



Harmonious CSR and Sustainability in China

— Shoetown Footwear as a case study

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Philosophy**

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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.

Signature of Student:

A handwritten signature in black ink that reads "Huanglei". The signature is written in a cursive, flowing style.

Date: 10/10/2014

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.

Thanks to Ron Chang, President of The Evervan Group, and owner of Shoetown Footwear Co., Ltd for giving permission for this study to proceed, for his time in answering my questions, and for making the resources of Shoetown available to me. To Ben Lee, Vice-President of Shoetown for his policy insights and historical perspectives; to Peter Chen, Vice-President of Shoetown, for his insights and historical perspectives; to Stephen Chang, President Sports Goods Adhesives and Materials, Nan Pao Resins Chemical Co. Ltd, for his insights as a supply chain partner of Shoetown; to Chen Wen, Executive Director; Jim Chang, Business Director; Chris Chang, Director Innovation; Angela Wu, Director Corporate Responsibility, Human Resources and Training; and to the many employees of Shoetown who so wholeheartedly provided their thoughts and experiences through discussions and illustrations. To Bonnie Luo for her enthusiastic coordination and logistical help; and to May Zhu, Sue Su and Miko Sue from the Biz. Team. They helped with translation services.

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The wonderful ongoing encouragement and support of the Graduate School of Business, Guangdong University of Foreign Studies, has been very special to me. The university actively supported my case study research.

Thanks to the University of Western Sydney (UWS) for offering me a two-year Endeavour International Postgraduate Research Scholarship (2006–2008). This enabled me to initiate my PhD research into sustainability. Thanks for all of the support I received from Professor Stan Glay, from Dr Julie Wen and Darcy Miller at UWS.

Thanks to the United States State Council and to Miami Dade College for accepting me as a Fulbright SIR (2008–2009), from which I have learned so much about international business and sustainability.

Thanks to UTS (University of Technology, Sydney) for offering me a two-year UTS IRS-UTS

International Research Scholarship and UTSP-UTS President Scholarship, which enabled me to continue my research and complete my PhD.

Thanks to the staff in the UTS international office, the ethics office and the office of the School of Business for their encouragement and assistance during my application process, research work and thesis writing. Thanks to Professor William Purcell, Parth Parikh, Lisa Tjong, Belinda Lee, Deborah Edwards, Melissa Edwards, Professor Marion Haas, Racheal Laugery, Olivia Young and Elizabeth Ng.

Dr Patrick McCarthy, my friend for life, helped build my business research confidence and expertise. I feel much more confident in my research and in my life in Australia as a result. His professional business and technical advice on my research, case study report, thesis structure and content was constructive and highly inspiring, and certainly contributed to making my thesis a success. He also opened other channels for me to understand the real Australian culture and way of life.

Professor Sharon Moore, my inspiring teacher, opened many doors for me, not only the door to academia, and to sustainability research, but generously also the door to Australia, from where I enjoyed the opportunity of meeting other brilliant scholars and friends. Sharon provided the opportunity for me to become a PhD candidate at both UWS and UTS universities. I first came to Australia in 2006 and regarded this country as my second home. I was welcomed warmly as a member of the Moore family, where I shared another type of family love. Thanks to the love of Neil, Mary, Cat, Kevin, Judith, Geoff, Taki, Clancy, Jolyon, Zac, Jotham and all the other Moore family members.

Thanks to my other supervisor, Professor Thomas Clark. I learnt so much from his “Corporate Governance” expertise and instructions. Thanks to my co-supervisor, Dr Ian McGregor, whose brilliant academic wisdom deeply inspired me whenever we met. His sharp insights into China and global value chain management contributed significantly to identifying and answering the research question, together with the content and arguments of my research.

Thanks to Professor Suzanne Benn, my principal supervisor at UTS. I feel very lucky to have such a brilliant scholar as my supervisor. Suzanne is a world-class leader in the field of sustainability research and operates from a strategic perspective. She has contributed so much to the quality of my research through her structure, methodology and content perspectives. Suzanne has patiently read through many drafts of my PhD to offer valuable suggestions. Suzanne is strict but tolerant; she is amiable and elegant. Apart from the academic discussions held every two weeks, I also enjoyed attending Suzanne's inspiring classes on topics such as *Managing for Business Sustainability* and *Advanced Business Research Methodology*, which helped to broaden and enrich my insights and knowledge, as well as my personal life experiences.

