

**European Firms and Corporate Responsibility  
in the Chinese Context:  
An Analysis of Institutional Engagement**

**DISSERTATION**

of the University of St. Gallen,  
School of Management,  
Economics, Law, Social Sciences  
and International Affairs  
to obtain the title of  
Doctor of Philosophy in Management

Submitted by

**Sarah Maria Blicke**

Matr. No.: 12-621-595

Thesis supervisors

**Prof. Dr. Li Choy Chong**

and

**Prof. Dr. Florian Wettstein**

17.07.2017

*To my family*

## **Acknowledgements**

Writing this dissertation has been an enriching experience and I would like to take the opportunity to thank those who have accompanied me along the way.

First and foremost, I would like to extend my sincere gratitude to Prof. Dr. Li Choy Chong for giving me the opportunity to pursue this research and for supporting me in this endeavour with his kindness, knowledge and guidance. I am also very grateful to Prof. Dr. Florian Wettstein, whose valuable comments and supportive advice have contributed greatly to this thesis.

Moreover, I would like to thank Siegfried Henzler for his helpful assistance, as well as Prof. Dr. Herbert Henzler and all interview participants, who have made the empirical research project possible.

Above all, I am deeply obliged to my family. To my parents, to whom I owe so much, and my dear brother David. Their unconditional love, support, trust and encouragement throughout my life are invaluable. And to Christian, whose love, patience, confidence and sense of humour have been so precious during this rewarding, but sometimes challenging journey. It is to them that I dedicate this thesis.

Sarah Blickle

Zürich, July 2017

## **Abstract**

When operating in emerging markets, multinational enterprises (MNEs) of developed country origin face conflicting requirements as to their corporate responsibility (CR) conduct. On the one hand, prior research stresses, they come under pressure to adapt to host country benchmarks of CR, thereby risking sub-standard conduct by international criteria and stakeholder criticism respectively. On the other hand, driven by a recent ‘political turn’ in CR debate, MNEs are increasingly called upon to act as social entrepreneurs and play a proactive role in fostering common good in host country contexts. However, existing research provides an unsatisfactorily holistic understanding of how MNEs deal with this complex interplay of CR-related demands for ‘top-down’ adaptation and ‘bottom-up’ social entrepreneurship in their emerging market operations.

Based on a cross-fertilization of insights from political CR, institutional theory and international business literature, this study adds to the understudied field of research. It examines how European firms address questions of CR in one of the most promising but controversial emerging market contexts, the People’s Republic of China. The research relies on an institutional approach to explore the contextual processes and rationales that underlie CR choices in European companies in China (ECCs) and to investigate how these firms engage with the Chinese context in matters of CR. A broad overview of relevant regulative, normative and cultural-cognitive institutions in China provides a rich background for an in-depth empirical study among ECCs. Using Straussian Grounded Theory, findings are developed into an empirically ‘grounded’ theoretical model. The model offers a comprehensive conceptualization of ECCs’ engagement with Chinese institutions for CR, including relevant ‘top-down’ drivers, mechanisms, and parameters, as well as reactional options and channels of ‘bottom-up’ social entrepreneurship. It uncovers that ECCs engage with Chinese institutions in a process of ‘co-evolutionary adaptation’, thus stressing the centrality of the adaptation motive in their CR choices.

By revealing prospects, means and limitations of ECCs’ social entrepreneurship, the study adds valuable empirical insights to the largely normative body of political CR research. Moreover, with its strong contextual focus, the thesis contributes to illuminating the ‘black box’ of social context in CR literature, and creates a conceptual basis for future research accordingly. This is also relevant to managerial practice, where sound understanding of local ‘rules of the game’, behavioural demands and options, as well as participative opportunities are crucial for making appropriate CR choices in the foreign but vital Chinese context, and thus secure international stakeholder support.

## **Zusammenfassung**

Multinationale Unternehmen (MNU) aus Industriestaaten sehen sich in ihrer Tätigkeit in Entwicklungs- und Schwellenländern mit teils widersprüchlichen Anforderungen an ihr Corporate Responsibility (CR) Verhalten konfrontiert. Einerseits betont der derzeitige Forschungsstand den Anpassungsdruck an lokale CR Maßstäbe und hebt damit die Risiken eines nach internationalen Standards unzureichenden Handelns und entsprechender Stakeholder-Kritik hervor. Andererseits halten jüngste politische Strömungen in der CR Debatte MNUs zur Mitgestaltung des sozialen Gefüges im Gastland an und fordern ihre proaktive Teilnahme an der Förderung des lokalen Gemeinwohls. Vorhandene Forschung ist jedoch unzureichend um ein ganzheitliches Verständnis dafür zu schaffen, wie MNUs mit diesem komplexen Zusammenspiel aus Erwartungen an lokale Anpassung und soziale Mitgestaltung umgehen.

Die vorliegende Arbeit zieht Erkenntnisse aus Institutionentheorie, International Business und politischer CR Konzeption heran um einen entsprechenden Forschungsbeitrag zu leisten. Ziel ist es die CR Aktivitäten europäischer Firmen in China und damit in einem der bedeutendsten, doch kontroversesten Schwellenländer zu beleuchten. Die Studie beruht auf einem institutionellen Ansatz um die kontextuellen Prozesse und Beweggründe zu untersuchen, die den CR Entscheidungen europäischer Unternehmen in China (EUCs) zugrunde liegen und zu ergründen wie diese Firmen in CR Fragen mit dem chinesischen Kontext interagieren. Eine umfangreiche Übersicht relevanter regulativer, normativer und kulturell-kognitiver Institutionen in China schafft dabei den Nährboden für eine empirische Untersuchung in EUCs. Durch Anwendung der Grounded Theory nach Strauss werden Forschungsergebnisse systematisch zu einem empirisch fundierten theoretischen Modell ausgebaut. Das Modell bietet eine umfassende Konzeptualisierung des CR-bezogenen Umgangs europäischer Firmen mit chinesischen Institutionen, inklusive relevanter Einflussfaktoren, Mechanismen, Parameter, Verhaltensoptionen und sozialer Gestaltungsmöglichkeiten. Es beschreibt die Interaktion zwischen EUCs und dem chinesischen CR Kontext als einen Prozess „co-evolutionärer Anpassung“ und betont damit die Bedeutung des Anpassungsmotivs.

Die Studie zeigt Möglichkeiten, Mittel und Grenzen sozialer Einflussnahme durch EUCs auf und leistet damit einen wertvollen empirischen Beitrag zur stark normativ geprägten politischen CR Debatte. Zudem trägt sie aufgrund ihres kontextuellen Fokus dazu bei, die Rolle des in der CR Literatur weitgehend vernachlässigten sozialen Kontexts näher zu beleuchten und schafft eine entsprechende theoretische Grundlage für künftige Forschung. Dies ist auch von praktischer Relevanz. Fundierte Kenntnisse lokaler „Spielregeln“, Verhaltensanforderungen und -alternativen sind von zentraler Bedeutung um angemessene CR Entscheidungen im hochrelevanten chinesischen Kontext zu treffen und so die Unterstützung internationaler Stakeholder sicherzustellen.

# Table of Contents

<b>Acknowledgements</b> .....	<b>iii</b>
<b>Abstract</b> .....	<b>iv</b>
<b>Zusammenfassung</b> .....	<b>v</b>
<b>Table of Contents</b> .....	<b>vi</b>
<b>Table of Contents (detailed)</b> .....	<b>viii</b>
<b>Abbreviations</b> .....	<b>xii</b>
<b>Tables</b> .....	<b>xiv</b>
<b>Figures</b> .....	<b>xv</b>
<b>1. Introduction</b> .....	<b>1</b>
1.1. Motivation.....	1
1.2. Research Objective and Central Contribution .....	3
1.3. Dissertation Structure.....	5
<b>2. Research Background</b> .....	<b>8</b>
2.1. Literature Review and Research Gap .....	8
2.1.1. The CR Concept.....	9
2.1.2. CR in Context .....	19
2.1.3. CR and Global Business Activity .....	26
2.1.4. Summary and Research Gap.....	48
2.2. Research Field and Questions .....	51
2.3. Analytical Framework .....	54
2.3.1. Neo-Institutional Theory.....	55
2.3.2. Cantwell et al.'s (2010) Model of Institutional Engagement.....	58
2.3.3. The Initial Framework of Analysis .....	60
<b>3. Research Setting: The Chinese Context for CR</b> .....	<b>62</b>
3.1. Economic Transformation and its Consequences .....	63
3.2. The Regulative Context .....	68
3.2.1. Government Attitude Towards CR .....	68
3.2.2. The Legal Framework of CR .....	72
3.2.3. Enforcement of CR Legislation .....	82
3.3. The Normative Context.....	86
3.3.1. Government Stance Towards Non-Governmental Activity.....	86
3.3.2. NGO Activism .....	89
3.3.3. Labour Unions .....	95
3.3.4. Business Associations .....	97
3.3.5. Certification and Industry Self-Regulation.....	99
3.4. The Cultural-Cognitive Context .....	102
3.4.1. Traditional Chinese Philosophy .....	102
3.4.2. Modern Political Ideology .....	113
3.5. Summary .....	124

<b>4. Methodology .....</b>	<b>126</b>
4.1. Research Approach and Philosophy .....	127
4.1.1. Research Philosophy .....	127
4.1.2. A Qualitative Approach .....	129
4.1.3. An Inductive Approach .....	131
4.1.4. Choosing Grounded Theory .....	131
4.1.5. A Straussian Approach to Grounded Theory .....	132
4.2. Data Collection and Analysis .....	134
4.2.1. Research Process .....	134
4.2.2. Sampling .....	134
4.2.3. The Pilot Case .....	137
4.2.4. Case Companies .....	138
4.2.5. Data Sources .....	138
4.2.6. Coding .....	143
4.3. Validity and Reliability .....	147
<b>5. Description of Findings .....</b>	<b>150</b>
5.1. The Impact of the Chinese Context .....	151
5.1.1. The State .....	151
5.1.2. The Non-Governmental Environment .....	158
5.1.3. Society at Large .....	163
5.1.4. The Business Environment .....	165
5.1.5. Summary: The Impact of the Chinese Context .....	172
5.2. ECC Reactions to the Chinese Context .....	176
5.2.1. Institutional Avoidance .....	177
5.2.2. Institutional Adaptation .....	182
5.2.3. Institutional Co-Evolution .....	196
5.2.4. Summary: ECC Reactions to the Chinese Context .....	228
<b>6. A Model of ECC Institutional Engagement for CR .....</b>	<b>236</b>
6.1. The ‘Grounded’ Theory .....	237
6.1.1. Sources of Institutional Influence .....	237
6.1.2. Mechanisms of Top-Down Institutional Influence .....	239
6.1.3. Parameters of Legitimate CR .....	245
6.1.4. Modes of Engagement .....	255
6.1.5. Channels of Bottom-Up Institutional Influence .....	266
6.1.6. Summary: A Model of Co-Evolutionary Adaptation .....	270
6.2. Discussion .....	280
<b>7. Conclusion .....</b>	<b>291</b>
7.1. Summary of Research and Findings .....	291
7.2. Contribution .....	294
7.2.1. Theoretical Contribution .....	294
7.2.2. Managerial Contribution .....	297
7.3. Limitations and Future Research .....	298
<b>References .....</b>	<b>302</b>
<b>Appendix .....</b>	<b>342</b>

# Table of Contents (detailed)

<b>Acknowledgements</b> .....	<b>iii</b>
<b>Abstract</b> .....	<b>iv</b>
<b>Zusammenfassung</b> .....	<b>v</b>
<b>Table of Contents</b> .....	<b>vi</b>
<b>Table of Contents (detailed)</b> .....	<b>viii</b>
<b>Abbreviations</b> .....	<b>xii</b>
<b>Tables</b> .....	<b>xiv</b>
<b>Figures</b> .....	<b>xv</b>
<b>1. Introduction</b> .....	<b>1</b>
1.1. Motivation.....	1
1.2. Research Objective and Central Contribution .....	3
1.3. Dissertation Structure.....	5
<b>2. Research Background</b> .....	<b>8</b>
2.1. Literature Review and Research Gap .....	8
2.1.1. The CR Concept.....	9
2.1.1.1. Defining CR Under Conceptual Complexity.....	9
2.1.1.2. Research Perspectives on CR.....	12
a) The Instrumental Perspective.....	13
b) The Integrative Perspective.....	15
c) The Political Perspective.....	16
2.1.2. CR in Context .....	19
2.1.2.1. The Relevance of Social Context.....	19
2.1.2.2. Demarcating Social Context .....	22
2.1.2.3. Conceptualizing External Social Context .....	23
2.1.3. CR and Global Business Activity .....	26
2.1.3.1. CR under Cross-National Diversity .....	27
2.1.3.2. CR in Emerging Market Contexts.....	31
2.1.3.3. CR in China .....	34
2.1.3.4. MNEs as Social Entrepreneurs .....	36
2.1.3.5. MNE Engagement with External Social Contexts.....	40
2.1.3.6. Conceptualizing MNE Contextual Engagement.....	45
2.1.4. Summary and Research Gap.....	48
2.2. Research Field and Questions.....	51
2.3. Analytical Framework .....	54
2.3.1. Neo-Institutional Theory.....	55
2.3.2. Cantwell et al.'s (2010) Model of Institutional Engagement.....	58
2.3.3. The Initial Framework of Analysis .....	60
<b>3. Research Setting: The Chinese Context for CR</b> .....	<b>62</b>
3.1. Economic Transformation and its Consequences .....	63
3.2. The Regulative Context .....	68
3.2.1. Government Attitude Towards CR .....	68



3.2.2.	The Legal Framework of CR .....	72
3.2.2.1.	CR Laws and Regulations.....	73
3.2.2.2.	Environmental Law.....	75
3.2.2.3.	Labour Law.....	78
3.2.3.	Enforcement of CR Legislation .....	82
3.3.	The Normative Context.....	86
3.3.1.	Government Stance Towards Non-Governmental Activity.....	86
3.3.2.	NGO Activism .....	89
3.3.3.	Labour Unions .....	95
3.3.4.	Business Associations.....	97
3.3.5.	Certification and Industry Self-Regulation.....	99
3.4.	The Cultural-Cognitive Context .....	102
3.4.1.	Traditional Chinese Philosophy.....	102
3.4.1.1.	Confucianism .....	104
3.4.1.2.	Daoism .....	110
3.4.2.	Modern Political Ideology .....	113
3.4.2.1.	Marxism-Leninism-Mao-Zedong-Thought.....	114
3.4.2.2.	Socialism with Chinese Characteristics.....	119
3.5.	Summary.....	124
<b>4.</b>	<b>Methodology .....</b>	<b>126</b>
4.1.	Research Approach and Philosophy .....	127
4.1.1.	Research Philosophy.....	127
4.1.2.	A Qualitative Approach.....	129
4.1.3.	An Inductive Approach.....	131
4.1.4.	Choosing Grounded Theory.....	131
4.1.5.	A Straussian Approach to Grounded Theory.....	132
4.2.	Data Collection and Analysis.....	134
4.2.1.	Research Process.....	134
4.2.2.	Sampling .....	134
4.2.3.	The Pilot Case.....	137
4.2.4.	Case Companies.....	138
4.2.5.	Data Sources .....	138
4.2.5.1.	In-Depth Interviews .....	139
4.2.5.2.	Observations from Field Research.....	142
4.2.5.3.	Supporting Documents.....	143
4.2.6.	Coding.....	143
4.2.6.1.	Open Coding .....	144
4.2.6.2.	Axial Coding.....	145
4.2.6.3.	Selective Coding .....	146
4.3.	Validity and Reliability.....	147
<b>5.</b>	<b>Description of Findings .....</b>	<b>150</b>
5.1.	The Impact of the Chinese Context .....	151
5.1.1.	The State .....	151
5.1.1.1.	The Regulative Framework.....	151
5.1.1.2.	Government Attitude Towards Foreign Investment .....	152
5.1.1.3.	Government Authority .....	154

5.1.1.4.	Regulative Enforcement.....	155
5.1.2.	The Non-Governmental Environment .....	158
5.1.2.1.	NGOs .....	158
5.1.2.2.	Labour Unions .....	160
5.1.2.3.	Business Associations.....	161
5.1.3.	Society at Large .....	163
5.1.3.1.	Awareness of CR Issues.....	163
5.1.3.2.	Social Activism.....	164
5.1.3.3.	Societal Attitudes Towards Foreign Firms .....	165
5.1.4.	The Business Environment .....	165
5.1.4.1.	Trends in Economic Development.....	165
5.1.4.2.	Local Workforce .....	167
5.1.4.3.	Local Firms and Competitors.....	169
5.1.4.4.	Local Customers .....	170
5.1.5.	Summary: The Impact of the Chinese Context.....	172
5.2.	ECC Reactions to the Chinese Context .....	176
5.2.1.	Institutional Avoidance .....	177
5.2.1.1.	National Avoidance .....	177
5.2.1.2.	Local Avoidance .....	180
5.2.2.	Institutional Adaptation .....	182
5.2.2.1.	Regulative Adaptation .....	183
5.2.2.2.	Standards-Based Adaptation.....	187
5.2.2.3.	Behavioural Adaptation .....	190
5.2.3.	Institutional Co-Evolution .....	196
5.2.3.1.	Individual Co-Evolution .....	197
a)	Channels.....	197
b)	Patterns of Reaction.....	207
5.2.3.2.	Collective Co-Evolution .....	214
a)	Channels.....	214
b)	Patterns of Reaction.....	222
5.2.4.	Summary: ECC Reactions to the Chinese Context.....	228
<b>6.</b>	<b>A Model of ECC Institutional Engagement for CR.....</b>	<b>236</b>
6.1.	The ‘Grounded’ Theory .....	237
6.1.1.	Sources of Institutional Influence .....	237
6.1.2.	Mechanisms of Top-Down Institutional Influence .....	239
6.1.3.	Parameters of Legitimate CR.....	245
6.1.3.1.	Contextual Parameters of Legitimate CR .....	245
6.1.3.2.	Organizational Parameters of Legitimate CR.....	251
6.1.4.	Modes of Engagement .....	255
6.1.4.1.	Secondary National Avoidance and Selective Local Avoidance....	256
6.1.4.2.	High-Standard Adaptation .....	260
6.1.4.3.	Levelling Co-Evolution .....	263
6.1.5.	Channels of Bottom-Up Institutional Influence.....	266
6.1.6.	Summary: A Model of Co-Evolutionary Adaptation.....	270
6.2.	Discussion .....	280

<b>7. Conclusion .....</b>	<b>291</b>
7.1. Summary of Research and Findings .....	291
7.2. Contribution .....	294
7.2.1. Theoretical Contribution .....	294
7.2.2. Managerial Contribution .....	297
7.3. Limitations and Future Research .....	298
<b>References .....</b>	<b>302</b>
<b>Appendix .....</b>	<b>342</b>

## Abbreviations

<b>Abbreviation</b>	<b>Meaning</b>
ACFTU	All-China Federation of Trade Unions
AQSIQ	Administration of Quality Supervision, Inspection and Quarantine (China)
art.	article
ASRIA	Association for Sustainable and Responsible Investment in China
CBCSD	China Business Council for Sustainable Development
CC	Corporate citizenship
CC(+number)	Number of case company (empirical research)
CCCC	China Corporate Citizenship Committee
CCCPC	Central Committee of the Communist Party of China
CCTV	China Central Television
CEO	Chief Executive Officer
chin.	Chinese
CLAPV	Center for Legal Assistance to Pollution Victims (China)
CLB	China Labour Bulletin
CNR	China National Radio
CPC	Communist Party of China
CR	Corporate responsibility
CRNGO	Corporate-responsibility-specific non-governmental organizations
CSC9000T	China Social Compliance 9000 for Textile and Apparel Industry (standard)
CSP	Corporate social performance
CSR	Corporate social responsibility
DAAD	Deutscher Akademischer Austauschdienst (German Academic Exchange Service)
DCHK	Deutsch-Chinesisches Hochschulkolleg (Sino-German School of Graduate Studies)
e.g.	exempli gratia (for example)
EC	European Commission
ECC	European Company in China
EHS	Environment, Health and Safety
ENGO	Environmental non-governmental organizations
et al.	et alii (and others)
etc.	etcetera
EU	European Union
EuCham	European Chamber of Commerce
FYP	Five Year Plan (China)
GDP	Gross domestic product
GHG	Greenhouse gas
GONGO	Government-organized non-governmental organization

GRI	Global Reporting Initiative
HR	Human resources
i.e.	id est (that is)
ibid.	ibidem (in the same place; see preceding source)
IEA	International Energy Agency
ILO	International Labour Organization
ISO	International Organization for Standardization
LNGO	Labour-specific non-governmental organization
Man(+number)	Number of interviewee manager (empirical research)
MEP	Ministry of Environmental Protection (China)
MNC	Multinational corporation
MNE	Multinational enterprise
n.a.	not available
NDRC	National Development and Reform Commission (China)
NGO	Non-governmental organization
NPC	National People's Congress (China)
OECD	Organization for Economic Co-operation and Economic Development
OGI	Open Government Information Regulations (China)
p.	page
PPP	Purchasing power parity
PR/PRC	People's Republic of China
RMB	Renminbi (Chinese currency)
RoHS	Restriction of Hazardous Substances Directive (EU)
RQ	Research question
SA 8000	Social Accountability 8000 (standard)
SAI	Social Accountability International
SASAC	State-Owned Assets Supervision and Administration Commission of the State Council (China)
SEPA	State Environmental Protection Administration (China)
SME	Small and medium-sized enterprise
SOE	State-owned enterprise
trans.	translated
TRT	Taicang Round Table
UN	United Nations
US/USA	United States of America
USD	US Dollar
var.	various
WB	World Bank
WEF	World Economic Forum
WHO	World Health Organization
WRAP	World Responsible Accredited Production
WTO	World Trade Organization

**Tables**

Table 1: Definitional diversity in CR research (exemplary choice) ..... 10

Table 2: Definitional diversity in organizational practice (exemplary choice) ..... 11

Table 3: Comparison of selected subjects of ILO conventions and Chinese labour law..... 81

Table 4: Multiple sources of data collection..... 139

Table 5: Exemplified open coding procedure..... 145

Table 6: Emergent contextual elements and their impact on CR in ECCs ..... 175

Table 7: Propositions table..... 274

# Figures

Figure 1: Research structure and logic..... 7

Figure 2: Cross-fertilization of research fields ..... 52

Figure 3: Three pillars of the institutional context..... 56

Figure 4: Schematic illustration of the initial framework of analysis..... 61

Figure 5: Grounded Theory’s recursive analysis process ..... 135

Figure 6: ECC responses to the Chinese context for CR (complete set) ..... 229

Figure 7: ECC responses to the Chinese Context for CR (practicable set) ..... 230

Figure 8: Direct and indirect sources of institutional influence..... 239

Figure 9: Mechanisms of top-down institutional influence ..... 244

Figure 10: Contextual parameters of legitimate CR ..... 251

Figure 11: Organizational parameters of legitimate CR..... 254

Figure 12: Relationship between contextual and organizational parameters..... 255

Figure 13: Channels of co-evolution..... 270

Figure14: Process model of ECC institutional engagement ..... 272

Figure 15: Proposition model of ECC institutional engagement..... 273

Figure 16: A model of ECC co-evolutionary adaptation ..... 278

# 1. Introduction

## 1.1. Motivation

Discussions of business' role and responsibility in society are "as old as business itself" (Crane, McWilliams, Matten, Moon, & Siegel, 2008, p. 3). Over the past decades, however, the debate over what has come to be known as corporate responsibility (CR) has gained substantial impetus. Driven by globalization, corporate scandals and changing social expectations, firms have come under mounting scrutiny from stakeholders as to their conduct in and towards society (Scherer & Palazzo, 2007). Businesses' 'track record' regarding environmental protection, labour standards, human rights, and other CR-related topics is being monitored ever more closely. As a corollary, CR is attracting growing attention in both academic research and business practice, and is undergoing a process of increasing institutionalization (Crane et al., 2008).

The evolving CR debate has long transcended the borders of the Western context, where its formalization first took root, to include business environments from different regional, cultural, and development backgrounds (Matten & Moon, 2008). Among others, having remained underappreciated in CR research until recently (Reimann, Ehrigott, Kaufmann, & Carter, 2012), emerging markets have come to the fore (Jamali & Karam, 2016). On the one hand, due to their major growth and development potential, emerging markets are of particular appeal and significance to global economic activity. On the other hand, they tend to be characterized by persistent institutional voids and weaknesses, as well as perpetual institutional change (de Abreu, da Cunha, & Barlow, 2015; Marquis & Raynard, 2015; Zhao, Tan, & Park, 2014). Research suggests that tensions arising between fast-paced economic development and institutional deficiencies often go hand in hand with a proliferation of low-level CR standards (Baughn, Bodie, & McIntosh, 2007; A. Muller & Kolk, 2009).

China as one of the most promising and much-debated emerging market contexts is no exception to this rule. The country's economic transformation since 1978 has created tremendous opportunities for international business (Child & Tse, 2001). Not only has China become the world's leading exporting nation (WTO, 2016), thus being deeply integrated into the global economy. Ranking third in A.T. Kearney's 2017 Foreign



Direct Investment Confidence Index (A.T. Kearney, 2017), the country also represents one of the most attractive investment locations worldwide. However, in terms of CR, China continues to be a controversial context. As the ‘world’s factory’ (Wong, 2009), the emerging market has gained a reputation for poor working conditions, health-threatening pollution, and immoral business practice, thus being regarded as the “poster boy for things sub-standard and unsafe, as well as unethical” (Ip, 2009b, p. 215). Although China is currently undertaking major efforts to get to grips with respective issues, reforms take time to materialize, facing persistent obstacles both ‘on the ground’ and in the country’s institutional system (L.-W. Lin, 2010).

These conditions represent a serious challenge for foreign multinational enterprises (MNEs) in China. Western firms in particular are finding it difficult to deal with the Chinese CR context. They are regularly faced with international stakeholder criticism for adapting to sub-standard benchmarks of behaviour when operating locally (L. Lam, 2009; J. Tan, 2009a). Prior research suggests that respective challenges are at least partly rooted in the context-dependent nature of CR (Donaldson & Dunfee, 1999; Sethi, 1979) and resulting cross-national differences in CR demands and practice respectively (Aguilera & Jackson, 2003; Bondy, Matten, & Moon, 2004; Chapple & Moon, 2005). Literature stresses that cross-national variation in CR standards and expectations raises difficulties for MNEs to define ‘appropriate’ conduct across their international operations (X. Yang & Rivers, 2009).

In the case of Western multinationals in China, this is exacerbated by pronounced institutional distance between home and host country contexts (Kostova & Zaheer, 1999; D. Xu & Shenkar, 2002). This applies in specific to European companies in China (ECCs), whose highly regulated and scrutinized CR background stands in marked contrast to the Chinese host country context, in which sub-standard CR benchmarks and institutional loopholes are persistent (J. Yin & Zhang, 2012). Thus, ECCs are faced with a quandary regarding ‘appropriate’ local business conduct: On the one hand, prior research suggests (Kostova & Zaheer, 1999; R. W. Scott, 2008), ECCs come under pressure from host country institutions to adapt to local benchmarks of behaviour. This is likely to increase their local legitimacy, but might bear the risk of sub-standard conduct by their European home country, i.e. international standards (Donaldson & Dunfee, 1994; Jackson & Rathert, 2017; Kostova & Zaheer, 1999). On the other hand,

driven primarily by a recent ‘political turn’ in CR research and normative debate (Mäkinen & Kourula, 2012; Scherer, Rasche, Palazzo, & Spicer, 2016), ECCs (and MNEs in general) are called upon to alter the ‘local rules of the game’ in an effort to increase societal wellbeing in the Chinese host context (Matten & Crane, 2005; Scherer & Palazzo, 2011). They are asked to take on a political role and act as institutional, i.e. social entrepreneurs (Scherer, Palazzo, & Matten, 2014). Consequently, existing research indicates that ECCs face substantial tensions as to their CR conduct in China. They are subject to a complex interplay of demands for ‘top-down’ adaptation and ‘bottom-up’ social entrepreneurship, and must find adequate responses in order to satisfy international stakeholders and gain legitimacy respectively.

However, existing research offers an unsatisfactorily holistic understanding of how MNEs in general and ECCs in specific handle the CR-related tensions described above. Literature fails to shed light on the ways in which MNEs interact with emerging market contexts to define CR practices and standards, thereby following a wider trend in CR research to neglect the ‘black box’ of social context (Brammer, Jackson, & Matten, 2012; Heli Wang, Tong, Takeuchi, & George, 2016). Hence, the current body of research is unable to fully grasp MNEs’ CR choices in emerging markets, including underlying contextual processes and rationales. Against the background of the growing significance of CR in academia and business practice, and the substantial CR-related challenges faced by MNEs in emerging markets, these observations call for increased research attention. This pertains in particular to the vital, but controversial Chinese market, where vast institutional distance and persistent institutional flaws put major stress on European businesses and their CR choices. Therefore, ECCs’ engagement with Chinese institutions concerning questions of CR deserves special attention.

## **1.2. Research Objective and Central Contribution**

The present study seeks to address the aforementioned research scarcity on MNEs’ engagement with emerging market institutions to define CR practices and standards. Focusing on European firms’ China operations, the study’s objective is to examine the interactions that take place between ECCs and the Chinese context regarding questions

of CR. Accordingly, as will be outlined in greater detail in section 2.2, the following main research question is put forward:

*RQ: How do ECCs engage with the Chinese context concerning matters of CR?*

By answering this research question, the study aims to shed light on the contextual processes and rationales underlying ECCs' CR choices. This is to add to an enhanced understanding of the ways in which ECCs deal with the complex, CR-related interplay of demands for 'top-down' adaptation and 'bottom-up' social entrepreneurship as highlighted by prior research.

In order to contribute to the largely understudied field of research, the study embarks on an in-depth contextual analysis. Firstly, it offers a broad overview of existing knowledge on the Chinese context for CR. An examination of Chinese regulative, normative, and cultural-cognitive institutions provides a sound understanding of the contextual conditions in which ECCs' CR choices are embedded.

Respective insights feed into an empirical research conducted among 24 ECCs. Based on a Straussian Grounded Theory approach, qualitative interview data is triangulated, among others, with observations from field research in China. In keeping with the in-depth nature of the study, the description of findings centres around a detailed first-hand account of ECCs' experiences, perspectives and interpretations of the research problem, and thus of their perceptions of realities 'on the ground'.

Expanding on the research findings, the study generates an empirically 'grounded' theoretical model. The model offers a comprehensive conceptualization of ECCs' engagement with Chinese institutions concerning questions of CR. It points out relevant sources of influence in China's institutional context, and reveals the mechanisms and rationales by which they influence CR in ECCs. Beyond that, the model also accounts for ECCs' reactional choices and outlines the channels of their social entrepreneurship. Central theoretical notions are encapsulated in a set of propositions and integrative diagrams that further theoretical understanding of the 'top-down' and 'bottom-up' processes taking place between ECCs and Chinese institutions to define CR benchmarks and approaches.

In sum, the research elucidates the drivers, mechanisms, rationales, possibilities and limitations that govern the interactive relationship between ECCs and the Chinese context for CR. By advancing context-specific knowledge on MNEs' engagement with emerging market institutions, the research adds to the 'hot topic' of political CR. Of particular interest in this regard are the empirical insights of the study, which make a valuable contribution to the largely normative body of political CR literature (Giuliani & Macchi, 2014; Stephan, Patterson, Kelly, & Mair, 2016). Furthermore, due to its focus on in-depth contextual knowledge, the study contributes to illuminating the 'black box' of social context in CR research (Brammer et al., 2012). Thus, it answers Wang et al.'s (2016) recent call for increased contextual analysis respectively. For a detailed account of the study's contribution to both research and managerial practice see section 7.2 in the concluding chapter of this dissertation.

### **1.3. Dissertation Structure**

Chapter 1 has explained the motivation behind the study (section 1.1). It has illustrated the main objective of the research and its central contribution (section 1.2) before outlining the dissertation structure (section 1.3).

Chapter 2 focusses on the study's research background. It offers an in-depth review of relevant literature and carves out the research gap addressed by the study (section 2.1). Based on these insights, the chapter goes on to specify the field of research in which the study is embedded, and puts forward a set of research questions (section 2.2). Finally, expanding on the literature review, a basic analytical framework is presented that serves as a substantive theory to the research (section 2.3).

Chapter 3 explores the research setting of the study, which is the Chinese institutional context for CR. In an effort to create a backdrop for the empirical research to follow and facilitate sense-making of findings respectively, the chapter sheds light on four major aspects of the Chinese CR environment: economic transformation and its CR-related consequences (section 3.1), the regulative context for CR (section 3.2), the normative context for CR (section 3.3), and the cultural-cognitive context for CR (section 3.4). A summary of contextual insights concludes the chapter (section 3.5).

Chapter 4 delineates the research methodology. It begins by outlining the research approach and its underlying philosophy (section 4.1). This is followed by an account of data collection and analysis procedures, which conform with Straussian Grounded Theory guidelines (section 4.2). The chapter closes with remarks on validity and reliability (section 4.3).

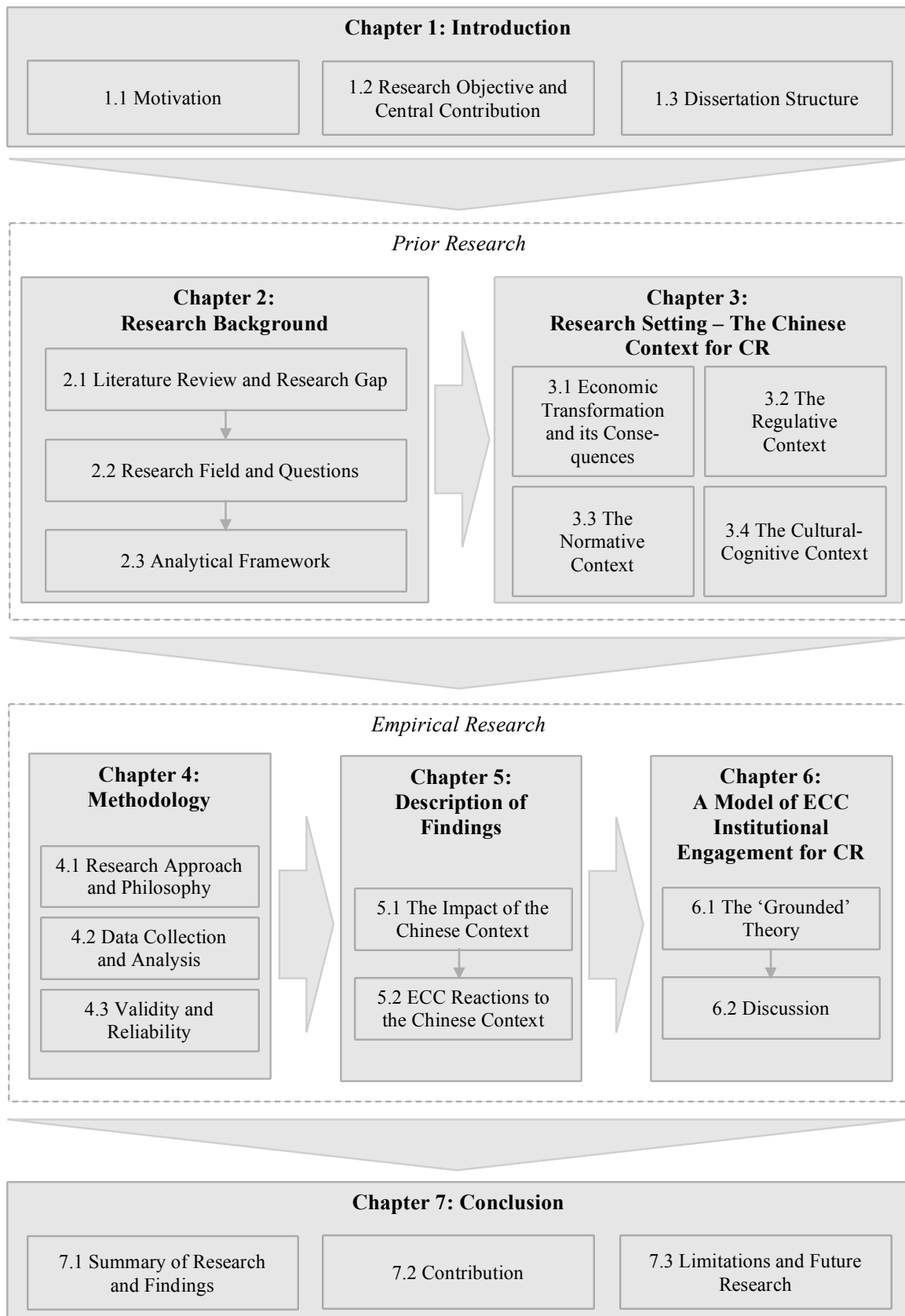
Chapter 5 describes the findings of the empirical research conducted among the 24 case companies. The first part of the chapter presents the research findings on the impact of the Chinese context on ECCs' CR approaches (section 5.1). Based on these insights, the chapter goes on to offer a description of findings on ECCs' reactions to the Chinese context for CR (section 5.2).

Chapter 6 presents the newly developed theoretical model on ECCs' institutional engagement for CR. It lays out the 'grounded' theory developed over the course of the research, and puts forward a set of propositions and integrative diagrams accordingly. In doing so, the chapter answers the main research question of the study (section 6.1). The new model is then discussed against the backdrop of prior literature (section 6.2). In specific, the discussion refers to previous research outlined in chapter 2 and, most importantly, on contextual knowledge provided in chapter 3.

Chapter 7 offers a summary of the research and its main findings (section 7.1). It highlights the study's contribution, pointing out implications for both academic research and managerial practice (section 7.2). The chapter concludes by indicating limitations of the study and providing an outlook for future research (section 7.3).

Structure and basic logic of the research are depicted in figure 1.

**Figure 1: Research structure and logic**



Source: Author’s depiction

## **2. Research Background**

The objective of this chapter is to create an understanding of the research background in which the present study is embedded. A systematic review of literature is conducted to examine relevant areas of research, specify and compare prior knowledge on which this study builds, but also shed light on issues that have so far remained understudied. This serves the double purpose of carving out the research gap and questions that this study seeks to tackle and outlining the initial framework of analysis which forms the foundation of the research.

The chapter is structured as follows: Section 2.1 reviews relevant insights within the different streams of literature the study draws from and highlights the research gap that it seeks to address. Section 2.2 specifies the research field in which the study is embedded and presents the guiding research questions. Finally, section 2.3 expands on the literature review to create an initial framework of analysis, which shall give basic structure and direction to the empirical research, and act as a substantive theory.

### **2.1. Literature Review and Research Gap**

The subsequent literature review begins by looking into the nature of the CR concept, where different perspectives are examined and compared in an effort to determine the conceptual position of the study (section 2.1.1). The chapter then turns to an assessment of meaning, significance and conceptualization of context in CR research (section 2.1.2). This is followed by a review of literature on CR under the conditions of global business activity. Here, the focus is placed on studying prior knowledge on the CR-related issues and demands faced by MNEs in emerging markets, in particular in China, as well as their engagement with host country institutions to handle respective requirements (section 2.1.3). The section closes with a summary of relevant insights from prior research, leading to the description of the research gap addressed by the study (section 2.1.4).

## **2.1.1. The CR Concept**

### **2.1.1.1. Defining CR Under Conceptual Complexity**

The debate about ethical economic behaviour and businesses' responsibilities within and towards society is neither a product of the 20<sup>th</sup> century, nor confined to socio-economic discourse in the 'West'. It has a long-standing tradition in ethical, philosophical, sociological, religious and economic thought across different eras and cultures. Whether Plato's and Aristotle's deliberations on the compatibility of profit-oriented economic activity and human virtuousness, Judeo-Christian and Islamic commandments on ethical business conduct and service to community, Confucius' call for virtuous leadership, or Adam Smith's views on business-society relations – the origins and fundamental concepts of what has come to be known as corporate responsibility (CR) have a long and multifaceted history (Carroll, 2008; Epstein, 1998). However, it is only since the early 1950s that corporate responsibility (CR) has received formal academic attention and become part of modern business and management research (Carroll, 2008). In his 1953 landmark book titled "Social Responsibilities of the Businessman", Howard Bowen (1953, 2013, p. 6) argued that companies and their executives were "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". These considerations have initiated an ongoing polemic on the responsibilities of business in society. To this day, extent, nature, antecedents and implications of business' responsibilities are contested and continue to be subject to debate among scholars and practitioners alike. As Crane, Matten and Spencer (2013, p. 5) point out, "few subjects in management arouse as much controversy and contestation" as CR. Consequently, CR still lacks a single, universally accepted definition (Lindgreen & Swaen, 2010), but is characterized by a plethora of concepts and approaches (Carroll, 1999; Garriga & Melé, 2004; Melé, 2008; Moon, 2014). Definitional heterogeneity is exemplified in tables 1 and 2 below, which contrast some of the most frequently referred to definitions of CR in academic research and outline several CR concepts used in organizational practice.

Given the definitional complexity and heterogeneity, many scholars in the field of CR research refrain from adopting and defending a particular and precise definition of CR, arguing that it is "virtually impossible to provide a definitive answer to the question of what C[S]R 'really' is" (Crane et al., 2013, p. 9). Instead, they opt for a broad



‘definition’ of CR that accounts for core concerns only, without specifying concrete obligations, nor their extent or practical application. Brown and Dacin (1997, p. 68) for instance broadly define CR as an “organization’s status and activities with regard to its perceived societal obligations”. Crane, McWilliams, Matten, Moon and Siegel (2008, p. 4) highlight “the business and society interface” and point out that CR deals with fundamental questions of business’ obligations towards and impact on society. Similarly, Moon (2014) suggests that CR revolves around how companies engage in and manage their relationships with society. Against this backdrop, Blowfield and Murray (2011, p. 12) argue, “corporate responsibility” can be used as an “umbrella term” for describing “the variety of ways in which business’ relationship with society is being defined, managed, and acted upon”. Scherer and Palazzo (2011, p. 1096) take a similar approach, referring to CR (i.e. CSR) as an “umbrella term” for “discussions of the responsibilities of business and its role in society”.

**Table 1: Definitional diversity in CR research (exemplary choice)**

Author(s)	Definition of business’ responsibilities in society	Source
Milton Friedman	<i>“The social responsibility of business is to increase its profits”</i>	(M. Friedman, 1970)
Keith Davis	<i>“[T]he firm’s consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm”</i>	(K. Davis, 1973, p. 312)
Archie B. Carroll	<i>“The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time”</i>	(Carroll 1979, 500)
Bryan Husted and David B. Allen	<i>“[T]he firm’s obligation to respond to the externalities created by market action”</i>	(Husted & Allen, 2006, p. 839)
Dirk Matten and Jeremy Moon	<i>“[C]learly articulated and communicated policies and practices of corporations that reflect business responsibility for some of the wider societal good. Yet the precise manifestation and direction of the responsibility lie at the discretion of the corporation”</i>	(Matten & Moon, 2008, p. 405)
Andreas G. Scherer and Guido Palazzo	<i>“[A]n extended model of governance with business firms contributing to global regulation and providing public goods”</i>	(Scherer & Palazzo, 2011, p. 901)

Source: Author’s depiction

**Table 2: Definitional diversity in organizational practice (exemplary choice)**

Organization	Type of organization	CR definition	Source
International Labour Organization (ILO)	Non-governmental organization	<i>“The International Labour Organization (ILO) defines CSR as a way in which enterprises give consideration to the impact of their operations on society and affirm their principles and values both in their own internal methods and processes and in their interaction with other actors. CSR is a voluntary, enterprise-driven initiative and refers to activities that are considered to exceed compliance with the law”</i>	(ILO, 2006)
European Commission (EC)	Governmental organization	<i>“The Commission has defined CSR as the responsibility of enterprises for their impact on society. CSR should be company led. Public authorities can play a supporting role through a smart mix of voluntary policy measures and, where necessary, complementary regulation.”</i>	(European Commission, 2017)
World Economic Forum (WEF)	Business association	<i>“We believe that corporate global citizenship is fundamentally in the enlightened self-interest of global corporations since their growth, prosperity and sustainability is dependent on the state of the global political, economic, environmental and social landscape. The license to operate in a global market and to make profits entails a responsibility of being engaged in society.”</i>	(WEF, 2017)
World Bank (WB)	International organization	<i>“Corporate social responsibility is the commitment of business to contribute to sustainable economic development by working with employees, their families, the local community, and society at large to improve quality of life in ways that are both good for business and good for development.”</i>	(World Bank, 2017)
Nestlé	Business organization	<i>“Being a global leader brings not only a duty to operate responsibly, but also an opportunity to create long-term positive value for society. We call this Creating Shared Value, and we embed it firmly across all parts of our business.”</i>	(Nestlé, 2017)

Source: Author’s depiction, based on Crane et al. (2013)

Matten and Moon (2008) point out the advantages of such a broad ‘definition’ of CR when conducting contextual research. They find it essential to refrain from defining CR in more detail, highlighting cross-contextual differences “in terms of its underlying meanings and the issues to which and modes by which it is addressed” (Matten & Moon, 2008, p. 405). Consequently, they argue that a clear-cut definition is detrimental to analysing the meaning and practices of CR in different contexts (ibid.). Örtenblad (2016) concurs, maintaining that in order to account for contextual diversity and allow for respective comparisons, a comprehensive and broad definition of CR must be chosen. Hence, in light of the context-driven nature of this research project, the author follows Matten and Moon (2008) and Örtenblad (2016) in abstaining from a precise definition

of CR. This leaves sufficient room for an investigation into the approaches to and foundations of CR in the specific Chinese context. In line with Blowfield and Murray (2011), as well as Scherer and Palazzo (2011), CR is treated as an ‘umbrella term’ for studying the responsibilities of companies and their interactions with society in the Chinese environment, including underlying meanings, rationales, processes and practical advances. Refraining from relying on an absolute definition of CR also fits the methodological prerequisites of the empirical study within this research. As will be outlined in greater detail in chapter 4, Straussian Grounded Theory, albeit accepting the usefulness of existing theory as a “stimulus to research” (Corbin & Strauss, 2015, p. 33), advocates against narrowly defined theoretical preconceptions at the onset of a research endeavour. Corbin and Strauss (2015) argue that this obstructs the exploratory and emergent nature of the theory-generating qualitative research effort. Hence, in support of the contextual argument presented above, the empirical fit gives additional justification to the choice of an open definition of CR. More details on how this broad approach to CR will be handled in the empirical research process shall be provided as part of the methodology chapter in section 4.2.

#### **2.1.1.2. Research Perspectives on CR**

Along with definitional variety, CR research is characterized by a multitude of perspectives from which business’ responsibilities and the ‘business-society interface’ are being examined (McWilliams & Siegel, 2001). The field of study covers a “pantheon of ideas”, disciplines, and ideological positions, with diverse theoretical perspectives, conceptual advances and empirical traditions (Crane et al., 2008, p. 3). It goes beyond the scope of this research to give an inclusive review of respective literature. Neither will the author embark on a discussion of the normative arguments that are at the heart of the different points of view. In fact, others have engaged in providing a comprehensive overview of the range of positions and streams of research within CR scholarship (e.g. Carroll, 1999; Garriga & Melé, 2004; Lockett, Moon, & Visser, 2006; Margolis & Walsh, 2003; Melé, 2008; Rupp, Wright, Aryee, & Luo, 2015; and others). Rather, in the following, the focus is placed on outlining different angles from which business’ responsibilities have been observed with the aim of positioning the present study in the broader body of CR literature. For reasons of structure and clarity, the author

follows Garriga and Melé's (2004) classification of CR research to examine three different perspectives, namely instrumental, integrative, and political points of view. Like any other classification, Garriga and Melé's (2004) categorization is unable to account for the totality of aspects within CR research but faces certain limitations<sup>1</sup>. This also relates to its date of origin, which does not allow the classification to consider all the latest developments in CR literature. Nevertheless, the categorization is deemed appropriate for the purpose of this research, because it offers a concise and focused overview of fundamental approaches to the study of CR in general, and sheds lights on a number of basic perspectives that are of relevance to this study in specific. Therefore, Garriga and Melé's (2004) classification enables a guided discussion of the broad and diverse field of CR research, and facilitates a clear positioning of the study within it.

#### **a) The Instrumental Perspective**

Much research has been dedicated to studying CR from an instrumental perspective (Scherer & Palazzo, 2011). Instrumental approaches regard CR as a function of and means to profit making, and thus focus on the economic aspects of the business-society relationship (Garriga & Melé, 2004). This view is most frequently associated with Milton Friedman and his famous 1970 *New York Times Magazine* article titled "The social responsibility of business is to increase its profits". Based on the argument of managers' fiduciary obligations towards owners, Friedman (1970) and his fellow defenders of a shareholder value approach place maximization of shareholder value at the heart of businesses' responsibilities. Within the limits of the law and ethical custom (M. Friedman, 1970), social activities are regarded as acceptable only if they contribute to the "supreme goal" of shareholder value maximization (Melé, 2008, p. 55).

This does, however, not mean that the instrumental perspective treats profit making and social responsibility as inherently paradoxical objectives. Quite the contrary, much of the body of instrumentalist research focuses on establishing a link between CR and profitability. Researchers highlights the compatibility of 'doing good' and 'doing well',

---

<sup>1</sup> Garriga and Melé (2004) mention several disadvantages of their categorization. Firstly, they point out that several CR theories explicitly or implicitly cover more than one of the four dimensions identified. Also, they note that each theory dealing with the conceptual relationship of business and society must somehow "include these four aspects or dimensions and some connection among them must exist" (Garriga & Melé, 2004, p. 64). These issues, the authors note, hamper unambiguous classification of theoretical approaches to the study of CR.

arguing that it is possible and even imperative for companies to “convert social needs and problems into profitable business opportunities” (Drucker, 1984, p. 59). Based on the “enlightened self-interest” argument (Keim, 1978), many studies emphasize the value creating potential of responsible business conduct and examine the ‘business case’ of CR from various perspectives (Carroll & Shabana, 2010; Kurucz, Colbert, & Wheeler, 2008). Mitchell et al. (1997) as well as Ogden and Watson (1999) for instance argue that satisfying stakeholder interests can, under certain conditions, increase shareholder value. A number of studies examine the relationship between CR and financial performance (Flammer, 2015; H. H. Johnson, 2003; Orlitzky, Schmidt, & Rynes, 2003; Roman, Hayibor, & Agle, 1999; Waddock & Graves, 1997). Others stress the link between CR and corporate reputation (Brammer & Pavelin, 2004, 2006; Hillenbrand & Money, 2007), or point out that CR practice can provide insurance-like benefits to shareholders (Godfrey, 2005; Godfrey, Merrill, & Hansen, 2009; Husted, 2005). Porter and Kramer (2002; 2006) highlight the relationship between CR practice and firms’ competitive advantage. They join others in stressing the strategic benefits of CR and call for strategic approaches to CR management respectively (Burke & Logsdon, 1996; Husted & Allen, 2006; Lantos, 2001; McWilliams, Siegel, & Wright, 2006). In spite of their varied focuses, these studies share a common emphasis on and belief in the instrumental value of CR in achieving economic objectives (Garriga & Melé, 2004). The idea that value creation is entwined with responsible business conduct has been referred to by Jensen (2002, p. 235) as “enlightened value-maximization”.

Instrumental studies have been of significant influence on both academic discourse and CR practice (Garriga & Melé, 2004; Margolis & Walsh, 2003; Scherer & Palazzo, 2011; Vogel, 2005). However, their basic premises remain contested. Neither the positive relationship between CR and profit making (McWilliams & Siegel, 2000), nor the more general existence of a ‘market for virtue’ (Vogel, 2005) have been established conclusively. Moreover, the instrumental perspective on CR is subject to major descriptive and normative criticism (K. Davis, 1973; Donaldson & Preston, 1995; Scherer & Palazzo, 2011). Opponents of a purely economic view of CR point out the narrow focus of instrumental research and object its ‘immoral’ nature (Donaldson & Preston, 1995).

## **b) The Integrative Perspective**

Other studies examine CR from an integrative perspective. They follow the basic assumption that businesses are dependent on society for existence, continuity and growth, and must therefore operate in alignment with social values to obtain social acceptance (Garriga & Melé, 2004). This view challenges the core idea of shareholder value theory that CR is merely a function of managers' fiduciary duties to owners. Instead, it holds that firms have inherent responsibilities towards society beyond shareholder value maximization. Studies relying on integrative perspectives seek to explore the modes by which businesses can determine social demands and integrate them into business practice (Garriga & Melé, 2004).

As one of the most prominent integrative approaches, corporate social performance (CSP) for example considers both the nature of social demands and the processes by which firms can respond to them. Several models have been created to that effect (Carroll, 1979; Wartick & Cochran, 1985; Wood, 1991). Probably most frequently referred to is Wood's (1991) three-dimensional CSP model. It covers 'principles of corporate social responsibility', 'processes of corporate responsiveness' as well as 'outcomes of corporate behaviour', and thus seeks to capture the entire process by which firms integrate society's legitimate requirements for responsible corporate conduct.

Other researchers attempt to conceptualize the integration of social demands by applying stakeholder theory. Due to its widespread use in CR research, stakeholder theory has been described as "the dominant paradigm in CSR" (McWilliams & Siegel, 2001, p. 118). Stakeholder theory is based on Freeman's (1984) claim that companies are embedded in a system of constituent groups who both affect and are affected by firms' activities. Thus, one way or another, they are of relevance to (i.e. have a 'stake' in) the fulfilment of businesses' objectives and must therefore be integrated into managerial decision-making (Hawkins, 2006). Stakeholder theory is relevant to CR in so far as it facilitates the definition of appropriate or inappropriate corporate behaviour towards different stakeholder groups (J. L. Campbell, 2007; Driver & Thompson, 2002). Donaldson and Preston (1995, p. 88) highlight the normative foundation of stakeholder theory, arguing that its "most prominent alternative", shareholder value theory, "is morally untenable". Mitchell et al. (1997, p. 853) add that stakeholder theory is highly

useful in describing “who and what really counts”. On the basis of these conceptual arguments, a great number of studies, both theoretical and empirical, rely on stakeholder theory to analyse firms’ integration of society’s call for responsible conduct by means of CR practice (Agle, Mitchell, & Sonnenfeld, 1999; Bendheim, Waddock, & Graves, 1998; Brower & Mahajan, 2013; Clarkson, 1995; Ogden & Watson, 1999). These studies add valuable insights on the means by which firms can deal with and account for the demands of different groups of stakeholders to secure social acceptance.

Alongside instrumental approaches, integrative perspectives are well-established in CR research. However, they too have been subject to criticism, not only by proponents of a shareholder value approach, who point out “the dangers of social responsibility” beyond business’ core concerns (Levitt, 1958, p. 41). Some researchers have also voiced their unease regarding the “grip of instrumental reasoning” underlying and guiding integrative CR research (Margolis & Walsh, 2003, p. 279). They contend that integrative approaches, albeit formally recognizing firms’ accountability to society beyond wealth creation, are yet primarily preoccupied with instrumental consequences (ibid.). This, opponents lament, undermines their ability to offer a truly satisfactory answer to the question of “how to arrive at some workable balance” (Gioia, 1999, p. 231) between economic objectives and attention to social demands. It also implies that integrative perspectives, similar to instrumental views, largely focus on the ‘business-end’ of the business-society relationship. Meanwhile, the ‘social-end’ of CR is mostly regarded as an array of independent factors that are considered only as to their integration at the firm level. As Brammer et al. (2012, p. 4) note, the social context is treated “as a black box, as a set of external requirements which are translated into a functionalist [...] rationale for social engagement by companies”. This unilateral focus on processes at the firm level impedes both integrative and instrumental perspectives from painting a comprehensive picture of the relationship between business and society, and the notions of CR that emerge from it.

### **c) The Political Perspective**

Yet another way to examine business’ responsibilities in society is from a political perspective. Political approaches emphasize the relationship between business and

society and the interactive processes, rationales and political considerations that govern it (Garriga & Melé, 2004). Notions of business' social responsibilities are derived primarily from their power and position in society (ibid.). One of the central arguments in this respect relies on the idea that business' responsibilities towards society are rooted in a social contract (Donaldson, 1982; Donaldson & Dunfee, 1994). Put simply, this view implies that firms are bound by an implicit social contract, in which they consent to carry out a set of socially required actions in return for society's support (Mullerat, 2010). Adherence to this social contract ultimately guarantees their continued existence and acceptance in society (ibid.). Hence, according to the social contract argument, businesses have an inherent responsibility to honour the social contract by behaving in a way that is deemed acceptable in their surrounding society.

Another much-referred to argument in the political tradition of CR research stems from Keith Davis and relates to the social power of business. Davis (1960) points out that businesses are social institutions with significant influence in society. This influence gives them social power, which, in turn, goes hand in hand with responsibility. Hence, businesses' "social responsibilities [...] arise from the amount of social power that they have" (K. Davis, 1967, p. 48). By implication, this "power-responsibility equation" (ibid.) suggests that "avoidance of social responsibility leads to gradual erosion of social power" (K. Davis, 1960, p. 73). Davis refers to this as the "iron law of responsibility" (K. Davis, 1967, p. 49). Thus, in order to maintain their social power, businesses must accept their inherent responsibilities towards society to the extent that they enjoy social power with it.

Both lines of reasoning are closely related, i.e. contribute to the concept of corporate citizenship (CC), which has gained popularity mainly since the beginning of the 21<sup>st</sup> century (Garriga & Melé, 2004). CC comprises a broad array of sub-theories and approaches, which refer, more or less explicitly, to the political notion of 'citizenship'. At the basis, the CC concept implies that businesses are members, i.e. 'citizens' of a community and are thus entitled to a set of rights, but equally restricted by a series of obligations (Matten, Crane, & Chapple, 2003). They must respect the rights of fellow citizens and live up to their own responsibilities in society (ibid.). However, based primarily on the argument of business' rising social power, driven mostly by the processes of globalization, a number of researchers have proposed a more far-reaching



conceptualization of CC (Logsdon & Wood, 2002; Matten & Crane, 2005; Matten et al., 2003; Wood & Logsdon, 2001). In specific, Matten et al. (2003, p. 117) suggest that with decreasing state power and sovereignty, corporations must “assume responsibilities for the protection and facilitation of social, civil and political rights”. According to what Matten and Crane (2005) label an ‘extended conceptualization of corporate citizenship’, CR exceeds the internalization of society’s legitimate expectations to involve tasks typically performed by governments. Thus, beyond being responsible for complying with social demands for appropriate business conduct, firms become active players in shaping this very external social context. They take on the role of “quasi-governmental institutions” (Wettstein, 2009). This “new political role of business” (Scherer & Palazzo, 2011, p. 899) and its implications for CR research in general and this study in specific shall be addressed in greater detail in section 2.1.3.4 below.

Worth noting at this point is that political perspectives on CR have moved past reactive notions of corporate responsibilities to include proactive views on the role of business in fostering social development. As Stephan et al. (2016, p. 1254) emphasize, political perspectives on CR have extended the scope of analysis beyond the business organization to include effects *outside* the firm. This distinguishes political approaches from aforementioned instrumental and integrative views, which focus predominantly on processes and effects at the level of the firm. By contrast, novel developments in political CR research treat business and society as mutually influential entities. Hence, beyond integration of external social demands, CR becomes a matter of interaction and negotiation between businesses and the broader society within which they are embedded. Hence, a political perspective on CR allows for research on the processes that take place at the heart of the ‘business-society interface’ to shape and define business’ role and responsibilities in society. These properties fit the objective of the present study, which is to examine how ECCs engage, or interact with the Chinese context in questions of CR. The political stream of research within the broader field of CR literature provides a suitable research context for this endeavour. It allows the researcher to pay increased attention to the ‘black box’ of social context and examine the ways in which it both shapes and is shaped by companies’ CR activities. In other words, a political perspective facilitates a more comprehensive examination of the business-society relationship, which is central to evolving notions of CR. Hence, albeit

this study does not, as argued above, rely on a specific conceptualization of CR, it relates to and draws on arguments from the political stream of CR research.

By implication, the study does not adopt an instrumental or integrative perspective. Its primary objective is neither to analyse the link between CR practice and economic performance, nor to focus on the unilateral firm-level processes by which companies integrate social demands. However, it shall be noted that many arguments relating to the instrumental and integrative views play an important role in making sense of the study's empirical data presented in chapters 5 and 6. In fact, as later chapters will confirm, many lines of reasoning put forward by instrumental and integrative research are reflected in interviewees' understanding of CR. This stresses the relevance of respective perspectives in the context of this survey. Nevertheless, the study itself, i.e. its take on CR and the 'business-society interface' is embedded neither in the instrumental, nor in the integrative tradition of CR research. Rather, the study adopts a political perspective to examine the processes that take place between business and society to shape CR developments in the Chinese context.

### **2.1.2. CR in Context**

#### **2.1.2.1. The Relevance of Social Context**

It has been argued in the foregoing section that the study adopts a political research perspective to examine the business-society relationship by which CR developments in China are being shaped. This requires a sound understanding of the meaning, significance and conceptualization of social context. However, as indicated above, the growing body of CR literature has so far given little explicit attention to societal aspects. Social context has mostly been treated as a 'black box', and thus as a predefined array of external demands that are relevant only with regard to questions of integration at the firm level (Brammer et al., 2012). Meanwhile, hardly any scholarly efforts have been dedicated to illuminating the 'black box' of social context itself (ibid.). Consequently, the role of the broader CR environment remains largely understudied (J. L. Campbell, 2007). Athanasopoulou and Selsky (2015) suggest that the persistent neglect of social context in CR research follows a general tendency in management and organization literature to understate the role of social setting. Hence, more than 60 years after its

advent in business and management research, the study of CR still lacks a clear understanding of contextual aspects. Little is still known about the nature of contextual demands, the ways in which they influence companies, and the role that firms themselves play in shaping society's expectations towards business. In other words, knowledge about the inner workings of the business-society interface remains scarce.

This is in spite of the fact that research has long acknowledged social context as a vital aspect in determining notions of CR. Sethi (1979, p. 64) was among the first to point out the context-dependent nature of CR, suggesting that "a specific action is more or less socially responsibly only within the framework of time, environment, and the nature of the parties involved". Sethi (1979) goes on arguing that the same behavioural choice may be deemed socially responsible under certain temporal, local and cultural circumstances, and socially irresponsible under others. Wang et al. (2016) observe that this context-dependency is rooted in the inherent social nature of CR. Being a 'social phenomenon', Wang et al. (2016) suggest, CR does not exist independently from, but is the product of a company's social context and respective expectations for appropriate business conduct. It emanates from a set of socially accepted values, beliefs and ethical concepts, which are neither permanent nor universal, but time- and culture-bound (Donaldson & Dunfee, 1999). Building on these observations, CR is considered context-specific, thus varying across social environments. It follows that context is indispensable to understanding CR perceptions, expectations and practices in specific settings.

This context-dependency of CR is supported by descriptive research, both empirical and conceptual, that stresses the relevance of different contextual aspects in shaping CR perceptions, expectations and approaches in specific settings (Aguilera, Rupp, Williams, & Ganapathi, 2007; Barraquier, 2011; Brammer & Millington, 2003; Collier & Esteban, 2007; Detomasi, 2008; Hemingway & Maclagan, 2004; Ringov & Zollo, 2007; Williams & Zinkin, 2008). Aguilera et al. (2007) for instance focus on the rationales that drive societal actors to push for responsible business conduct. They find instrumental, relational, and moral motives to be relevant in shaping stakeholder expectations, thus suggesting that demands for responsible business conduct depend on aspects of socialization. While Hemingway and Maclagan's (2004) findings indicate that managers' personal values are important antecedents of CR practice, Collier and Esteban (2007) show that employee commitment to CR is dependent on organizational

context. Ringov and Zollo's (2007) empirical study establishes a relationship between national culture and CR practice. Similarly, Williams and Zinkin (2008) uncover that customers' propensity to punish irresponsible corporate conduct is linked to cultural background. Hence, coming from multiple points of view, these and other studies provide support for the idea that notions of business' responsibilities in and towards society vary across different settings, thus rendering CR essentially context-specific (Donaldson & Dunfee, 1999; Matten & Moon, 2008; Wood, 1991).

From a normative point of view, however, the context-specificity of CR is far from undisputed. Headed by Donaldson and Dunfee (1994, 1999), normative discussions have revolved around the question of whether certain basic moral principles for corporate behaviour do and ought to apply regardless of context, and thus have universal legitimacy and authority. In this context, Donaldson and Dunfee (1994, 1999) discuss the concept of so-called 'hypernorms', principles that are believed to be fundamental to human existence and to thus have overarching validity. At a minimum, the authors argue, these hypernorms cover basic human rights (such as personal freedom, physical security and well-being, informed consent, etc.) and "the obligation to respect the dignity of each human person" (Donaldson & Dunfee, 1994, p. 267). This does not mean that Donaldson and Dunfee (1994) reject the context-dependency of CR altogether. On the contrary, they highlight the importance of ethical norms that "local economic communities specif[y] [...] for their members" (Donaldson & Dunfee, 1994, p. 262). These "community-specific microcontracts" (ibid.) are deemed vital in increasing local understanding and acceptance of CR norms. Nevertheless, context-specific microcontracts are regarded as supplementary only to fundamental hypernorms, whose validity is predominant and largely independent of local norms and expectations (ibid.). The inherent call for CR principles that transcend contextual boundaries and are thus universal is reflected, among others, in the norms and demands set forth by standard-setting bodies. Guidelines, standards and initiatives such as UN Global Compact, UN Guiding Principles for Business and Human Rights, OECD Guidelines for Multinational Enterprises or ISO26000 call on firms to not only adhere to a set of common, context-indifferent principles, but to also actively encourage their implementation across different contexts (see for instance UN Global Compact, 2000). These claims are also at the root of what is referred to as the "business and human rights debate" (Wettstein, 2012, p. 739). It discusses business' obligations to respect and safeguard principles of

“human rights, as the most important and fundamental category of moral rights” (Wettstein, 2012, p. 741) in a universal, context-indifferent fashion (e.g. Arnold, 2010; Cragg, 2012; Santoro, 2010; Wettstein, 2012; Whelan, Moon, & Orlitzky, 2009). This debate is of special relevance to MNEs, which are facing increasing demands to uphold and disseminate fundamental CR benchmarks globally and thus regardless of the specific norms and circumstances prevalent in their multiple local contexts (Ruggie, 2007; Scherer, Palazzo, & Baumann, 2006; Weissbrodt & Kruger, 2003; Wettstein, 2009) (see section 2.1.3.4 for a discussion of MNEs and their special role in the contemporary CR debate). Hence, on a normative level, context-specificity of CR remains a much-debated subject in business ethics and CR research. Nevertheless, according to the state of descriptive research as presented above, context-dependency continues to reflect much of the reality of CR perceptions and practice. This underlines the importance of social context in describing and understanding notions of and approaches to CR in specific settings, which is also at the heart of the present research. Therefore, in the following, the author, albeit acknowledging the relevance of the universality debate, focuses primarily on discussing the impact of social context on questions of CR, and on reviewing respective contributions within CR research.

#### **2.1.2.2. Demarcating Social Context**

Conceptualizing social context in CR research requires, first and foremost, attention to the level of analysis (Aguilera et al., 2007; Athanasopoulou & Selsky, 2015; Wood, 1991). This is because “the individual actor concerned with C[S]R is embedded within an organization that is in turn embedded within an external social context” (Athanasopoulou & Selsky, 2015, p. 323). Based on this notion of CR, Athanasopoulou and Selsky (2015) propose a distinction between three levels of analysis, namely the individual level, the organizational level and the external social context. They suggest that each of these particular perspectives sheds light on certain facets of CR practice and thus contributes relevant understanding of the social reality of CR. A brief look at the contextual studies presented in the foregoing section shows that existing research has indeed taken place at one (or more) of these levels of analysis. Hemingway and MacLagan’s (2004) analysis of managerial values for instance focuses on the impact of context at the individual level. Collier and Esteban (2007) consider organizational

culture and climate, as well as internal policies and processes, and thus primarily relate to the organizational level of social context. By examining the effects of the political or cultural environment, Detomasi (2008) or Ringov and Zollo (2007) highlight aspects of the external social context. In line with the latter set of studies, the present research focuses on the external dimension of social context. It concentrates on the ways in which businesses interact with their external social environment in questions of CR.

However, in doing so, the study also touches upon processes at the organizational and even individual level. The external social context of CR is not examined independently of corporate activity. Rather, the study examines the Chinese social context as to its impact on, i.e. interaction with the firm level. Hence, in spite of focussing primarily on the external social context, the study also relates to the organizational (and partly even individual) level of the CR environment. This point is emphasized by Athanasopoulou and Selsky (2015), who note that the three levels of social context cannot entirely be disentangled but are bound by interaction. They emphasize that observations at one level cannot be explained without considering other levels of social context. The question then remains how the external social context can be conceptualized in a sufficiently elaborate manner to account for external contextual complexity (Rivoli & Waddock, 2011), without being ‘blind’ to the effects of interaction between the different levels of the CR context.

### **2.1.2.3. Conceptualizing External Social Context**

Scholars have relied on different approaches to examine the impact of the external social context on CR perceptions and practice. A series of studies have focused on isolated aspects (Clotfelter, 1985; Detomasi, 2008; Navarro, 1988; Ringov & Zollo, 2007; Stone, Joseph, & Blodgett, 2004). Clotfelter (1985) and Navarro (1988) for instance study the relationship between tax law and charitable contributions. Their results suggest that property rights and, by extension other forms of government regulation might have an impact on certain aspects of CR (J. L. Campbell, 2007). Stone et al. (2004) find that an elaborate system of industry self-regulation is positively associated with firms’ eco-orientation. Detomasi’s (2008) results show that the political circumstances and expectations in firms’ home markets are relevant in conditioning their CR activities.

Finally, as outlined above, Ringov and Zollo's (2007) empirical study suggests a relationship between cultural characteristics and firms' social and environmental performance. These studies emphasize the relevance of external social context for CR practice. They provide important in-depth understanding of specific contextual facets, such as regulatory and political systems, cultural factors, non-governmental organizations etc. However, these individual aspects fail to paint a satisfactorily holistic picture of the external social context of CR .

In an effort to provide a more inclusive representation of the external social context, a number of researchers have resorted to stakeholder theory (see section 2.1.1.2) (Aguilera & Jackson, 2003; Jamali, 2007; Park & Ghauri, 2015; X. Yang & Rivers, 2009). Stakeholders are treated as the salient representatives of society's legitimate expectations towards corporate conduct (R. E. Freeman, 1984; Mitchell et al., 1997). Hence, a stakeholder approach helps contextual research "operationalise the responsibilities to an ill-defined 'society' by identifying specific constituencies" (Matten et al., 2003, p. 110). This allows researchers to account for various sources of contextual influence, and adopt a broader perspective on the social context in which CR is embedded. Jamali (2007) highlights the advantages of stakeholder theory in contextual CR research. In specific, she emphasizes the practical benefits, suggesting that a stakeholder approach is useful in crafting empirical research, as well as in collecting and analysing empirical data on contextual factors. Therefore, Jamali (2007) argues, stakeholder-based studies can add much-needed accuracy to the vague field of CR research. This entails that the external social context must be streamlined for operationalization purposes, and treated as a set of exogenous factors. Such simplification might be useful and even necessary for studies focusing on the 'business-end' of the business-society relationship. It might, however, not be suited for research that aims at examining the complex interactions that take place between businesses and their multifaceted external social context. In these cases, research must not only be able to account for contextual complexity. It also requires a perspective on external social context that allows contextual factors to be treated, at least partly, as endogenous and thus as equally subject to the processes of interaction. This involves analysing the ways in which potential frictions between social demands and economic imperatives are negotiated; a fundamental issue that stakeholder approaches tend to bypass (J. L. Campbell, 2007; Margolis & Walsh, 2003). Hence, although stakeholder theory offers

an attractive and practical framework for contextual CR research, it does not appear to be appropriate in the case of the present study.

Another stream of research uses an institutional theory perspective to study CR in context (e.g. Athanasopoulou & Selsky, 2015; Brammer et al., 2012; J. L. Campbell, 2007; Delmas, 2002; Delmas & Toffel, 2004; Doh & Guay, 2006; Husted & Allen, 2006; Jamali & Neville, 2011; Jennings & Zandbergen, 1995; Lim & Tsutsui, 2012; Matten & Moon, 2008; X. Yang & Rivers, 2009). Institutionalism, more precisely neo-institutionalism basically suggests that organizational activity is both constrained and facilitated by the institutional environment in which it takes place (R. W. Scott, 2008). Institutions, broadly defined as formal and informal “rules of the game” (North, 1990, p. 3), are regarded as key determinants of behaviour, making actors and organizations think and behave differently, depending on the institutional context of their activities (Groenewegen, Spithoven, & Van den Berg, 2010). However, given that institutions are believed to be ultimately socially sanctioned and constructed, they may also be subject to change over time (J. L. Campbell, 2004). Organizations are thought to play a vital role in driving such institutional change (J. L. Campbell, 2004; North, 1990; Powell & DiMaggio, 1991). Hence, neo-institutional theory presents an interactive perspective on external social context (Powell & DiMaggio, 1991), in which institutions and organizations are treated as mutually influential entities.

These basic assumptions of neo-institutional theory (see section 2.3.1 for a more in-depth description of the theory’s relevant tenets) offer a promising framework for the study of contextual CR. On the one hand, by placing CR within a wider field of formal and informal conditions, institutional theory conceptualizes the complex external social context of CR including its multiple constituents (Brammer et al., 2012). Hence, an institutional approach helps understand CR in particular social contexts and “allows for a more accurate grasp on what C[S]R in a specific institutional setting actually means (Brammer et al., 2012, p. 8). Jamali and Neville (2011) for instance capitalize on this quality of institutional theory to shed light on the institutional conditions that support or impede the diffusion of international CR standards in the Lebanese context. Doh and Guay (2006) use an institutional approach to examine the differences in social expectations about corporate responsibilities in Europe and the United States. Campbell (2007) relies on institutional theory to examine the circumstances under which firms are



likely to display responsible business conduct. These studies highlight the usefulness of institutional theory in explaining how and why CR is shaped in certain ways under specific conditions (Brammer et al., 2012).

On the other hand, given its dynamic and interactive view on social context, institutional theory provides a valuable lens for studying the active role of businesses in shaping CR developments (Athanasopoulou & Selsky, 2015). By contrast to other approaches, such as for instance stakeholder theory, it does not focus solely on the ways in which social demands influence corporate activity. An institutional perspective also accounts for the ways in which organizational actors can themselves influence their social context (Athanasopoulou & Selsky, 2015). This conceptualization of social context is highly useful to a political perspective on CR, which considers not only the reactive role of businesses, but examines their ‘bottom-up’ influence and contribution to institutional change, too.

In sum, an institutional approach facilitates understanding of how contextual diversity affects businesses’ CR approaches, and of how firms in turn influence the contextual conditions of CR (Jackson & Deeg, 2008). This is precisely the interactive lens that this contextual study requires to shed light on the complex interplay between ECCs and the Chinese context regarding questions of CR. Hence, the present research relies on an institutional conceptualization of the external social context. An institutional approach offers the appropriate conceptual framework to account for contextual complexity, all the while considering the effects of interaction that take place between external social context and the level of the organization. This interactive take also fits the political perspective adopted by the research to study CR in the Chinese context.

### **2.1.3. CR and Global Business Activity**

Globalization has heightened the need to understand the social context of responsible business conduct and the processes by which it interacts with firms to shape notions of CR. Under the conditions of increased cross-border business interaction, both the role of social context and the contextual impact of business have changed, with major implications for CR debate and practice.

### 2.1.3.1. CR under Cross-National Diversity

Firstly, the conditions of globalization have increased the complexity of CR practice and contextual research. With business transcending national borders, corporate activity increasingly takes place in numerous national contexts simultaneously (Westney & Zaheer, 2009). This adds a new emphasis to Sethi's (1979) observation on the contextual nature of CR: Companies involved in international business activity are likely to face different notions of and demands for social responsibility, depending on the national context of their operations (X. Yang & Rivers, 2009).

A growing body of cross-national CR research provides evidence supporting this claim (Ahmed, Chung, & Eichenseher, 2003; Baughn et al., 2007; Blasco & Zolner, 2010; Bondy et al., 2004; Chapple & Moon, 2005; I. Freeman & Hasnaoui, 2011; Jackson & Apostolakou, 2010; Maignan & Ralston, 2002; Waldman, de Luque, Washburn, & House, 2006; Welford, 2005; Williams & Zinkin, 2008). Using a sample covering 15 countries, Waldman et al. (2006) for instance find that managerial values and attitudes towards social responsibility vary across countries. Ahmed and colleagues' (2003) research stresses cross-national differences in perceptions of 'ethical' and 'unethical' corporate conduct. Similarly, William and Zinkin (2008) uncover that national background has an impact on stakeholder perceptions and attitudes regarding CR. These studies stress that firms in different national contexts face varying social demands as to responsible business conduct. Existing research suggests that this is mirrored also in cross-national differences in CR *practice*. In their empirical study across 15 Asian countries, Baughn et al. (2007) for instance provide empirical support for the idea that firms' CR approaches differ cross-nationally, and even within the same geographical region. They attribute these findings to variances in political and economic circumstances. By the same token, Maignan and Ralston's (2002) study of CR communication finds that firms from different countries rely on different means to convey social responsibility images. In their comparative study across different European countries, Jackson and Apostolakou (2010) discover that businesses operating in the more liberal Anglo-Saxon market economies display higher commitment to CR practice than companies in the more regulated market economies of Continental Europe. Their results indicate that institutional differences in politico-economic structures are relevant to determining CR practice. Taking yet another perspective, Blasco and Zolner

(2010) shed light on differences in CR understanding and practice between France and Mexico by studying the impact of normative institutions. This study joins others in providing evidence for diverging notions of and approaches to CR across countries. Against this backdrop, Crane et al. (2013, p. 16) argue, “it is essential to understand the specific [...] national context in which companies practice C[S]R”. Hence, prior research stresses cross-national diversity in CR perceptions and practice. It thereby underlines the importance of illuminating the ‘black box’ of social context in CR research, particularly given the conditions created by globalization.

International business research emphasizes that cross-national diversity is particularly demanding for multinational enterprises (MNEs). An MNE is defined primarily by the fact that it “owns and operates its assets and controls the use of its inputs in different national states” (Dunning, 2013, p. 7). Due to these characteristics, scholars highlight that MNEs face unique institutional complexity and multiple, partly conflicting sources of social acceptance (Kostova & Roth, 2002; Kostova & Zaheer, 1999; Suchman, 1995; Westney & Zaheer, 2009). This is of particular relevance to questions relating to the business-society interface and thus also to matters of CR. Although research on CR in MNEs has received comparatively little attention (Jamali, 2010; Rodriguez, Siegel, Hillman, & Eden, 2006), scholars agree that international activity poses serious CR-related challenges and dilemmas for MNEs (X. Yang & Rivers, 2009).

Much of the literature in the field attributes these difficulties to issues of social legitimacy (Kostova & Roth, 2002; Kostova & Zaheer, 1999; Suchman, 1995; Westney & Zaheer, 2009). The concept of legitimacy is anchored in institutional theory. It has gained much attention in international business research and is also frequently applied to the study of contextual CR (Jackson & Rathert, 2017; Lamin & Zaheer, 2012). According to a commonly referred to definition by Suchman (1995, p. 574), legitimacy can be described as “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”. Institutional theorists argue that legitimacy is essential to organizational survival because it ensures resource flows and stakeholder support in a given social context (Pfeffer & Salancik, 1978; Suchman, 1995). Following this line of reasoning, CR, like any other (business) activity, is assessed by society depending on its local legitimacy (Jackson & Rathert, 2017; Lamin & Zaheer, 2012). Hence, for

companies to be regarded by society as responsible business actors, their CR approaches must correspond to society's particular measures of legitimate corporate conduct. This puts pressure on firms to adapt to local CR benchmarks and become isomorphic to local standards for the sake of contextual legitimacy (R. W. Scott, 2008). It follows that firms are faced with different benchmarks of legitimate CR in distinct institutional contexts (Jackson & Rathert, 2017). Therefore, in the case of MNEs, establishing and maintaining legitimacy, including legitimate CR activities, in multiple host country contexts becomes a critical issue (Kostova & Zaheer, 1999).

Kostova and Zaheer (1999) identify three basic legitimacy-related complexities faced by MNEs, which are of major relevance to their CR approaches. Firstly, when operating in foreign environments, MNEs, i.e. their subsidiaries are often unaware of host country social demands for legitimacy. Hence, they must familiarize with the complex, multifaceted host country institutional environment in which requirements for legitimate CR activity are embedded (Kostova & Zaheer, 1999). This process is referred to by Xu and Hitt (2012) as 'institutional learning'. Galbreath (2006) notes that in the case of CR, institutional learning covers various aspects and sources of legitimacy such as local cultures, regulatory contexts, NGO environments, etc. Therefore, researchers argue, understanding the host country context and identifying salient sources of legitimacy represents a vital aspect of MNEs making adequate choices in the broader field of CR (Bustamante, 2011; Galbreath, 2006; Wines & Napier, 1992; J. Yin & Jamali, 2016).

