process. The person occupying Nike's senior role of Head of CSR is now jointly accountable for enforcing the code of conduct with the supply chain, a change that the occupant says has removed an "us-vs.-them siloing problem". Currently, members of Nike's 140-strong CSR team are involved in all components of their supply chain. Additionally, Nike espouses a philosophy of continuous improvement whilst delegating increased responsibility to workers.

Nike's Codes of Conduct details the principles applicable to all suppliers and embraces management practice, labour, compensation, benefits, hours of work/overtime, environment, safety and health (Locke et al., 2007). Nike also requires that all criteria are assessed through Nike's Compliance Rating System. Again, this requirement applies to all contractors and suppliers. Nike's corporate values and their support have complimented and helped shape the business conduct of Shoetown.

4.3   Shoetown vision and values

Shoetown is organised as five broad functions. These are

- *production*: the shoe production processes

- *quality control*: connecting customers and company on quality issues

- *development centre*: to advance development for all types of footwear

- *business sector*: deals with orders, production scheduling and procurement

- *service and maintenance*: HRM and other administrative support.

Decisions at Shoetown Footwear Co., Ltd. are framed by its values and its vision to become a world-level Lean Production Manufacturer in sport shoes manufacturing. To achieve the vision, Shoetown has established its mission, which is to sustainably create maximum value for customers and society through product quality, speed and innovation. These core values and mission are to be realised through professionalism, enthusiasm, respect and mutual trust.

The strategic drivers of success include embedded team-based work structures across the business, united in their efforts through the core values and participative management style at Shoetown. A clearly articulated focus on the increased use of sophisticated technology, research and development, enhanced product value-add; closer ties between customers and suppliers for mutually shared value and the deliberate challenging of existing models to reduce overall cost are all part of the success strategy. Shoetown's values system is embedded in its Logo as shown in Figure 2.

Figure 2   Logo of Shoetown Footwear Co., Ltd. (see online version for colours)

Source: Shoetown Management

Evervan Group President, Mr. Ron Chang, had high ideals when establishing Shoetown, and his beliefs, management philosophies and practices are reflected in the company logo.

- *People as the core*. Blue and orange stands for people as they walk forward. A young face is depicted to indicate man/woman as the core in the operations. Mutual trust, teamwork and speedy innovation are also represented by the blue colour.

- *Going concern*. A spiral track of movement is a perpetual circulation denoting the continuous creation of passion and innovation to bring the organisation into a global arena.

- *Professional and enthusiastic*. Orange denotes active and passion and illustrates the enthusiasm and passion of all staff. It corresponds with the corporate colour of Nike. Blue demonstrates the professional, prudent, truthful and practical spirits of the people of Guangzhou.

The evidence collected in preparing this case study points to an organisation that lives by its values and has done so over a long time frame.

4.4 Survival strategies for the future

Although Shoetown was satisfying Nike when situated in Guangzhou and performing well against Nike's balanced scorecard, the leadership team at Shoetown considered the business vulnerable on a number of fronts. They considered that the simple shoe range they manufactured could easily be replicated elsewhere by another Chinese manufacturer, or even in another country. Shoetown, therefore, needed to upgrade its product to differentiate itself from the myriad of other factories capable of producing the same, low value-added sporting shoe. The senior team had other concerns. The ability of the business to grow larger and better was being impacted by space constraints, and there were energy supply capacity limitations at the factory together with foreseen worker recruitment difficulties. A strategic decision was taken to relocate Shoetown to Qingyuan.

Ron Chang had always held a deep belief that the same technologies are always available to any competitor and, therefore, he had concluded early in his working life that "it is the people who make the difference". The concept of building a people-centred business was well accepted by his top team as well. What differentiates Shoetown from most others is that the management team has successfully implemented a whole-systems approach to institutionalising a people-centred business. That is, all systems endeavour to integrate and have consistent philosophies underpinning them. The whole-systems approach has embraced concepts such as sustainable manufacturing and sourcing and built-to-last philosophies, the integration of the supply chain from top to bottom and the forming of strategic partnerships with suppliers and customers.

Shoetown tackles its problems in a holistic way. Leadership interventions have been sustained over a long time frame and leadership continues to focus its energy on whole-systems thinking, transparency, open communication, ethical behaviour and fully integrated systems and processes. Business sustainability is talked about widely; the concept is understood and accepted at all levels of the organisation. Thinking well and innovation are clearly evident and are at the forefront of interventions throughout the whole business. This culture underpins a production system utilising Lean Production methods including Team-Based Work. This culture underpins Shoetown's programme of automating its previously mechanised production systems.

There are clearly articulated visions and values for the company, which are underpinned by a comprehensive and sophisticated suite of key performance indicators (KPIs) (Figure 5, Table 1). These are talked about at regular meetings that bring together management, team leaders and the workforce. Supply chain partners and customers participate in joint innovation projects.