Thanks to Edward Caruso who edited and sharpened my thesis and made it look fantastic.

Thanks to my father-in-law and mother-in-law for their supports and encouragements. My wife Sharon Zhu Hui quits her job to join me at UTS as a master student in Human Resource Management. Sharon has loved me throughout all the stresses of my candidature, while also being the good wife, housewife, and mainly a psychologist to encourage me in pursuing and realising my dream.

Thanks to my father and mother, my sisters and all family members for their tolerance and support over the course of my life. I know that in their minds my PhD research has been a journey too long for their beloved. I promise them that I will make all of their trade-offs worthwhile.

My PhD pursuit seems to be a Long March, but I enjoyed every minute of this fantastic journey. I enjoyed the chance to escape from the mundane world and merge into a paradise of academia, where I have been endowed with the time and space to encounter many brilliant thoughts and much wisdom. Sydney is kind of my Walden, whose blue sky and ocean has significantly stimulated my inspirations and offered me a chance to merge into the realm of human wisdom and to meditate deep to the bottom of my soul. During this special period, I have not only dived deep into the field of CSR and sustainability, business management and economics, but I have

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.

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Table of Contents

| | |
|--|--------------|
| CERTIFICATE OF ORIGINAL AUTHORSHIP | i |
| Acknowledgments | ii |
| Table of Contents | viii |
| List of illustrations | xii |
| List of tables..... | xiv |
| List of acronyms and abbreviations | xv |
| List of appendices..... | xvii |
| Abstract..... | xviii |
| 1 Introduction | 1 |
| 1.1 Sustainability, CSR, harmonious development scheme | 1 |
| 1.1.1 The initiation of sustainability and CSR | 2 |
| 1.1.2 Evolution of the harmonious development strategy in China | 5 |
| 1.1.3 The impacts of harmonious culture on CSR and sustainability | 9 |
| 1.2 The research question, proposition and research design..... | 10 |
| 1.3 Shoetown as an exemplary case in harmonious development | 11 |
| 1.4 The significance of this research | 13 |
| 1.5 The research pathway and structure of the thesis | 18 |
| 1.6 Summary..... | 23 |
| 2 China: History, Philosophy, Economy, Politics and Harmony Context..... | 25 |
| 2.1 Chinese history and traditional philosophies | 26 |
| 2.1.1 The continuity of Chinese culture across different dynasties | 26 |
| 2.1.2 The roots of harmonious culture | 31 |
| 2.1.1.1 Confucianism | 32 |
| 2.1.1.2 Daoism | 35 |
| 2.1.1.3 Buddhism | 38 |
| 2.1.1.4 Harmony, the core consistent value..... | 41 |
| 2.2 The emergence of contemporary China..... | 43 |
| 2.2.1 In the beginning (1949– 1958)..... | 43 |
| 2.2.2 The Great Leap Forward and Culture Revolution (1959–1976)..... | 44 |
| 2.2.3 The Reform and new Era (1978–present)..... | 46 |
| 2.3 Major challenges facing China | 49 |
| 2.3.1 Political challenges | 49 |
| 2.3.2 Social challenges..... | 53 |
| 2.3.3 Economic development issues | 55 |
| 2.3.4 Challenges for sustainability..... | 57 |
| 2.4 The harmony development pattern | 58 |
| 2.5 Key features of the Chinese culture, business, ideologies and challenges | 63 |
| 2.6 Summary..... | 68 |