Complexity at the level of the host country context is exacerbated by transnational complexity. As Kostova and Zaheer (1999) stress, MNEs are simultaneously faced with many institutional environments, and thus with varying notions of legitimacy. This forces MNEs to make choices regarding their alignment of CR approaches with diverging host country demands (X. Yang & Rivers, 2009). Literature points out that this might cause potential discord between internal and external demands for appropriate CR conduct (Bustamante, 2011; Husted & Allen, 2006; Jamali, 2010; X. Yang & Rivers, 2009). MNE subsidiaries, which are bound internally to a set of (explicit or implicit) CR guidelines and requirements, might at times find it difficult to respond to local demands for responsible business conduct without 'bending their own rules' (X. Yang & Rivers, 2009). Hence, conforming simultaneously to parent company requirements for internal legitimacy and local stakeholder demands for external legitimacy might create

substantial tension at the level of the multinational firm (X. Yang & Rivers, 2009). This conflict between internal and external legitimacy has been referred to by Hillman and Wan (2005) as ‘institutional duality’. It is closely related to a second aspect highlighted in existing research, which is divergence between home and host country perceptions of legitimate corporate conduct. Donaldson and Dunfee (1999, p. 46) stress the ethical challenges that arise when business transcends national borders, suggesting that MNEs must often “face up to the home-host conflict in ethics”. In an extreme case, this includes decisions on how to respond to host country social demands that fall below or even oppose legitimacy requirements in the home country environment (Donaldson & Dunfee, 1999; J. Tan & Wang, 2011; X. Yang & Rivers, 2009). In this context, Dann and Haddow (2008) for instance refer to self-censuring requirements in China and the case of multinational internet companies such as Yahoo, Google or Microsoft. These MNEs have been met with severe criticism from home country and international stakeholders for their decision to adhere to Chinese demands in return for local legitimacy. This example highlights the transnational contradictions that MNEs tend to be subjected to when deliberating the localization of their CR approaches in an effort to obtain legitimacy (Husted & Allen, 2006; Jamali, 2010; X. Yang & Rivers, 2009).

The challenges of institutional learning and institutional duality are heightened by a third aspect of legitimacy-related complexity, which is institutional distance (Kostova & Zaheer, 1999; D. Xu & Shenkar, 2002). Kostova and Zaheer (1999, p. 68) define institutional distance as “the differences or similarities between regulatory, cognitive, and normative institutional environments of the home and the host countries of an MNE”. Researchers assume that the greater the institutional distance between two countries of MNE operations, the more pronounced the ‘liabilities of foreignness’ they face (Zaheer & Mosakowski, 1997). According to Hymer (1976), liabilities of foreignness describe the idea that firms setting up operations abroad are subject to certain inevitable uncertainties and costs that companies operating in their home country do not face. Liabilities of foreignness emanate from the various effects of firms’ lack of local embeddedness and their unfamiliarity with the local business context (Zaheer & Mosakowski, 1997). Together, institutional distance and related liabilities of foreignness aggravate above-described issues. On the one hand, difficulties associated with institutional learning rise with growing institutional distance (Kostova & Zaheer, 1999). It becomes more challenging for MNEs to understand the benchmarks of

legitimate and thus also ‘responsible’ corporate conduct in the foreign setting. Failure to comprehend legitimacy requirements in unfamiliar host societal contexts and overcome liabilities of foreignness respectively is found to not only create unforeseen costs (Orr & Scott, 2008), but also hamper MNEs defining appropriate CR behaviour (X. Yang & Rivers, 2009). On the other hand, institutional distance heightens the challenges associated with reconciling internal and external, and/or home and host country demands for legitimacy. Thus, it increases the stress on MNEs to find suitable answers to cross-national differences in CR requirements. Hence, prior research indicates that MNEs that operate under pronounced institutional distance are particularly affected by legitimacy-related complexities and the challenges of cross-national diversity in the field of CR.

In sum, insights from international business and institutional research highlight that MNEs represent a special case in CR research and practice. MNEs must navigate the varied demands for legitimacy of numerous home and host country societies and face significant legitimacy-related complexities due to their foreignness. Consequently, in their decision-making on questions of CR, these firms are subject to multiple push and pull factors (Husted & Allen, 2006; Jamali, 2010; X. Yang & Rivers, 2009), and must find adequate responses as to ‘who is owed a responsibility’ (G. F. Davis, Whitman, & Zald, 2006). In particular, they must deal with diverging pressures to adapt to local CR benchmarks in an effort to obtain legitimacy from multiple country stakeholders (Lamin & Zaheer, 2012; X. Yang & Rivers, 2009). Due to these peculiar challenges, Husted et al. (2016) contend that it is vital to distinguish between foreign and domestic firms when studying CR in context.

### **2.1.3.2. CR in Emerging Market Contexts**

Following a wider trend in the MNE-specific CR and international business literature, the role of CR in multinationals’ emerging market operations remains understudied and has only recently started to attract researchers’ interest (Reimann et al., 2012). The still scant but growing body of literature in the field (Hah & Freeman, 2014), however, indicates that above described CR-related challenges are of special relevance when MNEs operate in emerging markets. This applies in particular to MNEs from developed

country backgrounds. In their case, scholars note, institutional distance between home and host country context and thus also between respective notions of legitimate corporate conduct tend to be very pronounced (Jamali, 2010; Peng, Wang, & Jiang, 2008; Rodriguez et al., 2006). These conditions create serious difficulties for developed country MNEs (Hah & Freeman, 2014; Reimann et al., 2012). As Yin and Jamali (2016, p. 542) emphasize: “the case of MN[E] subsidiaries presents a unique challenge to C[S]R design and implementation [...] in the host emerging countries”. This is because, under pronounced institutional distance, overcoming liabilities of foreignness and understanding local legitimacy requirements in emerging host country contexts becomes particularly demanding (Kostova & Zaheer, 1999; Marquis & Raynard, 2015; Zaheer, 1995; Zaheer & Mosakowski, 1997). Moreover, as Yang and Rivers (2009) note, marked institutional distance is likely to create situations where global, i.e. home country demands for CR are at odds with prevailing CR practices in the host country context. Hence, when developed country MNEs operate in emerging markets, tensions between local benchmarks of legitimacy and home country, or internal demands for responsible corporate conduct tend to be particularly marked (X. Yang & Rivers, 2009).

This is not to say that expectations for responsible business conduct in emerging markets are necessarily tenuous. In fact, existing research provides conflicting insights as to the general level of CR practice in emerging market contexts. Baskin’s (2006) empirical research for instance indicates that CR in emerging markets is more developed than commonly assumed and partly even exceeds standards in developed country contexts. Nevertheless, the majority of studies stresses the still underdeveloped nature of emerging market CR (Baughn et al., 2007; Chapple & Moon, 2005; A. Muller & Kolk, 2009; Welford, 2005). Yet, more recent research also suggests that the level of CR tends to improve as emerging markets develop economically (Li, Fetscherin, Alon, Lattemann, & Yeh, 2010). Li and colleagues (2010) find that this is associated with development-driven changes in governance environments towards greater transparency, accountability and public order at the macro level.

This highlights a much-emphasized point in research on CR in emerging markets, which is the relationship between underdeveloped institutions and low-level CR standards. According to this ‘void-based view’, flawed institutional environments facilitate and thus partly account for irresponsible corporate behaviour (Zhao et al., 2014).

Researchers argue that institutional weaknesses, first and foremost insufficient public governance, ineffective regulatory systems, widespread bribery and corruption, lack of respect for human rights and weak civil society institutions cause institutional voids and loopholes that hamper the development of CR-friendly social contexts in emerging markets (L. Lam, 2009; Reimann et al., 2012; J. Tan, 2009b; J. Yin & Jamali, 2016; J. Yin & Zhang, 2012; Zhao et al., 2014). De Abreu et al.'s (2015) research for instance provides empirical support for this view. Their findings indicate that weak coercive and normative institutional forces in Brazil contribute to explaining why local CR falls short of developed country standards. By the same token, Rettab et al. (2009) suggest that the institutional conditions in developing economies of the Middle East are likely to cause social inequality, poor labour practices and environmental damage. Hence, existing research suggests that institutional voids play an important role not only in describing pronounced institutional distance between emerging and developed market contexts. They are also found to contribute to a gap in CR development respectively.

Prior literature indicates that difficulties associated with institutional weaknesses are intensified by institutional volatility and unpredictability in emerging markets. Zhao et al. (2014) highlight that institutional changes are central to understanding CR developments and approaches in emerging markets. Peng et al. (2008) note that the hallmark of emerging economies is institutional transition, defined by Peng (2003, p. 275) as a “fundamental and comprehensive change introduced to the formal and informal rules of the game that affect firms as players”. Fast-paced industrialization, economic liberalization and augmented integration into the global economy are at the root of emerging market transition of formal and informal institutions (Marquis & Raynard, 2015). They create conditions of permanent institutional flux, which implies that the benchmarks of social legitimacy are equally under perpetual change. This adds difficulty for firms to identify appropriate responses in the field of CR and obtain local legitimacy. As Peng and colleagues (2008, p. 924) emphasize: “the key question for both domestic and foreign firms in emerging economies is: How to play the game, when the rules of the game are changing and not completely known?”.

Together, the conditions created by institutional weaknesses and transition create a series of challenges that are specific to emerging market contexts. They make for emerging markets' distinctive nature in CR practice and research (Jamali & Karam,



2016). In the case of MNEs, the effects of institutional flux and voids add to the difficulties caused by marked institutional distance, thus further increasing the cross-national challenges of defining appropriate CR conduct. Hence, prior research reveals that emerging markets not only represent a ‘special case’ in the study of contextual CR (Jamali & Karam, 2016), but also prove intensely demanding for MNEs’ CR activities.

### **2.1.3.3. CR in China**

Existing research stresses that aforementioned conditions and special circumstances in emerging markets are also relevant to describing the particular Chinese CR context, including respective issues and challenges faced by MNEs of developed country origin. Firstly, relating to the ‘void-based view’ (Zhao et al., 2014), Yin and Zhang’s (2012) study suggests that persistent weaknesses in China’s institutional system contribute to a lack of systematic and institutionalized CR approaches among local firms. Their analysis highlights, among others, that inadequate regulative incentives and lack of conducive normative institutions inhibit the spread and development of CR practice in the local business community. These findings are supported by other studies that equally stress legal and political deficiencies in hampering the evolution of the Chinese CR context (Chahoud, 2008; Cooke & He, 2010; Darigan & Post, 2009; Gallagher, Giles, Park, & Wang, 2013; L.-W. Lin, 2010; Haiyan Wang, Appelbaum, Degiuli, & Lichtenstein, 2009). Exploring the question of whether Chinese CR developments amount to real structural change or simple ‘window dressing’ only, Lin (2010) for instance provides a broad summary of different CR initiatives, both government and non-government driven. Lin’s (2010) research concludes that CR is indeed gaining a foothold in the Chinese context, but continues to be curbed by a series of pervasive political, social and economic constraints. Other researchers focus on voids in the country’s cultural-cognitive context to make sense of an observed lack of widespread CR practice in China. Lu (1997, 2009), Ying (2001) or Ip (2009a, 2009b, 2013) for instance highlight the business ethical issues that hamper CR developments in contemporary China, investigating, among others, the role of China’s cultural heritage in fostering, or obstructing the evolution of CR. Albeit taking different angles and focusing on different contextual features, the findings of these studies underline the general observation that institutional voids and weaknesses play a relevant role in

hampering CR developments in emerging markets. Research insights on the Chinese institutional environment for CR shall be outlined and discussed in greater detail in the comprehensive contextual overview provided in chapter 3.

Besides stressing the impact of institutional deficits, prior China-specific research also confirms the importance of perpetual institutional change for understanding CR in emerging markets (see section 2.1.3.2). Researchers highlight that this aspect is of special relevance to the particular Chinese context. They note that China's transition from a communist to a de facto capitalist market system has been substantial and pervasive, and has thus been causing major stress on the local CR environment (Peng et al., 2008; X. Yang & Rivers, 2009). Besides economic, social and political shifts, Whitcomb et al. (1998a) emphasize the role of far-reaching cultural-cognitive changes. They argue that substantial and overarching institutional reforms have left (business) ethical values in a state of flux and have thus caused a lack of well-founded cognitive benchmarks of what is considered 'appropriate' individual and corporate conduct. Hence, beyond confirming the general notion that institutional volatility is a distinctive feature of emerging market contexts for CR, prior research stresses that changes have been particularly profound in the case of China.

The current body of literature suggests that the described conditions of institutional weaknesses, voids, and flux, are likely to induce foreign MNEs to lower their CR standards when operating in the Chinese context. In spite of an observed successive alignment in CR practice between foreign MNEs' home and Chinese host country operations (Björkman, Smale, Sumelius, Suutari, & Lu, 2008), much evidence has previously been produced revealing MNEs' sub-standard conduct in China (L. Lam, 2009; J. Tan, 2009a, 2009b; Yu, 2008). Lam's (2009) empirical study among foreign MNEs in China, for instance, joins observations by Tan (2009a), suggesting that CR developments at the subsidiary level tend to significantly lag behind headquarter standards. This is attributed, among others, to challenges associated with Chinese business culture, intellectual property rights or insufficient Chinese government support (L. Lam, 2009). These findings confirm the impact of emerging market institutional weaknesses on sub-standard CR conduct, as proposed by the 'void-based view' (Zhao et al., 2014). They are also indicative of the respective challenges faced by MNEs of developed country origin to define 'appropriate' conduct as described in sections 2.1.3.1

and 2.1.3.2. Hence, as far as overarching issues of CR and legitimate MNE conduct are concerned, existing studies on the Chinese context corroborate findings from other emerging market environments. They confirm the set of general attributes that are at the root of emerging markets' distinctiveness in CR practice and research (Jamali & Karam, 2016). However, as will be revealed in later chapters, in particular in chapter 3, the Chinese CR context remains unique within the group of emerging markets. Hence, albeit sharing some general features with other developing countries, the conditions, demands, and rationales driving CR in China are context-specific.

#### **2.1.3.4. MNEs as Social Entrepreneurs**

The increased manifestation of cross-national variation in CR through global business activity has not only raised difficulties for MNEs to gain acceptance by adapting, more or less, to a specific set of local benchmarks as described in foregoing sections. It has also produced a novel set of expectations for MNE legitimacy. These demands are directed at overcoming, at least partly, the very multitude of standards that characterize the global CR landscape. At the heart of this development lies the belief in the universality of certain core rights and principles that transcend contextual differences and must thus be safeguarded globally (see section 2.1.2.1). As indicated in section 2.1.2.1, MNEs are attributed a special role in upholding and disseminating these principles of fundamental validity (Ruggie, 2007; Scherer et al., 2006; Weissbrodt & Kruger, 2003; Wettstein, 2009). Their size, resources, activities and competences have augmented sharply with progressing globalization, thus amplifying the impact of their behavioural choices (Detomasi, 2008). MNEs' decisions on how to address society-relevant questions such as environmental protection, labour or human rights plays a major role for the external social context in which they are embedded, and beyond (ibid.). The fact that some corporations exceed entire nation-states in terms of economic size has been used to emphasize the amount of social power accumulated by large-scale MNEs (Detomasi, 2008; Jamali, 2010; Koerber & Fort, 2008). Under these circumstances, MNEs are attributed a special responsibility in protecting and advancing core rights and principles on a global scale (Santoro, 2009).

These rationales and developments are at the root of what is described as a 'political turn' in recent CR research (Mäkinen & Kourula, 2012; Scherer & Palazzo, 2011;

Scherer et al., 2016). At the forefront of this debate are Scherer and Palazzo (2007, 2011), whose works on ‘the new political role of business’ are closely related to Matten and Crane’s (2005) ‘extended conceptualization of corporate citizenship’ (see section 2.1.1.2). Generally speaking, these concepts stress that, under the conditions of globalization, firms, in particular large-scale MNEs, should assume political tasks, partake in the provision of public goods and thus play an active role in shaping their institutional environment (Whelan, 2016). This position has initiated an ongoing discussion on the political role of business and an adequate conceptualization of CR in the age of globalization (Frynas & Stephens, 2015; Mäkinen & Kourula, 2012; Morsing & Roepstorff, 2015; Rasche, 2015; Scherer et al., 2014, 2016; Whelan, 2012, 2016).

At the basis, Scherer and Palazzo (2011) argue that globalization is blurring the dividing lines between the societal, political and economic spheres. They suggest that the classic clear-cut division between nation-state governance and private business is being diluted as a result of a weakening of the nation state along with MNEs’ growing social power. Proponents of a political perspective on CR maintain that the nation-state’s capabilities to deal with social and environmental problems, provide public goods, grant citizenship rights and avoid, i.e. outbalance negative externalities is being curtailed by the processes of globalization (Matten & Crane, 2005; Scherer et al., 2014). In fact, social, political and economic interaction is increasingly taking place beyond the realm of the nation-state (Matten & Crane, 2005; Scholte, 2005). Scholars argue that this continued deterritorialization decreases the abilities of national governments and their state agencies to ensure societal wellbeing, thus creating governance gaps (Matten & Crane, 2005; Scherer & Palazzo, 2011). Under these circumstances, Wolf (2008, p. 225) contends, there is a “growing need (and claim) to make use of the problem-solving potential of non-state actors in order to master the challenges more effectively”. This is where businesses enter the equation. MNEs in particular are asked to take on an ever broader range of social and environmental responsibilities, traditionally performed by government, to fill the regulative vacuum created by globalization (Detomasi, 2008; Matten & Crane, 2005; Scherer & Palazzo, 2007, 2011). This represents a “movement of the corporation into the political sphere” (Scherer & Palazzo, 2011, p. 910). Firms become political players that are expected to take on an active role in shaping the external social context towards greater social good and societal wellbeing (Rasche, 2015; Scherer & Palazzo, 2011). This broadens the benchmarks of legitimacy (Kostova

& Zaheer, 1999; Suchman, 1995). Following the above line of reasoning, companies' 'licence to operate' in a specific context increasingly surpasses their adjustment to local demands for responsible business conduct, to include a responsibility for filling regulative vacuums (Scherer & Palazzo, 2011).

These theoretical and normative demands are supported by anecdotal evidence on companies' actual CR approaches under the conditions of globalization (Scherer & Palazzo, 2011). Existing research emphasizes that an increasing number of MNEs is starting to use their social power to fill governance voids by providing social goods and assuming 'state like functions' (Margolis & Walsh, 2003; Matten & Crane, 2005; Rasche, 2015; Scherer & Palazzo, 2011). They engage in traditional governance tasks such as public health, education, social security, environmental protection, protection of human rights, promotion of peace and stability, etc. (Scherer et al., 2014). By doing so, they contribute to redefining the benchmarks of legitimacy in global and local contexts (Palazzo & Scherer, 2006), thereby acting as 'quasi-governmental institutions' (Wettstein, 2009). This expands the contextual role of MNEs and their CR approaches from being shaped by their external social context to becoming 'social entrepreneurs' (Scherer et al., 2014), who participate in moulding their institutional environment (Barley, 2010).

Research stresses that MNEs face particular expectations and potential to engage in social entrepreneurship when operating in less-developed and emerging market contexts. In these environments, as outlined above, institutional voids and weaknesses tend to be particularly pronounced (Reimann et al., 2012). Emerging markets are often characterized by absence of effective regulatory institutions in the social and environmental realm, weak or inexistent rule of law, and lack of administrative capacity to provide social services (Detomasi, 2008; Matten & Crane, 2005; Rathert, 2016; Scherer & Palazzo, 2011). In Scherer and Palazzo's (2011, p. 922) words, under globalization, MNE operations are likely to at least partly take place "in failed states such as Nigeria and Zimbabwe, weak states such as Bangladesh or Indonesia, and strong but repressive states such as PR China, Iran or Myanmar". Under these circumstances, the normative claim for developed country MNEs to adopt a political approach to CR and fill governance voids is heightened. When operating in emerging markets, MNEs are often regarded as what Matten and Crane (2005, p. 172) call "a kind of 'default

option” for providing social goods and administering citizenship rights. They are increasingly expected to use their social power and CR activities to “help bridge the governance gap between what local regulations require, what local governments can deliver, and what cognitive and normative legitimacy demands” (Detomasi, 2008, p. 810). In this context, Santoro (2009) calls specifically upon Western MNEs in China to partake in social and political development. He argues that Western firms have an obligation to do their “‘fair share’ to advance democracy and human rights” (Santoro, 2009, p. 18), and thus influence the direction of China’s ascent to global economic and political power. Albeit highlighting the moral imperative in his line of reasoning, Santoro (2009) also makes an economic argument in favour of MNEs’ political contribution, suggesting that rights and rule of law in the Chinese host context are indispensable for foreign investment to be safeguarded.

Claims to assume political responsibilities and compensate for governance gaps in less developed markets have not only found their way into theoretical literature and normative institutions such as UN Global Compact. Research indicates that they might also be reflected in heightened demands from emerging market stakeholders towards foreign MNEs (Husted et al., 2016). In this context, Yin and Jamali (2016) observe that MNEs are often faced with scepticism from emerging market stakeholders as to their CR conduct. Kostova and Zaheer’s (1999) study gives emphasis to this claim. It suggests that MNEs tend to be subject to stereotypes and different standards of legitimacy in host country contexts. Kostova and Zaheer (1999, p. 74) argue that these labels “may arise from long-established, taken-for-granted assumptions in the host environments regarding MNEs in general, or of MNEs from a particular industry or a particular home country”. These insights imply that developed country MNEs are likely to be confronted with higher CR-related expectations than their domestic counterparts when operating in emerging markets, due to perceptions about superior CR standards in their home countries (Husted et al., 2016). This might include demands from local stakeholders to use CR as a means to fill institutional voids in less developed host contexts (Matten & Crane, 2005). Hence, literature suggests that calls for MNEs to assume political CR in emerging markets encompass both normative claims and concrete expectations from local stakeholders.

It must be noted, however, that the political perspective on MNEs and their CR activities is far from uncontested. Political CR activities are frequently criticized for being incompatible with the economic role of business, and therefore threatening for societal wellbeing and prosperity (Henderson, 2001). Another substantial point of criticism relates to MNEs' lack of democratic mandate to engage in regulative and governance issues, thus questioning their involvement into the political sphere (Fleming & Jones, 2013; Scherer & Palazzo, 2011). Also, critics argue, MNEs' interests are not sufficiently aligned with those of wider society to replace public governance (Fleming & Jones, 2013). As Fleming and Jones (2013, p. 34) summarize, "it is simply not in the MNCs' institutional DNA to provide citizenship rights under any circumstances beyond a 'business case' logic – and if it ever did, then it would do so in an unreliable, unaccountable and undemocratic manner". It is beyond the scope of this thesis to present an inclusive synopsis of the normative debate on political CR, nor is it its objective to actively engage in it. For in-depth discussion and critique on the idea and its conceptualization see for instance Whelan (2012, 2016), Mäkinen and Kourula (2012), Fleming and Jones (2013), Frynas and Stephens (2015) or recently Scherer and colleagues (2016). Rather, the point of this section is to emphasize that globalization has brought about claims from scholars, normative institutions and stakeholders alike for MNEs to adopt more far-reaching responsibilities towards society and take on political tasks. These demands for a political approach to CR are of particular relevance to MNEs operating in emerging market contexts, where institutional voids and weaknesses increase the need and potential of social entrepreneurship by foreign MNEs.

#### **2.1.3.5. MNE Engagement with External Social Contexts**

The foregoing sections have shown that contemporary CR literature joins international business and institutional research in stressing the complex situation that MNEs face under the conditions of globalization. On the one hand, these firms are exposed to a multitude of external social contexts, which are found to vary in terms of CR standards and practice. Against this backdrop, research points out that MNEs must find adequate responses to diverging demands for CR and make decisions on whether or not to adapt to host country benchmarks in an effort to increase local legitimacy. On the other hand, given their growing social power, MNEs are increasingly confronted with expectations

to assume political tasks and use CR to partake in shaping institutional contexts towards increased societal wellbeing. Prior research suggests that these challenges are particularly marked in emerging market contexts. Here, MNEs tend to face both pronounced difficulties regarding legitimacy-based adaptation to local CR standards, and heightened pressure for social entrepreneurship. These insights indicate that MNEs are subject to a complex interplay of ‘top-down’ and ‘bottom-up’ demands with regard to their CR performance when operating in emerging markets. Tensions are likely to arise between the need for local adaptation on the one hand, and expectations to act as agents of social change on the other. This in turn evokes questions about the nature of the relationship between MNEs and their emerging market contexts: How do MNEs deal with the complex interplay of CR-related ‘top-down’ and ‘bottom-up’ demands that they face when operating in emerging markets? How do they respond to the tensions between the pull for local adaptation in return for contextual legitimacy and the political push for social entrepreneurship? More generally speaking, how do MNEs engage with emerging market institutions in terms of CR and what are the dynamics at play?

With regard to the ‘top-down’ impact of institutions on CR, a growing stream of literature has recently started to investigate the contextual antecedents of MNEs’ CR approaches in host country environments (J. L. Campbell, 2007; J. T. Campbell, Eden, & Miller, 2012; Husted et al., 2016; Jamali, 2010; Marano, Tashman, & Kostova, 2016; Reimann, Rauer, & Kaufmann, 2015; J. Tan & Wang, 2011; X. Yang & Rivers, 2009; Zhao et al., 2014). Campbell’s (2007) theoretical paper generally examines the institutional conditions that increase the likelihood of MNEs behaving in a socially responsible manner in host country contexts. His propositions suggest that MNEs are more likely to display socially responsible conduct in institutional environments characterized by strong and well-enforced state regulations, effective non-governmental monitoring, well-organized and effective industrial self-regulation, and institutionalized business ethics norms (e.g. in business school curricula, business publications, etc.). Furthermore, Campbell (2007) finds that membership in local trade associations and institutionalized dialogue with labour unions, employees and other local stakeholders has a positive impact on MNEs’ CR performance in specific social contexts. Moreover, existing research points out that MNEs’ likelihood to behave responsibly in host country environments depends, at least partly, on the institutional distance between their home and host country contexts (J. T. Campbell et al., 2012; Reimann et al., 2015). Insights



produced by Reimann and colleagues' (2015) study confirm earlier empirical findings from Campbell et al. (2012) on the negative relationship between institutional distance and CR commitment. It is argued that MNEs' willingness and ability to engage in CR activities lessens with growing institutional distance (J. T. Campbell et al., 2012). This is attributed to a lack of identification with host country constituents and to local institutional barriers (ibid.). Together, these findings suggest that pronounced institutional distance and weak local institutions induce developed country MNEs to lower their CR standards when operating in emerging markets.

Another part of the still limited research in the field focuses on the contextual factors that affect MNEs' decisions on whether or not to localize their CR practices (Bustamante, 2011; Jamali, 2010; X. Yang & Rivers, 2009; J. Yin & Jamali, 2016). Hence, by contrast to aforementioned studies, the emphasis is not placed on responsible versus irresponsible conduct, but on the degree to which MNEs adapt to local demands for legitimate behaviour. Research indicates that institutional distance and local stakeholders are vital in influencing MNEs' localization choices in the field of CR. As argued by Yang and Rivers (2009) as well as recently by Yin and Jamali (2016), MNEs are more likely to localize their CR approaches in host country contexts characterized by demanding stakeholders and marked institutional distance. These findings allow interesting inferences as to the role of institutional distance: while institutional distance is not found to favour responsible business conduct per se, it does appear to promote MNEs' localization of CR practices. This stresses a central observation of cross-national CR research (see section 2.1.3.1), which is that localized CR approaches, albeit potentially enhancing local legitimacy, might be at odds with notions of responsible business conduct by home country, i.e. international criteria. These insights suggest that, when operating in emerging markets characterized by pronounced institutional distance, developed country MNEs tend to adapt to local benchmarks of CR, thereby potentially accepting their falling short of home country standards.

Lately, scholarly research has started to examine the effects of CR practice on MNEs' legitimacy in host country contexts (Beddewela & Fairbrass, 2016; Hah & Freeman, 2014; Husted et al., 2016; Lopez & Fornes, 2015; Rathert, 2016; Reimann et al., 2012; J. Yin & Jamali, 2016). These studies do not only focus on the ways in which MNEs adapt their behaviour in an effort to gain local legitimacy, but also emphasize the explicit

potential of proactive CR activity in generating or boosting firms' legitimacy in foreign institutional environments. Evidence suggests that MNEs are at least partly driven by the legitimacy-enhancing effects of CR when deciding to adopt respective practices in host country contexts (Beddewela & Fairbrass, 2016; Husted et al., 2016; Lopez & Fornes, 2015; J. Yin & Jamali, 2016). Researchers contend that MNEs show a tendency to use CR activities as strategies, or 'signals of legitimacy' when operating abroad (Rathert, 2016, p. 859).

A recent study by Su et al. (2016) reveals that this signalling effect is particularly efficient in emerging market environments. Here, Su (2016) contends, CR is often regarded by stakeholders as a positive indication of firms' superior capabilities to compensate for, i.e. fill institutional voids. These results indicate that MNEs might be inclined to use CR activities to increase the legitimacy of their emerging market operations. To this effect, Beddewela and Fairbrass's (2016) Sri Lanka-based study for instance shows that foreign MNEs engage in CR strategically to maintain and ameliorate their relationship with local institutional stakeholders. Husted et al.'s (2016) research on CR in Mexico even shows a tendency among MNE subsidiaries to imitate local CR behaviour, hoping that this will contribute positively to their local legitimacy. These insights stress the importance of the legitimacy-enhancing function of MNEs' CR activities in emerging market environments. In this context, Beddewela and Fairbrass (2016) emphasize that CR is of special value to MNEs in securing *political* legitimacy. In specific, the research reveals that MNEs regard CR as a means to pre-empt or circumvent host country government interference. Zhao's (2012) study comes to a similar conclusion. It goes as far as suggesting that MNEs' *proactive* contribution to social governance objectives by means of CR activity can ameliorate firms' stance vis-à-vis local governments, and thus increase their political legitimacy. The research emphasizes that this applies in particular to heavily state-dominated emerging market contexts such as China or Russia, where CR developments tend to be shaped largely by the state. In these contexts, MNEs' local legitimacy might benefit from their contribution to advancing government's social and environmental agenda.

The nascent stream of literature on the relationship between CR and local legitimacy hints to the potential and significance of a political approach to CR, as suggested by Scherer and Palazzo (2011) and others. It appears that, particularly in emerging markets,

CR practice by MNEs contributes positively to local legitimacy and is therefore likely to serve as a 'political tool' (Beddewela & Fairbrass, 2016). This might motivate MNEs to take on a more proactive role and partake in shaping local institutions by means of their CR activities. Child and Tsai (2005) suggest that developed country MNEs generally have the means to participate in such political activity when operating in less developed countries. The researchers note that institutions in emerging markets are particularly permeable to MNE influence. They argue that, at least in the field of environmental protection, MNEs' superior knowledge and resources increase their ability to induce CR-friendly institutional change in emerging host country contexts. Muller et al. (2012) add that foreign firms' potential to act as social entrepreneurs depends significantly on the specific ways in which MNEs engage with local institutions and stakeholders. Their findings reveal that, in order to effectively induce sustainability-related change in emerging markets, MNEs are advised to refrain from using unilateral, prescriptive approaches, but to rely on collaboration instead. Muller and colleagues (2012) highlight the value of cooperating with local institutional constituents, such as governments or NGOs, for attaining positive change and long-term sustainability. While large-sized MNEs are generally regarded as the principal actors of such political approaches to CR (Scherer & Palazzo, 2011), Carrigan and colleagues (2011) show that small and medium sized enterprises (SMEs), too, play an important role in advancing social change towards increased sustainability. In specific, their research stresses the importance of SMEs in encouraging and diffusing behavioural change in local communities and the individuals herein. These results indicate that MNEs of different sizes might be capable of using CR to induce institutional change and thus act as social entrepreneurs, in particular under emerging market conditions.

In spite of the relevant knowledge offered by these studies, existing research on MNEs' CR-related engagement with emerging market institutions remains scarce. The literature presented above provides only fragmented and partly even conflicting insights as to how these firms deal with the complex interplay of 'top-down' and 'bottom-up' demands for responsible business conduct. Comprehensive understanding of the ways in which MNEs handle the tensions that arise between the pull for local adaptation and the push for social entrepreneurship is still lacking. Insights on MNEs' political activities and respective 'bottom-up' impact are particularly scant. Prior research indicates that MNEs have good reasons to adopt political CR approaches when operating in emerging

markets, and are faced with favourable local conditions to do so. However, the specific mechanisms, possibilities and effects by which MNEs actually engage with host country institutions to achieve institutional change hardly receive any attention, leaving respective institutional processes largely unexplored. This contributes to an overall paucity in CR research on how MNEs engage with emerging market institutions.

#### **2.1.3.6. Conceptualizing MNE Contextual Engagement**

It has been outlined in the foregoing section that CR research offers only limited insights as to how MNEs engage with host country institutions. Accordingly, there is a persistent lack of comprehensive understanding in CR literature about the processes that govern interactions between MNEs and the social contexts of their operations. To help bridge this gap in knowledge, a look at institutional and international business research proves insightful. These fields have so far equally paid rather limited attention to MNEs' institutional agency, but have focused primarily on the 'top-down' impact of institutions on organizations (Kostova, Roth, & Dacin, 2008; Regnér & Edman, 2014). Nevertheless, respective literature makes some useful contributions to conceptualizing firms' engagement with surrounding institutions, including their potential to partake in political activities. At the basis, there is a growing consensus among these studies that organizations are not only influenced by their institutional context, but do in turn also participate in shaping both formal and informal 'rules of the game', as suggested by neo-institutional theory (see section 2.3.1 below) (Cantwell, Dunning, & Lundan, 2010; Dunning & Lundan, 2010; Oliver, 1991; Regnér & Edman, 2014). This implies that firms are more than passively subjected to institutional authority, but take on an active institutional role themselves. By responding to institutional constraints and demands for legitimacy, corporations actively engage with their institutional context. This generates a process of 'mutual change' between organizations and institutions (Dunning & Lundan, 2010). Institutional research and international business studies (building on institutional approaches) have made several attempts to conceptually capture organizations' roles, choices and behaviour in this interactive process. An early institutional theory study by Oliver (1991) offers a general typology of strategic responses enacted by organizations as a reaction to institutional processes. It suggests that organizational behaviour toward institutions may range from passive conformity to

active resistance. In specific, Oliver (1991) finds that organizations generally choose to counter institutional pressure by opting for one of the following strategic responses: acquiescence, compromise, avoidance, defiance and manipulation. These options vary in the degree to which organizations succumb to external requirements for the sake of local legitimacy, or resist pressure for adaptation respectively. This also includes institutional agency (see in particular *defiance* and *manipulation*), by which organizations may alter the 'rules of the game' and thus contribute to changing the benchmarks of legitimacy in a given institutional setting.

While Oliver (1991) analyses organizational behaviour in general, international business scholars focus on the institutional responses displayed by MNEs as a particular group of organizations (Cantwell et al., 2010; Pinkse & Kolk, 2007; Regnér & Edman, 2014). In doing so, this stream of research explicitly accounts for the peculiar institutional circumstances faced by these firms as discussed above. This includes primarily the political potential of MNEs, their special position as foreign actors and their possibility to choose between different host country contexts by means of arbitrage (Cantwell et al., 2010; Regnér & Edman, 2014). Regnér and Edman (2014) for instance examine MNEs' pursuit of competitive advantage and their respective strategic engagement with different institutional contexts. They find a set of four strategic responses used by MNEs to counter institutional pressure, which are innovation, arbitrage, circumvention and adaptation. Pinkse and Kolk's (2007) research differs in focus but comes to a similar conclusion. Their analysis of MNE responses to institutional constraints regarding greenhouse gas emissions reveals four scenarios of institutional engagement, namely conformism, evasion, entrepreneurship and arbitrage. Cantwell, Dunning and Lundan (2010) do not focus on a specific type of institutional constraint or objective, but take a more general approach to the analysis of MNE institutional engagement. Their paper places special emphasis on MNEs' proactive agency in shaping institutions in host country contexts and the mutual change processes that take place accordingly. Cantwell et al. (2010) refer to this institutional entrepreneurship or agency as 'co-evolution'. In sum, the theoretical research uncovers three forms of MNE institutional engagement, namely avoidance, adaptation and co-evolution. They delimit the very basic reactive options available to MNEs when confronted with specific host institutional contexts. While institutional avoidance implies that MNEs circumvent specific institutional contexts by choosing alternative

settings, institutional adaptation stands for MNEs' efforts to adjust to local institutional demands (Cantwell et al., 2010). As a third form of engagement, institutional co-evolution covers MNEs' activities directed at affecting change in their institutional environment, that is all process of institutional agency (ibid.) (see section 2.3.2 for a more detailed description of Cantwell et al.'s (2010) conceptualization).

Cantwell and colleagues' (2010) conceptualization of MNE institutional engagement appears particularly suited for the present study. On the one hand, its typology is largely in line with other studies in the field, thus corroborating insights from contemporary literature on organizational interaction with institutions. By focusing on three basic organizational responses, it offers a broad and topic-independent summary of the principal forms of institutional engagement observed by institutional, i.e. international business research. Thereby, it facilitates conceptual access to a wide range of contextual management topics, including CR. In this sense, it can be regarded as a form of substantive theory that can be adapted to, i.e. expanded on by more specific research. This is of particular interest to the present study. Given the lack of specified knowledge on MNEs' institutional engagement in matters of CR, theoretical knowledge borrowed from adjacent disciplines must be sufficiently open to allow for CR-specific insights to unfold. This applies to Cantwell et al.'s (2010) categorization. It can serve as a conceptual point of entry into the largely understudied area of research on MNEs' institutional engagement in questions of CR. Moreover, with its special focus on MNEs, Cantwell et al.'s (2010) conceptualization accounts for the institutional peculiarities that characterize multinational firms, including their heightened potential to act as social entrepreneurs. This fits the topic addressed by the research and offers a conceptual basis for the study of political CR. Hence, in absence of sufficient CR-specific research on the subject, the described insights from international business and institutional research, in particular Cantwell et al.'s (2010) typology, represent an appropriate starting point for investigating how MNEs engage with emerging market institutions regarding matters of CR.

#### **2.1.4. Summary and Research Gap**

To summarize, current CR literature emphasizes the challenges created by globalization and international business activity, stressing in particular the CR-related tensions faced by MNEs. On the one hand, due to their multinational business activity, MNEs operate in a multitude of national contexts simultaneously. Thus, as highlighted by cross-national CR research, they are subject to a variety of partly conflicting standards and expectations for responsible business conduct. As outlined in foregoing sections, prior studies suggest that MNEs perceive pressure to adapt to local demands for CR when operating in a specific business environment. Researchers note that this helps MNEs secure legitimacy from local stakeholders. Hence, as a review of literature reveals, cross-national diversity in CR benchmarks causes stress on MNEs: They must find locally accepted responses in the field of CR for the sake of legitimacy, but are likely to be confronted with a series of legitimacy-related complexities in the process. In specific, prior research indicates that, in order to be granted a local ‘license to operate’, MNE subsidiaries must not only familiarize with foreign demands for responsible corporate behaviour in their host contexts of operation. They are also under pressure to find ways to harmonize home and host, i.e. internal and external CR requirements to obtain legitimacy from various stakeholder groups. Research presented in foregoing sections finds that a basic question underlying this quest for proper CR conduct is whether or not, i.e. to what extent to succumb to host context pressure for adaptation in return for increased local legitimacy. This creates major challenges for MNEs, who have to define appropriate CR responses in different host contexts of operation.

On the other hand, the emergent stream of political CR research suggests that globalization is successively altering the nature and extent of demands faced by MNEs in the field of CR. Scholars argue that the weakening of the nation state, alongside the growing social power of the corporate sector, generate rising expectations for MNEs to engage in the provision of public goods. This entails that MNEs are increasingly expected to take on an active role in shaping host environments towards greater societal wellbeing and partake in social entrepreneurship. In other words, recent research points out to nascent demands for MNEs to assume political functions and use CR as a means to act as agents of social change. In sum, literature highlights that, with progressing

globalization, MNEs come under increasing pressure to direct their CR efforts at influencing host country contexts to foster the greater common good.

These findings emphasize that global business activity adds substantial complexity to the field of CR. Following insights from contemporary CR research, MNEs, i.e. their subsidiaries, face an intricate web of ‘top-down’ and ‘bottom-up’ demands for responsible business conduct. According to the current state of research, they are subject to diverging pressures: while legitimacy-related rationales create demands for adaptation to host country CR standards, MNEs also encounter increasing claims to use CR as a means of becoming proactive agents of social change. Hence, the existing body of literature suggests that CR activities in MNEs’ host country operations take place in an area of tension between a pull for adaptation and a push for social entrepreneurship. These observations call for an understanding of how MNEs respond to the different demands regarding their CR activities, and engage with host country contexts to determine CR practices and standards.

A review of relevant CR and international business literature reveals that these tensions and challenges are especially marked in emerging market contexts. This applies in particular to MNEs from industrial country origin, which tend to be faced with distinct institutional distance when operating in less developed market environments. As outlined above, existing research shows that institutional distance exacerbates firms’ quest for stakeholder legitimacy. Accordingly, scholars assume that developed country MNEs in emerging markets are likely to meet pronounced difficulties in their decision to adapt to local CR benchmarks in return for legitimacy. Prior studies highlight that institutional voids and fluctuation, widespread characteristics of emerging market contexts, add more complexity and further increase the challenges associated with the process of local adaptation. Also, aforementioned literature finds that demands for political CR activity are of special relevance to the emerging market operations of developed country MNEs. Not only are local circumstances, in particular institutional weaknesses and voids, giving substance to normative calls for heightened social involvement and political participation. Previous research also shows that MNEs actually dispose of improved means to engage in ‘bottom-up’ social entrepreneurship when doing business in less developed contexts. Hence, the reviewed body of literature suggests that challenges and demands associated with both the pull for adaptation and



the push for social entrepreneurship are intensified when developed country firms operate in emerging markets. Therefore, tensions faced by MNEs between the need for local adaptation and expectations to act as agents of social change are likely to be heightened. To conclude, research insights discussed above imply that emerging market conditions reinforce the need to examine how MNEs deal with the complex interplay of ‘top-down’ and ‘bottom-up’ demands in the field of CR. Local circumstances stress the necessity to understand the ways in which MNEs engage with their host country context to respond to CR-related tensions.

However, as outlined above, existing research still offers a very limited understanding of MNEs’ actual engagement with emerging market contexts in terms of CR. It provides only fragmented and partly conflicting insights on the ways in which MNEs handle diverging demands for local responsible business conduct. As described in section 2.1.3.5, relevant insights are provided on the ‘top-down’ antecedents of CR policies and practices in MNEs. Also, recent research hints to the motivational factors and possibilities for MNEs to engage in political CR activities in less developed market environments. In particular, as outlined in foregoing sections, prior studies stress the legitimacy-enhancing function of CR. Yet, the specific rationales, mechanisms, channels and effects by which MNEs actually engage with emerging market institutions to achieve contextual change have hardly received any attention, leaving respective institutional processes largely unexplored. Hence, although political CR has recently become a ‘hot topic’ in normative CR literature, descriptive, in particular empirical research examining the practice of political CR and its effects beyond the firm lags behind (Giuliani & Macchi, 2014; Stephan et al., 2016). Consequently, beyond its normative foundations, political CR, and MNEs’ ‘bottom-up’ activities respectively, remain largely understudied (Stephan et al., 2016).

In conclusion, an in-depth review of prior research reveals that MNEs’ CR activities in emerging markets take place in an area of tension between adaptation to local benchmarks and proactive social entrepreneurship. Yet, exiting research does not offer a satisfactorily holistic understanding of how MNEs deal with these tensions and engage with emerging market institutions to define CR practices and standards. The present study addresses this gap in research. Respective research questions and approaches will be outlined hereafter.

## **2.2. Research Field and Questions**

This study aims to contribute to filling the gap in research presented in the forgoing section, which is an unsatisfactorily holistic understanding of MNEs' engagement with emerging market institutions in matters of CR. It has been argued that globalization adds complexity to CR practice, creating particular challenges for MNEs. A review of literature has discovered that MNEs' CR activities take place in an area of tension between a pull for adaptation to local CR benchmarks in their multiple host contexts, and nascent demands for social entrepreneurship. It has been revealed that tensions and challenges are particularly pronounced when developed country MNEs operate in emerging markets. Yet, insufficient research has been undertaken to study the ways in which MNEs deal with this conflict of interests and engage with their emerging market host contexts to define CR policies and standards. The present study addresses this scarcity in research.

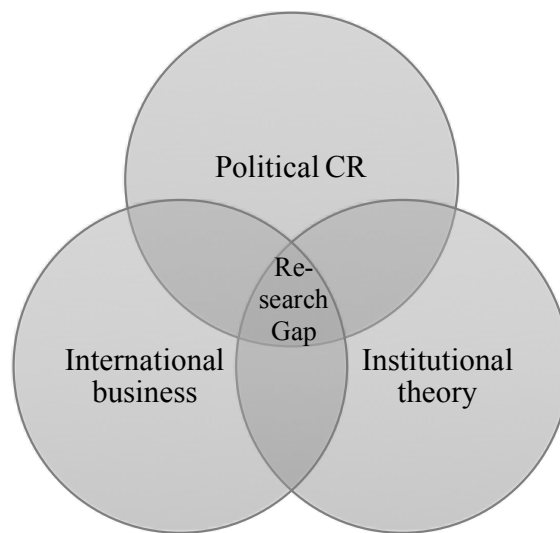
As debated in section 2.1.1.1, the research does not rely on a narrow definition of CR, but uses CR as an umbrella term for studying the responsibilities of firms in and towards society, including respective processes of interaction at the business-society interface. This is justified by observations from cross-national CR research, which indicate that precise definitions of CR might hamper impartial investigations into practice and understanding of CR in specific environments. The choice of a broad definition of CR is also supported by the methodological approach applied in the empirical research. As will be outlined in greater detail in chapter 4, Straussian Grounded Theory discourages reliance on narrowly defined concepts for their restrictive influence on the explorative research process. In spite of abstaining from a detailed definition of CR, the study relates to the field of political CR research in the sense that it acknowledges, analyses and focuses on the interactive relationship between business and society. This includes firms' potential 'bottom-up' impact on institutional contexts by means of CR.

In its conceptualization of context, the research primarily emphasizes the level of the external social context, more specifically the national context in which CR activities unfold (see section 2.1.2.2). It uses an institutional, i.e. neo-institutional theory approach to facilitate conceptual understanding of the external social context and its interactions with business organizations (see section 2.1.2.3). Findings from institutional theory are

combined with prior knowledge from international business and political CR research to shed light on CR-related issues and demands faced by MNEs. This also applies to the conceptualization of MNEs' engagement with external social contexts, where insights from international business research are borrowed in absence of CR-specific knowledge. In particular, the author relies on a categorization by Cantwell, Dunning and Lundan (2010), which serves as a substantive theory to study MNEs' engagement with emerging market institutions (see section 2.1.3.6).

In sum, the study cross-fertilizes insights from political CR, institutional theory and international business research to create a basis of understanding regarding MNEs' CR approaches in emerging market contexts, and carve out relevant issues and questions accordingly (see figure 2).

**Figure 2: Cross-fertilization of research fields**



Source: Author's depiction

Given the pronounced cross-national differences in CR understanding and practice uncovered by previous research (see section 2.1.3.1), it makes sense for the study to focus on MNE activity in one specific emerging market context, namely the People's Republic of China (PRC). This allows the author to account for contextual peculiarities and give a more accurate description of the local business-society interface. China not only represents an interesting and relevant context of study due to the intuitive and practice-oriented arguments outlined in the introductory section. Insights from existing

scholarship also underline the country's qualification as a suitable research context. On the one hand, as stressed in section 2.1.3.3, prior studies suggest that persistent institutional weaknesses and perpetual change cause distinct adaptation-related difficulties for MNEs operating in China. This holds true in particular for MNEs from developed country backgrounds, including ECCs, which have to deal with the consequences of marked institutional distance when crafting CR policies and practices in their China operations. On the other hand, literature also indicates that MNEs' legitimacy in the Chinese context might benefit from proactive approaches to questions of CR (see section 2.1.3.5). This might facilitate and encourage social entrepreneurship by MNEs. Although this evidence remains anecdotal and suggestive at best, it reveals that circumstances in China mirror the challenges and tensions faced by MNEs as described in theoretical research. Hence, China appears to be an appropriate context to examine how MNEs, i.e. ECCs handle partly conflicting tensions between a pull for adaptation to local CR benchmarks and a push for social entrepreneurship when faced with emerging market institutions.

In conclusion, the study uses aforementioned concepts and approaches to answer the following main research question (RQ):

*RQ: How do ECCs engage with the Chinese context concerning matters of CR?*

It shall be noted that the question is purposefully kept broad so as to facilitate explorative research into the largely underinvestigated area of study (see chapter 4). Nevertheless, two sub-research questions (Sub-RQs) are formulated to guide the study and specify its direction. They separately cover potential 'top-down' and 'bottom-up' processes:

*Sub-RQ1: How does the Chinese context impact ECCs' local CR approaches?*

*Sub-RQ2: How do ECCs respond to the Chinese context in matters of CR?*

By examining these research questions, the study aims to address the gap in literature as to how MNEs engage with emerging market institutions to define CR policies and standards. It thereby seeks to contribute to a more holistic understanding of the ways in which MNEs deal with CR-related tensions that arise from adaptive and entrepreneurial

pressures in their emerging market operations, specifically in the Chinese context. In doing so, the research also helps shedding light on the ‘black box’ of social context in CR research (Brammer et al., 2012). It answers Wang et al.’s (2016, p. 540) recent call for increased attention to context in the study of CR, thus making an important contribution to understanding the interactions that take place between businesses and their external social context to shape notions of CR. Finally, the study contributes to the ‘hot topic’ of political CR by adding descriptive empirical insights on MNEs’ actual ‘bottom-up’ activities to the predominantly normative body of current research (Giuliani & Macchi, 2014; Stephan et al., 2016). Contributions will be discussed in greater detail in concluding chapter 7.

### **2.3. Analytical Framework**

A review of literature has shown that, although prior research offers relevant insights on related issues, the study subject itself has hardly received any scholarly attention. Existing research provides only very limited understanding of how ECCs engage with host country institutional contexts concerning matters of CR. Hence, this study ventures into an understudied area of research. Therefore, as will be outlined in greater detail in chapter 4, the author chooses a Grounded Theory approach for an empirical investigation of the research questions outlined above. Correspondingly, existing research shall not be used to derive hypotheses or propositions for empirical testing (see section 4.1). Rather, as accomplished above, prior literature is used primarily to identify the research topic, and carve out salient issues and research questions accordingly. Also, it is used for discussing research findings (see section 6.2).

However, given the complexity of the research subject at hand, the author chooses to embed the study in a basic analytical framework. This initial framework of analysis shall merely set out the very elementary theoretical assumptions on which the study builds. This is to give basic structure and direction to the examination of the vast and complex study subject, without restricting its exploratory nature through rigidly pre-defined propositions. Two theoretical concepts, i.e. approaches receive consideration in this initial framework of analysis, namely the basic tenets of institutional, more precisely neo-institutional theory (section 2.3.1), and Cantwell, Dunning and Lundan’s (2010)

categorization of MNE engagement with host country institutions (which is itself based on assumptions from institutional theory) (section 2.3.2). The choice of these two approaches for the purpose of this study has been justified in the literature review. It shall be noted that institutional theory in general and neo-institutional theory in specific encompass a vast body of literature and include various streams of research. However, in order to leave sufficient room for the exploratory study to unfold, the author chooses to address only the basic, widely agreed upon ideas. These form the basis for the initial framework of analysis, which serves as a substantive theory on which this research expands (section 2.3.3).

### **2.3.1. Neo-Institutional Theory**

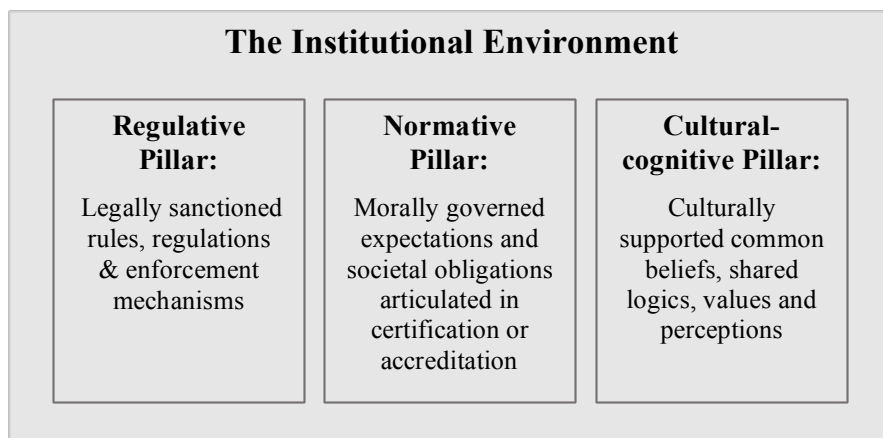
At its core, institutional theory suggests that organizations and their conduct are influenced and shaped by the broader environment (Doh & Guay, 2006). In contrast to neo-classical theories, actors are not thought to operate in an institutional vacuum and to make context-indifferent choices based on efficiency criteria (Groenewegen et al., 2010). On the contrary, institutions are regarded as key determinants of behaviour, making actors and organizations think and behave differently, depending on the institutional environment of their activities (ibid.).

Douglass North (1990; 2005, 59) defines institutions as the “rules of the game [...] that human beings impose on human interaction”. They comprise constitutions, written rules, regulations, laws and contracts that are formulated and enforced by different authorities to structure relationships within society (Martinez & Williams, 2012). However, institutionalism also accounts for informal constraints, i.e. norms of behaviour, values, attitudes, conventions and codes of conduct (ibid.). They reflect society’s implicit perceptions and are enforced informally (ibid.). North (1990; 2005) suggests that both formal and informal institutions need to be accounted for in a comprehensive analysis of an institutional system. It is generally assumed that institutions develop as a result of continuing dialogue between different societal groups and echo the balance of power within society at a given point in time (Groenewegen et al., 2010). They are historically grown and emanate from a variety of shared political, economic and social experiences within confined geographical borders (Doh & Guay,

2006). Thus, institutions offer useful insights into the reasons for cross-national differences in human and organizational behaviour.

According to Richard Scott (1995, 2008), the institutional environment rests upon three 'pillars', namely the regulative, normative and cultural-cognitive pillars (see figure 3). The regulative pillar comprises formal rules, laws and regulations that are legally sanctioned and coercive by nature. Normative elements encompass societal obligations and moral expectations to do what is regarded as appropriate. They are articulated in certification or accreditation. Finally, the cultural-cognitive pillar covers common values, beliefs, perceptions and shared logics of action that are taken for granted within a given society. Cultural-cognitive institutions are culturally supported and thus easy to comprehend and recognize by members of society. This grants them acceptance in absence of formal enforcement mechanisms. (R. W. Scott, 1995, 2008)

**Figure 3: Three pillars of the institutional context**



Source: Based on Scott (2008)

Together, the three pillars structure and govern organizational and individual behaviour (R. W. Scott, 1995, 2008). On the one hand, as argued by Scott (1995, 2008), they constrain economic actions by imposing legal, moral and cultural boundaries. On the other hand, they facilitate, support and safeguard economic activities (ibid.). Legal protection of intellectual property rights for instance highlights this dual purpose of institutions (ibid.). Thus, by setting boundaries and offering opportunities, institutions have a significant impact on decision-making processes and behavioural choices of both individuals and corporations. Companies are bound to these regulative, normative and

cultural-cognitive ‘rules of the game’ in their pursuit of advantageous resource allocation possibilities (Cantwell et al., 2010) and in their quest for social support.

This raises questions as to the mechanisms and channels by which institutions influence corporate behaviour. In this context, as outlined in section 2.1.3.1, a widely recognized paradigm is legitimacy. Institutional theorists argue that organizations require and therefore seek local legitimacy (Kostova & Zaheer, 1999). According to Marc Suchman (1995, p. 574) “legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system”. This entails that legitimacy is conveyed through institutions: An organization’s actions are regarded as legitimate if they are compatible with a given set of laws, norms, values and beliefs, i.e. with the institutional environment in question. Legitimacy is thought to increase the chances of firm survival in specific environments (Liou, Rose, & Ellstrand, 2012). This is because local stakeholders perceive legitimate organizations as more predictable and trustworthy, and are thus more willing to invest resources in such firms (Suchman, 1995). Consequently, local companies will try to obtain local legitimacy, i.e. to gain approval from the society they operate in. This creates pressure for what Scott (2008) calls ‘institutional isomorphism’, a process by which organizations become isomorphic to the ‘rules of the game’ that their environment prescribes. In other words, they are under pressure to adapt their behaviour to what is expected from them in a given context.

While earlier works in the field of institutional theory have focused primarily on the taken-for-granted nature of institutions and their isomorphic impact on organizations, neo-institutionalism has taken a new direction, placing more emphasis on institutional agency and change (DiMaggio & Powell, 1983; Oliver, 1991; Powell & DiMaggio, 1991). Neo-institutionalists acknowledge that regulative, normative, and cultural-cognitive institutions are ultimately socially constructed and sanctioned (Powell & DiMaggio, 1991; R. W. Scott, 2014). As mentioned above, their configuration and substance reflect society’s needs and preferences at a given point in time. Therefore, albeit being relatively durable systems, researchers emphasize that institutions may undergo incremental or even radical changes (J. L. Campbell, 2004). These changes can take place within the limits of a single institutional domain (e.g. the implementation of a new industrial standard brings about changes in the normative realm) or affect different



institutional pillars simultaneously (e.g. the introduction of voting rights for women is a regulative amendment that rests upon far-reaching changes in the cultural-cognitive realm). Organizations and their actors, whose interest is to operate in an institutional structure that offers maximum support for their activities, “are the agents of, and shape the direction of, institutional change” (North, 1990, p. 73). Hence, from a neo-institutional perspective, firms are not just influenced by their institutional context through the mechanisms of legitimacy and institutional isomorphism. They also themselves affect this very environment. This means that neo-institutionalism accounts for interactions between institutions and organizations (Powell & DiMaggio, 1991). Institutions and corporations are regarded as mutually influential units of analysis.

### **2.3.2. Cantwell et al.’s (2010) Model of Institutional Engagement**

Based on the assumptions of neo-institutionalism on the interactive relationship between institutions and organizations, research has been undertaken to study the ways in which companies engage with institutions. As argued in section 2.1.3 above, MNEs have been of special interest in this regard. Under the conditions of institutional diversity, these firms must make strategic choices on how to respond to diverging institutional configurations and demands in their multiple contexts of operations. In this context, Cantwell, Dunning and Lundan (2010) propose a model that distinguishes between three forms of MNE engagement with host country institutional contexts: institutional avoidance, institutional adaptation and institutional co-evolution.

Institutional avoidance implies that MNEs essentially perceive the external environment as exogenous (Cantwell et al., 2010). As international actors, they can choose between different institutional settings (*ibid.*), depending on their attitudes towards the contexts in question as well as on the perceived risks and opportunities associated with them. A company might for instance generally refuse to operate under dictatorial regimes that neglect or violate the rights of parts of its population. It might seek to avoid any direct contact with such institutional environments, regarding them as incompatible with certain socio-ethical convictions and/or home country societal expectations. By refraining from interacting with local institutions, the firm might be able to circumvent conflicts between home and host country demands for appropriate corporate behaviour

and local legitimacy. Institutional avoidance for CR-relevant reasons has for instance been observed during the Anti-Apartheid Movement in South Africa.

In the case of institutional adaptation, the external environment is also regarded as exogenous (Cantwell et al., 2010). However, instead of generally avoiding institutional contact, MNEs chose to accept the local circumstances and seek to adapt their structure, policies and practices to what is regarded as desirable in the context in question (ibid.). Aiming at local legitimacy, they give in to local institutional pressure and display isomorphic behaviour. As a result, they become embedded in the host country context. This might entail that home country approaches are altered to fit host country requirements or local best practices. At the extreme, MNEs might even “go native”, and become indistinguishable from other players in the local market (Cantwell et al., 2010).

Institutional co-evolution represents an alternative way for MNEs to deal with host country institutions in a non-avoiding manner. Here, the external environment is regarded as partly endogenous (Cantwell et al., 2010). Consequently, it is believed to be open to change. Unlike under institutional adaptation, multinationals opting for institutional co-evolution do not unilaterally adapt their behaviour to host country requirements. On the contrary, they aim to use their operations to manipulate regulative, normative and/or cultural-cognitive institutions in their favour (ibid.). They might for instance attempt to co-opt, influence or even control local sources of pressure (Oliver, 1991). Collective approaches by multiple corporations are believed to be particularly effective (R. W. Scott, 1995, 2008). Hence, instead of succumbing to local isomorphic pressure for the sake of legitimacy, MNEs intend to “actively change or exert power over the content of the expectations themselves or the sources that seek to express or enforce them” (Oliver, 1991, p. 157). By altering the ‘rules of the game’, they contribute to a modification of the benchmarks of legitimacy in a given environment. Institutional co-evolution is in line with propositions made by neo-institutional theory. As mentioned above, neo-institutionalists do not regard organizations as entirely passive actors, but account for their ability to react to institutional pressure (R. W. Scott, 2008). This reaction is more than just a defensive act. It includes the possibility for organizations to respond in a creative manner by initiating changes to the broader institutional context. In the case of MNEs, the source of creative reaction to institutional pressure primarily lies in their power over relevant resources (Deresky, 2003). To put it simply, MNEs are

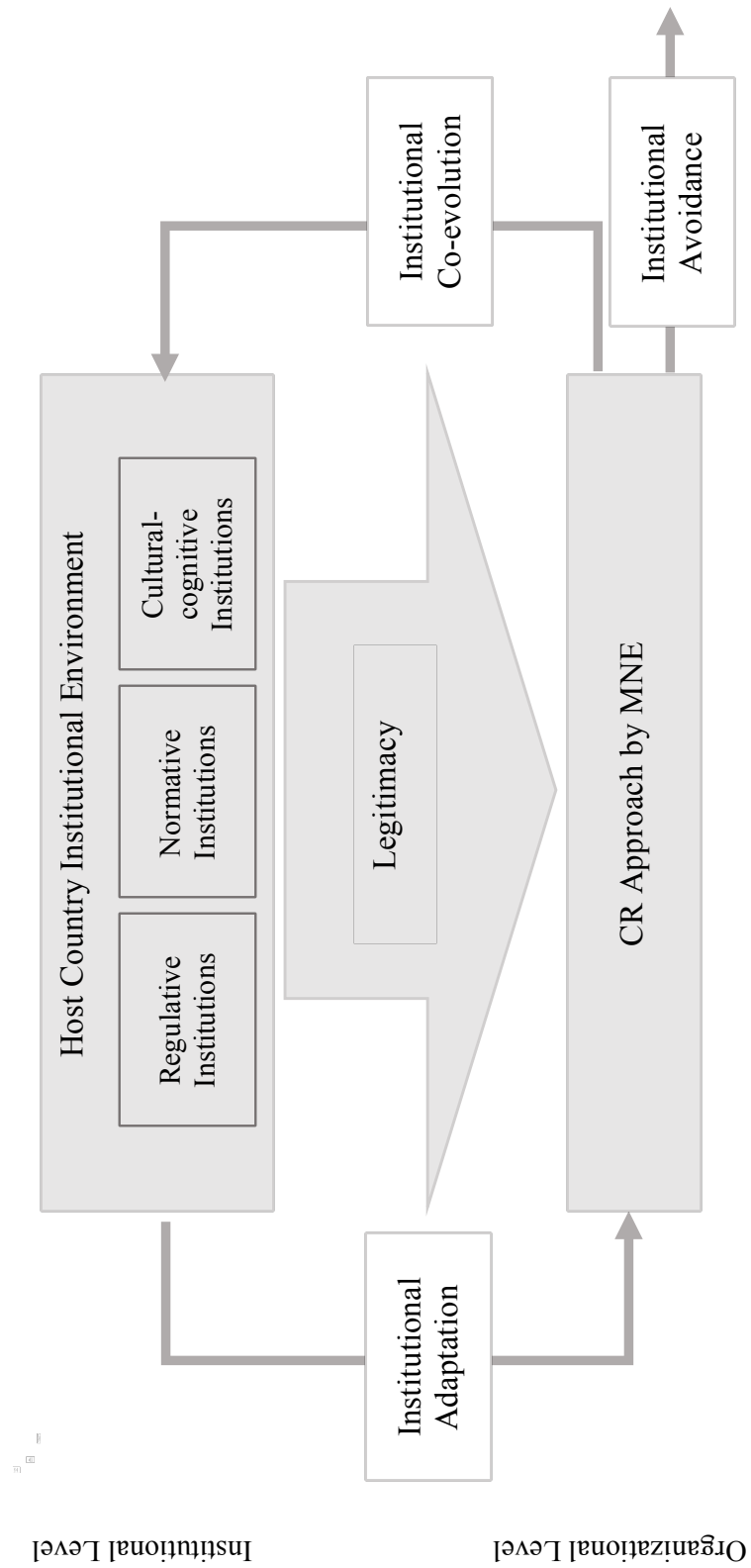
thought to ‘have what it takes’ to resist institutional pressure and bring about change to the normative, cultural-cognitive and even the regulative environment in host countries. They may become institutional entrepreneurs or, what Shi and Hoskisson (2012) call “creative institutional deviants”.

According to Cantwell and colleagues’ (2010) model, the three strategic responses, or forms of institutional engagement, are not mutually exclusive. Operating in a certain context, an MNE might for instance choose to adapt to local labour law, while pressing for co-evolution in the realm of human rights. This example underlines the idea that MNEs might opt for several types of institutional engagement simultaneously when doing business in a specific host country context.

### **2.3.3. The Initial Framework of Analysis**

Figure 4 brings together the major insights from foregoing sections. It illustrates the nature of the external social context according to findings from institutional research, its impact on organizations by means of legitimacy, as well as the corporate responses identified by Cantwell et al. (2010). Hence, figure 4 depicts the basic assumptions that the study relies on to examine the unexplored area of research on MNEs’ engagement with emerging market institutions concerning matters of CR. These assumptions shall serve as a form of substantive theory for the study to build on and offer basic structure and direction to the research endeavour.

**Figure 4: Schematic illustration of the initial framework of analysis**



Source: Author's own creation, based on Cantwell et al. (2010); Kostova and Zaheer (1999), Scott (1995, 2008)

### **3. Research Setting: The Chinese Context for CR**

As concluded in chapter 2, this research aims to contribute to a still unsatisfactorily holistic understanding of how MNEs engage with emerging market contexts, in specific with Chinese institutions concerning questions of CR. The objective is to understand ECCs' CR approaches in relation to the specific institutional circumstances and demands, both formal and informal, in the Chinese context. In order to create a proper foundation for an empirical investigation into this subject matter (see chapters 4 to 6), it is crucial to be aware of the contextual conditions, which ECCs reflect on and act upon, so as to facilitate sense-making of the data. In other words, as highlighted in the above review of literature, having a basic understanding of the 'rules of the game' under which ECCs take CR-related decisions is vital. Hence, as a backdrop for the empirical study to follow, the present chapter illuminates the research setting by examining current knowledge of the Chinese context for CR. The objective is not to give a comprehensive account of the multifaceted regulative, normative and cultural-cognitive institutions that touch upon CR-related questions. It would go beyond the scope of this research, if at all possible, to paint an exhaustive picture of all contextual influencing factors and the permanent interaction amongst them to create and recreate Chinese notions of CR. Rather, the focus shall be placed on providing an overview of selected features of what has been depicted in the initial framework of analysis as the 'upper box', which is the institutional context of CR (see section 2.3.3, in specific figure 4). To this end, the author concentrates on a selection of regulative, normative and cultural-cognitive features that existing research commonly refers to as particularly influential on CR practice in the distinct Chinese context. In specific, the chapter looks into four recurring contextual themes: CR-relevant consequences of China's economic transformation, the evolving Chinese regulative context for CR, relevant elements of the normative environment, and notions of CR rooted in China's cultural and ideological heritage.

The chapter is structured as follows: Section 3.1 begins by briefly outlining CR-relevant processes and consequences of the reform era to sketch the background of contemporary CR developments. It then looks into the way CR is addressed by regulative institutions (section 3.2), followed by an examination of the normative context (section 3.3). Finally, in section 3.4, the author outlines China's cultural-cognitive background and respective notions of CR, followed by a concise summary in section 3.5.

### 3.1. Economic Transformation and its Consequences

In the late 1970s, the People's Republic of China (PRC) embarked on a process of fundamental yet gradual reform and opening (*gaige kaifang*) (Ying, 2001), thereby initiating consequential change throughout the country's institutional system (Child & Tse, 2001). The 3<sup>rd</sup> Plenary Session of the 11<sup>th</sup> Central Committee of the Communist Party of China (CPC) in December 1978 marked the beginning of a transformation from command to de facto market economy (Chow, 2007), which has facilitated an unprecedented economic ascent. However, the reform process and resulting fast-paced economic growth have also caused massive social and environmental disruption (L.-W. Lin, 2010). Moreover, substantial reconfigurations of the business-society interface have occurred, with major implications for the Chinese context of CR. The present section briefly summarizes some central aspects and major consequences of the reform process that are considered relevant to modern CR developments. As noted above, the objective is not to trace the details of China's economic transformation. Instead, the author attempts to offer a basic understanding of the background against which the contemporary CR debate has been unfolding.

As highlighted by Child and Tse (2001), China's politico-economic reform has taken place along the lines of three major transformational processes, namely marketization, privatization and decentralization. Within these processes, some developments are considered particularly salient to the evolution of the CR context in reforming China. Firstly, scholars stress the role of subsidizing collective and state employment. Together with a marked downsizing of state-owned enterprises<sup>2</sup> (SOEs), rural de-collectivization ended the 'iron rice bowl' system, by which the Chinese state had previously provided job security and cradle-to-grave welfare functions to its population (L.-W. Lin, 2010). This fundamentally altered the benchmarks for social service provision (ibid.). Employee welfare was now subject to the mechanisms of demand and supply in a labour market under substantial pressure. The consequences of this development were exacerbated by changes to China's industrial structure. Due to labour redundancies caused by declining state employment and de-collectivization, China now disposed of a "seemingly inexhaustible supply of cheap labor" (L.-W. Lin, 2010, p. 91). As a

---

<sup>2</sup> Naughton (2007) estimates that by the mid-1990s roughly 40% of the SOE workforce had been made redundant, equalling to nearly 50 million workers.

corollary, sectors relying strongly on labour-intensive manufacturing began to flourish. Between 1991 and 1995, the secondary sector grew by an annual average of 17.4% (State Statistical Bureau, 2001). Export-oriented low-cost manufacturing in particular gained momentum. In 2005, textile exports, for instance, still made up 15.4% of China's total exports, and an impressive 24.4% of total global exports in textiles (Yuan & Xu, 2007, based on China Textile Industry Development Report data). Hence, encouraged by a strong international demand for made-in-China products, the country quickly gained a reputation as the 'world's factory' (Wong, 2009). Moreover, in accordance with the considerable increase in industrial output, demands for energy and raw materials were skyrocketing (Crompton & Wu, 2005), rendering corresponding production vital to economic development. As a result, sectors producing and processing raw materials and energy took on pivotal roles. Hence, as Wong (2009, p. 136) argues, driven by fast-paced industrialization and corresponding resource demand, China also developed into "a base for high-polluting industries".

These developments were spurred by a "mutual embeddedness of political and economic actors" (D. Yang, 2009, p. 148). Several rounds of administrative reform in the 1980s and 1990s (Edin, 2003) created a strong alignment between governance, in particular at the local level<sup>3</sup>, and economic growth. Two measures are of special interest in the context of this study. On the one hand, a new fiscal contracting system was initiated that converted the "province-collecting, centre-spending fiscal regime" into an "essentially self-financing regime for both the centre and the provinces" (Saich, 2009, p. 278; Zhang, 1999). Fiscal decentralization created powerful incentives for local cadres to independently promote economic growth in their locality (D. Yang, 2009). On the other hand, a so-called cadre responsibility system (*gangwei zerenzhi*) was introduced (Edin, 2003). Henceforth, local officials had to sign individual performance contracts with higher-level authorities, specifying the set of tasks and objectives that were to be carried out in return for financial and political rewards (Saich, 2009). With economic growth forming an essential part of these contracts, local officials' compensation and career prospects became inseparably entwined with economic success (Oi, 1995). In sum, governance reforms generated a strong stimulus for local

---

<sup>3</sup> Following Saich (2009), 'local' governments shall be defined as governments at administrative levels below the provincial level, thus primarily counties, municipalities and townships. For details on China's administrative structure and political system see Dumbaugh and Martin (2009).

officials to foster fast-paced economic growth. While these measures have come to be regarded as a vital ingredient to China's dynamic economic development (Oi, 1995), scholars also highlight a resulting overemphasis on rapid economic growth that has "exacerbated the culture of corporate irresponsibility" (L.-W. Lin, 2010, p. 91).

Reform steps taken towards successive marketization, privatization and decentralization have proven highly successful in economic terms. In the decades after reform, China's economy developed at a tremendous pace, reaching an average annual GDP growth of 9.89 % between 1978 and 2012 (The World Bank 2014b). By 2010, after roughly 30 years of unrelenting reform, China became the world's second largest economy headed only by the US (The World Bank, 2017a). As a result of China's remarkable economic development, more than 500 million people have been lifted out of poverty, life expectancy at birth has been raised from 66 years pre-reform to 75 years in 2010 and China's middle class has experienced explosive growth (The World Bank 2014b).

Yet, this economic ascent has not come without costs (L.-W. Lin, 2010). The transitional process has brought about a number of serious challenges. Not only has China evolved into a fiercely competitive business environment, characterized by narrow profit margins and a focus on short-term gains (J. Yin & Zhang, 2012). The country has also come to face severe social and environmental issues (L.-W. Lin, 2010). With regard to the latter, Bina (2011, p. 48) notes that China's growth patterns have provoked an unprecedented environmental crisis. Driven by rapid industrialization and sharp increase in use of natural resources and energy consumption, demand for primary energy has nearly quadrupled over the first thirty years of reform, rendering China the world's largest energy user (IEA, 2011). Due primarily to the country's heavy reliance on coal (Naughton, 2007), China has also become the world's largest national emitter of energy-related CO<sub>2</sub> (PBL, 2016) and other greenhouse gases (GHG) (Harris, 2011). This has not only provoked severe international criticism, but has also raised growing discontent at the national level, driven mostly by issues of pollution (Naughton, 2007). Among others, water quality has deteriorated significantly (Chow, 2007; Naughton, 2007). Between 2001 and 2005, an average of 54% of the seven largest Chinese rivers were considered dangerous for human consumption (The World Bank, 2007). Air pollution has also augmented dramatically (Chow, 2007). In 1999, out of the world's ten most polluted cities, nine were reportedly located in China (ibid.). And the hazard persists: In



early 2014, toxic air pollution in Chinese cities reached new heights with fine particles concentration in Beijing hitting 505 milligrams per cubic metre compared to a safe level of 25 recommended by WHO (Kaiman, 2014). Under these circumstances, air and water pollution have become major national concerns, not least because of their tremendous negative effects on health and productivity (Naughton, 2007). The World Bank (2016) estimates that pollution-related welfare losses account for 9.9% of China's GDP (2013 data). Hence, environmental deterioration has become a chief worry for China's population and ruling elites.

Alongside environmental damages, China's transformation has also brought about major social problems. Rural de-collectivization and rapid acceleration of urban economic growth have dramatically increased the rural-urban divide. World Bank (2017a) data indicates that China's overall GINI coefficient has increased from 0.29 in 1981 to 0.42 in 2012, rendering China more unequal than many other developing countries in Asia<sup>4</sup>. Thus, although overall household income has grown significantly in both urban and rural areas, and national wage levels are steadily rising (Rochan, 2014), 27.2% of the Chinese population continue to live on less than two USD (PPP) per day (2009 data) (The World Bank, 2014). Under the conditions described, working conditions often remain poor, with China being notorious for its hazardous work places. Local coal mines for instance are infamous for occupational safety hazards. In 2004, official Chinese data counted roughly 6,000 deaths from mining accidents, making up 80% of the world's coal mine deaths (Ip, 2009b). According to press reports, workplace accidents in China killed a total of over 70,000 people in 2012, equalling to roughly 200 deaths per day (The Economist, 2013). Also, as a series of NGO reports reveal (China Labor Watch, 2012; DanWatch, 2013), labour rights violations, such as excessive overtime, poor working conditions, repellent living conditions and unpaid wages continue to characterize numerous Chinese industry sectors. The aforementioned examples underline that social and labour-related issues remain extensive in China's progressing economic environment.

However, recent developments indicate a potential change of course. On the one hand, China is slowly departing from low-cost manufacturing and its role as the 'world's

---

<sup>4</sup> In 2010, India's GINI for instance amounted to 0.339, while Indonesia's totalled 0.356 (The World Bank, 2017b).

factory'. With progressing industrialization, China's industrial structure has been upgraded steadily and is gradually shifting focus from labour-intensive to capital- and technology-intensive industries (Xiang, 2013). This goes hand in hand with government's insistence on transfer of knowledge and technology by foreign firms, whose role is gradually shifting from engines of economic growth towards becoming trailblazers of modernization (Chow, 2015). Although labour-intensive industries still play an important role in China's economy today, they now increasingly concentrate on processing and assembly (Xiang, 2013). Moreover, high-tech industries are slowly gaining a foothold in the Chinese economy (ibid.). This is accompanied by an evolution of the tertiary sector, which, by 2015, already contributed 50.2% to GDP, compared to 39.8% in 2000 (Statistical Yearbook of China, 2016). As noted by *The Economist* (2012), these developments point to "the end of cheap China".

Moreover, although high-polluting industries continue to be central to China's industrial configuration, the renewable energy sector has recently experienced leapfrogging development (Schroeder, 2011). Accordingly, energy supply from renewable sources is growing significantly faster than total energy supply, creating lucrative business opportunities in the realms of hydropower, wind, biomass and solar energy (ibid.). Following an International Energy Agency (IEA, 2013) estimate, between 2011 and 2035, China's increase in energy production from renewable sources will surpass the combined increases of the EU, US and Japan. The successive move towards a low-carbon structure holds the promise of contributing to a gradual alleviation of China's serious environmental predicament (Schroeder, 2011).

In conclusion, China's post-reform transformation has stimulated tremendous economic growth. Reform efforts have created diverse opportunities for businesses to prosper, and have allowed for a significant evolution of living standards and economic sophistication. Yet, China's fast-paced industrial ascent has largely proceeded at the expense of the natural environment. It has left its mark on social equity and welfare, and has created a competitive landscape that leaves limited room for ethical business practice. Although recent developments suggest a gradual move away from 'cheap China' and polluting industries, severe environmental, social and economic issues persist. It is precisely against this backdrop, replete with controversies and tensions, that the Chinese CR debate and context, described in more detail in subsequent sections, have evolved.

## **3.2. The Regulative Context**

Based on Scott (2008), the regulative ‘pillar’ of institutions has been described in section 2.3.1 as a set of legally sanctioned rules, regulations and enforcement mechanisms that are coercive by nature. Existing research indicates that, in the case of China, these regulative institutions and their evolution are vital to understanding the background against which businesses take CR-related decisions. Hence, the present section sheds light on central aspects of the Chinese regulative context of CR. In specific, it looks into three dominant themes, which are government attitude towards CR (section 3.2.1), CR-related stipulations in Chinese law (section 3.2.2), and enforcement of respective legislation (section 3.2.3). Yet again, the section does not claim to be exhaustive, but to provide basic contextual knowledge for the research to follow.

### **3.2.1. Government Attitude Towards CR**

Focusing primarily on economic growth, Chinese government has long regarded CR as a trade barrier and an impediment to the country’s competitive advantage in low-cost production (Child & Tsai, 2005; Wong, 2009). Therefore, at least in the first phase of reform, it has placed only limited attention on questions of responsible business conduct and has given companies considerable freedom with regard to their environmental, labour-related, and human rights performance (X. Lu, 2009). As vital drivers of China’s economic growth, private companies in particular have long been under relatively little scrutiny by government agencies to behave responsibly (L.-W. Lin, 2010; X. Lu, 2009).

However, the severe negative environmental and social consequences of rapid industrialization presented above have created incentives for the Chinese government to alter its attitude towards CR. On the one hand, acute environmental deterioration and poor working conditions have raised international criticism. Especially China’s heavy GHG pollution has attracted the attention of international climate diplomacy, and has raised international pressure on Chinese government to undertake serious efforts in pollution control (Harris, 2011). Given the level of China’s international integration and its WTO membership, it has become increasingly difficult for Chinese leadership to ignore these claims without provoking major diplomatic and/or economic setbacks (Ip, 2009b). Moreover, in light of China’s aspirations of becoming a global superpower,

ameliorating the country's international reputation, among others in terms of environmental protection and labour standards, has gained importance (ibid.). Thus, researchers highlight that Chinese government has come under increasing external pressure to tackle environmental and social issues (L.-W. Lin, 2010).