Table 1   Key performance indicators (KPI) Shoetown 2008–2011[1]

Year	Output (%)	Revenue (%)	Injury (%)	Turnover (%)	B grade (%)	kWh/pair (%)
2008	0.00	0.00	0.00	0.00	0.00	0.00
2009	−5.00	−7.00	−22.00	−13.00	−21.00	2.00
2010	9.00	6.00	26.00	4.00	−21.00	−14.00
2011	12.00	12.00	−30.00	1.00	−14.00	−18.00

[1]Two things to be noticed here: 1) Injury refers to lost time. Turnover relates to annual staff attrition (in this respect multiple turnover occurs with new hires – turnover for workers is about 5% per annum whilst it is about 1.5% for higher level workers). B grade rate refers to the percentage of shoes that are not of the highest quality. kWh/pair is the electricity consumed (kWh) in making one pair of shoes 2) Absenteeism is very low; about 1% per day.

Source: Shoetown Management

Facilities such as meeting rooms and the training centre are used extensively to encourage discussion about best practice. Jobs, training and facilities are designed as part of a whole-system; the corporate vision focuses on what could be rather than what is. There are continuous programmes of learning, innovation and change. The workforce frequently expressed a connection to their clients. Teams are used for problem solving, learning and interdependency, and making jobs more interesting. There was much scope for decision-making content in jobs with key information and feedback displayed in the production areas. Collaboration and respect was a dominant impression experienced by the observers, and people seemed to feel that their contribution was important and noted.

Shoetown has concentrated on evolving from a traditional hierarchical, mechanised production line business, characterised by silos of activity, to an integrated production line. This has required an emphasis on communication, information, openness, teamwork, empowerment and learning. Shoetown's way of thinking is deliberately challenged, as it integrates technologies from other industries with specialised shoemaking technology.

Shoetown plans to increase its reliance on technology including robots and other automation. Management articulates the emphasis this will bring on self-inspection and correction needed to avoid the catastrophic failures that can happen when highly automated systems fail. In this context, a clever empowered workforce is seen by Shoetown as essential to its future and success.

As indicated, Shoetown leadership made conscious decisions when moving the business to Qingyuan. It sought to be a sophisticated manufacturer, decided to increase the numbers of people with specialised technical qualifications, planned for a purpose-built Learning Centre and built many meeting rooms for conversations and learning, and to encourage thinking well at every organisational level. Shoetown's management team is guided by its clearly enunciated values and principles.

4.5   Integrating family and community into Shoetown

Considerable thought was also given to integrating community and family into the 'Shoetown family' at Qingyuan. Around 950 apartments were built for the workforce providing housing for approximately 4000 people. Many Shoetown workers mentioned with great satisfaction that their job at Shoetown has enabled them to buy an apartment; others mentioned their aspiration to do so (The provision of housing for a large

proportion of the workforce is rare in the case of private enterprises in China). When a worker's family experiences difficulties, the family is often visited by the employee's manager with a view to seeing whether Shoetown can provide practical assistance.

Also, unique is the building of a community art gallery and a golf course at the front of the factory complex. Aside from signalling that something very unique was being planned for Shoetown, the art gallery and golf course subtly continues to invite all people; Shoetown workers and their families, the broader community, strategic suppliers, etc., to think beyond the confines of their existing thought patterns. There is a Shoetown kindergarten, and education and broad curricular learning classes are provided for interested family members. A subsidised bus service continues to transport workers from Guangzhou to and from work each day.

More significant for stakeholders was the decision to build for a sustainable future. The plan was to build a Shoetown that produced high value-added products. A conscious decision was made to take a whole-systems approach to both building and workplace design, and to enable the workforce to experience the satisfaction of higher-level needs. This latter point meant that not only would remuneration continue to be paid in full and on time, as had always been the case, but that workplace and community learning and safety would be an ongoing high-order priority.

The focus on the workforce achieving higher-level needs included the introduction of Team-Based Work; a way of working that has been described as "teams being learning machines". Another important strategic decision was to significantly increase the numbers of employees with specialised, high-level technical qualifications. A labour union has been established at Shoetown. It is a western-style union without formal links to government. The union has the support of management that views it as an additional mechanism for enabling employee grievances to be dealt with.

4.6 Serving society

As it grew larger, Shoetown's leadership decided that its community service obligations needed to take on extra importance and it became incorporated in its strategies and way of doing business. Objectives of the business included becoming exemplary neighbours to its community and society more generally. Benefits that accrue to the business from this focus included improved risk management through, for example, quick detection and elimination of any currently unforeseen adverse environmental issues. Shoetown has made it clear that it will listen to the emerging concerns of the surrounding community.

Serving the people of the broad Qingyuan community is a key consideration of top management. It means maintaining a good corporate status within the community, but furthermore, there is a focus on the creation of a harmonious climate so that the entire 'Shoetown family' gains the respect and friendship of the people in the city. A foreseen benefit is that this provides the opportunity for the people of the city of Guangzhou and Qingyuan to better understand Shoetown.

In tackling the challenges that confronted the business when it was situated in Guangzhou, the Shoetown leadership deliberately chose to place much more focus on innovation and decided to adopt fundamentally new approaches to its system of management, and to the built environment in Qingyuan.