| | | |
|----------|---|------------|
| 3 | Literature Review — Sustainability and CSR | 70 |
| 3.1 | Sustainability | 71 |
| 3.1.1 | How the concept of sustainability evolved? | 71 |
| 3.1.1.1 | Hans Carl Von Carlowitz: the sustainability pioneer..... | 71 |
| 3.1.1.2 | From Thomas R. Malthus to John Stuart Mill and E.J. Mishan..... | 72 |
| 3.1.1.3 | The Club of Rome | 73 |
| 3.1.1.4 | The Brundtland report to the Rio Summit and Agenda 21 | 74 |
| 3.1.1.5 | The sustainability model of Aras and Crowther..... | 76 |
| 3.1.2 | Sustainability in China..... | 79 |
| 3.1.2.1 | The spark of sustainability in ancient China | 79 |
| 3.1.2.2 | Chinese traditional thought on sustainability | 81 |
| 3.1.2.3 | Sustainability in contemporary China | 82 |
| 3.2 | Corporate Social Responsibility (CSR)..... | 87 |
| 3.2.1 | Foundations of CSR in the West | 87 |
| 3.2.1.1 | Evolution of CSR in the West | 87 |
| 3.2.1.2 | Definitions and models of CSR in the West..... | 89 |
| 3.2.2 | Contemporary CSR –definitions and practice in the West..... | 95 |
| 3.2.2.1 | Further expansion of CSR definitions | 95 |
| 3.2.2.2 | Categories of CSR..... | 97 |
| 3.2.2.3 | The practice of CSR in the West | 101 |
| 3.2.3 | Foundations of CSR in China | 103 |
| 3.2.4 | Contemporary CSR – definitions and practice in China..... | 108 |
| 3.2.4.1 | Definitions of CSR in China | 108 |
| 3.2.4.2 | The practice of CSR in China | 113 |
| 3.3 | Contrasting Sustainability with CSR..... | 116 |
| 3.3.1 | The similarities | 116 |
| 3.3.2 | The Differences..... | 117 |
| 3.4 | CSR and sustainability management | 122 |
| 3.4.1 | Characteristics of sustainable companies, McNall et al..... | 123 |
| 3.4.2 | The sustainability phase model..... | 124 |
| 3.5 | Summary..... | 131 |
| 4 | Literature Review: Stakeholder Theory | 133 |
| 4.1 | The concept and definitions of stakeholder theory | 133 |
| 4.1.1 | The broad definition of stakeholder | 140 |
| 4.1.2 | The narrow definition of stakeholder..... | 143 |
| 4.2 | The evolution of stakeholder theory | 145 |
| 4.2.1 | The first stage: classical stakeholder literature | 150 |
| 4.2.2 | The second stage: strategic management perspective..... | 151 |
| 4.2.3 | The third stage: dynamics of stakeholders | 154 |
| 4.2.4 | The stages beyond..... | 156 |
| 4.3 | Stakeholder classification and identification | 157 |
| 4.4 | Stakeholder management models | 161 |
| 4.4.1 | Stakeholder strategy formulation model | 163 |

| | | |
|----------|---|------------|
| 4.4.2 | Stakeholder salience model..... | 165 |
| 4.4.3 | Social network model | 168 |
| 4.5 | Stakeholder theory in the new era..... | 169 |
| 4.6 | Stakeholder theory research and practice in China..... | 173 |
| 4.7 | CSR, sustainability, stakeholder theory and the harmonious perspective | 176 |
| 4.8 | Summary..... | 179 |
| 5 | Methodology..... | 182 |
| 5.1 | Ontology, epistemology, methodology, methods and paradigm..... | 184 |
| 5.2 | Case study as a method in CSR and sustainability research..... | 188 |
| 5.3 | The case study method..... | 190 |
| 5.3.1 | Classification of case studies | 193 |
| 5.3.2 | Case study protocols | 196 |
| 5.3.3 | Principles of data collection for case studies | 199 |
| 5.3.4 | Analysis on the case study evidence..... | 203 |
| 5.4 | Why Shoetown is chosen as a business case study..... | 205 |
| 5.5 | Approaches for data collection and analysis..... | 206 |
| 5.6 | Research limitations..... | 214 |
| 5.7 | Summary..... | 217 |
| 6 | Harmonious CSR and Sustainability at Shoetown: Case Data Analysis | 218 |
| 6.1 | Shoetown in brief..... | 218 |
| 6.1.1 | Vision, mission, core value and strategic drivers..... | 222 |
| 6.1.2 | Organisational functions | 224 |
| 6.2 | Harmonious approach to CSR, sustainability and stakeholder management..... | 225 |
| 6.2.1 | How CSR, sustainability and stakeholders are defined and integrated..... | 225 |
| 6.2.2 | Stakeholder identification at Shoetown | 227 |
| 6.3 | CSR and sustainability strategies in action at Shoetown—case data analysis..... | 233 |
| 6.3.1 | Leadership and future-oriented visionary strategies | 238 |
| 6.3.2 | CSR and sustainability initiatives at Shoetown | 244 |
| 6.3.3 | The people-centred harmonious culture at Shoetown..... | 248 |
| 6.3.3.1 | Integration of worker, family and community..... | 248 |
| 6.3.3.2 | Team working and other skills | 255 |
| 6.3.3.3 | Personal and professional development in a supportive environment | 258 |
| 6.3.3.4 | Employee participant and engagement..... | 263 |
| 6.3.4 | Innovations, R&D at Shoetown | 266 |
| 6.3.5 | Serving the society..... | 271 |
| 6.3.6 | Stakeholder management on the value-chain..... | 272 |
| 6.3.6.1 | Improving the relationship with the value-chain client: Nike..... | 272 |
| 6.3.6.2 | Suppliers downstream | 275 |
| 6.3.7 | The continued growth of Shoetown: local and global focus..... | 277 |
| 6.3.8 | Communication mechanisms at Shoetown | 281 |
| 6.3.9 | Strategy for constructing harmonious culture..... | 285 |
| 6.3.10 | A blending of eastern and western management theories | 293 |
| 6.3.11 | A holistic and systems management approach is adopted at Shoetown..... | 296 |