On the other hand, observers note that Chinese administration is facing mounting domestic pressure to deal with the negative environmental and social consequences of economic growth. There is a growing awareness among government officials and citizens alike that environmental degradation poses a serious threat to people's livelihood (Wong, 2009). Similarly, with rising levels of education and living standards, the public is becoming increasingly conscious of inadequate working conditions. This is provoking an impressive exodus from sweatshops (L.-W. Lin, 2010), and people's dissatisfaction keeps on rising. High-profile protests against health-threatening pollution and labour rights abuses are gaining momentum, with press reports highlighting in particular budding anti-smog activism (The Economist, 2017). According to a news report from Taiwan-based Want China Times (2012), the number of protests against environmental pollution alone is growing by an annual average of 29%. Official Chinese reports confirm pollution being "public enemy number one" (Xinhua, 2015). But open criticism is not confined to environmental concerns. China Labor Bulletin, a Hong Kong-based labour advocacy group, recorded a total of 2,774 strikes and workers protests across China in 2015, double the number of previous year incidents (CLB, 2016). These figures are indicative of a growing activism against poor working conditions and other labour-related issues. Public discontent, in turn, jeopardizes authority and legitimacy of the ruling CPC (L.-W. Lin, 2010). The Party's post-reform legitimacy has predominantly been based on its capacity to facilitate steady improvement of living standards (Hsu, 2010; Oksenberg, 2009). While economic growth has contributed greatly to this end, environmental and social consequences have put achievements into perspective (Ho, 2001). Consequently, in order to maintain its power and legitimacy, Lin (2010) suggests, Chinese government feels pressure to take action against environmental deterioration, pollution, social inequality, corruption and other issues that are at least partly related to questions of CR. Against this backdrop, China's central government is facing both a strong external push and a growing internal pull to handle, among other things, irresponsible corporate conduct (Lin, 2010).

Indeed, starting mainly from the early 2000s, China's official policy line has been mirroring an increasingly 'CR-friendly' government attitude. A number of policies and directives in CR-related domains testify to this fact. One of the most prominent of these policies is the concept of Harmonious Society (*hexie shehui*), presented by former president Hu Jintao in 2005 and ratified by the 16<sup>th</sup> Central Committee of the CPC in October 2006 (Wong, 2009; Zheng & Tok, 2006). It represents a guiding principle for policy-making, aims at creating a more balanced relationship between economic growth and development on the one hand, and social stability, equity and sustainability on the other (Ip, 2009b). Among the main goals and projects for "building a socialist harmonious society by 2020", the resolution mentions "guaranteeing respect for people's rights and interests", "favoring the emergence of a reasonable and orderly income distribution pattern", "increase of household wealth", and "enabling people to live more affluent lives" (CCCPC, 2006; cited in Ngok & Zhu, 2010, p.79f.). Moreover, the policy seeks to reconcile economic development with environmental protection and efficient use of resources (Wong, 2009). These objectives are to guide political decision-making by all government organs across different administrative levels and functions. Given the close conceptual link between Harmonious Society and CR, researchers have argued that the former has materialized into a number of regulations and measures related to the latter (See, 2009). To put it in Wong's (2009, p. 134) words, CR "could become part of the Chinese state's arsenal of tools to develop its 'harmonious society'".

Government endeavours to pursue a new development path are also reflected in the guiding socio-economic principle of Scientific Outlook on Development (*kexue fazhan guan*) (Bina, 2011). Scientific Outlook on Development was enshrined into the Party's Constitution during the 17<sup>th</sup> National Congress of the CPC in October 2007 and incorporated into the overall development plan during the Party's National Congress in 2012. It recognizes the need for China to depart from a detrimental pursuit of fast-paced growth and adopt a sustainable approach to development in order to drive the country's modernization (Bina, 2011). The policy focuses primarily on creating sound ecological and environmental conditions through increased efficiency, resource savings and decoupling of economic growth from pollution (*ibid.*). Moreover, it aims at reducing China's social disparities and over-reliance on cheap labour (China Daily, 2010).

The aforementioned policy is closely associated with the idea of Ecological Civilization (*shengtai wenming*), which was equally put forward by Hu Jintao during the CPC's 17<sup>th</sup> National Congress in 2007. Ecological Civilization goes beyond the technological conception of Scientific Outlook on Development and adds a cultural, value-oriented dimension to the Party's claim for sustainable development (Bina, 2011). In a Beijing Review article, Pan Yue (2006), Vice Minister of the Chinese Ministry for Environmental Protection, describes Ecological Civilization as follows: "a kind of cultural ethics that aims at the harmonious coexistence between nature and man, society and man, and man and man". Hence, together with Scientific Outlook on Development, Ecological Civilization reveals a changing policy focus. The two concepts bear witness to government's efforts to integrate the notions of sustainability into politico-economic decision-making, modern culture and ideological rhetoric. As such, similar to Harmonious Society, they stress political support for certain CR-related objectives.

The Party's novel policy focus on sustainability has also affected the choice of targets incorporated into China's 12<sup>th</sup> (2011-2015) and 13<sup>th</sup> (2016-2020) Five Year Plans (FYP). While earlier plans primarily revolved around economic growth, more recent FYPs give priority to ensuring long-term prosperity for the Chinese nation as a whole (KPMG China, 2011). Accordingly, Jarrett and Ramsey (2011) for instance refer to the 2011 plan as "China's greenest FYP" so far. The latest FYP follows in these steps, promoting a cleaner, greener and more sustainable economic development, with increased commitment to environmental protection, environmental governance, and green industry development (CCCPC, 2015). Also, questions of social security and welfare, poverty reduction, health promotion, reduction of income gap, safeguarding rights and interests, and other social issues find explicit recognition in China's latest medium-term political agenda (*ibid.*).

Aforementioned principles and policies are indicative of central government's resolve to adopt a more sustainable and equitable course of action in response to growing domestic and international pressure. Against this backdrop, scholars and observers suggest that central government has become a proactive advocate of increased attention to CR and has assumed a leadership role in fostering respective developments among local firms (L.-W. Lin, 2010). However, this also implies that China's official CR discourse and initiatives take place within the limits of national socio-political

objectives and in consistency with the Party's official policy line (ibid.). Accordingly, Lin (2010) notes that environmental concerns are given the broadest attention, followed by social issues. Meanwhile, human rights are largely disregarded (ibid.), which is attributed to their potential hazard to regime survival and socio-political stability (Harris, 2011). This does not mean that human rights protection has been entirely excluded from the official discourse. In fact, human rights have occasionally even been explicitly mentioned in government addresses, and partly find recognition in official policy documentation (e.g. "safeguard the basic rights and interests of women, minorities, and persons of disabilities" as an explicit target in China's 13<sup>th</sup> FYP (CCCPC, 2015, Chapter 66)). However, as Kent (1999) or Svensson (2002) for instance point out, China's definition of "human rights with Chinese characteristics" (Svensson, 2002, p. 1) differs from Western notions, and is partly at odds with the UN human rights regime<sup>5</sup>. Therefore, Lin (2010) comes to conclude that human rights issues (in the sense of internationally recognized standards) have largely been neglected in China's official quest for increased social responsibility, while other CR-related issues, first and foremost environmental protection, are receiving mounting governance support.

### **3.2.2. The Legal Framework of CR**

Central government's stance towards CR and related topics has also translated into a broadening legal framework. Most notably since the turn of the century, legal coverage for responsible business conduct, environmental protection, and labour rights has been expanded significantly (Buhmann, 2005). Some of these stipulations will be presented exemplarily hereafter so as to illustrate the state, nature and direction of Chinese CR legislation. For the purpose of the present thesis, the Chinese legal context of CR shall be divided into explicit CR laws and regulations on the one hand (section 3.2.2.1), and environmental and labour laws on the other (sections 3.2.2.2 and 3.2.2.3 respectively). The latter do not directly mention the term 'corporate responsibility' (or 'corporate social responsibility' (*gongsì shehui zeren*) as neologistically referred to by Chinese law (L.-W. Lin, 2010)). Yet, due to their major indirect impact on CR-related decision-making in Chinese firms (Wong, 2009), they shall equally be considered.

---

<sup>5</sup> For more information on human rights perceptions in China see for instance Kent (1999), Wan (2001), Angle (2002), Svensson (2002), or Sceats and Breslin (2012).

### 3.2.2.1. CR Laws and Regulations

Since 2006<sup>6</sup>, CR finds explicit recognition in Chinese Company Law<sup>7</sup>. Article 5 specifies “In its operational activities, a company shall abide by laws and administrative regulations, observe social morals and commercial ethics, persist in honesty and good faith, accept supervision by the government and the public, and assume social responsibility” (Company Law of the People’s Republic of China, 2005, art. 5)<sup>8</sup>.

In addition to the provision on CR in Company Law, Chinese government has issued special CR regulations for SOEs. As state assets, these firms have been urged to become “leading examples” in government’s quest for greater sustainability in the corporate sector (L.-W. Lin, 2010, p. 73). Consequently, in 2008, the State-Owned Assets Supervision and Administration Commission of the State Council (SASAC)<sup>9</sup> issued the ‘Guidelines to the State-owned Enterprises Directly under the Central Government on Fulfilling Corporate Social Responsibilities’ (hereafter SASAC CSR Guidelines) (L.-W. Lin, 2010). These guidelines are “proposed to comprehensively implement the spirit of [...] Scientific Outlook on Development, and give impetus to state-owned enterprises [...] to earnestly fulfil corporate social responsibilities” (Guidelines to the State-Owned Enterprises Directly under the Central Government on Fulfilling Corporate Social Responsibilities, 2008). Among others, the SASAC CSR Guidelines require centrally-administered SOEs to “enhance the awareness of CSR; actively implement CSR; set[...] example in legal and honest business operation, resource-saving and environmental protection; [...] [be a] model in building human-oriented and harmonious enterprise, and become the backbone of China not only in economy but also in CSR” (ibid., art.6). Since 2012, SASAC also calls on SOEs to issue CSR reports to increase public scrutiny.

Special CR disclosure requirements also exist for companies listed on one of the two national stock exchanges in Shenzhen and Shanghai. In 2006, the Shenzhen Stock

---

<sup>6</sup> The legal revision of Chinese Company Law was adopted in late 2005 and enacted on January 1<sup>st</sup>, 2006 ([http://www.npc.gov.cn/englishnpc/Law/2007-12/13/content\\_1384124.htm](http://www.npc.gov.cn/englishnpc/Law/2007-12/13/content_1384124.htm); accessed 02.05.2017).

<sup>7</sup> When Chinese Company Law was first adopted in 1994, some CR-related issues, mostly in the field of employee rights protection, were included (L.-W. Lin, 2010). However, the legal document did not explicitly refer to “CSR”.

<sup>8</sup> Amendments to China’s Company Law passed in October 2013 have not touched upon the article in question.

<sup>9</sup> SASAC is a commission under the State Council responsible for managing and restructuring SOEs. For more information, see SASAC website (<http://en.sasac.gov.cn/n1408028/n1408521/index.html>; accessed 05.05.2017).



Exchange released the ‘Social Responsibility Instructions to Listed Companies’ (hereafter: Shenzhen Instructions). The Shenzhen Instructions cover 38 articles including provisions on “protection of employee interests”, “environmental protection and sustainable development”, “public relations and social welfare services” and “institutional building and information disclosure” (Shenzhen Stock Exchange Social Responsibility Instructions to Listed Companies, 2006). According to Article 3, listed companies are required to “proactively protect the legitimate rights and interests of their creditors and employees, be honest and trustworthy towards their suppliers, customers and consumers, and commit themselves to social welfare services like environmental protection and community development” (ibid., art. 3). In 2008, the Shanghai Stock Exchange introduced similar measures by promulgating the ‘Notice on Strengthening Listed Companies’ Assumption of Social Responsibility’ (hereafter: Shanghai Notice) and the ‘Guidelines on Listed Companies’ Environmental Information Disclosure’ (hereafter: Shanghai Guidelines) (L.-W. Lin, 2010). In accordance with the Shenzhen Instructions, listed companies are encouraged to systematically build up CR, disclose relevant information to the public and assume a leadership role in sustainable development (Levine, 2008).

The presented directives indicate that CR has found its way into the Chinese regulative framework, where it is being explicitly recognized. This reflects government efforts to translate the overriding principles of Harmonious Society, Scientific Outlook on Development and Ecological Civilization into tangible instructions for the corporate sector and promote their practical implementation (Wong, 2009). Notwithstanding, relevant legislation is limited to general provisions and remains largely vague in its specification of government expectations for CR (L.-W. Lin, 2010). As will be discussed in greater detail in section 3.2.3 below, it leaves significant room for interpretation and thus gives both, companies and government authorities broad freedom on how to incorporate CR into daily business practice. Non-listed private firms in particular are faced with no concrete legal specifications on how to “assume social responsibilities”, as requested by Chinese Company Law (2005, art. 5).

### 3.2.2.2. Environmental Law

It has been established above that environmental deterioration and transition to a low-carbon structure have become major concerns for the Chinese leadership and have thus received more government attention than any other CR-related topic (L.-W. Lin, 2010). As a result, the corresponding legal context has been broadened extensively over the past two decades, including a large number of laws and administrative regulations for the corporate sector (Child & Tsai, 2005). In 2008, for instance, the Standing Committee of the 11<sup>th</sup> National People's Congress passed the 'Circular Economy Promotion Law of the People's Republic of China' (hereafter: Circular Economy Law), which came into effect on January 1<sup>st</sup>, 2009 (Circular Economy Promotion Law of the People's Republic of China, 2008). The goal of Circular Economy Law is to promote sustainability in production, circulation and consumption by reducing resource use and waste, encouraging recycling, and engaging in resource recovery and waste regeneration (ibid.). The Law makes a series of stipulations for enterprises on water saving and recycling, energy consumption and saving, packaging, use of natural resources, industrial waste and waste management, etc. It specifies legal requirements for building and construction, exploitation of natural resources, and compiles a list of prohibited materials and toxic substances. Furthermore, the legal document specifies incentives for companies to promote the development of Circular Economy. These for instance comprise rewards, tax benefits, preferential access to loans and financial services or procurement support by state agencies (Circular Economy Promotion Law of the People's Republic of China, var. arts., 2008). In addition, Circular Economy Law defines consequences of violation, including revocation of business and/or extraction licences and fines ranging from RMB 20,000 up to RMB 1 million (ibid., var. arts.).

However, Circular Economy Law is far from being China's first legal document on environmental protection with direct impact on the corporate sector. China has for instance been an early adopter of a comprehensive system of pollution charges, based on the 1989 'Environmental Protection Law of the People's Republic of China' (hereafter: Environmental Protection Law). Amended in 2014, the Law stipulates that "enterprises, public institutions and other producers and business operators that discharge pollutants shall pay pollution fees in accordance with relevant state provisions. Pollution fees collected shall be exclusively used for environmental

pollution prevention and control” (Environmental Protection Law of the People’s Republic of China, 2014, art. 43). The Law further specifies that “for key pollutant-discharging units that violate this Law and fail to disclose at all or disclose false environmental information, environmental departments of government [...] shall order them to disclose such information, impose fine penalty, and issue public notice on their violation” (ibid., art. 62). To determine adherence to the Law, “environmental supervisory institutions [...] shall be entitled to carry out on-site inspections of the enterprises [...] and business operators that discharge pollutants” (ibid., art. 24). Furthermore, businesses are required by law to issue detailed environmental impact reports (ibid., e.g. art. 56). Besides punitive measures, the Law also provides preferential policies for companies demonstrating “outstanding achievements in protecting and improving the environment” (ibid., art. 11). These firms may receive awards or be entitled to other benefits such as subsidies and special funds at low interest rates (e.g. art. 11). According to official reports, the 2014 amendment of the Environmental Protection Law is meant to increase governance efforts to control pollution at the source and hold polluters accountable (Xinhua, 2014). Also, compared to the 1989 version, pollution penalties have been raised substantially, including the possibility to shut down repeat offenders (ibid.). This stresses Chinese leadership’s determination to increase environmental accountability among enterprises. The provisions of the Environmental Protection Law are backed by additional discharge regulations in specific laws on marine, water, air, noise and solid waste pollution (M. Wang, 2008).

Alongside these legal requirements, regulative authorities have also introduced a number of regulations and guidelines to enhance environmental responsibility among Chinese enterprises. These primarily refer to environmental reporting. In 2007, the State Environmental Protection Administration (SEPA) (today: Ministry of Environmental Protection (MEP)) for instance promulgated measures that encourage all firms to voluntarily disclose information that fall into nine categories related to resource consumption, pollution discharges, waste management, environmental protection initiatives, technical developments, etc. (SEPA Issues Measures on Open Environmental Information, 2008, art. 19). Local authorities may reward companies choosing to voluntarily disclose such information and obeying “environmental laws and regulations in an exemplary fashion” (ibid., art. 23). Moreover, government agencies at the local level are required to compile lists of firms whose discharges exceed local or

national standards (*ibid.*, art. 13). Companies appearing on this list must publish details regarding their major pollutants, environmental protection facilities, and emergency plans in case of environmental disasters, within 30 days of publication of the record (*ibid.*, art. 21). Hence, SEPA obliges heavy-polluting firms to publicly disclose information on their environmental performance (L.-W. Lin, 2010). Local authorities may fine heavy-polluters failing to abide by these regulations up to RMB 100,000 and publicize the offence (SEPA Issues Measures on Open Environmental Information, 2008, art. 28). The SEPA provisions not only represent an instrument to control companies' environmental record. They also strengthen firms' accountability to Chinese citizens. As such, they provide a means for central government to satisfy public demands for action against environmental irresponsibility (L.-W. Lin, 2010). Other departments of the State Council have joined SEPA, i.e. MEP in issuing regulations on firms' environmental performance. In 2004, the National Development and Reform Commission (NDRC) and the Administration of Quality Supervision, Inspection and Quarantine (AQSIQ) for instance jointly issued a list of products requiring energy labelling for customers (P. Guo, 2005). Similarly, in 2004, NDRC released a list of industrial projects needing environmental approval (*ibid.*). It obliges firms to present information on resource and energy consumption as well as ecological impact assessment to authorities for project approval (*ibid.*). Taken together, these laws and regulations from multiple authorities create a broad framework of stipulations in the field of environmental protection.

The body of environmental legislation is extended further by regulations at the local level of government. In 2014, for instance, the Beijing municipal government's Beijing Air Pollution Prevention Regulation came into effect (ECOLEX, 2014b). The directive imposes harsher penalties against polluting enterprises. Among other things, violators now face credit sanctions, meaning that offences will be added to their credit record (China Daily, 2014). Similarly, Hubei, a province affected by severe contamination of rivers, lakes and ground water, has recently established new regulations on water pollution, which introduce stricter penalties, monitoring and publication requirements (ECOLEX, 2014a). These examples show that, given China's multi-layered administrative structure, firms are subjected to both national and local regulative demands in the field of environmental protection (Child & Tsai, 2005).

### 3.2.2.3. Labour Law

As suggested above, labour issues have also become a matter of concern for central government. Hence, besides environmental protection, they represent another building block of CR that has rather comprehensively been covered by Chinese legislators. The aforementioned Company Law, for instance, specifically refers to firms' obligation to safeguard employee rights and interests. Article 15 mentions that "Companies must protect the lawful rights and interests of their staff and workers, and strengthen labour protection so as to achieve safety in production" (Company Law of the People's Republic of China, 1994, art. 15). Firms are also mandated to "apply various forms to strengthen professional education and on-the-job training of their staff and workers so as to improve their quality" (*ibid.*, art. 15). Moreover, workers are called upon to organize trade union activity to "protect the lawful rights and interests of the staff and workers" (*ibid.*, art. 16), and are to be integrated into corporate decision-making (see arts. 55, 56, 121 and 122). The 2005 amendment of Chinese Company Law has not, in essence, altered these provisions. Rather, in response to legal loopholes and repeat abuses, supplementary stipulations have come into effect. Among others, firms are now additionally required to "sign labour contracts [...] according to the law, participate in social insurance and improve occupational protection" (Company Law of the People's Republic of China, 2005, art. 17). Furthermore, employee rights in corporate governance have been strengthened (L.-W. Lin, 2010)<sup>10</sup>.

Other than these general provisions of Company Law, the Chinese legal system also comprises a series of specific labour laws. The 'Labour Law of the People's Republic of China' (hereafter: Labour Law) goes back to a decision of the Standing Committee of the 8<sup>th</sup> NPC in 1994. It is based on the general provision that "Labourers shall have equal right to employment and choice of occupation, the right to remuneration for labour, to rest and vacations, to protection of occupational safety and health, to training in vocational skills, to social insurance and welfare, to submission of labour disputes for settlement and other rights relating to labour stipulated by law" (Labour Law of the People's Republic of China, 1994, art. 3). Accordingly, in 107 articles, the Law specifies the rights and obligations of both firms and employees in the realms of "Promotion of

---

<sup>10</sup> These specifications have not been affected by the 2014 amendment to the Company Law and thus remain in force.

Employment (ibid., Chapter II)”, “Labour Contracts and Collective Contracts” (ibid., Chapter III), “Working Hours, Rest and Vacation” (ibid., Chapter IV), “Wages” (ibid., Chapter V), “Occupational Safety and Health” (ibid., Chapter VI), “Protection of Female Staff and Workers and Juvenile Workers” (ibid., Chapter VII), “Vocational Training” (Chapter VIII), “Social Insurance and Welfare” (ibid., Chapter IX) and “Labour Disputes” (ibid., Chapter X). Moreover, Labour Law determines the means of “Supervision and Inspection” (ibid., Chapter XI) by state organs to ensure companies’ lawful behaviour, and lays out conditions and consequences of misconduct. Among others, it specifies that “inspectors from the administrative departments of labour [...] have the right to enter into the employing units to make investigations about the implementation of laws, rules and regulations on labour, consult the necessary data and inspect the labour sites” (ibid., art. 86).

Since the proclamation of the Labour Law in 1994, the Chinese legal framework in the fields of labour rights and protection has been constantly expanded. In 2001, the ‘Law of the People’s Republic of China on Prevention and Control of Occupational Diseases’ (hereafter: Law on Occupational Diseases) came into effect. It aims at “preventing, controlling and eliminating occupational disease hazards [...] [and] diseases” (Law of the People’s Republic of China on Prevention and Control of Occupational Diseases, 2001, art. 1). The Law spells out the means by which “employers shall establish and improve the responsibility system for prevention and control of occupational diseases [...] and bear responsibility for the occupational disease hazards produced in the unit” (ibid., art. 5). Similarly, the 2002 ‘Law of the People’s Republic of China on Work Safety’ (hereafter: Law on Work Safety) is to enhance work safety and prevent accidents related to work safety deficiencies (Law of the People’s Republic of China on Work Safety, 2002). Both legal documents order regular inspections by local administrative departments in charge and oblige companies not only to tolerate but also to actively support those surveys. Moreover, they specify the legal ramifications of violation, such as disciplinary warnings. In case a firm is found guilty of non-rectification, recurrence or serious offence, the Laws go as far as stipulating fines, criminal prosecution, and even company shutdown. The Laws on Occupational Diseases and Work Safety represent an extension of the general stipulations on occupational health and safety in Chinese Labour Law.

In 2008, Chinese labour legislation was extended further through the enactment of a set of new regulations, consisting of the ‘Law of the People’s Republic of China on Promotion of Employment’ (2008) (hereafter: Law on Employment Promotion), the ‘Law of the People’s Republic of China on Labour-Dispute Mediation and Arbitration’ (2008) (hereafter: Law on Labour Disputes) and, most importantly, the ‘Labour Contract Law of the People’s Republic of China’ (2008) (hereafter: Labour Contract Law). Firstly, the Law on Employment Promotion stipulates the right to employment on an equal opportunity basis (Law of the People’s Republic of China on Promotion of Employment, 2008, art. 3), free choice of profession (*ibid.*, art. 3), non-discriminatory recruitment (*ibid.*, arts. 27, 28, 29), fair employment conditions (*ibid.*, Chapter III), and equal rights for migrant workers (*ibid.*, art. 31). Secondly, the Law on Labour Disputes lays out the ground rules for resolving labour disputes between employers and employees in an impartial and timely manner. It specifies the lawful conditions of labour disputes (Law of the People’s Republic of China on Labor-dispute Mediation and Arbitration, 2008, Chapter I) and spells out the means and terms of mediation (*ibid.*, Chapter II) and arbitration (*ibid.*, Chapter III). Last but not least, the Labour Contract Law defines the rights and obligations of both parties to a labour contract and thus enhances legal protection of workers’ rights and interests. This includes stipulations on rightful conclusion (Labor Contract Law of the People’s Republic of China, Chapter II, 2008), modification (*ibid.*, Chapter III), revocation and termination of labour contracts for both individual and collective contracts (*ibid.*, Chapter IV), as well as on the use of labour dispatch and part-time employment (*ibid.*, Chapter V, Sections 2 & 3). The Law requires conclusion of written contracts for labour relationships to be established (*ibid.*, art. 10). It emphasizes adherence to “the principles of lawfulness, fairness, equality, voluntariness, consensus through consultation and good faith” (*ibid.*, art. 3) and stresses the binding character of labour contracts (*ibid.*, art. 3). This represents a significant improvement of the labour contract system, and thus of Chinese labour law in general.

In sum, contemporary Chinese labour legislation is largely compliant with the principles and subjects covered by International Labour Organization (ILO) standards (ILO, 2016). As outlined in table 3, Chinese law, at least in principle, follows most ILO conventions (Chahoud, 2008). Thus, due to successive regulative expansion as outlined above, labour legislation in China now covers a broad array of subjects related to protection of labour rights and can therefore be regarded as rather comprehensive (*ibid.*).

**Table 3: Comparison of selected subjects of ILO conventions and Chinese labour law**

Subject	ILO Conventions	Chinese Labour Law	Compliance
Forced labour	Shall be prohibited	Prohibited	Yes
Child labour • Minimum age of work	Shall be prohibited • 15	Prohibited • 16	Yes
Equal opportunity and non-discrimination	Discrimination based on race, colour, sex, religion, political opinion, national extraction or social origin shall be prohibited	Prohibits discrimination based on ethnic group, race, sex, or religious belief	With exceptions
Employment Security • Period of notice • Dismissal protection	• Shall be granted • In case of illness or pregnancy	• 30 days (both parties) • In case of illness or pregnancy	Yes
Wages • Minimum wage • Overtime pay	• Shall be granted • Above normal salary	• Granted • Above normal salary and no less than 150 percent of normal wage if extension of working hours is arranged	Yes
Working time: • Working hours/day • Working days/week • Public holidays • Paid annual leave • Overtime	• 8 • 6 • Shall be granted • Shall be granted after one year of service • Shall be regulated	• 8 • 6 • Min. 4 public holidays • Granted after one year of service • Max. 36 hours/month	Yes
Health & safety • Provision of safe working conditions • Control of hazardous substances & materials • Protective clothing and equipment • Emergency arrangements	• Shall be required • Shall be required • Shall be required • Shall be required	• Required • Required • Required • Required	Yes
Freedom of association	• Workers may establish and join organizations of their own choosing without prior authorization • Workers' organizations shall not be liable to dissolution by administrative authorities	• Workers have the right to participate in, and organize trade unions • Trade unions must register with the All-China Federation of Trade Unions • Trade unions have to "uphold the socialist road [...], leadership by the Communist Party of China"(Trade Union Law of the People's Republic of China, 2001)	No

Source: Based on Chahoud (2008), ILO (2016), Labour Law of the People's Republic of China (var. arts., 1994)



Nevertheless, in some specific areas, labour law in China continues to deviate from ILO standards. While non-discriminatory treatment for instance forms an integral part of Chinese law, ‘political opinion’, although required by ILO (2016), remains excluded from the list of grounds of discrimination. Moreover, freedom of association is not granted to the degree proposed by ILO. According to ILO (2016) conventions, workers shall be allowed to “establish and join organizations of their own choosing without previous authorization”. These organizations shall, in turn, not face liabilities of dissolution by administrative authorities. Chinese law, however, stipulates that the All-China Federation of Trade Unions (ACFTU) shall function as the “unified national organization” (Trade Union Law of the People’s Republic of China, 2001, art. 10), with which all trade unions and labour organizations have to register (see chapter 3.3.3 for more details). Also, the Law specifies that trade unions have to “uphold the socialist road, the people’s democratic dictatorship, leadership by the Communist Party of China, and Marxist-Leninism, Mao Zedong Thought and Deng Xiaoping Theory” (ibid., art. 4). Furthermore, they “shall assist the people’s governments in their work and safeguard the socialist State power” (ibid., art. 5). These provisions create an alignment of labour organizations with the state and its official policy, and thus strongly restrict unions’ room to manoeuvre (see chapter 3.3.3). Hence, as highlighted by these examples, labour legislation, although having experienced substantial progress and expansion, remains subject to political and ideological inertia.

### **3.2.3. Enforcement of CR Legislation**

Foregoing sections have pointed out the amplitude of Chinese policies, laws and regulations that government authorities have enacted in the field of CR and, more specifically, on environmental and labour rights protection. Not only has CR-related legislation been continuously expanded. Incentives and penalties have also been put in place to encourage responsible business conduct and deter violations respectively. Hence, it appears that China today offers a comprehensive regulative framework for a CR-friendly business context to prosper (within politically-defined limits). However, research highlights that regulative efficiency continues to be seriously hampered by insufficient, i.e. ineffective legal enforcement. A series of impediments are shown to stand in the way of successful enforcement of Chinese CR-related legislation. Among

others, scholars emphasize the negative effects caused by vague legislation (Beyer, 2006; Cooney, 2006; Schwartz, 2003; van Rooij, 2006). They contend that CR-related laws tend to rely on unspecific formulations, thus providing considerable leeway to interpretation. Beyer (2006) for instance notes that many stipulations are framed as recommendations; a tendency mirrored by the frequent use of the term ‘should’ (*bixu*) instead of ‘must’ or ‘shall’ (*ying/yinggai*). Ambiguity is most pronounced in explicit CR legislation, where the law fails to provide specifications and directives on how to “assume social responsibilities” (Company Law of the People’s Republic of China, 2005, art. 5). Rather, respective provisions remain unspecific and interpretative.

This legislative ambiguity is amplified by the broad array of laws and regulations issued at different administrative levels. Not only is formal law supplemented by guidelines and regulations issued by different government bodies, such as SEPA or SASAC. China’s decentralized governance structure also allows local authorities to enact supplementary legislation, thus creating an intricate, multi-layered web of legal provisions (Child & Tsai, 2005). Under these circumstances, researchers highlight, it becomes difficult for individual actors to identify relevant stipulations and key norms, which causes major regulative uncertainties for enterprises and enforcement bodies alike (Child & Tsai, 2005; Cooney, 2006).

In addition to vague legislation, local legislative authority is also regarded as a barrier to enforcement. Local government bodies enjoy large discretionary power on interpretation and enforcement of the law (Beyer, 2006; Tanner & Green, 2009; van Rooij, 2006). As Lo et al. (2006, p. 390) argue, local officials are “in the trenches” of CR enforcement. Pronounced local discretion is often blamed for facilitating irregular implementation of the law based on central-local conflicts of governance interests (van Rooij, 2006). This applies in particular to less prosperous regions, where the perceived immediate costs of shutting down a polluting enterprise or losing a local firm over labour issues often exceed the apparent long-term benefits of enforcement (van Rooij, 2006; Haiyan Wang et al., 2009). Under these circumstances, local officials tend to be reluctant to enforce CR legislation in an effort to protect their region’s economic interests and minimize adverse impacts on the local economy (Lo & Fryxell, 2005). Economic protectionism at the local level is reinforced by China’s decentralized fiscal and governance structure. It is often argued that alignment of local government interests with

economic objectives (see section 3.1) has increased officials' averseness to taking actions that might prove detrimental to local business development (Schwartz, 2003). This lack of local government support has serious consequences for the efficacy of executive bodies. By themselves, local environmental and labour departments dispose of only weak administrative capacities (Cooney, 2006; Lo et al., 2006). They receive their policy directives from respective ministries in charge, but depend on local governments for funding, recruitment and personnel management (Cooney, 2006; Y. Tan, 2014; van Rooij, 2006). This strongly restricts their means to independently enforce central policy directives without local government support. As a result, local enforcement agencies often dispose of inadequate financial resources, staff, and technical expertise to carry out proper inspections of local enterprises (Beyer, 2006; Cooney, 2006). Paradoxically, under these circumstances, the only way for local enforcement bodies to generate sufficient funding may be to rely on violation fines from local firms, such as pollution discharge fees or penalties imposed on labour rights abuses; a practice referred to by Tanner and Green (2009, p. 317) as "predatory fine collection". Also, funding difficulties are likely to intensify enforcement officers' vulnerability to corruption and bribes. It has repeatedly been reported that local enforcement agencies are prone to abstaining from inspections or turning a blind eye on irresponsible business conduct in exchange for gifts and favours (Schwartz, 2003; van Rooij, 2006). Consequently, unless local governments actively support the implementation of CR-related legislation, enforcement agencies might have incentives to keep polluters polluting and ignore labour-rights violations so as to secure their sources of revenue (Naughton, 2007). This not only calls into question the prevalent system of discharge and violation fees, but also highlights enforcement barriers created by decentralization (Child & Tsai, 2005).

Over the past decade, central authorities have undertaken serious efforts to close the prevailing enforcement gap between central and local levels of government. Suffering from a lack of administrative power and reliable sources of information to monitor and discipline local-level cadres (Beyer, 2006; Tanner & Green, 2009), central government has taken a series of steps to (re-)align local officials' interests with those of higher-level authorities. In accordance with national priorities, environmental protection has received particular attention in this process. As one of the most promising efforts in this regard, environmental targets have been incorporated into the cadre responsibility

system and are now considered in bureaucratic evaluation (A. L. Wang, 2013). This consideration of environmental objectives has reduced the previous overarching significance of economic growth in cadre evaluation (ibid.) (see section 3.1). It has created monetary and career incentives for cadres to actively encourage environmental protection at the local level and pursue regulative enforcement in the field (ibid.)<sup>11</sup>.

Moreover, attempts have been made to increase control over sub-national enforcement by raising public scrutiny of local governments. In this respect, ‘China’s Open Government Information Regulations’ (OGI), introduced on May 1<sup>st</sup>, 2008, have made a major contribution (Y. Tan, 2014). OGI require state administrative agencies to release information on their work (both proactively and upon citizen request) and thereby raise government transparency and public accountability (ibid.). As a corollary of OGI adoption, environmental and labour agencies have been put under increased pressure to monitor legal enforcement and accomplish national objectives (ibid.).

Due to the measures and initiatives described above, the enforcement gap for CR legislation has reportedly been narrowed (Lo et al., 2006). Nevertheless, implementation still remains a prime obstacle to the development of CR in the Chinese context, with legal enforcement remaining “a relatively decentralized and feudal system” (Tanner & Green, 2009, p. 306). Most importantly, persistent principal-agent problems continue to question the fundamental credibility of efforts taken (A. L. Wang, 2013). In light of irreconcilable information asymmetry between central and local government agencies, data falsification for instance remains a lasting issue (ibid.). Without accurate data, national authorities have no means to ensure whether and to what extent environmental and social targets are actually being implemented (ibid.). This strongly hampers the efficacy of the cadre responsibility instrument in fostering CR and related objectives, in particular in low-level administrative units at large geographic distance from administrative centres (Lo et al., 2006). Consequently, although the formal regulative framework for CR has drastically been broadened and considerable government efforts have been undertaken to encourage its nationwide implementation, enforcement of CR and CR-related legislation often remains inadequate (L.-W. Lin, 2010).

---

<sup>11</sup> For a detailed discussion of the environmental cadre evaluation system see A. L. Wang (2013).

### **3.3. The Normative Context**

As Scott's (2008) second institutional 'pillar', normative institutions have been defined in section 2.3.1 as morally governed expectations and societal obligations articulated in certification or accreditation. Existing research highlights that professional and non-governmental organizations (NGOs) act as important agents of these normative institutions in questions of CR (Kittilaksanawong, 2016). This means that they are among the principle actors in articulating and formalizing 'morally governed expectations and societal obligations' towards responsible business conduct, and thus in influencing notions of how firms ought to do business in a given society (Kassinis & Vafeas, 2006; Kittilaksanawong, 2016). In fact, non-governmental actors are usually regarded as key players in CR evolution (Arenas, Lozano, & Albareda, 2009). Around the globe, they are pushing both firms to increase responsible business conduct and governments to create appropriate framework conditions to this end (*ibid.*). Hence, one approach to address the normative context of CR in China is via its non-governmental actors. Therefore, in the following, the author seeks to shed light on China's non-governmental landscape and its impact on local CR developments. Five main themes are examined: government's stance towards non-governmental activity (section 3.3.1), NGO activism (section 3.3.2), labour unions (section 3.3.3), business associations (section 3.3.4), as well as certification and industry self-regulation (section 3.3.5). As in previous sections, the aim is not to offer a complete overview and assessment, but to enhance basic contextual understanding in view of the empirical research project.

#### **3.3.1. Government Stance Towards Non-Governmental Activity**

It has been argued above that China's central government has been showing a growing interest in promoting a more sustainable development path, including a 'greener' and 'fairer' business environment. Accordingly, the legal framework for environmental protection, labour and other CR-related matters has been strengthened continuously (see section 3.2.2). Nevertheless, not least due to aforementioned enforcement deficiencies, Ho (2001) notes, Chinese leadership has also come to realize the limits of its regulative endeavours. With government's gradual withdrawal from social functions and a downsizing of the state in reforming China, it has become apparent that government neither has the capacity nor the willingness to solely carry the burden of exacerbating

environmental and social problems (Ho, 2001; Y. Lu, 2007; Saich, 2000). As openly acknowledged by Luo Gan, former Secretary General of the State Council, during the Ninth People's Congress in 1998 "government has taken up the management of many affairs which it should not have managed, is not in a position to manage, or actually cannot manage well" (Luo Gan 1998; cited in Saich (2000, p. 128)). Hence, Hildebrandt (2011) argues, progressing privatization and liberalization have forced the party-state to recognize the significance of the previously overshadowed Chinese society in fulfilling its socio-economic and environmental agenda. The integration of non-government actors has thus become a deliberate, yet inevitable government choice, with substantial impact on China's state-society relations. In fact, government, previously controlling all aspects of social life (Thompson & Xiaoping, 2006), has started to devolve certain functions back to society (Ho, 2001). Its gradual retreat from social governance has created gaps, which have readily been filled by 'social organizations' (*shehui tuanti*) and other non-state actors (Feng, 2003; Hildebrandt, 2011; Hsu, 2010). Emergent elements of civil society have started to provide social services in areas neglected by the downsizing state, and have grown steadily in number and scope ever since (see more details below) (Hildebrandt, 2011; Y. Lu, 2007). This development has not only been tolerated but has, at least in some fields, even been actively encouraged by state authorities (Ho, 2001). According to Ministry of Civil Affairs data, Chinese central government has invested around 400 million RMB in 2013 alone to back projects run by social organizations (He, 2014) – an indication of government's support of non-state activity. Also, active cooperation between government and non-government actors has been observed on multiple occasions, in particular in the field of environmental protection (Hsu, 2010; Shieh & Deng, 2011). Pan Yue, deputy director to SEPA, has frequently referred to environmental NGOs as 'allies' and has stressed their importance as government watchdogs (Y. Lu, 2007), thus emphasizing government's positive attitude towards the non-state sector in specific areas.

This does, however, not mean that the Chinese leadership has come to approve of an independent, i.e. unchecked civil society development. Researchers argue that the examples of civil society movements in Eastern Europe and the former Soviet Union, such as 'Solidarity' in Poland or the 'Colour Revolutions' in Serbia, Georgia, Ukraine and Kyrgyzstan (Cheng, Ngok, & Zhuang, 2010; Feng, 2003; Thompson & Xiaoping, 2006), are a constant reminder to Chinese government of the hazard that empowered

social actors potentially pose to its political monopoly (Hildebrandt, 2011). Hence, driven by what Feng (2003, p. 1027) calls “Solidarity-Phobia”, Chinese authorities continue to maintain a firm grip on social organizations of all kinds (see more details below) (Thompson & Xiaoping, 2006). Thus, although the political space for social organizations has grown considerably since 1978 (Y. Lu, 2007), toleration and support of social activism continue to go hand in hand with strict government control (Ho, 2001). For now, Hsu (2010) contends, social organizations are primarily regarded as a tool to help government fulfil its social obligations and objectives, rather than as equal partners of, or independent counterparts to the party-state. From a government’s perspective, Lin (2007) adds, the main purpose of the non-state sector is to perform a ‘service delivery’ function and ease the pressure for societal participation.

By implication, support provided to social organizations by government remains highly selective, with potential threat to political stability as the benchmark for acceptance (T.-C. Lin, 2007). Social organizations whose work is complementary to state objectives, such as for instance environmental groups, enjoy relative autonomy and government support (Hildebrandt, 2011), provided they don’t act as substitute channels for popular protest against government (Ho, 2001). By contrast, societal actors voicing criticism about the regime or addressing sensitive topics, such as human or labour rights, are likely to face strong headwinds from government (Feng, 2003; Hildebrandt, 2011). Restriction of social activism is managed chiefly through a system of strict registration, with registration procedures, criteria and prerequisites being narrowly defined (see more details below). From a government’s point of view, these measures are to maintain a delicate balance between the need to delegate certain functions and responsibilities back to society, and the necessity to control civil society development for the sake of regime stability (Thompson & Xiaoping, 2006). Hence, existing research describes Chinese government’s stance towards CR-related non-governmental activity as a quandary: On the one hand, government relies on non-governmental actors to solve aggravating environmental and social issues that might undermine regime legitimacy if untackled. On the other hand, it must avoid social movements from becoming overly influential and autonomous, particularly in areas sensitive to state power, so as to maintain its grip over China’s institutional environment (Ho, 2001). This bifurcated government attitude is central in shaping CR-related non-governmental activity in the Chinese context.

Aforementioned ambivalence also materializes into a dichotomous government role. Having recognized the value of societal forces in achieving its policy objectives, the Chinese state is tolerating a controlled growth of social organizations, thereby fostering the development of a non-governmental CR context in China (Thompson & Xiaoping, 2006). It is actively contributing to the creation of organizational spaces and capacities for non-governmental activity to evolve (ibid.). However, claiming absolute authority over all socio-economic developments, government's support for non-governmental initiatives ends where concerns for regime stability begin (ibid.). Hence, Chinese government acts as both a facilitating and a restraining force to non-governmental activity in CR-related fields (Ho, 2001).

### **3.3.2. NGO Activism**

The Chinese NGO sector is still in its infancy. Only as late as the 1980s did social organizations begin to (re-)emerge, filling gaps left by the retreating state (Hsu, 2010). Since then, however, China has witnessed an explosive growth of the non-governmental sector (ibid.). According to official data, the number of registered so-called 'civil organizations' (*minjian zuzhi*) has risen from 4,446 in 1988 (Y. Xu & Zhao, 2010) to an impressive 662,425 in 2015 (State Statistical Bureau, 2016). Due to a lack of reliable data, actual numbers are likely to be even higher (Hsu, 2010). For international, i.e. foreign NGOs, estimates range from a conservative 500 to nearly 6,000 organizations based in China (D. Yin, 2009). While these figures fail to provide accurate information on the size of China's NGO sector, they highlight the rapid growth it has experienced since the onset of the reform era (Chen, 2010; Hsu, 2010; D. Yin, 2009).

It must be noted, however, that the term *non-governmental* takes on a different meaning in China's state-dominated system. First of all, many Chinese NGOs (e.g. the Red Cross Society of China) are not set up by members of society, but by government itself (Mol, 2006). They are so-called government-organized non-governmental organizations (GONGOs) and are thus not truly *non-governmental* by nature. GONGOs obviously maintain close ties with government agencies, and thus act as bridges between the state and other constituents of civil society (Mol, 2006). Their proximity to government allows these organizations to operate without restrictive interference from the state,



which makes them important players in the development of CR (ibid.). Within the limits of what is sanctioned by the party-state, GONGOs can advocate CR-related topics and bring them to the attention of both businesses and government bodies. GONGOs, such as the Beijing Environmental Protection Organisation or the China Environment Fund are thus playing a vital role in fostering the evolution of a more CR-, primarily eco-friendly business context in China (Mol & Carter, 2006).

Registration is another peculiarity of the Chinese non-governmental sector. The so-called ‘Regulations for the Registration and Management of Social Organizations’ (hereafter: Registration Regulations) outline stringent registration procedures and prerequisites for social organizations, defined in these regulations as “non-profit organizations voluntarily created by Chinese citizens in order to achieve the collective desires of members, and conduct activities according to their charters” (Regulations on the Registration and Management of Social Organizations, 1998, art. 2). Among others, basic conditions for registration are: 1) Organisations must “observe the Constitution, the laws, regulations and policies of China [...]. They must not harm the unity of the country [...] [and] are not permitted to damage national interests” (ibid., art. 4); 2) Prior to registration, NGOs must obtain approval from a so-called ‘sponsoring unit’ within the government apparatus (ibid., art. 9); 3) Membership must not surpass 50 (ibid., art. 10); 4) They must provide proof of financial resources (ibid., art. 10); 5) Registration is possible only if no other social organization “with the same or a similar scope of activity” has been established in “the same administrative district” (ibid., art. 13). Clearly, these and other provisions represent major obstacles to registration, and thus strongly limit the number and variety of registered NGOs (Edele, 2005). Not only does the terminology leave much scope for interpretation (see for instance the general wording of “damage national interests”), making NGOs highly dependent on officials’ benevolence. The regulations also obstruct registration of organizations whose objectives are not in line with official policy. Moreover, the stipulations create a series of operational barriers to NGO activity, such as obtaining sponsorship, raising funds, organizing impactful activities, etc. Hence, given the extent of red tape, NGOs become strongly reliant on government<sup>12</sup>.

---

<sup>12</sup> Registration requirements were loosened in March 2013. Yet, new rules apply only to certain types of NGOs, notably to industry associations, charities, community services, and organizations dedicated to promoting science and technology (He, 2014).

Against this backdrop, many NGOs attempt to register under the guise of façade institutions such as informal clubs, student organizations or independent enterprises (C. K. Chan, 2013; Hildebrandt, 2011; Ho, 2001; G. Yang, 2005). Yet, in spite of these institutional loopholes, many NGOs opt for avoiding registration altogether (Hildebrandt, 2011). According to a press report by *The Economist* (2014), an estimated 1.5 million Chinese NGOs fall under this category. Without registration, however, social organizations cannot open bank accounts or pursue wider funding opportunities (Hildebrandt, 2011). They face difficulties attracting members and personnel, raising public awareness for their causes, and are much more likely to fall victim to repression from government (ibid.). Thus, as Hildebrandt (2011) counterintuitively argues, non-registered NGOs may end up being even more reliant on government than their registered counterparts. Under the circumstances described, building and maintaining positive relationships with government authorities becomes all the more vital. In other words, close ties with state authorities represent a much relied on means to compensate for the downsides of non-registration (Hildebrandt, 2011; Hsu, 2010).

This creates a situation where NGOs, both registered and non-registered, become highly dependent on government and must act in close alignment with official policies and objectives. Under these circumstances, the primary role of NGOs is to support government, step in where the state lacks capacities (Hsu, 2010), and play a service delivery and awareness raising function in fields sanctioned by the Party state (T.-C. Lin, 2007; Mol & Carter, 2006). Consequently, the relationship between Chinese NGOs and the state is frequently described as one of non-confrontational strategic alliances with pronounced interdependences (Hsu, 2010; Thompson & Xiaoping, 2006).

To some extent these conditions also apply to foreign NGOs, which have, until recently, been running their China operations without proper legal status (D. Yin, 2009). Not being explicitly considered by Chinese law on social organizations (see definition of social organizations as “non-profit organizations voluntarily created by *Chinese* citizens” (italics added by the author) in Article 2 of the 1998 Registration Regulations), foreign NGOs have long been working in a grey area, thus operating under considerable uncertainty and at the discretion of government (ibid.). These legal circumstances have been altered drastically with the recent introduction of the foreign-NGO-specific ‘Law

on the Management of the Activities of Overseas NGOs within Mainland China' (hereafter Overseas NGO Law), effected on January 1<sup>st</sup>, 2017. The Law "is designed to standardize and guide all activities carried out by overseas NGOs within China, and protect their rights and interests" (The People's Republic of China's Law on the Management of the Activities of Overseas NGOs within Mainland China, 2017, art. 1). In spite of specifying the previously undefined legal status of foreign NGOs, the Law has caused major outcry among international organizations, who see their room for manoeuvre being curtailed even further. This is due, in particular, to provisions resembling those concerning domestic NGOs. Among others, foreign NGOs now too are mandated by law to register with local authorities in order to operate legally (*ibid.*, art. 9 and 10 for specifications on registration). As in the case of domestic NGOs, registration requires approval from a government-sanctioned sponsoring body (*ibid.*, art. 11). Moreover, as prescribed by Article 39 of the Overseas NGO Law, foreign "NGOs conducting activities within China shall be supervised and managed by public security authorities". These provisions, which equally apply to NGOs from Hong Kong and Macao (*ibid.*, art. 2), strengthen foreign NGOs' dependency on government and cement the alignment of their activities with the official policy line. Hence, in essence, the reality faced by foreign NGOs today closely resembles the restricted operational conditions of their domestic counterparts.

Notwithstanding these impediments, NGOs have gained substantial influence compared to the pre-reform state-only society and are playing a gradually more important role in CR developments. In particular Environmental NGOs (ENGOS) have been experiencing significant growth, sophistication and success (Hildebrandt, 2011). They have come to exemplify thriving non-governmental activity in China's essentially non-pluralistic environment (*ibid.*). This is largely attributable to the fact that their work complements China's official policy agenda, giving them relative autonomy, considerable room to manoeuvre, and allowing them to mobilize public support (Hildebrandt, 2011; Y. Lu, 2007). Officially registered organizations such as Green Earth Volunteers, Global Village Beijing, Green Union China, Friends of Nature, World Resource Institute, World Environmental Centre and other ENGOS are dedicated to raising public and corporate awareness for environmental sustainability concerns, and encouraging participation in environmental protection, carbon emission reduction, green production

and/or living, etc.<sup>13</sup>. Global Village Beijing for instance engages in activities as varied as producing and broadcasting an environmental programme on China Central Television (CCTV) and on China National Radio (CNR), issuing environmental reports and columns in Chinese media, publishing environmental guides, holding environmental conferences, exhibitions and lectures, initiating environmental campaigns etc. (China CSR Map, 2017). The Beijing based Center for Legal Assistance to Pollution Victims (CLAPV) is another example of successful ENGO activity. CLAPV specializes on legal aid, education and training in the field of environmental protection (Center for Legal Assistance to Pollution Victims, 2017). Besides these ‘official’ ENGOs, non-registered green organizations have also gained importance. For pragmatic reasons, government has been tolerating some of these organizations’ ‘unlawful’ existence so long as it poses no potential hazard to political objectives (G. Yang, 2005). Among these non-registered yet tolerated ENGOs, some have gained wide-ranging popularity, making sizeable contributions to China’s CR landscape (ibid.). The organization Green Earth Volunteers for instance has long been operating without formal registration, which has not prevented it from operating publicly under considerable limelight (G. Yang, 2005). This example underlines that unregistered ENGOs too may openly foster environmentalism in China, provided that government approves of their agenda. In sum, due to far-reaching government support of their activities, ENGOs have been described as the most influential, dynamic, efficient and effective group of civil society organizations in the Chinese context (Y. Lu, 2007).

Yet, China’s economic transition has also allowed other types of NGOs to arise. Among others, a number of NGOs devoted explicitly to fostering CR (henceforth referred to as CRNGOs) have emerged. Through partnerships with enterprises, government agencies and academia, organizations such as the China Corporate Citizenship Committee (CCCC), the Association for Sustainable and Responsible Investment in China (ASRIA), or the China Business Council for Sustainable Development (CBCSD) attempt to advertise and foster notions of CR throughout China’s business community, academia and government institutions. Some of these organizations, such as CCCC, have become members to UN Global Compact, thereby officially defending the principles and objectives set forth by the global initiative (China Committee of

---

<sup>13</sup> For an overview of environmental NGOs in China see [http://www.chinacsmap.org/Org\\_List\\_EN.asp](http://www.chinacsmap.org/Org_List_EN.asp), accessed 07.05.2017.

Corporate Citizenship, 2017). Indeed, Chinese CRNGOs cover a broad array of topics, ranging from environment, health, safety and social standards, to anti-corruption, finance and socially responsible investment<sup>14</sup>. However, as highlighted by Lin (2010), state-led initiatives continue to delimit the boundaries of CR-relevant issues addressed by these organizations. Consequently, following the logic outlined above, human rights for instance, in spite of being one of the four core concepts of UN Global Compact, remain widely unaddressed (L.-W. Lin, 2010). Generally, however, with sustainable economic development being one of the central elements of recent policy efforts (see section 3.2), CRNGOs are enjoying sizeable government support (L.-W. Lin, 2010). Thus, similar to ENGOs, many CRNGOs benefit from a topical overlap with government objectives and state-led initiatives (ibid.).

This does not necessarily apply to other areas of CR-related NGO activity. To the Chinese leadership, protection of labour rights for instance represents a far more ambivalent and sensitive topic, translating into restrictive attitudes towards labour-related NGOs (henceforth referred to LNGOs) (L.-W. Lin, 2010). Among others, scholars highlight government's concern over potential disadvantages caused by a sophisticated LNGO landscape for economic development and China's growth prospects (Cheng et al., 2010). Moreover, as Lin (2007) stresses, the party-state fears that LNGO development could trigger nationwide movements, thereby provoking social instability and questioning the CPC's authority. Against this backdrop, research reveals, LNGOs enjoy far less room to manoeuvre than social groups advocating government-supported objectives such as ENGOs or CRNGOs (ibid.). Nonetheless, starting from the late 1990s, a growing number of grass-root LNGOs have been founded to assist workers in legal, safety, or social issues (Cheng et al., 2010). In the highly industrialized Pearl River Delta region for instance, a variety of workers centres, specialized legal aid offices, abuse hotlines, etc. have been established (ibid.). For reasons outlined above, the bulk of these LNGOs have encountered major registration difficulties (C. K. Chan, 2013), thus operating under uncertain, if not precarious conditions (E. Friedman & Lee, 2010). Yet, making use of above-described institutional loopholes, LNGOs have partly been able to take on duties normally reserved to trade unions (Feng, 2003). They are enjoying strong support in local communities and are partly tolerated by local

---

<sup>14</sup> For an overview of organizations and issues covered see for instance [http://www.chinacsrmap.org/Org\\_List\\_EN.asp](http://www.chinacsrmap.org/Org_List_EN.asp), accessed 15.05.2017

governments for their ability to solve local labour disputes (Cheng et al., 2010). Still, against the backdrop of potential social unrest, local governments have been reluctant to offer active assistance or official endorsement to these organizations (ibid.). Hence, lacking the advantages associated with formal registration and/or government support, LNGOs have so far not been able to develop beyond the scope of small-scale, highly localized organizations, with a pronounced tendency for self-censorship and de-politicized activities (C. K. Chan, 2013).

Summing up, compared to the pre-reform era, NGOs seem to have “carved out a field of existence in China’s changing social terrain” (G. Yang, 2005, p. 46). In spite of relative stability in the political sphere, some elements of civil society have emerged (C. K. Chan, 2013). Tolerated and even partly encouraged by government authorities, they provide various services to Chinese society in the realms of environmental protection, labour and other CR-related fields, and thus effectively contribute to an evolving CR context. However, in spite of these recent developments, the state-society relationship has not been fundamentally altered (Y. Lu, 2007). Government continues to maintain predominant power, thereby limiting NGO activity to a narrow set of topics, modalities and tactics. As a result, NGOs remain fragmented, small in scale, and are mainly forced to operate on a regional basis. They rely heavily on the state for resources and thus tend to opt for non-confrontational activities. This hampers their ability to take on a powerful, independent role in China’s social context. Hence, the potential for Chinese NGOs to impact domestic enterprises’ CR approaches depends to a large extent on the support they receive from government. In other words, NGOs lack the means to proactively and substantially further the CR cause without some sort of government sponsorship.

### **3.3.3. Labour Unions**

The above-described NGO logic similarly applies to labour unions. In China, all labour unions are directly accountable to the All China Federation of Trade Unions (ACFTU) (Cheng et al., 2010), an organization claiming to have reached an impressive total of 280 million members in 2013 according to official media reports (Xinhua, 2013). The ACFTU, set up in 1925, played an inferior role for most of the Maoist period (Ding, Goodall, & Warner, 2002; Taylor & Li, 2007). Its importance was revived in the initial

phase of economic reforms in the early 1980s to represent the interests of workers in the gradually de-collectivizing and privatizing Chinese economy (Taylor & Li, 2007). In response to the events of 1989, however, central government tightened control over ACFTU activity (ibid.). Henceforth, the ACFTU was strictly subordinated to the CPC and thus the party-state (Ding et al., 2002; E. Friedman & Lee, 2010). Until today, government maintains firm control over ACFTU and, by extension, over all domestic union activity. In China's hierarchically organized union system, the ACFTU acts as an umbrella organization to which all lower-level unions are subordinated (E. Friedman & Lee, 2010). As outlined in section 3.2.2.3 above, all trade unions are legally mandated to register with the ACFTU (Trade Union Law of the People's Republic of China, 2001). Hence, in absence of independent unionism, ACFTU basically claims a monopolistic role in China's labour affairs; an idea supported by the ideological assumption that the working class is unanimous in its fundamental interests and concerns (Cheng et al., 2010; E. Friedman & Lee, 2010). This ideologically justified structure ultimately ensures state control throughout China's system of labour unions.

This has major consequences for state-society relations and the role of labour unions in China. Most importantly, Feng (2003) argues, as a sub-organization of CPC, ACFTU becomes a hybrid organization that simultaneously represents party-state and society interests. This double identity is passed on to lower-level unions, which are equally subjected to state dominance through the mechanisms of ACFTU (ibid.). Hence, Feng (2003) maintains, Chinese unions are unable to independently represent societal forces. They have to constantly balance state and society interests, which keeps them from objecting to state policies or mobilizing workers against the will of government (ibid.). Correspondingly, rather than representing workers' interests, Chinese trade unions are ultimately seen as instruments of the state (ibid.). This, in turn, strongly restricts their scope of action and represents a major thematic confinement. In particular, research stresses that state affiliation implies a potential impediment to unions taking action against labour rights violations. As described in foregoing sections, both central and local governments tend to be reluctant to obstruct growth-generating economic activity, and are thus often unwilling to support confrontational activities against local firms (Cheng et al., 2010). Also, as outlined in section 3.3.1, government remains cautious of empowered social actors and their potential to cause unrest (Hildebrandt, 2011). This strongly limits government's approval of large scale activism regarding 'politically

sensitive' issues. Without sufficient government backing, however, it becomes hardly impossible for unions to fight labour rights violations. Lacking the capacity to take on an independent advocacy role in defence of labour rights, trade unions' representative function is thus restricted to placate discontented workers and solve individual labour disputes to prevent major outbreaks (Feng, 2003). Other than that, unions' key activities and objectives revolve around enforcement and reinforcement of labour legislation (E. Friedman & Lee, 2010). As such, ACFTU and its sub-organizations are making an important contribution to strengthening implementation of China's expanding legal framework (see section 3.2.2), in particular of Labour Contract Law (*ibid.*). Beyond that, however, unions' government ties obstruct the development of independent and full-fledged workers' representation with significant operational power. In absence of collective rights, such as freedom of association or independent unionism (see section 3.2.2.3), Chinese unions remain a government-controlled top-down strategy rather than becoming a proactive civil society movement (Feng, 2003). Under these circumstances, even more so than in the case of NGOs, labour unions' contribution to fostering CR-related objectives is confined to the limits set by government agencies and the official policy framework.

#### **3.3.4. Business Associations**

The reform period has seen a rapid increase in the number of business associations, many of which have been established on the initiative of the state (Foster, 2002; Unger, 1996). Not only have professionals been encouraged to form business associations (Pearson, 1994). Government itself has also actively pursued the foundation of new organizations (Unger & Chan, 1995). The state's promotion of associational development during the early phase of reform has been attributed by researchers to two main reasons: Firstly, for the reforming state, business associations represented useful assets in promoting economic policies and realizing politico-economic objectives at the basis (Foster, 2002; Pearson, 1994). Secondly, associations could be used as facilitators of an information flow between state and society, thereby ameliorating the fit between political initiatives and economic realities 'on the ground' (Foster, 2002). Hence, research indicates that a primary purpose of burgeoning associational life in reforming China has been to serve as surrogate organizations and intermediaries between state and



non-state economic actors (Unger & Chan, 1995). Due to their double purpose of serving both social and state interests, Pearson (1994) refers to Chinese business associations as ‘Janus-faced’ organizations. Under these circumstances, business associations have not ceased to be reliant on government (Unger & Chan, 1995).

State control over business associations is ensured by a number of mechanisms, which strongly resemble those applying to NGOs and trade unions as outlined above. Most importantly, above-described registration requirements (see sections 3.3.1 and 3.3.2) also pertain to business associations, thus creating barriers and problems similar to those depicted in prior sections (Deng & Kennedy, 2010; Foster, 2002; Pearson, 1994; Unger & Chan, 1995). Resulting reliance on the state is reinforced by the fact that many business associations are established by government itself (Foster, 2002; Pearson, 1994; Unger & Chan, 1995). This enhances structural and functional compatibility of business associations with the state and its policy objectives. Moreover, in numerous cases, government agencies are directly responsible for selecting and appointing business associations’ leadership, and make vital contributions to their funding (Foster, 2002; Nevitt, 1996; Pearson, 1994; Unger & Chan, 1995). Managerial and financial support represent additional means to institutionalize and safeguard government’s influence on associational development (*ibid.*). Together, these measures and conditions emphasize the level of business associations’ dependence on government. Also, they underline the central *raison-d’être* of associational life in China’s economic system, which is to facilitate compatibility with and transmission of policy objectives.

Regardless of these circumstances, the number of business associations in China has grown steadily (Deng & Kennedy, 2010). Today, most domestic and foreign enterprises in China across all industrial and commercial sectors are represented, one way or another, by an economic association (Deng & Kennedy, 2010; Foster, 2002). Hence, business associations have come to occupy a crucial position in China’s organizational field (Foster, 2002). Deng and Kennedy (2010) suggest that this development is at least partly driven by a mounting demand for effective representation of interests and participation in politico-economic decision-making among the Chinese business community. Accordingly, business associations are increasingly asked to engage in lobbying (*ibid.*). However, against the backdrop of a persistently dominant party-state, associations’ political participation is mostly reduced to a consultative role. Among

others, close ties to and dependencies on government continue to discourage industry associations from carrying out proactive and meaningful lobbying activities towards central or local authorities (Deng & Kennedy, 2010). For the majority of business associations, the main task continues to be their acting as facilitators of a two-way information flow between government and economic actors, meaning ‘bottom-up’ consultation and ‘top-down’ regulative implementation (Foster, 2002; Pearson, 1994; Unger & Chan, 1995). Thus, with regard to CR, existing research indicates that Chinese associations first and foremost act as disseminators of state policies and legislation, and enhance business communities’ understanding and appreciation of regulation respectively. Given the state’s growing attention to (certain aspects of) CR, this implies that industry associations are increasingly promoting CR activity, CSR reporting, and sustainable business practice among their membership (Dong, Burritt, & Qian, 2014). This is also mirrored by their efforts to advance domestic certification in the field (see subsequent section 3.3.5). However, similar to other non-governmental actors, Chinese business associations and their endeavours mostly remain in close alignment with state policies, and thus largely fail to act as truly independent drivers of an evolving domestic CR context.

### **3.3.5. Certification and Industry Self-Regulation**

With China’s economic development and progressing international integration, certification and industry self-regulation in the broader field of CR have also gained momentum. Chinese firms have increasingly been faced with requirements to comply with CR-related standards. Firstly, their mounting reliance on international business and trade has amplified the necessity to comply with certification demands from foreign MNE buyers, adhere to supplier codes of conduct, and fulfil supply-chain management standards, such as for instance Mattel’s Global Manufacturing Principles<sup>15</sup> or Adidas’ Workplace Standards<sup>16</sup> (Cooke & He, 2010; L.-W. Lin, 2010; Wong, 2009). This push for certification has been reinforced by European and American import requirements,

---

<sup>15</sup> For a detailed description of the Principles see Mattel Website (<https://corporate.mattel.com/about-us/GMP-PrinciplesOverview.pdf>; accessed 17.05.2017)

<sup>16</sup> For a detailed description of the Standards see Adidas Website ([http://www.adidas-group.com/media/filer\\_public/11/c7/11c72b1b-b6b2-4fe7-b0b9-59c7242143e9/adidas\\_group\\_workplace\\_standards\\_january\\_2016\\_en.pdf](http://www.adidas-group.com/media/filer_public/11/c7/11c72b1b-b6b2-4fe7-b0b9-59c7242143e9/adidas_group_workplace_standards_january_2016_en.pdf); accessed 17.05.2017)

such as for example the EU Restriction of Hazardous Substances Directive (RoHS) (Shen & Fleming, 2008; Wong, 2009). Hence, researchers stress that external pressure has been crucial in fostering dissemination of CR-related certification in the Chinese business context (Cooke & He, 2010; L.-W. Lin, 2010). It has contributed to a steady increase of CR and CR-related standards adoption among local firms. Correspondingly, a growing number of Chinese companies has been striving to obtain internationally recognized certification, such as for instance ISO (International Standard Organization) (in specific ISO9000 Quality Management Standard, ISO14000 Environmental Management Standard, and ISO26000 Social Responsibility Standard), SA8000 (Social Accountability 8000), GRI (Global Reporting Initiative), SAI (Social Accountability International), or WRAP (World Responsible Accredited Production) standards (Cooke & He, 2010; Guan & Noronha, 2013; Sun, Nagata, & Onoda, 2011; L. Wang & Juslin, 2009). Also, international, i.e. intergovernmental initiatives have been attracting growing attention among Chinese businesses. Up to May 2017, a total of 272 Chinese companies have for instance become signatories to UN Global Compact (United Nations Global Compact, 2017), tendency rising.

However, the trend towards international certification has also been faced with major domestic resistance (L.-W. Lin, 2010). Existing research reveals a pronounced scepticism among the Chinese business community regarding the benefits of international standards, stressing in particular firms' confusion as to the multitude of existing benchmarks, and their criticism of financial burdens respectively (Cooke & He, 2010; Q. Lai, 2006; L.-W. Lin, 2010; Shen & Fleming, 2008). Consequently, prior studies uncover weak implementation, with compliance often being subverted by opportunistic and irregular behaviour (Wong, 2009; Q. Zhu, Sarkis, Lai, & Geng, 2008).

Critics of international certification have attributed these issues to a lacking fit between international benchmarks and Chinese realities, thus calling for the development of CR standards 'with Chinese characteristics' (L.-W. Lin, 2010). Accordingly, Chinese associations and organizations have started to engage in developing domestic certification, the most prominent example being CSC9000T (China Social Compliance 9000 for Textile and Apparel Industry), formulated under the lead of the China National Textile and Apparel Council (Cooke & He, 2010). CSC9000T has been joined by other national industry standards and cross-sector guidelines, such as for instance the 'Social

Responsibility Guide of the China Industrial Companies and Industrial Associations' promulgated in 2008 by a collective of industry associations from diverse sectors (L.-W. Lin, 2010; J. Wang, Qin, & Cui, 2010). These standards are praised domestically for suiting the needs of Chinese industry and being compatible with domestic legislation (L.-W. Lin, 2010; J. Wang et al., 2010; Wong, 2009). This, proponents argue, facilitates the dissemination of CR practice across the Chinese business community and reduces local firms' dependence on international players and organizations (L.-W. Lin, 2010; J. Wang et al., 2010; Wong, 2009). However, researchers also observe a tendency among these domestic standards to take a much softer approach to certification and auditing compared to international frameworks (L.-W. Lin, 2010). In this context, Lin (2010) for instance notes that domestic benchmarks often focus on firms' long-term development instead of pushing for immediate measures, thus showing weak direct effects. Moreover, it has been suggested that domestic standards are more susceptible to issues of bribery and corruption, influencing of interviewees, non-transparent reporting practice, etc. (Wong, 2009). These issues question the value of current domestic certification in encouraging truly responsible business practice among Chinese firms.

In sum, certification and industry self-regulation in CR-related fields are rapidly gaining momentum. Both domestic and international standards for labour safety and protection, environmental and quality management, social accountability and other CR-relevant issues are on the rise. However, research highlights persistent gaps in implementation and stresses an insufficiently rigorous approach to certification and auditing among domestic standards, thereby putting recent developments into perspective.

### **3.4. The Cultural-Cognitive Context**

The third of Scott's (2008) institutional 'pillars', cultural-cognitive institutions, has been defined in section 2.3.1 as common beliefs, perceptions and shared logics of action. Cultural-cognitive institutions, as described by Scott (2008), are culturally supported and thus broadly accepted in society despite their informal nature. As stressed in the literature review (section 2.1), cultural-cognitive institutions play a vital role in shaping CR-related perceptions and expectations in specific environments. Therefore, when seeking to understand the context within which firms take CR-related decisions, it is crucial to account for these informal institutions, too. With regard to the contemporary CR context in China, research highlights the significance of two major streams within the country's history of ideas: traditional Chinese philosophy and post-1949 political ideology. Accordingly, in the following, the author shall shed light on the ways in which these two cultural building blocks are thought to mould culturally-rooted notions of responsible business conduct in China (section 3.4.1 is dedicated to traditional Chinese philosophy, while section 3.4.2 examines modern political ideology). Once more, the author does not aim to offer an in-depth, i.e. complete picture of the cultural CR landscape in China, nor to participate in philosophical discourse on how different cultural aspects influence notions of CR. Rather, by highlighting selected core concepts and respective interpretative attempts made in existing CR research, the section is to enhance general understanding of the research context. On a final note, prior studies also emphasize the impact of Western culture in defining CR perceptions in contemporary China. However, given the focus of this thesis on China's indigenous context and its 'foreign' impact on European businesses, priority shall be given to examining 'native' aspects of the cultural-cognitive background only.

#### **3.4.1. Traditional Chinese Philosophy**

China's more than 4,000-year-old culture is based on a rich religio-philosophical heritage and moral culture tradition, which has not only shaped Chinese mentality, but has also sculpted the structure of society and people's perceptions of roles and responsibilities within it. Two ancient indigenous schools of thought, namely Confucianism and Daoism, are assumed to have been particularly formative for Chinese cultural identity (Gan, 2014). These philosophical streams have, however, not been

isolated in shaping Chinese culture. They have been subject to permanent negotiation with foreign cultural influences. As a large, multi-ethnic, heterogeneous state under altering dynastic rule, China looks back on a long tradition of incorporating foreign ways of life, thus having proven its distinct ability to adapt to new ideas and concepts. Consequently, Chinese culture can be regarded as the product of continuous interaction between different streams of thought (Ip, 2013). Buddhism represents a primary example to this effect. Having spread to China from northwest India during the first century CE, Buddhism, a then foreign ideology, has been successively blended with existing elements of Chinese culture (K. L. Lai, 2008). Not only has it been influenced by traditional Chinese philosophy, thereby developing a distinct indigenized character (Schmidt-Glintzer, 2005). Vice versa, Buddhism has also affected domestic schools of thought, thus leaving a lasting mark on Chinese culture (ibid.). As Kieschnick (2003, p. 1) notes, Buddhism “brought with it a vast array of new concepts, doctrines, and beliefs [...] [that] eventually worked their way into the fabric of Chinese life as Buddhist ideas took hold and spread”. The same holds true for other cultural influences. Starting from its initial settlement in the eighth century, Islam, for instance, has also taken up an important role in China’s social fabric (Israeli, 2002). Over the centuries, Muslims have occupied central positions in government and military, and have coexisted with Chinese ‘indigenous’ culture and Confucian rule (ibid.). Today, according to Pew Research Centre (2017) estimates (2011 data), the Muslim population in China counts nearly 25 million, located mostly in West and Southwest China. Christianity, too, has been influential to Chinese culture, and thus, among others, to notions of rightful business conduct. It became a permanent element of the Chinese religious landscape in the 16<sup>th</sup> century, henceforth partaking in shaping domestic culture in spite of repeated periods of repression (Bays, 2012). Today, Christianity, along with Buddhism, accounts for the fastest-growing religious population in China. According to Pew Research Centre (2017) data (2011 data), China’s Christian population amounts to an estimated 68 million, or roughly 5% of the country’s total population. The cases of Buddhism, Islam and Christianity underline the multi-influential and multifaceted character of China’s religio-philosophical heritage and culture. Yet, albeit acknowledging the importance of (once) foreign influences, the author chooses to concentrate on Confucianism and Daoism as two indigenous schools of thought that “Chinese culture draws most heavily from” (Gan, 2014, p. 107). They shall be examined in relation to questions of CR.

### 3.4.1.1. Confucianism

Confucianism is a social ethic that encourages morality and self-cultivation in orderly societal roles and hierarchies (G. K. Y. Chan, 2008; Romar, 2004, 2013). It goes back to the works of Confucius (chin. *kong zi*, literally ‘Master Kong’) (551 – 479 BC) and his disciples (most famously Mencius (chin. *meng zi*)) (Low & Ang, 2012). Confucianism first attained the status of an official state ideology in Han dynasty China (206 BC – 8 AD) (Yao, 2000). From then onwards, until the dissolution of monarchy in the early 20<sup>th</sup> century, Confucianism was, with few temporary exceptions, inseparably entwined with Chinese dynastic rule, thus being of major influence to ruling principles and social order (ibid.). Hence, for more than two millennia, Confucianism has shaped China’s understanding of government, leadership, society, as well as the underlying “concept of self and relationships” (Low & Ang, 2012, p. 94). Due to its major historical socio-cultural significance, Confucianism is widely recognized as the dominant school of thought in Chinese cultural tradition (Suen, Cheung, & Mondejar, 2007; W. Zhu & Yao, 2008). Zhu and Yao (2008, p. 58) even refer to it as “the gene of the Chinese nation”. As such, Confucianism is also regarded as a core element to understanding Chinese perceptions of CR and related issues. In the following, a number of central arguments put forward in the context of CR research will be outlined, so as to reveal prevailing assumptions on the impact of Confucianism on Chinese notions of responsible business conduct. The selection of issues and arguments is based on their contribution to the discussion of empirical findings in chapters 5 and 6.

Confucianism is primarily concerned with moral self-evaluation and -improvement, with the ultimate goal of guiding interpersonal relationships and creating harmony within society (Ip, 2009a; Romar, 2013). It calls on the individual to work towards becoming a person of character, or so-called ‘superior person’ (chin. *junzi*) by developing morality and integrity (Ip, 2009a; L. Wang & Juslin, 2009). Permanent self-cultivation of personal virtue (chin. *de*) through study and practice to attain moral excellence forms the core element of Confucian teaching (Low & Ang, 2012; L. Wang & Juslin, 2009). Among the virtues that distinguish ‘inferior’ from ‘superior’ persons, *ren*, *yi* and *li* are considered pivotal (Ip, 2009b). *Ren* stands for ‘humaneness’ and is defined by Ip (2009a, 464) as “a capacity of compassion or benevolence for fellow

humans [...] essentially expressed in social relationships”<sup>18</sup>. A person is to cultivate *ren* by developing a mindset of humaneness and treating others correspondingly (ibid.). *Yi* means ‘righteousness’ (Ip, 2009a). It describes the ability to develop a sense of moral rightness, which allows the individual to distinguish ‘right’ from ‘wrong’ and ‘appropriate’ from ‘inappropriate’ (ibid.). *Yi* is to provide guidance to individuals’ actions, primarily in relationship to others, and thus harmonize social interaction. Last but not least, *li* is often translated as ‘rite’ or ‘etiquette’ (Romar, 2004). It refers to the capability to subject oneself to specific rules of propriety and observe standardized rituals (K. L. Lai, 2008). The concept of *li* is important insofar as it urges members of society to perform their social roles properly (Romar 2004). Together, *ren*, *yi* and *li* form the moral nucleus of human behaviour in society (Ip, 2009a). Practicing humaneness, cultivating a sense of righteousness and observing social rules are the basis of virtuous behaviour.

This emphasis on virtuousness is at the root of a recurrent claim that traditional Confucianism expresses a hostile attitude towards profit making and business conduct in general (L.-W. Lin, 2010). The following quote from the Analects<sup>19</sup> is frequently referred to in support of this argument:

*“The Master said, The gentleman is alert to what is right. The petty man is alert to what is profitable.”* (The Analects, Book Four, Number 16; trans. Watson, 2007)

This passage from the Analects does indeed convey a certain reluctance towards the value of profits per se by stressing the overriding importance of virtuous behaviour. However, as Lam (2003), Chan (2008), Wang and Juslin (2009), and others point out, this does not necessarily imply an intrinsic hostility towards profit making in general. Lam (2003) for instance suggests that the ‘right’ and the ‘profitable’ are not inherently in opposition. Rather, it might be argued that the Analects give primacy to virtuous

---

<sup>18</sup> The meaning of *ren* is also revealed etymologically by its Chinese character, which is composed of the two sub-characters ‘human’ and ‘two’, and thus points out to the relationship between humans (Ip, 2009a; K. L. Lai, 2008).

<sup>19</sup> The Analects of Confucius are a collection of anecdotes and sayings attributed to the life of Confucius. Divided into twenty so-called ‘books’, the Analects embody the basic values and beliefs of Confucian tradition. They represent the primary source of the Confucian school of thought, and are regarded as the most influential philosophical work in Chinese culture. (Watson, 2007)



behaviour over material gain and affluence (G. K. Y. Chan, 2008). Confucius claims that a person aiming at superiority should first and foremost be concerned with morality, i.e. with self-cultivation of virtue. Following Lam's (2003) argument this implies that profit making is acceptable as long as it doesn't offend the rules of morality and is acquired with rightness. Adding to this line of reasoning, Wang and Juslin (2009) note that profits should emanate from harmonious interaction and virtuous business conduct. From this point of view, Confucianism prescribes that business activity, like any other human endeavour, must be guided by virtuousness. This argument entails that Confucianism does not essentially oppose profitable business activity per se, but stresses the moral prerequisites to profit making (G. K. Y. Chan, 2008). This can be seen as an inherent claim for ethical business conduct. It highlights the need for individuals and companies alike to engage in 'virtuous' business activity only, and use humaneness and righteousness as fundamental guiding principles to their actions and interactions. Wang and Juslin (2009) even go as far as arguing that Confucianism calls on all members of a firm to support the overriding objective of building a 'superior', i.e. virtuous enterprise that contributes to the creation of a harmonious society. Hence, beyond individual morality, Wang and Juslin (2009) also observe a plea for participating in virtuous business conduct at the collective level. They suggest that the objective of creating a 'superior firm' provides a strong rationale for embracing CR practice (ibid.).

Wang and Juslin's (2009) claim is supported by observations on the collectivistic orientation of Confucianism (Ip, 2009a). As mentioned above, harmony occupies a central position in Confucian philosophy and is the ultimate objective of improving one's character by means of virtuous behaviour (ibid.). The quest for harmony in society and all relationships within it is the essence of Confucian tradition (ibid.). The individual is to develop the self in order to interact in harmony with others and thus contribute to the formation of a harmonious society. This means that Confucianism recognizes that humans exist in society and are defined by their social context (Romar, 2004). Its main focus is to offer guidance on how to relate to other members of society. Thus, as argued by Romar (2004), Confucian teaching ultimately emphasizes the collective aspect of human existence and behaviour. As a corollary, Ip (2009a) suggests, it has a tendency to place collective values and interests above those of the individual. Following Wang and Juslin (2009), this can be seen as a vital element of building up CR in a 'superior enterprise' context that aims at harmonious coexistence in society instead of

maximization of individual gain. Others, however, highlight that the collectivist emphasis propagated by Confucianism opposes a core idea of Western business ethics, which is the centrality of the individual and his or her wellbeing (Ip, 2009a). Ip (2009a) contends that, under pronounced collectivism, the interests and needs of an individual might rightfully be disregarded or even suppressed for the sake of the greater collective good. This stands in sharp contrast to a Western understanding of ethical business conduct and its emphasis on safeguarding individual rights and interests (ibid.). Moreover, equally stressing the collectivist nature of Confucianism, Shafer, Fukukawa and Lee (2007) join Whitcomb, Erdener and Li (1998b) in noting that Confucian collectivism contains an implicit prioritization of in-group over out-group responsibility. They suggest that Confucianism strongly emphasizes solidarity, cohesion and trust among members of a group or collective, and urges the individual to devote his or her efforts and behaviour to harmonious coexistence within this group. This strong sense of obligation towards the community leads to a pronounced emphasis on the “protection of the interest of one’s in-group” (Shafer et al., 2007, p. 267). By implication, trust in and responsibility towards members of the out-group are reduced (Ip, 2009a; Kao, 1996). The implied ‘hierarchy’ of responsibilities in favour of in-group stakeholders (i.e. employees and shareholders) opposes Western notions of a broad stakeholder approach to CR, and is, according to Ip (2009a), non-compatible with its basic principle of ‘equality of persons’. Hence, albeit agreeing on the collectivist nature of Confucianism, scholars differ in their assessment of its compatibility with and contribution to fundamental questions of CR.

In addition to these general observations on the link between Confucianism and responsible business conduct, the aforementioned concept of *li* (trans. ‘rite’ or ‘etiquette’), is receiving special attention in CR debate. As outlined above, *li* refers to one’s ability to adhere to specific rules of propriety and observe standardized rituals (K. L. Lai, 2008). Central in defining these rules of appropriate conduct are the so-called ‘five cardinal relationships’ (chin. *wu lun*) (L. Wang & Juslin, 2009). They form the basis of human interaction in social hierarchies. Each of the five relationships, namely ruler and subject, father and son, older brother and younger brother, husband and wife, between friends, contains an inner hierarchy consisting of a superior and a subordinate (Ip, 2009a). The superior (e.g. the ruler or father) is to treat the subordinate (e.g. the subject or son) with kindness, gentleness, righteousness and benevolence (Hwang,

2000). Only then will he or she truly be trusted, respected and obeyed in his or her role as superior or leader (Low & Ang, 2012). This is underlined by the following passage from the Analects:

*“If the person himself [the superior] is correct then although you do not order him [the subordinate] to do so, he will act. But if the person himself is not correct, then although you order him, he will not obey.”* (The Analects, Book Thirteen, Number 6; trans. Watson 2007; explanations in brackets added by the author)

Analogously, the inferior is to follow the principles of filial piety, obedience, submission and loyalty in his behaviour towards the superior (Hwang, 2000). This means that virtuous behaviour by both the superior and the inferior party is required to create desired harmony within relationships. In this sense, Confucianism represents more than a virtue ethic. It also offers a philosophy of governance that orders collective socio-political life and provides guidance on “how to [...] morally govern society, institutions, relationships and individuals – based upon individual ethics” (Romar, 2004, p. 667f.).