4.7 *Managing sustainability in the supply chain: upstream and downstream*

Management focus, policies and strategies underpin the intentions described earlier. Profit and related inputs are monitored as a matter of course. There are six other performance indicators – Quality, Waste, Injury, Energy, Technology and Training Hours and these cascade into subsidiary performance indicators. These areas of focus align with Nike's audit and certification system. In the Nike system, points are provided in key areas such as lean production, green energy and carbon usage, and occupational health and safety. A selection of Shoetown's KPIs is described later. They demonstrate a holistic and sophisticated approach to leading and managing the Shoetown business.

By way of example, Shoetown's Sustainability Strategy is directed at the co-existence and co-development of Profit, People and Planet. There are five areas of focus in the Environmental Strategy – Environmental Sustainability, Human Resource Management, Health and Safety, Lean, Energy and Carbon. The key elements of each demonstrate the sophisticated approach mentioned earlier.

- *environmental sustainability*: reduce waste; improve waste treatment system

- *human resource management*: improve business performance and develop an organisational culture that fosters a stable, flexible and empowered workforce where training and promotion opportunities are offered to outstanding employees

- *health and safety*: eliminate toxins; improve working conditions; reduce injuries and reach the goal of zero-injury accidents, zero incidents and zero impacts

- *lean*: increase efficiency through continuous improvement with empowered employees

- *energy and carbon*: reduce energy consumption and carbon emission.

The lessons from the global financial crisis strengthened the resolve of the leadership to be at the forefront of innovation in all its forms. Given its culture of innovation and the extent of cooperation between supply chain partners discussed later, it is not surprising that there is much innovation evident at Shoetown. Innovation obviously provides significant benefits to Shoetown and the other businesses in the Evervan Group of companies. Suppliers and Nike also benefit. Shoetown's management acknowledges that significant benefits are achieved through, for example, improved efficiency, reduced manual work, lower cost, more stable quality and energy savings. The sharing of the benefits of breakthrough innovations produced through the interaction of different companies working together occurs in the following ways:

- *Scenario 1*: When innovation occurs through Shoetown cooperating with machine or material vendors, the ownership of any patent belongs to the machine or material vendor on condition that the new machine/material is supplied solely to Shoetown for a certain period of time.

- *Scenario 2*: When Shoetown cooperates with machine or material vendors and Nike, the ownership of any patent will also belong to the machine or material vendors. Nike can proliferate the ideas to other contract factories.

- *Scenario 3*: When Shoetown undertakes projects within its in-house facilities (producing shoe bottom parts and components), the ownership of any patent belongs to Shoetown's in-house facilities. Shoetown can use it for other brands (other than Nike).

- *Scenario 4*: Innovation developed at Shoetown with Nike cannot be used in non-Nike producing factories of the Evervan Group.

The supplier of Shoetown's adhesives and associated products, Nan Pao Resins Chemical Company Ltd – Sports Goods Adhesives & Materials has a long history of focus on health and healthy products. In the early 1980s, it banned smoking in its offices in China and the company has been progressing from using oil-based adhesives in favour of water based from 1992/1993. As would be expected, the Nan-Pao Resins Chemical Company employs many chemists and chemical engineers. Its health and safety environment is guided by ISO 14000 (environmental management system), HSE (Health, Safety, Environment), SHAPE (Safety, Health, Attitude of management, People (related to human rights), Environment) and other quality assurance systems and regulations. Adherence to the volatile, organic, compound (VOC) reduction management system provides further environmental and safety protection. All relevant performance of vendors on the supply chain is audited and evaluated by Shoetown. The Nan-Pao Resins Chemical Company describes its relationship with Shoetown as 'high intensity'. The company's three pronged objectives in its dealings with Shoetown included

- strategic cooperation with Shoetown

- increased opportunities for conversation and information sharing among peers – Shoetown and Sports Goods and Materials people

- creation of 'Green' business and automated business solutions with Shoetown.

In practice, this results in the Sports Goods and Adhesive Division of Nan Pao Resins Chemical Co. Ltd meeting formally with Shoetown and Nike bi-annually to improve adhesive and related products, operating standards and products. These meetings also attempt to drive solutions that lead to labour savings, use of less energy and greater efficiency. Over the past five years, the company has undertaken joint innovation projects with Shoetown. One project involved the automation of a process starting with one worker per machine and resulted in the development of a new water-based hot melt and film coating product, automation and consequential labour savings. There are many other companies in Shoetown's strategic supply chain, which, in turn, is part of the Nike strategic supply chain. All relationships are built on working together. Innovation is often an outcome from this cooperation.

4.8 *Influence of Chinese philosophies at Shoetown*

The researchers could see the strong influence of Chinese philosophies of life in the way business is conducted at Shoetown,[1] in particular *Confucian ethics* (working towards a virtuous life), *Taoist principles* (sensitivity to one's relationship with the environment) and *Guanxi* (the importance of social relations in one's life). This is evident in the preceding discussion where these principles could be seen to permeate thinking on environmental sustainability, labour management and other relationships with employees,

strategic partners and the broader community. It could be seen in the processes for decision-making and social sustainability at Shoetown. Those principles include the construction of a harmonious society, and recognising the co-existence and independency of human beings and the natural environment.