| | | |
|----------|--|------------|
| 6.4 | Achievements and developments at Shoetown..... | 297 |
| 6.4.1 | Economic and business performance..... | 297 |
| 6.4.2 | Environmental contribution..... | 300 |
| 6.4.3 | Rewards and titles received..... | 301 |
| 6.5 | Summary..... | 304 |
| 7 | An analysis of CSR and Sustainability at Shoetown..... | 306 |
| 7.1 | The key driving forces for CSR and sustainability implementation at Shoetown..... | 306 |
| 7.1.1 | The political driver..... | 307 |
| 7.1.2 | The economic driver..... | 308 |
| 7.1.3 | The cultural driver..... | 313 |
| 7.1.4 | Demands from stakeholders..... | 314 |
| 7.1.5 | CSR and sustainability as an approach to business competitiveness..... | 315 |
| 7.2 | Evaluation of Shoetown's CSR and sustainability performance..... | 317 |
| 7.2.1 | Consistency with the characteristics of sustainability model, McNall et al..... | 317 |
| 7.2.2 | Shoetown and compliance with the sustainability phase model..... | 320 |
| 7.3 | Major challenges and constraints..... | 328 |
| 7.3.1 | Decline in the demographic dividend..... | 329 |
| 7.3.2 | Leadership and succession plan..... | 330 |
| 7.3.3 | Stakeholder dynamics..... | 331 |
| 7.3.4 | Long-term CSR and sustainability schemes..... | 333 |
| 7.4 | Summary..... | 333 |
| 8 | Findings, Implications and Conclusions..... | 336 |
| 8.1 | Conclusions about the research problem and related issues..... | 336 |
| 8.1.1 | Definitional clarification of CSR and sustainability is needed in China..... | 336 |
| 8.1.2 | Chinese-context is important in CSR and sustainability endeavours..... | 337 |
| 8.1.3 | CSR and sustainability are implemented successfully at Shoetown..... | 339 |
| 8.2 | The key findings and contributions to knowledge..... | 340 |
| 8.2.1 | The Chinese business context is unique and Chinese harmonious culture is supportive of modern CSR and sustainability..... | 340 |
| 8.2.2 | Context-based CSR, sustainability and stakeholder theories and practices can contribute to business success in a Chinese private business..... | 342 |
| 8.2.3 | Enhancements required to CSR, sustainability and stakeholder theories and practices to recognise the Chinese context and worldview..... | 346 |
| 8.2.4 | Two practical models for monitoring CSR/sustainability progress though changes are recommended for Chinese applications..... | 349 |
| 8.2.5 | Harmonious approach is a key ingredient in CSR and sustainability initiatives at Shoetown..... | 351 |
| 8.3 | Limitations of the research..... | 359 |
| 8.4 | The potential for diffusing or generalising the Shoetown experience..... | 359 |
| 8.5 | Recommendations for further research..... | 361 |
| 8.6 | Conclusions..... | 362 |
| | References..... | 427 |