This governance element of Confucianism is causing controversy within existing research in the broader field of business ethics and CR. On the one hand, researchers argue that the Confucian code of behaviour is favourable to ethical leadership. Applied to the context of the firm, Low and Ang (2012) for instance maintain that Confucian *li* urges those in leadership positions to be ethical in having a character and attitude of virtue. Managers are required to lead their employees with integrity, kindness, gentleness, righteousness and benevolence. Only such ethical leadership will earn them the respect and obedience of their employees (ibid.). Hence, Low and Ang (2012) join other business ethics scholars (e.g. Romar, 2002; Zhu & Yao, 2008) in contending that Confucianism provides a compelling philosophical basis for managerial ethics, sustainability and the CR concept. They argue that Confucianism prompts managers to nurture their individual morality, lead by moral example, encourage ethical behaviour among their workforce, implement moral business practice, and establish harmonious long-term relationships. This is regarded as a breeding ground for ethical collaboration in the workplace. Other scholars, however, emphasize the downsides of pronounced hierarchy, authoritarianism and social ordering encouraged by the Confucian code of interaction (Ip, 2009a). Among those critics, Chan (2008) and Ip (2009a) for instance

contend that strict hierarchical structures rooted in and propagated by Confucian tradition are in conflict with notions of individual freedom in the employment context. They argue that Confucianism is obstructive to individual employees' freedom, autonomy, and self-determination by stressing hierarchical social order, paternalism, and employee subordination. Ip (2009a) adds that Confucianism fosters a habit of passivity among employees. He contends that the Confucian philosophy of governance cultivates an acceptancy for hierarchical structures and paternalistic decision-making procedures, which hampers employees from developing a sense of individual choice and responsibility. Against this backdrop, Ip (2009a) and Chan (2008) voice their scepticism as to the contribution of Confucian governance principles in fostering productive, fruitful, collaborative and ethical interaction in the workplace.

Finally, prior research notes that the Confucian perspective on relationships contributes to yet another CR-related issue, which is related to inherent notions of reciprocity and interaction (Ip, 2009a). Ip (2009a) notes that the Confucian approach to relationships implies a distinct sense of interdependency, which urges all parties involved to fulfil certain obligations in order to contribute to harmony. Apart from accomplishing specific behavioural requirements in accordance with one's hierarchical position, favours given by one party need to be returned by the other (G. K. Y. Chan, 2008). This is often argued to be the root of the much-discussed practice of *guanxi*. *Guanxi* describes a concept of network relationships (Klein, 2007; von Weltzien Hoivik, 2007). It is characterized by reciprocity of favours and mutual obligations to establish trust and build long-term relationships (Klein, 2007). From a Western perspective, *guanxi* is often regarded as a form of nepotism and a facilitator of corruption (G. K. Y. Chan, 2008). From a Chinese culture point of view, however, *guanxi* follows a set of culturally defined moral codes, i.e. 'rites' (von Weltzien Hoivik, 2007). Fulfilling one's obligations of reciprocity to further a relationship not only serves a social function, but is also considered virtuous (ibid.). This highlights cross-cultural differences in understanding appropriate (business) conduct as highlighted in sections 2.1.2 and 2.1.3.

### 3.4.1.2. Daoism

Daoism is a fairly complex, enigmatic, yet fundamental component of Chinese culture. Not only has it influenced the beliefs and perceptions of its followers for roughly two and a half millennia, it has also significantly influenced other native schools of thought (Ip, 2013). Therefore, as Po-Keung Ip (2013, p. 935) states, “without Daoism, there is no Chinese culture as we know it today”. The origins of Daoism are primarily traced back to the thoughts and works of Laozi (chin. *lao zi*, literally ‘Old Master’) and Zhuangzi<sup>20</sup> (ibid.). Laozi (around 604 – 531 BC (Kraus, 2016)) is the alleged author of the *Daodejing*, the most significant and prominent Daoist classic that encompasses the core wisdoms, beliefs and concepts of Daoist philosophy. However, due to its metaphorical, abstract and ambiguous language, meaning and propositions of the *Daodejing* continue to be subject to intense interpretative debate<sup>21</sup> (Ip, 2013; Komjathy, 2014). Consequently, Daoism consists of a broad variety of schools that advocate partly conflicting claims and practices (Ip, 2013). It is not the objective of the present section to provide a detailed account of the interpretative landscape of Daoism, nor to engage in respective discussions. Hence, hereafter, the author focuses on introducing several key concepts of Daoism, and presenting some prior scholarly attempts to evaluate their significance for questions relating to business ethics and CR.

Central to the *Daodejing* and thus to Daoist philosophy are three fundamental concepts, namely *dao*, *de*, and *wu wei* (Ip, 2013). *Dao* represents the pivotal idea of Daoism. Literally, *dao* means ‘path’ or ‘way’ and is eponymous to the philosophy as a whole (Daoism, chin. *dao jiao* or *dao jia*, meaning the ‘doctrine of the way’) (Cheung & Chan, 2005). According to the *Daodejing*, however, *dao* has a much broader and metaphysical meaning (Ip, 2013). In essence, it refers to the natural way, the way of the cosmos that is universal, inherent and innate to all social and physical realities, processes and regularities (Cheung & Chan, 2005, 2008; de Bettignies, Ip, Bai, Habisch, & Lenssen, 2011; Ip, 2013). It is “the beginning of heaven and earth” and “the mother of the myriad creatures” (*Daodejing*, Book One, Chapter 1; trans. Lau 1963). This all-powerful, everlasting force operates naturally, that is without external interference (Suen, Cheung,

---

<sup>20</sup> Zhuangzi (around 370 - 290 BC (Komjathy, 2014)), reportedly a follower of Laozi, was one of the earliest Daoist thinkers to contribute to the Daoist philosophy (Qing, 2008).

<sup>21</sup> This thesis relies on the popular and acclaimed translations of Wing-Tsit Chan (1963), and D.C. Lau (1963).

and Mondejar 2007; Rarick 2009). It is unexplainable, invisible, and subtle, but yet preserves natural and human existence, as well as everything material and nonmaterial (Ip, 2013; Rarick, 2009). As such, the *dao* represents an underlying truth or reality that transcends ordinary life (K. L. Lai, 2008). The *dao* is closely related to the idea of harmony, as it maintains a desirable balance among all things and beings (Rarick, 2009). Hence, only in *dao* do things reach balance and harmony, and thus their ideal state.

*De* literally stands for ‘virtue’ (Suen et al., 2007). However, in contrast to Confucianism, Daoist *de* is not confined to human virtue, but also includes the virtuousness of processes, developments or states of nature (Ip, 2013). Basically, as Miller (2003) notes, everything in the universe, human or natural, material or nonmaterial, has its own virtue, or *de*. *De* is closely related to the *dao*. It can be interpreted as “the embodiment and manifestation of *dao* and its functions in myriad things” (Ip, 2013, p. 940) and thus as the expression of *dao* in all tangible things and situations (ibid.). As *dao* operates without external interference, thus having “a self-transforming nature” (Ip, 2013, p. 940), *de* is naturally achieved if things pursue their intuitive path to the realization of *dao* (ibid.). Hence, *de* is the natural outcome of unrestricted *dao*.

As the third core idea of Daoism, *wu wei* can be translated as ‘no action’ and is a highly controversial concept among scholars and interpreters of Daoist philosophy (K. L. Lai, 2008). At the most basic level, *wu wei* can be understood in association with *dao* and *de*. As outlined above, *dao* is the universal and ideal way of the cosmos, which finds natural, self-induced realization through *de*. Consequently, as Cheung and Chan (2008) note, *dao* is not challenged by, nor requires human activity. To go even further, human interference with the *dao* is undesirable, as it jeopardizes natural harmony and balance. As a corollary, Lai (2008) argues, the only ethical response to a world governed by *dao* is non-interference, thus ‘no action’ or *wu wei*. Scholars have highlighted that the Daoist *wu wei* doctrine encourages people to be humble, submissive, frugal and content, to scale down their desires and aspirations, live in simplicity and tranquillity, and promote a life in harmony with the natural *dao*<sup>22</sup> (Ip, 2013). The following passage from the *Daodejing* underlines this perception of *wu wei*:

---

<sup>22</sup> Based on these considerations, de Bettignies et al. (2011) maintain that Daoism has predominantly influenced the values and beliefs of the powerless and ruled, while Confucianism has been dominant in shaping the ethos of sovereigns and influential elites.

*“Therefore the sage desires no desire  
And does not value goods which are hard to come by;  
Learns to be without learning [...]  
He learns to be unlearned, and returns to what the multitude has missed (Tao).  
Thus he supports all things in their natural state but does not take any action.”*  
(*Daodejing*, Book Two, Chapter 64; trans. Lau 1963)

Lai (2008) suggests that these beliefs encapsulated in Daoist thinking encourage resistance to excessive accumulation of personal wealth, and lower the importance attributed to social recognition and status. According to Lai’s (2008) interpretation, both wealth and status are believed to contribute to undesired inequality, which provokes envy, conflict and disorder, thereby ultimately jeopardizing the natural balance of things maintained by *dao*. This rationale is reflected by the following passage of the *Daodejing*:

*“Not to honour men of worth will keep people from contention;  
not to value goods which are hard to come by will keep them from theft;  
not to display what is desirable will keep them from being unsettled of mind.”*  
(*Daodejing*, Book One, Chapter 3; trans. Lau 1963)

Consequently, following Lai’s (2008) line of reasoning, Daoism proposes a business approach that favours modesty over achievement, and gives priority to social equity over personal desires and gains in an effort to maintain balanced and harmonious relationships.

Furthermore, researchers highlight the implications of Daoism for notions of responsibility and leadership. *Wu wei* is widely interpreted as a claim against taking intrusive action in favour of letting things take their own course naturally (Ip, 2013). Lai (2008) deduces that Daoism calls on people to refrain from manipulating or overpowering others, and to avoid any kind of manipulative or restrictive behaviour. Cheung and Chan (2008) concur, noting that Daoist *wu wei* suggests a non-manipulative, non-restrictive, non-coercive, and non-interventive approach to business conduct in general and leadership in specific. These analyses indicate a strong emphasis on safeguarding the rights and interests of fellow individuals, protecting liberty and equality, and promoting harmonious interaction and cooperation. Based on these

principles, Daoism can offer a solid foundation for social responsibility, responsible leadership, and human rights protection. However, with regard to leadership, Ip (2013) notes that Daoism's rejection of manipulation, coercion, intervention and restriction stands in sharp contrast to modern management and employee management principles, which essentially rest upon beliefs in authority, directive, and specification of rules and objectives. Hence, Ip (2013) is doubtful as to the usefulness of Daoism in furthering the actual contemporary debate on responsible management practice. Moreover, as Lai (2008) critically notes, Daoism in general and the *wu wei* principle in specific have a tendency to propagate passivity and submissiveness. As outlined in section 3.4.1.1, this is argued to benefit authoritarian structures, hamper a sense of individual responsibility among employees, and foster over-reliance on superiors. These arguments reveal a certain disagreement among scholars as to whether and how Daoist principles contribute to creating a conducive and responsible employment context.

While Lai (2008), Cheung and Chan (2008), and Ip (2013) debate Daoist claims for harmonious interaction among humans, in specific between managers and employees, Wang and Juslin (2009) stress the inherent naturalist plea of Daoist philosophy. In particular, Wang and Juslin (2009) regard the principle of *wu wei* as a call to safeguard harmony between man and nature, and to operate in consistency with the natural environment. Following this line of reasoning, any human-induced disturbance of nature amounts to an obstruction of *dao* and its realization through *de*, thus impeding the ideal state of balance. Consequently, Wang and Juslin's (2009) argument implies that companies are to interfere as little as possible with the natural environment, and thus cause minimum environmental damage. Hence, from this perspective, Daoism implicitly calls for attention to environmental protection.

### **3.4.2. Modern Political Ideology**

The past century has brought to China a series of substantial political, social and ideological changes, from the emperor's abdication in 1912 and the development of a republican system (1912 – 1949), the proclamation of the People's Republic of China in 1949 and subsequent Maoist rule, to the ongoing post-1978 reform era and its major socio-economic transformation (see section 3.1). Within only a short period of time,



basic elements of China's 4,000-year-old cultural heritage have been subject to fundamental change, if not largely replaced by new doctrines, worldviews and beliefs. These developments have caused major stress and disruption on the Chinese cultural-cognitive environment (Ip, 2009b). The most dramatic cultural-cognitive changes in the 20<sup>th</sup> and early 21<sup>st</sup> century have doubtlessly been induced by Communist rule, both pre- and post-1978, with two doctrinal directions being considered particularly momentous: While the pre-1978 era has been dominated by Marxism-Leninism-Mao-Zedong-Thought, Socialism with Chinese Characteristics is regarded as the ideological underpinning of the (post-)reform period (S. Guo, 2013). The present section aims to shed light on these two formative ideological streams (section 3.4.2.1 focuses on Marxism-Leninism-Mao-Zedong-Thought, while section 3.4.2.2 concentrates on Socialism with Chinese Characteristics), the conceptual shifts they have provoked, and the implications that existing research assigns to them in questions of CR. In contrast to section 3.4.1 on traditional Chinese philosophy, arguments discussed are not restricted to the purely 'cultural-cognitive', but do partly also concern the practical realization of ideological principles where conducive to the CR debate. As in the case of above sections, the chapter does not claim to offer a conclusive overview of ideological positions and respective undertakings, nor to provide an in-depth discussion of their impact on matters of CR. Instead, the author focuses on presenting some relevant core notions of the two ideological movements and outlining selected arguments relating to CR, so as to sketch the ideological background of contemporary CR developments.

#### **3.4.2.1. Marxism-Leninism-Mao-Zedong-Thought**

Maoism, or Mao Zedong Thought (*mao zedong sixiang*), stands for Mao Zedong's (1893 - 1976) version of Marxism, or, more precisely, of Marxism-Leninism (S. Guo, 2013). According to a common Chinese definition, it is the "application of the universal truths of Marxism-Leninism to the concrete practice of the Chinese socialist revolution and construction" (S. Guo, 2013, p. 100). Hence, Mao Zedong Thought can be described as an indigenous ideological adaptation of the principles of Marxism-Leninism. It results from Mao's efforts to bridge the fundamental differences between the theoretical conditions described by Marxism-Leninism and the realities of early 20<sup>th</sup> century China, so as to exploit the ideological potential of Marxism-Leninism (Knight, 2007). To Mao

and his comrades, Marxism-Leninism not only held the promise of industrialization, class struggle and socialism for a country characterized by underdeveloped feudal structures, but also provided a theoretical basis for revolutionary activity against imperialist oppression from European colonial powers<sup>23</sup> (ibid.). Yet, Mao realized that theoretical adaptation was necessary if Communist ideology were to be truly effective under Chinese conditions (Klein, 2007). Consequently, Mao promoted a ‘Sinification’ of Marxism-Leninism (Knight, 2007; Wylie, 2008), contending, “What we call Marxism is Marxism that has taken on a national form, that is Marxism applied to the concrete struggle in the concrete conditions prevailing in China, and not Marxism abstractly used” (Mao Zedong, 1938, cited in Schram 2004, 6:liii). In the following, a choice of relevant core ideological concepts and respective implementation measures of ‘sinified’ Marxism-Leninism, called Mao Zedong Thought, will be discussed where relevant to understanding the contemporary Chinese CR context.

Before outlining central ideological conceptions, however, it must be emphasized that the advent of Mao Zedong Thought had disastrous consequences for China’s cultural heritage. Mao believed traditional culture to represent an impediment to communist objectives of creating “a new type of man” and “new type of society” (S. Guo, 2013, p. 103). Above all, due to its emphasis on hierarchical relationships and obedience, Confucianism was thought to object Mao’s egalitarian and proletarian worldview, thus being denounced as a “symbol and source of all evils of the old class system” (L. Wang & Juslin, 2009, p. 436). Generally speaking, Mao opposed all institutions that, to his understanding, constrained the individual in his quest to radically overcome traditional structures (Womack, 2008). In his works, Mao referred to churches, capitalism, monarchy and the state as the “four evil demons of the world” (Mao, 1965, cited in Womack, 2008, p. 67). Hence, with the introduction of Mao Zedong Thought, traditional Chinese philosophy was forcefully abandoned, bringing major cultural-cognitive disruption to Chinese beliefs, including perceptions of responsible business conduct (Ip, 2009b).

At the basis, Marxism-Leninism, in specific Marx’s ideological conception is centred around the politico-philosophical notion that man’s productive activity shapes human

---

<sup>23</sup> Beginning with the Chinese defeat against British forces in the First Opium War (1839 - 1842), China was exposed to imperialist aggression for roughly an entire century. As an ‘informal empire’, China was not formally colonized, but forced to accept major restrictions to its sovereignty. (Klein, 2007)

history, including all social, economic and political circumstances and events (S. Guo, 2013). Productive activity is thought to define social roles and perceptions and, as a consequence, human consciousness (ibid.). As such, economic structure, i.e. the mode of production, is believed to represent society's real foundation on which legal, political and cultural institutions (that is a country's *superstructure*) are built (S. Guo, 2013). According to Marxist theory, capitalist industrialization as one form of economic structure influences societies' superstructures in a way that has proven harmful to the human condition (Corlett, 2013). It is characterized by separation of labour from ownership of the means of production. Marxism holds that this division not only causes 'human self-alienation', but also inevitably leads to the creation of two antagonistic classes within society: the proletarians, who have nothing to contribute to the production process but their own labour power; and the capitalists, who privately own and control the means of production (S. Guo, 2013). Conflict among these classes is believed to arise because capitalists exercise considerable control over the proletariat and use proletarian labour power in an exploitative manner (ibid.). Exploitation is mainly due to the idea that capitalists extract a portion of labour value that properly belongs to the working class (Corlett, 2013). By doing so, Marxism maintains, they take advantage of the fact that fear of starvation forces the proletariat to sell its labour power at any cost (ibid.). According to Marxist theory, this continuous, state-supported proletarian exploitation provokes growing class tensions and eventually culminates in an overthrow of capitalism by the means of proletarian revolution (Bedeski, 2008). The event of revolution, through which the proletariat assumes state power, is followed by a transitional phase, referred to by Marx as the 'dictatorship of the proletariat' (Esherick, 2008). During this phase, Marx proclaims, industrialized capitalism must gradually be eliminated and replaced by a new, non-antagonistic mode of production (S. Guo, 2013). According to Marxist worldview, this entails that private ownership must give way to public control over the means of production, so as to level out inequalities, avoid injustice and cease exploitation (ibid.). At this point, Marx argues, the state is still existent. Its *raison d'être*, however, is to support the 'dictatorship of the proletariat' by controlling collective property, managing distribution of goods, etc. (ibid.). This state is to be ruled by the Communist Party, which represents the 'vanguard of the proletariat' and is entrusted with facilitating the transition from capitalism to communism (Bedeski, 2008). The ultimate objective of proletarian revolution and dictatorship is communism. It is characterized by a classless society, in which the means of production are under

complete collective control, division of labour is non-existent and goods are produced and distributed following the credo ‘from each according to his ability, to each according to his needs’ (S. Guo, 2013). In this utopian society (Darigan & Post, 2009), the state has no coercive power, but merely represents an administrative organ, which serves the interests of all equal members of society (S. Guo, 2013). Only then, Marxism-Leninism propagates, can mankind be freed from ‘human self-alienation’ and its multiple negative consequences (ibid.).

These fundamental principles of Marxism-Leninism have remained basically untouched by Mao’s ‘Sinification’, with one important distinction: in absence of a sufficiently large proletariat in pre-industrialized China, Maoism focuses primarily on the revolutionary role of the peasantry instead of the working class as suggested by Marx (Todd, 2008). With regard to the economic system, however, Mao Zedong Thought embraces the Marxist rejection of private ownership and division of labour, as well as its approaches to centralized economic planning (Knight, 2007). Going even further, Maoism claims ‘complete public ownership’ (S. Guo, 2013). In post-1949 China, this ideological position was to be implemented by gradually enlarging the size of collective economic units, increasing their level of public ownership, and enhancing their control over Chinese population, both economically and socially (ibid.). In other words, Mao envisaged a merger of the economic, political and social spheres, with egalitarian collectivism as the guiding principle. Consequently, starting from the late 1950s, the Party turned rural cooperatives and urban collectives into large-scale People’s Communes and units (*danwei*) respectively, with the aim of establishing ‘the whole people ownership’ (S. Guo, 2013). Private ownership and individualism had to give way to the collective, which was to manage all aspects of people’s lives under egalitarian maxims (L.-W. Lin, 2010). Similarly, SOEs, regarded as ‘small communities of their own’, became heavily involved in organizing their constituents’ lives by providing food, housing, education, health care, pensions and other social services (L. Wang & Juslin, 2009). This ‘extreme’ version of public ownership is the focal point of discussions on CR under the Maoist economic system. Scholars have argued that, given the broadly defined social and economic functions of communes, collectives, and SOEs, Maoism prescribes a system in which businesses’ responsibilities towards their workforce extend way beyond their usual activities. This fuels the argument that Maoism holds an implicit claim for extensive practice of CR (L.-W. Lin, 2010; L. Wang & Juslin, 2009).

Following this line of reasoning, companies perform wide-ranging social tasks and are the source of a broad array of social services (L.-W. Lin, 2010). Thus, the argument goes, they take on far-reaching social responsibilities. This point is, however, far from being undisputed. Critics maintain that social services provision by economic entities in Maoist China can hardly be equated with a modern understanding of CR. In this context, Lin (2010) for instance points out that contemporary notions of CR cover a broad array of stakeholders, while the Maoist system focuses on employees only, thus making for a fairly restrictive understanding of businesses' responsibilities. Furthermore, Lin (2010) notes, the Maoist concept of 'social responsibility' primarily serves social security purposes in absence of private ownership and provision, but is not based on a sense of (ethical) obligation towards society. Hence, Lin (2010) contends that social services provision in the collectivist Maoist system, albeit covering some CR-relevant aspects, is inherently different from a modern understanding of CR practice.

Another much-debated aspect of Mao Zedong Thought with regard to the Chinese context of CR relates to Mao's focus on industrialization. In spite of significant ideological adaptation, Mao ultimately pursued the Marxist ideal of building an industrialized nation under proletarian leadership (Knight, 2007). Albeit emphasizing the importance of the peasantry for successful revolution and construction of socialism in China, Mao continued to regard the proletariat as the model class, and perceived the CPC as its representative and 'vanguard' (ibid.). Consequently, Mao was determined to change China's agrarian society into an industrialized nation within the shortest time possible (ibid.). Accordingly, industrialization ranked among the state's primary objectives. To achieve this goal, Mao relied mainly on building up heavy industry (S. Guo, 2013) and devoted massive resources (human, economic and political) accordingly. This translated into economic policies and practices that were not only largely inefficient and detrimental to people's livelihoods (Knight, 2007), but also seriously damaging to the natural environment (Shapiro, 2001). Natural deterioration did, however, not happen without ideological justification. Along with the CPC's focus on developing a proletarian state, Maoism also propagated that nature was unreservedly subjected to human needs (Shapiro, 2001). It had to give way to and provide the means for revolutionary activity, industrialization and construction of the 'dictatorship of the proletariat' (ibid.). Hence, as suggested by Judith Shapiro (2001), Maoist policies were ambitious to 'conquer nature', thereby ignoring and partly even repressing anyone

suggesting otherwise. This ‘man must conquer nature’ attitude provided justification for conducting business activity without concern for the natural environment and potential negative externalities (ibid.). As a consequence of these ideologically supported politico-economic considerations, China experienced severe deterioration of the natural environment (and people’s naturalistic beliefs accordingly) in pre-reform China (ibid.).

#### **3.4.2.2. Socialism with Chinese Characteristics**

Since the late 1970s, China has not only undergone major economic transformation (see section 3.1), but has also witnessed profound ideological change (Klein, 2007). When the CPC announced a shift in policy towards reform and opening in 1978, it set in motion a process of fundamental reinterpretation of China’s ideological foundations (Mackerras, Taneja, & Young, 1998). In an effort to remedy the disastrous effects of the Cultural Revolution, the post-Maoist leadership under Deng Xiaoping launched a process of ‘socialist modernization’, or, in other words, economic development (S. Guo, 2013). However, given that the CPC relied heavily on ideology for legitimacy and political justification, ‘socialist modernization’ required sound ideological backing (ibid.). Formally, the ideological shift away from ‘class struggle’ towards ‘modernization’ was justified by an extension of Maoism (S. Guo, 2013). To highlight the continuity of the Party’s policy line, the new leadership acknowledged the supremacy of Mao Zedong Thought (ibid.). At the same time, it agreed to limit the impact of Maoism by allowing new and future leaders to make additions to Mao’s ideological heritage (Mackerras et al., 1998). This approach provided both legitimacy to the persistence of Communist leadership and flexibility to justify alterations in policy and political action (ibid.).

Deng Xiaoping introduced the initial and probably most influential extension of Mao Zedong Thought. His theory (called Deng Xiaoping Theory, chin. *deng xiaoping lilun*), which was embedded into the CPC and state constitutions as guiding ideology in 1997 (in addition to Marxism-Leninism-Mao-Zedong-Though), formed the ideological basis for economic reform and modernization (S. Guo, 2013). Deng introduced the concept of the ‘socialist preliminary stage’, thereby providing ideological justification to China’s peculiar approach to socialism, coined ‘Socialism with Chinese Characteristics’

(*zhongguo tese shehui zhuyi*) (ibid.). The preliminary stage concept suggests that China, being a less developed country characterized by economic backwardness, needs to build an economic foundation for communism (S. Guo, 2013). Hence, during the ‘initial stage of socialism’, the country must focus primarily on creating a prosperous, modern socialist economy (ibid.). Economic growth and development must be given priority, and all means available must be devoted to these objectives (ibid.). Among others, capitalist elements, non-communist ideas and market institutions should be employed to help the nation move towards a communist society in the Marxist-Leninist-Mao Zedong sense (ibid.). In other words, a ‘socialist market economy’ is to be established on a preliminary basis. Meanwhile, the political realm must remain untouched by reform (S. Guo, 2013). The Party has to maintain its supremacy so as to lead the Chinese people towards prosperous socialism and ultimately towards communism (ibid.).

Deng’s ideological adaptation deliberately blurs the lines between socialism and capitalism (Klein, 2007). While Maoism is substantially hostile towards capitalism (Corlett, 2013), Deng’s Socialism with Chinese Characteristics regards capitalism as an acceptable and even desired paradigm as long as it contributes to socialist construction under the leadership of the CPC (S. Guo, 2013). This ideological modification has far-reaching implications for the mechanisms of political justification. It allows the leadership to take bold economic steps (e.g. de-collectivization, privatization or marketization in the early phase of reform) that would question the Party’s credibility under conventional Maoism (Mackerras et al., 1998). Under the new ideological framework, such fundamentally capitalistic measures become essentially ‘socialist’ (ibid.). In fact, any policy or action that fosters economic growth becomes justifiable in terms of its contribution to building a prosperous socialist nation (ibid.). This idea is reinforced by ideological amendments made by Deng’s successor Jiang Zemin. Jiang’s theory of the ‘Three Represents’ (*san ge daibiao*), entrenched in both Party and state constitution in 2002, cements the compatibility of socialism and capitalism (Klein, 2007). It suggests that the CPC henceforth represents the ‘advanced social productive forces’, ‘advanced culture’, and the ‘fundamental interests of the overwhelming majority of the people’ (S. Guo, 2013). This means that the Party extends its self-perception to represent, among others, China’s capitalist forces and business people (ibid.). Hence, from an ideological point of view, capitalist elements of society become more than temporary contributors to China’s ‘socialist preliminary stage’. Their

existence under the authority of CPC leadership enjoys full-fledged recognition and legitimacy (S. Guo, 2013).

These ideological changes have received much attention in research on CR in China. Scholars have argued that changing attitudes towards business activity have substantially affected China's socioeconomic and cultural-cognitive environment, with major implications for CR-related issues. Firstly, as outlined in section 3.1 above, post-Maoist ideological shifts have caused considerable structural and organizational changes in China's economy (Whitcomb et al., 1998b). Under decentralization and privatization, companies have abandoned their traditional Maoist role as welfare and social services providers (L.-W. Lin, 2010). The responsibility for such activities has largely been devolved back to the private sphere. However, from a cultural-cognitive point of view, Ying (2001) argues, a smooth transition from state to private provision of social goods has been obstructed by a lacking tradition of auto-organization. Due to its monarchic background, Confucian hierarchism and Maoist centralism, China has developed a strong top-down tradition and overreliance on state-led processes. Hence, Ying (2001) contends, business development has come to depend heavily on the state as a 'parent'. Under these circumstances, the private sphere has failed to develop a distinct sense of autonomy, self-reliance and responsibility. Ying (2001) perceives this as an important element to a lacking business ethic in contemporary China and insufficient attention to social responsibility in the private sector.

Secondly, numerous researchers maintain that post-Maoist ideology has evoked a culture of profit and materialism (Ip 2009b; Wang and Juslin 2009). Whitcomb and colleagues (1998) for instance argue that, after decades of economic deprivation and scarcity, many Chinese perceived the Party's new ideological stance towards capitalism as a justification for any kind of behaviour or activity that ultimately proved profitable. Ip (2009b) adds that this effect was exacerbated by the Party's official endorsement of personal wealth and its accumulation, with Deng Xiaoping himself famously claiming 'getting rich is glorious' and 'let a few get rich first'. These conditions are believed to have contributed to some sort of 'gold-rush atmosphere', in which materialism was emphasized above anything else. Ip (2009b, p. 214) refers to this as an "the planned economy is dying, everything is possible!" climate. Numerous researchers concur in suggesting that these circumstances have generated a cultural-cognitive breeding ground



for immorality, unethical business practice and corruption (Chow, 2007; Ip, 2009b; X. Lu, 1997; Ying, 2001).

In addition, prior research highlights that ideological re-evaluation in post-Maoist China has contributed to a further disruption of the cultural-cognitive realm (Ip 2009b). Had orthodox Maoism dedicated much effort to eradicating traditional Chinese culture and replacing it violently with novel convictions and perceptions, were post-Maoist leaders yet again de facto overthrowing these narratives in favour of a strong market ethic (Whitcomb et al., 1998b). Against the backdrop of this ideological instability, Whitcomb et al. (1998) contend, values were in an essential stage of flux. Thus, in absence of a shared body of cultural norms, immoral behaviour could easily take root resulting in what Ip (2009b) and others describe as a substantial decline in moral principles, social values and (business) ethical standards.

However, Socialism with Chinese Characteristics and its inherent possibility for ideological adaptation have also proven useful in counteracting these cultural-cognitive trends and their negative consequences. Most famously, Hu Jintao's amendment to official ideology has added a sustainability dimension to the ideological quest for prosperous socialism (S. Guo, 2013). As outlined in section 3.2.1, Hu Jintao has further modified China's official ideology by introducing the concepts of 'Harmonious Society' (*hexie shehui*) and 'Scientific Outlook on Development' (*kexue fazhan guan*) (Bina, 2011; Wong, 2009). Party and state constitution were amended accordingly in 2007 and 2008 respectively (S. Guo, 2013). These concepts have adapted ideology insofar as they have added constraints to economic growth and development in China's socialist market economy (S. Guo, 2013). By defining social harmony as the genuine character of Socialism with Chinese Characteristics, the Party has shifted the ideological focus away from mere economic growth towards balanced and sustainable socio-economic development (*ibid.*). Although Deng's conception of the 'socialist preliminary stage' has not been overruled but continues to provide ideological justification for economic development, social equity and environmental protection have become ideological imperatives in guiding this endeavour. Hence, with 'Harmonious Society' and 'Scientific Outlook on Development', Guo (2013) argues, attempts have been undertaken to correct damaging aspects of growth driven policy and reintroduce ideologically supported values in an effort to curb moral decay and unethical business

practice. Hence, moral education, sustainability, social equity and environmentalism have, at least formally, become equal targets of socialist construction (Ip, 2009b; X. Lu, 1997). Consequently, corporate responsibility as a concept and practice has gained official ideological support and is being recognised as an intrinsically socialist necessity.

In addition, post-Maoist China has witnessed a delicate revival of traditional culture and religion (Ip, 2009b; Klein, 2007). Klein (2007) argues that new generations of leadership have recognized the negative consequences of an expanding cultural vacuum and have thus undertaken efforts to restore moral foundations and standards. Since 1982, China's constitution (last amended in March 2004) guarantees freedom of religious belief, stating that "No State organ, public organization or individual may compel citizens to believe in, or not to believe in, any religion; nor may they discriminate against citizens who believe in, or do not believe in, any religion" (Constitution of the People's Republic of China, 2004, art. 36). It further declares that "The State protects normal religious activity" as long as citizens refrain from "make[ing] use of religion to engage in activities that disrupt public order, impair the health of citizens or interfere with the educational system of the State" (ibid., art. 36). Although these provisions leave significant room for interpretation and government intervention accordingly, they also partly restore religious spheres and associated value systems (Klein, 2007). The (partial) restitution of religious freedom has had a strong appeal to the Chinese population. Starting from the 1980s onwards, an increasing number of Chinese have recommitted to religious activity, causing what is popularly described as a 'religious fever' (*zhongjiao re*) (Klein, 2007). Today, according to a study published by Pew Research Centre (2012), Buddhism for instance counts an estimated 244 million followers in China, making up roughly 18% of the country's total population. The 2010 Chinese Spiritual Life Survey (conducted by Purdue University's Centre on Religion and Chinese Society) found that 12 million Chinese (roughly 0.9% of the total population) clearly identify with Daoism, while another 173 million (roughly 13%) acknowledge following 'some kind of Daoist practice' (for more information on the survey see Wenzel-Teuber 2012). There is indication that the resurrection of traditional Chinese beliefs, although under firm government control, is helping Chinese society revitalize moral principles, social values, and (business) ethical standards, and is thus contributing positively to an evolution of the Chinese CR context (Du, Jian, Zeng, & Du, 2014).

### 3.5. Summary

The objective of this chapter has been to create a basic understanding of the research setting by shedding light on the contextual circumstances, which European businesses reflect on and act upon when deliberating CR choices in their China operations. This is to create a foundation for the empirical research, which will be presented in subsequent chapters, and facilitate sense-making of the data obtained. To this end, an overview of relevant aspects within China's regulative, normative, and cultural-cognitive environment (depicted as the 'upper box' in figure 4, section 2.3.3) has been provided. It has been revealed that the contemporary Chinese CR context has strongly been affected by the processes of economic transformation initiated in the late 1970s. Marked structural, commercial, social, and environmental consequences of economic reform and fast-paced growth make up the backdrop against which contemporary CR debate and corresponding contextual developments are taking place, with social and environmental costs being particularly formative.

Among others, severe environmental and social issues have been crucial in shaping the regulative CR context and enhancing government support for CR-related objectives. Today, central government is widely regarded as a key player in fostering CR developments in China. This has materialized into a broad array of related policies, directives and laws. In fact, legislation on CR and CR-related fields has been broadened significantly, creating a rather comprehensive legal framework, primarily in the fields of environmental and labour rights protection. However, as a consequence of party-state domination, legislation has been argued to be heavily biased towards those CR topics that are considered non-sensitive to political stability. Moreover, persistent enforcement deficiencies are shown to maintain a pronounced implementation gap that hampers the effectiveness of far-reaching regulation.

State dominance in the regulative context also impinges on the normative CR environment. Although research observes burgeoning non-governmental activity in CR-related fields, it also highlights the level of government control over respective processes. It has been stressed in section 3.3 that strong government ties of NGOs, labour unions and business associations obstruct the development of an autonomous normative CR context. As such, normative players do not appear to represent an

independent source of pressure in the field of CR, neither for businesses nor for government. Nevertheless, in government-sanctioned fields, first and foremost in the environmental sector, non-governmental activity is shown to be gradually more impactful, pushing in particular for increased regulative adherence among companies. Also, with industry self-regulation gaining momentum, Chinese firms reportedly are facing ever stronger pressure to adhere to certification in CR and CR-related fields. While this is argued to foster dissemination of CR-friendly conduct among the Chinese business community, researchers also stress persistent implementation deficits and lament insufficiently rigorous domestic standards.

Literature indicates that circumvention of standards and legal demands are at least partly rooted in a lack of morality and business ethical values. As outlined in section 3.4.1, China looks back on a long and impactful moral culture tradition that stresses self-cultivation, virtuousness, collective wellbeing and harmony. Thus, although the compatibility of traditional Chinese philosophy with contemporary notions of CR is subject to debate, China has a rich cultural-cognitive heritage to draw on in questions of CR. Yet, chapter 3.4 highlights the level of uprootedness of cultural values in the Chinese context. Not only is modern Chinese culture the product of multiple sources of religious, philosophical and ideological influences. Over the past century, it has also been marked by a repeated, partly violent overthrow of cultural beliefs and identities. As a consequence, researchers stress that Chinese culture and moral tradition have been in a permanent state of flux, and have thus not been able to sufficiently counterbalance the strong profit motive of the post-reform period. Together with ideological shifts towards a more sustainable development, a recent revival of religious beliefs and traditional philosophies, facilitated and partly even promoted by government, is regarded by observers as a promising alley to revitalize business ethics and strengthening the Chinese CR context.

The empirical research presented in subsequent chapters will reveal how ECCs perceive the contextual circumstances described in this section, how they interpret and make sense of aforementioned regulative, normative and cultural-cognitive conditions, and how this influences their contextual reactions in terms of CR. In short, following chapters will show how ECCs engage with the Chinese CR context described above.

## 4. Methodology

It has been concluded in chapter 2 that existing research is not able to paint a comprehensive picture of how MNEs engage with emerging market institutions in terms of CR. This also applies to MNE activity in the specific Chinese CR context, which has been described in foregoing chapter 3. Academic literature generally provides only very fragmented insights as to how MNEs deal with the tensions that arise between the pull for adaptation to local CR benchmarks on the one hand, and calls for proactive social entrepreneurship on the other. This follows a more general trend in contemporary CR research: Although an ever growing body of literature is dedicated to examining companies' responsibilities in and towards society, little is still known about the interactions that take place between businesses and their external social context in shaping notions of CR. Therefore, scholars have repeatedly called for more research on what Brammer et al. (2012, p. 4) refer to as the “black box” of social context in the study of CR (Brammer et al., 2012; Heli Wang et al., 2016). Hence, by partaking in filling this gap in CR literature, the present study ventures into a largely understudied field of research, with descriptive insights being particularly scant. The present section sheds light on the methodological approach by which the study seeks to address this research scarcity. It outlines the fundamental empirical considerations and approaches the study relies on in answering the overall research question, which is *‘How do ECCs engage with the Chinese context concerning matters of CR?’*.

The chapter is structured as follows: It begins by discussing the underlying research philosophy and describing the empirical research approach of this study (section 4.1). In specific, the section focuses on the rationales and requirements of a Straussian Grounded Theory approach. The chapter goes on to specify the data collection process and data analysis procedures (section 4.2). It closes by commenting on questions of validity and reliability (section 4.3).

## **4.1. Research Approach and Philosophy**

### **4.1.1. Research Philosophy**

Underlying every research endeavour are a number of philosophical assumptions about the nature of reality and knowledge (Myers, 2013). These ontological and epistemological considerations shape scholars' understanding of research questions, methodological choices and interpretative approaches, and thus form the basis of the research strategy (Crotty, 1998). Saunders et al. (2016) contend that understanding the nature and implications of ontological and epistemological choices is particularly important in business and management disciplines, which are traditionally characterized by a variety of coexistent research philosophies, paradigms, approaches and methodologies. In this context, Tsoukas and Knudsen (2003) note the lack of agreement among business and management scholars on the best philosophical approach. Disagreement also exists as to the division between and categorization of philosophical stances (Eriksson & Kovalainen, 2016). Guba and Lincoln (1994) discuss four paradigms for qualitative research, namely positivism, post-positivism, critical theory and constructivism. Myers (2013) follows Orlikowski and Baroudi (1991), as well as Chua (1986), and categorizes research epistemologies into positivism, interpretivism and critical studies. The author adheres to the latter tripartite division, for it focuses on three broadly accepted categories of research philosophy.

Positivists share the assumption that reality is objectively given, and thus independent from individual perception and value free (Blaikie, 1993; Bryman, 2016; Myers, 2013). They argue that the existence of a universal truth also pertains to social and organizational phenomena (Boeije, 2010), which can therefore be measured and described by application of natural science's research methods and tools (Bryman, 2016). Although positivism does find application in social research, it is often criticised for disregarding subjective meaning, which opponents argue to be a key aspect of human social reality (Monette, Sullivan, Dejong, & Hilton, 2014). Hence, critics argue that positivist assumptions are not suited for the study of "a complex social science phenomenon, which involves reflective humans" (Sobh & Perry, 2006, p. 1197). As this is the case in the present research project, positivist principles appear inappropriate.

On the other end of the spectrum, interpretivism assumes that the research subjects in natural and social sciences are fundamentally distinct and can therefore not be analysed along the same methods and approaches (Bryman, 2016). Thus, instead of measuring (objective) reality by use of natural science's research methods, interpretivism focuses on subjective understanding and meaning of social action (Bryman, 2016; Myers, 2013). It suggests that reality can only be accessed through social constructs such as shared meanings, language or consciousness (Eriksson & Kovalainen, 2016). Criticism mostly revolves around the scientific validity of subjective interpretations in interpretivist approaches (Monette et al., 2014). Although the presented research project relies heavily on the study of individuals' perceptions and experiences, it does not focus primarily on use of language and human sense-making. Rather, it seeks to understand how people, i.e. organizations engage with a contextual reality that is external to their consciousness. Hence, this study does not profess to the interpretivist tradition.

As a third epistemological stance, critical theories, in specific critical realism, shares the positivist idea of an observable reality that is independent of human perception (Eriksson & Kovalainen, 2016). However, critical realists contend that knowledge of this reality is socially constructed in the sense that it is subject to individual perception and experience (ibid.). As Bhaskar (1989, 2011, pp. 3–4) argues: “while social structures are dependent upon the consciousness which the agents who reproduce or transform them have, they are not reducible to this consciousness [...]. They always have a material dimension”. This statement also highlights that critical realists believe that the social world can be transformed through social action (Bhaskar, 1989, 2011). Critical realism focuses on understanding the social structures that are at the root of a specific phenomenon, and looks for underlying causes and mechanisms (ibid.). As a corollary, critical theory places strong emphasis on context because it allows the research to disclose the conditions under which causal mechanisms operate (Bryman, 2016). Several researchers, such as Johnson and Duberley (2000), Reed (2005), Delbridge (2014) and others, have argued for the relevance of critical realism in business research, contending that it offers valuable alternative perspectives on management and organizations. Reed (2005, p. 1639) argues that “realist-based research and analysis provides the opportunity to understand and explain the complex interplay between managerial agency and structural constraint over time and place”.

The presented study aims to shed light on how ECCs engage with the Chinese context in matters of CR. In this endeavour, it adheres to a critical realism perspective. Critical realism provides an appropriate basis for a study of both contextual realities and individuals' perceptions of them, which is at the heart of this research project. A critical realism view allows the researcher to investigate underlying causes and mechanisms that shape the complex interplay between ECCs and institutional constraints in the Chinese CR environment. By highlighting the value of context, it matches the study's focus and requirements. Moreover, as critical realism accounts for the transformational influence of social actors, it is suited for an investigation of ECCs' potential social entrepreneurship and thus of a political approach to CR. Hence, in adopting a critical realism stance to studying the interactions between businesses and institutions in terms of CR, the study follows in line with Bowring's (2000) rejection of the positivist paradigm in institutional research for its oversimplification of the relationship between institutions and organizations. Also, it answers Scherer and Palazzo's (2007, p. 1096) call for increased attention to non-positivist approaches in the study of CR and respective avoidance of a "merely instrumental interpretation of corporate responsibility". On a final note, the author acknowledges that critical realism entails that the conceptual results of the study do not represent a direct reflection of reality, but one specific way of apprehending this reality (Bryman, 2016). This shall be discussed in more detail in section 7.3 as part of the limitations of the research.

#### **4.1.2. A Qualitative Approach**

Research methods are typically clustered into quantitative and qualitative approaches (Bryman, 2016). While natural sciences are normally associated with the former type of methods, social sciences research relies on both methodological traditions (Boeije, 2010). Myers (2013) contends that both quantitative and qualitative studies are valuable and necessary in business and management research, offering different perspectives and sources of knowledge to the discipline. With regard to the above discussion on underlying philosophical assumptions, Sayer (2000) argues that the critical realism paradigm is compatible with both methodological approaches, and that appropriate choices should depend on the object under study as well as the research aim.



Quantitative approaches focus on deriving hypotheses from prior research and testing them by means of standardized measures (Boeije, 2010; Flick, 2014). They rely on quantification in data collection and analysis (Bryman, 2016). Quantitative research designs facilitate generalization of findings, and are thus well-suited for uncovering causal relations among measurable phenomena across large samples (Flick, 2014). However, they are not appropriate for describing intricate subjective perspectives and contextual conditions, and are thus incapable of grasping the complexity of social phenomena (ibid.). Moreover, as Flick (2014) argues, quantitative studies can only discover what the underlying model has taken into account, and thus in turn depend heavily on the sophistication of prior literature. Given the intricate interactive social processes that are at the heart of this study and the underinvestigated field of research in which it is embedded, quantitative methods are not deemed appropriate for this research. Research questions and background call for a method that is more open to social complexity and discovery.

Qualitative approaches, on the other hand, generally use existing literature to bring contextual knowledge to the research (Boeije, 2010; Flick, 2014). Data is collected through in-depth study of smaller-sized samples (Myers, 2013). This produces rich descriptive data, which is examined for regularities and subjected to interpretation (Boeije, 2010). In both data collection and analysis, verbal accounts are typically emphasized over quantification (Bryman, 2016). Qualitative research aims to describe and understand social phenomena with regard to the meaning that people ascribe to them (ibid.). In this explanatory process, context plays a central role because it facilitates understanding of underlying social and cultural conditions (Myers, 2013).

Qualitative research is often criticised for its reliance on non-representative samples, and resulting difficulties to generalize findings (see section 7.3 for a discussion of this limitation) (Flick, 2014; Myers, 2013). Nevertheless, it is of major value to social research in general, and this study in specific. Qualitative approaches are sufficiently open to complexity to provide in-depth understanding of processes and relationships within specific contexts (Flick, 2014). This is a basic requirement of the present study, which seeks to describe and explain ECCs' engagement with the Chinese context in matters of CR, and thus faces a complex interplay of multiple factors. Moreover, due to its flexible and non-standardized methods, qualitative research is well-suited for

explorative research in underappreciated fields (Boeije, 2010). Hence, it offers sufficient explorative power to examine the understudied processes of interaction between businesses and their external social context in matters of CR, and add to the emerging field of political CR. In sum, the in-depth and explorative nature of this study, its focus on contextual influences, as well as its understudied research background, justify the choice of a qualitative research approach.

#### **4.1.3. An Inductive Approach**

With regard to the connection between theory and research, two types of approaches are conceivable (Bryman, 2016). On the one hand, theory can be used to deduce hypotheses or propositions, which are then subjected to empirical scrutiny (Boeije, 2010). By contrast, inductive approaches regard theory as the outcome of the research process (Eriksson & Kovalainen, 2016). Here, social phenomena are studied in an attempt to discover patterns that can be crafted into theory (Bryman, 2016). Inductive thinking forms an integral part of many qualitative research approaches (*ibid.*). This also applies to the present study. Due to the research scarcity that characterizes its background, prior theoretical knowledge is deemed insufficient to deduce clear hypotheses or propositions on ECCs' engagement with the Chinese CR context. Also, as will be outlined in greater detail below, theory building is a central concern of this empirical research, thus further emphasizing the appropriateness of an inductive approach.

#### **4.1.4. Choosing Grounded Theory**

It has been argued in above sections that the nature of the research topic and its research questions on ECCs' engagement with the Chinese CR context require a qualitative research approach that facilitates an explorative investigation of interactive processes in context. Moreover, as outlined in the literature review (section 2.1), the study relates to a largely underexplored area of research. Prior knowledge in the fields of CR and institutional theory is deemed insufficient for specific propositions to be deduced. Thus, an inductive inquiry into the research questions is required that uses collected data to add in-depth theoretical knowledge to the still young field of research. These conditions call for a methodology that assists the detection of patterns and relationships within raw

data. Also, the method must allow the author to derive theoretical assumptions that offer a context-based, process-oriented explanation (Myers, 2013) of ECCs' CR approaches in the Chinese environment.

These methodological requirements are met by a Grounded Theory approach. According to Birks and Mills (2015), Grounded Theory is useful and appropriate when 1) the area of study has received little attention in prior research; 2) the study aims at building theory with explanatory power; and 3) the research situation is characterized by inherent processes that are to be uncovered and explained. All three aspects apply to the present research on ECCs' engagement with the Chinese context for CR, and thus justify the choice of Grounded Theory methodology. Moreover, Boeije (2010) explicitly stresses that the focus on theory development is what sets Grounded Theory apart from other qualitative research approaches, thus further emphasizing the usefulness of Grounded Theory in the case of this research.

#### **4.1.5. A Straussian Approach to Grounded Theory**

What started as a common endeavour by Glaser and Strauss, whose pioneer work "*The discovery of grounded theory: Strategies for qualitative research*" (1967) set the basis for Grounded Theory methodology, has by now developed into different streams and approaches. They all share the basic objective of generating theory that is "directly derived from and supported by, and therefore grounded in, the collected data" (Boeije, 2010, p. 8). To this end, data is generated in a systematic manner and analysed step-by-step to achieve a theoretical description and explanation of the social phenomenon under study (Boeije, 2010). However, the alternative streams differ in their underlying perceptions, claims and methodological procedures. Existing research basically distinguishes between two schools of Grounded Theory: The Glaserian school, named after Barney Glaser, and the Straussian school, ascribed to Anselm Strauss.

The Glaserian school highlights "the interpretative, contextual and emergent nature of theory development" (Thai, Chong, & Agrawal, 2012, p. 4). It emphasizes the necessity of concepts to be obtained in a purely inductive fashion, and rejects any reliance on previous theoretical knowledge for its biasing influence (Strübing, 2011). Hence,

Glaser's approach advocates against predefined research questions, but suggests that the focus of the research, including relevant issues should emerge over the course of the study (B. G. Glaser, 1992). Consequently, the Glaserian school recommends delaying a review of relevant literature until after completion of the data analysis (Charmaz, 2006). However, contrasting Glaserian claims, this study is guided by research questions, which have been produced on the basis of a literature review. Also, following Thai, Chong and Agrawal (2012), the author argues that her previous knowledge obtained through training and prior research renders a 'totally uninformed' investigation impractical. Therefore, Glaserian Grounded Theory is not deemed suitable for the purpose of this study.

The Straussian school defends a more pragmatic, dialectic point of view on the relationship between theoretical knowledge and the empirical research process (Strübing, 2011). It accepts prior literature review for identification of research problems and areas of study (Thai et al., 2012). Moreover, Strauss, i.e. Corbin and Strauss (2015) highlight the usefulness of prior literature in the course of the research process, for instance as a source of comparison or to enhance sensitivity for specific issues. However, the Straussian school stresses that reference to existing literature should not induce the researcher to go into the research with narrow theoretical preconceptions in mind, for this would hamper the explorative nature of the research process (Myers, 2013). Rather, within the chosen area of study, theory must be allowed to emerge from the data in a largely unrestricted fashion (ibid.). To this end, Straussian methodology emphasizes and outlines the systematic use of complex coding techniques (Thai et al., 2012) (see section 4.2.6 below). The present study seeks to examine specified research questions, and relies on a review of prior literature. Yet, as exemplified by the choice of a broad conceptual approach to defining and studying CR (see section 2.1.1.1), it abstains as far as possible from a predetermination of concepts in an effort to leave sufficient room for knowledge to emerge. Against this backdrop, the author regards Straussian Grounded Theory as an appropriate methodological choice for the empirical research project.

It should be noted that the Straussian approach is also applicable to studies that aim to build on, i.e. extend a substantive theory from prior research (Corbin & Strauss, 2015). In this case, Corbin and Strauss (2015) argue, existing concepts can be used as a point

of departure for generating new concepts and developing old ones. However, this requires that the researcher remains critical as to the fit of the previous theoretical model with the collected data (Corbin & Strauss, 2015). He or she should refrain from forcing a fit between the theory developed by prior research and the emerging data, and let go of concepts if necessary (ibid.). This feature of Straussian Grounded Theory is highly valuable to the research. As outlined in section 2.3, the study relies on basic tenets of institutional theory, as well as on Cantwell and colleagues' (2010) conception of MNE institutional engagement as an initial framework for investigating ECCs' interactions with the Chinese context in matters of CR. This is compatible with Straussian research guidelines, as long as the author remains alert to potential misfit with emerging data.

## **4.2. Data Collection and Analysis**

### **4.2.1. Research Process**

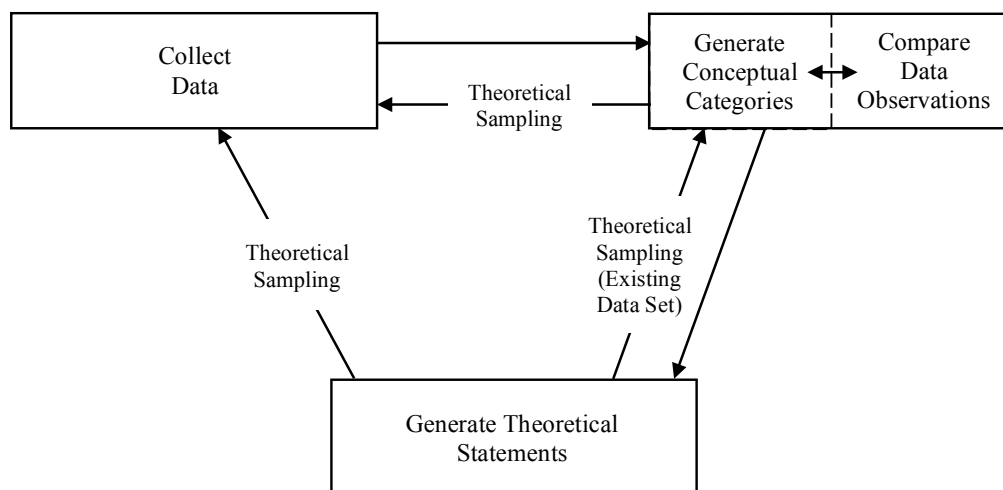
In line with Straussian Grounded Theory, the empirical research relies on a recursive process of data collection, data coding, comparative analysis and theoretical sampling (Corbin & Strauss, 2015; B. G. Glaser & Strauss, 1967; Myers, 2013; Thai et al., 2012). This means that data was collected and analysed to develop concepts; these concepts led the author to collect more data based on a theoretical sampling logic (see section 4.2.2); additional data was analysed, compared and contrasted with prior findings to generate more concepts and specify the evolving theory (Gibson & Hartman, 2013). This circular process, depicted in figure 5, was repeated until reaching the point of theoretical saturation (Corbin & Strauss, 2015; B. G. Glaser & Strauss, 1967; Myers, 2013; Thai et al., 2012). Hence, while the research began in a largely explorative fashion, data generation and analysis became more targeted as the study progressed, seeking to specify and verify findings uncovered at an earlier stage (Boeije, 2010). In other words, data collection and analysis were driven by the evolving theory (Locke, 1996).

### **4.2.2. Sampling**

The aforementioned "interactive-cyclical process model" (Strübing, 2014, p. 30) of Grounded Theory methodology also determined the sampling process. In Grounded

Theory, study subjects are not selected in an effort to compose a sample that is statistically representative of a general population (Flick, 2014). Rather, sampling occurs on the basis of relevance to the research (ibid.). This means that study subjects are selected based on the knowledge they can contribute to the study at a specific stage of the research process. Thus, Grounded Theory follows a theoretical sampling logic in which “concepts and not people, per se, [...] are sampled” (Corbin & Strauss, 2015, p. 135). This implies that data collection is not completed in a first stage of the research and followed by comprehensive data analysis (Flick, 2014). Instead, collected data is analysed and interpreted immediately, which serves to inform subsequent sampling decisions (ibid.). Hence, theoretical sampling in Grounded Theory is circular, cumulative and concept driven (Corbin & Strauss, 2015).

**Figure 5: Grounded Theory’s recursive analysis process**



Source: Based on Locke (1996, p. 240)

Following this logic, sampling for this study occurred in a gradual fashion. Neither sample size nor specific types of study subjects were predefined, but were determined over the course of the research process, thus giving the researcher the flexibility to sample cases according to evolving concepts (Corbin & Strauss, 2015). Based on the research focus and question, only the very basic criteria for sampling were predetermined. This is in line with Straussian guidelines, according to which sampling should remain unrestricted apart from identification of a general population and setting (Corbin & Strauss, 2015). Correspondingly, study subjects had to fulfil the following two basic criteria:

- 1) *Companies headquartered in Europe.* Since European businesses are the focus of this research, they were naturally defined as the general population for sampling. In specific, in order to qualify for participation, companies had to be headquartered in the EU. This is because, in spite of persistent national differences, numerous efforts have been undertaken by EU institutions to harmonize regulation in CR-relevant areas among member states (J. L. Campbell, 2007; Doh & Guay, 2006). Also, respective NGO structures and activities are increasingly centralized and standardized across the EU (Campbell 2007). Hence, it can be assumed that firms headquartered in the EU are subjected to similar requirements and standards in areas such as environmental protection, labour or human rights. Corresponding sampling was meant to ensure a comparable home country institutional background among case companies and reduce home country effects respectively.
  
- 2) *Local operations in China.* With China (PRC) being the geographical setting for this context-specific research, participant case companies had to be operating in the local Chinese context or had to have done so in the recent past. Past operations were included so as to account for CR-driven departure from China, which was considered a possible form of contextual engagement. ‘Local operations’ were defined according to the Uppsala model of internationalization (Johanson & Vahle, 1977; Johanson & Wiedersheim-Paul, 1975). Of the four consecutive steps distinguished by the model (1. no regular export activities; 2. export via independent representation; 3. sales subsidiaries; 4. production/manufacturing (Johanson & Wiedersheim-Paul, 1975, p. 307)), a minimum of step three internationalization to China was required for participation.

In line with the above-described theoretical sampling logic, cases and participants fitting these two general criteria were selected in an ongoing process based on their contribution to the research. Little attention was paid to consistency, statistical representativeness, or distribution (Corbin & Strauss, 2015; Thai et al., 2012). The evolving sample was to verify (or reject) developed concepts, shed light on their different properties and offer dimensional variation (Corbin & Strauss, 2015).

Sampling and data collection were concluded after studying 24 case companies. This was when the author established that theoretical saturation had been achieved. At this point, major categories were fully developed, showing variation and integration (Corbin & Strauss, 2015). Consequently, the author concluded that gathering additional data would add no further information on the properties of the empirically ‘grounded’ theoretical conceptualization and its categories (Charmaz, 2008).

#### **4.2.3. The Pilot Case**

At the onset of the research process, in final preparation of data collection, a pilot case study was conducted. This was to refine the research approach, design and data collection strategy, as well as to verify developed research instruments (Corbin & Strauss, 2015; R. K. Yin, 2014). Primarily, the author aimed to test the usefulness, fit and comprehensibility of the interview guide (see section 4.2.5), as well as her personal approach to the interview process, including interviewing techniques, use of technical language, level of interaction with the interviewee, etc.

The pilot case was selected based on the criteria of expediency and access, as suggested by Yin (2014). Being personally acquainted with the interviewee manager, the author hoped to obtain open feedback, thereby maximizing its value for optimizing research design and approach. Moreover, the pilot case interviewee had been living and working in China for several years, and was well connected in the local foreign business community. Hence, the author not only valued the participant’s knowledge of the Chinese business context, but also trusted the respondent’s assessment of the level of understanding regarding research topic and issues within the group of ECC managers. The pilot case company itself satisfied the basic sampling criteria outlined above. Headquartered in Germany, the firm had established a sales subsidiary in China and was in the process of launching local manufacturing activities.

The in-depth pilot interview was conducted via video conference (an on-site visit was arranged later on in the research) and lasted more than one and a half hours. It covered the entire interview guide, which had been sent to the participant prior to the interview. The topical part of the interview was followed by a feedback session, in which the



interviewee was given the possibility to comment on understanding of the research subject and questions, as well as on the author's personal interview approach.

The interview was transcribed and analysed immediately following the conversation. It provided a valuable initial set of data, which initiated the Straussian recursive research process. Moreover, based on the interviewee's feedback and the author's personal impression, several alterations were made to the interview guide. In specific, certain terms and formulations were adapted to increase the level of understanding. Also, minor changes were made to the choice of interview questions. Finally, the author used the feedback to improve her approach and techniques in subsequent interviews. Hence, the pilot study not only provided valuable information on the research subject itself, but was also helpful in enhancing the quality of research instruments and techniques.

#### **4.2.4. Case Companies**

Based on the above-described theoretical sampling logic and criteria, and the principle of theoretical saturation, the study covered a total of 24 case companies. Case companies were located in different Chinese provinces and operated in a broad array of industries. They also differed largely in terms of size, employing between less than 100 to more than 300,000 employees globally. Employee size in China ranged from under 20 to over 30,000. While some case companies had only recently established sales subsidiaries in China, others had been operating locally for decades, managing large-sized manufacturing facilities. An anonymised overview of all case companies is provided in appendix B.

#### **4.2.5. Data Sources**

Various data sources were used for this research project. Data triangulation allowed the researcher to collect rich, multifaceted data, so as to gain a 'fuller' picture of the CR approaches of European businesses in the Chinese context (Myers, 2013). Also, as argued by Eisenhardt (1989, p. 533), the use of multiple data sources was to "strengthen[s] grounding" of the evolving theory. Hence, triangulation of evidence enhanced confidence in the data and emergent theoretical concepts (Lewis-Beck,

Bryman, & Liao, 2004). The author triangulated in-depth interview data with data from observations made during field research in China, as well as with various types of supporting documents (see table 4).

**Table 4: Multiple sources of data collection**

Data Source	Details
Interviews	<ul style="list-style-type: none"> <li>• In-depth, semi-structured interviews with ECC managers in CR-related domains (remote and face-to-face)</li> </ul>
Observations	<ul style="list-style-type: none"> <li>• Observations of case companies' internal environment during on-site company visits in China</li> <li>• Observations of case companies' external environment during field trip to China</li> </ul>
Supporting documents (company-specific)	<ul style="list-style-type: none"> <li>• Information and publications on corporate websites</li> <li>• CSR and sustainability reports</li> <li>• Value and mission statements</li> </ul>
Supporting documents (other)	<ul style="list-style-type: none"> <li>• Documents and reports from business associations' and Chambers of Commerce's websites</li> <li>• Press articles</li> </ul>

Source: Author's depiction, based on Thai et al. (2012)

#### 4.2.5.1. In-Depth Interviews

The greatest contribution to the data pool was made by in-depth, semi-structured qualitative interviews. Since the objective of the research was largely exploratory, with a specific focus on investigating ECCs' (i.e. ECC managers') perceptions and attitudes, qualitative interviews seemed the most appropriate choice for data collection (Gray, 2009). The author opted for a semi-structured approach to interviewing. This gave the researcher sufficient flexibility to probe participants' views and opinions, and allowed respondents to elaborate on their answers (Gray, 2009). At the same time, the set of open-ended questions predetermined in the interview guide enabled the researcher to maintain a certain level of control, consistency and comparability, and ensured that common themes were covered (Corbin & Strauss, 2015). The list of questions included in the interview guide can be found in appendix A. It was compiled based on a prior review of literature, and thus related more or less explicitly to insights from political CR, international business, and institutional research (see section 2.1). For preparatory reasons, the interview guide was sent to participants prior to the interviews. It was joined

by a concise presentation of the research project to explain to interviewees the background, general topic, and procedures of the interview, and stress the confidential use of data (Gray, 2009).

The author opted for a ‘weak’ version of semi-structured interviewing in the sense that she did not cover the same questions in all interviews. Within the general thematic framework, she aimed at giving interviewees as much control as possible over the direction of the interview (Corbin & Strauss, 2015). By doing so, the researcher hoped to obtain rich insights, ‘grounded’ in participants’ own line of reasoning (Corbin & Strauss, 2015; G. Scott & Garner, 2013). Consequently, depending on the depth of information provided by the interviewee on certain topics, some questions included in the interview guide were dropped in favour of a more thorough investigation of others (G. Scott & Garner, 2013). This flexible, conversation-style approach to interviewing also allowed the researcher to follow up on concepts detected in preceding interviews, and to thus give priority to the evolving theory over rigid procedure (Corbin & Strauss, 2015). Over the course of the research process, adherence to the interview guide successively gave way to exploration and verification of emergent concepts (*ibid.*).

The broad definition of CR chosen for the purpose of the study (see section 2.1.1.1) matched the adaptable and explorative approach to interviewing. It gave the researcher maximum flexibility in surveying respondents’ perceptions of business’ responsibilities in the Chinese context, and allowed the author to adapt to interviewees’ individual levels of understanding of the CR topic. From the pilot interview and early discussions with (potential) respondents, the researcher learned that participants were not to the same degree familiar with the conceptual meaning of the abstract term ‘corporate responsibility’ and thus partly had difficulties making sense of certain questions. To mitigate this issue, CR-specific terminology was, for the purpose of the empirical research, partly substituted with associated topics that were more tangible for respondents and thus eased the flow of conversation. In the choice of auxiliary topics, the author relied primarily on the definition of core CR subjects as suggested by the UN Global Compact framework. UN Global Compact proposes ten central principles of CR that are clustered into four main areas, namely human rights, labour, environment, and anti-corruption (UN Global Compact, 2000). The author chose to concentrate primarily on an in-depth exploration of two of these focus areas, namely environmental protection

and labour rights. These topics were deemed particularly self-explanatory to interviewees and allowed the researcher to examine a sufficiently broad range of issues within the CR debate. Although the interview guide was developed accordingly, showing a special emphasis on environmental protection and labour rights issues (see appendix A), the author tried to avoid resorting to these auxiliary subjects whenever possible, e.g. in case of apparent familiarity of the interviewee with CR concepts and practice. In these cases, the researcher flexibly returned to the use of more general terms and issues within the CR debate, so as to be able to explore interviewees' understanding and sense-making related to the CR concept in the Chinese context. As argued above, this pragmatic and flexible approach to studying CR was backed by appropriate conceptualization and an 'umbrella-term' use of the concept (see section 2.1.1.1).

For each of the 24 case companies, the author conducted in-depth interviews with a minimum of one and up to three participants. All interviewees held a high-ranking managerial position and were key decision-makers in a CR-relevant area. By opting for interviewees in managerial positions, the author believed to obtain the most insightful first-hand information (Thai et al., 2012). In most cases, interviews were conducted with CEOs and general managers of the case companies' China operations. However, in order to gain more in-depth insights into specific CR-relevant areas, interview participants also included managers in the domains of HR, production management, finance and administration, CR, sustainability, as well as social and environmental affairs. Most interviewees were based in China. If this was not the case, the author ensured that the participant had sufficient knowledge of and exposure to the company's China operations. For more (anonymized) details on interviewees see appendix C.

Interviews took place between February and June 2016. They were conducted in English or German via telephone, video conference or face-to-face, depending on interviewees' preferences (as an exception, one interview was conducted in written due to the participant's personal unavailability). The timeframe set per interview was around one and a half hours. All interviews were audio recorded upon interviewees' explicit consent. This allowed the researcher to capture all the nuances of wording and meaning, and account for the full complexity of responses during the subsequent analysis process (G. Scott & Garner, 2013). The author chose to transcribe all interviews word-by-word. In doing so, she followed Gray (2009) and Patton (2014), who argue that full

transcription provides an ideal basis for a thorough and comprehensive qualitative analysis. In fact, a total of over 400 pages of full interview and observation transcripts allowed the author to go back and forth between the processed and raw data, and ensure a proper grounding of the emergent theory.

Interviewees were granted confidentiality. All information obtained on participant case companies and individuals was treated accordingly and anonymised for further use.

#### **4.2.5.2. Observations from Field Research**

Scott and Garner (2013) argue that when conducting interviews, the researcher must bear in mind that interviewees consciously or unconsciously filter their descriptions, and thus always provide 'biased' accounts. Hence, even though examining subjective perceptions was part and parcel of the research endeavour, the author chose to triangulate interview data with observations. This was to help discern potential discrepancies arising from interview data and enhance the author's understanding of what was said in the course of the interviews (G. Scott & Garner, 2013). Also, observations were to add supplementary information regarding the research context. Corbin and Strauss (2015, p. 41) state that "observations place researchers in the center of action where they can see as well as hear what is going on". Hence, observations were seen as an ideal way of adding valuable first-hand insights to the research.

Observations took place during a field trip to China, more specifically to Shanghai and Jiangsu Province in June 2016. In the course of this field trip, the author personally visited eight of the 24 case companies (see appendix D). Some of these visits included comprehensive tours of local production and manufacturing facilities. On the one hand, these company visits allowed the author to get in touch with other case company employees and informally cross-check, i.e. complement information obtained through formal interviews. On the other hand, on-site visits offered insightful information on the local company context. The author was able to experience case companies' local working environment, atmosphere, practices and conditions, and compare her observations to accounts given by the interviewees. Moreover, the field trip presented an opportunity to increase the author's knowledge and understanding of the broader

environment in which case companies operated. The author made interesting observations on infrastructural conditions, industrial circumstances, cultural and behavioural practices, etc. in firms' surrounding context, which fed into the research. Similar to information obtained from interviews, observation data was subject to strict confidentiality.

In line with suggestions put forward by the Straussian school of Grounded Theory, the author refrained from using an observational guide (Corbin & Strauss, 2015). This unstructured approach facilitated discovery and experience (ibid.). The author took notes on her observations, which were included into the data analysis process.

#### **4.2.5.3. Supporting Documents**

In addition to interviews and observations, the study relied on supporting documents for data triangulation. In particular, firm-specific, CR-relevant information from corporate websites, reports (e.g. CSR reports, sustainability reports), value, vision and mission statements, etc. was consulted to corroborate, supplement and thus strengthen findings from interviews and observations. By the same token, news and publications on CR-related topics and activities issued by local business associations and Chambers of Commerce, as well as relevant press articles were reviewed in support of case company analyses. Where applicable, information was included into data analysis.

Over the course of the research process, the author went back time and again to existing academic research to compare empirical insights with prior knowledge, enhance the level of theoretical sensitivity of evolving concepts, stimulate analytical questions, and confirm findings, as suggested by Corbin and Strauss (2015, p. 49). However, as outlined in section 4.1.5 above, prior research was not used to derive concepts and assumptions, but rather to support the development of emerging constructs.

#### **4.2.6. Coding**

As described above, data analysis in Grounded Theory is an ongoing, recursive process (Locke, 1996). It relies on coding (defined as a manner of “denoting concepts to stand

for meaning” (Corbin & Strauss, 2015, p. 57)), conceptualizing, and categorizing data, with the objective of generating theory (Corbin & Strauss, 2015). Data is analysed continuously, so as to inform subsequent sampling and data collection (ibid.). The sections below shed light on how the individual coding steps were performed in this study. In her procedural approach, the author closely followed Straussian Grounded Theory guidelines as outlined by Corbin and Strauss (2015), and especially the *modus operandi* suggested by Thai, Chong and Agrawal (2012).

Data analysis was carried out using MAXQDA qualitative analysis software. A total of over 400 pages of full interview and observation transcripts was fed into the software and analysed as described subsequently. This data was supplemented by additional information obtained through supporting documents. The use of software offered valuable support to the researcher as it facilitated handling and organizing the large amount of qualitative data collected; offered structure, clarity and transparency to the research process; and added flexibility to data analysis (Corbin & Strauss, 2015). It could, however, not assume the discovery-related and creative aspects of the research process, which are crucial to qualitative analysis, and remain a central task of the researcher (ibid.).

#### **4.2.6.1. Open Coding**

At the onset of the research process, following Straussian Grounded Theory guidelines, raw data was examined through open coding. The objective of open coding is to uncover concepts and conceptual categories behind the collected information (Thai et al., 2012). To this end, the author conducted a detailed analysis of interview and observation transcripts. Transcripts were broken down into logical sections, which were analysed paragraph-by-paragraph and line-by-line based on an exploratory, inductive approach in an effort to identify concepts (Corbin & Strauss, 2015). Emerging concepts were assigned a conceptual code (based on abstract conceptions) or an *in-vitro* code (based on respondents’ actual wording), which was an abstract representation of their meaning (Thai et al., 2012). These codes were by no means definite but were continuously renamed, refined and trimmed down as the research progressed and redundancies

became apparent (ibid.). Table 5 offers an example of how codes were identified during open-coding.

The author then proceeded to look for conceptual patterns. Codes representing a property or specification of another code were assigned to this code accordingly, thereby creating groups of concepts and hierarchical relationships among them. Through this process, superior codes were made into categories, meaning “higher-level concepts” (Corbin & Strauss, 2015, p. 76). These categories encompassed various lower-level concepts, describing their properties and dimensional variation (Thai et al., 2012).

**Table 5: Exemplified open coding procedure**

Case company	Line #	Passage from full interview transcript (translated)	Line-by-line coding	Paragraph coding	Code memo
CC 13	83	<i>“we normally try to join forces with others and act collectively as a group of [foreign businesses]”</i>	Collective Lobbying	Collective co-evolution	Under the conditions of pronounced state dominance and restricted, i.e. lessening ECC influence over political processes and actor, ECCs opt for collective lobbying. They believe collective efforts to be more promising than individual attempts.
	84	<i>“this generally has more impact than trying to act as a single firm”</i>	Prospects of collective lobbying		
	85	<i>“the impact of our corporation in China should not be overstated [...] we might not have the weight we are being ascribed to”</i>	ECCs’ (collective) political influence		

Source: Author’s depiction, based on Thai et al. (2012)

#### 4.2.6.2. Axial Coding

The definition of concepts and categories through open coding was followed by axial coding. Axial coding focuses on examining how categories relate to their subcategories (i.e. their properties and dimensions), and how different categories relate to one another (Corbin & Strauss, 2015; Goulding, 2002; Thai et al., 2012). In specific, during this phase, the author studied the causal conditions, contextual influences, intervening conditions, (interactive) processes and consequential effects that interlinked the concepts identified through open coding (Punch, 2014). In short, axial coding created an understanding of how and why observations were interconnected with each other



(ibid.). In this phase, codes were categorized and subsumed under ever more abstract, higher-order concepts with increased descriptive and explanatory power (Thai et al., 2012). The final code hierarchy including all categories, sub-categories and concepts is outlined in appendix E.

During the process of axial coding, memos played an important role. Memos, simply defined as “written records of analysis” (Corbin & Strauss, 2015, p. 57), were continuously created throughout the research process to capture the researcher’s analytical thinking and conceptual brainstorming. The author went over memos, raw transcripts and codes time and again, asking questions of the data (*why, where, by whom, how, with what result, etc.*) and making comparisons so as to grasp the essence of underlying relationships.

#### **4.2.6.3. Selective Coding**

In this final phase of the Straussian research process, the author intended to integrate the different categories for theory building purposes. Corbin and Strauss (2015, p. 187) define integration as the process of “linking categories around a [...] core category to form theory”, with the core category being “a concept that is sufficiently broad and abstract that summarizes in a few words the main ideas expressed in the study”. Hence, the selective coding phase was all about discovering a core category and shedding light on its relationship with all other categories (Thai et al., 2012). In order to achieve this objective, the researcher made use of memos and diagrams, as suggested by Corbin and Strauss (2015). She went back and forth between the data, her written and graphical records and prior literature to come-up with a well-thought, comprehensive theoretical conceptualization ‘grounded’ in the collected data. Selective coding did, however, not take place at the end of the research process only. In line with the recursive research approach, theory development began early on in the research and was gradually refined as the study progressed until the point of theoretical saturation was reached and all categories including the core category were fully elaborated.

The emergent core category of this study was labelled ‘co-evolutionary adaptation’. It represents the overriding theme of the research findings on ECCs’ engagement with the

Chinese context in matters of CR, and covers, i.e. integrates all the relevant categories and concepts developed in the course of the study. The core category will be described along with the new theory in chapter 6.

### **4.3. Validity and Reliability**

Corbin and Strauss (2015) make a case against the use of the terms *validity* and *reliability* when discussing qualitative, in particular Grounded Theory research. To them, these terms are too closely associated with quantitative research and carry too many implications and expectations respectively. Following Glaser and Strauss (1967), as well as Lincoln and Guba (1985), Grounded Theorists argue for referring to the term *credibility* instead, defining it as an indication “that findings are trustworthy and believable in that they reflect participants’, researchers’, and readers’ experience with phenomena” (Corbin & Strauss, 2015, p. 346). At the same time, the argument goes, *credibility* accounts for the idea that “the explanation the theory provides is only one of many possible ‘plausible’ interpretations from data” (ibid.). In line with this reasoning, the researcher acknowledges that the results of this study cannot be valid in that they offer an accurate representation of ‘reality’ in the statistical sense. Also, in light of the interpretative nature of the theory development process, the author is aware that reliability, i.e. reproducibility is subjected to the way in which raw data is interpreted. Therefore, there is no way guaranteeing that the analysis of the given data set under consistent conditions will always produce identical replications of the theoretical findings put forward in this study (for more details see section 7.2 on the limitations of the research).

Statistical validity and reliability are, however, neither the author’s claim nor her intention. Founded on the principles of critical realism, and based on subjective data sources and interpretative methodology, the study specifically intends to understand the complex, context-specific meanings that are given to ‘reality’, and advance theory accordingly. Therefore, the author embraces Corbin and Strauss’ (2015) view on validity and reliability in Grounded Theory research. Hence, instead of aiming for reliability and validity of measurement, the focus was placed on whether resulting

interpretations were plausible and retraceable, and whether they truly reflected the subjective experiences of ECCs within the Chinese context for CR.

Several measures were taken to enhance the trustworthiness of findings regarding ECCs' subjective experiences with the Chinese CR environment. Special attention was placed on reducing bias in the data collection process. This referred to bias caused both by the researcher herself, and by participants, whose accounts possibly deviated from their actual experience (Flick, 2014; Gray, 2009; G. Scott & Garner, 2013). Following Thai et al. (2012) and their responses to issues defined by Yin (2003), the author employed the following tactics:

- 1) To mitigate response bias in interviews, the author relied on triangulation of interview data with observations and supporting documents. The use of multiple data sources contributed to verifying accounts given by interviewees.
- 2) To avoid inaccuracies based on poor recollection of interview content and observations, interviews were audio recorded and transcribed word-by-word. Also, notes were taken on observations.
- 3) To reduce bias due to poor construction of interview questions, the initial interview guide was crafted based on a thorough review of literature and refined after the pilot interview.
- 4) To avoid that interviewees responses reflected what the interviewer wanted to hear, the interview guide was sent to respondents prior to the interview. This allowed participants to reflect on their answers without the author's interference. Also, during the interviews, the interviewer did interfere as little as possible with the respondents' line of reasoning but was anxious to let them talk freely.

To ensure that theoretical outcomes and interpretations were plausible and retraceable, close attention was paid to construct validity (Dey, 2007). The author made sure that findings were well-grounded empirically and conceptually, and that methods were applied appropriately (Dey, 2007; Flick, 2014). In particular, the following precautions were taken:

- 1) To ensure that methods were applied properly, the author closely followed Straussian Grounded Theory guidelines as outlined by Corbin and Strauss (2015), and Thai et al. (2012). This was supported by the use of MAXQDA analysis software, which encouraged a diligent, disciplined and systematic approach to the analysis (Dey, 2007).
  
- 2) To safeguard empirical and conceptual grounding of the evolving theory, emergent concepts were continually compared to raw data and prior research. Moreover, theoretical sampling and evolving interview questions helped ensure that data collection was aligned with theory development. By collecting data until the point of theoretical saturation was reached, the author made sure that all relevant aspects were covered. Finally, data triangulation allowed the researcher to observe empirical findings from different angles, thus further raising their empirical grounding and relevance.

In spite of these measures and precautions, several methodological limitations could not be mitigated entirely. They are outlined in section 7.2 as part of the limitations section. However, in the majority of cases, these methodological restraints are regarded by the author as inherent consequences of a Grounded Theory approach. Believing in the overall appropriateness and usefulness of this methodological choice, the author accepts respective limitations and trusts that adherence to Straussian guidelines has facilitated plausible interpretation of the data at hand to create a credible and valuable theoretical framework.

## 5. Description of Findings

The present chapter describes the research findings of the 24 case company observations conducted and analysed under Straussian Grounded Theory guidelines (see chapter 4). By using not only descriptive language but relying on direct quotes from interviewees too<sup>24</sup>, the author aims to give case company representatives as much voice as possible. This is to convey to the reader a vivid impression of ECCs' line of reasoning and underpin the author's description of the data at hand. As specified in chapter 4, research findings have emerged from the data in an inductive fashion and have been confirmed over the course of the research. Hence, they represent general observations on ECCs' perceptions of the Chinese context for CR and their engagement with it<sup>25</sup>.