4.9   Achievement

Figures 3 and 4 show the growth of the business and many of its achievements from its inception to recent years.

Figure 3   Product growth in Shoetown (see online version for colours)

Source: Shoetown Management

The visions and values are underpinned by a comprehensive and sophisticated suite of KPIs (Figure 5, Table 1). These are talked about at regular meetings that bring together management, team leaders and the workforce. Supply chain partners and customers participate in joint innovation projects.

Figure 5 and supporting data show growth in output, revenue, overall improvement in quality, reductions in staff turnover, energy usage and lost time workforce injury.

The business, people and community practices of Shoetown clearly reflect the characteristics of a successful sustainable company. Shoetown interview data explored the experience of working at Shoetown. Interviewees were asked to bring to the interview a drawing/illustration that depicted their experiences of working at Shoetown. What was overwhelmingly reflected during interviews, particularly in the illustrations, was the personal and professional significance of Shoetown to both workers and managers. Being part of the Shoetown family and community gave their life shape and meaning. Employees believe that Shoetown motivates them, "makes them better people", "has given them a life", made them a 'man' and so on.

Figure 4 Shoetown's annual sales[1] (unit: million pairs) (see online version for colours)
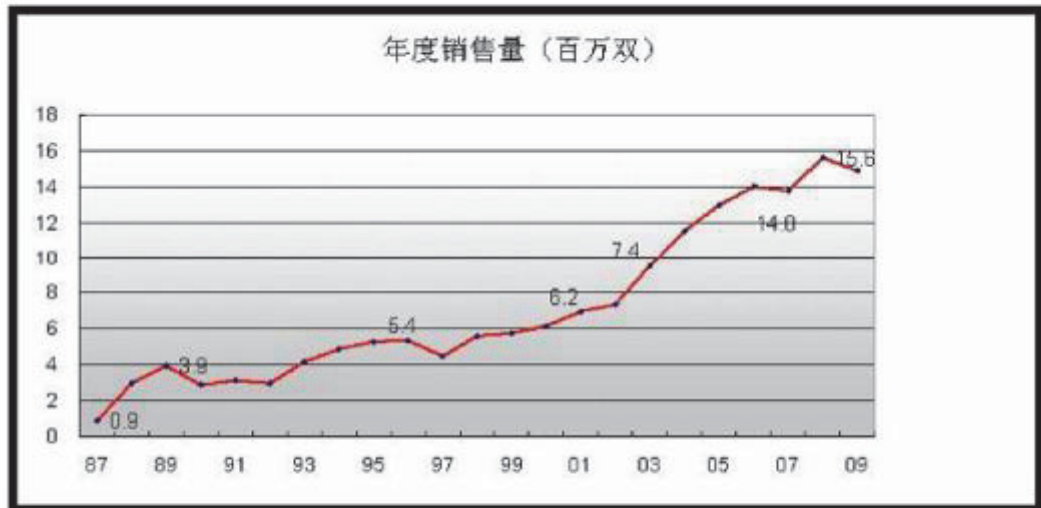
[1]Although orders dropped during the early stages of the global financial crisis, management reached a consensus with its employees that their normal employment arrangements would continue. Employees continued working and being paid for 8 hours work with spare capacity taken up on initiatives to improve the work environment and training to upgrade skills. In addition, investments were made in automation and technology upgrades in anticipation of, and to drive future growth in product demand.

Source: Shoetown Management

Figure 5 Key performance indicators (KPI) Shoetown 2008–2011 (see online version for colours)
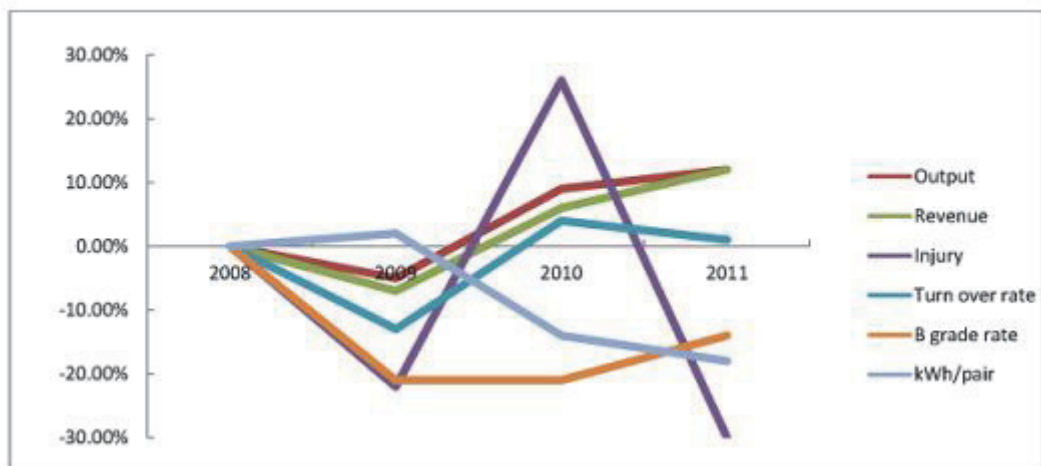
Source: Shoetown Management

Another aspect was the satisfaction gained from an individual's seeing how their part of the work was important to the whole. Teamwork and work with a wide scope of activity was the dominant Shoetown experience. A desirable future was achieved "when what we are doing gets us to where we want to go" and allows personal growth and career development. The illustrations contained many examples of this factor at work. Being a Shoetown worker was far from a dead-end job, and all the interviewees reported this. Everybody knows their range of tasks and settings and this combined with open management was motivating.