List of illustrations

| | |
|--|-----|
| Figure 1.1 Thesis structure..... | 19 |
| Figure 2.1 China's GDP growth rate since 1989..... | 47 |
| Figure 2.2 China's GDP per capita since 1978..... | 47 |
| Figure 2.3 China's exports since 1978..... | 48 |
| Figure 2.4 China's trade surplus..... | 48 |
| Figure 3.1 Sustainable development issues in Agenda 21..... | 76 |
| Figure 3.2 Model of sustainable development..... | 78 |
| Figure 3.3 Carroll's pyramid of CSR..... | 92 |
| Figure 3.4 Three concentric circles of CSR..... | 94 |
| Figure 3.5 The sustainability phase model..... | 125 |
| Figure 3.6 The sustainability phase model in China..... | 129 |
| Figure 4.1 Stakeholder view of firm..... | 140 |
| Figure 4.2 Basic two-tier stakeholder map..... | 142 |
| Figure 4.3 Stakeholder literature map..... | 149 |
| Figure 4.4 Three aspects of stakeholder theory..... | 153 |
| Figure 4.5 Stakeholder typology: one, two, or three attributes present..... | 155 |
| Figure 4.6 Stakeholder strategy formulation process..... | 164 |
| Figure 5.1 Triangulation for data analysis..... | 209 |
| Figure 6.1 Shoetown in 1989..... | 219 |
| Figure 6.2 Shoetown in 1990..... | 220 |
| Figure 6.3 Shoetown in 2010..... | 221 |
| Figure 6.4 Shoetown in 2012..... | 221 |
| Figure 6.5 Core values at Shoetown..... | 222 |
| Figure 6.6 Shoetown's logo..... | 223 |
| Figure 6.7 Organizational structure of Shoetown..... | 224 |
| Figure 6.8 Interviews with the R & D section..... | 234 |
| Figure 6.9 Interviews with the model workers..... | 234 |
| Figure 6.10 Interviews with the line managers..... | 235 |
| Figure 6.11 The investigation team is having lunch in the dining hall..... | 235 |
| Figure 6.12 The factory tour..... | 236 |
| Figure 6.13 A briefing and report to the Shoetown leadership after the interviews..... | 236 |
| Figure 6.14 This author presents a gift to the Shoetown president..... | 237 |
| Figure 6.15 A group picture with the Shoetown leadership..... | 237 |
| Figure 6.16 Interviewing leadership of Shoetown..... | 240 |
| Figure 6.17 Value relations and mindset..... | 245 |
| Figure 6.18 A view of the the Guangshuo Garden..... | 249 |
| Figure 6.19 In the community art gallery..... | 251 |
| Figure 6.20 A group picture besides the grand Chinese calligraphy..... | 251 |
| Figure 6.21 Interview drawings — STmef-01..... | 252 |
| Figure 6.22 Interview drawings — STmgr-02..... | 257 |

| | |
|--|-----|
| Figure 6.23 Interview drawings — STdvpm-01 | 258 |
| Figure 6.24 Interview drawings — STmgr-03 | 259 |
| Figure 6.25 Interview drawings — STdvpm-02 | 261 |
| Figure 6.26 The Shoetown training centre | 262 |
| Figure 6.27 A poster in the learning centre training room | 263 |
| Figure 6.28 How to submit a technical improvement proposal | 264 |
| Figure 6.29 Proposal scheme-01 | 264 |
| Figure 6.30 Proposal scheme-02 | 265 |
| Figure 6.31 Interview drawings — STrndc-01 | 269 |
| Figure 6.32 A discussion with managers of Nan Pao | 276 |
| Figure 6.33 Interview drawings — STpwkr-03 | 277 |
| Figure 6.34 Interview drawings — STscu-01 | 278 |
| Figure 6.35 Interview drawings — STrndc-02 | 279 |
| Figure 6.36 Interview drawings — STbns-02 | 280 |
| Figure 6.37 Conferencing meeting in progress | 282 |
| Figure 6.38 Conferencing meeting in progress | 283 |
| Figure 6.39 The <i>Guang Rong Monthly</i> | 284 |
| Figure 6.40 “Happiness and harmony at Shoetown” | 285 |
| Figure 6.41 Interview drawings — STdvpm-04 | 286 |
| Figure 6.42 Interview drawings — STpwkr-07 | 287 |
| Figure 6.43 Interview drawings — SThrm-01 | 290 |
| Figure 6.44 Spiritual experience sharing board-01 | 291 |
| Figure 6.45 Spiritual experience sharing board-02 | 291 |
| Figure 6.46 Spiritual experience sharing board-04 | 292 |
| Figure 6.47 A blending of western theory with Chinese harmonious culture | 295 |
| Figure 6.48 Product growth at Shoetown | 298 |
| Figure 6.49 Shoetown’s annual sales | 299 |
| Figure 6.50 Key performance indicators, Shoetown 2008–2011 | 299 |
| Figure 7.1 Average monthly wages for selected countries: 2000–2012 | 329 |
| Figure 8.1 Enhanced sustainability phase model in China | 350 |
| Figure 8.2 The harmonious CSR and sustainability model at Shoetown | 353 |