The chapter is organized along and aims at exploring the two sub-research questions presented in chapter 2.2. Section 5.1 is concerned with Sub-RQ1: *How does the Chinese context impact ECCs' local CR approaches?* It looks into the contextual elements that are of relevance to ECCs' CR activities in China, and describes firms' assessment of the impact of these contextual features on their actual CR approaches. The objective is to create an understanding of the rationales that drive ECCs in their decisions on how to engage with Chinese institutions for CR. Thus, section 5.1 prepares the ground for subsequent section 5.2, which outlines the findings of the research on ECCs' reactions to the specific contextual circumstances of CR in China. In doing so, section 5.2 aims at answering Sub-RQ2: *How do ECCs respond to the Chinese context in matters of CR?*

Together, the two sections form the basis for the investigation into the overall research question: *How do ECCs engage with the Chinese context concerning matters of CR?*, which will be addressed in chapter 6. The findings described hereafter will be used to put forward a new theoretical framework explaining ECCs' CR-related engagement with Chinese institutions. Hence, while this chapter provides a purely descriptive account of the research findings, the model introduced in chapter 6 offers a comprehensive interpretative abstraction respectively.

---

<sup>24</sup> Direct quotes are based on the word-by-word transcripts of interviews as outlined in section 4.2. In case interviews were conducted in German, original quotes have been translated by the author.

<sup>25</sup> The results paint a generalized picture of ECCs' perspectives and approaches, obtained by systematic adherence to Straussian Grounded Theory research procedures as outlined in chapter 4.

## 5.1. The Impact of the Chinese Context

This section describes the research findings regarding the impact of the Chinese context on ECCs' CR approaches. It looks into the institutional features and conditions that ECCs deem relevant to their CR-related choices, and examines the way in which these contextual factors influence their local CR policies and practices. In doing so, the author aims to answer Sub-RQ1: *How does the Chinese context impact ECCs' local CR approaches?* Based loosely on the institutional structure proposed by Scott (2008) (see section 2.3.1), the description of findings revolves around four central themes that have emerged over the course of the research process, namely the state (section 5.1.1), the non-governmental environment (section 5.1.2), society at large (section 5.1.3) and the local business environment (section 5.1.4). Finally, concluding section 5.1.5 summarizes relevant findings, thereby answering Sub-RQ1.

### 5.1.1. The State

#### 5.1.1.1. The Regulative Framework

The results of the presented research show that ECCs perceive a marked increase in government attention to CR-related issues such as environmental protection, or occupational health and safety. Following their assessment, this is based on central government's proclaimed endeavours to shift focus from strictly growth-oriented to more sustainable economic objectives, which ECCs deem serious and credible. To ECCs' understanding, changing political priorities are rooted in government's "realization that what has worked in the past does not work anymore" (ManA, CC18<sup>26</sup>). In this context, ECCs suggest that corporate misconduct has been heightening the pressure on government to push for increased attention to the field of CR. Also, they perceive a pronounced political ambition for socio-economic advancement, which translates, among others, into amplified efforts to foster the national CR agenda.

For ECCs, the credibility of central government's endeavours is underscored by de facto "tightening of the screws" (ManA, CC8) in terms of regulative benchmarks in CR-

---

<sup>26</sup> Interviewees are cited anonymously, with 'CC + number' indicating the number of the case company and 'Man + A/B/C' marking the interviewee manager within the firm. A list of all case companies and interviewees can be found in appendices B and C.

related fields. According to ECCs' account, stricter legislation is felt particularly in the fields of environmental and labour protection; a development that is underlined by the following account of ManA of CC6: "Until two years ago, we were a model plant. We were praised for our emission levels that were below any critical value. Government came to visit us and everyone was enthusiastic about our performance. Then, two years ago, new emission limits were introduced and suddenly we even had to invest in a new extraction system to meet the requirements. This is how extreme the regulative adaptations have been". As a result of recent legal tightening, ECCs note that contemporary Chinese environmental and labour stipulations converge with, if not surpass regulations in their home countries of operation. ManA of CC1 for instance states that "there are cases showing that companies adhering to German standards, which to my understanding do not cause any environmental problems at all, are facing problems here in China. That's how strict local stipulations are". Similarly, with regard to labour law, ManA of CC4 puts forward "in some cases, such as for instance in matters of dismissal protection, Chinese law is even more severe than German labour law".

With regard to the effectiveness of these regulative measures, research results reveal that ECCs do believe in the long-term effects of government activity. They are convinced that central government's credible pursuit of environmental and social targets will, due to the state's pivotal position in China's institutional configuration, stimulate a "march towards higher environmental and social standards" (ManA, CC13). However, as will be discussed in section 5.1.1.4 below, ECCs are doubtful as to the short-term value of central government's political undertakings in the broader field of CR.

#### **5.1.1.2. Government Attitude Towards Foreign Investment**

According to the research results, ECCs notice that a change in government attitude towards foreign investment has taken place over the course of the past decade. While foreign firms were once welcomed as "economic saviours" (ManA, CC15) and treated as "kings, who could do whatever [they] wanted" (ManA, CC2), ECCs feel that Chinese government has today become much more confident in its dealings with foreign firms. With China's progressing economic development, dependence upon foreign investment has lessened, resulting in ECCs' decreased leverage over political actors and decision-

making. According to ECCs, this holds true particularly in economically prosperous urban regions, where dependency upon individual firms has lowered significantly.

With government's growing self-confidence and economic independence, ECCs feel that they are given less leeway in CR-related matters. On the contrary, they state that government is imposing ever stricter CR requirements on them in return for access to the Chinese market. ECCs report that, at least in economic hubs such as Shanghai, this is culminating in a complete rejection of further foreign investment in sectors deemed 'dirty' or 'dangerous'. ManA of CC3 for instance reports that his company's expansion project to build a welding shop in a Shanghainese area recently declared an 'ecological zone' has been rejected by local government for reasons of environmental protection. This example underlines ECCs' perception that government's aim to attract foreign investment 'at any cost' is increasingly giving way to sustainability objectives.

Following ECCs' account, government's firmer attitude towards foreign investment is firstly due to a protectionism of domestic companies. However, most importantly, ECCs believe that government expects foreign firms to play a leading role in its technological and sustainability agenda. ECCs suggest that the state is highly interested in "learning lessons from [their] development" (ManA, CC19) and using them as benchmarks for domestic advancement. ECCs contend that this 'pioneer role' that government ascribes to foreign, particularly European firms comes with increased regulative expectations in the field of CR. However, the research suggests that the state's consideration of foreign firms in its plan to promote China's CR development goes beyond mere regulative scrutiny. ECCs are under the impression that government is eager to study foreign firms' approaches in fields adjacent to CR and take into account key learnings when crafting respective policies and regulation. They are convinced that governments at different institutional levels pay close attention to their practices, for instance in the fields of environmental protection or labour safety management, so as to increase their knowledge and expertise respectively. As ManA of CC23 puts forward, government is highly attentive to "what [Western firms] are doing and how they are doing it".

This government approach is not restricted to passive observation of ECC conduct, but also includes active consultation. ECCs report being invited by government authorities to attend formal consultation committees and address their concerns and advances, so



as to add to the policy-making process. On a national or even regional level, this pertains primarily to large-scale MNEs. However, at the local level, interview results show that smaller firms, too, are invited to participate in respective consultations, particularly when operating in industries of strategic relevance to government. With regard to the broader field of CR, ManA of CC18 for instance speaks of small and medium-sized firms in the environmental technology sector that are being addressed specifically to confer with government on potential solutions to China's environmental crisis.

### **5.1.1.3. Government Authority**

Research results stress that ECCs perceive Chinese government as the dominant figure in current CR developments in China. Government is not only generally seen as the most powerful player in the Chinese context, it is also believed to be the main driving force behind China's evolution towards greater attention to CR. From an ECC perspective, this role is intended by Chinese authorities themselves, who "want everything to be under their control [...] and want [...] companies to conduct C[S]R under their guidelines" (ManA, CC23). Yet, ECCs state that government's pivotal position is also supported by Chinese society, whose pronounced reliance upon the state creates an "it's up to the state to deliver" attitude (ManA, CC7). Under these conditions ECCs note that "the state remains the top dog, there's nothing one can do about it" (ManA, CC22).

Local governments are believed to play a particularly important role. Generally, ECCs state that they depend heavily on local government support, e.g. for clarifying regulative issues, obtaining business and manufacturing licenses or land purchase permits, cutting 'red tape', etc. Therefore, interviewees emphasize that 'knowing the right people' in local government and entertaining close and positive relationships with local officials is vital to ECCs' local business success. Depending on the locality, this reliance is thought to be mutual. ECCs operating in smaller cities in which foreign firms dominate the local investment landscape (e.g. Taicang in Jiangsu province) state that local governments are equally dependent on them. Here, local governments are "tied to foreign firms, for better or for worse" (ManA, CC12) and thus prove generally supportive of ECCs and their initiatives. Consequently, in these localities, the rapport between ECCs and local authorities is described as a "give and take relationship" (ManA, CC24), in which ECCs

expect local governments to show support in return for their local business. In large cities, such as Shanghai or Beijing, ECCs generally feel less actively supported by local authorities, lamenting “a lack of considerable interest” (ManA, CC8) in their concerns and a reduced willingness among officials to compromise in return for foreign investment.

Due to the authority and importance attributed to government, both at the central and local level, ECCs affirm that they are generally concerned with maintaining government goodwill and securing positive, cooperative relationships. They emphasize the need to avoid any sort of affront or quarrel with authorities, fearing negative consequences for their local business activities. As ManA of CC7 states: “These are the local rules of the game. If you follow them, you are welcome. However, if you disregard them, then you will come to regret it on the long run. [...] You don’t stand a chance against this apparatus, not even given the perks of being a foreign firm”. According to ECCs’ assessment, the major ‘rule of the game’ is not to offend government authorities by addressing topics deemed sensitive or inappropriate by government, but “follow the [line of the] Communist Party” instead (ManA, CC23).

#### **5.1.1.4. Regulative Enforcement**

With regard to regulative enforcement, research results confirm government’s use of both incentives and deterrents to promote implementation of CR regulation. On the one hand, ECCs state that authorities use positive pressure to foster the realization of CR-related measures. They report that prizes and awards are given to so-called ‘benchmark factories’ that perform particularly well, for instance in the field of environmental protection or occupational safety. Several case companies affirm having become such benchmark factories and being showcased by local governments in an attempt to facilitate enforcement among other local firms and attract further foreign investment. As ManB of CC10 describes: “Government is using us to attract more foreign investment. They have been showing off our company’s excellent work and are using us to show local companies how to improve their environmental protection standards”. ECCs also state that this special status is beneficial to their relationship with local officials, who are proving more supportive of ‘high performers’.

On the other hand, ECCs also report being under increasing government control regarding their implementation of CR-related regulation. They are subject to regular government audits and inspections respectively. According to ECCs' account, these inspections are becoming ever more frequent, taking place both announced and unannounced several times per year under the authority of different government agencies, depending on the subject under scrutiny. ECCs report that several CR-relevant areas, such as for instance occupational health and safety, overtime regulation, water and air pollution, etc. are part of routine checks and subject to follow-up inspections. In some cases, public authorities are even reported to resort to online monitoring, thereby having direct access to firms' internal measuring devices and relevant company data.

The research indicates that ECCs enjoying a positive reputation with local authorities, such as aforementioned 'benchmark factories', are under less government scrutiny. To their account, a positive past performance and good relationships with local officials enhance government's trust in their CR performance, which in turn reduces the number of and mitigates the rigour of inspections. ManB of CC10 for instance reports that local authorities "come and visit us maybe once a year. Other companies receive maybe three or four safety audits or environmental inspections per year [...]. I think if we were less successful and if we had not become the local benchmark factory, government would impose higher inspections and control us more strictly."

With regard to the consequences of uncovered wrongdoing, ECCs are convinced that in case of severe violation, authorities would go as far as shutting down the offender in question. Although none of the interviewed companies has experienced such an imminent threat first-hand, research results suggest that they are fearful of this possibility, believing that "in the end, a government like this makes it very clear that you cannot do as you please. Otherwise they will just throw you out, without thinking twice" (ManA, CC6). Meanwhile, in case of minor offence, ECCs state that regulative consequences tend to be benign and negotiable: "Of course there are penal provisions. But if anything smaller comes up you can, as usual in China, normally cooperate with government to find a suitable solution" (ManA, CC1). If fines do come into effect, they are largely considered mild: "A couple hundreds of Euros [...], nothing we couldn't live with", ManA of CC2 ascertains. Moreover, ECCs contend that offenders are normally

allowed to rectify uncovered issues as long as they prove cooperative towards authorities and “see to it that some adjustments are made” (ManA, CC1). Yet again, ECCs emphasize the importance of maintaining close relationships with local officials.

However, the research also finds that ECCs observe a number of systematic deficiencies that hamper the overall enforcement of CR-related laws and regulations. Firstly, ECCs note the well-established issues of bribery and corruption. ManA of CC8 summarizes: “There is a lot of corruption going on in this area [i.e. environmental and labour legislation], meaning that companies that bypass regulation often ‘motivate’ local authorities charged with inspections to turn a blind eye”. This is seen as one of the main impediments to the effectiveness of environmental and labour regulation in China, “because it is precisely those companies that use corruption to escape inspections that tend to be the worst offenders” (ManA, CC1). Following ECCs’ account, this situation is reinforced by a widespread conflict of interest between central and local governments, with the latter having to balance central CR provisions against local economic interests. In addition, ECCs also observe a lack of knowledge, capacity and competence in the field of CR among local governments. They lament the absence of technical know-how, practical understanding and education in CR-relevant matters, as well as insufficient monitoring personnel, arguing that “without competence at the local level, regulations cannot be monitored and enforced” (ManA, CC15). Hence, ECCs discern a situation in which even those local governments that appear to have realized the necessity for CR-friendly change tend to be incapable of actually inducing it “because they simply don’t know *how*” (ManA, CC24). ECCs blame the lack of expertise at the local level for a series of ineffective measures and absurd situations that stand in the way of expedient regulative enforcement. To quote a practical example, ManA of CC6 reports of a case where local companies were mandated to dispose of their waste oil and were subject to severe government control accordingly. However, to the interviewee’s account, the total amount of waste oil disposed of by local firms exceeded locally available public disposal capacities, thus putting firms in an impossible position. This example stresses aforementioned regulative deficiencies, which lead ECCs to doubt the overall efficiency of what they generally perceive to be a broad and elaborated regulative framework.

Yet, as far as ECCs themselves are concerned, the research points out a rather effective legal regime. ECCs suggest that they are under considerable scrutiny from government

to enforce environmental and labour regulation, much more so than domestic firms. ManA of CC21 for instance confirms that “in our case, [local government is] indeed implementing existing regulation to the point”. As a corollary, ECCs perceive a pronounced level of regulative discrimination in the sense that they believe foreign firms to be controlled much more frequently and strictly than their Chinese counterparts: “In principle, there shouldn’t be a major difference [in enforcement]. But in reality, there is a discrepancy. I would say that there is much more regulative relaxation towards local companies than towards foreign firms. In setting the standard for foreign firms, they [government authorities] are particularly strict” (ManA, CC10). This selective enforcement of the law in which foreign firms “are expected to go the extra mile” (ManA, CC11) leads to a double-standard, which, as exemplified by the following statement, is perceived by ECCs as a major competitive disadvantage: “We lament that as foreign firms [...] we have to invest a lot of time and money into adhering to the law. Meanwhile, you just have to drive half an hour to find Chinese companies that openly discharge their waste water into the river in their backyards” (ManA, CC1).

### **5.1.2. The Non-Governmental Environment**

#### **5.1.2.1. NGOs**

In general, the research reveals that ECCs currently consider domestic Chinese NGOs neither as important players in China’s overall CR development, nor as relevant to their own CR approaches. According to the interviews, ECC managers are aware of some burgeoning NGO activity in fields relating to CR. However, their knowledge is mostly based on media reports and not on first-hand experience (e.g. ManA, CC13: “I have recently read an article on the exponential growth of local NGOs in China”; ManB, CC5: “Actually, we hear from it in the media”). If anything, ECCs report noting some small-scale activity in their immediate surroundings, which they assess as evidence of a nascent societal awareness of CR-related issues and some ‘grass-root’ civil society development. Also, some large-scale ECCs report being under observation from officially-recognized NGOs, such as government-sanctioned environmental NGOs (see section 3.3.2). According to the research, this is, however, the exception. For the vast majority of interviewees, NGOs have no direct impact on their business activities or

CR-related choices in China. As ManA of CC3 puts forward: “In China, we don’t experience any sort of direct NGO activity at all”.

ECCs attribute the lack of substantial domestic NGO activity to the fact that “such organizations are not tolerated by government” (ManA, CC2); a situation that is perceived to worsen under China’s current regime. “The delicate plants that have emerged over the past years are now being cut off again”, ManA of CC7 confirms to that effect. As a consequence, ECCs are convinced that “it will still take a long time for non-governmental organizations to have a significant impact in China” (ManA, CC4) and do thus not expect any major pressure from domestic NGOs any time soon.

ECCs’ awareness of government’s restraint of NGOs also influences their behaviour towards such organizations. Insights from the study suggest that ECCs generally refrain from engaging with Chinese NGOs for fear of negative implications for their local business activity. In this context, ManA of CC1 argues that one should “think twice” before reaching out to domestic NGOs. The interviewee manager reasons that “if you get better acquainted with the circumstances in China, you will quickly realize that this is considered an affront by Chinese government, which is why I don’t think it wise [to establish contact with Chinese NGOs]”. This statement underlines that ECCs do not only assess NGOs’ impact on their CR activities as limited. They also largely distance themselves from such organizations so as to reduce political risks.

This does not mean that NGO activity is altogether irrelevant to ECCs’ business conduct and CR choices in China. ECCs state that international organizations and foreign, i.e. home-country NGOs do indeed have an impact on their corporate behaviour and CR-related policies. This includes organizations operating out of Hong Kong, which are reportedly acting with increased confidence in China. However, as far as pressure from domestic actors is concerned, the research finds no empirical evidence in support of a significant impact of NGO activity on ECCs’ CR conduct.

### 5.1.2.2. Labour Unions

According to the research results, labour unions are not generally represented in small- and medium-sized ECCs. However, most larger-scale ECCs do report labour union activity in their China operations. Yet, ECCs agree that Chinese labour unions are by no means comparable to their European equivalents. ECCs highlight in particular the political character of labour unions, which, to interviewees' understanding, renders them de facto "representatives of state interests, or simply speaking one of the Party's organs" (ManA, CC12). Consequently, ECCs do not regard labour unions as true representatives of employee interests, but rather as political instruments ensuring the realization of government objectives at the firm level. Moreover, ECCs emphasize that "effective communication between employers and employees is impaired severely by restrictions on collective bargaining and freedom of assembly" (ManA, CC13). This leads ECCs to contend that government's control of labour unions represents an inherent impediment to actual 'employee representation' in the European sense of the word.

Partly due to political interference, ECCs note that labour unions take on a rather passive role and are mostly "dedicated to somewhat soft issues" (ManA, CC8). ECCs report that employee representatives, if existent, are mostly preoccupied with matters of little strategic or operational relevance. To put it in ManA of CC14's words: "It is not [...] co-determination as we know it. It is primarily about having some sort of committee that takes care of activities that are beneficial to employees [...], such as company outings, family days and such things. That means it is not so much about interfering into governance or management control". By the same token, ManA of CC15 refers to labour unions as mere "sponsors of firm events", thereby underlining the reduced impact of employee representatives on ECCs' business operations in China. Based on these arguments, ECCs put forward that labour unions and workers' councils carry limited weight, and are thus of little organizational relevance to their China operations. Hence, the research suggests that ECCs generally perceive little to no pressure coming from these organizations in matters of CR.

However, it shall be noted that ECCs believe this situation to be at least partly due to their firms' positive human resources performance. Interviewees state that they do occasionally observe events of organized industrial action and strikes, mostly in

domestic or non-European foreign firms. They argue that “such things surface where real deficiencies exist. [...] If companies really misbehave and have inhumane expectations towards their workforce, [...] such pressure does arise more quickly” (ManA, CC6). Nevertheless, in their cases, ECCs report that labour unions “have never been a major topic” (ManA, CC3).

### **5.1.2.3. Business Associations**

Research findings indicate that the bulk of ECCs is actively involved in different kinds of business associations. Firstly, many ECCs confirm seeking cooperation with other foreign firms. The survey shows that at the local level, such cooperation takes on the form of semi-formal associations among foreign firms, often among companies of the same national background. These associations are formed on the initiative of local ECCs, i.e. ECC clusters. In Taicang for instance, a city in Jiangsu province and one of the locations visited by the author during her field trip to China, more than 200 German firms have settled over the past 20 or so years. Many of these companies are members of the so-called ‘Taicang Round Table’ (TRT), a local association of German firms that acts both as an organ of information and support to its members, and as a “bridge into government” (ManA, CC6). On the one hand, it provides a platform for German ECCs to acquire knowledge and exchange experiences. To that effect, workshops and meetings, among others on CR-relevant topics, are being organized on a regular basis to “discuss the difficulties and problems” (ManA, CC19) faced by the local ECC community. On the other hand, it allows in particular smaller firms “to take advantage of the TRT’s direct access to government” (ManA, 20). As ManA of CC20 puts forward: “As a single German company, unless you are one of the really big ones, you can’t get in touch with [high-ranking local government officials] so easily. [...] And this is why many [local companies] are using the TRT [...]. The TRT has been entertaining good relationships with local government for a long time now. Therefore, we can just go ahead asking ‘Mr. mayor, what about this and that?’”. From her discussion with various members of the TRT and her personal meeting with its chairman, the author learned that CR-relevant questions, mostly pertaining to questions of environmental protection, frequently form part of the TRT’s agenda. The research reveals that Taicang, albeit being a special case due to its large population of same-nationality companies, is not



unique in its association among foreign businesses. Similar local associations also exist in other localities with sizeable ECC communities.

At the next-higher level, that is at the regional and supra-regional level, the research shows that Chambers of Commerce, both national and European, perform a similar task, yet under a more official framework. Partly in cooperation with local associations such as the TRT, the European Union Chamber of Commerce (EuCham) or its national counterparts provide China-specific knowledge and information to their member companies, and collect information on grass-root problems and issues to be introduced into the political debate. Here, ECCs state that they are given the possibility to participate in working groups and “team up to vet [their] anger” (ManA, CC24) in an organizational context that is believed to “have an impact on political processes and the economic system” (ibid). Information collected among member firms finds its way into political consultations, reports and publications. As ManA of CC14 confirms: “They [i.e. Chambers of Commerce] are also extremely active in Beijing, where they try to position issues accordingly”. Topics cover “everything that is of relevance to the local [ECC] business community” (ManA, CC8), including matters related to the CR debate.

It shall be noted that the research observes an escalation mechanism between these different levels of ECC representation. According to the research findings, issues that cannot be solved at the local or regional level, or are of trans-regional relevance can be transmitted to higher-level organs. With regard to the TRT for instance, interviewees report that problems exceeding TRT’s competences are often referred to regional Chambers of Commerce. These associations will in turn pass on issues of general relevance to political representatives at the national level, who “will put pressure on Chinese government at the very top” (ManA, CC22). This shows that ECCs believe the cooperation of different levels of representation to allow for an escalation of issues throughout the ranks of China’s politico-economic system.

Furthermore, the study shows that many ECCs are members of Chinese industry associations. Thus, their involvement in business associations is not restricted to cooperation among foreign firms. ECCs confirm that the objective of such activity is similar to rationales mentioned for participation in ECC associations, namely to exchange information both horizontally (i.e. among member firms) and vertically (i.e.

with government). As ManA of CC8 puts forward, industry associations allow ECCs to “place [CR-relevant] topics and bring them forward time and again” (ManA, CC8). By introducing CR-related issues into the debate, ECCs hope to “exert influence” (ManA, CC17) both on policy-makers and the Chinese business community. More information on the use of such collective channels will be provided in the second part of the chapter in section 5.2.

### **5.1.3. Society at Large**

#### **5.1.3.1. Awareness of CR Issues**

With regard to Chinese society, ECCs continue to generally notice “a limited appreciation of the individual and of natural resources” (ManA, CC13). Nevertheless, they also observe a gradual shift towards a growing consciousness of matters related to CR. ECCs suggest that mainly among the younger generation in the more developed urban regions “awareness becomes more and more visible” (ManA, CC4), making for an “ever more critical Chinese population” (ManA, CC14). ECCs observe that Chinese society is “increasingly reflecting the status quo” (ManA, CC13), developing a “consciousness of quality of life, i.e. wanting quality of life” (ManA, CC3), and is slowly beginning to alter its patterns of behaviour and consumption.

However, to ECCs’ understanding, this awareness merely extends to the sphere of direct influence. ECCs claim that societal consciousness of CR-related matters “is a question of being personally affected” (ManA, CC18) rather than a manifestation of people’s willingness to induce change of society at large. As ManA of CC18 puts forward: “The Chinese are very sensitive to their families, their children, or themselves being affected, for instance by some sort of environmental issue or because labour safety measures have not been observed [...]. They don’t campaign against dying forests or things like that. [...] But when it concerns air, water or other matters people are personally affected by in one way or another, then they will exert significant pressure [...]”. Following this line of reasoning, ECCs note that areas of CR that reach beyond the sphere of direct personal impact, such as for instance issues of social integration or human rights, attract limited interest in Chinese society. By contrast, ECCs state that Chinese society is most alert to topics associated with direct health, such as product safety, labour safety, or pollution.

### 5.1.3.2. Social Activism

Following ECCs' account, rising awareness of CR-related issues in Chinese society does not translate into significant action. As ManA of CC1 states: "In order for change to occur, people's awareness is indispensable. But such change also demands action, actual change of behaviour. And this is something I do not observe yet". In fact, ECCs relate that, to their knowledge, the vast majority of the Chinese population continues to personally disregard topics that are of relevance to the CR debate. ManA of CC6 gives a very simple example accordingly. He argues that "it really is a challenge to enforce [CR-related measures] rigorously [...]. Companies do have systems of waste water disposal in place, they do [pay attention to] waste separation, etc. But after work, [...] people continue to throw all their garbage on the ground anyway". Furthermore, ECCs note that the lack of deliberate change of conduct is accompanied by a passivity in taking action against cases of misconduct. While ECCs do observe events of protest, these protests are largely based on people being directly affected by specific damaging incidents (e.g. wages not being paid, major accidents having occurred, etc.), but do not go beyond smaller-scale, case-based remonstrations.

ECCs suggest that this lack of activism is due not only to the obvious political restrictions on civil society and "the fundamental understanding among the Chinese population that there is no means for an individual or small group to bring about systematic change" (ManA, CC18). They also associate this lack of substantial action to a heavy reliance on state actors to remedy CR-related issues, i.e. to a "the state must deliver" (ManA, CC7) attitude. In fact, ECCs do observe rising pressure on government by society to get to grips with environmental pollution, social disparity, labour abuses etc., thereby creating a society-driven push for more responsibility. However, to their understanding, these expectations towards government go hand in hand with an extensive transfer of responsibility to the state and thus with a rejection or disregard of individual responsibility. Generally, ECCs perceive "a non-existent awareness of [individual] responsibility" (ManA, CC15) as a major issue in China's CR development, lamenting that people tend to react to impulses given by authorities instead of becoming proactive, self-responsible agents of change. In sum, ECCs share the view that Chinese society is "aware of [CR-related issues], but remains passive in the sense that people do not actively reflect on possibilities to bring about change" (ManA, CC1).

### **5.1.3.3. Societal Attitudes Towards Foreign Firms**

Research results emphasize that ECCs generally believe Chinese society to have higher expectations towards foreign, especially European firms than towards domestic corporations. Findings suggest that this does not only hold true for matters of technology, quality or efficiency, but also for questions of CR. Here, ECCs suggest, society expects European firms not only to avoid misconduct and display positive conduct, but to play a pioneering and exemplary role in China's quest for more responsibility in the corporate sector, too. On the one hand, ECCs believe that this is embedded in a historically-rooted fear of exploitation that ManA of CC8 summarizes as follows: "A perception that foreigners come [to China] just to earn money [...]. It doesn't sit well with the Chinese if you give the impression that [...] you will leave China as soon as your profits are in jeopardy". ECCs are of the opinion that these prejudices towards foreign investment translate into heightened CR-related demands towards foreign firms. On the other hand, ECCs note that superior expectations also arise from European firms' local image. Following ECCs' assessment, European firms are renowned for having to follow high CR standards in their home countries of operations. As ManA of CC20 argues, "they know that we have certain laws and regulations, certain standards, and that these standards are top notch". Beyond that, European firms generally enjoy a positive reputation in the sense that "what is produced by these firms is sound and healthy, is high-quality" (ManA, CC20). As a consequence, ECCs believe to be expected to do justice to their positive image and reputation.

## **5.1.4. The Business Environment**

### **5.1.4.1. Trends in Economic Development**

As reported by the research, ECCs are under the impression that they must operate in an increasingly difficult market environment in China. Not only are they faced with a domestic competition that is continuously growing stronger (see section 5.1.4.3 below). They also observe steadily rising salaries and manufacturing costs, as a result of which costs of production "have [...] by now reached a level that is comparable to [Western Europe], if not partly even higher" (ManA, CC1). According to ECCs, these difficulties are currently reinforced by declining growth rates and a weakening economy, which contribute to a further intensification of competition and tightening of margins. As

ManA of CC8 summarizes, this comes down to a “complete reorganization of the Chinese economy and industry” at the expense of low-tech industries and low-cost manufacturing. To ECCs’ perception, economic shifts translate into heightening technological and efficiency requirements on the local market. This alters their rationales of doing business in China: “If you think of coming here to take advantage of cheap manufacturing costs and of benefits granted by government, then I would not recommend coming at all” (ManA, CC6). Or, as ManA of CC7 puts it, “it doesn’t make sense anymore to come to China for reasons of cheap manufacturing. China today is definitely the wrong place for this sort of thinking.” Quite the contrary, as ManC of CC5’s comment reveals, ECCs stress that they “have to focus on the technological advantages of [their] products” so as to maintain their competitive edge.

The results of the presented research show that this line of reasoning is a central aspect of ECCs’ CR-related deliberations: ECCs’ emphasize that rising cost pressure on the Chinese market, as well as augmenting technological, quality and productivity requirements call for efficient, lean and well-organized processes and products. These in turn, ECCs argue, require adherence to heightened standards in CR-related fields. To put it simply, ECCs believe that only qualified employees in a clean, healthy, positive and waste-avoiding working environment can efficiently produce components for complicated technological products that are needed to encounter the effects of rising competition and price pressure on the Chinese market. Hence, energy saving, waste reduction, occupational health and safety, and other CR-relevant topics are regarded as prerequisites to facing the demands of China’s changing economic environment.

At the same time, interview results reveal that many ECCs regard these economic developments as a chance to further their position on the domestic market. With overall technological upgrading and heightened efficiency requirements, a market for high-quality, technology-intensive and energy-friendly products is developing, giving many ECCs a head start, and thus raising their domestic competitiveness. ManA of CC18 gives a practical example in this regard. The case company in question offers a centrifugal technology that facilitates separation of waste water from other compounds for reuse. The interviewee manager states that this technology is facing rising demand on the Chinese market, in which waste water disposal is becoming ever more regulated and expensive. This case exemplifies that sophisticated, environmental-friendly

technologies offered by ECCs are now finding a ready market in China. In this sense, contemporary market developments appear to encourage ECCs to produce efficiency-oriented, technology-intensive, high-quality products in general and/or environmental-friendly products in specific.

#### **5.1.4.2. Local Workforce**

In keeping with the results of the study, ECCs regard labour shortage as one of the major challenges of doing business in China. The scarcity of well-trained and -educated staff in the coastal metropolitan areas, where most ECCs are located, creates an intense competition for qualified personnel among ECCs, big SOEs and top-tier domestic firms, tendency rising. As a result, ECCs report that fluctuation remains generally high, both for white-, and even more so for blue-collar workers. This is in spite of the recent economic cool down, which has contributed to a slight alleviation of the issue only. Under these circumstances, attracting and retaining employees and thus securing know-how becomes a top priority for ECCs, most importantly for companies operating in technology-intensive industries. To cite ManA of mechanical engineering CC24: “The quality of mechanical engineering hinges on experienced staff [...]. For us, this is the most essential part”. ManA of CC9 concurs: “We need the best talents on the market”. Resulting from this dependency and the “fear of losing people we have trained, educated and invested in for years” (Man A, CC3), ECCs state that “here [in China] we [...] have an interest in paying high wages in order to attract the best employees” (ManA, CC9). Managers argue that wages and salaries continue to be a crucial element in attracting employees and keeping fluctuation low. In fact, ECCs suggest that “salary is the most important aspect” (ManA, CC3) to the attraction and retention of the Chinese workforce.

However, the research underlines that other factors besides salary are rapidly gaining importance. In order to master the challenges of labour shortage and fluctuation, ECCs also find themselves constrained to react to a vast set of non-monetary expectations. To ECCs’ observation, with rising prosperity and standards of living, these expectations have amplified notably over the past decade: “Ten years ago, people would have probably sat on an iron chair somewhere in a corner without complaining. Today, everyone wants an ergonomic and polished working station [...] with a non-flickering

screen” (ManA, CC8). Other examples given by interviewees in this context touch upon the topics of nightshifts or labour migration, where ECCs observe growing resistance and heightening expectations. At least for white-collar workers in economically prosperous regions along the east coast, ECCs witness a convergence with typical European demands regarding working conditions, working environment, health and safety provisions, social benefits, etc. They see a large risk of losing employees if these expectations are not taken seriously and state that “if we offer bad [working] conditions, we will face difficulties in recruiting employees” (ManB, CC5). On the other hand, as ManA of CC12 argues, “it pays off in terms of recruiting and retaining staff if employees feel safer and healthier”, thus underlining the importance of non-monetary incentives.

From ECCs’ perspective, expectations towards foreign firms are particularly high. Interviewees believe that Chinese employees consider working for European firms precisely because of specific benefits and working conditions: “Chinese employees assume that European firms provide a better working environment, more labour safety, better pay, fairer working conditions, higher labour standards [...], which is why many Chinese are anxious to work for a European company” (ManA, CC1). Research results indicate that, against the backdrop of labour shortage and fluctuation, superior demands towards European firms create pressure for ECCs to live up to expectations respectively.

However, with regard to people’s behaviour in the workplace, the research uncovers that ECCs do not regard their Chinese employees as overly demanding. ECCs note a general passivity and lack of initiative among their workforce, as well as an inclination not to raise problems and concerns openly: “Employees just do their jobs. When they don’t know how to proceed, they will wait for someone to come ask them if they are having a problem. [...] people have more of a ‘let’s wait for directions’ attitude” (ManA, CC2). Also, ECCs perceive their workforce as generally respectful of authority, and as largely supportive of corporate demands and objectives. To that effect, ManA of CC11 makes a simple comparison: “When there is the need to come to work on a Sunday, they will do that. In Germany, that would be inconceivable”. As a consequence, ECCs do not perceive a lot of explicit pressure from their local workforce to behave in a certain way. To their account, it is primarily the labour market situation as outlined above, as well as people’s heightened expectations towards European employers that cause implicit pressure for ECCs to respond to rising expectations in the field of labour.

#### 5.1.4.3. Local Firms and Competitors

With regard to ECCs' assessment of local firms, the present research paints a mixed picture. Although ECCs continue to point out domestic companies' inferiority in terms of quality, technology, standards, concepts and processes, they also believe that "the gap is closing" (ManA, CC19). In fact, ECCs observe that "Chinese competition does not rest" (ManA, CC8), asserting that domestic competitors are making up ground in terms of products, services and processes. Hence, ECCs state that competition with domestic firms steadily extends beyond quantity and pricing into the domains of quality and technology: "Some local firms are already very very good. We must really be careful not to lose our head start" (ManA, CC4). Even though ECCs believe that it will still take time for Chinese firms to catch up, they acknowledge that it is crucial for European corporations to focus on their technological advantage and raise the level of efficiency of their products and processes in order to remain competitive on the Chinese market.

With regard to local competitors' CR performance, ECCs report of a largely heterogenic landscape. On the one hand, ECCs observe a series of "frontrunners, who are led by a new, modern management type [...] and are thus at eye level [with ECCs]. [Their] factories look better than what we are used to from [Europe]" (ManA, CC13). ManA of CC13 goes on describing that the new management generation of these firms "is much more open to the topic of corporate responsibility and all accompanying issues [...]. We clearly observe that a change of mind-set, consciousness and understanding is currently taking place". This assessment is underlined by ManB of CC5, who states that a small but growing portion of the Chinese corporate landscape "assume[s] a lot of social responsibility, maybe even more so than our company". ECCs suggest that this applies mainly to companies involved in international business activity, which "are eager to [...] adapt to the ways of the global market" (ManA, CC16).

On the other hand, however, ECCs state that "there continue to be many black sheep. And these tend to be very black" (ManA, CC1). From ECCs' experience, the bulk of domestic companies continues to lack awareness and understanding of CR-relevant topics. Under the conditions of major cost pressure and widespread corruption, ECCs do not cease to observe cases of partly severe misconduct among domestic firms in different domains pertaining to CR. With regard to labour conditions, ManA of CC3 for



instance gives the example of a dust explosion in a nearby company. The interviewee states that the accident was triggered by insufficient safety measures and has caused more than 100 deaths and many injured. As to environmental issues, ManA of CC2 recounts the case of a firm in the company's direct vicinity that disposes of its coating waste and residue into the local river. With regard to social and philanthropic activities, ECCs do not observe serious long-term engagement beyond case-specific donations. To their understanding, domestic firms show limited understanding of the need for economic actors to get involved in social matters outside the scope of their core business activities. In light of these examples, it appears that the domestic peer environment in China generally puts only limited explicit pressure on ECCs to conduct comprehensive CR activities. However, with Chinese companies gaining competitiveness, ECCs feel pressure to enhance their technological and efficiency performance. As argued in section 5.1.4.1, this creates implicit pressure for ECCs to perform well in matters of CR.

#### **5.1.4.4. Local Customers**

Similar to the results on local firms and competitors, study outcomes on local customers are varied. In the Chinese consumer goods market, ECCs do not yet note significant changes in customer requirements towards CR certification. They suggest that the Chinese average customer "is not interested in those topics" (ManA, CC11) but continues to care primarily about price when making a buying decision. ECCs suggest that products touching on issues of direct health, such as food and beverages or pharmaceuticals, represent an exception to this general picture. In these fields, ECCs observe growing pressure from Chinese customers to adhere to CR-related standards, first and foremost in the field of product safety. Also, ECCs note that customers' qualification and certification requirements in the B to B sector are rapidly gaining momentum. ManB of CC10 for instance observes "in the past, customers only cared about the price, the quality, the delivery. Now, these requirements have been changing. Now they also care about things like environmental commitment". By the same token, ManA of mechanical engineering CC2 states that "requirements regarding working conditions and labour safety are becoming ever more important" to customers in China.

The research suggests that these findings are not necessarily of general applicability but apply to ECCs and their customer base in specific. Interviewees confirm that other foreign companies, including large multinationals, continue to represent an important, if not the critical share of ECCs' customers in China. In these firms, CR requirements often form an integral part of supplier selection and evaluation. Hence, in order to qualify as suppliers, ECCs must fulfil certain CR-related standards. This is underlined by the following quote: "Without such certification, we would not be able to work with these firms" (ManA, CC6). Thus, ECCs' heavy reliance on other foreign firms' business creates explicit pressure to uphold CR-related standards in the Chinese context. But it is not only ECCs' international customer base that raises CR-related expectations. Research findings indicate that domestic B to B customers too are extending their explicit CR requirements towards ECCs, although to a lesser extent. ManA of CC21 for instance comments: "Chinese customers now too approach us demanding to see our certificates, our processes and so on. This simply didn't happen before. We were a [European] company, we had [European] standards, that was sufficient to qualify. But now we also have to undergo auditing processes from our Chinese customers, maybe not in as much detail [...], but it is becoming much more frequent." To explain this shift, ECCs note that their Chinese customers mostly tend to operate in high-quality, high-price industry segments, and/or depend on international trade. Hence, they are under pressure to adhere to CR standards themselves and must hand down requirements to their suppliers accordingly. In most cases, the research reveals, customers require adherence to international certification. Interviewees mostly refer to popular standards such as ISO9001 for quality management, ISO14001 for environmental protection or SA8000 for labour standards. However, the study also finds that domestic certification is gaining momentum. Research participants from textile manufacturing backgrounds for instance refer to the Chinese CSC9000T standard, a native Chinese social compliance norm for the textile and apparel industry (see section 3.3.5 for more details). In sum, the research reveals that ECCs' reliance on both foreign and 'high-end' domestic customers acts as a source of explicit pressure for CR.

Moreover, the study suggests that ECCs' local customers also raise expectations for CR implicitly. As outlined in section 5.1.4.1, ECCs see efficiency requirements gaining ever more importance in China's shifting market environment. Under the constraints of rising energy, labour and overall manufacturing costs, customers' expectations towards

technology and efficiency are increasing. Following ECCs' line of reasoning, these requirements implicitly translate into heightened prerequisites in CR-relevant areas. Not only do customers increasingly request 'cleaner' and more energy efficient products, their technological expectations also demand efficient manufacturing processes, which are seen by ECCs as an inherent barrier to inferior working conditions, wasteful processes and other CR-relevant issues. Moreover, ECCs believe that a good CR-performance is perceived by customers as an indicator of modernity and efficiency, thus creating "additional credibility" (ManB, CC10) and trust in their firm. As ManB of CC10 explains: "Even though there is nothing written down black on white [...], if we are doing a really good job in this field, our customers will absolutely have a better impression of us and our factory".

Finally, ECCs state that their customers do expect European firms in general to perform well in matters of CR. Similar to societal expectations discussed in section 5.1.3.3, ECCs' image among Chinese customers is thought to create implicit pressure to perform well in the field of CR. As ManA of CC18 points out: "[Maintaining superior social and environmental standards] is simply part of our image. It is this image that creates some sort of expectations [...] it might come as an unpleasant surprise [to Chinese customers] if these expectations were not fulfilled." In line with this argument, it appears that falling short of customers' expectations regarding social, environmental and other CR-relevant standards creates motivation for ECCs to perform well in these domains.

#### **5.1.5. Summary: The Impact of the Chinese Context**

Based on assumptions from institutional theory, findings from the 24 case company observations reveal that the Chinese institutional context does indeed influence CR in ECCs, with institutional constituents differing in their CR-related top-down impact. Firstly, the state is found to play an important role in influencing ECCs' CR approaches in the Chinese environment. ECCs discern increased government attention to questions of sustainability and, by extension, to matters of CR in areas deemed non-sensitive to political stability. Respective political endeavours are deemed credible. ECCs observe that political resolutions have indeed translated into an ample set of new laws and regulations, predominantly in the fields of environmental protection and labour safety.

According to their assessment, the enhanced regulative framework sets very high standards in the field of CR and is seriously ‘tightening the screws’. In spite of the fact that ECCs witness persistent enforcement deficiencies that hamper an effective implementation of respective stipulations throughout the local business community, they report being subject to considerable scrutiny by government agencies as to their regulative adherence. ECCs contend that they are under much more enforcement pressure than their domestic counterparts, thus complaining about a double standard of enforcement to their disadvantage. Interview results suggest that this is linked primarily to changing attitudes of an increasingly confident Chinese government towards foreign investment. In fact, the research points out that ECCs believe to play a leading role in government’s sustainability agenda and to thus be given far less leeway in matters of CR. Moreover, ECCs are convinced that government wants to capitalize on their experience in dealing with CR-related questions. ECCs suggest that this explains not only government’s stringent application of the law, but also its efforts to consult with European firms in matters of CR. With regard to the consequences of regulative misconduct, the study indicates that penalties generally tend to be benign. Yet, ECCs admit to fear punitive action. In this context, the study indicates that firms are aware of government’s power and influence on economic matters in general and their local business activities in specific. Thus, to their own account, ECCs are eager to maintain government goodwill and avoid confrontation with authorities. In sum, these regulative conditions create considerable pressure for ECCs to follow government’s lead in matters of CR, adhere to the respective legal framework at hand, and observe the boundaries of political sensitivity in their CR approaches.

Meanwhile, the research stresses that the domestic non-governmental environment plays a subordinate role only. Under the conditions of state dominance, NGOs and labour unions are considered largely irrelevant to China’s CR development in general, as well as to ECCs’ CR approaches in specific. Government’s weariness towards NGOs and labour unions also affects ECCs’ behaviour towards these organizations. Fearing negative consequences for their local business, ECCs display a reluctance to proactively engage with NGOs or labour unions against the will of government. Thus, ECCs’ involvement with non-governmental ‘third parties’ is reduced to a minimum. In sum, although the research indicates that foreign NGOs do put pressure on ECCs regarding CR, domestic non-governmental actors are of negligible influence. The non-

governmental context is relevant only in its associational function. ECCs are shown to actively participate in various business associations. As members of ECC or industry associations, ECCs hope to exchange CR-relevant knowledge with other local firms and establish contact with government authorities to debate respective issues. ECCs' membership in associations is, however, not relevant to top-down institutional pressure.

With regard to Chinese society, ECCs observe a growing awareness of CR-related problems, in particular in areas where people's livelihoods are directly affected by the negative consequences of corporate misconduct (e.g. product safety, labour safety, pollution). However, as long as the threshold of 'direct harm to stakeholders' is not exceeded, the study indicates that this nascent consciousness does not translate into substantial societal action against European firms. Hence, ECCs themselves hardly perceive any direct pressure from Chinese society in matters of CR. Rather, ECCs observe that burgeoning societal attentiveness to questions of CR heightens the pressure on the state to get to grips with China's social and environmental predicament, as well as with persistent corporate misconduct. As such, through the intermediary of the state, ECCs believe to be indirectly affected by changing societal attitudes. Moreover, people's perceptions of and attitudes towards ECCs as 'high-standard' firms create tacit societal pressure to perform well in CR-relevant areas.

Finally, in their local business environment, ECCs continue to perceive limited explicit pressure from their primary stakeholders to uphold CR standards in their operations. Neither Chinese employees nor domestic industry standards set by local firms and competitors raise substantial explicit demands for CR qualification. Findings do point out rising expectations for CR certification by ECCs' local customers. However, this appears to be due mostly to the Western-centric, high-quality, high-price nature of ECCs' client base, rather than to a widespread prevalence of such demands among Chinese customers. Meanwhile, China's current economic development appears to create conditions that translate into substantial implicit pressure for ECCs to observe CR standards. In fact, interview results suggest that economic trends represent a central argument for ECCs to develop comprehensive CR approaches in their China operations. ECCs note that the Chinese market is successively moving towards greater emphasis on efficiency and quality. Against this backdrop, ECCs believe high-level CR standards in all processes and products to be beneficial, if not essential to maintaining their

competitive edge. This is exacerbated by growing implicit CR demands from different stakeholder groups. Be it through labour shortage and fluctuation, rising competitiveness of domestic peer companies, or growing technological and efficiency requirements of local customers - China's economic business environment is believed to hold an implicit claim for ECCs to defend superior CR standards in their China operations. Ultimately, this development is supported, if not borne by stakeholders' image of ECCs. Being regarded as 'top notch' employers, competitors and suppliers, ECCs feel 'compelled' to live up to heightened expectations in the field of CR.

**Table 6: Emergent contextual elements and their impact on CR in ECCs**

<b>Institutional constituent</b>	<b>Main arguments regarding relevance of institutional constituent (by section)</b>	<b>Overall relevance according to ECC assessment</b>
The state	<ul style="list-style-type: none"> <li>• Tightening <b>regulative framework</b></li> <li>• Firmer <b>government attitude towards foreign investment</b> and CR in ECCs</li> <li>• Pronounced <b>government authority</b> and power</li> <li>• Deficient <b>regulative enforcement</b> does not apply to the same extent to ECCs</li> </ul>	Relevant source of pressure
The non-governmental environment	<ul style="list-style-type: none"> <li>• Negligible significance of (domestic) <b>NGOs</b></li> <li>• Limited organizational and strategic relevance of <b>labour unions</b></li> <li>• ECC participation in <b>business associations</b></li> </ul>	No relevant source of pressure
Society at large	<ul style="list-style-type: none"> <li>• Lack of substantial <b>awareness of CR issues</b> beyond matters of personal relevance</li> <li>• Lack of <b>social activism</b> but reliance on state actors</li> <li>• Firmer <b>societal attitudes towards foreign investment</b></li> </ul>	No relevant source of pressure in general, but indirect pressure via government
The business environment	<ul style="list-style-type: none"> <li>• <b>Trends in economic development</b> favour technology intensive, high-quality products</li> <li>• Attracting and retaining <b>local workforce</b> as a top priority</li> <li>• Strengthening <b>local firms and competitors</b></li> <li>• Increasing certification demands, as well as growing technological and efficiency requirements by <b>local customers</b></li> </ul>	Relevant source of pressure

Source: Author's depiction

In sum, to offer a concise answer to Sub-RQ1 (*How does the Chinese context impact ECCs' local CR approaches?*), the research shows that the state and China's contemporary business environment, including ECC customers, have a relevant top-down impact on ECCs' CR approaches in the Chinese institutional environment. Society

at large merely acts as an indirect source of pressure. It becomes directly relevant only in case of immediate harm to stakeholders, otherwise acting through the intermediary of the state. By contrast, the non-governmental environment plays a negligible role in putting institutional pressure on ECCs for matters of CR. Neither domestic NGOs nor labour unions are found to have a major top-down impact. Although ECCs do perceive a certain level of explicit pressure from customers and regulative authorities, much of the institutional pressure regarding CR in the Chinese environment is conveyed implicitly. A summary of main findings is presented in table 6, organized along the lines of the chapter structure.

## **5.2. ECC Reactions to the Chinese Context**

This section presents the research findings on how ECCs respond to their CR environment, as described in foregoing section 5.1, and carves out the most relevant motives behind their respective reactional choices. The objective is to answer Sub-RQ2: *How do ECCs respond to the Chinese context in matters of CR?* The description of findings is structured along the three categories of institutional engagement predefined by Cantwell et al. (2010) (see section 2.3.2), namely institutional avoidance (section 5.2.1), institutional adaptation (section 5.2.2) and institutional co-evolution (section 5.2.3). This is in line with a Straussian Grounded Theory approach, which allows for reliance on existing concepts, as long as the research itself remains inductive and impartial (see section 4.1.5). Following Straussian research guidelines, Cantwell et al.'s (2010) model of institutional engagement is used as a basic framework of analysis for an inductive inquiry into the details of ECCs' CR approaches. The predefined set of categories is expanded, specified and thus adapted to the particular case of ECCs' CR-related engagement with Chinese institutions. To this end, for each category of engagement, a set of patterns of reaction is identified. These emergent patterns describe the fundamental behavioural paradigms observed within the given category and are assessed as to their relevance for ECCs' CR approaches in the Chinese context. This means that a distinction is made between patterns that are necessary to providing a comprehensive overview of potential institutional reactions, and patterns that are found to be of actual practical applicability in the case of ECCs. Findings are summarized in concluding section 5.2.4, where they contribute to answering Sub-RQ2.

### 5.2.1. Institutional Avoidance

Study findings suggest that, when debating institutional avoidance, ECCs contemplate two main reactional options: Firstly, deliberations revolve around avoiding the Chinese national context. This means that ECCs consider refraining from operating in China altogether for reasons directly or indirectly related to matters of CR. Secondly, ECCs reflect avoiding a specific local context in China without giving up on the broader national context. This may result in ECCs' avoidance of one Chinese locality in favour of another based on CR-related grounds. Thus, with regard to Cantwell et al.'s (2010) institutional avoidance category, the research comes to distinguish between two sub-categories, namely *national avoidance* (section 5.2.1.1) and *local avoidance* (section 5.2.1.2). According to the research findings, each of these sub-categories is made up of three patterns of behaviour, which shall be described individually hereafter.

#### 5.2.1.1. National Avoidance

##### *Avoiding inferior benchmarks*

It has been outlined in section 5.1.4 that ECCs face an increasingly challenging domestic market environment. Against this backdrop, the research shows, reflections on “whether it does at all make sense to continue operating locally” (ManA, CC21) come up ever more frequently among ECCs. They culminate in considerations on leaving the Chinese context by transferring business activities to other emerging markets, or even back to Europe. In this regard, ECCs argue that it is primarily rising overall costs, first and foremost labour costs, competitive disadvantages caused, among others, by insufficient government support, as well as regulative uncertainties that push firms to consider avoiding, i.e. leaving the Chinese context for alternative locations outside China.

However, interview results reveal that CR-related circumstances and developments in China do not play a major role, at least not directly, in ECCs' considerations on leaving the national context. Firstly, the research shows that ECCs do not intend to avoid what they perceive as *inferior* CR standards or deficient framework conditions for CR by leaving China altogether. They do not regard insufficient CR standards as a primary impediment to their operations in China. Instead, ECCs suggest that vast regional diversity facilitates suitable location choices within China (see section 5.2.1.2). Also,



ECCs believe that upholding CR standards depends largely on their internal policies and practices. ManA of CC11, an ECC that recently backsource all its manufacturing activities to Europe, argues that inferior environmental, labour or social standards in China were “never an issue for our relocation back to Europe”. The interviewee argues that the firm’s management made clear provisions on maintaining appropriate standards in CR-relevant areas, and set up comprehensive internal procedures and control mechanisms accordingly. These measures, the interviewee contends, ensured internal compliance to CR benchmarks, regardless of external conditions. Consequently, ManA of CC11 puts forward, the case company’s departure “had nothing to do with [CR-related] developments in China”, but was due solely to business-related deliberations. This case exemplifies the overall outcome of the research with regard to inferior CR standards: ECCs generally agree that CR-related deficiencies can largely be outbalanced by means of internal (control) mechanisms and solutions, or through alternative location choices within China. Hence, the study does not provide evidence for inferior CR standards representing a direct, i.e. primary reason for ECCs to leave China. Therefore, a reactional pattern identified as *National avoidance for inferiority of standards* proves to be without major de facto relevance for ECCs’ CR approaches in China.

### ***Avoiding excessive benchmarks***

The survey paints a similar picture as to ECCs’ view of *excessive* CR standards. Although ECCs confirm that CR requirements in China have augmented noticeably, they do not consider this a primary reason for avoiding the Chinese context. In fact, as outlined in section 5.1.4, ECCs support many of the developments relating to rising CR standards in China and even regard them as beneficial to their local business. Hence, they contend, leaving the Chinese context for augmenting CR benchmarks would not be conducive. ManA of CC17 puts forward an ethical argument to that effect: “After all, by implementing social and environmental standards, we are working towards creating a ‘fairer world’, to put it a bit dramatically. And now that we are partly getting there [...], we leave the market because it is becoming *too* fair?! [...] You must finish what you’ve started!”. The interviewee underlines this point by referring to the case of labour costs: “If we expect our suppliers to pay their workers appropriate wages [...] then it wouldn’t be consistent to leave the market because labour is getting too expensive.” ManB of CC10 follows a more pragmatic line of reasoning that leads to the same conclusion nonetheless. Referring to rising environmental and labour standards in China

the interviewee argues that “this is absolutely a positive development. Because I think it will put us on a fair competitive platform. [...] we are setting our standards at a very high level and if [...] our competitors in China do not adhere to [similar standards], their production costs will be much lower than ours. [...] the current development can contribute to reducing the gap in production costs”. Both examples, albeit following distinct rationales, underscore the observation that ECCs do not consider leaving China for rising CR standards explicitly, but share a generally positive attitude towards this development. Hence, an emergent pattern of reaction henceforth referred to as *National avoidance for excessiveness of standards* is relevant in painting an inclusive picture of ECCs’ CR-related deliberations, but is not pertinent in describing their de facto conduct.

### ***Avoiding secondary economic impairment***

Nevertheless, ECCs acknowledge that rising CR standards are linked one way or another to many of the aforementioned rationales driving them to consider a transfer of business activities to other countries. On the one hand, increasing requirements in areas related to CR contribute to overall cost increases, which are regarded by ECCs as a chief reason for considering national avoidance. In this context, ECCs refer primarily to costs related to investments in environmental-friendly equipment and technology that become necessary to comply with regulative demands. ManA of CC1 for instance recounts the example of a costly, government-mandated filter technology implemented by a neighbouring firm. The interviewee suggests “if they [i.e. the company in question] had known in advance that this would come up, they would have refrained from undertaking their China investment altogether and would have gone to Thailand or another country instead where the whole thing would have been much less complicated and costly”. This example stresses the financial burden that ECCs perceive as an indirect consequence of recent CR developments in China. The issue is reinforced by regulative uncertainties. ECCs complain that regulative changes in the fields of labour or environmental protection are often unforeseeable, and so is their local implementation. Hence, ECCs are faced with unpredictable regulative changes that may cause inestimable costs and thus unforeseeable risks. As ManA of CC12 puts it: “It is absolutely conceivable that your planned production expansion does not go through because the law has suddenly changed. [...] In this sense, changing [CR-related expectations] do play a role [in considerations on relocation]”.

Finally, CR becomes relevant to national avoidance for its contribution to competitive disadvantages. As outlined in section 5.1.1, ECCs regard uneven implementation of CR-related regulation as a major detriment to their competitiveness on the Chinese market. This is reinforced by superior stakeholder expectations towards their CR conduct. Competitive disadvantages, in turn, play an important role in ECCs' consideration of national avoidance. Thus, CR implicitly is part of one of the central reasons behind ECCs' considerations on leaving the Chinese business environment.

In sum, the research reveals that, albeit matters of CR do not per se drive national avoidance, they do contribute to a set of arguments that are relevant to ECCs' relocation choices. Consequently, the research shows that CR is what ManA of CC12 calls "a reason of second or third order" for ECCs to consider leaving the Chinese context. Accordingly, a reactional pattern labelled *National avoidance for secondary economic impairment* is found to be relevant in describing ECCs' CR approaches.

#### **5.2.1.2. Local Avoidance**

##### ***Avoiding inferior benchmarks***

The research reveals that ECCs' reflections on local avoidance are mostly based on the "China is so big" (ManC, CC5) – argument, which summarizes ECCs' perception of China's vast internal diversity in terms of development, mentality and governance. It is primarily rising costs and lessening government support in developed urban regions in eastern China that cause ECCs to consider local avoidance. As ManA of CC8 elaborates: "In my opinion, establishing a factory in a city like Shanghai today must be considered very carefully. And I don't think that one would meet with great [government] interest either. The picture can already look completely different some two hours outside Shanghai". Hence, the study shows that local avoidance by ECCs refers mainly to a move away from tier one (increasingly also tier two) cities to less costly, yet still sufficiently developed localities at reasonable distance from urban centres.

Study findings indicate that patterns of reaction describing local avoidance resemble those identified for national avoidance. However, underlying rationales and de facto applicability are shown to partly differ. Firstly, similar to its national counterpart, a

reactional pattern referred to as *Local avoidance for inferiority of standards* emerges from the data. Yet, in the local case, the pattern is shown to be of actual relevance to ECCs' CR conduct. In fact, the research reveals that inferior CR standards do play a role in driving ECCs to avoid specific locations in China in favour of others. To some ECCs, insufficient CR standards are an explicit criterion for local avoidance because they collide with strategic considerations and/or values at the firm level. To this effect, ManB of CC10 for instance stresses: "Whenever we set up a new facility, we take into consideration the local level of awareness of environmental protection within this area. If it is very much below standard, then this will be one of our criteria in considering whether we should really set up a facility there". Yet, research outcomes indicate that for most ECCs, poor local CR standards represent an implicit cause for avoidance. To them, inferior standards in the fields of labour, environmental protection and other CR-relevant domains translate into insufficient operational standards, and thus indirectly contribute to local avoidance. ManA of CC22 for instance suggests that "we have only few problems manufacturing quality products here [in a well-developed city in Jiangsu Province]. But over there, in Inner Mongolia, that was a major issue". Similar to other ECC managers, the interviewee establishes a link between operational problems and sub-standard CR benchmarks. Consequently, the study suggests that CR does, at least indirectly, drive local avoidance in ECCs, thus underlining the relevance of the pattern *Local avoidance for inferiority standards*. It allows ECCs to create the best fit between local context and firm-level CR requirements, both explicitly and implicitly, without putting at risk the advantages associated with their China operations in general.

### ***Avoiding excessive benchmarks***

The rationales set forth by ECCs with reference to the pattern *Local avoidance for excessiveness of standards* are analogous to those described under national avoidance. ECCs suggest that they do not regard high CR standards per se as a reason to avoid one locality in China for another, but acknowledge the advantages that come with them. Not only do ethical arguments inhibit ECCs from avoiding certain localities for the primary reason of superior CR standards, but ECCs also refer to the operational advantages they associate with higher benchmarks in the broader field of CR. For a more detailed account of these arguments see the description of results on national avoidance in section 5.2.1.1 above. In conclusion, the study finds that the pattern *Local avoidance for excessiveness of standards* makes an important contribution to describing ECCs' engagement with the

Chinese context. However, similar to its counterpart at the national level, it does not prove to be applicable to ECCs' actual CR conduct in China.

### ***Avoiding secondary economic impairment***

Similar to national avoidance, research findings reveal that ECCs perceive a series of disadvantages linked indirectly to matters of CR, such as heightened costs of labour and investment, insufficient government support and/or regulative discrimination. This applies particularly to highly developed urban centres on the east coast. These secondary effects of CR are seen as a serious impairment to ECCs' competitiveness and create a 'sense of rejection' among them (e.g. ManA, CC8: "How much does local government really want you?"). Therefore, they are pivotal in ECCs' choice, or disregard of certain locations within China. Hence, while the pattern of reaction identified as *Local avoidance for excessiveness of standards* plays a minor role, reactions subsumed under the label *Local avoidance for secondary economic impairment* do prove to be relevant to ECCs' CR-related conduct. Research outcomes suggest that this type of avoidance is even more conceivable at the local than at the national level. While national avoidance is associated with a significant loss of economic potential and advantages, and is thus regarded by ECCs as a last resort only, local avoidance is perceived as a means to maintain the advantages of operating nationally, all the while minimizing local shortcomings. Hence, faced with a broad array of different local levels of development, mentality and governance, and thus ultimately a variety of CR-related standards and expectations within China, ECCs are more likely to compensate for partly CR-driven operational downsides locally than internationally. This is underlined by ManC of CC5 who, when questioned about a potential transfer of activities to other countries, puts forward: "No. Because you know, China is so big. If [CR-related costs] in the east are becoming too high, we can always move to [another region in China]."

### **5.2.2. Institutional Adaptation**

The study's results suggest that in the case of ECCs' CR-related engagement with Chinese institutions, Cantwell et al.'s (2010) institutional adaptation category is divided into three types of adaptation: Firstly, ECCs are concerned with adapting to Chinese regulative standards, that is to local laws and regulations in the field of CR. Secondly,

ECCs consider adapting to a set of codes and standards that are not legally binding but yet formalized, such as ISO standards, UN Global Compact or other standardized norms relating to CR. Thirdly, ECCs contemplate assimilation to informal standards of behaviour that describe ‘appropriate’ or expected corporate conduct in the local context. Along with these insights, the present section proposes a tripartite division of the category institutional adaptation into the sub-categories *regulative adaptation* (section 5.2.2.1), *standards-based adaptation* (section 5.2.2.2) and *behavioural adaptation* (section 5.2.2.3). According to the research findings, these three sub-categories encompass a total of twelve patterns of reaction, which will be described one by one under their respective sub-category.

#### **5.2.2.1. Regulative Adaptation**

##### ***Adapting by explicit compulsion***

Findings outlined in section 5.1.1 indicate that the Chinese state and its regulatory framework are of the utmost importance to ECCs in their CR-related decision-making in China. Thus, adapting to respective legal provisions, including those touching upon CR and related issues, represents a vital element of ECCs’ institutional adaptation. However, section 5.1.1.4 has also highlighted the regulative gaps and deficiencies that pervade the Chinese regulative system. ECCs observe that regulative conditions create “too many loopholes for firms to slip through” (ManA, CC16), thus obstructing regulative enforcement. At the same time, it has also been pointed out above that ECCs do not feel strongly affected by these enforcement deficiencies but believe to be under particular government scrutiny as to their observance of CR regulation. These insights would suggest that ECCs feel compelled to adapt to the legal framework for CR, thus rendering regulative adaptation an inevitability rather than a corporate choice.

Yet, partly contradicting this perspective, research results presented above have also shown that ECCs regard the explicit legal penalties for non-implementation of CR regulation as comparatively benign. ECCs describe fines amounting to a couple hundreds of Euros as something they “could live with” (ManA, CC2), contending that they are “nothing compared to what would be due in [Europe]” (ibid.). What is more, above-discussed perceptions reveal that ECCs are of the opinion that a cooperative

attitude towards local government might help mitigate the legal consequences of misconduct. As ManA of CC21 puts it: “They prove to be cooperative as long as you demonstrate your willingness to cooperate with them”. ManA of CC1 adds: “Normally, you will be able to find a solution together with the authorities”. Based on these insights, the findings suggest that legally-mandated penalties for non-adherence to environmental or labour stipulation do not per se induce ECCs do adhere to the respective regulatory framework. They tend to be too low, especially given government’s disposition to reduce sentencing, to create a substantial push for regulative adaptation by themselves. Therefore, a reactional pattern identified as *Regulative adaptation by explicit compulsion* is found to be of subordinate importance to ECCs’ CR approaches.

### ***Adapting by implicit compulsion***

In spite of the weak impetus created by explicit sentencing, research uncovers a broad consensus among ECCs that implementation of CR-related regulation is something that “must be done; there is no escaping it” (ManA, CC6). While statutory penalties, taken in isolation, do not prove to create sufficient deterrence, ECCs state that they are eager to maintain government goodwill. On the one hand, as section 5.1.1.4 has shown, ECCs are afraid of the unforeseeable reactions of government to cases of severe misconduct. To that effect, ManA of CC6 for instance points out that “the worst thing that could happen to us would be some kind of accident. In that case, government would probably just shut us down. [...] We are all being very cautious to avoid that from happening”. On a less serious level, ECCs state that they are worried about additional government interference in case of insufficient cooperation with local authorities. Following ECCs’ assessment, any indication of non-compliance or non-cooperation is seen by local government as a reason to tighten control and increase the level of attention. To ECCs’ account, this can easily amount to harassment by local authorities. ECCs for instance point out inspections “in areas where [officials] very well know that it is impossible for the firm to comply” (ManA, CC21), just for the sake of raising pressure. Such measures make ECCs cautious of escalating government intervention. Thus, loss of government goodwill and, by extension, anticipation of negative government interference, act as powerful drivers in ECCs’ adaptation to CR law. Hence, in contrast to explicit penalties, implicit regulative consequences are shown to instil a sense of compulsion among ECCs to adhere to the legal framework for CR. This underlines the relevance of a pattern of ECC reaction hereafter referred to as *Regulative adaptation by implicit compulsion*.

### *Adapting for economic gain*

In addition, research outcomes underline the importance of ECCs' local business objectives in shaping their decision on regulative adaptation. Interview results confirm that ECCs regard abidance by local law as a prerequisite to long-term success on the Chinese market. They largely agree with the idea that "in the long run, it always pays off to be compliant [...]. Besides the critical moral aspects of it, [non-compliance] would not lead to more long-term success" (ManA, CC14). While this general line of reasoning and its motivating principles are not necessarily China-specific, one aspect is shown to be of particular salience to China. It relates to ECCs' assessment of the importance of government. Section 5.1.1.3 has shown that ECCs regard the state as the pivotal player in China's institutional context and deem government support a relevant determinant of local business success. Abiding by the framework conditions prescribed by government represents a crucial precondition to obtaining state support and thus acts as a critical element to securing long-term success. This applies mainly to government-sanctioned fields of CR, primarily to environmental protection, which are believed to be essential to gaining government approval. In a nutshell, ECCs regard regulative adaptation as a means to create a supportive contextual basis for their local business success. As ManA of CC15 summarizes, "compliance [to CR-related laws] is an important aspect of sustainable business activity in China".

The idea of creating ideal conditions for long-term success is closely associated with notions of reputation. Research results indicate that ECCs believe non-adherence to CR regulation to bear the risks of reputational damage. On the one hand, the study indicates that ECCs are eager to maintain their positive reputation with government agencies, all side benefits and privileges of such positive image included. On the other hand, sections 5.1.3 and 5.1.4 have shown that ECCs believe to enjoy a positive reputation in matters of CR among different groups of domestic stakeholders, as well as in Chinese society at large. In order to maintain this positive image and be considered a responsible and reliable local partner and player, ECCs argue, they must above all adhere to the existing legal framework. As ManA of CC14 argues: "As a responsible company, we can simply not afford [non-adherence to local CR stipulations]. That's just impossible". Hence, the research indicates that regulative adaptation is, among others, a reputational concern.



Finally, interview outcomes indicate that, for ECCs, adapting to the Chinese regulative framework represents a form of orientation in a business context as foreign as China. Small-sized ECCs are particularly affected by linguistic, cultural and institutional barriers, for they tend to lack the resources and expertise to deal with the vast differences between home and host country context. ManA of CC2 for instance acknowledges: “I cannot even read or understand Chinese media [...], so I don’t really understand what’s happening around me here”. ManA of CC7 adds: “Speaking the local language, and I don’t just mean literally, [...] is a huge challenge for all international companies operating in China”. Under these conditions, defining appropriate conduct that suffices local standards and expectations, particularly in fields as culturally-sensitive as CR, is a major challenge. Here, adapting to local laws and regulations can be a first, rather straightforward step towards local integration. To quote ManA of CC21: “As [European] companies, we are far away from home. I am not familiar with [...] all the local ways of doing things. Therefore, government needs to tell me how things are done. If government tells me how things work around here, then I can act accordingly”. This opinion reveals that ECCs tend to see local CR-related regulation as a point of reference for appropriate local conduct and adapt to it for matters of orientation and alignment.

In sum, deliberations on long-term success, reputation and orientation point out that an important rationale for ECCs to adapt to the Chinese legal framework for CR lies in the direct and indirect economic benefits of such behaviour. As a result, a pattern of contextual behaviour henceforth referred to as *Regulative adaptation for economic gain* is shown to be applicable to ECCs’ CR conduct in China.

### ***Adapting by commitment***

Last but not least, the research indicates that ECCs are not only driven by an *external* push for regulative adaptation. *Internal* deliberations on adherence to the law are also shown to be relevant to ECCs’ decision-making. In this context, interviewees firstly note that legal abidance is a basic requirement of their firms’ international top management and an essential element of their corporate policy. Internal compliance guidelines or any other form of top-down management directive are to ensure that “the local company doesn’t break the law” (ManC, CC5). This commitment to law-abidance at the central level of the firm, however formal, represents a solid argument for ECCs to seek adaptation to local CR regulation in China. As ManA of CC12 summarizes: “For most

[foreign] firms here, adherence to host country legislation is part of their corporate policy. [...] so there is a strong commitment in that direction”.

Besides compliance to internal directives, regulative adaptation in ECCs is also driven by a fundamental, not necessarily specified conviction among ECC managers that breaking the law is out of the question and must be avoided by all means. Research results reveal that this perception is largely independent of managers’ opinion on the local regulative landscape. For enforcement-related reasons, many ECC managers have a critical stance towards CR-related legislation in China. Nevertheless, they largely agree on the idea that they “have to accept [Chinese law], because the law is the law” (ManA, CC14), or as ManA of CC7 puts it: “These are the local rules of the game. They have to be followed”. Hence, ECCs’ complaints and difficulties associated with Chinese legislation in the field of CR do not change their fundamental belief in the imperative of legal abidance in the host country context. Consequently, meeting regulative requirements becomes an objective in itself, to which ECCs see no alternative. As ManA of CC6 points out: “If that’s what government enacts, that’s what we comply with. [...] This is our principle and our obligation [...]. No arguing about that”. According to the research, this position is supported by ECCs’ conviction that legal abidance represents a fundamental corporate responsibility. Thus, compliance with the law is seen as the “basic condition” (ManA, CC17) for responsible business conduct and as a “minimum requirement” (ibid.) or “first order” concern of CR (ManA, CC23).

Taken together, ECCs’ internal considerations on corporate policies, values and responsibilities prove to be highly relevant to their adaptation to the local regulative context for CR. Hence, a pattern of reaction defined as *Regulative adaptation by commitment* is not only important to enhancing a general understanding of ECCs’ CR choices. It is also shown to be of actual relevance to their conduct in China.

#### **5.2.2.2. Standards-Based Adaptation**

##### ***Adapting for non-governmental legitimacy***

With regard to adaptation to not legally mandated, yet formalized standards of CR, one rationale has received considerable attention over the course of the research process,

namely non-governmental activity, more precisely domestic non-governmental activity. Here, findings revolve around the question of whether or not ECCs consider adapting to certification in the field of CR in an effort to gain legitimacy from domestic non-governmental players. Accordingly, a pattern of reaction named *Standards-based adaptation for domestic non-governmental legitimacy* has been carved out.

In fact, the research reveals that domestic non-governmental actors have little or virtually no importance for ECCs' adaptive CR activities in China. It has been revealed in section 5.1.2 that ECCs continue to observe an underdeveloped and weak non-governmental context in China. Neither domestic NGOs, nor labour unions or other Chinese civil society organizations have been shown to raise substantial claims for ECCs to adhere to specific CR standards. Consequently, it has been concluded that the demands voiced by these domestic non-governmental actors, if any, have little direct impact on ECCs' CR approaches. As ManA of CC4 summarizes: "Non-governmental organizations continue to play a negligible role in China. They also fail to have a significant impact on our company". Based on these insights, the research comes to conclude that standards-based adaptation among ECCs is not directed at satisfying domestic non-governmental players, at least not to a significant extent. Accordingly, the pattern '*Standards-based adaptation for domestic non-governmental legitimacy*' is found to be of negligible practical relevance to ECCs' CR choices.

Meanwhile, the research reveals that international NGOs do play a role in driving ECCs' standards-based adaptation. ECCs in the textile and apparel industry for instance state that their adherence to certification in the field of CR is driven, among others, by international organizations and standard setting bodies, such as Greenpeace, UN Global Compact, ILO and others. As ManA of CC17 points out with regard to labour and social standards: "We look at social claims from an international rule set perspective", suggesting that ILO conventions and similar benchmarks represent an important point of reference for the firm's definition of labour standards in China. Furthermore, ECCs state that their membership in international associations, such as the Fair Labour Association, Sustainable Apparel Coalition and others is also significant to their adoption of respective certification. Hence, the research suggests that, while NGOs are far from irrelevant to ECCs' adaptation to formal standards in the field of CR, ECCs tend to respond to international rather than domestic normative actors. Consequently, a

pattern of reaction identified as *Standards-based adaptation for international non-governmental legitimacy*, unlike its domestic counterpart, is considered relevant.

### ***Adapting for economic gain***

Moreover, the research provides empirical evidence for the significance of economic rationales for ECCs' voluntary adaptation to formalized CR standards in their China operations. Firstly, ECCs repeatedly mention the value of respective certification in participating in Chinese supply chains. The results described in section 5.1.4.4 on ECC customers have uncovered that CR-related certificates are generally not yet deemed important "to the same extent as in [Europe]" (ManA, CC8). Nevertheless, it has also been argued that due to their special customer base, consisting largely of foreign and/or high-quality domestic firms, ECCs are increasingly required to demonstrate adherence to CR standards. Otherwise, as ManA of CC6 points out, "large parts of our business activities could not be pursued". Hence, in an effort to suffice customer demands in China, ECCs feel gradually more pressure to adapt to formal standards, predominantly in the fields of quality management, environmental protection and labour.

Beyond this explicit claim, the research reveals that ECCs also respond to an implicit call for CR certification in their Chinese business environment. This is related to reputational arguments. As disclosed in section 5.1.4 above, ECCs believe to enjoy a positive image among domestic stakeholders as to their CR performance. As a corollary, ECCs suggest that they cannot afford to disregard CR for this would tarnish their inherently positive local reputation. On the contrary, interviewees argue that they must live up to heightened stakeholder expectations in return for local legitimacy. ECCs believe adherence to formalized CR standards to be particularly suited for this endeavour. They maintain that formal certification is particularly valuable in the Chinese context, where showcasing publicly that "everything is nice and well [...] is very important" (ManA, CC11). ECCs tend to attribute this observation to the Chinese culture of 'face keeping'. In sum, securing a positive reputation and living up to implicit stakeholder expectations represents a strong argument for ECCs in favour of adapting to formalized CR standards beyond legal minimum requirements.

The points made about explicit customer demands, implicit stakeholder requirements and reputational benefits highlight that business-related rationales drive ECCs to adapt

to formalized voluntary CR standards when operating in China. Thus, a pattern of ECC behaviour labelled *Standards-based adaptation for economic gain* appears to be relevant to describing ECCs' responses to Chinese institutions in matters of CR.

### ***Adapting by commitment***

Besides external demands, firm-level policies and requirements also play a vital role in driving ECCs to adopt formal CR standards. This includes internal directives on the adherence to CR codes and standards determined by third parties (e.g. ISO standards, UN Global Compact, etc.), but also refers to formalized firm-specific provisions in the field. The research shows that many ECCs are internally required to implement CR-related standards that resemble those enforced in their home country operations or, where applicable, conform with global corporate standards. This transfer of benchmarks is based mainly on the objective of securing efficiency, managerial and quality standards (“This has to do with the fact that our company wants to achieve the same level of quality everywhere”, ManA, CC2), and upholding firm values and policies globally (“We do have our own corporate responsibility agenda, which specifies the adherence to ecological and social standards regardless of legal regulation”, ManA, CC17). This is in turn linked to questions of corporate culture and commitment, which ECCs regard as chief rationales behind internal provisions on formalized CR standards. As ManA of CC19 for instance points out with regard to social and labour standards: “This is related to the philosophy of our company. [...] We believe that we must take care of people. [...] Taking care of people is part of our company’s tradition”. Hence, internal directives, corporate culture, and thus ultimately corporate commitment play a vital role in driving ECCs' adaptation to formalized standards in the field of CR. Therefore, a pattern of reaction hereafter referred to as *Standards-based adaptation by commitment* is shown to contribute to describing ECCs' CR conduct in the Chinese context.

### **5.2.2.3. Behavioural Adaptation**

#### ***Adapting to inferior benchmarks for economic gain***

The research suggests that institutional adaptation in the field of CR does not exclusively pertain to the regulative framework and a set of formalized standards. It also refers to less tangible local rules of behaviour that define the benchmarks of what is perceived to

be ‘normal’, ‘appropriate’ or expected corporate conduct in the local context of operations. The research indicates that ECCs’ considerations on adapting to informal standards of behaviour in the specific Chinese context are subject to a perceived dichotomy of behavioural expectations: As mentioned repeatedly over the course of section 5.1, ECCs believe that behavioural standards set out for foreign, particularly European firms tend to differ from, i.e. surpass benchmarks specified for domestic Chinese companies. This applies to government, business actors and societal forces alike. Hence, from an ECC perspective, behavioural adaptation in the field of CR often refers to adaptation to what is regarded by different contextual constituents as ‘normal’ or ‘appropriate’ CR conduct in the specific case of ECCs.

When it comes to defining the benchmarks of ‘normal’ or ‘appropriate’ CR behaviour, domestic peer conduct makes for a suitable starting point. It seems reasonable to assume that ECCs’ adaptive endeavours at least partly relate to domestic peers, who are also likely to act as a point of reference to local stakeholders in their assessment of CR in ECCs. It has been outlined in section 5.1.4.3 that, to ECCs’ account, domestic companies are making rapid progress in the field of CR. Nevertheless, ECCs suggest that the bulk of “Chinese firms still handle those things quite differently” (ManA, CC3) and fall short of comprehensive CR approaches. Sub-standard, partly illegal corporate behaviour among domestic firms causes ECCs to complain about competitive disadvantages in the Chinese context. To put it in ManA of CC12’s words: “This is as if you were doing a motor race. If you complied with the speed limit [...] while your adversary wasn’t, you would be forced to lose”. Against this backdrop, adaptation to inferior peer standards to reduce competitive disadvantages may appear a compelling behavioural choice. It might be viewed by ECCs as an economic necessity to ensure competitiveness on the Chinese market. Therefore, the research suggests that a pattern of reaction defined as *Behavioural adaptation to inferior benchmarks for economic gain* plays an important role in enhancing an understanding of ECCs’ CR approaches.

Nevertheless, according to the study, this pattern seems largely insignificant in describing ECCs’ actual CR conduct. On the one hand, section 5.1.1.4 has shown that ECCs believe to be under special government scrutiny of regulative adherence and thus see little room for sub-standard behaviour. This does not mean that ECCs see no way of adapting to sub-legal local standards of behaviour. As ManA of CC1 puts forward: “If

a [foreign] firm really wants [to break CR law] then I'm sure it can find a way". However, as explained above, ECCs believe the barriers for such legal deviance to be much higher for ECCs than for their domestic counterparts.

Moreover, the research reveals that firm-level directives and values, as well as personal and business-related rationales generally impede ECCs from adhering to inferior standards in the field of CR. Instead, as will be outlined in greater detail in the subsequent section, research results indicate that internal principles and considerations tend to favour comprehensive CR policies and practices.

This is reinforced by aforementioned superior stakeholder expectations towards CR in ECCs. As ManA of CC6 underlines: "I simply don't believe that we can just go ahead, run riot and say that this is ok by Chinese standards. I think Chinese people would look at us asking 'what is that about? [European] firms are supposed to be neat and everything' [...] I think we do feel under quite some observation here".

Together, superior government scrutiny, internal policies and convictions, as well as heightened stakeholder expectations make a case against ECCs' adaptation to inferior local standards of behaviour. Consequently, the pattern *Behavioural adaptation to inferior benchmarks for economic gain* is shown to be largely insignificant.