5   Discussion

Morelli has argued that there is a need to change the design perspective that would provide a stronger linkage to new approaches for industrial production innovation and that "only a genetic change in the role of industrial production is likely to provide the radical changes required for a sustainable development". Consequently, only a radically new design approach will be able to support such change (Morelli, 2012, p.265). Block (1987, 1993) and Weisbord (1987, 2012), leading US contributors to the debate on the strategic importance of the working environment to business and organisational success, offer interesting insights when analysing the Shoetown research data, particularly the nexus between worker engagement, CSR and economic success.

All of our research confirmed that Shoetown is a people-centred, learning organisation (Senge, 1995) and makes its decisions in alignment with its values. The interviews at Shoetown seemed to indicate that life value does matter at Shoetown. For example, the weekly senior management meeting was remarkable for its openness and friendliness, and for its sense of community. The importance of affirming dignity appeared to be part of the Shoetown DNA, evidenced in the way senior managers related to employees at all levels. Block's important contribution on leadership defined as stewardship is relevant here, reflecting Ron Chang's fundamental belief that the people have to be able to develop their talents, and his stewardship of them enables this.

The whole-systems approach, or as Dunphy (Dunphy, 2000; Dunphy and Griffiths, 1998; Dunphy et al., 2007) describes it, the holistic approach, where the business works towards outcomes for the natural environment, successful long-term economic performance and constant support for its people and social outcomes, is clearly evident at Shoetown. This approach appears to be reflected in Shoetown's human resource policies and programmes, occupational health and safety, and risk management approaches, and CSR initiatives, which all co-exist alongside stringent financial targets. Achievements in this respect over the last five years have produced results including steady corporate growth (five new factories, in rural and remote parts of China, as well as in other countries (Vietnam) in the region, all achieved within a tough global environment where 30% of competitors have gone out of business in 2012 (Ron Chang, personal discussion).

In this way, social sustainability can be viewed as integral to successful triple bottom line management. It does not only focus on financial or environmental sustainability, but also enhance the lives of people at work, the communities in which the business operates and the society of which it is a part. Shoetown is a Triple Bottom Line business leader, with a particularly strong commitment to its employees, stakeholders and community. The Shoetown business is a production system. It is a holistic system that puts people, learning and thinking at the heart of all considerations. This reflects the vision, values and commitment of its President and Leadership Group as Ron Chang, President of the Evervan Group and owner of Shoetown mentioned in discussion with the researchers "Taking care of your people must be in your mind and in your heart".

Sophisticated thinking is encouraged at every organisational level at Shoetown. Its organisational structure and culture combine to promote commitment, innovation and sustainable competitive advantage in a turbulent global market. Shoetown's success can be attributed to its unique integration of traditional Chinese and contemporary western business theory and practice. Shoetown management blends the best of western and eastern management approaches and philosophies. The underpinning philosophies of Confucianism, Taoism and the best of Guanxi are applied at Shoetown. The result is

authentic relationships in all levels of dealings. The application of these philosophies provides Shoetown with a competitive advantage.

Relationships appear genuine, broad and deep and based on mutual respect and trust. Relationships extend to the family, community and government. There is genuine concern for the environment. People are treated as individuals and as part of society. They are developed to be a 'whole' person. By way of example, the workforce has grown used to being paid in full and on time throughout Shoetown's history. There has been no compulsory retrenchment during difficult trading times, employees have benefitted from the housing provided to themselves and others, and they have noted the good work done in the community by Shoetown. Employees are aware of the attention given to health and safety and to the environment. Many commented on the clarity, fairness and transparency of the business and its policies. The concentration of effort and thinking throughout Shoetown seems to be on the factors that motivate. The researchers for this case study found evidence of high levels of discretionary effort the workforce said that they were prepared to give, to the owner, to management, and to the brand.

The preceding discussion, which covers an example of Shoetown's supply chain relationships, demonstrates that Shoetown's approach to learning, to open communications and to innovation extends beyond the Shoetown business and into its strategic partnerships. Personal relationships at Shoetown appear to be very deep, warm and embedded. They typically appear to have been developed over many years; they seem very respectful, open and honest and team focused and there appears to be very high levels of trust. These relationships extend through work teams, to families, the community, to strategic partners, suppliers and government. Workers talk of the 'Shoetown family' and what it has done for them. One worker said that when Ron Chang needs help, the workforce is happy to oblige. In summary, relationships at Shoetown can be described as authentic (Fan, 2000; Li and Zhang, 2005; Lin and Ho, 2009; Wang, 2004).