List of tables

| | |
|---|-----|
| Table 2.1 Key features of Chinese government five-year plans | 59 |
| Table 2.2 The seven major social ideological trends in China..... | 66 |
| Table 3.1 Sustainability/sustainable development defined by the Chinese scholars..... | 84 |
| Table 3.2 Relationship between twelve core elements and four focusing points regarding CSR definitions and categories | 101 |
| Table 3.3 CSR defined according to Chinese scholars | 109 |
| Table 3.4 A contrast of CSR and sustainability..... | 120 |
| Table 3.5 Characteristics of sustainability, McNall et al..... | 123 |
| Table 3.6 Overview: the sustainability phase model..... | 124 |
| Table 4.1 Definitions of stakeholder | 135 |
| Table 4.2 Stages of stakeholder theory research | 147 |
| Table 4.3 Stakeholder classification typologies | 158 |
| Table 4.4 The salience of stakeholders | 166 |
| Table 4.5 A structural classification of stakeholder influences..... | 169 |
| Table 4.6 Rate of stakeholder recognition in Chinese private firms | 175 |
| Table 5.1 Alternative terms for the main research paradigms..... | 186 |
| Table 5.2 Key features of the two main research paradigms | 188 |
| Table 5.3 Strengths and weaknesses of data source | 201 |
| Table 6.1 Shoetown’s primary stakeholders at different development stages | 229 |
| Table 6.2 The Mitchell et al. typology of stakeholders reflected at Shoetown..... | 231 |
| Table 6.3 Proposal scheme-01 | 265 |
| Table 6.4 Proposal scheme-02 | 266 |
| Table 6.5 A summary of the Chinese classics education..... | 289 |
| Table 6.6 Spiritual experience sharing board-02..... | 292 |
| Table 6.7 Spiritual experience sharing board-04..... | 293 |
| Table 6.8 Key performance indicators, Shoetown 2008–2011 | 300 |
| Table 6.9 Energy saving target during the 11 th five-year plan..... | 300 |
| Table 6.10 Energy saving target during the 12 th five-year plan | 301 |
| Table 6.11 Shoetown: samples of awards and titles received | 302 |
| Table 7.1 Characteristics of sustainability at Shoetown..... | 318 |
| Table 7.2 Shoetown and the phase model..... | 321 |
| Table 8.1 CSR focus for different types of business organizations..... | 345 |
| Table 8.2 Author developed definitions of CSR, sustainability and stakeholder as applied at Shoetown | 352 |
| Table 8.3 A summary of the findings and contributions to knowledge..... | 354 |

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 |

List of appendices

| | | |
|-------------|--|-----|
| Appendix 1 | Interviewees to be Referred in the Data Analysis | 368 |
| Appendix 2 | Research Plan- Shoetown..... | 370 |
| Appendix 3 | Research Survey Agenda—ST Business Case | 371 |
| Appendix 4 | Letter of Informed Consent | 373 |
| Appendix 5 | Interview Questions—Leadership..... | 374 |
| Appendix 6 | Interview Questions—R & D..... | 376 |
| Appendix 7 | Interview Questions— Workers Union | 377 |
| Appendix 8 | Interview Questions—Workers | 378 |
| Appendix 9 | Interview Questions—Suppliers | 379 |
| Appendix 10 | Follow-up Questions for Shoetown Leadership | 380 |
| Appendix 11 | Other Illustrations From the Interviews | 385 |
| Appendix 12 | Ethics Approval Letter | 390 |
| Appendix 13 | Letter of Permission of Case Use..... | 392 |
| Appendix 14 | Book Chapters Arising from the Thesis | 393 |
| Appendix 15 | Book Translation During PhD Research—01 | 394 |
| Appendix 16 | Book Translation During PhD Research—02 | 395 |
| Appendix 17 | Book Translation During PhD Research—03 | 396 |
| Appendix 18 | Book Translation During PhD Research—04 | 397 |
| Appendix 19 | Papers Arising from the Thesis—01 | 398 |
| Appendix 20 | Papers Arising from the Thesis—02 | 401 |
| Appendix 21 | China and the World Comparative History Timeline | 422 |

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