### ***Adapting to superior benchmarks for economic gain***

According to the study, the proposed insignificance of the pattern *Behavioural adaptation to inferior benchmarks for economic gain* is also rooted in the idea that adherence to *superior* rather than *inferior* standards of behaviour is beneficial to ECCs' local business. Firstly, information presented in section 5.1.4.1 has shown that adherence to superior CR benchmarks represents an integral, even though indirect, element of ECCs' strategic response to China's changing economic environment. It has been argued that comprehensive CR standards are regarded by ECCs as both a prerequisite and an indicator for superior quality, technology and efficiency, which are believed to be indispensable to face future challenges in the Chinese market. Hence, the research suggests that one rationale for ECCs to adapt to heightened informal standards in the field of CR lies in the instrumental value of such activities, as well as in the respective message that such standards send to customers and other stakeholders.

On the other hand, as mentioned repeatedly in section 5.1, ECCs are faced with an image as ‘high-standard’ firms in their local context of operations. The research suggests that this is part and parcel of ECCs’ relationship with local stakeholders, who create implicit expectations to live up to superior benchmarks in the CR domain. Any other behaviour is believed to raise disappointment and dissatisfaction, and to thus cause economic detriment in the long run. With regard to customers, ManA of CC18 for instance suggests: “When something goes wrong [...] they tend to be highly surprised that things can go wrong at all [in a European firm]”. This statement indicates that deceiving customers’ positive image acts as an important rationale for ECCs to adhere to superior benchmarks of behaviour. A similar logic applies to local workforce. As outlined in section 5.1.4.2, ECCs observe that Chinese employees generally presume that Western firms offer high-standard working conditions and opt for ECC employment based precisely on these expectations. This creates added implicit pressure for ECCs to offer above-standard working conditions, which is exacerbated by pronounced labour shortage and fluctuation on the Chinese labour market. ManA of CC3 for instance states: “Our salaries are in conformity with the market. But we also offer additional benefits [...]. Topics like [an air-conditioned welding workshop] make people realize that they are offered better working conditions”. This testimonial underscores that ECCs tend to adopt superior labour standards in order to face intense competition on the Chinese labour market by complying with superior employee expectations as to their conduct. Based on these insights, the research concludes that complying with stakeholders’ positive image acts as an important implicit economic driver in ECCs’ orientation towards superior benchmarks of CR.

In sum, reflections on technological and operational benefits of high-level CR standards, and the tacit call to respond to superior stakeholder expectations stress that ECCs believe adherence to superior benchmarks of CR to have economic value on the Chinese market. Accordingly, a pattern of reaction labelled *Behavioural adaptation to superior benchmarks for economic gain* appears to have actual relevance for ECCs’ CR conduct. This indicates that ECCs perceive stronger economic benefits in an orientation towards superior than towards inferior behavioural benchmarks in matters relating to CR.



### ***Adapting for social legitimacy***

In addition to economic rationales, ECCs also consider societal arguments as drivers of their adaptation to local informal standards of behaviour. ECCs argue that “as a part of local society” (ManA, CC18) they must do justice to local societal expectations. These expectations cover legal minimum requirements but, beyond that also implicitly include demands on the adherence to certain local standards of corporate conduct as well as to specific stereotypical patterns of behaviour. As outlined in section 5.1.3, ECCs suggest that ‘cliché’ perceptions of European firms in terms of corporate responsibility exist in Chinese society as to labour standards, environmental protection, and other CR-relevant matters. These tend to go beyond what is generally expected from domestic corporations. In fact, in many aspects, ECCs suggest that Chinese society naturally expects ECCs to be more advanced in CR matters and display more elaborate CR approaches compared to their domestic counterparts. As ManA of CC18 argues: “I believe that [European] firms have a very perfectionist image. [...] It is this image that creates some sort of expectations [...] and it might come quite as an unpleasant surprise if these expectations were not fulfilled.” This argument implies that an inability to meet society’s generally positive and superior image of European firms and underlying expectations may reflect badly on them and damage their local legitimacy. As a consequence, the research suggests that society’s superior image encourages ECCs to adapt to heightened CR-related expectations that implicitly result from socially supported stereotypes. In other words, ECCs attempt to live up to the image they enjoy in Chinese society so as to gain social legitimacy. Respectively, a pattern of reaction henceforth called *Behavioural adaptation to superior benchmarks for social legitimacy* is found to contribute to describing ECCs’ CR approaches in China.

### ***Adapting by commitment***

Finally, research observations uncover internal rationales for which ECCs might choose to adapt to superior behavioural standards of CR. Related deliberations are rooted primarily in localization endeavours. ECCs argue that they aim at being “part of local society” (ManA, CC18). More precisely, interviewees contend that they want their firms to be perceived as “Chinese companies with [foreign] roots” (ManA, CC3). On the one hand, interview results show that localization is thought to further economic success. To put it in ManA of CC3’s words: “We want to be firmly rooted locally, because this is ultimately beneficial to long-term commercial success”. Only as a ‘local firm’ do ECCs

believe to be “truly noticed” (ManA, CC6) and taken seriously by their local stakeholders, thus facilitating local business activity. However, localization is also shown to be born by a sense of belonging that exceeds instrumental rationales. ECCs perceive themselves as ‘guests’ (see below), but local citizens nonetheless. As such, they feel part of local Chinese society; rights and obligations included. Beyond this rather abstract sense of social participation, interview outcomes also reveal that there is an emotional element to ECCs’ affiliation with the Chinese context, primarily at the managerial level. It is encapsulated in ManA of CC20’s statement: “Those are emotional topics for me. I also live here. I have come to live in this country [...] and I like this country”. Hence, the research points out that ECCs, i.e. ECC managers develop a sense of local belonging and identification with the Chinese environment. As a result, ECCs not only attempt to become part of Chinese society, but also perceive local responsibilities accordingly. Taken together, utilitarian, citizenship and emotionally rooted arguments in favour of localization induce ECCs to adapt to local standards of behaviour. Wanting to be “a perfectly normal local firm” (ManA, CC4), ECCs feel that they must, at least partly, adapt to local expectations and standards of corporate conduct, regardless of legal stipulations or formalized standards.

As far as the benchmarks of such adaptation are concerned, above arguments on economic benefits and stakeholder expectations suggest that ECCs tend to be oriented towards superior, rather than inferior behavioural standards. Beyond that, the research also stresses commitment-related arguments for adherence to superior CR benchmarks. This is firstly related to ECC managers’ personal values and beliefs. In this regard, ManA of CC6 for instance argues that CR activities are largely based “on one’s personal ethic and decency. [...] Only because I am in China, I cannot just go ahead and do whatever I want!”. ManA of CC16 adds: “Showing some respect [...] for the local culture alone obliges us to make an effort to adhere to certain social standards”, hence underlining a sense of personal responsibility. The argument points out to another important case made by ECCs, which is the esteem of the host country context and one’s own guest status. Being foreign to the local environment, many ECC managers contend that they feel an inherent obligation to maintain high level CR standards. This point of view is summarized by ManA of CC2’s assertion: “My personal opinion is that I feel obliged to do more. We are guests in this country and as such, we must behave duly”.

Finally, to add to above arguments, ECCs contend that behaving according to high-level benchmarks of CR is a matter of ‘cultural imprint’. ECC managers argue that their home country culture instils a certain corporate and managerial self-conception that translates into heightened aspirations in the field of CR. As ManA of CC18 contends: “This is part of us. [...] Those are the principles that we [...] have [...] and we are trying to implement them globally”. ManA of CC6 adds: “Being in a foreign country, you want people to know where you are coming from”, thus displaying a sense of pride towards interviewees’ home country culture. ManA of CC23 even goes as far as arguing that there is “a gene in Western countries to [...] give back to society”, thereby establishing an inherent link between CR and European culture. This opinion not only hints at a subliminal sense of superiority in questions of CR. It also highlights the value that ECCs ascribe to their cultural background in driving their CR approaches abroad. In sum, localization endeavours, managers’ personal values and beliefs, as well as notions of home country culture drive ECCs’ commitment to adapt to superior benchmarks of CR conduct when operating on the Chinese market. Thus, a reactional pattern henceforth referred to as *Behavioural adaptation to superior benchmarks by commitment* proves relevant in describing ECCs’ CR approaches.

### **5.2.3. Institutional Co-Evolution**

With regard to Cantwell et al.’s (2010) third category, institutional co-evolution, survey findings point out to a division into two sub-categories: Firstly, results reveal that ECCs engage in co-evolutionary endeavours individually, thus seeking to bring change to the Chinese CR context by themselves. Study results pertaining to this type of co-evolution are summarized under a sub-category called *individual co-evolution* (section 5.2.3.1). Secondly, the research reveals that ECCs’ co-evolutionary activities in the field of CR occur on a collective basis, meaning that ECCs attempt to alter the broader CR environment in China through cooperative efforts. Corresponding endeavours form part of the sub-category *collective co-evolution* (section 5.2.3.2). The description of results for both sub-categories begins by providing insights into the channels that enable ECCs to engage in the respective type of co-evolution. This is followed by a one-by-one analysis of the eight patterns of reaction that have emerged throughout the research process, and an assessment of their applicability in the contemporary Chinese context.

### 5.2.3.1. Individual Co-Evolution

#### a) Channels

##### *Lobbying*

With regard to the channels that enable ECCs to engage in individual co-evolution, research findings firstly revolve around the potential of lobbying. Section 5.1.1. has not only underlined that ECCs regard the state as the pivotal player in China's institutional environment and as the main driver of domestic CR developments. It has also stressed the importance attributed to the state for successful business activities in the Chinese context. Against this backdrop, it is reasonable to assume that ECCs would consider turning to government when attempting to initiate contextual change in the CR domain. Indeed, interview results show that ECCs generally place great importance on maintaining strong and positive ties with authorities. With regard to CR, study outcomes suggest that they do so mainly for securing government backing, mitigating enforcement deficiencies and obtaining support in terms of regulative implementation, or as ManA of CC1 puts it, "receiving assistance in dealing with this whole muddle of regulation". While this indicates that ECCs generally seek cooperation with government in matters of CR, it also raises questions as to the co-evolutionary value of these endeavours.

In fact, evidence suggests that ECCs' interaction with government is generally not used to put pressure on authorities to induce change beyond issues of firm-level relevance. Results show that this is due mainly to a widespread belief among ECCs that they lack sufficient power individually to induce government to make concessions beyond the bilateral level. For obvious reasons, this holds true primarily for smaller-sized ECCs, who believe to be "too small to be directly politically involved" (ManA, CC18). However, larger ECCs also believe to "not stand a chance against this apparatus" (ManA, CC7). As ManA of CC13, an apparel giant, highlights: "the impact of our corporation in China should not be overstated [...] we might not have the weight we are being ascribed to".

The impression of not being powerful enough individually to coerce government into getting involved in contextual change is exacerbated by ECCs' general perception that Chinese government does not respond well to pressure. In their relationships with the state, ECCs highlight the importance of behaving in a manner deemed locally

appropriate. They suggest that authorities must be addressed in a non-confrontational fashion that avoids explicit pressure and harsh criticism of the status quo, as this might prove detrimental not only to the relationship, but also to its purpose. In ManA of CC8's words: "A 'let's show them how things are done' attitude is usually not well received". Research results indicate that ECCs are afraid of losing government's goodwill and facing repercussions when offending officials. This is encapsulated in the following statement: "We are not choosing the path of least resistance. However, we also refrain from *provoking* resistance. That would be overburdening for us" (ManA, CC27). To interviewees' account, government's repudiation of foreign criticism has increased significantly over the past decade, and so has ECCs' reluctance of vexing authorities. Following the argument presented in section 5.1.1.2, ECCs argue that government's increasing rigor towards foreign firms has lessened their power to condemn official policies and practices. As ManA of CC8 puts forward: "It is perfectly clear that [government's] confidence has risen, which is why one always has to be careful about how to address [critical issues]". Against this backdrop, ECCs state that they prefer to refrain from using confrontational pressure based on their economic leverage. This attitude is summarized by ManA of CC13: "When it comes to lobbying [...] one must proceed very, very carefully here [in China]. One has to find the right language [...]. We can just warn anyone of resorting to anything that might somehow appear obstructive or dictating, because that normally leads to a pushback. [...] Issues must be addressed in a manner that does not lead to a loss of face of government representatives by pointing out some kind of misbehaviour or deficit". This statement testifies to the idea that individual ECCs feel inapt to pressurize government for institutional change.

However, this does not mean that ECCs believe to lack co-evolutionary influence on government whatsoever. Interview outcomes show that ECCs' lobbying efforts tend to be more effective when relying on non-confrontational, low-pressure, solution-oriented approaches. In this context, the research shows that ECCs may use their relationships with government to provide information and point out potential solutions, thereby tacitly contributing to opening the door towards change beyond their individual firm. To ECCs' account, this includes "providing information on Western general practice for certain kinds of activities" (ManA, CC23) and sharing experiences in dealing with specific CR-relevant issues. In this regard, ECCs contend that it is particularly effective to demonstrate best practices examples. In specific, ECCs highlight the value of inviting

local officials to visit their plants and observe their policies and practices in the field of CR. This gives ECCs the opportunity to exhibit operational and technological approaches, voice respective concerns, and explain the necessity and benefits of corresponding changes at the institutional level. ECCs concur that such best practices advances are generally yielding positive outcomes. They contend that, as long as firms refrain from confrontation and pressure, government authorities prove interested and receptive to ECCs' suggestions in the field of CR. In fact, interviewees largely agree with ManA of CC14's assessment that "when visiting your firm, local authorities have a very close look at how things are done. That means that they take away a lot of impulses, which will then be considered in the development of the regulatory system".

ECCs even go as far as suggesting that Chinese government proves more open to such initiatives than other countries. ManA of CC17 for instance refers to the example of Bangladesh, contending that the country's government is far less supportive of foreign firms' CR-related initiatives than Chinese authorities. This is attributed to an idea put forward in section 5.1.1.2, namely that government is eager to learn from ECCs' CR approaches in an effort to advance its national environmental and social agenda. This is where ECCs see their co-evolutionary potential. Their "providing references and information" (ManA, CC23) may contribute to regulative change not only by affirming government in its intended course, but also by steering its direction. Thus, it appears that ECCs see Chinese government's search for development possibilities as a window of opportunity to implicitly influence regulative processes. As ManA of CC24 confirms: "[Government] holds an intensive dialogue with Western firms and likes to reproduce certain things. [...] This is where I think we can make an impact". Hence, although individual ECCs see little value in putting pressure on government, they believe to have an implicit co-evolutionary impact on the regulative context by sharing CR-relevant knowledge with government authorities.

This is, however, not without limitations. Firstly, ECCs point out to counterproductive concerns and interests at the local level of government; a problem that has been described in section 5.1.1.4. Interviewees suggest that these governance issues add to an overall sluggishness of the Chinese political apparatus, which renders co-evolutionary change in the regulative realm difficult and time-consuming. Most importantly, however, ECCs point out that the possibilities to influence the regulative framework for

CR, even when addressed in a non-confrontational manner, are restricted to the non-political field. According to ECCs, this implies that one must recognize the supremacy of government and accept its control over all processes and actors, including the agents of change themselves. To cite ManA of CC23: “Chinese government authorities want everything to be under their control. They do not want Western companies to do things by themselves. They want Western companies to [engage in CR] under their guidelines”. The state’s “fear of losing control”, as ManA of CC14 calls it, not only governs the rules of interaction with government authorities and determines the ‘pecking order’ in all efforts of cooperation. It also defines the topics that might be addressed by ECCs in their co-evolutionary endeavours. ECCs state that government proves to be open to their suggestions and recommendations as long as the matters in question do not touch upon issues of political sensitivity. As ManA of CC17 confirms, government’s willingness to cooperate “ends where the system begins, that means that the possibilities to establish certain standards are limited by the boundaries set by the political system”. Thus, to ECCs’ account, topics such as freedom of assembly or human rights are off limits, even to low-pressure forms of lobbying. In other areas, government’s opposition might not be pronounced to the same extent, yet sufficient to inhibit effective knowledge transfer. Interview outcomes suggest that this is for instance the case in matters of social development. Here, ECCs observe a certain reluctance among government officials to respond to firms’ co-evolutionary efforts for fear of putting too much limelight on social issues. In view of these restraints, it appears that government’s openness to knowledge transfer in the field of CR is a two-edged sword: On the one hand, it opens a door for ECCs to try and influence the direction of CR developments in China. On the other hand, it restricts ECCs’ potential to induce change to government’s predefined sphere of interest.

In sum, the research reveals that lobbying represents a promising channel for individual ECCs to induce co-evolutionary change. However, given that firms feel unable to put significant pressure on authorities, lobbying in the Chinese context takes on the form of knowledge transfer within the limits of the political system. ManA of CC23 recaps: “Everything is decided by [government]. We can only provide references”.

### *Supply Chains*

Another potential channel of individual co-evolution identified by the research refers to ECCs' local supply chains. It is argued that ECCs may use their supplier networks to spread CR approaches, and thus act as multipliers of benchmarks. This would ideally be co-evolutionary insofar as it would enhance both knowledge and practice of CR among local firms and thus strengthen the domestic basis for responsible business conduct.

According to the study, co-evolutionary mechanisms commence with ECCs' choice of suppliers, more precisely with respective qualification requirements. Research results confirm that CR performance does directly or indirectly play a role in ECCs' supplier selection processes. ECCs consider this particularly relevant in the Chinese context, where standards continue to vary significantly from one potential supplier to another. As ManA of CC8 puts forward: "For identical products you can find manufacturers who are immaculate [...] and others whose labour and environmental standards evoke utter dismay. You can really find the entire range here". Against this backdrop, the interviewee continues, "it is important to make an appropriate selection". The research suggests that it is predominantly larger-sized ECCs that include explicit CR requirements into their evaluation of potential supplier candidates. Case company observations confirm that respective preliminary review procedures, codes of conduct and other typical instruments are in place to that effect. Although this might not hold true to the same extent for smaller firms, interview results indicate that these companies too consider CR standards when selecting suppliers, at least implicitly. Social and environmental standards are what ManB of CC10 calls "additional measures of credibility for selecting [...] suppliers". This statement highlights what has been put forward in section 5.1.4, namely that CR standards are regarded by many ECCs as proxies for instrumental criteria such as quality, technology, or efficiency. To put it in ManA of CC13's words: "A company that disregards fundamental standards in personnel management, labour safety and health management, environmental management etc. is not able to work strategically and is thus not suited to being our partner". By implication, research participants agree that "potential suppliers who violate [respective] standards are not considered" (ManA, CC15). Consequently, the research reveals that, faced with a great variance in local supplier standards, ECCs feel the need to at least implicitly consider CR standards as benchmarks of supplier qualification. This selection process has a co-evolutionary effect in the sense that it



raises the bar for local manufacturers wanting to participate in ECC supplier networks. Beyond selection, CR-related demands are also shown to form part of ECCs' cooperation with and evaluation of local suppliers. Again, the above logic applies: on the one hand, in most large-scale ECCs, CR standards form part of explicit supplier requirements and are considered in respective control and auditing routines. On the other hand, smaller ECCs contend that they observe CR indirectly, most frequently as part of their quality management.

Yet, the research also uncovers a general scepticism among ECCs with regard to the co-evolutionary effectiveness of explicit CR requirements in their supply chains. Firstly, many ECCs admit that proof of certification alone often suffices to satisfy qualification requirements. Further scrutiny often remains underdeveloped or is considered simply impossible. As ManA of CC21 puts forward: "If they produce the certificates, we are off the hook [...]. Nobody is really interested in how far this is actually being implemented as long as certification is valid." This view is shared by many other managers who argue that CR requirements "are only rudimentarily met" (ManA, CC15) by local suppliers. In this context, interviewees reason that without some sort of backing by regulative enforcement authorities, ECCs are incapable of hindering their suppliers from slipping through institutional loopholes. ManA of CC12 subsumes: "Foreign firms are simply not the better enforcement agencies [...] that's something they are entirely incapable of". With this in mind, the survey suggests that explicit CR requirements still primarily serve as hedging measures. In light of unsupportive national institutions, ECCs believe them to be too weak to stimulate significant co-evolutionary change.

Under these circumstances, some ECCs argue for a self-governance approach. It focuses on capacity building in long-term supplier relationships, most importantly on developing management systems that allow suppliers to address sustainability and responsibility issues in a systematic and comprehensive manner. Firstly, ECCs argue that only stable, long-term cooperation with suppliers allows them to transmit an understanding of "how Western companies want certain topics to be addressed" (ManA, CC13) and an appreciation of underlying rationales. Also, interviewees stress the need to "take [suppliers] on the journey" (ManA, CC16) and empower their managements to foster CR-related objectives autonomously. To succeed in these tasks, ECCs highlight the value of training and knowledge transfer, instead of relying on top-down

requirements and audits only. While these are general context-independent arguments, ECCs do believe that such programmes can effectively be implemented among Chinese suppliers. They see China's level of development, local suppliers' learning aptitude, as well as their progressive attitude as fertile grounds for self-governance approaches. ManA of CC17 draws the following comparison: "Due to China's level of development and local suppliers' 'fitness', the starting point of our efforts is quite different than in other markets such as for instance Myanmar [...], where you really need to start by creating a basic knowledge of management before you can tackle questions concerning the implementation of social or environmental standards. This is quite a different basis." In particular, interviewees believe the younger management generation among Chinese suppliers to be receptive to such programmes. As ManA of CC13 argues: "This second generation of management [...] has a completely different managerial approach and is far more open to the topic of corporate responsibility and all accompanying subjects than the generation of their fathers and grandfathers". Thus, ECCs believe that current economic developments and generational change facilitate the effective transfer of CR-relevant knowledge to Chinese suppliers. This transfer of knowledge is regarded as an important channel of co-evolution in the field of CR. As ManA of CC17 puts forward: "Since we are not able to break through the political system, we can at least enforce an understanding [of CR] at the [supplier] level".

Yet, this approach is not without difficulties either. Most importantly, as outlined in section 5.1.4.3, ECCs stress a still omnipresent emphasis on short-term profits in the Chinese business environment. This renders it difficult for ECCs to persuade local suppliers of the necessity of comprehensive CR approaches. As ManA of CC21 puts forward: "We do try to push them in the direction of increased social responsibility. But we stand little chance against the still prevalent sheer capitalism. To be honest, we are often met with incomprehension". In this context, ECCs highlight the need to "convince partners that this is the right culture, the right thing to do" (ManA, CC10), and stress the time and commitment required to succeed in this endeavour.

To summarize, the research suggests that traditional supply chain management practices in the form of explicit CR requirements continue to have limited co-evolutionary relevance in China. However, the study reveals that supply chains, when addressed from

a long-term, knowledge transfer perspective, may represent effective channels for ECCs to engage in co-evolution towards greater observance of CR in the local Chinese context.

### *Internal measures*

Besides relying on external channels such as lobbying or supply chains, research findings also show that ECCs count on the co-evolutionary value of internal measures. These are directed first and foremost at the local workforce and are believed to have a co-evolutionary effect by means of changing attitudes and behaviour. In this context, ECCs point out the significance of providing training and education in CR-relevant matters to local employees. As ManA of CC19 explains: “It is very important that [employees’] thinking matches your organization, your products and your company culture”. This highlights both underlying ethical and instrumental rationales: On the one hand, ECCs believe training in CR-relevant aspects to be a vital precondition to the creation of efficient and high-quality products and services. On the other hand, they argue for the need to create a unanimous understanding of corporate objectives and values among their workforce. In order to realize these intentions, results indicate, ECCs offer a wide range of training that touch upon CR-relevant matters. Training focuses mostly on topics of labour safety, cleanliness and process efficiency, thus referring to questions of CR indirectly, but also aims to enhance knowledge of corporate values and principles. Moreover, many ECCs state that they capitalize on sending employees to their European headquarters so as to create a better understanding of firm policies and practices. As ManA of CC4 highlights: “Our employees often attend trainings in Germany. This is where they get to know a German working environment, German labour standards and so on”. Moreover, the research uncovers that ECCs place considerable importance on an implicit transmission of values and policies in CR-relevant fields. During her on-site company visits in China, the author was able to observe how instructions relating to labour safety and environmental protection were put up in workshops. By the same token, on various occasions, the author became aware of posters highlighting ECCs’ missions and core values. These displays, interviewees confirm, act as constant reminders to employees of CR-relevant issues, emphasize the importance attributed to them by management, and thus aim at an implicit educational effect on the local workforce. ECCs stress that these measures must be accompanied by exemplary leadership. They highlight the need for local management to set a good example and engage in a constant dialogue with employees to explain the relevance of

topics in question. ManA of CC20 for instance claims: “I really try to live these things in our firm’s daily business practice. I really try to make people aware of the importance of these things. [...], telling them: ‘this is your country, [...] start with yourselves!’”.

The research suggests that ECCs see co-evolutionary potential in these internal training measures. By communicating the relevance of CR to employees, explaining underlying rationales and incorporating them in day-to-day business practice, ECCs believe to not only influence their workforces’ behaviour and mindset. They also hope for their employees to become societal disseminators in favour of a more ‘CR-friendly’ development. To cite ManA of CC20: “People do pass on these things. They internalize what they are required to do at work and take it back home”. Thus, ECCs believe internal policies and practices to “definitely have a multiplying effect” (ManA, CC18) beyond the limits of their firms. Yet, ECCs also note that for such co-evolutionary potential to unfold, firms must dedicate considerable resources, not only to training, but also to constant repetition and clarification of issues. In ManA of CC21 words: “Without that permanent dialogue, assistance and revision [...], you won’t get very far here”.

### ***Benchmark Setting***

Finally, the research uncovers a fourth major channel by which individual ECCs believe to bring change to the Chinese CR environment. It refers to their setting of benchmarks in the field and its implicit co-evolutionary effect on different stakeholders by means of imitation. To start with, ECCs argue that they bring products and technologies to the Chinese market that allow it to develop in a more ‘CR-friendly’ direction. This pertains particularly to the ecological realm. ECCs believe that, by developing energy efficient, water saving, waste minimizing, etc. technologies, they “can make a contribution to environmental protection by means of [their] products” (ManA, CC4). However, ECCs contend that this also applies to other areas of CR, such as for instance product safety. Here, ECCs argue that their products and technologies are setting new CR-relevant benchmarks and are thereby influencing the direction of Chinese market development.

Secondly, ECCs refer to the co-evolutionary value of their processes and approaches. They argue that their internal manufacturing and management standards draw the attention of local peer companies to different practices and methods. ManA of CC1 gives the following example: “The Chinese may for instance recognize that there are

ways of separating waste metal, separating waste oil, reusing or reselling waste. I believe that those things are seen and that they inspire local firms, according to the motto: ‘aha, this is how it can be done’. I think this is where [ECCs] make an impact”. ManB of CC10 adds: “We are playing a very positive role in leading by example”. Thus, ECCs assert that they are creating local industry benchmarks in the field of CR, simply “by doing what they do” (ManB, CC10). Although interviewees think that it will still take time for domestic firms to implement similar policies and practices, they also believe that the approaches brought to the Chinese market by ECCs will “finally [...] influence local companies and their behaviour” (ManA, CC19).

From an ECC perspective, this “leading by being a role model”, as ManB of CC10 calls it, has an impact not only on peer firms, but on regulative authorities, too. ECCs argue that their “mere presence” (ManA, CC18) on the Chinese market has the potential to implicitly induce regulative change. They argue that their approaches to matters of CR do, without much further proactive interference, serve as blueprints in government’s regulative endeavours in the field. To that effect, ManB of CC10 reasons: “I think foreign companies have not *required* Chinese government to [implement regulative changes]. I think one of the reasons why government is doing this is the fact that foreign companies are leading by example”. Hence, ECCs regard their inherent setting of regulative benchmarks as a relevant bottom-up contribution to institutional change.

Research results indicate that a similar logic applies to societal dynamics. ECCs affirm that their presence in China might implicitly contribute to the slow but steady creation of an awareness of CR issues within Chinese society. ECCs contend that Chinese society has a tendency to follow trends set by Western firms, which may act as a catalyst for their CR-related approaches to permeate Chinese society. To highlight this point, ManA of CC19 for instance refers to the example of a city in Jiangsu province, where many European companies have settled. The interviewee describes the city as “somewhat different” in the sense that it is cleaner and less chaotic than other cities in China. The manager argues that “this is because the city government and the people are influenced by local [European] companies”. Thus, the research reveals that ECCs tend to agree with ManA of CC6’s reasoning that “European firms contribute [to CR developments] by supporting Chinese people’s change of mindset”.

In sum, empirical evidence suggests that ECCs deem one of their primary co-evolutionary channels to be implicit by nature. They believe that their presence in China alone sets new benchmarks and thus naturally inspires bottom-up change in the field of CR. This is in line with a general trend observed by the research with regard to the channels allowing ECCs to engage in co-evolutionary activity. Research results suggest that explicit pressure and demands, for instance towards government or suppliers, are not believed to be of major co-evolutionary value. By contrast, ECCs consider channels capitalizing less on pressure but on exemplification and learning instead, to be more effective in bringing change to the Chinese CR context. Hence, according to the research findings, ECCs' individual co-evolutionary power rests primarily with their continuing, tacit influence on local actors at different institutional levels.

#### **b) Patterns of Reaction**

##### ***Inducing inferior benchmarks***

Having carved out possible channels of individual co-evolution, it remains to be described how they actually come into play. With regard to the motives of co-evolutionary activity, research results firstly point out the potential appeal of reduced benchmarks in the broader field of CR. It has been outlined in section 5.1.1.4 that ECCs perceive a series of implementation deficiencies that provoke a critical stance towards the Chinese regulative context for CR. The research shows that ECCs' criticism pertains primarily to irregular enforcement that causes competitive disadvantages of foreign firms. Under these circumstances, it could be assumed that ECCs seek to lower institutional requirements directed at them, so as to mitigate the negative effects of legal discrimination. In other words, the question arises as to whether ECCs engage in co-evolutionary activity that aims at reducing the CR-related benchmarks defined by the Chinese context for their firms in an effort to enhance their position on the local market. This reactional option could be fuelled by observations on domestic peer company behaviour. As described in section 5.1.4.3, ECCs witness cases of bribery, in which local firms influence authorities and use their "excellent relationships with government [to encourage them] [...] to turn a blind eye and bypass certain regulations" (ManA, CC1).

However, the research finds no empirical evidence to that effect. Results suggests that, individual ECCs lack both channels and willingness to engage in co-evolutionary activities towards lower CR benchmarks. The study shows that ECCs entertain close ties with authorities and seek government support in implementing CR legislation. Yet, beyond that, ECCs appear to lack power, resources and independency to put substantial pressure on government. ECCs argue that such pressure would, however, be necessary to convince authorities of lowering the bar. They emphasize what has been described in section 5.1.1.2, namely that authorities generally refuse to lower CR benchmarks for ECCs, but seek to profit from their advanced approaches in the field. Under these conditions, ECCs contend, lobbying authorities to achieve a reduction of CR standards is hardly conceivable. ManA of CC3 confirms: “A couple of years ago [...] we would have managed [...] by using *guanxi* and such things. This has become impossible”.

The research observes that this lack of means is accompanied by a general reluctance among ECCs to engage in co-evolution towards inferior standards. As described in various instances over the course of previous sections, a series of firm-level considerations and policies stand in the way of such endeavours. They include questions of corporate culture and values, internal directives, reputational issues, deliberations on the instrumental value of CR, etc. As a corollary, ECCs tend to take on a “we can simply not afford this kind of behaviour” (ManA, CC14) – attitude that inhibits them from engaging in co-evolutionary activities directed at lowering CR benchmarks. Consequently, the research reveals that both a lack of external channels and internal convictions cause ECCs to refrain from dedicating resources to lowering contextual benchmarks for CR. Hence, based on the insights obtained, a pattern of reaction identified as *Individual co-evolution to induce inferior benchmarks* is not found to be applicable to ECCs’ CR approaches in the Chinese context.

### ***Inducing superior benchmarks***

By contrast, one could also assume that rising local standards are to ECCs’ advantage, thus inducing them to engage in co-evolutionary activity towards *superior* CR benchmarks in the Chinese context. Indeed, the research finds a number of rationales to that effect. On the one hand, foregoing sections have highlighted that ECCs suggest a “correlation between good [CR] standards and good quality, capacity for innovation, development capability and strategic thinking” (ManA, CC13). For this correlation to

be effective, they argue, the institutional context must create conditions that encourage comprehensive standards in fields related to CR. Moreover, above sections have stressed that ECCs generally believe a more ‘CR-friendly’ Chinese business environment to be beneficial in terms of their local market potential and competitiveness. These insights indicate a business-driven support among ECCs for rising CR benchmarks in China.

This is closely associated with another rationale uncovered by the research. Unlike the above-mentioned motive, it is not necessarily related to the essence of CR, but is rather driven by underlying strategic and politico-economic considerations. Given that many ECCs state that their market chances in China increase with CR-related topics gaining momentum, CR-related developments become a matter of strategic relevance. Against this backdrop, the research indicates that ECCs are interested in participating in politico-economic processes that allow them to influence the direction of developments to their advantage. As ManA of CC8 puts forward: “Of course, we are trying to use these [CR-related] arguments to position the products and technologies that we would like to bring to the Chinese market in the future [...]. The fact that government is placing increasing importance on those topics obviously plays into our hands”. This statement indicates that one of ECCs’ motives for engaging in co-evolutionary activity towards superior CR benchmarks is to partake in steering the direction of politico-economic developments, so as to ultimately mould the Chinese market environment to their advantage.

In addition, the research finds that ECCs’ internal values and convictions tend to be in favour of a more responsible Chinese business environment. Overall, against the backdrop of the country’s severe environmental and social issues, ECCs concur that they “fully support a growing awareness [...] of state and society” (ManA, CC4) for CR-relevant issues. With regard to environmental protection, ManA of CC6 for instance simply states: “We are all talking about the smog problem. After all, there is a reason for this. If [China] doesn’t start doing something about it, things will not get better”. As outlined in prior sections, research results indicate that this attitude is ascribed to corporate and managerial values and beliefs, and, by extension, to their ‘cultural imprint’. Research participants show a personal interest in the development towards a ‘fairer’ and ‘greener’ Chinese business environment and society, contending that their European background allows them “to understand why this is indispensable” (ManA,



CC6) and encourage this development accordingly. Hence, research results reveal that ECCs have a general understanding for the necessity to advance China's CR agenda.

This conceptual support is intensified by ECCs' 'sense of belonging' as described in section 5.2.2.3. Research results indicate that ECCs perceive themselves as local actors and 'citizens'. This fosters notions of responsibility to contribute to raising the bar for CR in China. As ManA of CC16 explains: "As a local actor, who aims at staying here in the long term, we are ourselves affected [by local CR developments] [...] We perceive ourselves as a local firm. This means that we not only have to abide by local rules, but also wish for and expect local amelioration for the sake of our employees, so that they can live in a more liveable environment. And this is why we partake [in these developments]". By the same token, ManA of CC24 contends: "I think we do have a responsibility to help shaping the system in which we want to work". These statements underline that ECCs not only support China's development towards increasing CR standards because of business consideration, values or convictions. As local actors, they also prove generally willing to become active participants in this evolutionary process.

Hence, the study uncovers a number of rationales that potentially drive ECCs to engage in co-evolutionary activity towards higher CR standards in the Chinese context. According to the research results, this supportive attitude is met by different means allowing ECCs to actually push for respective contextual change. Above deliberations on co-evolutionary channels have revealed that ECCs proactively engage in spreading CR-relevant knowledge and understanding among their local stakeholders. Firstly, they provide vital information and impulses to political actors, thereby encouraging them to further 'CR-friendly' regulative change. This is desired by government, who is deemed eager to learn lessons from ECCs so as to cope with proliferating environmental and social concerns. Under these circumstances, ECCs believe to have a subtle yet real co-evolutionary impact on regulative processes in government-sanctioned domains.

In addition, the survey highlights that ECCs attempt to raise the level of CR understanding among their local suppliers. In particular, as outlined in section a), ECCs believe self-governance approaches to yield positive co-evolutionary outcomes. By the same token, section a) has shown that ECCs emphasize the value of disseminating CR knowledge and understanding by means of internal measures and procedures. By

including CR into different methods of training and education, ECCs believe to have a long-term positive impact on the CR awareness of their workforce, and beyond.

Finally, findings suggest that ECCs count on their mere presence in China to set superior benchmarks and create spill-over effects in favour of CR. By means of their products, technologies, processes and approaches, ECCs believe to influence domestic stakeholders to raise the level of CR. Hence, by performing an exemplary role, ECCs implicitly contribute to spreading superior CR benchmarks across the Chinese context.

In conclusion, the research reveals that ECCs have channels at their disposal that allow them to engage in co-evolutionary activity towards superior CR standards. Moreover, driven by business-related rationales, politico-economic considerations, as well as internal convictions, beliefs, and responsibilities, ECCs are willing to use these channels to contribute to a more ‘CR friendly’ local business environment. Consequently, the research finds that a pattern defined as *Individual co-evolution to induce superior benchmarks* is appropriate in describing ECCs’ responses to the Chinese context for CR.

### ***Inducing international benchmarks***

Besides engaging in co-evolutionary activity in an effort to induce superior standards, the study also finds support for the idea that ECCs aim to stimulate adherence to *international* benchmarks. Findings suggest that this objective is rooted primarily in operational considerations at the firm-level. As outlined in section 5.2.2.2, the research shows that many ECCs are bound to internal standards and regulations in the field of CR. In most cases, these apply globally, which is why “every location has to follow the global standards and values” (ManB, CC10), “regardless of where the plant is situated” (ManA, CC24). Faced with a set of context-independent internal requirements in the field of CR, ECCs are convinced that it is easier to implement global standards in an environment that supports underlying topics and provides beneficial conditions for their realization. In ManA of Case Company 8’s words: “I would say it is helpful to the implementation [of global standards] if local [circumstances] adjust accordingly”. Against this backdrop, ECCs maintain that they welcome an alignment of Chinese CR standards with international benchmarks. They contend that this would not only facilitate the implementation of CR policies and practices in their local operations and thus increase operational consistency. It would also help them manoeuvre in the foreign

CR context without major frictional losses. Relating thereto, ManA of CC19 states that the development towards more sophisticated CR standards “means that the overall environment is becoming more and more like the [European] environment. [...] you know this kind of environment, you know how to deal with it, you are familiar with it”. This statement underlines that ECCs see operational benefits in an assimilation of Chinese and European standards in matters relating to CR. Based on these insights, the research suggests that ECCs have a motive for engaging in co-evolutionary efforts to foster the application of international CR benchmarks in China.

This raises the question of whether individual ECCs have appropriate channels at hand to conduct co-evolutionary activities towards international benchmarks. With regard to lobbying, section a) has shown that individual ECCs do in fact advertise international CR standards to government by providing best practice examples and promoting the advantages of such approaches. In this sense, ECCs do implicitly encourage authorities to use international benchmarks as a point of reference in regulative decision-making. However, without substantial political leverage, individual ECCs feel incapable of proactively steering the direction of regulative developments. They remain dependent on government’s reception of certain approaches and their embedding into political considerations. In this context, ECCs also emphasize government’s reluctance to blindly accept Western approaches. As ManA of CC23 argues “Chinese government just consults companies about what they are doing, how they are doing it [...] Chinese culture is quite different from Western culture, so they will not just swallow the Western concept”. Against this backdrop, ECCs contend that their regulative means to introduce international benchmarks are limited.

Nevertheless, the research suggests that ECCs may resort to other channels to engage in co-evolution towards adherence to international benchmarks in the Chinese context. By implementing respective standards in their own operations and disseminating them throughout their supply chains, ECCs are convinced to contribute to a gradual change over time. As ManB of CC10 puts forward: “We can convince our partners that this is the [...] right thing to execute”. As such, ECCs believe to play a “multiplier function” (ManA, CC18) in bringing international standards to the Chinese market over time. As ManA of CC17 emphasizes, in China, international “trade is really bringing about change”. In light of these findings, the research proposes that ECCs’ willingness to

contribute to spreading international benchmarks of CR is in fact met by a set of channels facilitating such a co-evolutionary impact. Consequently, an emergent pattern of reaction hereafter called *Individual co-evolution to induce international benchmarks* is shown to be relevant in describing ECCs' responses to the Chinese context for CR.

### ***Creating an even playing field***

The study indicates that ECCs' co-evolutionary endeavours are not solely directed at altering local CR standards by pushing for higher, i.e. international benchmarks. Rather, ECCs widely agree that it is, above all, indispensable to work towards comprehensive and effective implementation of *existing* standards in the Chinese context. This is due primarily to ECCs' deliberations on the competitive disadvantages that arise from insufficient enforcement and unequal treatment of domestic and foreign firms in terms of CR. As outlined repeatedly, ECCs regard these diverging expectations as one of the major downsides of CR demands in China, and therefore advocate their equalization. This pertains first and foremost to the regulative context, where ECCs continue to observe a double standard approach to implementation of CR legislation (see section 5.1.1). To ECCs' account, unanimous enforcement of existing regulation would "raise the bar for [...] local competitors" (ManA, CC10) and thus contribute to a reduction of liabilities of foreignness and competitive disadvantages. As ManA of CC12 summarizes: "It would only be fair if everyone had to play by the same rules".

Along with these business-related rationales, ECCs also contend that only comprehensive and universal application of the law can truly contribute to reducing China's pressing environmental and social predicaments. As ManA of CC1 argues: "It is obvious that [the law] can only effect a change if everyone abides by it. If [some] companies do abide and [...] [others] don't [...] then this is not helping anyone. In that sense, it is important to raise the standards for everyone, including those outliers". Hence, based on deliberations on futility and disadvantages of uneven implementation of CR regulation, ECCs make the case for an 'even playing field', which sets the same benchmarks for all market participants and thus creates fairer local conditions.

With regard to the channels that are at ECCs' disposal to actually support this objective, the research points out possibilities for ECCs to act as regulative "promoters" (ManA, CC17). Interviewees contend that, by transmitting CR-relevant knowhow to their local

stakeholders and acting as a local benchmark of behaviour, law-abiding ECCs set a positive example and thereby implicitly encourage legal adherence by others. As ManA of CC17 outlines: “If there is no adequate implementation by local administration, then it is part of our responsibility to fill this vacuum, as far as it is within our power to do so”. However, study outcomes also indicate that ECCs are highly sceptical about the impact and reach of such approaches at the individual level. They contend that, as individual actors, they have limited access to and influence over other local players, in particular those unwilling to abide by local regulation. To that effect, ManA of CC16 states: “We do partake in these [co-evolutionary efforts], but we simply have too little influence”. In particular, for an even playing field to develop, ECCs highlight the need of government leadership and support. Only government, they contend, can effectively foster comprehensive enforcement and thus reduce gaps in implementation. However, ECCs feel incapable of creating sufficient pressure individually to make government embrace inclusive regulative enforcement. As discussed under section a), they do not regard individual lobbying as an effective means to put pressure on government to ‘do its job’. All they believe they can do is set positive examples and hope that local stakeholders, including government authorities will recognize the benefits of adherence and act accordingly. This, however, is deemed insufficient given the broad array of conflicting interests. Consequently, ECCs believe to lack suitable channels at the individual level to create the necessary co-evolutionary impetus to achieve a level playing field for CR in the Chinese context. Hence, in spite of ECCs’ support of respective developments, a pattern of contextual reaction henceforth called *Individual co-evolution to create an even playing field* appears to be without major practical relevance in the Chinese context. Rather, as the subsequent section will show, ECCs tend to resort to collective approaches to succeed in this endeavour.

### **5.2.3.2. Collective Co-Evolution**

#### **a) Channels**

##### ***Lobbying***

Above descriptions of individual lobbying efforts have revealed that ECCs perceive good reasons for turning to the state in their co-evolutionary attempts. Yet, findings have also pointed out that ECCs feel too weak and dependent individually to put significant

pressure on government to steer the direction of regulative processes. However, there are indications that ECCs believe to have more co-evolutionary power over authorities when acting collectively. ManA of CC13 confirms: “A collective approach with industry partners [or] local Chambers of Commerce carries more weight”.

Research results reveal that ECCs primarily resort to business associations described in section 5.1.2.3 to conduct collective lobbying. Small-scale ECC associations, such as the aforementioned TRT, carry out respective efforts at the local level. ECCs report that established relationships between local officials and company representatives are used to put forward members’ problems and concerns regarding matters of CR, and request government support and action accordingly. A similar approach takes place at the level of Chambers of Commerce and industry associations. In this context, ManA of CC11 contends: “Of course [these organizations] engage in lobbying. Mainly when things don’t go as envisioned, then issues will be addressed quite frankly.” ManA of CC8 confirms: “Chambers of Commerce speak out clearly and unambiguously”, thus acting as a means for ECCs to raise issues and concerns towards Chinese authorities beyond the local level. Furthermore, depending on the scope of the topic in question, ECCs note that supranational associations, such as EuCham, get involved in lobbying authorities for support and change. ECCs believe that these organs “have more adequate means and channels to talk to government [...] due to their political [...] contacts” (ManA, CC18). This highlights the idea that ECCs believe to have different levels of representation at their disposal to engage in collective lobbying activities and trust in the value of ‘escalating’ issues to higher-level organs.

However, the survey reveals that ECCs are generally doubtful in their assessment of the co-evolutionary impact of associational lobbying. Many of the obstacles to individual lobbying described in section 5.2.3.1 equally apply to ECCs engaging in lobbying on a collective basis. Firstly, ECCs note that above-mentioned political restrictions remain prevalent, thus subjecting associations to government authority. Hence, even in their collective efforts, ECCs feel restricted to what authorities define as non-political aspects of CR, or what ManA of CC8 calls “purely economic topics”. Moreover, under the conditions of state dominance, ECCs report having a hard time putting substantial pressure on government. Even as a group of companies, they continue to favour largely non-confrontational approaches for fear of incurring the state’s malevolence. ECCs

argue that government does not respond well to pressure or interference, even if exerted by multiple companies with considerable combined economic weight. Reportedly, this situation has been aggravated by the lessening political influence of foreign firms as described in section 5.1.1.2. Therefore, ECC collectives are cautions to “find the right language” (ManA, CC13) and pay attention to “how to address certain issues” (ManA, CC8), thus reducing their lobbying potential beyond the limits of political conformity.

Along with issues of state dominance, research results show that collective endeavours are often faced with politico-economic limitations, particularly at the local level. ManA of CC20 gives an interesting example to that effect. The interviewee reports of a recent TRT meeting with local government, in which matters of waste disposal were discussed. To the interviewee’s account, officials were reluctant to sanction more environmental-friendly waste separation technologies in an effort to protect the local waste disposal industry. This case highlights that lobbying efforts in the field of CR, even if performed collectively, often encounter local protectionism and thus fail to have the desired effect. In sum, under the circumstances of state dominance and politico-economic limitations, the study comes to conclude that collective lobbying activities in matters of CR are pertinent, but deemed unable to put significant co-evolutionary pressure on government.

In light of these restrictions, the research shows that ECCs resort primarily to low-pressure approaches of collective lobbying and capitalize on knowledge transfer to achieve co-evolutionary objectives. Insights on individual lobbying have shown that authorities generally respond well to such approaches, at least as long as they take place within the limits of government’s sphere of interest and approval. In this context, as outlined above, ECCs believe government’s search for practicable solutions to China’s environmental and social predicament to represent an opportunity for firms to become ‘behind the curtain’ agents of co-evolution without resorting to pressure. Hence, business associations at different levels use their direct access to government to act as mouthpieces for ECCs’ CR-related concerns and ideas. Study results show that these collective endeavours go beyond criticism of the status quo to include targeted suggestions on alternative solutions and approaches. To revisit the above example given by ManA of CC20, when meeting with local officials regarding waste disposal issues, TRT representatives not only lamented the current situation and pushed for government support. According to the interviewee manager, they also pitched novel technologies for

waste water separation and promoted companies that would be able to implement respective technologies. This practical example underlines how ECCs use collective vehicles in their attempt to enhance government's understanding of innovative approaches in fields related to CR, and thus try to partake in the evolution of the Chinese CR context. This includes offers to collaborate with government in joint projects, such as educational initiatives or infrastructural undertakings, where ECCs hope to transmit more 'hands-on' knowledge to authorities. In this context, ManA of CC13 for instance mentions a case where local manufacturers were willing to cooperate with government in a joint investment project for waste water treatment.

The research finds that these collective endeavours of knowledge transfer are supported by documents and reports published by ECC associations. These reports are based on information collected among member firms and contain recommendations for action. A primary example is the Position Papers Series published by EuCham. Its current 16<sup>th</sup> edition (2016/2017) offers a total of 900 recommendations for policy-makers based on information obtained from more than 1,600 member firms. Among the issues covered, many are of direct or indirect relevance to matters of CR, such as for instance concerns over regulative discrimination of foreign businesses. The Corporate Social Responsibility Forum Position Paper even offers targeted insights into EuCham members' views on matters of CR<sup>27</sup>. These publications support ECCs' collective claims towards government concerning the local CR environment.

In addition, the study shows that ECCs use formal consultation committees initiated by government itself (see section 5.1.1.2) to conduct co-evolutionary lobbying. Again, the focus is placed less on pressure but on knowledge transfer instead. ECCs regard these officially sanctioned bodies as "a good way to [...] try and influence government and respective authorities by putting forward and naming certain difficulties" (ManA, CC18). Their co-evolutionary value is believed to lie primarily with government's willingness and interest to learn from ECC experience. Interviewees believe that they can take advantage of this "strategic exchange" (ManA, CC20) and their being part of "Chinese government's concept" (ManA, CC18) to push for regulative evolution in the

---

<sup>27</sup> Both position papers can be downloaded on the European Chamber of Commerce's website (<http://www.europeanchamber.com.cn/en/european-chamber-publications>; accessed 12.06.2017).



field of CR. Hence, the study suggests that ECCs try to capitalize on their “pioneer” (ManA, CC14) image for co-evolutionary purposes.

To summarize, the research suggests that collective lobbying is more conducive than respective individual attempts. It provides ECCs of different sizes access to government officials and allows them to raise CR-relevant issues directly and openly. However, study results indicate that even collectively ECCs are unable to put major pressure on government authorities to push for institutional change in the field of CR. According to the survey, ECCs attempt to make up for this lack of power by transmitting relevant knowledge and understanding to authorities. In doing so, ECCs believe to be able to make a subtle, yet meaningful co-evolutionary contribution to a changing CR environment in China. Nevertheless, they are aware that their collective undertakings amount to little more than “constructive criticism” (ManA, CC8), without any guarantee of success. As ManA of CC21 argues, associations “can put forward constructive suggestions. But it is doubtful how far this is actually noticed or implemented”. Against this backdrop, ManA of CC8 summarizes: “I believe that [ECC associations] do have an impact, but not in the sense that government complies with whatever they suggest”.

### ***Inter-organizational exchange***

Research findings show that ECCs use collective vehicles not only to exert co-evolutionary influence on regulative institutions, but also to enhance CR-relevant knowledge and understanding within the local business community. On the one hand, ECC associations foster exchange of respective information among members and thus strengthen the knowledge base within the ECC community. The study finds evidence of various working groups and events organized by ECC associations. These act as vital sources of information to members, among others regarding local developments in CR-related fields. They provide opportunities for ECCs to share their problems and concerns, and learn from other members’ policies, practices and approaches. Also, such meetings and events allow ECC managers to get in touch with experts in specific fields and thus enrich their professional understanding of matters relating to CR. During her field trip, the author for instance learned of a recent TRT meeting where lawyers informed member companies of novel developments in Chinese labour law. In addition, ECC associations such as the TRT organize regular company visits among member firms so as to facilitate an exchange of practical knowhow and offer impulses in

questions of implementation. As ManA of CC20 argues: “[Company visits] allow our TRT members to have a look at how others do this and that. This is a way of getting inspiration”. In this sense, the research shows that ECCs’ collective efforts are not solely directed at the external context, but also focus on knowledge transfer within the ECC community itself. Here, collective efforts have a co-evolutionary effect insofar as they contribute to disseminating CR-relevant knowhow across ECCs, who might in turn spread respective information and behavioural patterns among their local stakeholders.

The research also observes collective efforts directed at enhancing CR-relevant knowledge among local, non-ECC firms. In this context, ManA of CC13 for instance reports of so-called peer-review programmes. These programmes aim at bringing together factory managements within the same industry cluster to share knowhow and best practices in an effort to raise awareness of CR-relevant management approaches. To the interviewee’s account, these initiatives have “a very positive impact on the diffusion of best practices” in Chinese businesses. A similar approach discussed in the course of the interviews is the so-called Environment, Health and Safety (EHS) Academy in Guangdong and Jiangsu provinces. The EHS Academy is a joint project of several foreign-based MNEs that focuses on offering training in CR-relevant areas to increase local qualification. Findings suggest that the initiative is driven by the common objective of “disseminat[ing] [CR-related knowledge and practice] as broadly as possible” (ManA, CC13). Finally, the research reveals that some ECCs use their memberships in local industry associations to advance the level of CR in specific industries. By propagating respective approaches and providing best practices examples, they hope to raise the awareness of CR among local manufacturers and provide the necessary knowledge to bring this awareness into action. ManA of apparel manufacturing CC16 for instance reports that his firm’s activities in the Chinese Down and Feather Industry Association has positively impacted animal protection practices in other member firms.

Aforementioned examples show that there are ways for ECCs to collectively engage in an exchange of CR-relevant knowledge with local firms and thus have a co-evolutionary effect in fostering CR beyond the limits of the ECC community. In spite of the reported positive effects of such initiatives, ECCs do, however, highlight the difficulties associated with such endeavours. In particular, interviewees emphasize difficulties in

convincing local partners of the necessity to implement related policies and practices. “It wasn’t easy, particularly at the beginning, because we did meet with quite some reserve”, ManA of CC13 admits with regard to the above-mentioned peer-review programme. ManA of CC21 confirms that many local companies do not see the point in respective measures. The manager reports: “We are met with incomprehension: ‘why should we do such things?’, they ask”. Hence, while ECCs do see knowledge transfer to local industry as a relevant channel of co-evolution, they also agree that such efforts are faced with resistance, and thus require long-term commitment.

### ***Knowledge transfer to society***

The research finds that CR-relevant knowledge transfer is also taking place between ECC collectives and Chinese society, and thus beyond the limits of the political and economic contexts. Here, ECCs seem to benefit from the generally positive image they enjoy in Chinese society, particularly with regard to their experience in handling CR and CR-related issues (see section 5.1.3.3). Firstly, the research finds that ECC associations deliberately share CR-relevant information and knowhow publicly. On the EuCham’s website, for instance, a broad array of documents, reports, position papers, surveys, etc. are available for download, not only for institutional or corporate users, but for the public in general. The same holds true for national Chambers of Commerce. This suggests that ECC associations do “not regard [CR-relevant information] as a competitive advantage or a particularly sensitive field” (ManA, CC13), but are instead interested in sharing their knowledge and experience as broadly as possible.

Apart from such general endeavours, the study also finds that ECCs collectively engage in bringing CR-relevant knowledge to Chinese society in a more targeted manner. According to the research findings, this occurs primarily via education. The research indicates that ECCs are collectively involved in a broad array of educational projects. These efforts range from organization of joint training courses, and cooperation with colleges and universities, to the establishment of training centres and the introduction of training methods and educational systems. The aforementioned EHS Academy is a positive example to that effect. As a collective initiative of foreign firms, it aims to enhance the level of education in environmental, health and safety matters among Chinese professionals. The Sino-German School of Graduate Studies (DCHK for *Deutsch-Chinesisches Hochschulkolleg*) is another main educational project, in which

European, in this case German companies play a major role. Initiated in cooperation between Tongji University in Shanghai and the German Academic Exchange Service DAAD, DCHK focuses on scientific exchange between China and Germany, and offers graduate education in different technical and managerial disciplines. Various case companies participate in DCHK, not only as financiers, but also through cooperative research projects. In doing so, they seek to increase students' technical and managerial expertise, all the while strengthening their awareness of CR-relevant issues, such as environmental aspects, health and safety issues, etc. To put it in ManA of CC7's words: By means of education "we can make a small contribution [...] to a reduced resource consumption, to a better and safer utilization of machinery equipment, etc.". Thus, ECCs state that they regard knowledge transfer by means of educational initiatives as an important co-evolutionary contribution to a changing business culture in China. It allows them to raise awareness for CR-relevant issues within Chinese society and provide the necessary technological and managerial basis for their realization.

### ***Benchmark Setting***

Finally, the research shows that ECCs believe in the subtle transformational effect of CR-related benchmarks set by collective activities. According to the study, ECCs engage in different joint projects and initiatives. These are thought to "have a public effect" (ManA, CC18) by providing impulses, introducing ideas, and thus enhancing awareness of CR issues in the Chinese business community as well as in society at large. One of the projects discussed in the course of the research is the German Chamber of Commerce's (Shanghai branch) *More than Market* initiative. It was launched in 2015 as a catalyst for ECCs' social engagement in China and promotes respective activities by member firms. Another collective project repeatedly mentioned by interview partners is the so-called Taicang Sino-German Handicapped Technology Co., Ltd., China's first handicapped workshop by its own account. It was established collaboratively by the TRT, German Chamber of Commerce in Shanghai and other local partners in an effort to offer job opportunities to disabled people and facilitate inclusion in the workplace. Besides providing a framework for ECCs' social activities, these and similar projects aim at setting benchmarks in Chinese society and increase local consciousness of social concerns. Interviewees are convinced that "the mere fact that companies and their associations realize such initiatives [...] has a multiplier effect" (ManA, CC18). Thus, by using collective vehicles to engage in social activities, ECCs believe to play a co-

evolutionary role and encourage the development of a Chinese environment that is more compatible with and open to the principles of CR.

However, interviewees also refer to the limits of such endeavours in the Chinese context. Firstly, ECCs note that their social engagement is not necessarily met with comprehension in Chinese society. “The Chinese do not yet really understand the purpose of such projects”, ManA of CC18 confirms. Under these circumstances, ECCs believe benchmark setting, even when initiated by company collectives, to be a drop in the ocean and be of co-evolutionary value only if supported by an appropriate institutional framework. In this regard, ECCs mainly lament the political boundaries within which their activities must take place. Research results suggest that ECCs feel unable to initiate projects and thus set benchmarks at their own discretion, but report being restricted by political interests and concerns. With regard to the aforementioned handicapped workshop for instance ECCs report “having received no support at all by government for the project, but having even encountered obstacles” (ManA, CC21) regarding infrastructure, organizational support, etc. As outlined in section 5.1.1, ECCs blame the state’s “preference for non-disclosure” (ManA, CC21) of critical issues for these restraints. As a result, given ECCs’ much-discussed dependency on state actors, interviewees admit to “be a bit cautious in terms of social engagement” (ManA, CC21) and respect the limits set by government. These results indicate that ECCs’ co-evolutionary efforts, even when presented in a manner as non-intrusive as benchmark setting, largely take place within the framework defined by political authority.

## **b) Patterns of Reaction**

### ***Inducing inferior benchmarks***

The above description of findings raises questions as to how and why ECCs use aforementioned channels of collective co-evolution. Answers to these questions firstly revolve around the intended reduction of CR benchmarks. It has been suggested in section 5.2.3.1 that ECCs might be inclined to engage in a lowering of local CR standards. However, the study has revealed that ECCs lack appropriate channels to achieve this objective individually. Among others, the research has shown that their individual dependency on and lack of power over state actors strongly limits such co-

evolutionary endeavours. Hence, it would be reasonable to assume that ECCs join forces and use collective channels to achieve a lowering of benchmarks. Research outcomes point out that ECCs' lobbying capabilities are in fact more promising at the aggregate level. ECC associations are shown to represent viable means for member firms to put forwards problems, concerns and criticism, and request government support accordingly. Indeed, the research shows that this might prompt officials to make minor concessions regarding regulative implementation. ManA of CC24 for instance contends that discussions between local government and Chambers of Commerce regarding novel regulation have in the past brought about "generous interim arrangements", and thus temporarily alleviated the regulative burden for ECCs. However, evidence suggests that government is unwilling to bend regulations further in response to collective lobbying. It has been outlined above that ECC associations can do little more than voice "constructive criticism" (ManA, CC8) and are thus not conducive to putting major pressure on authorities. ECCs argue that this is rooted first and foremost in government's resolve to benefit from ECCs' experience in the field of CR. It makes authorities generally unwilling to lower the bar for a group of market players, who are regarded as convenient pioneers in a quest for a cleaner and more equitable environment. Hence, even though collective lobbying offers greater co-evolutionary possibilities to ECCs than individual attempts, empirical evidence suggests that it remains unsuited to achieve a considerable and persistent reduction of CR benchmarks. Against this backdrop, the research shows that ECCs lack appropriate channels, both individually and collectively, to induce inferior benchmarks of CR in the Chinese context.

This contextual condition is met by a general reluctance among ECCs to propagate a reduction of CR standards in the Chinese context. As put forward repeatedly in past sections, considerations of ethical, operational and business-related nature generally cause reservations among ECCs against a trend towards lower CR standards in China. Thus, the study proposes that firms' already critical stance towards promoting inferior CR benchmarks is reinforced by contextual barriers in doing so. Consequently, the research concludes that ECCs lack both channels and disposition to engage in collective co-evolution towards inferior standards. Hence, a reactional pattern defined as *Collective co-evolution to induce inferior benchmarks* appears to be of little practical relevance to ECCs' CR approaches in the Chinese context.

### ***Inducing superior benchmarks***

While collective co-evolutionary activity towards inferior standards does not appear to be of major relevance to ECCs' CR activities, research results presented in section 5.2.3.1 show that ECCs have good reasons to work towards *superior* CR benchmarks when operating in the Chinese context. Firstly, it has been argued that ECCs give economic reasons for their support of heightened CR criteria. According to the interview results, ECCs highlight the instrumental value of rising CR standards, hoping to profit from strategic and competitive advantages on the Chinese market accordingly. This is closely associated with the idea of steering politico-economic processes in a more 'CR-friendly' direction, thereby moulding the Chinese business context to ECCs' advantage. Moreover, it has been emphasized repeatedly that ECCs' support of superior CR is rooted in their corporate culture, managers' personal beliefs and convictions, as well as in notions of 'cultural imprint'. These general, value-based arguments for CR are heightened by ECCs' identification with the Chinese context, which contributes to a feeling of responsibility to ameliorate the country's social and environmental condition.

Together, market-related, politico-economic and value-based considerations drive ECCs to advocate China's development toward superior benchmarks for CR. To this end, the study shows, ECCs not only use individual channels of co-evolution, but also engage in transformational activity collectively. First, the research reveals that ECCs resort to collective lobbying in order to enforce this objective. With government being regarded as the primary player in China's CR development, ECCs are of the opinion that it is crucial to focus their co-evolutionary efforts on state authorities. In fact, these efforts prove rather promising. Above sections have indicated that ECCs believe government to be receptive to their collectively voiced criticism, ideas and suggestions as long as political boundaries are respected. The fact that environmental protection and social parity are gaining importance in China's political agenda plays into ECCs' hands. ECC associations can take advantage of this situation to pitch ideas and approaches, and thus use China's predicament as a catalyst for regulative co-evolution. Obviously, the ultimate decision-making authority remains with government and is thus subject to political deliberations and interests. Yet, collective lobbying in the form of low-pressure knowledge transfer offers ECCs the possibility to implicitly influence the decision-making process by pointing out weaknesses of the status quo and guiding the way to ameliorated approaches. As such, collective channels provide ECCs with the necessary

access and tools to initiate and/or accompany the process of regulative transformation towards superior benchmarks of CR.

Furthermore, the research shows that ECCs collectively engage in co-evolutionary activity outside the regulative realm. Section a) has revealed that ECC associations both inherently and proactively impart CR-relevant knowledge to the local business community as well as to Chinese society at large. Not only do ECCs believe their CR initiatives to set new benchmarks in society and thus indirectly encourage imitation. They also highlight the co-evolutionary value of sharing CR-relevant knowledge with local peers, both domestic and foreign, and of engaging in educational activities. These channels allow ECCs to enhance local awareness and understanding of CR-related matters, all the while providing the indispensable knowledge base for them to be put into practice. In spite of a still low level of comprehension for CR observed in Chinese industry and society, ECCs believe these channels to provide vital impulses to the disseminating of CR in China.

In light of these insights, the research suggests that ECCs are not only willing to become agents of ‘CR-friendly’ co-evolution. The local context also offers appropriate channels to this effect. Collectively, ECCs can partake in regulative change and contribute to shifting attitudes regarding matters of CR. Hence, the research concludes that a pattern hereafter labelled *Collective co-evolution to induce superior benchmarks* plays a relevant role in the description of ECCs’ responses to the Chinese context for CR.

### ***Inducing international benchmarks***

As previously discussed in section 5.2.3.1, ECCs are not only interested in raising local CR benchmarks, but are also advocating the implementation of international standards in the Chinese context. Survey insights suggest that ECCs’ support for these benchmarks is driven mostly by operational considerations. Being bound to global standards themselves, ECCs argue that an assimilation of Chinese and international benchmarks of CR would facilitate the implementation of their internal policies and practices. This would also help reducing frictional losses and transaction costs associated with an alignment of global standards and local requirements. Based on these findings, it has been concluded that ECCs are generally in favour of an evolution of the Chinese CR context towards international benchmarks.



This raises questions as to the usefulness of collective channels to achieve this objective. As in the case of individual co-evolution, the research reveals that ECCs can and do engage in collective lobbying to advocate international benchmarks. Collectively, the research has shown, ECCs believe to have more weight in persuading government authorities of the benefits of CR in general and of international benchmarks in specific. However, beyond encouraging government to take respective action, ECCs feel incapable of determining the direction of developments, even when acting collectively. Hence, against the backdrop of a powerful and increasingly independent government, ECCs state that they can collectively uphold the value of international benchmarks towards authorities. However, apart from that, their regulative means remain limited.

Yet, the research underlines that ECCs may refer to other collective channels to pursue contextual evolution towards international benchmarks. In particular, they can use inter-organizational exchange to advocate respective standards. Section a) has shown that ECCs refer to collective bodies such as ECC or industry associations to disseminate knowledge and understanding of CR within the local business community. Thus, by emphasizing the value of international standards and providing knowledge as to their practical implementation, ECC collectives are helpful in persuading firms of their usefulness. Hence, business associations facilitate the spreading of international CR benchmarks throughout the Chinese business context. A similar logic applies to ECCs' collective educational projects, through which firms can contribute to strengthening local support and appreciation of international standards in the field of CR.

Hence, findings indicate that ECCs' inclination to support international benchmarks for CR comes upon a set of collective channels that facilitate such co-evolutionary endeavours. While ECCs might not have the power to induce a regulative move towards international standards, they can use collective action to spread respective benchmarks at the grass root level, and thus make a valuable contribution to their local dissemination. Thus, the research concludes that a pattern of reaction henceforth called *Collective co-evolution to induce international benchmarks* is of practical relevance in describing ECCs' responses to Chinese institutions for CR.

### ***Creating an even playing field***

Besides advocating superior, i.e. international standards, the research shows that ECCs are first and foremost determined to enhance unanimous enforcement of existing benchmarks. As outlined repeatedly already, competitive disadvantages caused by double-standard enforcement are a major concern and point of criticism for ECCs with regard to the Chinese CR context. Moreover, interviewees are convinced that comprehensive and universal application of existing regulation is a first but indispensable step in getting to grips with China's environmental and social predicament. Consequently, research results highlight that creating an even playing field represents a primary aim of ECCs' co-evolutionary endeavours. Nevertheless, based on a description of findings, section 5.2.3.1 has come to conclude that individually ECCs lack proper channels to take a stand for this objective.

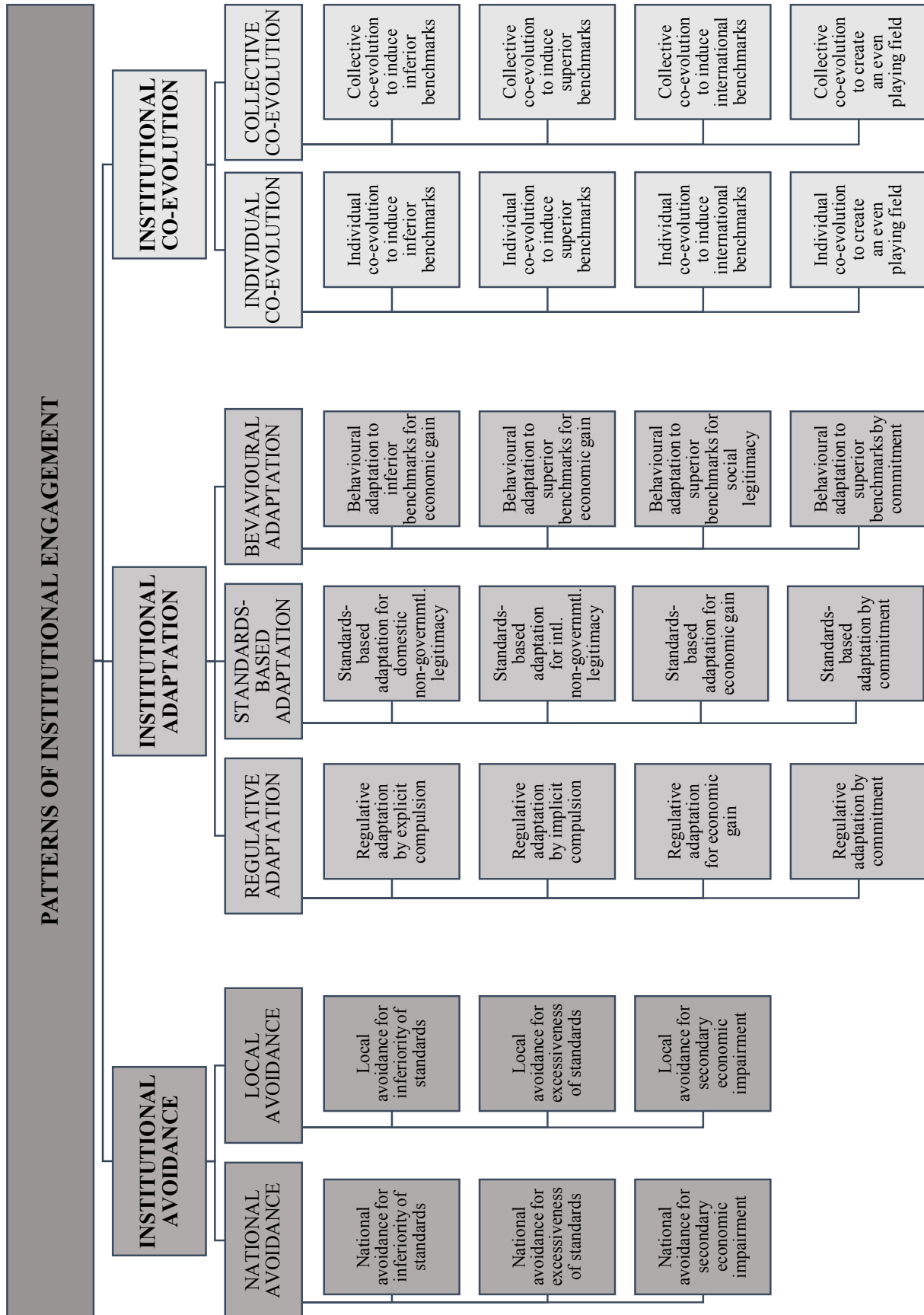
Thus, given their level of frustration with the current situation, it is not surprising that the research finds evidence for ECCs resorting to collective action to remedy the issue in question. Collectively, ECCs believe to have more far-reaching co-evolutionary potential. This primarily refers to the possibilities that collective action offers with regard to regulative interference. Represented by business associations at different levels, ECCs see greater potential to attract government's interest for their concerns, including those on regulative weaknesses. In fact, they contend, government itself is interested in maintaining a dialogue with ECC associations so as to find solutions to its most pressing CR-related issues, including regulative enforcement. Hence, particularly as collectives, ECCs believe to have government's ear when voicing their concerns over deficient enforcement and suggesting solutions accordingly. Therefore, the research shows, ECCs trust the co-evolutionary value of collective lobbying in fostering regulative implementation. Beyond that, ECCs believe to have some co-evolutionary impact on government by means of benchmark setting. By pointing out collectively the positive effects of implementation, ECCs state that they can implicitly contribute to regulative change. However, it shall be noted that collective channels are not believed to offer sufficient leverage to *demand* regulative equality. Ultimately, as outlined repeatedly, "government wants everything to be under their control" (ManA, CC23) and thus remains 'in charge' of actual developments. ECC collectives can only hope to steer this process in the direction they deem right and necessary by making appropriate use of collective channels.

Hence, regarding the ‘level playing field’ debate, the research offers the following conclusion: ECCs, who strongly support the notion of an even playing field for CR, lack sufficient authority, even when acting jointly, to demand intensified regulatory enforcement. Nevertheless, they believe collective channels to allow for positive contributions by raising government’s awareness of the negative consequences of irregular implementation and pointing out solutions respectively. Hence, ECCs regard collective action as their ‘best bet’, rendering *Collective co-evolution to create an even playing field* a relevant pattern of ECC reaction to China’s institutional context for CR.

#### **5.2.4. Summary: ECC Reactions to the Chinese Context**

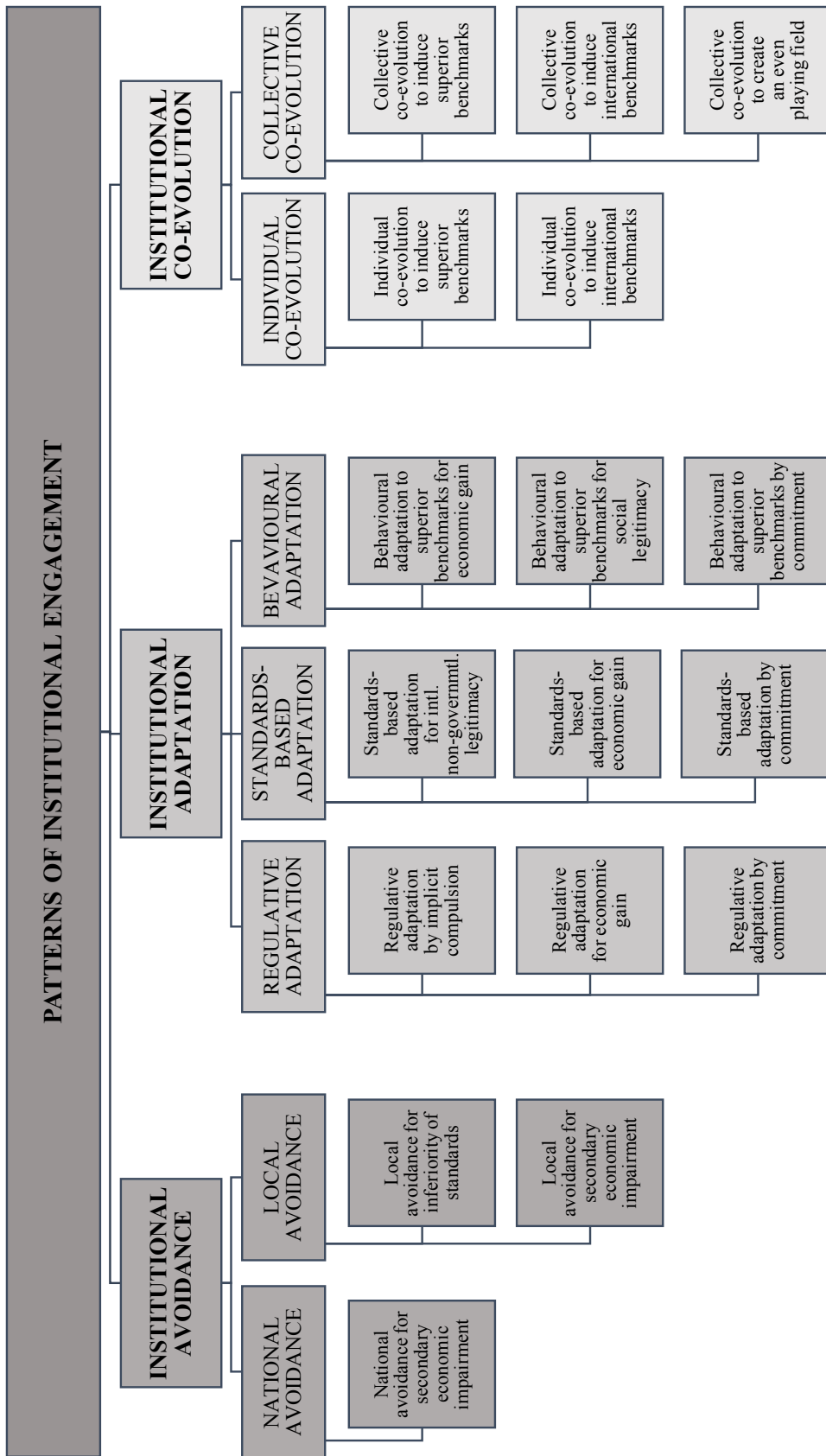
Resting on the three basic categories of institutional engagement proposed by Cantwell et al. (2010), the research reveals 26 patterns of ECC reaction, clustered into seven sub-categories. These patterns offer a detailed description of how and why ECCs react to the Chinese context with regard to matters of CR. While all patterns are essential in creating a holistic understanding of ECCs’ reasoning on Chinese institutions for CR, only part of them prove actually relevant to describing practicable ECC CR choices in China. Out of the 26 patterns of reaction, 17 are found to belong to this latter group of practicable behavioural paradigms. Figure 6 (complete set) offers an overview of all patterns of reaction, while figure 7 (practicable set) depicts practicable reactional paradigms only.

Figure 6: ECC responses to the Chinese context for CR (complete set)



Source: Author's depiction

Figure 7: ECC responses to the Chinese Context for CR (practicable set)



Source: Author's depiction

With regard to Cantwell et al.'s (2010) first category, institutional avoidance, the research discerns a division into two sub-categories: national avoidance and local avoidance, depending on whether ECCs consider avoiding China altogether or specific regions in China only. At the national level, CR standards by themselves do not prove to be a primary reason for ECCs to avoid the Chinese business context. This applies regardless of whether CR standards are deemed 'too high', or 'too low'. Therefore, the patterns *National avoidance for inferiority of standards* and *National avoidance for excessiveness of standards* are not shown to be of practical relevance to ECCs' CR choices in China. However, the secondary effects caused by CR, such as additional costs, competitive disadvantages, regulative discrimination, etc. do push ECCs to avoid doing business in China. Hence, the findings suggest that CR is a reason of 'second order' for ECCs to debate national avoidance, thus stressing the applicability of the pattern *National avoidance for secondary economic impairment*.

A similar logic applies at the local level. Again, CR standards prove to contribute indirectly to ECCs' reflections on avoidance. In fact, given that ECCs show a tendency to generally remain committed to their China operations due to promising business prospects, the pattern *Local avoidance for secondary economic detriment* appears to be even more relevant than its national counterpart. Also, while high-level CR standards per se do not drive ECCs to avoid one locality in China for another, inferior CR standards do represent a decisive factor in ECCs' considerations on local avoidance. Inferior CR benchmarks are regarded as an inherent 'no-go' and/or as an instrumental impediment to ECCs' operations. Therefore, although *Local avoidance for excessiveness of standards* is shown to play a negligible role in operational practice, *Local avoidance for inferiority of standards* proves to be of actual relevance to describing ECCs' reactions to the Chinese institutional context for CR.

With regard to Cantwell et al.'s (2010) second category, institutional adaptation, the research suggests a tripartite division into the following sub-categories: regulative adaptation, standards-based adaptation and behavioural adaptation, depending on the respective benchmark of adaptation (the law, formalized standards, or informal standards of behaviour). For the sub-category regulative adaptation, case company observations find that legal penalties by themselves do not create sufficient deterrence

for ECCs to abide by local regulation. This decreases the applicability of a respective pattern called *Regulative adaptation by explicit compulsion*. However, the fear of losing government support and goodwill by disregarding the law does prove to push ECCs to follow legal stipulations in the field. Hence, by contrast to explicit compulsion, the pattern *Regulative adaptation by implicit compulsion* appears to be of actual relevance to ECC conduct. Moreover, the research suggests that economic rationales play a vital role in driving regulative adaptation in ECCs. Firms are shown to adapt to the Chinese legal framework for CR so as to secure long-term business success, maintain a positive reputation among local stakeholders, and facilitate orientation in a context as foreign as China. This stresses the significance of the pattern *Regulative adaptation for economic gain*. Finally, the study reveals that ECCs are motivated to adapt to the local regulative framework by internal commitment to legal abidance, thus emphasizing the relevance of the pattern *Regulative adaptation by commitment*.

When it comes to the second sub-category, standards-based adaptation, the research points out that ECCs are inclined to respond to the stimulus by and demands from international non-governmental actors. Consequently, *Standards-based adaptation for international non-governmental legitimacy* is shown to be an applicable reactional pattern. By contrast, given their weak position in China's institutional configuration, domestic non-governmental players do not appear to be of major importance to ECCs' CR activities. A respective pattern named *Standards-based adaptation for domestic non-governmental legitimacy* is therefore proven largely insignificant to ECCs' actual CR choices. However, according to the research, ECCs do perceive strong economic impetus for voluntary adherence to formalized CR standards. Explicit and implicit stakeholder demands relating to CR induce ECCs to opt for a reactional pattern called *Standards-based adaptation for economic gain* when operating in China. By the same token, firm-level policies and directives are shown to play a vital role in ECCs' decision to adopt formal CR certification, rendering *Standards-based adaptation by commitment* a viable pattern of ECC reaction.