Given the variations in management practices applied in the west and east, which of course vary between countries, regions and company cultures, a depiction of Shoetown's practices is better seen in the form of a Venn diagram (Figure 6) than as discrete boxes, which seek to show that there are profound differences. By way of example, Guanxi is practised in different ways in different Asian countries. However, businesses in western countries also network; many of these networks have similar characteristics to the Chinese Guanxi. It is possible that the depth and reach of these networks vary significantly between east and west but the characteristics of Guanxi can still be identified in the west. Integrating western management theory with Chinese culture and philosophies has enhanced the achievement of Shoetown regarding its business sustainability.

6 Conclusions

It is important to recognise that all businesses operate under unique circumstances. This requires individual management teams seeking business sustainability to carry out their roles in accordance with reasonable assumptions and context-based principles applying to their unique circumstances (Ghoshal, 2005; Klisberg and Feng, 2013). Managing for business sustainability "must be performed with explicit reference to,

and in light of, actual social or environmental conditions in the world to be effective" (McElroy and Engelen, 2012, p.8).

With regard to Shoetown, everything done there is consistent with driving a 'Made by China' philosophy. The foundation is provided by a sound, thought through and clearly articulated set of corporate values and mission, which are embodied in the management and leadership system, in human resource policy and practice, in production and in other supporting organisational functions, as well as in the built environment. This leads to a whole-systems and integrated approach to everything that is done at Shoetown.

Figure 6   Shoetown: a blending of western and eastern management theories (see online version for colours)
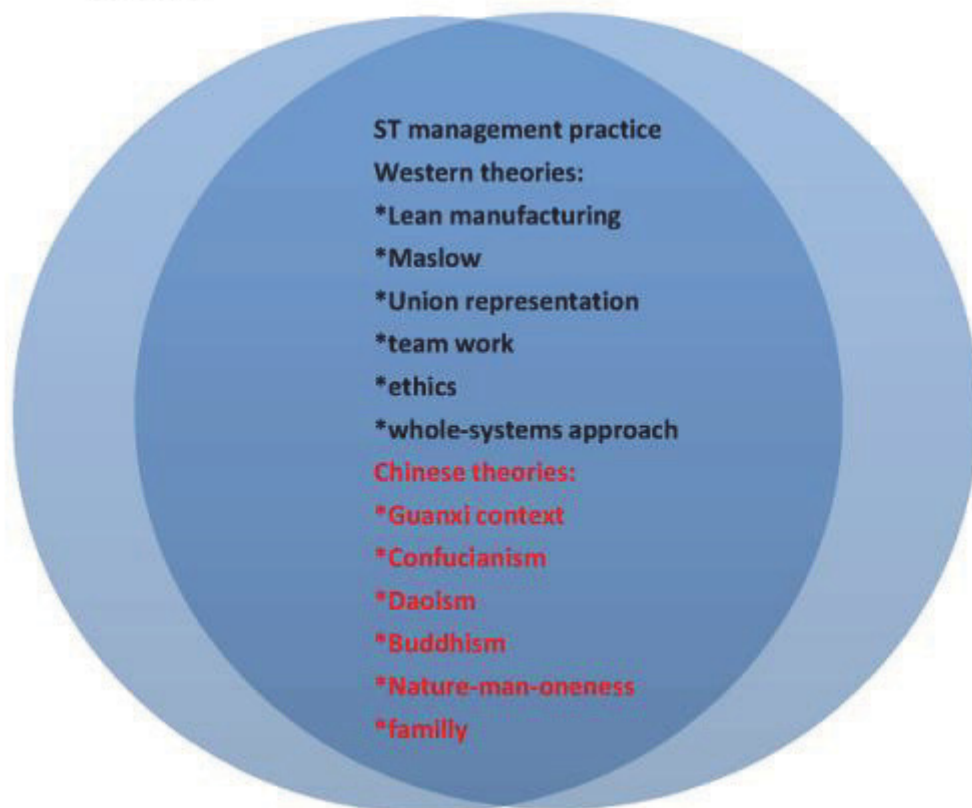
'Made by China' can be seen consistently in everything that is observable at Shoetown. The move to the Qingyuan location was directly inspired by the expressed desire of top leadership to elevate the business from one that was not differentiated from its competitors' 'Made in China' approach to a business that aspired to be at the leading edge of products designed and produced, and technologies used by the highest calibre of employees according to skill and attitude. The commitment to 'Made by China' can be observed through the enabling of the people of Shoetown to be highly skilled through Shoetown's learning strategies, through team-based work, through leadership that emphasises coaching, empowerment and joint decision-making and the management of boundaries, through job design that places a high priority on decision content in jobs, through recruitment of specialists and encouragement of specialist staff participation in trade fairs and the like to identify and later to diffuse technologies from other unrelated

disciplines into Shoetown processes. The 'Made by China' driving philosophy can also be seen through facility design that encourages communication, meetings and joint problem solving, through other innovation strategies that involve working with suppliers on new developments and sharing the benefits of innovation.