Relating to the third sub-category of institutional adaptation, namely behavioural adaptation, findings suggest that economic rationales are essential in driving ECCs to adapt to superior rather than inferior benchmarks. Instead of following the lead of sub-standard local peer conduct so as to increase competitiveness, the research finds that

ECCs tend to emphasize the economic benefits that superior CR standards hold for their firms in the Chinese context. In particular, results stress the instrumental value attributed to superior CR standards, as well as the need to do justice to heightened stakeholder expectations in the field. Based on these deliberations, the research uncovers that *Behavioural adaptation to inferior benchmarks for economic gain* does play a negligible role for ECCs' de facto CR conduct, while *Behavioural adaptation to superior benchmarks for economic gain* is an applicable pattern of behaviour. Besides economic rationales, the study also highlights the impact of society on behavioural adaptation among ECCs. More precisely, research outcomes observe a tendency among ECCs to adapt to society's superior CR expectations towards European firms so as to gain social legitimacy. Consequently, *Behavioural adaptation to superior benchmarks for social legitimacy* appears to be relevant in describing ECCs' CR choices in the Chinese context. Lastly, the research uncovers that managerial values and beliefs, corporate culture and policies, as well as localization endeavours create a considerable push for adaptation to superior benchmarks of behaviour, rendering relevant a reactional pattern named *Standards-based adaptation to superior benchmarks by commitment*.

Last but not least, Cantwell et al.'s (2010) third category, institutional co-evolution, is shown to consist of two sub-categories as far as ECCs' CR activities are concerned. They have been defined as individual co-evolution and collective co-evolution, and differ in the approaches on which ECCs rely in their attempts to bring change to the Chinese institutional context for CR. The research finds that ECCs make use of various channels in their co-evolutionary endeavours. Individually, ECCs' primarily count on knowledge transfer and capacity building within their workforce and supply chains to enhance understanding and practice of CR-related topics in the Chinese business environment and beyond. Collective channels, first and foremost business associations, are used to effectuate a similar spill-over of relevant knowhow within the local business community, both domestic and foreign. In addition, ECCs are shown to collectively engage in various activities and initiatives to further domestic awareness of CR practice and create the necessary knowledge base for respective implementation. As far as society at large is concerned, ECCs believe to have a co-evolutionary impact by providing positive examples and setting benchmarks, both individually and collectively, that encourage imitation by different groups of stakeholders. Given the importance attributed to the state in the development of the Chinese CR environment, ECCs also



devote considerable efforts to lobbying. However, the research shows that ECCs are incapable, individually as well as collectively, of putting substantial pressure on government and are thus unable to decide the direction of regulative development. Rather, ECCs see their co-evolutionary contribution to the regulative context in their providing of references and recommendations to government, and believe best practices examples to be most appropriate in inducing ‘CR-friendly’ change. This underlines a central finding of the section, which is that ECCs consider low-pressure approaches with a focus on cooperation and knowledge transfer to be more effective in the Chinese context than explicit demands, exertion of pressure and reliance on economic leverage.

With regard to ECCs’ co-evolutionary patterns of reaction, the study finds that the pattern *Individual co-evolution to induce inferior benchmarks*, similar to its collective counterpart *Collective co-evolution to induce inferior benchmarks* are of little value in describing ECCs’ actual CR approaches. ECCs are shown to lack both channels and willingness to engage in respective co-evolutionary attempts. By contrast, the research reveals that ECCs have both individual and collective means at their disposal to work towards higher CR benchmarks in the Chinese context, and are in fact inclined to do so. Accordingly, the two patterns *Individual* and *Collective co-evolution to induce superior benchmarks* are shown to be practicable ECC responses to the Chinese CR context. Moreover, beyond attempting to lower or heighten CR benchmarks in the Chinese environment, the research uncovers that ECCs aim at pushing for implementation of international CR standards. Driven primarily by operational considerations, ECCs make effective use of different individual and collective channels to achieve this objective. This underlines the practical relevance of the two patterns *Individual* and *Collective co-evolution to induce international benchmarks*. Finally, the research highlights the significance of the ‘even playing field’ motive for ECCs’ co-evolutionary undertakings. Here, ECCs primarily hope to alleviate the burden of competitive disadvantages caused among others by unequal implementation of CR requirements. While individual efforts are believed to be of little value in this regard, ECCs recognize collective advances as their ‘best bet’ to foster equality in the field of CR. Consequently, unlike its individual counterpart *Individual co-evolution to create an even playing field*, the collective pattern *Collective co-evolution to create an even playing field* is found to be relevant in describing ECCs’ actual CR conduct in the Chinese context.

In conclusion, to answer Sub-RQ 2 (*How do ECCs respond to the Chinese context in matters of CR?*), the study uncovers that ECCs' reactions to the Chinese context for CR are described by a total of 26 patterns of reaction assigned to seven sub-categories under Cantwell et al.'s (2010) basic model of institutional engagement. Generally, ECCs tend to be reluctant to act on their considerations on avoiding the Chinese national or local context for questions relating to CR. To them, the advantages associated with operating in developed regions within China continue to outweigh the potential disadvantages caused by CR. Moreover, even if ECCs do opt for avoidance, CR topics mostly play a subordinate role only. By contrast, ECCs show a tendency to adapt to CR demands in the Chinese context. In this endeavour, ECCs are likely to orient themselves towards higher rather than lower CR benchmarks, displaying superior CR standards that not only cover but exceed legal requirements. Beyond adaptation, ECCs also engage in institutional co-evolution. By using various channels of 'low-pressure' individual and collective activity, ECCs primarily aim to mitigate the negative effects that widespread prevalence of low level CR standards in China causes for their local operations.

## 6. A Model of ECC Institutional Engagement for CR

This chapter is dedicated to answering the study's overall research question, which is: *How do ECCs engage with the Chinese context concerning matters of CR?* It presents a newly developed theoretical model on ECCs' CR-related engagement with Chinese institutions. The theoretical model builds on the empirical research findings described in chapters 5. Based on Straussian Grounded Theory methods and guidelines, results from the 24 case company observations have been conceptualized and abstracted further to achieve theoretical integration (Corbin & Strauss, 2015). Hence, in contrast to the descriptive nature of foregoing chapter 5, the model presented subsequently is an interpretative abstraction, achieved through the recursive process of theoretical sampling, open coding, axial coding and, most importantly, selective coding, as described in chapter 4. It is a comprehensive theoretical conceptualization that has emerged from, and is therefore grounded in the collected data, i.e. an empirically 'grounded' theory.

The theory shows the relationship between the different concepts that have emerged throughout the research (Corbin & Strauss, 2015). It traces the process of ECCs' engagement with Chinese institutions concerning questions of CR, including relevant drivers, channels, mechanisms, parameters and reactional outcomes. In a first step, the 'grounded' theory, presented in section 6.1, covers 'sources of institutional influence' (section 6.1.1), 'mechanisms of top-down institutional influence' (section 6.1.2), and 'parameters of legitimate CR' (section 6.1.3). Respective insights are based primarily on the research findings on the impact of the Chinese context described in section 5.1 above. This is followed by a conceptual account of 'modes of engagement' (section 6.1.4) and 'channels of bottom-up institutional influence' (section 6.1.5), which are grounded first and foremost on empirical insights regarding ECCs' institutional reactions described in section 5.2. For each of the conceptual aspects, a set of propositions is presented that encapsulates the central assumptions on the respective feature of engagement. Section 6.1.6 summarizes the theoretical findings and presents a complete model of ECCs' CR-related engagement with Chinese institutions accordingly, together with a résumé of propositions. Finally, in section 6.2, the new theory is discussed against the backdrop of prior research, both on general questions of CR (chapter 2) and on the specific Chinese context for CR (chapter 3).

## 6.1. The ‘Grounded’ Theory

### 6.1.1. Sources of Institutional Influence

The first aspect of the theoretical model on ECCs’ CR-related engagement with Chinese institutions explores the sources of institutional influence. In other words, it points out *who* or *what* within the Chinese institutional context potentially influences ECCs’ local CR approaches. It expands on the answer provided to Sub-RQ1 (*How does the Chinese context impact ECCs’ local CR approaches?*) presented in section 5.1 above. Three institutional elements are found to be of direct relevance. Firstly, ECCs perceive the Chinese state as a central determinant of institutional pressure. On the one hand, they acknowledge government’s general predominance, power and authority over social and economic processes in the Chinese context, including their own business activities. ECCs regard this condition as socially supported and durable for the foreseeable future, hence acting on the assumption of pronounced and lasting state dominance. On the other hand, Chinese government is recognized by ECCs as the dominant player in the specific domain of CR and all associated developments. The state is accepted as the pivot within the Chinese CR context, actively and explicitly pushing for increased attention to CR-related topics in areas deemed non-sensitive to regime stability. The credibility attributed to respective government endeavours strengthens ECCs’ acceptance of the influencing potential of state authorities on CR-related developments in general, and their CR approaches in specific.

Technological progress and economic development in China’s maturing economy act as the second source of direct institutional influence on ECCs’ CR approaches in the Chinese context. The changes and challenges associated with shifts in economic structure and commercial environment have a strong impact on ECCs’ domestic business, extending also into the realm of their local CR activities. Of particular relevance are trends in technological and quality upgrading, combined with strengthening domestic competition and rising cost levels. These conditions provoke a general decline of low-cost manufacturing and alter the benchmarks faced by ECCs regarding their production processes, products and services. Also, the current direction of economic development exacerbates competition on the labour market, where ECCs are confronted with a continued shortage of qualified staff and persistently high fluctuation in spite of declining economic growth. Together, these conditions change

the nature and intensity of both internal and external demands towards ECCs' performance in a variety of CR-related fields such as labour, environment or quality. Thus, they are perceived by ECCs as a principal source of contextual influence affecting their CR approaches in the Chinese environment.

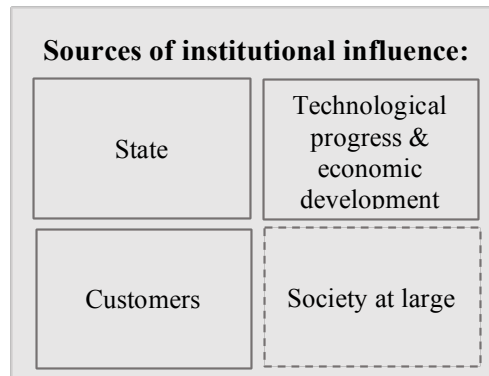
ECCs' domestic customers represent the third source of direct influence within the Chinese institutional context. Although the level of CR standards and requirements among Chinese firms is assessed by ECCs as generally low, ECCs' distinct domestic client base makes for an exceptional case. It is comprised in large parts of other foreign firms and/or companies from high-price, high-quality, internationally-integrated market segments, whose CR-related demands generally surpass those of the average Chinese firm. Due to this inter-reliance among foreign businesses and a comparatively high dependence on 'demanding' sectors of the Chinese economy, ECCs consider domestic customers as an important source of influence for their local CR performance.

With regard to their CR choices in the Chinese context, ECCs also stress the relevance of Chinese society at large, yet primarily as an indirect source of influence. Society's growing awareness for matters of CR does not translate into noticeable activism against ECCs, but is directed at government instead. Generally, ECCs observe a heavy societal reliance upon the state. This leads to a transfer of responsibilities to government, where rising pressure is created to get to grips with CR-related issues. Hence, although society is generally not regarded as an immediate source of influence, its call upon the state to remedy China's social and environmental predicament indirectly impacts ECCs' CR choices via regulative channels. The research reveals that there is one exception to this indirect exercise of influence, which is associated with pronounced misconduct by ECCs. In case of marked corporate wrongdoing, ECCs anticipate targeted social unrest against violating firms. This is immediately relevant to ECCs' CR choices, and renders society a direct source of influence in an otherwise state-mediated relationship.

By contrast, domestic civil society actors such as NGOs and labour unions do not represent noteworthy sources of institutional influence to ECCs' CR approaches in the Chinese context. Where existent, these organizations fail to be perceived by ECCs as strong independent actors, but represent extended arms of government without much

strategic or operational impact. As such, by themselves, they are largely irrelevant to ECCs' decision-making in the field of CR.

**Figure 8: Direct and indirect sources of institutional influence**



Source: Author's depiction

In sum, as depicted in figure 8, three sources of institutional influence are directly relevant to ECCs' CR approaches in the Chinese context, namely the state, technological progress and economic development, and ECC customers. Moreover, while civil society actors are largely irrelevant, society at large acts as an indirect source of influence that becomes directly relevant only in case of pronounced corporate misconduct. Accordingly, the following proposition is put forward:

**Proposition 1:** *In the Chinese context, ECCs' CR approaches are directly subjected to three domestic sources of influence, namely the state, technological progress and economic development, and customers. Society at large acts as an indirect source of influence, and impacts ECCs' CR approaches through the intermediary of the state. Only in case of severe corporate misconduct do societal forces influence ECCs directly. Domestic civil society actors, in particular NGOs and labour unions, are negligible sources of influence and relevant only in their capacity as extensions of the state.*

### 6.1.2. Mechanisms of Top-Down Institutional Influence

The second conceptual aspect of ECCs' institutional engagement relates to the mechanisms of top-down institutional influence. It outlines *why* and *how*

aforementioned sources of institutional influence impact ECCs in their CR-related decision-making. While some of these mechanisms are directly attributed to one specific source of influence, others emanate from various institutional constituents concurrently.

With regard to the regulative context and thus the impact of the state, ECCs are subject to an expanding and ever stricter legal framework for CR and related issues. They are under increasing pressure to adhere to a growing set of laws and regulations, observing a gradual convergence of home and host country legal requirements in certain fields, first and foremost regarding environmental protection. Yet, it is not necessarily the legal framework itself that conveys regulative pressure on ECCs to abide by the law. In fact, ECCs continue to observe systematic enforcement deficits and loopholes that hamper unfettered regulative effectiveness. Also, legal penalties per se do not act as primary instruments of deterrence. They are perceived as too weak and negotiable to raise substantial pressure for legal adherence. Instead, the decisive mechanism by which the state exerts influence on ECCs' CR approaches to align with regulative demands is by means of their pronounced dependence on government. Local government agencies in particular represent vital sources of support and exert distinct influence on ECCs and their local business. As a consequence, ECCs are anxious to prevent conflict and maintain positive relationships with (local) officials. They aim to secure government backing and avoid negative regulative interference, fearing potential damaging effects for their local operations accordingly. Hence, the state as one of the central sources of institutional influence in the Chinese context puts pressure on ECCs to adhere to an expanding legal framework in CR-related domains via firms' strong reliance on government support and goodwill. Thus, the following proposition is put forward:

**Proposition 2.1:** *In the Chinese context, the state exerts influence on ECCs' CR approaches through the mechanism of government dependence, which is sustained by ECCs' general reliance on government support and their apprehension of government interference.*

As the second major source of institutional influence, technological progress and economic development influence ECCs' CR approaches in the Chinese context through the mechanisms of competitive pressure and a steady upgrade in technological and quality benchmarks. The changes in the Chinese business environment strengthen the

need for efficient processes and output, and entail heightening technological and quality demands for ECCs' products and services. These circumstances translate into what ECCs perceive as an inherent push for increased attention to questions relating to CR, such as occupational health and safety, energy saving or waste management, regardless of respective explicit demands. Otherwise put, contemporary economic developments in China call on ECCs to foster efficient, technology-intensive processes that facilitate the making of competitive, technologically advanced, high-quality products and services. This is, in turn, deemed possible only by adherence to superior standards in CR-related fields, thus stressing ECCs' instrumental perspective on CR practice (see section 2.1.1.2). The logic is reinforced by distinct competition in the Chinese market for qualified labour. Here, persistent labour shortage and high fluctuation rates act as additional levers for ECCs to consider CR-related matters. This primarily affects questions of remuneration, social benefits, labour conditions, and other labour-relevant aspects of CR. Hence, in sum, the developing Chinese economy implicitly influences CR in ECCs by means of competitive pressure, technological advancement and quality upgrading. This is encapsulated in the following proposition:

**Proposition 2.2:** *In the Chinese context, technological progress and economic development exert influence on ECCs' CR approaches through growing competitive pressure and a process of technology and quality upgrade, which increase the implicit instrumental value of CR practice.*

The third and final source of direct influence, namely ECC customers, add explicit demands to the aforementioned implicit, market-driven pressure for growing attention to CR. As outlined in section 6.1.1 above, ECCs' 'atypical' Chinese client base consists in large parts of other foreign firms and/or companies from 'high-end' domestic market segments. These firms push their suppliers to adhere to standards in CR-related fields in spite of an otherwise still relatively underdeveloped 'market' for CR certification in China. Their certification requirements refer primarily to firm-specific policies and standards, or norms put forward by international standard setting bodies such as ISO standards, SA8000, or the like. However, ECCs are also increasingly faced with demands for domestic certification as described in section 3.3.5. The growing importance of certification requirements goes hand in hand with ECCs being subject to more widespread auditing practice respectively. Hence, in order to qualify as suppliers



to their largely foreign-firm-centric, technology-and-quality-attentive client base in China, ECCs are required to comply with customer demands for formal CR certification. This leads to the subsequent proposition:

**Proposition 2.3:** *In the Chinese context, ECCs' business heavily depends on other foreign firms and/or 'high-end' domestic market segments. This special customer base exerts influence on ECCs' CR approaches through augmenting certification demands and more widespread auditing practice. Although domestic certification is gaining momentum, ECCs are still mostly required to adhere to customer-specific policies and/or international CR certification.*

It has been revealed above that society largely acts as an indirect source of influence on ECCs' CR approaches and is of potential direct top-down impact<sup>28</sup> only in case of pronounced misconduct. Yet, in the event of major corporate violations in the field of CR, such as severe labour rights abuse, work accidents or acute pollution, ECCs do anticipate to be targeted directly by societal protest. Impending social activism and unrest in case of corporate wrongdoing is immediately relevant to ECCs' CR choices in the Chinese context. It acts as the dominant mechanism through which ECCs feel directly impacted by society regarding their local CR approaches. This is summarized in the following proposition:

**Proposition 2.4:** *In the Chinese context, society exerts influence on ECCs' CR approaches through impending social unrest in case of immediate corporate misconduct.*

In addition to the aforementioned channels of top-down impact that originate from individual sources of institutional influence, ECCs' CR activities are also affected by mechanisms that emanate from various institutional constituents. One central mechanism in this regard are liabilities of foreignness. Liabilities of foreignness faced by ECCs in the field of CR are, first and foremost, purposefully fostered by government.

---

<sup>28</sup> In the CR debate, society is generally regarded as a bottom-up institutional force. However, in the case of this research, society's impact is observed from an ECC perspective. Based on the assumptions of institutional theory (see section 2.3.1), it is treated as an element of the external institutional context that is relevant as to its impact on organizational behaviour. Thus, from an institutional, ECC-centric point of view, society becomes a source of top-down influence.

ECCs feel under more pressure to adhere to regulative stipulations in the field of CR than their domestic counterparts, lamenting respective regulative discrimination and resulting competitive disadvantages. Beyond that, ECCs are under the impression that they are expected to take on a leading role in government's agenda towards increased CR in China. They feel compelled to act as 'trailblazers' of CR development and provide Chinese stakeholders, in particular government, with respective knowledge and expertise on how to address CR-related challenges in an efficient and conducive manner. According to ECC observations, superior expectations towards their CR standards are supported by other local stakeholders. Not only do employees anticipate that working conditions in ECCs exceed domestic firms' labour practices, and thus partly tie their choice of ECC employment to CR-related criteria. There is also a tendency among customers to expect a superior performance in CR-relevant fields when doing business with ECCs. Last but not least, ECCs feel subjected to higher demands from Chinese society at large regarding their corporate behaviour. They note that both scepticism as to the general motives of foreign firms in China, and a positive image of CR standards in the European context spur superior societal expectations in CR-relevant areas. Together, these heightened demands are perceived by ECCs as liabilities of foreignness in the sense that they create competitive disadvantages compared to domestic enterprises. These liabilities of foreignness act as an important mechanism by which the Chinese institutional environment influences CR choices in ECCs. The following proposition is presented correspondingly:

**Proposition 2.5:** *In the Chinese context, ECCs are subject to liabilities of foreignness as to their CR approaches. These liabilities of foreignness are driven by multiple sources of institutional influence and emanate from superior stakeholder expectations towards ECCs' CR conduct.*

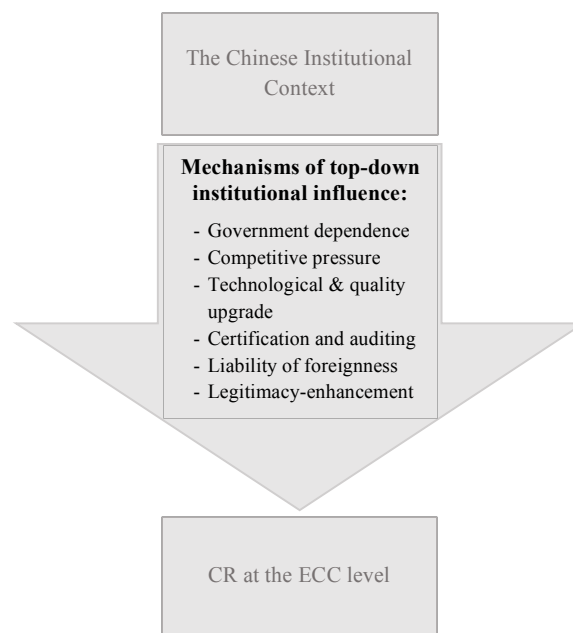
CR and related expectations do, however, not only represent a source of liability to ECCs. The Chinese context is also found to reward superior CR conduct through legitimacy-enhancing effects that benefit frontrunner enterprises. This mechanism is associated in particular with government and ECC customers. On the one hand, ECCs ascertain that CR leadership in fields endorsed by official policy boosts government trust, thereby reducing regulative scrutiny and interference, all the while increasing official support. Hence, a positive CR performance fosters ECCs' relationships with

government authorities and enhances their regulative legitimacy. On the other hand, ECCs believe CR to act as an additional signal of reliability, quality, efficiency, and innovativeness to customers. Thus, display of superior CR performance is likely to increase ECCs' legitimacy in the Chinese business environment. The legitimacy-enhancing function of CR in the regulative and business contexts represents a relevant mechanism of top-down influence to ECCs' CR choices in the Chinese institutional environment, leading to the following proposition:

**Proposition 2.6:** *In the Chinese context, given the following specifications, ECCs' CR approaches have a legitimacy-enhancing function: In politically-sanctioned domains, evidence of superior CR performance heightens government trust and support, and reduces government interference. Demonstration of superior CR performance also acts as a signal of reliability, quality, efficiency and innovativeness to customers.*

The five central mechanisms by which aforementioned sources of institutional influence impact CR in ECCs are summarized in figure 9.

**Figure 9: Mechanisms of top-down institutional influence**



Source: Author's depiction

### **6.1.3. Parameters of Legitimate CR**

In a next step, the theoretical model turns to conceptualize *with what effect* above-illustrated sources and mechanisms of institutional influence impact ECCs' CR activities in China. It demonstrates the consequences that institutional pressure within the Chinese context has for CR approaches in ECCs, thus conceptualizing the link between the institutional and the organizational levels. The presented theory suggests that this link between institutional demands and organizational choices consists of a series of parameters that demark legitimate CR conduct in the Chinese context as perceived by ECCs. It proposes that the mechanisms through which ECCs feel impacted by relevant institutional constituents in the Chinese environment translate into a set of benchmarks that ECCs believe to delineate the scope of conducive and legitimate CR by local contextual standards. In other words, from an ECC perspective, the sources and mechanisms of institutional influence create a framework of demands that, if observed, increase the contextual fit of their CR approaches. This framework can be seen as a sort of subjective, ECC-specific 'definition' of legitimate, conducive and appropriate CR in the Chinese context, whose emergence reinforces the choice of a broad, 'umbrella term' definition of CR at the onset of the research (see section 2.1.1.1). The constituting parameters of this 'defining' framework will be presented hereafter in section 6.1.3.1. It shall be noted that the model does not imply that ECCs automatically adapt their CR activities in China to these context-specific benchmarks in a deterministic fashion. Rather, the theory also accounts for the impact of firm-level factors on ECCs' CR choices. Organizational aspects and their relationship with contextual parameters will be addressed in subsequent section 6.1.3.2.

#### **6.1.3.1. Contextual Parameters of Legitimate CR**

To begin with, it has been revealed in foregoing sections that the state, who acts as a pivotal source of institutional influence, conveys pressure on ECCs' CR activities via the mechanism of government dependence. Consequently, in order to ensure support from government agencies, in particular at the vital level of local government, and prevent negative regulative interference, ECCs are anxious to secure and maintain government goodwill. This line of reasoning is central to their CR approaches. Having received much attention in official policy and debate, certain aspects of CR, in particular

environmental protection, have moved up on the governance agenda. Hence, they are becoming ever more important to government's assessment of and relationship with ECCs, and thus reversely also to firms' quest for maintaining government goodwill. This implies that ECCs' CR approaches, in order to gain legitimacy in China's heavily state-dominated economic and CR context, must contribute to securing government goodwill, i.e. inhibit a loss of goodwill respectively. The presented 'grounded' theory suggests that this entails an implicit claim for ECCs' CR activities not to violate political 'rules of the game' and to follow in line with official policies. With regard to CR in ECCs, this claim has a double meaning: On the one hand, it comprises a call for ECCs to join in government's efforts to get to grips with certain CR-related topics, first and foremost environmental pollution, and to thus contribute to fulfilling government's increasingly 'CR-friendly' agenda. This call is reinforced by ECCs' belief in the credibility and long-term sustainability of respective government efforts, which gives weight to the state invoking ECC support. It involves the claim for ECCs to comply with regulative demands regarding CR and CR-related matters, back government initiatives in respective fields and show initiative themselves in enhancing the state's agenda. In this sense, maintaining government goodwill as a parameter of legitimate CR has an encouraging effect on ECCs' CR activities. On the other hand, however, following in line with official policies and respecting political 'rules of the game' to secure government goodwill also acts as a restrictive force to legitimate CR. It calls on ECCs to focus on those CR topics only that are sanctioned by government, and to not exceed the limits of 'politically sensitivity'. In this context, ECCs refer in particular to the need to refrain from engaging with non-officially-endorsed civil society actors, because interaction with such organizations is thought to potentially endanger government benevolence. Moreover, as a general 'rule of thumb', ECCs feel compelled to focus their efforts on economic subjects, while refraining from making political claims. From this, they also infer a plea not to deliberately address issues that might be interpreted as an act of uncovering government weakness and failing. This applies for instance to certain non-economic social issues, where proactive engagement by ECCs is believed to be potentially detrimental to government support. Generally, non-acceptance of government authority in any CR-related activity, ECCs fear, is likely to have a damaging effect on government goodwill, including all advantages linked to it. Hence, maintaining government goodwill as a central parameter of legitimate CR by contextual standards holds the dichotomous claim to foster CR where sanctioned by government and refrain

from respective activity otherwise. Thus, the parameter of legitimacy is neither fundamentally encouraging nor restrictive to CR activity, but creates a division between legitimate and non-legitimate CR along political lines. The dividing line itself is not clear cut or permanent, thus requiring close attention to nuances in central government policy and respective interpretation by local authorities, and the flexibility to craft CR approaches accordingly. In sum, ensuing the mechanism of pronounced government dependence, securing government goodwill by supporting official objectives without overstepping political boundaries acts as a major pillar of a Chinese framework for legitimate CR in ECCs. The following proposition is put forward accordingly:

**Proposition 3.1:** *In order to gain legitimacy in the Chinese context, ECCs' CR approaches must contribute to securing government goodwill, in particular from local officials. This implies that CR activities must be in alignment with and contribute to fulfilling policy objectives, take place within the limits sanctioned by the state, and avoid topics and activities deemed politically sensitive.*

Furthermore, as suggested above, technological progress and economic development implicitly influence ECCs' CR approaches by means of competitive pressure on both product and labour markets, as well as through a continued process of technological and quality upgrading. Against this backdrop, ECCs stress the instrumental value of CR, in particular of policies and practices in the fields of labour and environmental protection, in encountering respective challenges. Hence, they regard current economic developments as an inherent contextual push for increased attention to CR and related matters. This context-driven pressure materializes into the implicit requirement for CR approaches in the Chinese context to serve an instrumental purpose. Among others, in order to be conducive by Chinese standards, ECCs' CR activities must contribute to the creation of an appealing working environment that helps attracting and retaining qualified staff under pronounced labour shortage and fluctuation. The research reveals that this is not achieved through monetary incentives alone, but increasingly also requires attention to non-monetary aspects such as working conditions and atmosphere, occupational health and safety, welfare, benefits, etc. Also, CR practices must aid the creation of an internal environment that is characterized by efficient processes and facilitates the production of competitive, as well as increasingly quality- and technology-intensive products and services. Here, ECCs highlight in particular the value

of quality and environmental management systems, as well as the benefits of qualified, well-trained employees and a positive working environment, characterized by clean and safe working conditions and a culture of open communication. Last but not least, in order to match market requirements, ECCs' CR approaches must also be compliant with customer demands for certification in fields related to CR. As argued above, ECCs' particular customer base in China creates pressure for adherence to CR-relevant standards in spite of a generally still underdeveloped Chinese 'market' for CR certification. Matching customer CR requirements primarily involves adherence to international standards in the areas of quality, environmental protection and labour, as well as customer-specific standards and codes of conduct. However, ECCs are also increasingly required by their local customers to observe domestic Chinese standards in the broader field of CR. In a nutshell, for CR to 'fit' local institutional demands, respective policies and practices must fulfil a pragmatic purpose. They must contribute to fostering the instrumental objectives of competitiveness, efficiency, quality, and technological advancement, and ensure compliance with explicit certification requirements by customers. This leads to the following proposition:

**Proposition 3.2:** *In order to gain legitimacy in the Chinese context, ECCs' CR approaches must further instrumental objectives. This entails that CR activities must support the creation of an appealing working environment, make an implicit contribution to enhancing the competitiveness of products and processes, and sustain advances in technology and quality. Also, CR approaches must be compliant with explicit certification requirements from domestic customers.*

The third parameter of contextual legitimacy is linked to an institutional constituent that has been found to primarily represent an indirect source of institutional influence, namely Chinese society. Yet, the presented theory suggests that society potentially becomes a direct source of influence in case of corporate wrongdoing and exerts CR-related pressure on ECCs accordingly via the mechanism of impending social unrest. This translates into another important pillar of legitimate CR conduct by contextual standards, which is defined by the threshold for societal activism against ECC misconduct. Societal actors are believed to engage in proactive protest against ECCs only if stakeholders are immediately affected by the negative externalities of ECC conduct. According to the research, this applies for instance in the case of severe labour

rights abuse, work accidents, occupational injury, environmental damage harming local communities, etc. Consequently, in anticipation of social discontent and targeted activism against their operations, ECCs are called upon to avoid inflicting immediate harm on stakeholders, and use their CR approaches accordingly. Hence, prevention of direct harm to stakeholders represents another central parameter of legitimate CR conduct in China, and is vital to obtaining social legitimacy. This is summarized in the subsequent proposition:

**Proposition 3.3:** *In order to gain legitimacy in the Chinese context, ECCs' CR approaches must serve the prevention of immediate harm to stakeholders.*

In addition to the parameters that are directly related to one source, i.e. mechanisms of institutional influence, legitimate CR in the Chinese context is also influenced by ECCs' foreignness. It has been revealed above that ECCs are subject to liabilities of foreignness, which act as a relevant mechanism of top-down institutional influence on their CR approaches in China. These liabilities emanate from multiple sources of institutional influence and entail the call for ECCs to 'go the extra mile' in terms of their CR approaches. Put another way, Chinese stakeholders have superior expectations towards ECCs regarding their CR performance. These expectations are based primarily on ECCs' foreignness, more specifically on their European, i.e. Western provenance. The research shows that common peer practice acts as the general benchmark of 'superiority'. ECCs believe the state, customers, employees and local communities alike to base their expectations towards European firms on a not necessarily specified assumption that CR benchmarks in these companies do, i.e. should exceed standards in domestic firms. This applies in particular to the fields of labour, environmental protection and product standards. Here, Chinese stakeholders generally assume that ECCs' home country background increases their awareness, expertise and knowledge of respective issues, and facilitates superior conduct correspondingly. This implicit understanding translates into a demand for ECCs to live up to stakeholder expectations by displaying superior standards of conduct, as measured by peer company benchmarks. Accordingly, ECCs feel induced to do justice to their superior image by exceeding domestic peer company standards, and not deceive stakeholders by displaying sub-standard behaviour. To ECCs, this acts as another important parameter of legitimate CR



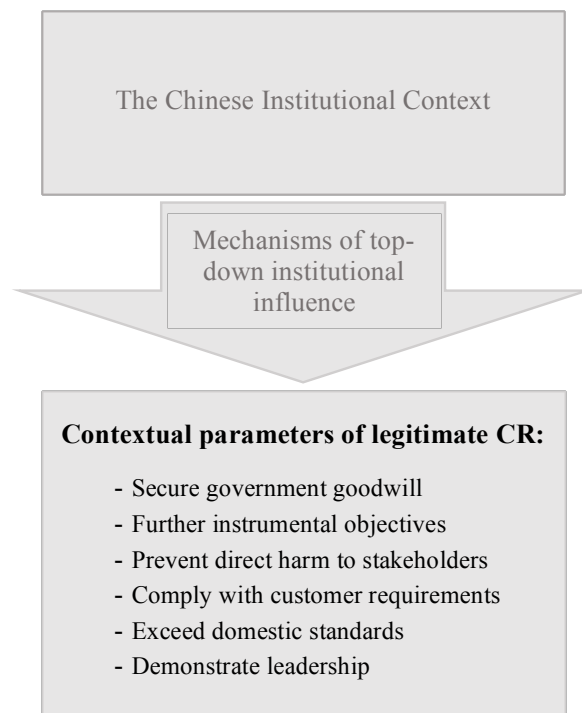
by Chinese contextual standards. The foregoing line of reasoning is summarized in the following proposition:

**Proposition 3.4:** *In order to gain legitimacy in the Chinese context, ECCs' CR approaches must exceed domestic peer company standards.*

Finally, it has been shown above that ECCs' CR approaches are influenced by the legitimacy-enhancing effects of a superior CR performance. ECCs assume that the Chinese context, in particular government and customers, reward superior CR conduct within politically-sanctioned limits. Therefore, leadership in respective fields is deemed beneficial to local legitimacy. The state plays a central role in defining the criteria of 'leadership' in the domain of CR. Government designates benchmark factories, hands out awards, and publicly praises companies that, in its judgement, display an outstanding performance in CR-related domains, in particular in the field of environmental protection. Awarded companies benefit from increased government support (e.g. in obtaining licences or permits, receiving regulative advice, etc.), less 'red tape' as well as from reduced regulative control and interference. This also appears to affect customers' perceptions, who reward CR leadership with added trust and confidence. Hence, in the Chinese context, CR leadership is believed to enhance legitimacy, particularly regulative and marketplace legitimacy, and to thus contribute to the creation of a more supportive business context for local operations. Therefore, in order to proactively enhance their legitimacy in the Chinese context, ECCs must strive for leadership in CR-related domains and obtain official recognition respectively. This parameter of contextual legitimacy is captured by the subsequent proposition:

**Proposition 3.5:** *In order to enhance legitimacy in the Chinese context, ECCs' CR approaches must showcase leadership. This implies that ECCs must seek official recognition by government for their outstanding CR performance. Publicly awarded companies benefit from increased regulative and marketplace legitimacy.*

**Figure 10: Contextual parameters of legitimate CR**



Source: Author's depiction

Figure 10 summarizes the contextual demands for CR faced by ECCs. As described above, this set of parameters delineates the scope of legitimate CR that, to ECCs' account, applies to European firms' China operations by local contextual standards. This framework of demands influences ECCs' CR-related choices and thus contributes to shaping their decisions on how to engage with Chinese institutions in matters of CR. However, the research reveals that contextual parameters are not deterministic in defining ECCs' CR approaches. Rather, ECCs' responses to the described framework of contextual demands depend on both contextual and organizational parameters for legitimate CR. Organizational aspects will be addressed in the following section.

### **6.1.3.2. Organizational Parameters of Legitimate CR**

As outlined above, ECCs' CR choices are not determined by contextual influences alone. Rather, they are product of both contextual and organizational factors that interact with each other to define ECCs' local CR approaches. With regard to this interplay, the 'grounded' theory proposes that contextual parameters of legitimate CR are mediated by a set of respective organizational parameters. It is suggested that the framework of

context-specific institutional demands comes upon a set of circumstances and expectations at the level of the ECC, where it is aligned with and supplemented by organisational standards of legitimate conduct in a process of negotiation. Together, contextual and organizational parameters form the basis of decision-making for ECCs' engagement with Chinese institutions in matters of CR. The relationship between contextual parameters, organizational parameters, and ECCs' engagement choices is depicted in figure 12.

Processes and demands at the firm level are not the focal point of the research. Hence, organizational parameters of CR, including their origin, specific manifestations, underlying rationales, and mechanisms of interaction have not been explored in-depth. Yet, the research has revealed that a number of organizational factors are central to understanding ECCs' engagement with Chinese institutions in questions of CR, and represent an indispensable aspect of a comprehensive model respectively. Thus, they find theoretical representation, but are not considered to the same level of detail as their contextual counterparts, which are at the heart of the research and its emergent theory.

Three clusters of organizational mediators are vital to ECCs' CR choices in the Chinese context, with the first set of factors referring to managerial aspects. As revealed by the research, contextual parameters of legitimacy are mediated among others by manager's personal values and beliefs, as well as by their operational choices. Depending on the level of discretion given to subsidiary management, local managers are relevant in determining the way ECCs handle questions of CR, and deal with contextual parameters of legitimate conduct respectively. Among the rationales found to be relevant in this context are: managers' personal (business) ethical values and attitudes towards CR in general; managers' approaches to operating in a foreign, in specific an emerging market context; managers' stances towards and beliefs in the development of a more 'CR-friendly' context in China; and managers' personal assessments of their companies' roles and responsibilities in fostering CR in China. The fit between these attitudes, i.e. resulting managerial demands to handle CR in the Chinese context and ECCs' local CR choices acts as a relevant parameter of organizational legitimacy.

The second set of factors is associated with demands at the level of the corporation. Contextual parameters of legitimate CR are checked against their contribution to and

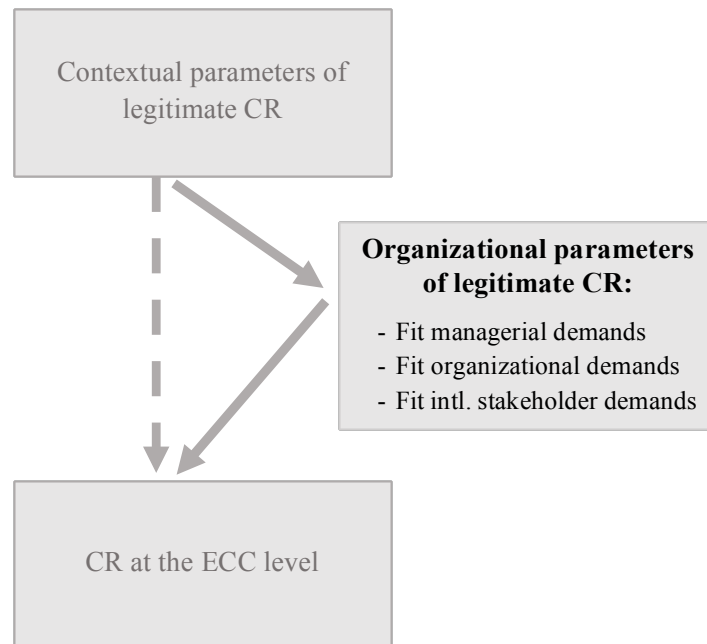
compliance with corporate values and objectives, and mediated accordingly. Relevant aspects cover, among others, headquarters' international and internationalization strategies, including top management's stance towards global adherence to unanimous standards; firms' business models and aims in China; or companies' internal standards, policies and directives on CR-related matters. The congruence of these corporate demands and ECCs' local CR choices represents another important parameter of legitimate CR by organizational standards, and mediates the impact of contextual factors correspondingly.

Last but not least, context-specific parameters of legitimate CR conduct are mediated by the fit of local CR approaches with international stakeholder demands. The emergent theory suggests that international stakeholders represent a relevant parameter of organizational legitimacy for ECCs' CR approaches in China, pushing ECCs to adopt, or refrain from adopting certain kinds of behaviour and standards. According to the research findings, this includes, inter alia, awareness of the requirements of international and home country stakeholders; compliance with demands from and agreements made with relevant international, i.e. home country NGOs, membership associations and initiatives; or compliance with culturally-rooted home country standards of behaviour. Matching CR-related demands from international stakeholders with CR approaches in China is a relevant aspect of defining legitimate CR conduct by organizational standards. Thus, it acts as an important mediating factor in the relationship between context-specific influences and actual CR choices in China.

In sum, the theory suggests that contextual factors of legitimate CR conduct are aligned with respective organizational parameters. As depicted in figure 11, these organizational determinants of legitimacy include attention to three clusters of requirements, namely managerial, corporate and international stakeholder demands. A corresponding proposition is put forward:

**Proposition 3.6:** *Parameters of contextual legitimacy are mediated and supplemented by organizational parameters of legitimate CR conduct at the level of the firm. Most centrally, the organizational parameters entail managerial, corporate and international stakeholder requirements.*

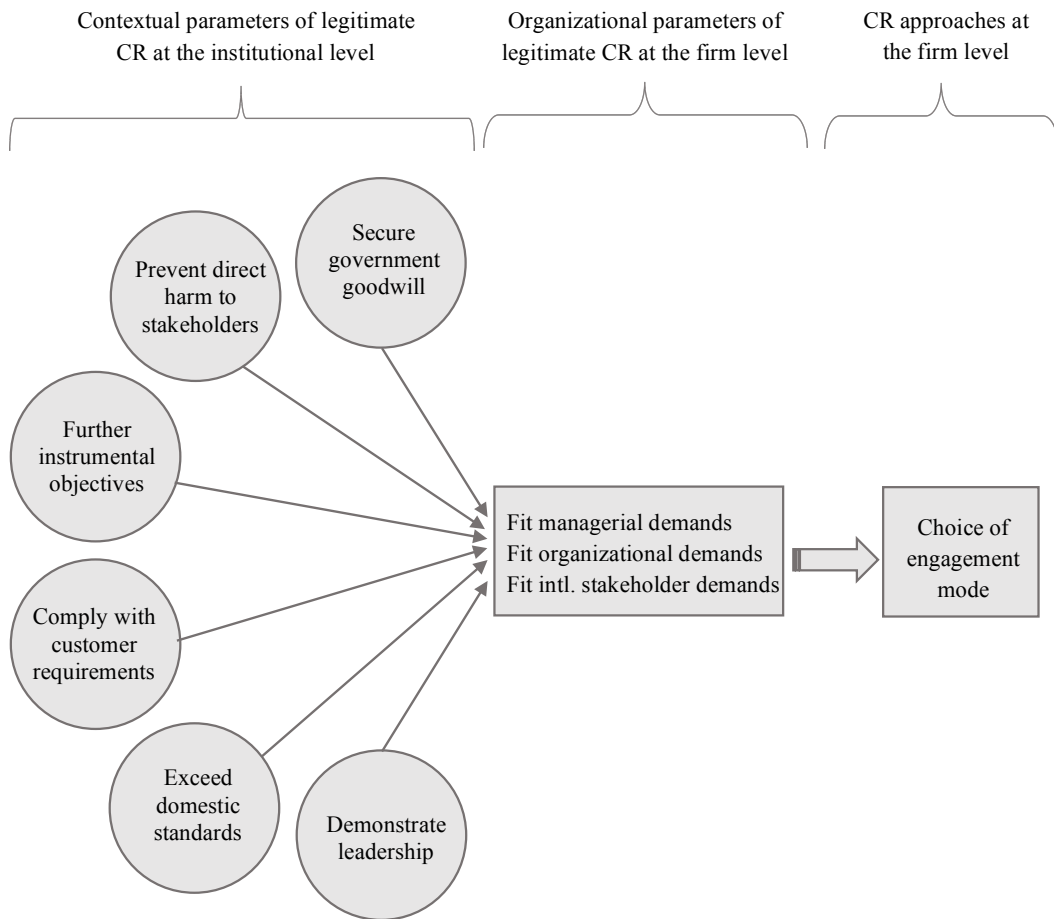
**Figure 11: Organizational parameters of legitimate CR**



Source: Author's depiction

Together, contextual parameters and their intermediaries at the organizational level define the framework of legitimate CR conduct in ECCs. The research reveals that it is based on this framework that ECCs take decisions on how to respond to the Chinese context in questions of CR. As explained above and depicted in figure 12, contextual parameters are mediated and supplemented by organizational parameters to define CR approaches in ECCs. Hence, contextual and organizational parameters of legitimate CR jointly drive ECCs in their respective choice of engagement with Chinese institutions, which will be addressed in the following section.

**Figure 12: Relationship between contextual and organizational parameters**



Source: Author's depiction

#### 6.1.4. Modes of Engagement

After having conceptualized the sources and mechanisms of influence, as well as their effects on the demands for CR in ECCs, the theory addresses the modes by which ECCs respond to the Chinese context for CR. It thereby explains *how* ECCs engage with Chinese institutions in CR-related matters. As outlined in section 5.2, 26 patterns of reaction within seven sub-categories of institutional engagement have been determined. Resting on the basic engagement model proposed by Cantwell et al. (2010), the 26 patterns (in particular those making a relevant contribution to depicting ECCs' actual

conduct<sup>29</sup>) describe in detail ECCs' CR-related behaviour in response to the Chinese institutional environment. At a higher level of theoretical abstraction, ECCs' patterns of reaction reflect four modes of engagement, henceforth referred to as 'secondary national avoidance', 'selective local avoidance', 'high-standard adaptation', and 'levelling co-evolution'. These four modes of engagement, which are addressed by the model one by one subsequently, are not mutually exclusive. On the contrary, ECCs are likely to combine different modes of engagement, using them either concurrently, or in parallel for different issues and situations. By doing so, ECCs create multi-angle approaches of institutional engagement that reflect their individual responses to contextual and organizational parameters of legitimate CR in the Chinese context. This line of reasoning is reflected in the following proposition:

**Proposition 4.1:** *In response to contextual and organizational parameters of legitimate CR conduct, ECCs engage with Chinese institutions by using one or more of the following four modes: secondary national avoidance, selective local avoidance, high-standard adaptation, and/or levelling co-evolution. These modes of engagement are not mutually exclusive but are usually combined to form firm-specific, multi-angle concepts of institutional engagement in matters of CR.*

#### **6.1.4.1. Secondary National Avoidance and Selective Local Avoidance**

The first category of institutional engagement proposed by Cantwell et al. (2010), institutional avoidance, plays only a subordinate role in the case of ECCs' CR choices. Generally speaking, ECCs regard the Chinese context as a highly significant and promising market environment; a rationale that tends to compensate for the various downsides of doing business in China. This includes in particular issues associated to questions of CR, which tend to be overshadowed by the sheer size and potential of the Chinese market. Yet, based on the findings of the research, the emergent theory suggests that CR-related issues, more precisely respective parameters of legitimacy at the contextual and organizational level do trigger institutional avoidance among ECCs

---

<sup>29</sup> As outlined in section 5.2, research findings reveal 26 patterns of reaction that are pertinent in creating an understanding of ECCs' responses to the Chinese context for CR. However, only 17 of these patterns prove to make a relevant contribution to describing ECCs' actual conduct. For more details, see section 5.2, in specific concluding section 5.2.4, as well as figures 6 and 7 for a graphical representation.

under two specific circumstances: One, as a second order factor contributing to ECCs' decision to avoid the Chinese national context for business-related reasons (labelled 'secondary national avoidance'); and two, as a dynamic behind ECCs' avoidance of certain local contexts within China in favour of others (referred to as 'selective local avoidance'). Both these modes of engagement will be presented hereafter.

Firstly, with regard to national avoidance, the research shows that two possible, directly CR-related lines of reasoning are conceivable: Foreign firms opt for leaving the national context either because local CR demands are becoming too high to be compatible with organizational demands and objectives, or because they are too low to match respective standards. In the case of ECCs, however, neither of these two options applies. On the one hand, to the firms in question, heightening CR standards do not per se represent a major issue. Given the contextual parameters of legitimate CR that apply to them specifically, ECCs believe to be locally expected to display superior standards regardless of general benchmarks in the Chinese context. In a sense, their foreignness implies an inherent contextual claim to adhere to superior CR standards 'no matter what' (see section 6.1.3.1). Therefore, to ECCs' account, an overall increase in CR demands across the Chinese business environment has no major effect on them. Accordingly, national avoidance for the primary reason of rising CR standards is largely obsolete. Beyond that, given the vast market potential and business opportunities associated with the very direction of economic development that triggers this rise in CR-related demands, this option becomes even undesirable. Hence, high, i.e. heightening CR standards alone are an insufficient reason for ECCs to leave China altogether.

On the other hand, in the case of ECCs, avoiding the Chinese context for inferior CR standards is an equally unattractive choice of engagement. This is due not only to the general rationale that the promising market context in China outweighs potential disadvantages of, or disagreement with inadequate CR benchmarks. Also, trends in economic development act as signals to ECCs that China is 'moving in the right direction'. This is supported by the belief in the credibility and sustainability of government efforts to get to grips with certain pressing CR-related issues. Hence, in spite of persistent discrepancies between Chinese and European notions of a 'CR-friendly' context, ECCs count on the overall direction of development, seeing relatively more room for CR than before. As far as low-level CR standards compromise the



fulfilment of ECCs' contextual obligations and/or organizational objectives, ECCs believe to be able to partly outbalance potential contextual insufficiencies through internal measures, or by making adequate location choices within China (see below). Hence, general avoidance of the Chinese national context for sub-standard CR benchmarks is an unlikely choice of institutional engagement among ECCs. In sum, whether too low or too high, ECCs do not perceive CR as a sufficient condition to generally avoid the Chinese national context.

Yet, CR does play an *indirect* role in ECCs' decision to avoid the Chinese context for strictly business-related reasons. The developing Chinese business environment comes with a set of operational and cost-related challenges that induce ECCs to at least consider leaving, i.e. avoiding the Chinese national context. Being under particular contextual pressure to display superior CR benchmarks, ECCs' CR-related policies and practices contribute to these issues by fuelling operational and investment costs further. Hence, albeit CR by itself is not a sufficient reason for national institutional avoidance, it does contribute to the causes that prompt ECCs to avoid doing business in China. Therefore, it represents a secondary reason of institutional avoidance at the national level. These theoretical findings are summarized in the following proposition:

**Proposition 4.2:** *CR standards are not a sufficient condition for ECCs to generally avoid the Chinese national context. This applies regardless of whether ECCs perceive Chinese CR standards as too high or too low. In ECCs' decision on national avoidance, CR standards are relevant merely as to their escalation of operational costs and issues, and are thus a rationale of second order only.*

By contrast to national avoidance, CR is directly relevant to local avoidance, meaning ECCs' decision to avoid, i.e. leave certain locations within China in favour of others. This does, however, only apply if ECCs perceive local standards as insufficient. Following the national avoidance argument, high-level CR standards and demands in a given locality are, by themselves, an insufficient reason for ECCs to avoid this specific locality by settling elsewhere instead. If anything, rising CR demands in certain regions contribute to the general trend of heightening operational costs and issues, which do in turn incite ECCs to move their China operations to lower-priced regions outside the modern metropolitan centres of eastern China. In this sense, similar to the case of

national avoidance, CR does act as a reason of second order in ECCs' choices on local avoidance. Nevertheless, taken in isolation, high-level CR standards are an insufficient motive for ECCs to select certain localities over others.

The situation looks different if the overall standard in CR-relevant areas in a given locality is perceived as inadequate. This involves circumstances directly or indirectly contributing to ECCs' ability to maintain adequate levels of CR, such as for instance insufficient educational standards, environmental infrastructure, or local government support for CR. In this case, ECCs believe that the given conditions stand in contrast to the superior contextual and organizational demands towards their CR approaches, and thus obstruct their legitimacy and conduciveness respectively. Above all, ECCs regard inferior conditions for CR practice as an impediment to their operational capacity, first and foremost regarding matters of efficiency, quality, or technological advancement. Hence, in their decision to avoid certain locations within China for CR-related reasons, ECCs react primarily to current economic developments in China and the resulting need for CR practice to further instrumental objectives. In sum, as opposed to high-level CR requirements, insufficient CR standards do induce ECCs to select certain localities in China over others, and to thus engage in institutional avoidance at the local level.

To conclude, the theory suggests that ECCs' location choices within China are not dependent on superior local CR standards and conditions, which are relevant only as to their secondary contribution to operational costs and issues. If ECCs choose to avoid a specific locality in China in favour of another based on CR-related rationales, they do so for inferior local standards. According to these assumptions, the following proposition is put forward:

**Proposition 4.3:** *CR standards are a sufficient condition for ECCs to avoid certain localities in China in favour of others if local CR standards are perceived as too low. Additionally, in ECCs' decision on selective local avoidance, CR standards are relevant as to their escalation of operational costs and issues, and thus also represent a rationale of second order.*

#### **6.1.4.2. High-Standard Adaptation**

Cantwell et al.'s (2010) second category of institutional engagement, namely institutional adaptation, plays a central role in the special case of ECCs' CR-related engagement with Chinese institutions. Against the backdrop of contextual and organizational parameters of legitimate CR conduct as presented above, adaptation to local institutional demands in CR and CR-related domains becomes almost inevitable for ECCs that opt against national avoidance. The 'grounded' theory suggests that this adaptation takes on the form of 'high-standard adaptation', meaning that ECCs tend to adapt to high-end standards of CR in the Chinese context instead of scaling down their CR approaches to match low-end benchmarks. The causes for this behaviour, including its implications will be outlined hereafter.

The presented model maintains that, at the very minimum, 'high-standard adaptation' covers regulative adaptation. This is rooted in the aforementioned parameters that define legitimate CR conduct in the Chinese context. Firstly, it has been shown, maintaining government goodwill is central to obtaining legitimacy by local standards. This is driven primarily by the pivotal role of the state and ECCs' pronounced dependence on government actors. In order to maintain government goodwill, i.e. avoid the negative effects of a loss of goodwill respectively, ECCs feel the need to act in accordance with the rules and standards set by the state, for whom CR-related legislation is becoming an increasingly important aspect of policy. This government-driven push for regulative adherence occurs regardless of persistent enforcement deficiencies in the Chinese context and the limited explicit legal compulsion perceived by ECCs. This underlines the centrality of government dependence as a mechanism of top-down institutional influence. Regulative adaptation also implies that ECCs adhere to the local 'rules of the game' by accepting to act within the limits sanctioned by government and not to exceed the realm of the 'politically sensitive', as described in section 6.1.3.1. The impetus for ECCs to adhere to regulative requirements in return for government goodwill and support is spurred by the effects of foreignness. As foreign players, ECCs are under particular pressure from government to adhere to laws and regulations in CR and CR-related fields. They are expected to act as frontrunners of government's agenda to gain control of China's social and environmental crisis. This further strengthens the link between regulative adherence and government goodwill. Hence, based chiefly on the

effects of government dependence and foreignness, ECCs feel obliged to adapt to relevant regulative provisions as a minimum standard of CR. This is supported and reinforced by organizational parameters, where managerial, organizational and international stakeholder demands tend to generally encourage abidance by local law. Thus, context-specific parameters of legitimate CR act in alignment with organizational benchmarks to push ECCs to comply with local regulation in CR and CR-related fields.

Yet, the ‘grounded’ theory reveals that abidance by the law is insufficient for ECCs’ CR approaches to obtain contextual legitimacy. As outlined in above sections, ECCs are under pressure from their special customer base to adopt certification in areas relevant to CR, and are increasingly subject to corresponding auditing practice. Compliance with these demands forms a central element of the legitimacy of their CR approaches in the Chinese business context. This applies regardless of negligible pressure from domestic non-governmental actors such as NGOs, labour unions or other civil society organizations. Adherence to formalized standards is encouraged also by the effects of foreignness, which result in the need for European firms to display superior CR performance to stakeholders in return for local legitimacy. Against this backdrop, formalized standards act as a signal or ‘certificate’ to stakeholders that ECCs respond to their claim for superior conduct. Hence, driven mainly by customer demands and the effects of foreignness, ECCs feel the need to adhere to formalised standards beyond the law to increase the local ‘fit’ of their CR approaches. This appears to be maintained by mediating factors at the level of the organization, where both value-based and instrumental arguments tend to support certification, in particular if requested by local customers. Consequently, contextual and organizational parameters of legitimate CR jointly urge ECCs to opt for certification in the broader field of CR, and thus surpass the basic benchmark of legal abidance.

Beyond these formalized standards, the Chinese context also pushes ECCs to adapt to superior informal benchmarks of behaviour in matters of CR. From a contextual point of view, this is driven by various factors. Firstly, ECCs perceive adherence to superior standards as a demand inherently dictated by technological progress and economic development in China. As outlined above, furthering instrumental objectives by means of CR represents a central benchmark of appropriate CR conduct for ECCs in the Chinese context. In other words, ECCs believe that superior CR standards are vital in

allowing them to fulfil the competitive, qualitative and technological requirements of an upgrading Chinese business environment. Vice versa, this implies the assumption that ECCs ‘cannot afford’ adapting to low-level benchmarks in CR-relevant fields, for this would be damaging to their local business performance. This notion is reinforced by anticipation of social discontent and targeted societal activism in case of sub-standard conduct, in particular in the event of ECCs inflicting direct harm on stakeholders. Secondly, the call for ECCs to orient themselves towards superior CR benchmarks is linked to the consequences of local liabilities of foreignness. As argued in section 6.1.2, these liabilities, originating from different groups of stakeholders including government, translate into a call for ECCs to exceed domestic peer company standards and display a superior CR performance in return for local legitimacy. As a corollary, sub-standard behaviour by foreign European firms amounts to an implicit violation of local stakeholder expectations, thus causing loss of vital support respectively. In this context, ECCs are particularly weary of endangering support and goodwill from government agencies, who play an important role in pushing ECCs to adhere to superior CR benchmarks. Yet, exceeding local benchmarks of CR conduct not only mitigates the risks associated with loss of stakeholder support but also acts as a legitimacy-enhancing factor. As outlined in above sections, CR leadership proactively ameliorates ECCs’ relationship with local stakeholders, first and foremost with government and customers, thus having notable positive effects on ECCs’ business in China. This acts as a further contextual encouragement to ECCs’ adoption of superior standards in the Chinese context. Together, contextual push and pull factors make for a strong argument for ECCs to adhere to superior informal benchmarks of CR conduct. Mediating parameters of legitimate CR at the organizational level are likely to back this course. Not only is there a strong value-based argument at the managerial, organizational, and international stakeholder level in support of answering the contextual call for adherence to superior benchmarks of behaviour. The above line of reasoning also implies convincing instrumental incentives for ECCs to adapt their CR approaches accordingly. Therefore, regardless of company culture, values, objectives and directives, the evolving Chinese context makes a compelling case for ECCs to adapt to high-level informal benchmarks of CR conduct. As a consequence, institutional and organizational rationales work together in encouraging ECCs to adhere to superior benchmarks of CR. Thereby, they implicitly induce ECCs to renounce sub-standard behaviour by taking advantage of still prevalent lower-level benchmarks in China.

In sum, the theory suggests that ECCs take a high-standard approach to CR when opting for remaining in the Chinese context. This covers regulative adherence, adaptation to certification requirements and orientation towards superior informal benchmarks of behaviour in the broader field of CR, and leads to the following proposition:

**Proposition 4.4:** *ECCs are oriented towards superior rather than inferior CR benchmarks when operating in the Chinese context. As a minimum condition, ECCs seek to adapt to the local regulative framework in CR-related fields. Beyond that, ECCs display adherence to formalized CR standards and adapt to superior informal behavioural benchmarks in the field of CR.*

#### **6.1.4.3. Levelling Co-Evolution**

Cantwell et al.'s (2010) third category of institutional engagement, which is institutional co-evolution, is also highly relevant to the case of CR in ECCs. Based on the set of contextual and organizational demands that European firms face in the Chinese context for CR, the model suggests that co-evolutionary endeavours are directed primarily at levelling the benchmarks of CR across the local business environment. This will be discussed in more detail subsequently.

It has been outlined in foregoing section 6.1.4.2 on high-level adaptation that both contextual and organizational rationales are opposed to ECCs lowering their CR benchmarks. The same line of reasoning applies to ECCs' efforts to induce a reduction of standards across the Chinese context by means of co-evolution. The different sources and mechanism of institutional influence push ECCs towards superior benchmarks, thus restricting the possibility for an engagement with contrary purpose. It is in particular the Chinese state that acts as a barrier to potential ECC attempts to influence the Chinese context in a direction non-favourable to its own CR objectives. Regarding ECCs as a central element in advancing its social and environmental agenda, government leaves little room for ECCs to adopt sub-standard behaviour, let alone to engage in a reduction of standards beyond the limits of their own operations. This is buttressed by other institutional players, whose impact on the parameters for legitimate CR in ECCs equally points in a high-standard direction, thus inducing a 'we cannot afford' attitude towards

low-level standards among these firms. Hence, contextual circumstances and their effects are not favourable to ECCs engaging in co-evolutionary efforts towards inferior CR benchmarks. This is reinforced by both value-based and instrumental arguments at the firm level in support of compliance with this contextually pre-determined direction. Against this backdrop, ECCs tend to abstain from engaging in co-evolutionary attempts to lower CR benchmarks in the Chinese context.

This does not mean that ECCs refrain from co-evolutionary efforts altogether. On the contrary, the theory suggests that co-evolution represents a valuable means for ECCs to counter the downsides of contextual circumstances in matters of CR without damaging local legitimacy. This applies in particular to efforts directed at inducing a universal upgrade to the level of CR practice within the Chinese business community. Generally, ECCs perceive rising local CR standards as a beneficial development. As argued above, contextual and organizational demands create a push for European firms to adapt to high-level CR criteria regardless of local benchmarks and circumstances. As such, ECCs do not feel negatively affected by a common increase in standards, contending that higher norms apply to them irrespectively. On the contrary, based on the CR-related demands they face in the Chinese context, ECCs believe an overall increase of local standards to be to their advantage. First, stricter CR requirements throughout the Chinese business context represent a competitive advantage for ECCs. Being accustomed to superior yardsticks and having implemented policies and practices accordingly, ECCs can respond much faster to tightening CR demands in the Chinese market environment, thus facing an advantage over local peers. This is applicable not only to their internal processes, but also to their products and services, which benefit from an increase in market demands for quality, eco-friendliness, waste reduction, social standards fulfilment, etc. Hence, a move of the Chinese market environment towards heightened standards in CR-related fields potentially increases ECCs' local contextual competitiveness. Most importantly, however, such a development reduces the competitive disadvantages that ECCs perceive in the status quo compared to domestic firms. It mitigates the liabilities of foreignness by which the Chinese institutional context induces ECCs to exceed domestic peer company standards, thereby creating an imbalance between domestic and foreign firm requirements. Through an overall expansion of benchmarks, the competitive drawbacks caused by this imbalance are decreased to ECCs' advantage. From an ECC perspective, this adds to the benefits of a

general rise in CR standards in the Chinese business context. In sum, the contextual conditions in China are favourable to ECCs' support of rising CR benchmarks. They encourage in particular ECCs' sponsorship of a levelling of requirements between domestic and foreign, in particular European firms.

This rationale is sustained by considerations at the level of the organization. Although value-based arguments do play a role in ECCs' encouragement of rising overall benchmarks, their central line of reasoning is operational. To ECCs, an overall increase of CR standards and accompanying framework conditions in the Chinese business environment facilitates their own compliance with superior requirements. A supportive context for the realization of high-standard CR improves the 'fit' between what ECCs are requested to do (by both contextual and organizational parameters), and the general conditions for corresponding implementation. Against this backdrop, ECCs welcome in particular an increase in Chinese benchmarks in the direction of international standards. A gradual alignment of local host country and international standards reduces the frictional losses and operational tensions that are caused by ECCs' adaptation to local demands. These operational arguments add to ECCs' support of a general rise of CR standards in China, in particular of a relative harmonization of conduct between European and domestic Chinese firms.

The theory suggests that this support is not merely passive but materializes into actual co-evolutionary activity. ECCs take on an active role in pushing for an increase, i.e. levelling of CR standards throughout the Chinese business context. By doing so, they aim at contributing proactively to a mitigation of the shortcomings of the status quo, in particular of CR-related competitive disadvantages. Their proactive engagement allows ECCs to partake in steering the direction of change to their advantage. This implies an attempt to facilitate a gradual alignment of local and international benchmarks of CR. It also entails the possibility of shaping China's CR development around ECC products and processes, thus further boosting ECCs' local competitiveness. As an added benefit, proactive commitment to fostering CR developments (in areas sanctioned by state policy) acts as a means to augment firms' contextual legitimacy. The legitimacy-enhancing function of CR leadership as described in section 6.1.2 gives further impetus to ECCs advocating rising CR standards in the Chinese context. Hence, ECCs' co-evolutionary activity towards superior CR standards is contextually supported, if not



encouraged. It is in particular the state's policy agenda that plays into ECCs' hands and facilitates co-evolutionary efforts in fields sanctioned by government. These contextual arguments in favour of 'CR-friendly' co-evolutionary activity are supported by above-mentioned organizational rationales.

To summarize, the theory proposes that ECCs engage with Chinese institutions in a co-evolutionary fashion. By advocating an increase in the general level of CR among institutional players, ECCs act as social entrepreneurs. Although this behaviour is partly value-driven, co-evolutionary endeavours are influenced mostly by instrumental objectives. In specific, ECCs aim at levelling CR standards throughout the Chinese business context so as to create a supportive context for the realization of the superior requirements that contextual and organizational parameters prescribe for their Chinese operations. The following proposition is put forward accordingly:

**Proposition 4.5:** *ECCs engage in co-evolutionary activity concerning matters of CR. In seeking to increase the general benchmark of CR by influencing Chinese institutions, ECCs act as social entrepreneurs. Their co-evolutionary endeavours are directed mainly at levelling the standard of CR across the Chinese economy.*

#### **6.1.5. Channels of Bottom-Up Institutional Influence**

Having revealed that one mode for ECCs to engage with Chinese institutions in questions of CR is via levelling co-evolution, the theory turns to conceptualize the channels by which such co-evolution is effectuated. Thus, in a final step, it explains *by what means* ECCs intend to induce co-evolutionary change to the Chinese context in an effort to correct what they perceive to be imperfect framework conditions for CR in the status quo. It is through these channels of bottom-up influence that ECCs aim to alter the benchmarks of legitimate CR at the source, thereby completing the loop that characterizes ECCs' institutional engagement with Chinese institutions concerning matters of CR (see figure 16).

The first channel of co-evolution employed by ECCs in their quest for an increase and thus levelling of CR benchmarks throughout the Chinese context is lobbying. Given the

central role attributed to the Chinese state in defining the benchmarks of legitimate CR and pushing for compliance respectively, government agencies represent a central target of ECC co-evolution. This is encouraged by government's widely sympathetic stance towards CR (or at least certain aspects of it), which acts as a signal to ECCs that the state is generally willing to support change towards a more even implementation of superior CR benchmarks. Two ways prove of particular value in ECCs' CR related lobbying efforts. Firstly, ECCs refer to collective channels, first and foremost business associations at different administrative levels to persuade government officials of the advantageousness of their objectives. Secondly, ECCs make specific use of consultation committees initiated by the state to put forward their concerns and ideas. However, in both cases ECCs abstain from referring to pressure and confrontation to achieve their objectives, which they believe to be neither well-received nor conducive. ECCs' dependence on government and the resulting need to maintain government goodwill are too pronounced for them to risk offending government officials. Also, ECCs do not believe confrontational approaches to be fruitful. They suggest that Chinese government as the pivotal institutional player does neither tolerate nor respond to lobbying approaches that rest on the use of pressure. This applies in particular to foreign businesses, whose leverage over Chinese government is steadily reducing. As a consequence, ECCs rely primarily on low-pressure, non-confrontational means to persuade government officials of the benefits of a more equal and widespread implementation of CR legislation and the creation of a supportive infrastructure to that end. In this context, ECCs make frequent use of consultative approaches. By addressing concrete problems, pointing out practical solutions, and demonstrating best practices, ECCs hope to induce regulative change subtly but effectively. Here, ECCs benefit from government's resolve to learn from European businesses and use them to further China's social and environmental agenda. This opens doors for ECCs to voice their concerns and pitch their ideas to government bodies. Hence, ECCs' special position as government-chosen 'frontrunners' of CR development, otherwise perceived as a liability of foreignness, represents an advantage in co-evolutionary terms. It heightens ECCs' chances of prompting regulative change and stresses the benefits of non-confrontational lobbying. These assumptions are summarized in proposition 5.1:

**Proposition 5.1:** *In their co-evolutionary endeavours, ECCs seek to lobby authorities at different levels of government by using non-confrontational, consultative tactics. Lobbying is effectuated primarily through collective and government-initiated channels. In their lobbying efforts ECCs benefit from government's generally supportive stance towards CR and their role as 'frontrunners' of CR development.*

Although consultative lobbying represents a main channel of levelling co-evolution, ECCs also use other means to provoke a rise in overall CR benchmarks in the Chinese context. Among others, they rely strongly on the transfer of knowledge and expertise to local stakeholders. As individual firms, ECCs seek to enhance practical knowledge and understanding of CR-related matters among their suppliers and build capacity respectively. Moreover, they introduce internal measures and train employees to deal with and comprehend the usefulness of CR-relevant values, policies and practices. These efforts are directed primarily at facilitating compliance with superior contextual and organizational expectations towards their CR standards. However, ECCs also believe these measures to contribute to a dissemination of CR knowledge and understanding throughout the Chinese business context and beyond. Hence, knowledge transfer to primary stakeholders simultaneously acts as a mechanism to implement parameters of legitimate CR conduct, and as a channel of co-evolutionary influence to ECCs' advantage. A similar logic applies to ECCs' collective efforts of imparting CR-relevant knowledge to local stakeholders. As company collectives, ECCs engage in educational projects and joint initiatives to enhance knowledge and understanding of CR within Chinese society. Moreover, they rely on inter-organizational exchange in business associations to foster expertise in CR-relevant areas within the local business community, both domestic and foreign. In doing so, they not only enhance their contextual and organizational legitimacy by demonstrating high-standard conduct. They also contribute to the creation of contextual framework conditions that are favourable to the realization of superior standards and to the successive levelling of benchmarks among Chinese businesses. Consequently, knowledge transfer, effectuated both individually and collectively, is an act of adaptation and co-evolution at once. It is precisely this double purpose that makes transfer of knowledge and expertise an attractive channel of bottom-up institutional influence. The foregoing line of reasoning is encapsulated in the subsequent proposition:

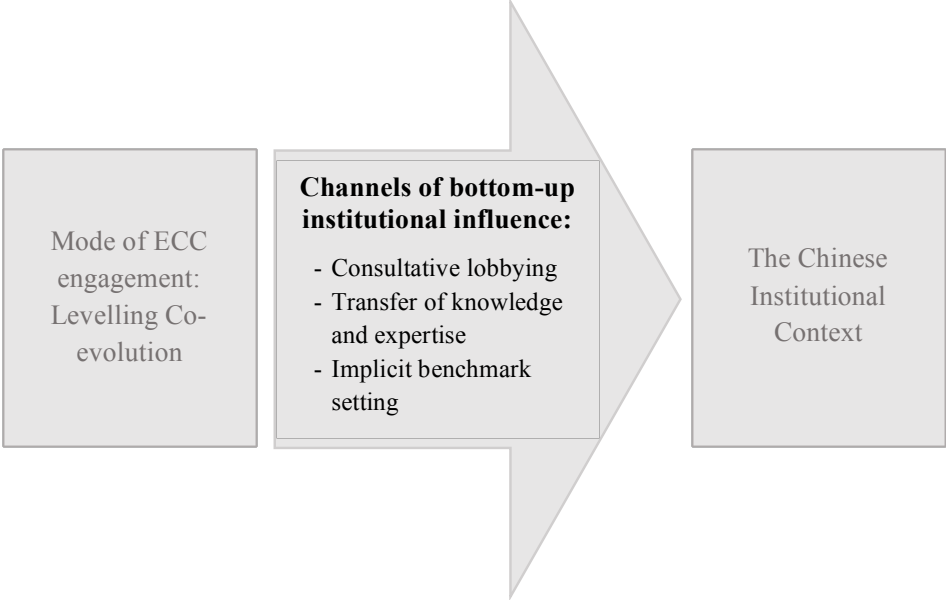
**Proposition 5.2:** *ECCs seek to impart CR-relevant knowledge and expertise to employees, suppliers, foreign and domestic peers, as well as to Chinese society at large. This serves the double purpose of facilitating their adaptation to superior contextual demands, all the while having an intended co-evolutionary effect. Knowledge transfer is triggered both at the individual firm level through supply chains and internal policies, and collectively through inter-organizational exchange and joint initiatives.*

Last but not least, ECCs strongly believe in the implicit co-evolutionary effect of their leadership in CR and CR-related fields. Their superior performance is requested both contextually and organizationally. Hence, as outlined above, displaying high-level CR standards and leading by example is a prerequisite for ECCs to obtain internal and external legitimacy. Yet, it also fulfils a co-evolutionary purpose. By fostering attention to CR in their internal processes and providing the Chinese market with corresponding products and services, individual ECCs believe to introduce to the Chinese environment a more ‘CR-friendly’ approach to doing business. Their behaviour causes implicit spill-over effects by inspiring local businesses, regulators and private individuals to ‘do things differently’. Also, ECCs offer practical examples, tangible benchmarks and implementation models on how to achieve change accordingly. This effect is systematically promoted by collective CR initiatives as well as social and environmental projects by multiple ECCs. These undertakings raise awareness among Chinese stakeholders for CR-relevant issues and encourage imitation by local players. Thus, exemplary individual firm conduct and collective ECC initiatives in CR-relevant fields serve a double purpose. On the one hand, they help ECCs fulfil local demands for superior conduct and CR leadership. On the other hand, they foster the evolution of a more ‘CR-friendly’ business environment based on the ECC model, thus contributing to a gradual levelling of CR benchmarks between ECCs and their domestic peers. This theoretical claim is presented in final proposition 5.3:

**Proposition 5.3:** *ECCs implicitly engage in co-evolution by setting positive examples for Chinese society, business community and regulative authorities. Benchmark setting occurs individually through CR-friendly processes, products and technologies, as well as collectively through joint projects and initiatives. It serves both adaptive and co-evolutionary purposes.*

In sum, the theory proposes that ECCs mostly rely on three channels of co-evolution to influence the Chinese institutional context to their advantage and induce a levelling of CR benchmarks throughout the Chinese business environment. As depicted in figure 13, these channels are ‘consultative lobbying’, ‘transfer of knowledge and expertise’, as well as ‘implicit benchmark setting’.

**Figure 13: Channels of co-evolution**



Source: Author’s depiction

**6.1.6. Summary: A Model of Co-Evolutionary Adaptation**

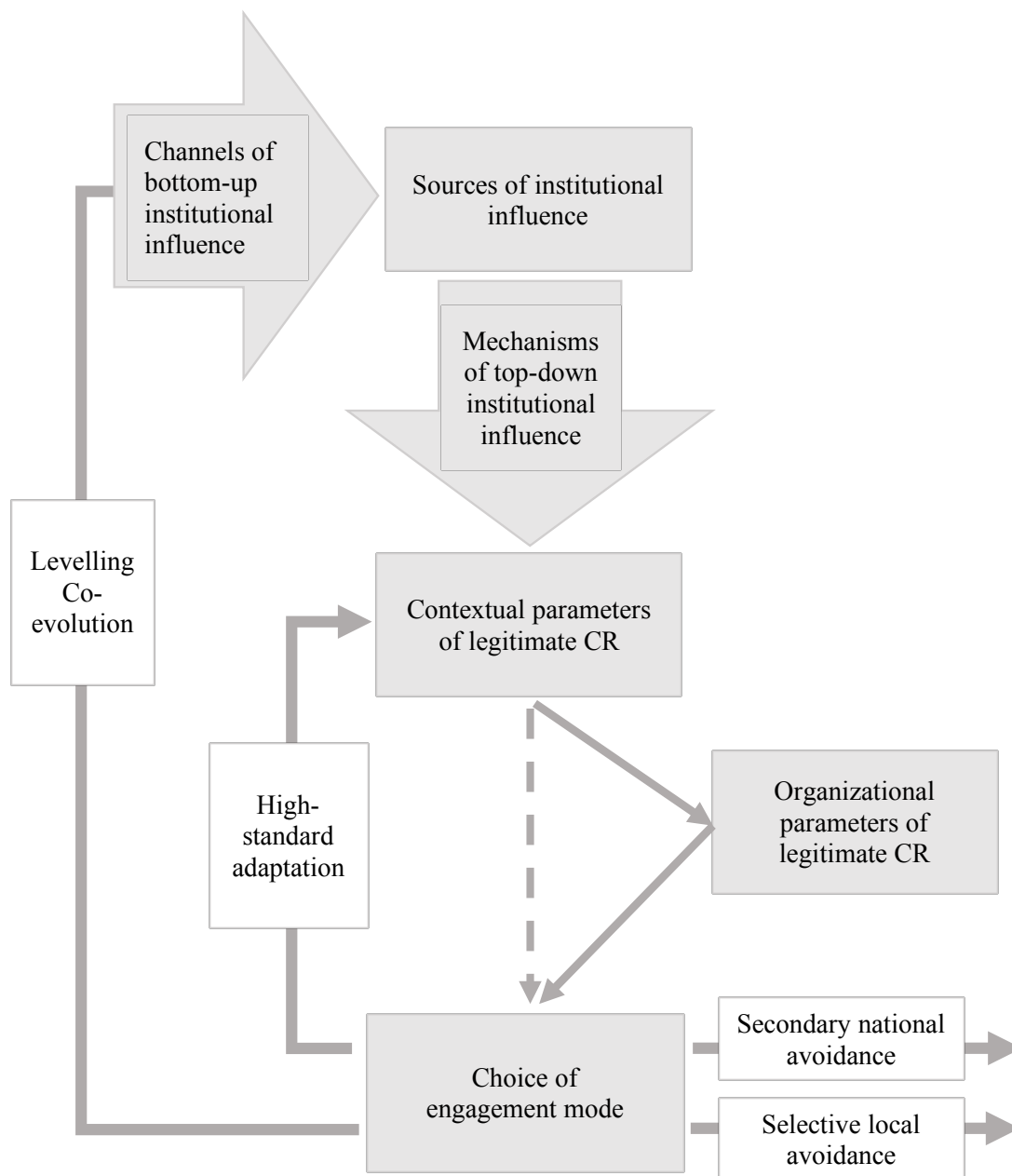
Foregoing sections have presented the different theoretical aspects of ECCs’ CR-related institutional engagement and the relationship amongst them. Together, these aspects form the ‘grounded’ theory that has emerged from the empirical research based on a Straussian Grounded Theory approach. The resulting model sheds light on how ECCs engage with the Chinese context concerning matters of CR. It thereby answers the overall research question, and adds to the scarce body of literature on MNEs’ interaction with emerging market institutions in questions of CR.

The model sheds light on the process by which ECCs engage with Chinese institutions to shape and define CR notions and approaches. It covers relevant drivers, channels,

mechanisms, parameters and reactional outcomes, and explains the relationship that binds them together. At the institutional level, the model defines three direct sources of influence, namely the state, technological progress and economic development, and ECC customers, and stresses the indirect influence of Chinese society at large. These institutional constituents impact ECCs' CR approaches via a set of context-specific mechanisms, whose top-down influence creates a framework of parameters that define the benchmarks of legitimate CR for ECCs by Chinese contextual standards. In specific, seven mechanisms of top-down influence (government dependence; competitive pressure; technology and quality upgrade; certification and auditing; impending social unrest; liabilities of foreignness; and legitimacy-enhancement) create a six 'pillar' framework of legitimate CR in the Chinese context. This framework consists of the claims for ECCs' CR activities to secure government goodwill, further instrumental objectives, prevent direct harm to stakeholders, comply with customer requirements, exceed domestic standards, and showcase leadership. The theory suggests that these contextual demands come upon a set of organizational benchmarks of CR that are specific to the ECC, and call on firms' CR approaches to fit managerial, corporate and international stakeholder demands. These organizational parameters act as mediators, reconciling context-specific claims with firm-specific requirements to create organizational responses that are appropriate by both contextual and organizational standards. It is this mediating process that defines ECCs' CR-related responses to the Chinese institutional environment. Hence, the model proposes that ECCs' choice of engagement mode(s) results from a complex interaction between contextual and organizational determinants. Four potential, non-mutually exclusive modes of institutional engagement are formulated: Firstly, ECCs avoid the Chinese national context altogether, accounting for CR as a second order driver of their decision. Secondly, ECCs opt for remaining in China but avoid certain locations within China in favour of others. In this scenario, ECCs consider inferior local CR standards as a first order reason for selecting certain locations over others. Moreover, CR indirectly plays into other rationales for local avoidance. Thirdly, ECCs choose to adapt to the contextual parameters of CR in China, thereby opting for a high-standard approach. Last but not least, ECCs engage in co-evolutionary activity in an attempt to influence Chinese institutions towards the application of more equal CR standards across the local business environment. Essentially, they hope to contribute to levelling out CR-related contextual expectations towards ECCs and other firms in China. The theory reveals that, in these

co-evolutionary endeavours, ECCs rely primarily on three channels of bottom-up impact. They try to influence Chinese institutions in their favour by means of consultative lobbying, transfer of knowledge and expertise, as well as by their implicit setting of benchmarks. These channels link organizational activity to Chinese institutions in a feedback loop, thereby revealing the circular process of interaction that takes place between the Chinese context and ECCs' institutional engagement. This circular process is depicted in figure 14.