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Note

[1]*Confucianism* refers to developing the will and capacity to lead a virtuous life; loyalty, authenticity; *Taoist principles* refer to the idea of 'oneness' with the environment, dynamic balance, cyclical growth, harmonious action and *Guanxi* refers to the importance of social networks in one's life. There are numerous sources, for example: Confucian ethics http://www.robwaxman.com/; Taoist ethics http://www.taoism.net/articles/mason/ethics.htm; guanxi http://www.kwintessential.co.uk/etiquette/china-guanxi.html

Appendix 21　China and the World Comparative History Timeline

Time	China	The World
3000s BC	3630 BC People cultivate silk worms to make silk fabric	c.3200 BC Writing first used in Mesopotamia c. 3200 BC Bronze work begins in Greece c.3000-1900 BC Indus Valley civilization in northern India
2000s BC	2000 BC Bronze working begins 2070-1600 BC Xia Dynasty	c.2600 BC First stone circle constructed at Stonehenge in England c.2570 BC Great pyramid of Giza built in Egypt
1000s BC	1650-1050 BC Shang dynasty 1200 BC Writing first used 1050-221 BC: Zhou dynasty	c.1600 BC Earliest known glass developed in ancient Mesopotamia (modern day Iraq) c.1500 BC First metal-working in Peru, South America 1336-1327 BC Reign of the pharaoh Tutankhamun in Egypt c.1300-900 BC Olmec civilization thrives in north Mexico
900s BC	c.976-922 BC Reign of King Mu Wang, fifth Zhou king, during whose reign the dynasty reaches the peak of its power and territorial control.	c. 943 -720 BC Egyptian 22nd dynasty rulers, originally from Libya, based at Tanis in north Egypt. 934 -609 BC Neo-Assyrian Empire in Mesopotamia
800s BC	841 BC is taken by Chinese historians as the first year of consecutive annual dating, based on the Records of the Grand historian by Sima Qian.	813 BC City of Carthage in North Africa is founded by the Phoenicians c.800 BC First writing in the Americas is produced by the Zapotec people of Mesoamerica.

Appendix 14 (Continued)

Time	China	The World
700s BC	780 BC First historic solar eclipse recorded in China. 771 BC End of Western Zhou dynasty. Zhou rule continues from a new capital to the east. 770-476 BC Spring and Autumn Period as central control under the Eastern Zhou is weak and local rulers emerge.	c.750 BC First metal coins used 700s BC Coins start to be used in Lydia, now part of western Turkey. 730 BC Egypt falls to the rule of the kings of Nubia (modern day Sudan)
600s BC	c.604-531 BC Life of the Daoist philosopher Laozi	c. 625 – 500 BC First archaeological evidence for the urbanization of Rome
500s BC	591 BC Death of Sunshu Ao, China's first hydraulic engineer, who created an artificial reservoir by damming a river for a large scale project while working for Duke Zhuang of Chu. 552-479 BC Life of Confucius	528 BC Gautama Buddha attains Enlightenment and begins his ministry, thereby founding Buddhism in India. 510 BC Roman Republic established. c.500 BC First large villages established on the coasts of Alaska, north America
400s BC	400s BC Crossbow is invented 475-221 BC Warring States Period	431-404 BC Peloponnesian Wars between the Greek cities of Athens and Sparta.
300s BC	c.300 BC Compass invented and first use of cavalry in the Chinese army	c.321 BC Mauryran empire founded on the Indian subcontinent.
200s BC	221-207 BC Qin dynasty. 221-210 BC Construction of the first Great Wall from packed earth 206 BC-AD 200 Han dynasty	c.200 BC Iron starts to be used in western, and then eastern, Africa
100s BC	141-87 BC Reign of the Han Emperor Wu, considered one of the greatest emperors in Chinese history as the Chinese empire reaches its greatest extent.	146 BC Final victory of Rome over Carthage in North Africa.
99-1 BC	91 BC Completion of the Records of the Great Historian by Sima Qian – the first systematic history of China from c. 2600 BC until his own times. 28 BC First known written references to sunspots made by Chinese astronomers.	27 BC Augustus begins his rule as first emperor of the Roman empire. c.80-60 BC Coin production starts in England. 51-30 BC Reign of Cleopatra VII as last pharaoh of Egypt 48-44 BC Rule of Julius Caesar in Rome.

Appendix 14 (Continued)

Time	China	The World
AD 1-99	AD 1-100 Buddhism introduced into China from India AD 31 Du Shi, Chinese engineer and statesman, invents the first-known hydraulic-powered bellows to heat the blast furnace used when smelting cast iron.	AD 1-100 The kingdom of Aksumin east Africa flourishes as a centre of maritime and land trade with India and the Roman empire AD 43 Britain becomes part of the Roman empire. The first written script (Latin) is used in Britain.
AD 100s	c. AD 105 Cai Lun invents paper AD 184-205 Yellow Scarves (Turbans) Rebellion of Chinese peasants against Imperial farming taxes	AD 122 Hadrian's Wall built across northern Britain
AD 200s	AD 220 Emperor Xian, the last Han emperor, abdicates. AD 221-589 Period of Disunity	AD 255 Construction begins on the final section of a wall around London.
AD 300s	AD 322 The first pictorial record of stirrups, probably a Chinese invention, to increase rider control. AD 383 Battle of Fei River between rival royal powers is considered one of the most significant battles in Chinese history.	c. AD 300 Gupta empire flourishes in northern India AD 301 Armenia is the first country to adopt Christianity as state religion followed c. 320 by Ethiopia
AD 400s	AD 477-499 First pictorial record of the horse collar in China, this invention improved the pulling power of the horse as a beast of burden	c. AD 400 First emperors rule in Japan AD 406-53 Life of Attila the Hun who establishes an empire stretching from Germany to Russia c. AD 450 Anglo-Saxon period begins in England
AD 500s	AD 585 Construction begins on the Grand Canal linking the Huang He (Yellow) and Chang Jiang (Yangzi) rivers	AD c. 570 – 632 Life of the Islamic prophet Muhammad AD 597 Augustine arrives in Kent to convert England to Christianity
AD 600s	c. AD 600 Porcelain invented AD 618-906 Tang dynasty AD 630s Sa`d ibn Abi Waqqas establishes the first Islamic Mosque of China in Guangzhou AD 690-705 Reign of the Empress Wu Zetian	AD 622 Muhammad leaves the Arabian city of Mecca and arrives in Medina, an event that marks the beginning of the Islamic calendar (AH 1). c.AD 658–684 First English poem (a religious hymn) written by the monk Caedmon

Appendix 14 (Continued)

Time	China	The World
AD 700s	Li Bai (AD 701-62) and Du Fu (AD 712-770) are considered the two greatest Chinese poets AD 742 Census of the Tang capital Chang'an (and local area) records a population of 1,960,188 people.	AD 789 First recorded Viking raid on Britain occurs on the Dorset coast
AD 800s	AD 868 Earliest known surviving woodblock-printed book, the Diamond Sutra	AD 886 Alfred, king of Wessex divides rule of England between his rule and Viking rule (Danelaw)
AD 900s	AD 960 -1279 Paper money invented AD 920s Horse collar introduced to Europe	AD 939 Death of Athelstan, first king of all England.
AD 1000s	AD 1041-48 Bi Sheng invents ceramic movable type printing	AD 1066 Battle of Hastings marks the beginning of Norman England
AD 1100s	AD 1132 Gunpowder first used to fire weapons	AD 1170 Murder of Thomas Becket, Archbishop of Canterbury
AD 1200s	AD 1279-1368 Yuan dynasty	AD 1215 Magna Carta signed between King John and his nobles.
AD 1300s	AD 1368-1644 Ming dynasty	AD 1348 The plague (Black Death) arrives in Dorset, England.
AD 1400s	AD 1406-21 Building of the Forbidden City in Beijing	AD 1485-1603 Tudor period in Britain
AD 1500s	AD 1514 Chinese begin trading with the Portuguese and support economic growth with imported silver	AD 1500s Protestant Reformation in Europe AD 1588 Naval battle between English ships and an invading Spanish Armada
AD 1600s	AD 1644-1911 Qing dynasty	AD 1600 Founding of the British East India Company for trading with southern and eastern Asia AD 1600s Paper money first used in Europe AD 1642-9 English Civil War
AD 1700s	AD 1726 The encyclopaedia Gujin Tushu Jicheng, running to over 800,000 pages, is printed in 60 different copies using copper-based Chinese movable type printing.	AD 1711 British East India Company establishes first trading post in Guangzhou, China AD 1771 First machine factory, a cotton mill, opens in Britain. AD 1762-96 Reign of Catherine the Great, Tsar of Russia. AD 1776 Establishment of the USA AD 1789 French Revolution

Appendix 14 (Continued)

Time	China	The World
AD 1800s	AD 1839-60 Trade disputes, particularly illegal trading of opium by Britain, leads to the Opium Wars. AD 1850-64 Taiping Rebellion – a large scale popular revolt against the authority of the Qing emperors AD 1899 Boxer Rebellion – a popular revolt against foreign influence in China.	AD 1801 Act of Union creates the United Kingdom (England, Scotland, Wales and Ireland) AD 1837-1901 Victorian period in Britain AD 1848 "The Communist Manifesto" by Karl Marx is published in London
AD 1900s	AD 1912 Abdication of Puyi, the last Chinese emperor AD 1912-1949 Republic of China AD 1949 Foundation of the Peoples' Republic of China under the leader of the Communist Party Mao Zedong 1953 The first five year-plan is introduced 1958 China undertakes the Great Leap Forward 1966 The Cultural Revolution begins 1968 Mao disbands the Red Guard 1976 Mao passed away 1979 A period of rapid economic growth begins in China following market reforms	AD 1914-1918 First World War AD 1939-1945 Second World War AD 1997 Sovereignty of Hong Kong transferred to the People's Republic of China
AD 2000s	AD 2008 Bejing Olympics	AD 2000 Millennium celebrations take place across the world AD 2012: London Olympics

Source: summarized by the author

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