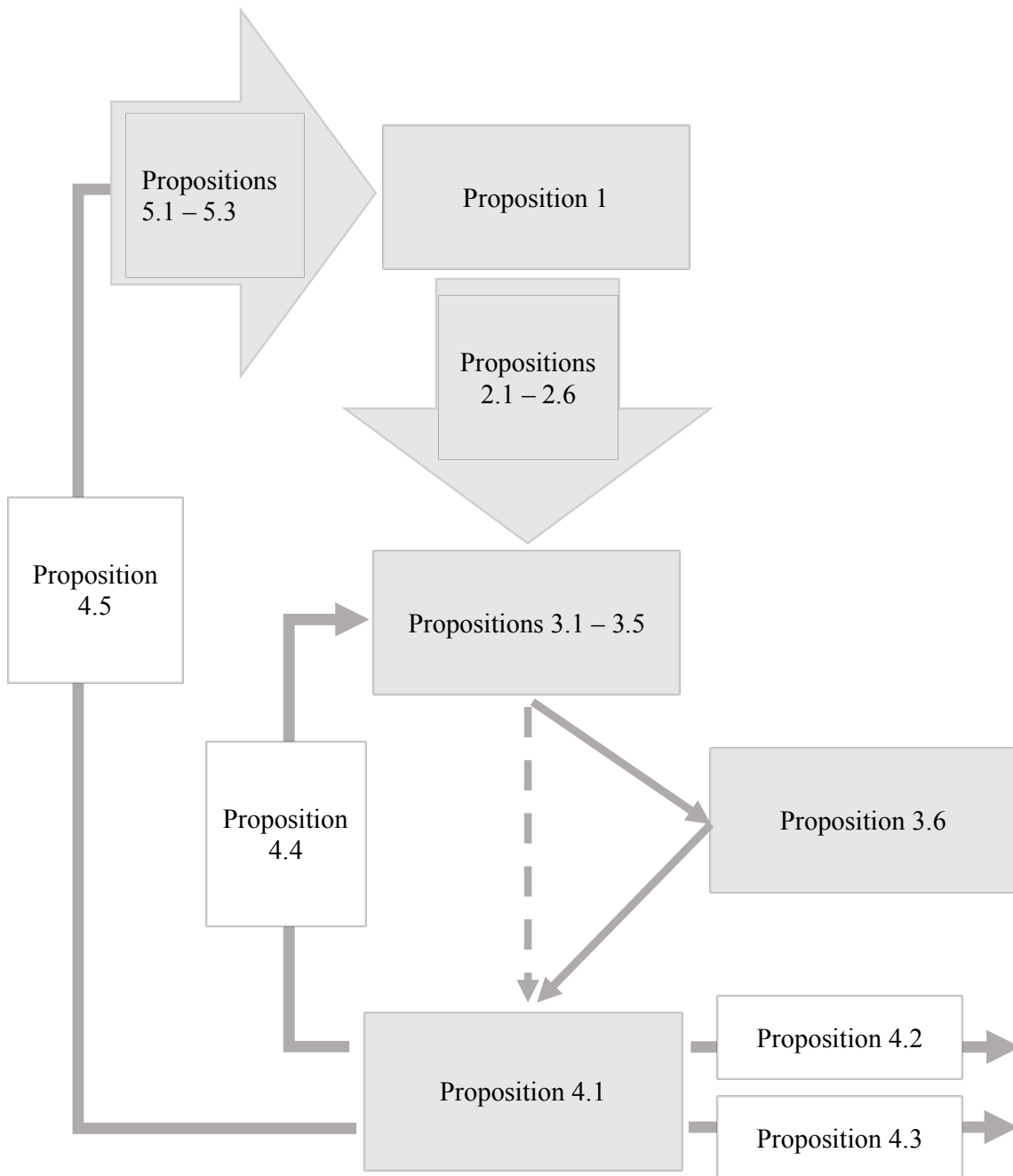
**Figure14: Process model of ECC institutional engagement**



Source: Author's depiction

A set of propositions has been put forward that encapsulates the central theoretical ideas of the model. As illustrated in figure 15, the propositions are organized alongside the above-described engagement process. Thus, they address each crucial step and aspect of the model, and conceptualize the relationship among them. Table 7 below provides an overview of all 21 propositions of the ‘grounded’ theory.

**Figure 15: Proposition model of ECC institutional engagement**



Source: Author's depiction



**Table 7: Propositions table**

Level of analysis	Aspect of engagement	Determinant(s) of engagement	Propositions
Institutional*	Sources of institutional influence	<ul style="list-style-type: none"> <li>• The state</li> <li>• Technological progress and economic development</li> <li>• Customers</li> <li>• Society at large</li> </ul>	<p><b>P1:</b> In the Chinese context, ECCs' CR approaches are directly subjected to three domestic sources of influence, namely the state, technological progress and economic development, and customers. Society at large acts as an indirect source of influence, and impacts ECCs' CR approaches through the intermediary of the state. Only in case of severe corporate misconduct do societal forces influence ECCs directly. Domestic civil society actors, in particular NGOs and labour unions, are negligible sources of influence and relevant only in their capacity as extensions of the state.</p>
		<ul style="list-style-type: none"> <li>• Government dependence</li> </ul>	<p><b>P2.1:</b> In the Chinese context, the state exerts influence on ECCs' CR approaches through the mechanism of government dependence, which is sustained by ECCs' general reliance on government support and their apprehension of government interference.</p>
		<ul style="list-style-type: none"> <li>• Competitive pressure</li> <li>• Technology &amp; quality upgrade</li> </ul>	<p><b>P2.2:</b> In the Chinese context, technological progress and economic development exert influence on ECCs' CR approaches through growing competitive pressure and a process of technology and quality upgrade, which increase the implicit instrumental value of CR practice.</p>
Institutional	Mechanisms of top-down institutional influence	<ul style="list-style-type: none"> <li>• Certification and auditing</li> </ul>	<p><b>P2.3:</b> In the Chinese context, ECCs' business heavily depends on other foreign firms and/or 'high-end' domestic market segments. This special customer base exerts influence on ECCs' CR approaches through augmenting certification demands and more widespread auditing practice. Although domestic standards are gaining momentum, ECCs are still mostly required to adhere to customer-specific policies and/or international certification.</p>
		<ul style="list-style-type: none"> <li>• Impending social unrest</li> </ul>	<p><b>P2.4:</b> In the Chinese context, society exerts influence on ECCs' CR approaches through impending social unrest in case of immediate corporate misconduct.</p>
		<ul style="list-style-type: none"> <li>• Liability of foreignness</li> </ul>	<p><b>P2.5:</b> In the Chinese context, ECCs are subject to liabilities of foreignness as to their CR approaches. These liabilities of foreignness are driven by multiple sources of institutional influence and emanate from superior stakeholder expectations towards ECCs' CR conduct.</p>
		<ul style="list-style-type: none"> <li>• Legitimacy-enhancing function of CR</li> </ul>	<p><b>P2.6:</b> In the Chinese context, given the following specifications, ECCs' CR approaches have a legitimacy-enhancing function: In politically-sanctioned domains, evidence of superior CR performance heightens government trust and support, and reduces government interference. Demonstration of superior CR performance also acts as a signal of reliability, quality, efficiency and innovativeness to customers.</p>

Level of analysis	Aspect of engagement	Determinant(s) of engagement	Propositions
Institutional & Organizational	Contextual parameters of legitimate CR	<ul style="list-style-type: none"> <li>Secure government goodwill</li> </ul>	<p><b>P3.1:</b> In order to gain legitimacy in the Chinese context, ECCs' CR approaches must contribute to securing government goodwill, in particular from local officials. This implies that CR activities must be in alignment with and contribute to fulfilling policy objectives, take place within the limits sanctioned by the state, and avoid topics or activities deemed politically sensitive.</p>
		<ul style="list-style-type: none"> <li>Further instrumental objectives</li> <li>Comply with customer requirements</li> </ul>	<p><b>P3.2:</b> In order to gain legitimacy in the Chinese context, ECCs' CR approaches must further instrumental objectives. This entails that CR activities must support the creation of an appealing working environment, make an implicit contribution to enhancing the competitiveness of products and processes, and sustain advances in technology and quality. Also, CR approaches must be compliant with explicit certification requirements from domestic customers.</p>
		<ul style="list-style-type: none"> <li>Prevent direct harm to stakeholders</li> </ul>	<p><b>P3.3:</b> In order to gain legitimacy in the Chinese context, ECCs' CR approaches must serve the prevention of immediate harm to stakeholders.</p>
	Organizational parameters of legitimate CR	<ul style="list-style-type: none"> <li>Exceed domestic peer standards</li> </ul>	<p><b>P3.4:</b> In order to gain legitimacy in the Chinese context, ECCs' CR approaches must exceed domestic peer company standards.</p>
		<ul style="list-style-type: none"> <li>Showcase leadership</li> </ul>	<p><b>P3.5:</b> In order to enhance legitimacy in the Chinese context, ECCs' CR approaches must showcase leadership. This implies that ECCs must seek official recognition by government for their outstanding CR performance. Publicly awarded companies benefit from increased regulative and marketplace legitimacy.</p>
		<ul style="list-style-type: none"> <li>Fit managerial, corporate and international stakeholder demands</li> </ul>	<p><b>P3.6:</b> Parameters of contextual legitimacy are mediated and supplemented by organizational parameters of legitimate CR conduct at the level of the firm. Most centrally, the organizational parameters entail managerial, corporate and international stakeholder requirements.</p>

Level of analysis	Aspect of engagement	Determinant(s) of engagement	Propositions
Organizational	Modes of engagement	Choice of engagement mode	<b>P4.1:</b> In response to contextual and organizational parameters of legitimate CR conduct, ECCs engage with Chinese institutions by using one or more of the following four modes: secondary national avoidance, selective local avoidance, high-standard adaptation, and/or levelling co-evolution. These modes of engagement are not mutually exclusive but are usually combined to form firm-specific, multi-angle concepts of institutional engagement in matters of CR.
		Secondary national avoidance	<b>P4.2:</b> CR standards are not a sufficient condition for ECCs to generally avoid the Chinese national context. This applies regardless of whether ECCs perceive Chinese CR standards as too high or too low. In ECCs' decision on national avoidance, CR standards are relevant merely as to their escalation of operational costs and issues, and are thus a rationale of second order only.
		Selective local avoidance	<b>P4.3:</b> CR standards are a sufficient condition for ECCs to avoid certain localities in China in favour of others if local CR standards are perceived as too low. Additionally, in ECCs' decision on selective local avoidance, CR standards are relevant as to their escalation of operational costs and issues, and thus also represent a rationale of second order.
		High-standard adaptation	<b>P4.4:</b> ECCs are oriented towards superior rather than inferior CR benchmarks when operating in the Chinese context. As a minimum condition, ECCs seek to adapt to the local regulative framework in CR-related fields. Beyond that, ECCs display adherence to formalized CR standards and adapt to superior informal behavioural benchmarks in the field of CR.
		Levelling co-evolution	<b>P4.5:</b> ECCs engage in co-evolutionary activity concerning matters of CR. In seeking to increase the general benchmark of CR by influencing Chinese institutions, ECCs act as social entrepreneurs. Their co-evolutionary endeavours are directed mainly at levelling the standard of CR across the Chinese economy.

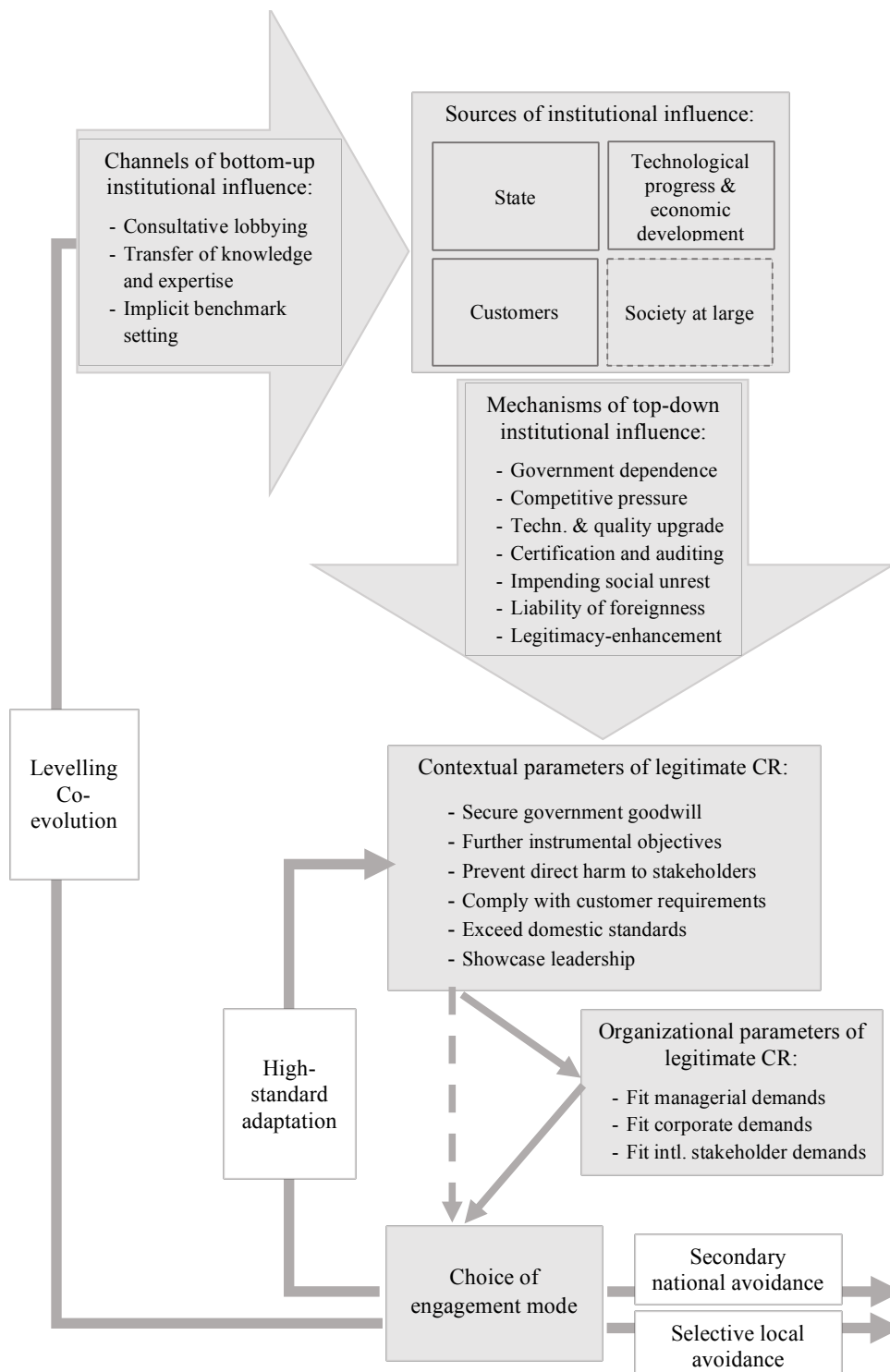
Level of analysis	Aspect of engagement	Determinant(s) of engagement	Propositions
Organizational & Institutional	Channels of bottom-up institutional influence	Consultative lobbying	<b>P5.1:</b> In their co-evolutionary endeavours, ECCs seek to lobby authorities at different levels of government by using non-confrontational, consultative tactics. Lobbying is effectuated primarily through collective and government-initiated channels. In their lobbying efforts ECCs benefit from government's generally supportive stance towards CR and their role as 'frontrunners' of CR development.
		Transfer of knowledge and expertise	<b>P5.2:</b> ECCs seek to impart CR-relevant knowledge and expertise to employees, suppliers, foreign and domestic peers, as well as to Chinese society at large. This serves the double purpose of facilitating their adaptation to superior contextual demands, all the while having an intended co-evolutionary effect. Knowledge transfer is triggered both at the individual firm level through supply chain management and internal policies, and collectively through inter-organizational exchange and joint initiatives.
	Implicit benchmark setting	<b>P5.3:</b> ECCs implicitly engage in co-evolution by setting positive examples for Chinese society, business community and regulative authorities. Benchmark setting occurs individually through CR-friendly processes, products and technologies, as well as collectively through joint projects and initiatives. It serves both adaptive and co-evolutionary purposes.	

\*The institutional level of analysis is concerned with firms' external social context, as outlined in section 2.1.2.2.

Source: Author's depiction

Finally, figure 16 offers a comprehensive graphical representation of ECCs' engagement with Chinese institutions concerning questions of CR. It depicts the model in its entirety, including all relevant processes, aspects and determinants, and describes the central theme of the theory, which is 'co-evolutionary adaptation'.

**Figure 16: A model of ECC co-evolutionary adaptation**



Source: Author's depiction

Co-evolutionary adaptation has emerged from the research as the core category of the model and sums up the main ideas of the study as suggested by Corbin and Strauss (2015) (see section 4.2.6). It describes the underlying observation that ECCs' CR-related engagement with Chinese institutions is essentially characterized by a recursive circular process, in which ECCs' co-evolutionary endeavours are directly linked back not only to the Chinese institutional context, but also to ECCs' adaptation to institutional demands respectively. Hence, adaptation becomes the pivotal element of ECCs' institutional engagement. A look at the four modes of engagement helps clarifying this point: Firstly, the engagement modes reveal that ECCs generally do not avoid the Chinese national context for the explicit reason of CR. Their location choices within China are directly CR-related only in case of inferior local standards, thus per se suggesting an orientation towards superior CR benchmarks. In this sense, ECCs' institutional avoidance, if directly related to CR, basically reflects the third engagement choice, which is high-standard adaptation. High-standard adaptation, in turn, is believed to be largely contextually prescribed. Albeit being mediated by organizational parameters, ECCs' alignment with superior rather than inferior standards of CR is strongly context driven. Organizational parameters do play a central role in ECCs' institutional engagement choices concerning matters of CR. However, with regard to the general direction of these choices, the parameters faced by ECCs in the Chinese context almost mandate adaptation to high-level benchmarks. They leave little room for ECCs to take a fundamentally different approach, regardless of organizational considerations. This high-standard 'predicament' is based on a form of institutional influence that combines pressure and incentives to make a compelling case for ECCs to orient themselves towards superior benchmarks. In other words, high-standard adaptation becomes a matter not only of organizational values and deliberations, but of pragmatic contextual interest, too. Put simply, for ECCs, adaptation to high-level CR standards is a prerequisite for successful business operations in China. This also affects their co-evolutionary contribution. ECCs' co-evolutionary activities towards superior CR benchmarks in China primarily result from their high-standard adaptation. On the one hand, their setting of benchmarks is the natural consequence of ECCs' own superior performance in matters of CR, creating intended and unintended spill-over effects in the Chinese context. On the other hand, ECCs' proactive efforts of bottom-up influencing by means of lobbying or knowledge transfer predominantly serve a levelling purpose, thus equally resulting from high-standard adaptation and the need to create ideal local

conditions for its realization. Hence, the consequences of adapting to high-level parameters of legitimate CR in the Chinese context explicitly or implicitly drive ECCs to become co-evolutionary agents of social change. As a consequence, co-evolution becomes a function of high-standard adaptation. This renders ‘adaptation’ the leitmotif of ECCs’ engagement with Chinese institutions concerning matters of CR, as summarized by the core category of co-evolutionary adaptation.

In sum, the process of co-evolutionary adaptation, including all its aspects, mechanisms, rationales and outcomes provides the answer to the overall research question of the study: *How do ECCs engage with the Chinese context concerning matters of CR?* It reveals that in the Chinese context, MNEs, in specific ECCs, deal with the complex interplay of demands for top-down adaptation and bottom-up social entrepreneurship by combining the two in a process of co-evolutionary adaptation. They adapt to local CR demands in an effort to gain local legitimacy, thereby implicitly and explicitly initiating co-evolutionary effects towards rising CR benchmarks in the local institutional context. In doing so, they become social entrepreneurs. This process of co-evolutionary adaptation and the model outlining its specifications will be discussed hereafter against the backdrop of prior research presented in chapters 2 (Research Background) and 3 (Research Setting: The Chinese Context for CR).

## **6.2. Discussion**

Underlying the new, empirically ‘grounded’ model on co-evolutionary adaptation are two central theoretical concepts. They constitute the initial framework of analysis in which the research is embedded, and act as a form of substantive theory on which the study expands. As outlined in section 2.3, the core components of this framework are neo-institutional theory and, building on its central assumptions, Cantwell et al.’s (2010) categorization of MNE institutional engagement. This basic analytical framework (depicted in figure 4, section 2.3.3) has proven valuable, not only in giving structure and direction to the research endeavour, but also in anticipating the basic outline of the emerging theory. The initial framework of analysis has been used as a point of departure for the study. However, as prescribed by Straussian Grounded Theory methodology, the author has remained cautious of forcing a fit between existent and newly developing

theory, and has stayed alert for potential incompatibilities (see section 4.1.5). Yet, it has become apparent over the course of the research process that emerging data reinforces and develops old concepts, alongside generating new ones. Hence, in its basic structure, the emerging model of co-evolutionary adaptation is in line with the initial framework of analysis presented at the onset of the research in section 2.3.3, thereby corroborating and expanding its fundamental assumptions.

Among others, this implies that, at the basis, the new model validates prior research on the impact of institutions on organizational behaviour, as proposed in section 2.3.1 on institutional theory. More specifically, the research confirms the context-dependent nature of CR as suggested by Sethi (1979) and fellow researchers of contextual CR, stressing in particular the impact of the external social context on firms' CR approaches (see section 2.1.2.2). The model acknowledges that the external social context is not deterministic in its impact on CR, but is mediated by corporate as well as individual parameters of legitimacy at the organizational level. Hence, the model concurs with Athanasopoulou and Selsky's (2015) assessment that neither of the three levels of analysis (meaning individual, organizational or external social context) is sufficient by itself to explain firms' CR choices and approaches. Rather, as the new theory confirms, CR is the "dynamic product of a complex interplay of internal motives and external drivers" (Athanasopoulou & Selsky, 2015, p. 331). Nevertheless, the model stresses that ECCs' CR choices are to a large extent influenced by the external institutional context in China. This is highlighted by the centrality of the adaptation motive. The theory reveals that ECCs' engagement with Chinese institutions regarding matters of CR revolves around their attempt to adapt to the high-standard demands that the Chinese context explicitly or implicitly prescribes for their conduct. Hence, albeit acknowledging the significance of corporate and individual parameters, the model places particular emphasis on the significance of the external social context in defining CR, and on Cantwell et al.'s (2010) institutional adaptation category respectively.

The pivotal role of institutional adaptation and, relating thereto, the context-dependence of ECCs' CR approaches have far-reaching implications. On the one hand, they fuel the normative debate on the universality, and thus context-*independence* of CR principles and approaches (see section 2.1.2.1). MNEs' adaptation to CR standards in host countries is generally disputed. Although adaptation might lead to increased local



legitimacy and produce ‘acceptable’ conduct by local criteria, it might, as outlined in section 2.1.3.1, also imply sub-standard conduct by home country, i.e. internationally accepted benchmarks. This applies in particular to emerging markets, where institutional voids and instability tend to facilitate a disregard of home country and international standards in case of adaptation (see section 2.1.3.2). The Chinese context is no exception to this view (see section 2.1.3.3). In fact, China continues to be a controversial context in contemporary CR debate. As outlined in section 3.1, China has started to gradually depart from its “world’s factory” (Wong, 2009) role. Government is undertaking considerable efforts to overcome the country’s strong reliance on low-cost manufacturing and high-polluting industries, and get to grips with corruption and corporate misconduct, thus reducing tensions in many CR-relevant areas (see section 3.2). Hence, China is slowly moving away from being the “poster boy for things sub-standard and unsafe, as well as unethical” (Ip, 2009b, p. 215). Nevertheless, regulative enforcement deficiencies described in section 3.2.3 represent a persistent impediment to this development, slowing down central government’s endeavours and creating vastly different realities on the ground. These effects are exacerbated by a persistently weak civil society (see section 3.3) and still underdeveloped societal awareness for CR issues (see section 3.4). Most importantly, however, China’s politically-driven and party-state directed agenda continue to cause an inherent neglect of certain issues that are central to international CR standards and ‘hypernorms’ (Donaldson & Dunfee, 1994) of responsible business conduct. Being subjected to the overriding priority of regime stability, CR demands in the Chinese context are inseparably entwined with political rationales and objectives, setting both topical and operational boundaries (see for instance restrictions on addressing issues such as human rights or freedom of assembly as outlined in section 3.2, or limitations on engaging with non-governmental actors as described in section 3.3). Hence, ECCs’ focus on institutional adaptation in matters of CR implies their conforming to politically delimited contextual requirements. By adapting to local demands, ECCs implicitly compromise on certain universal principles of CR in return for local legitimacy. This applies regardless of the benchmarks to which ECCs adapt locally. The model stresses that ECCs’ CR-related adaptation takes on the form of *high-standard* adaptation, thus emphasizing ECCs’ orientation towards superior local benchmarks of behaviour. By implication, the theory underlines that ECCs refrain from taking advantage of still widespread sub-standard conditions in the local Chinese context. Hence, as opposed to findings from prior research by Lam (2009), Tan (2009a)

or others (see section 2.1.3.3), the ‘grounded’ theory does not suggest that ECCs explicitly fail to uphold CR standards when doing business in China. On the contrary, according to the theoretical findings of this research, ECCs act as ‘frontrunners’ of China’s CR development and contribute to spreading CR practice across the Chinese business environment. Nonetheless, under the given politico-economic circumstances, their institutional adaptation, even to superior benchmarks, implies a recognition of local topical and behavioural restrictions, and thus an inherent consent to a politically-delimited conception of CR, both in their surrounding context and their operations. This also extends into ECCs’ co-evolutionary endeavours, which are directed primarily at levelling the benchmarks of CR in China. By aiming for an increased application of *existing* local benchmarks, ECCs’ co-evolutionary activities do not contribute to altering the nature of local demands or softening prevalent restrictions. Instead, ECCs’ low-pressure, non-confrontational, government-centred efforts towards an equal implementation of existing standards testify to their implicit acceptance of a contextual neglect of some of the core concerns stressed, among others by the “business and human rights debate” (Wettstein, 2012, p. 739) or international principles and initiatives (see section 2.1.2.1). Consequently, while the model suggests that ECCs’ co-evolutionary adaptation has a ‘CR-friendly’ effect on both ECCs themselves and the Chinese context, the parameters and limitations of this ‘CR-friendliness’ are defined locally by China’s political system and not by the international CR regime. In sum, regardless of their high-standard conduct, ECCs’ adaptive CR approaches represent a normative compromise on certain universally accepted, context-indifferent benchmarks.

These insights also shed light on how ECCs deal with the pressure of varying notions of legitimacy between their home and host country contexts as described by Kostova and Zaheer (1999), Donaldson and Dunfee (1999) and other researchers examining international business activity (see section 2.1.3.1). ECCs’ high-standard adaptation approach to questions of CR shows that these firms navigate the lines between different benchmarks of legitimacy by trying to minimize legitimacy-related conflicts on both sides. On the one hand, ECCs’ adherence to high-standard benchmarks of CR in China, and their respective avoidance of explicit sub-standard conduct mitigates the risk of home country, i.e. international stakeholder criticism. On the other hand, ECCs’ inherent respect of local political limitations secures legitimacy in the host country context. Although the resulting disregard of certain ‘politically sensitive’ issues might be at odds

with home country and international standards, this might be justified with reference to the local ‘rules of the game’ as long as ECCs are not directly involved in explicit misconduct. This shows that ECCs try to handle the complex interplay between different, partly conflicting benchmarks of legitimacy by creating responses that enhance their local acceptance, without openly putting at risk home country, i.e. international legitimacy. Yet, this balancing act entails a subtle prioritization of local host country benchmarks. Home country legitimacy is not to be endangered. However, ECCs also do not seek to explicitly enhance their acceptance by home country and/or international stakeholders when doing business in China if this poses a potential threat to their host country legitimacy. By and large, they do for instance refrain from engaging in efforts to alter the local ‘rules of the game’ in a direction favourable to home country and international legitimacy but detrimental to local acceptance. Hence, cases such as the famous 2010 Google market withdrawal, in which the MNE shut down its search engine in China over censorship disputes remain the exception. Rather, ECCs’ local focus is on securing legitimacy from Chinese stakeholders, in particular from the Chinese state. This underlines ECCs’ orientation towards the local Chinese context and their inclination to adapt to its demands accordingly.

ECCs’ adaptive behaviour in questions of CR, including potential compromise over certain universal principles and benchmarks of legitimacy, bears witness to the strength of the Chinese CR context’s pull for adaptation. Judging from the existent body of literature, this pronounced contextual pull for foreign firms to adapt to local standards of CR is not necessarily the norm. Rather, it appears to be imbedded in the specific institutional framework conditions of the Chinese context, and ECCs’ stance towards them. In this regard, the research firstly highlights the role of the Chinese market. As outlined in section 3.1, the Chinese economy is in a process of technological upgrading, which, alongside the country’s huge domestic market, generates a broad range of business opportunities for ECCs. From an ECC perspective, CR makes a positive contribution to these prospects, which is highlighted by their instrumental take on the subject. In line with assumptions presented in section 2.1.1.2, ECCs view of CR is at least partly motivated by economic rationales and CR’s positive contribution to operational, and ultimately profit-related objectives. Hence, against the backdrop of a progressive alignment between CR-related activity and successful business operations in the vital Chinese market, CR becomes a means to improve market opportunities

further. In short, supported by an evolving CR context, the Chinese market development is highly promising to ECCs. The model suggests that these appealing circumstances create pressure, both explicitly and implicitly, for ECCs to comply with the demands of the Chinese context, even if this implies an inherent acceptance of political limitations in the field of CR. However, while the market might be the decisive incentive for ECCs to comply with local expectations and seek host country legitimacy, it is not the source of the pronounced contextual pull for CR-related adaptation.

To make sense of this pull, prior research suggests, it is indispensable to evaluate local stakeholders. As pointed out in section 2.1.3.5, Yang and Rivers (2009) propose that demanding local stakeholder increase the likelihood of MNEs localizing their C(S)R practice. In the case of ECCs, the range of influential local stakeholders is fairly limited. Firstly, the research stresses that non-governmental actors play a negligible role in ECCs' CR-related decision-making. In view of contextual insights provided in section 3.3 on the Chinese normative context for CR this appears hardly surprising. In spite of burgeoning non-governmental activity in certain fields of CR, it has been revealed that Chinese normative institutions remain comparatively weak. Being confined to a restricted scope of topics and activities by stringent government control and influence, neither NGOs, nor labour unions or business associations are capable of putting substantial CR-related pressure on ECCs independently (see sections 3.3.2 to 3.3.4). They remain largely tied to government, who relies on non-governmental actors to foster the party-state's agenda, but tolerates no autonomous activism beyond that (see section 3.3.1). These conditions contribute to explaining the lack of non-governmental pressure noticed by ECCs.

Society at large is equally feeble in putting pressure on Chinese firms for increased attention to matters of CR. In fact, as the model shows, ECCs do generally not perceive Chinese society as a direct source of influence in their CR-related decision-making. Society is believed to primarily put pressure on firms indirectly via the intermediary of the state. China's cultural-cognitive environment, as described in section 3.4, helps make sense of this observation. Both traditional Chinese philosophy addressed in section 3.4.1 and modern political ideology specified in section 3.4.2 stress society's dependency on authority and the state. This is regarded as an impediment to the development of civil society and a culture of auto-organization, which is of special

relevance to questions of CR. Supported by Confucian hierarchism (see section 3.4.1.1) and Daoist humility (see section 3.4.1.2), Communist ideology has arguably fostered a strong top-down tradition in social services provision and a state-centred notion of public responsibility (see sections 3.4.2.1 and 3.4.2.2). Hence, ECCs' reflections on society's reliance on the state to 'take care' of CR-related issues appears to be rooted in China's cultural heritage, reinforced by the country's modern politico-ideological structure. Moreover, prior research on China's cultural-cognitive context presented in section 3.4 suggests that repeated cultural disruption and overthrow of beliefs over the past century have created a Chinese value system in flux. Therefore, in spite of a rich moral culture tradition, characterized by a strong sense of collective wellbeing and harmony, it is argued that Chinese culture does not provide a sufficiently solid value base for society to proactively oppose immorality and unethical business conduct (see section 3.4.2.2). Together, these insights on China's cultural-cognitive context help contribute to an understanding of the lack of immediate local societal pressure for CR perceived by ECCs in their China operations.

Hence, as far as (civil-)societal forces are concerned, ECCs are not faced with demanding stakeholders in the Chinese context. There is, however, one Chinese stakeholder that appears to compensate for this lack of societal pressure to such an extent that ECCs feel compelled to adapt to the local 'rules of the game' nevertheless: The Chinese state. As described in section 3.2 and confirmed by ECCs' experience, Chinese (central) government devotes considerable regulative resources to fostering the development of a more 'CR-friendly' Chinese business context. However, chapter 3 suggests that government's influence over CR developments is not solely due to its function as a regulator and enforcer. In fact, the state's impact on the Chinese CR environment goes beyond the regulative context, and extends far into the normative and cultural-cognitive realms. Section 3.3 reveals that in the normative context, the state acts both as a restricting and an enabling force, limiting non-governmental activity in areas deemed 'politically sensitive', but actively pushing for evolution where conducive to policy objectives. Hence, by setting the agenda, determining the direction of development, deciding on the range of authorized players, and controlling their activities accordingly, the state becomes a vital player in the normative context for CR, too. Moreover, section 3.4 shows that the state is also actively involved in shaping the cultural-cognitive context for CR, where it continues to hold an ideological 'monopoly'.

As a persistent element of China's cultural-cognitive landscape, state ideology is dominated and determined by government, and adapted flexibly to underpin and justify political undertakings (see in specific section 3.4.2.2). This includes the more recent politico-ideological shift towards a more 'CR-friendly' development encapsulated in Hu Jintao's Harmonious Society and related amendments to official policy and ideology (see sections 3.2.1 and 3.4.2.2). Government's ideological supremacy emphasizes that the party-state continues to perform a 'philosophical' function, thereby influencing people's perceptions and world views, including their notions of responsibility and responsible business conduct. In other words, the state also acts as a cultural-cognitive player in the Chinese CR context. Together, these contextual insights on China's normative and cultural-cognitive environment stress that the Chinese state permeates non-regulative institutions for CR, too. It uses its power and influence to mould elements of China's normative and cultural-cognitive institutions to match and encourage its regulative endeavours in the broader field of CR. Therefore, unlike in most Western contexts, where CR has emerged as a bottom-up phenomenon, fostered primarily by non-governmental actors (Child, Lu, & Tsai, 2007), chapter 3 underlines that in the Chinese case the state acts as the primary facilitator of CR developments. It represents an omnipresent, quasi-omnipotent institutional force in China's CR environment.

The state's distinct impact on other elements of the Chinese institutional context, including its co-opting of other players, causes a certain synchronization of institutional interests and demands towards CR in ECCs. It creates a strong, unanimous, pan-institutional pull in favour of government objectives and limitations that makes deviance by ECCs difficult and unlikely. Hence, due to its overarching institutional influence, the state produces sufficient pressure, both positive and negative, to urge ECCs to localize their CR approaches. In other words, the degree of the state's (direct and indirect) adaptive pull seems to be so strong that ECCs feel compelled to adapt to the local 'rules of the game' if they want to operate in the highly promising Chinese market context, even though this might entail an implicit normative and legitimacy-related compromise. These 'rules of the game', in turn, are defined to a large degree by ECCs' foreignness. The Chinese state wants to use foreign, in particular Western firms to further its CR agenda, thus causing a pronounced adaptive pull for these firms in specific. These insights on the role of foreignness support prior research by Kostova and Zaheer (1999), or Husted et al. (2016) presented in section 2.1.3.4. Their studies suggest that MNEs are

likely to be subject to superior standards of legitimacy and, by extension to superior expectations for (political) CR, when operating in foreign, in particular emerging market contexts. In sum, mediated by the effects of foreignness, the state's role is crucial to making sense of the adaptive leitmotif encapsulated in the core category of the model, which is co-evolutionary adaptation.

The pervasive role of government in influencing ECCs' CR choices in the Chinese context is also vital in comprehending their co-evolutionary engagement. Here, the new theory suggests that, in their contributions to the development of a more 'CR-friendly' business environment, ECCs largely follow the direction implicitly or explicitly prescribed by the state. Firstly, this refers to their respect of political boundaries. ECCs are shown to refrain from advocating a change of fundamental 'rules of the game' and engaging in co-evolutionary activity in realms deemed politically 'off limits'. In other words, as argued above, ECCs implicitly consent to the neglect of certain core concerns of the international CR regime in spite of their high-standard endeavours. Secondly, in their co-evolutionary efforts, ECCs primarily rely on non-confrontational, low-pressure activities. Thus, they abstain from putting unwanted stress on the Chinese institutional context, but observe the rules of interaction and hierarchical structures in China's state-centred institutional environment. This is closely related to a third point, which is that ECCs resort first and foremost to consultative activity in their co-evolutionary undertakings. Beyond limiting the degree of pressure on local stakeholders, in particular government, consultation complies with the kind of corporate co-evolution that is actively encouraged by the state. It has been outlined in chapter 3 and confirmed by ECCs' impression that government intends to use Western businesses as 'trailblazers' of CR development, therefore pushing for their consultative advice. The state has also created channels to this effect. As pointed out in section 3.3.4, business associations and similar bodies are intended by government as channels of bottom-up information flow to ameliorate the 'fit' between regulative measures and realities on the ground. The research shows that it is precisely on these government-intended channels that ECCs rely most frequently to achieve their co-evolutionary objectives. Hence, ECCs act within the limits prescribed by the state, use government-sanctioned channels, and thus fulfil their government-designated 'frontrunner' role. Last but not least, ECCs' co-evolutionary focus on creating an 'even playing field' for CR implies their advocacy for regulative implementation. Thus, by means of their co-evolutionary activities, ECCs

become agents of enforcement, thereby de facto assisting government in its regulative tasks. In sum, in their co-evolutionary activities, ECCs do not only follow in line with what the state prescribes, but also proactively fulfil their government-envisioned institutional function. This further stresses the dominance of the Chinese state in influencing CR choices in ECCs, and highlights the adaptive rationale underlying their co-evolutionary engagement.

These observations on the significance of government allow interesting inferences regarding ECCs' political role as described in section 2.1.3.4. It has been revealed in the literature review that MNEs are increasingly expected to assume tasks traditionally performed by government and play an active role in shaping their institutional surroundings towards increased social good and societal wellbeing. The model suggests that, by means of their co-evolutionary activities, ECCs do indeed become institutional actors, who partake in moulding the Chinese context for CR. Their co-evolutionary efforts are directed primarily at creating an 'even playing field' and advocating a more equal implementation of the law in CR-related fields. Thereby, ECCs contribute to filling governance voids and "help bridge the governance gap" (Detomasi, 2008, p. 810) caused by persistent enforcement deficiencies in the Chinese regulative context (see section 3.2.3). However, as outlined above, they do so mainly within state-sanctioned limits and through government-provided channels. Hence, their institutional entrepreneurship is not detached and thus independent from the state. On the contrary, given the pivotal role of government and its quasi-omnipotent influence throughout the Chinese institutional context, ECCs essentially act as 'auxiliaries' to central government and the realization of its CR-related objectives. Hence, in the field of CR, ECCs' political role can largely be described as a 'state-approved social entrepreneurship' that contributes to institutional change within the limits defined by government.

To summarize, it has been revealed that the 'grounded' theory on co-evolutionary adaptation revolves primarily around ECCs seeking to adapt to local CR demands. Thus, the model highlights the context-dependent nature of ECCs' CR approaches, thereby raising normative and legitimacy-related questions. In specific, the centrality of the adaptation motive implies a subtle prioritization of host country over home country, i.e. international legitimacy and thus, given the contextual circumstances in China, an implicit neglect of certain core concerns of the international CR regime. It is argued that



this is indicative of a marked contextual pull for ECCs to adapt to Chinese CR benchmarks. An examination of the Chinese context for CR as presented in chapter 3 helps make sense of this observation. It highlights the omnipresent and quasi-omnipotent institutional influence of government, which translates into a strong, unanimous pull for institutional adaptation in the field of CR. This pull is mediated by the effect of foreignness as indicated by prior research. Wanting to use foreign, in particular Western firms to further its CR agenda, the state causes a pronounced adaptive pull for these firms in specific. Hence, it is suggested that the adaptive leitmotif of the new model on ECCs' institutional engagement in matters of CR is ultimately based on the pivotal role of the Chinese state and its CR-related objectives. This is relevant also in creating an understanding of ECCs' co-evolutionary activities. Under pronounced government influence, ECCs' institutional entrepreneurship takes place within the limits prescribed by the state. Hence, as political actors, ECCs contribute to institutional change in a way that fits their government-envisioned institutional role, and thus display what can be described as 'state-approved social entrepreneurship'.

## 7. Conclusion

The present chapter concludes the study. It offers a summary of the research and its main findings (section 7.1). Moreover, it stresses the central research contributions (section 7.2), pointing out both theoretical and managerial implications. The chapter closes with an outline of limitations and an outlook for future research (section 7.3).

### 7.1. Summary of Research and Findings

The aim of this research has been to examine ECCs' engagement with Chinese institutions for CR. An in-depth review of prior research in chapter 2 has revealed that MNEs operating in emerging markets are exposed to substantial tensions regarding their handling of institutional demands in the field of CR: On the one hand, subjected to the logics of legitimacy, MNEs' emerging market subsidiaries face claims to adapt to host country benchmarks of corporate conduct in return for local acceptance. On the other hand, driven by a recent 'political turn' in CR research, they are coming under growing pressure to take on political functions by engaging in proactive institutional entrepreneurship towards increased societal wellbeing. However, existing research provides only very fragmented insights as to how MNEs deal with this complex interplay of demands for 'top-down' adaptation and 'bottom-up' social change in their emerging market operations. Questions of how MNEs engage with emerging market institutions to define CR practices and standards remain largely understudied, following a wider trend in CR research to neglect the 'black box' of external social context. This includes MNE activity in the Chinese institutional setting, whose qualification as a suitable research context is underlined by both academic literature and practical relevance. In order to address the gap in research, the study has relied on a cross-fertilization of insights from political CR, institutional theory and international business literature to formulate the following research question: *How do ECCs engage with the Chinese context concerning matters of CR?* To guide and structure the investigation into this broadly framed research problem, two additional sub-research questions have been put forward, namely *How does the Chinese context impact ECCs' local CR approaches?* and *How do ECCs respond to the Chinese context in matters of CR?* Expanding on the literature review, an initial framework of analysis consisting of the basic tenets of neo-

institutional theory and Cantwell et al.'s (2010) categorization of MNE institutional engagement has been defined. It has served as a substantive theory for the research to build on.

Following the basic outline of the initial framework of analysis, chapter 3 has provided a broad overview of the research setting. In an effort to create a rich backdrop for the empirical research and facilitate sense-making of findings respectively, the chapter has explored existing knowledge on the Chinese context for CR. Special emphasis has been placed on China's economic transformation and its CR-related consequences, the local regulative context for CR, normative institutions and players, and the cultural-cognitive setting. The chapter has highlighted China's post-reform social and environmental predicament. Against this background, it has pointed out increasing central government support for a more 'CR-friendly' domestic development, culminating in an expanding regulative framework for CR-related topics in spite of persistent enforcement deficiencies. Also, the chapter has carved out the weaknesses of the normative context for CR in China despite burgeoning non-governmental activity. Finally, a marked level of cultural-cognitive uprootedness overshadowing a rich cultural heritage and moral culture tradition has been noted.

Drawing from both the review of literature in chapter 2 and the overview of contextual knowledge in chapter 3, an empirical research has been conducted. Using a qualitative Straussian Grounded Theory approach, 24 case companies have been studied. As outlined in chapter 4, the author has relied on triangulation of data obtained from in-depth interviews with managers, observations from field research in China, and supporting documentation. Data analysis has followed Straussian Grounded Theory guidelines, aiming at theory building based on a systematic conceptualization of emerging data.

A descriptive account of findings in chapter 5 has provided answers to the two sub-research questions. With regard to Sub-RQ1 (*How does the Chinese context impact ECCs' local CR approaches?*), research findings stress the influence of the Chinese state, contemporary economic developments and local customers. Society at large is found to represent an indirect source of pressure only, while the non-governmental environment appears to play a negligible role in putting top-down pressure on ECCs'

CR choices in the Chinese context. Also, institutional pressure is found to be largely conveyed implicitly. With regard to Sub-RQ 2 (*How do ECCs respond to the Chinese context in matters of CR?*), the research uncovers a total of 26 patterns of reaction assigned to seven sub-categories under Cantwell et al.'s (2010) basic model of institutional engagement. While institutional avoidance is found to generally represent a weak category of engagement only, ECCs do show a strong tendency to adapt to CR demands in the Chinese context. In this endeavour, ECCs are likely to orient themselves towards higher rather than lower benchmarks of CR. Moreover, ECCs are found to engage in institutional co-evolution, aiming primarily at mitigating the negative effects that low level CR standards in China cause for their local operations.

Based on these descriptive findings and the systematic application of Straussian Grounded Theory guidelines, a new, empirically 'grounded' theoretical model has been developed and presented in chapter 6.1. The model offers a comprehensive conceptualization of ECCs' engagement with the Chinese institutional context for CR. It accounts for 'sources of institutional influence', 'mechanisms of top-down institutional influence', 'parameters of legitimate CR', 'modes of engagement' and 'channels of bottom-up institutional influence'. A total of 21 propositions has been put forward accordingly. They encapsulate the central assumptions on the engagement relationship. Also, a comprehensive integrative diagram of the model provides a useful overview of the processes by which ECCs engage with the Chinese context in matters of CR, including relevant drivers, channels, mechanisms, parameters and reactional outcomes. The model offers an answer to the overall research question of the study (*How do ECCs engage with the Chinese context concerning matters of CR?*). It reveals that ECCs engage with Chinese institutions for CR in a process of 'co-evolutionary adaptation'. Co-evolutionary adaptation describes the basic observation that ECCs' institutional engagement essentially revolves around their adapting to host country demands for CR. ECCs' orientation towards high-level local standards of CR and their adaptation to these benchmarks accordingly incites co-evolutionary activity. Thus, ECCs' co-evolutionary efforts become a function of the leitmotif of adaptation in a recursive circular process of engagement. Hence, the 'grounded' theory proposes that ECCs deal with the complex interplay of demands for 'top-down' adaptation and 'bottom-up' social entrepreneurship by combining the two in a process of co-evolutionary adaptation. They adapt to local CR demands so as to gain local legitimacy,

thereby implicitly and explicitly initiating co-evolutionary effects towards rising CR benchmarks in the local institutional context. In doing so, ECCs become social entrepreneurs.

A final discussion of the model in chapter 6.2 has explored the reasons behind the centrality of the adaptation motive in ECCs' engagement with Chinese institutions, emphasizing the normative questions that arise from this conduct. The discussion has referred to prior research presented in chapter 2 and, most importantly, to contextual knowledge described in chapter 3 to make sense of the theoretical findings. The integration of new insights with previous research has stressed the omnipresent and quasi-omnipotent institutional influence of the Chinese state, which is suggested to translate into a strong, pan-institutional pull for adaptation in the field of CR. Hence, in a nutshell, the discussion proposes that the adaptive leitmotif of the new model on ECCs' CR-related institutional engagement can ultimately be ascribed to the pivotal role of Chinese government, whose objective it is to use foreign, in particular Western firms to further its CR agenda. Under these circumstances, it has been argued, ECCs' political role amounts to 'state-approved social entrepreneurship'.

## **7.2. Contribution**

### **7.2.1. Theoretical Contribution**

By shedding light on how ECCs engage with Chinese institutions concerning matters of CR and uncovering aforementioned findings, the study makes several relevant contributions to the existent body of literature. As described in section 2.2, it cross-fertilizes, and is thus embedded in three particular areas of research, namely political CR, institutional theory and international business. Correspondingly, the study's contribution adds predominantly to these three fields of research.

Generally, the research contributes to a more holistic understanding of the ways in which ECCs deal with CR-related tensions that arise between the pull for local adaptation and the push for social entrepreneurship in their China operations. It sheds light on the contextual processes and rationales that underlie ECCs' CR choices. Thereby, the research contributes to filling a gap in contemporary research that has so far provided

only very fragmented insights on how MNEs engage with emerging market contexts to define CR practices and standards. This is particularly relevant to the field of political CR research. As outlined in section 2.1.1.2, the political perspective on CR has moved beyond reactive notions of business' responsibilities, to consider firms' proactive participation in fostering social development. However, in spite of becoming a 'hot topic' in current CR literature, political CR research has so far predominantly yielded normative contributions (Giuliani & Macchi, 2014; Stephan et al., 2016). This study adds valuable qualitative insights to the chiefly normative debate. Its empirical findings elucidate the role that MNEs, or more precisely ECCs, actually play in shaping their host country CR context. The empirically 'grounded' model suggests that ECCs do in fact act as social entrepreneurs, however only within the limits prescribed by the powerful Chinese state. Therefore, it is argued, they act as 'state-approved social entrepreneurs'. The new theory proposes that ECCs' focus lies primarily on adapting to local CR demands, and provides contextual and organizational explanations for these findings. Hence, the study not only illustrates the specific channels, mechanisms, rationales and effects that govern ECCs' social entrepreneurship, thus clarifying the largely unexplored institutional processes of political CR in the specific Chinese context. It also points out the limitations that political CR faces in actual business practice, thereby adding to both descriptive research and normative debate in the field. Finally, with its strong focus on context, the study offers a contextually-grounded account of political CR conduct. This adds important knowledge regarding prospects and limitations of social entrepreneurship in the prominent emerging Chinese market, and indicates central contextual parameters that play a relevant role in understanding political CR activity.

Secondly, the study also makes relevant contributions to institutional theory, i.e. an institutional approach to examining CR. By highlighting the context-dependent nature of CR, the study adds to the expanding field of institutional CR, highlighting in particular the usefulness of institutional approaches for research on political CR. Thus, it contributes to extending the scope of application of institutional theory to include political research perspectives. The study stresses that the interactive lens of neo-institutionalism, accounting for both institutions' 'top-down' impact on organizations, and organizations' 'bottom-up' influence on institutions, is of particular value to the recent 'political turn' in CR research (Mäkinen & Kourula, 2012; Scherer & Palazzo,

2011). Generally, by focusing on the relationship between Chinese institutions and ECCs' CR conduct, and providing rich contextual insights into China's institutional system to make sense of findings, the study contributes to illuminating the 'black box' of social context in CR research (Brammer et al., 2012). Thus, it helps mitigate the persistent neglect of contextual analysis respectively (Wang et al., 2016).

Thirdly, the research also adds to the field of international business research. In particular, the study contributes to shedding light on how MNEs deal with different benchmarks of legitimacy when operating in emerging markets, i.e. in the specific Chinese context. It highlights that ECCs navigate the lines between different benchmarks of legitimacy by trying to minimize legitimacy-related conflicts on both sides. Yet, the study indicates that in the case of the Chinese context, host country legitimacy is subtly prioritized. By pointing out the contextual rationales underlying this adherence to host country benchmarks, the research contributes to an understanding of the variables and parameters that drive legitimacy-related choices in MNEs. Furthermore, by highlighting the legitimacy-enhancing effects of CR practice and shedding light on the impact of foreignness on questions of legitimacy respectively, the research adds valuable empirical insights to the study of legitimate conduct in the multinational firm.

Finally, and on a more general level, the study makes an important contribution by means of its research approach and philosophy. On the one hand, in adopting a critical-realism-based approach to studying the interactions between ECCs and their institutional context for CR, the research sheds light on both complex contextual realities and ECC managers' perceptions of them. It thereby adds valuable in-depth knowledge to the still largely positivist field of CR research and an underlying "instrumental perspective of corporate responsibility" (Scherer & Palazzo, 2007, p. 1096). On the other hand, the study's Grounded Theory research approach generates useful theoretical insights that add to a largely understudied field of study in a twofold manner: First, the new theory itself contributes to filling a gap in literature on how MNEs engage with emerging market contexts to define CR practices and standards (see above). Beyond that, however, it also creates a conceptual basis for future investigations, both qualitative and quantitative, into the aforementioned understudied field of research. Thereby, the study's theoretical contribution exceeds the boundaries of its own findings.

### **7.2.2. Managerial Contribution**

The insights gained over the course of this research are also highly relevant for managerial practice. Firms' CR activities receive ever more widespread attention and come under growing scrutiny from stakeholders. Thus, beyond its ethical core and imperative, CR becomes a central concern of business, playing an increasingly vital role for stakeholder acceptance and corporate success. However, 'striking the right note' in terms of CR is often challenging, particularly in foreign operations. As outlined in section 2.1.3, issues of foreignness and legitimacy cause substantial stress on MNEs and their CR activities. This applies in particular to a market as 'foreign' as China. Although China has long become a central business partner and location, its local 'rules of the game' remain fairly unfamiliar, making it particularly difficult for locally operating MNEs to make appropriate CR choices. The present research makes various contributions to ease this endeavour.

Firstly, the research offers a broad overview of the Chinese context in which local CR activity is embedded. Unlike other research focusing solely on corporate activity, this study provides rich background information on the regulative, normative and cultural-cognitive institutions that frame and govern CR developments in China. Hence, it enhances an understanding of who and what drives, defines and constitutes local CR expectations. By familiarizing the reader with relevant players and processes, the research contributes to reducing ECCs' foreignness in the Chinese CR context. It accelerates ECCs' institutional learning (see section 2.1.3.1), and thus facilitates the process of making appropriate CR choices when doing business in China.

Beyond this general understanding of contextual framework conditions and rationales, the research also provides valuable insights as to how MNEs, in particular ECCs, are themselves affected by the unfamiliar Chinese CR context. By specifying the contextual parameters that define legitimate CR in ECCs, the new theory sheds light on the unique demands these firms must fulfil in order for their CR activities to gain, i.e. enhance legitimacy in the Chinese environment. Put differently, the research offers a kind of ECC-specific 'definition' of what appropriate CR in China means and entails. Against the backdrop of the multitude of concepts and approaches that continue to characterize the CR domain (see section 2.1.1.1), and given the pronounced cross-national variety



respectively (see section 2.1.3.1), this offers much-needed definitional clarity to CR practice. Knowing what the local Chinese context expects of their CR conduct, ECCs can align respective requirements with organizational demands and take CR-related decisions accordingly. Hence, insights provided by this study can help ECCs make CR-related choices that fit both Chinese contextual demands and firm-level parameters, thus maximizing the legitimacy of their local CR approaches across various groups of stakeholders.

Last but not least, the research reveals the range of CR-related responses that are available to ECCs in the Chinese context. It carves out reactional patterns that can be realized under Chinese framework conditions. However, the study also highlights patterns of behaviour that, albeit being potentially practicable in other contexts, are not conducive under specific Chinese circumstances, and sheds light on the reasons for this impracticability (or practicability) respectively. In doing so, the research provides concrete guidance to ECCs on how to navigate the unique, complex and foreign Chinese CR context. It highlights explicit and implicit ‘dos and don’ts’ and points out CR-related challenges and opportunities accordingly. This is of particular value regarding co-evolutionary activity. Here, the research specifies the means and channels by which ECCs can influence the Chinese CR context and thus contribute to altering local CR benchmarks in a direction favourable to both their values and operational objectives. In other words, the study stresses the potential and limitations of ECCs becoming institutional entrepreneurs. Thus, it demarks their ability to respond to the recurrent normative call by international stakeholders for corporate-induced social change in the emerging Chinese context.

### **7.3. Limitations and Future Research**

In spite of the aforementioned contributions, the study faces several limitations. These firstly pertain to ECCs as the research subjects of the study. Although firms from a wide range of sizes and industries, as well as from different countries of origin and locations in China have been included in the empirical study (see section 4.2.4 and appendix B), the research and its resulting ‘grounded’ theory do not explicitly focus on the differences

between these firms<sup>30</sup>. The model of co-evolutionary adaptation presented in section 6.1 does consider firm-specific parameters, and thus implicitly accounts for heterogeneity among research subjects. However, these firm-specific factors and their impact on the interactive processes that take place between ECCs and the Chinese context are not explored in greater detail but play a subordinate role only. Against the backdrop of the largely unexplored field of research on the impact of the external social context on MNEs' CR approaches (see section 2.1.4), this generalization appears reasonable. It allows the research to focus on the multifaceted external context, without adding further complexity at the level of the firm. Hence, it provides a clear-cut overview of the processes that shape ECCs' relationship with their institutional environment regarding matters of CR, and thus offers an indispensable initial conception of a complex contextual phenomenon in an understudied area of study. Yet, expanding on these insights, further research is needed to shed light on the variations that arise from differences among ECCs and their firm-specific parameters of legitimate CR.

Moreover, the research faces several limitations that are related, if not inherent to its methodological approach. They concern, among others, questions of generalizability. Grounded Theory shares with other qualitative approaches that generalization of results to a larger population is problematic, at least from a sampling point of view (Myers, 2013). In statistical terms, the sample size of 24 case companies is far from allowing generalization to the entire population of ECCs. However, as proven by this research, generalization from qualitative research to theory is possible (Myers, 2013). In the present case, this is facilitated by strict observance of theoretical sampling, systematic application of Straussian guidelines, and theoretical saturation (see sections 4.2 and 4.3). Hence, although this research does not provide statistically generalizable findings, its 'grounded' theory can, in turn, serve as a starting point for quantitative research, whose sampling logic does allow for statistical generalizability. Therefore, future research is encouraged to test the theoretical propositions generated by this study, and to thus enhance the (statistical) generalizability of its findings.

---

<sup>30</sup> As outlined in section 4.2.2, case companies were not sampled based on a statistical logic, but, as suggested by Grounded Theory, according to theoretical criteria. Hence, the sample composition does not claim to be representative of the general ECC population. Rather, it is the result of an exploration of emerging concepts following Straussian guidelines, with the focus of these concepts being to enhance understanding of contextual influence and not of firm-level factors. This for instance explains the strong representation of German companies in the sample (see appendix B), which were selected based on their contribution to the evolving theory, regardless of country of origin.

Furthermore, it must be noted that the findings of this study are likely to remain subject to some bias in spite of precautions taken (see section 4.3). It is in the very nature of qualitative research in general, and interviewing in specific that insights gained do not always reflect realities (G. Scott & Garner, 2013). This does not necessarily happen intentionally, but can, for instance be rooted in retrospective bias, which causes participants' recollection of an event to differ from the actual occurrence (Gomm, 2008). Also, and of specific relevance to the study of a sensitive, value oriented subject such as (corporate) responsibility, bias can be caused by people's overly positive self-perception and portrayal (Baumeister & Bushman, 2016). As noted by Choi and Aguilera (2009, p. 126), respondents might be inclined "to give socially acceptable answers regardless of their actual performance" when asked about CR. This might also affect the sample itself. Given the sensitivity of the CR topic for public and stakeholder relations, as well as its 'value-laden' nature, it is conceivable that the selected sample is inherently biased towards firms and managers who generally hold positive attitudes towards CR and CR practice. Vice versa, it could be argued that companies disregarding the value and practice of CR would refrain from participating in the study and be underrepresented in the sample accordingly. In fact, self-selection bias has been described as an important caveat in CR and business ethics research (James, 2006). As outlined in section 4.3, the researcher has taken various measures to mitigate the described sources of bias as far as possible, most importantly by means of data triangulation. Nevertheless, in spite of these efforts, the author acknowledges that a certain level of bias, inherently rooted in the research approach and topic, might persist.

A final point to be made about the study's limitations relates to its interpretative nature. In Grounded Theory, the researcher plays a central role in the interpretation of data. In spite of strict adherence to predetermined research procedures, part of the analysis continues to depend on the researcher's discovery and creativity. Hence, although the logic of emerging findings is clearly traceable and grounded in the data, another researcher might have made different strategic decisions and thus taken another path (Birks & Mills, 2015; Corbin & Strauss, 2015). This is in spite of numerous provisional measures taken to reduce the author's influence on research participants, data collection and data analysis to a minimum (see sections 4.2 and 4.3). The subjective nature of the research findings is stressed further by the study's underlying critical realism

perspective (see section 4.1.1). It entails an inherent acceptance of the fact that research insights are socially constructed in the sense that they are subject to individual perception and experience (Eriksson & Kovalainen, 2016). Hence, instead of representing reality itself, they reflect one specific interpretation of this reality (Bryman, 2016). In the case of this study, the researcher accepts this interpretative nature of the research as an inevitable and even necessary element of conducting Grounded Theory. The author trusts that adherence to Straussian guidelines has facilitated the creation of a ‘credible’ theoretical interpretation of the data at hand, as suggested by Corbin and Strauss (2015) (see section 4.3).

Regardless of these limitations, the study represents a valuable starting point for further research. Firstly, as mentioned above, future studies are invited to test the propositions put forward, so as to verify the applicability of the framework and facilitate (statistical) generalization to a larger population. The research also stimulates investigations into the ‘deeper’ levels of the new theory. This not only pertains to an exploration of ECC properties and firm-level parameters of legitimacy, as outlined above. It also applies to other individual elements of the presented institutional engagement model, such as for instance specific modes of engagement. Separate studies of ‘secondary national avoidance’, ‘selective local avoidance’, ‘high-standard adaptation’, or ‘levelling co-evolution’, including their underlying rationales and patterns of reaction, will add depth to an understanding of ECCs’ engagement with the Chinese context for CR. Moreover, this study offers interesting avenues for research in other national contexts. In spite of its China-specificity, the research provides a series of useful concepts and rationales that future studies can build on in their research on contextual CR, in specific when examining MNEs in emerging markets. Cross-contextual comparisons would add valuable insights to research and practice alike. Finally, the study and its findings encourage further normative debate on MNEs’ co-evolutionary role and activities. The research points out that ECCs engage in social entrepreneurship within the limits prescribed by the Chinese state. This raises normative questions, both as to the justification and legitimacy of MNEs’ co-evolutionary conduct in general, and regarding their observance of local government boundaries in the process.

## References

- Agle, B. R., Mitchell, R. K., & Sonnenfeld, J. A. (1999). Who Matters to CEOs? An Investigation of Stakeholder Attributes and Salience, Corporate Performance, and CEO Values. *The Academy of Management Journal*, 42(5), 507–525.
- Aguilera, R., & Jackson, G. (2003). The Cross-National Diversity of Corporate Governance: Dimensions and Determinants. *Academy of Management Review*, 28(3), 447–465.
- Aguilera, R., Rupp, D. E., Williams, C. A., & Ganapathi, J. (2007). Putting the S Back in Corporate Social Responsibility: A Multilevel Theory of Social Change in Organizations. *Academy of Management Review*, 32(3), 836–863.
- Ahmed, M. M., Chung, K. Y., & Eichenseher, J. W. (2003). Business Students' Perception of Ethics and Moral Judgment: A Cross-Cultural Study. *Journal of Business Ethics*, 43, 89–102.
- Angle, S. C. (2002). *Human Rights and Chinese Thought: A Cross-Cultural Inquiry*. Cambridge: Cambridge University Press.
- Arenas, D., Lozano, J. M., & Albareda, L. (2009). The Role of NGOs in CSR: Mutual Perceptions Among Stakeholders. *Journal of Business Ethics*, 88, 175–197.
- Arnold, D. G. (2010). Transnational Corporations and the Duty to Respect Basic Human Rights. *Business Ethics Quarterly*, 20(3), 371–399.
- Athanasopoulou, A., & Selsky, J. W. (2015). The Social Context of Corporate Social Responsibility: Enriching Research with Multiple Perspectives and Multiple Levels. *Business & Society*, 54(3), 322–364.
- A.T. Kearney. (2017). The 2017 A.T. Kearney Foreign Direct Investment Confidence Index. Retrieved June 26, 2017, from [https://www.atkearney.com/gbpc/foreign-direct-investment-confidence-index/publication/-/asset\\_publisher/oXeK018TjvE/content/the-2017-foreign-direct-investment-confidence-index/10192](https://www.atkearney.com/gbpc/foreign-direct-investment-confidence-index/publication/-/asset_publisher/oXeK018TjvE/content/the-2017-foreign-direct-investment-confidence-index/10192)
- Barley, S. R. (2010). Building an Institutional Field to Corral a Government: A Case to Set an Agenda for Organization Studies. *Organization Studies*, 31(6), 777–805.
- Barraquier, A. (2011). Ethical Behaviour in Practice: Decision Outcomes and Strategic Implications. *British Journal of Management*, 22(1), S28–S46.

- Baskin, J. (2006). Corporate Responsibility in Emerging Markets. *Journal of Corporate Citizenship*, 24, 29–47.
- Baughn, C. C., Bodie, N. L., & McIntosh, J. C. (2007). Corporate Social and Environmental Responsibility in Asian Countries and Other Geographical Regions. *Corporate Social Responsibility and Environmental Management*, 14, 189–205.
- Baumeister, R. F., & Bushman, B. J. (2016). *Social Psychology and Human Nature* (4th edition). Boston: Cengage.
- Bays, D. H. (2012). *A New History of Christianity in China*. Chichester: Wiley-Blackwell.
- Beddewela, E., & Fairbrass, J. (2016). Seeking Legitimacy Through CSR: Institutional Pressures and Corporate Responses of Multinationals in Sri Lanka. *Journal of Business Ethics*, 136(3), 503–522.
- Bedeski, R. E. (2008). The Concept of the State - Sun Yat-sen and Mao Tse-tung. In G. Benton (Ed.), *Mao Zedong and the Chinese Revolution: Marxism, Politics and Culture* (Vol. 3, pp. 251–268). London; New York: Routledge.
- Bendheim, C. L., Waddock, S. A., & Graves, S. B. (1998). Determining Best Practice in Corporate-Stakeholder Relations Using Data Envelopment Analysis: An Industry Level Study. *Business & Society*, 37(3), 306–338.
- Beyer, S. (2006). Environmental Law and Policy in the People's Republic of China. *Chinese Journal of International Law*, 5(1), 185–211.
- Bhaskar, R. (1989). *Reclaiming Reality: A Critical Introduction to Contemporary Philosophy*. London: Verso.
- Bhaskar, R. (2011). *Reclaiming Reality: A Critical Introduction to Contemporary Philosophy*. Oxon; New York: Routledge.
- Bina, O. (2011). Responsibility for Emissions and Aspirations for Development. In P. G. Harris (Ed.), *China's Responsibility for Climate Change* (pp. 47–69). Bristol: The Policy Press.
- Birks, M., & Mills, J. (2015). *Grounded Theory: A Practical Guide* (2nd edition). London: Sage.

- Björkman, I., Smale, A., Sumelius, J., Suutari, V., & Lu, Y. (2008). Changes in Institutional Context and MNC Operations in China: Subsidiary HRM Practices in 1996 Versus 2006. *International Business Review*, *17*(2), 146–158.
- Blaikie, N. (1993). *Approaches to Social Enquiry*. Cambridge: Polity Press.
- Blasco, M., & Zolner, M. (2010). Corporate Social Responsibility in Mexico and France: Exploring the Role of Normative Institutions. *Business & Society*, *49*(2), 216–251.
- Blowfield, M., & Murray, A. (2011). *Corporate Responsibility* (2nd edition). Oxford: Oxford University Press.
- Boeije, H. (2010). *Analysis in Qualitative Research*. London: Sage.
- Bondy, K., Matten, D., & Moon, J. (2004). The Adoption of Voluntary Codes of Conduct in MNCs: A Three-Country Comparative Study. *Business and Society Review*, *109*(4), 449–477.
- Bowen, H. R. (1953). *Social Responsibilities of the Businessman*. New York: Harper & Brothers.
- Bowen, H. R. (2013). *Social Responsibilities of the Businessman*. Iowa City: University of Iowa Press.
- Bowring, M. (2000). De/Constructing Theory: A Look at the Institutional Theory That Positivism Built. *Journal of Management Inquiry*, *9*(3), 258–270.
- Brammer, S., Jackson, G., & Matten, D. (2012). Corporate Social Responsibility and Institutional Theory: New Perspectives on Private Governance. *Socio-Economic Review*, *10*, 3–28.
- Brammer, S., & Millington, A. (2003). The Effect of Stakeholder Preferences, Organizational Structure and Industry Type on Corporate Community Involvement. *Journal of Business Ethics*, *45*(3), 213–226.
- Brammer, S., & Pavelin, S. (2004). Building a Good Reputation. *European Management Journal*, *22*(6), 704–713.
- Brammer, S., & Pavelin, S. (2006). Corporate Reputation and Social Performance: The Importance of Fit. *Journal of Management Studies*, *43*(3), 435–455.

- Brower, J., & Mahajan, V. (2013). Driven to Be Good: A Stakeholder Theory Perspective on the Drivers of Corporate Social Performance. *Journal of Business Ethics, 117*(2), 313–331.
- Brown, T. J., & Dacin, P. A. (1997). The Company and the Product: Corporate Associations and Consumer Product Responses. *Journal of Marketing, 61*(1), 68–84.
- Bryman, A. (2016). *Social Research Methods* (5th edition). Oxford: Oxford University Press.
- Buhmann, K. (2005). Corporate Social Responsibility in China: Current Issues and their Relevance for Implementation of Law. *The Copenhagen Journal of Asian Studies, 22*, 62–91.
- Burke, L., & Logsdon, J. M. (1996). How Corporate Social Responsibility Pays Off. *Long Range Planning, 29*(4), 495–502.
- Bustamante, S. (2011). Localization vs. Standardization: Global Approaches to CSR Management in Multinational Companies. *IMB Institute of Management Berlin, Working Paper No.60*.
- Campbell, J. L. (2004). *Institutional Change and Globalization*. Princeton: Princeton University Press.
- Campbell, J. L. (2007). Why Would Corporations Behave in Socially Responsible Ways? An Institutional Theory of Corporate Social Responsibility. *Academy of Management Review, 32*(3), 946–967.
- Campbell, J. T., Eden, L., & Miller, S. R. (2012). Multinationals and Corporate Social Responsibility in Host Countries: Does Distance Matter? *Journal of International Business Studies, 43*, 84–106.
- Cantwell, J., Dunning, J. H., & Lundan, S. M. (2010). An Evolutionary Approach to Understanding International Business Activity: The Co-Evolution of MNEs and the Institutional Environment. *Journal of International Business Studies, 41*, 576–586.
- Carrigan, M., Moraes, C., & Leek, S. (2011). Fostering Responsible Communities: A Community Social Marketing Approach to Sustainable Living. *Journal of Business Ethics, 100*(3), 515–534.



- Carroll, A. B. (1979). A Three-Dimensional Conceptual Model of Corporate Performance. *The Academy of Management Review*, 4(4), 497–505.
- Carroll, A. B. (1999). Corporate Social Responsibility: Evolution of a Definitional Construct. *Business and Society*, 38(3), 268–295.
- Carroll, A. B. (2008). A History of Corporate Social Responsibility: Concepts and Practices. In A. Crane, D. Matten, A. McWilliams, J. Moon, & D. Siegel (Eds.), *The Oxford Handbook of Corporate Social Responsibility* (pp. 19–46). Oxford; New York: Oxford University Press.
- Carroll, A. B., & Shabana, K. M. (2010). The Business Case for Corporate Social Responsibility: A Review of Concepts, Research and Practice. *International Journal of Management Reviews*, 12(1), 85–105.
- CCCPC. (2015). *The 13th Five-Year Plan for Economic and Social Development of the People's Republic of China (2016-2020)*. Beijing: Central Committee of the Communist Party of China. Retrieved May 5, 2017, from <http://en.ndrc.gov.cn/newsrelease/201612/P020161207645765233498.pdf>
- Center for Legal Assistance to Pollution Victims. (2017, May 15). Retrieved May 15, 2017, from [http://www.clapv.org/english\\_lvshi/](http://www.clapv.org/english_lvshi/)
- Chahoud, T. (2008). *Soziale Unternehmensverantwortung (CSR) und Arbeitnehmerrechte in der VR China (Corporate Social Responsibility and Labour Rights in the PR China)*. Bonn: German Development Institute.
- Chan, C. K. (2013). Community-Based Organizations for Migrant Workers' Rights: The Emergence of Labour NGOs in China. *Community Development Journal*, 48(1), 6–22.
- Chan, G. K. Y. (2008). The Relevance and Value of Confucianism in Contemporary Business Ethics. *Journal of Business Ethics*, 77, 347–360.
- Chan, W. (1963). *The Way of Lao Tzu (Tao-te ching)*. New York: Bobbs-Merril.
- Chapple, W., & Moon, J. (2005). Corporate Social Responsibility (CSR) in Asia: A Seven-Country Study of CSR Web Site Reporting. *Business & Society*, 44(4), 415–441.
- Charmaz, K. (2006). *Constructing Grounded Theory: A Practical Guide Through Qualitative Analysis*. London: Sage.

- Charmaz, K. (2008). Grounded Theory as an Emergent Method. In S. N. Hesse-Biber & P. Leavy (Eds.), *Handbook of Emergent Methods* (pp. 155–172). New York, London: The Guilford Press.
- Cheng, J. Y. S., Ngok, K., & Zhuang, W. (2010). The Survival and Development Space for China's Labor NGOs: Informal Politics and Its Uncertainty. *Asian Survey*, 50(6), 1082–1106.
- Chen, J. (2010). Transnational Environmental Movement: Impacts on the Green Civil Society in China. *Journal of Contemporary China*, 19(65), 503–523.
- Cheung, C., & Chan, A. C. (2005). Philosophical Foundations of Eminent Hong Kong Chinese CEOs' Leadership. *Journal of Business Ethics*, 60, 47–62.
- Cheung, C., & Chan, A. C. (2008). Benefits of Hong Kong Chinese CEOs' Confucian and Daoist Leadership Styles. *Leadership and Organization Development Journal*, 29(6), 474–503.
- Child, J., Lu, Y., & Tsai, T. (2007). Institutional Entrepreneurship in Building an Environmental Protection System for the People's Republic of China. *Organization Studies*, 28, 1013–1034.
- Child, J., & Tsai, T. (2005). The Dynamic Between Firms' Environmental Strategies and Institutional Constraints in Emerging Economies: Evidence from China and Taiwan. *Journal of Management Studies*, 42(1), 95–125.
- Child, J., & Tse, D. K. (2001). China's Transition and Its Implications for International Business. *Journal of International Business Studies*, 32(1), 5–21.
- China Committee of Corporate Citizenship. (2017, May 14). Retrieved May 14, 2017, from <http://www.chinacccc.org/en/>
- China CSR Map. (2017, May 14). Global Village of Beijing (GVB). Retrieved May 14, 2017, from [http://www.chinacsrmap.org/Org\\_Show\\_EN.asp?ID=400](http://www.chinacsrmap.org/Org_Show_EN.asp?ID=400)
- China Daily. (2010, August 9). Scientific Outlook on Development. *China Daily*. Retrieved March 19, 2015, from [http://www.chinadaily.com.cn/china/cpc2011/2010-09/08/content\\_12474310.htm](http://www.chinadaily.com.cn/china/cpc2011/2010-09/08/content_12474310.htm)
- China Daily. (2014, February 28). Polluters to face harsher penalties. Retrieved December 4, 2014 from [http://www.chinadaily.com.cn/china/2014-02/28/content\\_17311456.htm](http://www.chinadaily.com.cn/china/2014-02/28/content_17311456.htm)

- China Labor Watch. (2012). *An Investigation of Eight Samsung Factories in China: Is Samsung Infringing Upon Apple's Patent to Bully Workers?* New York: China Labor Watch.
- Choi, S., & Aguilera, R. (2009). CSR Dynamics in South Korea and Japan: A Comparative Analysis. In C. A. Mallin (Ed.), *Corporate Social Responsibility: A Case Study Approach*. (pp. 123–147). Cheltenham: Edward Elgar.
- Chow, G. C. (2007). *China's Economic Transformation* (2nd ed.). Malden; Oxford; Carlton: Blackwell.
- Chow, G. C. (2015). *China's Economic Transformation* (3rd ed.). Malden; Oxford: Wiley-Blackwell.
- Chua, W. F. (1986). Radical Developments in Accounting Thought. *The Accounting Review*, 61, 601–632.
- Circular Economy Promotion Law of the People's Republic of China (2008). Retrieved May 5, 2017, from [http://www.fdi.gov.cn/1800000121\\_39\\_597\\_0\\_7.html](http://www.fdi.gov.cn/1800000121_39_597_0_7.html)
- Clarkson, M. B. E. (1995). A Stakeholder Framework for Analyzing and Evaluating Corporate Social Performance. *The Academy of Management Review*, 20(1), 92–117.
- CLB. (2016). *Strikes and Protests by China's Workers Soar to Record Heights in 2015*. China Labor Bulletin. Retrieved May 5, 2017, from <http://www.clb.org.hk/en/content/strikes-and-protests-china's-workers-soar-record-heights-2015>
- Clotfelter, C. T. (1985). *Federal Tax Policy and Charitable Giving*. Chicago: The University of Chicago Press.
- Collier, J., & Esteban, R. (2007). Corporate Social Responsibility and Employee Commitment. *Business Ethics: A European Review*, 16(1), 19–33.
- Company Law of the People's Republic of China (1994). Retrieved May 5, 2017, from <http://www.china.org.cn/english/government/207344.htm>
- Company Law of the People's Republic of China (2005). Retrieved May 5, 2017, from [http://www.npc.gov.cn/englishnpc/Law/2007-12/13/content\\_1384124.htm](http://www.npc.gov.cn/englishnpc/Law/2007-12/13/content_1384124.htm)
- Constitution of the People's Republic of China (2004). Retrieved May 13, 2017, from [http://english.gov.cn/archive/laws\\_regulations/2014/08/23/content\\_281474982987458.htm](http://english.gov.cn/archive/laws_regulations/2014/08/23/content_281474982987458.htm)

- Cooke, F. L., & He, Q. (2010). Corporate Social Responsibility and HRM in China: A Study of Textile and Apparel Enterprises. *Asia Pacific Business Review*, 16(3), 355–376.
- Cooney, S. (2006). Making Chinese Labour Law Work: The Prospects for Regulative Innovation in the People's Republic of China. *Fordham International Law Journal*, 30(4), 1050–1097.
- Corbin, J., & Strauss, A. (2015). *Basics of Qualitative Research: Techniques and Procedures for Developing Grounded Theory* (4th edition). London: Sage.
- Corlett, J. A. (2013). A Marxist Ethic of Business. In C. Luetge (Ed.), *Handbook of the Philosophical Foundations of Business Ethics* (Vol. 1, pp. 463–480). Heidelberg; New York; London: Springer.
- Cragg, W. (2012). Ethics, Enlightened Self-Interest, and the Corporate Responsibility to Respect Human Rights: A Critical Look at the Justificatory Foundations of the UN Framework. *Business Ethics Quarterly*, 22(1), 9–36.
- Crane, A., Matten, D., & Spence, L. J. (2013). Corporate Social Responsibility in a Global Context. In A. Crane, D. Matten, & L. J. Spence (Eds.), *Corporate Social Responsibility: Readings and Cases in a Global Context* (2nd edition, pp. 3–26). Abingdon: Routledge.
- Crane, A., McWilliams, A., Matten, D., Moon, J., & Siegel, D. (2008). The Corporate Social Responsibility Agenda. In A. Crane, A. McWilliams, D. Matten, J. Moon, & D. Siegel (Eds.), *The Oxford Handbook of Corporate Social Responsibility* (pp. 3–15). Oxford: Oxford University Press.
- Crompton, P., & Wu, Y. (2005). Energy Consumption in China: Past Trends and Future Directions. *Energy Economics*, 27(1), 195–208.
- Crotty, M. (1998). *The Foundations of Social Research: Meaning and Perspective in the Research Process*. London: Sage.
- Dann, G. E., & Haddow, N. (2008). Just Doing Business or Doing Just Business: Google, Microsoft, Yahoo! and the Business of Censoring China's Internet. *Journal of Business Ethics*, 79(3), 219–234.
- DanWatch. (2013). *IT Workers Still Pay the Price for Cheap Computers: Case study of Labor Conditions at 4 Dell Suppliers in China*. Copenhagen: DanWatch.

- Darigan, K. H., & Post, J. E. (2009). Corporate Citizenship in China: CSR Challenges in the “Harmonious Society.” *Journal of Corporate Citizenship*, 35, 39–53.
- Davis, G. F., Whitman, M. v.N., & Zald, M. N. (2006). The Responsibility Paradox: Multinational Firms and Global Corporate Social Responsibility. *Ross School of Business Working Paper Series, Working Paper No. 1031*, 1–40.
- Davis, K. (1960). Can Business Afford to Ignore Social Responsibilities? *California Management Review*, 2(3), 70–76.
- Davis, K. (1967). Understanding the Social Responsibility Puzzle. *Business Horizons*, 10(4), 45–50.
- Davis, K. (1973). The Case For and Against Business Assumption of Social Responsibilities. *The Academy of Management Journal*, 16(2), 312–322.
- de Abreu, M. C. S., da Cunha, L. T., & Barlow, C. Y. (2015). Institutional Dynamics and Organizations Affecting the Adoption of Sustainable Development in the United Kingdom and Brazil. *Business Ethics: A European Review*, 24(1), 73–90.
- de Bettignies, H.-C., Ip, P. K., Bai, X., Habisch, A., & Lenssen, G. (2011). Practical Wisdom for Management from the Chinese Classical Traditions. *Journal of Management Development*, 30(7/8), 623–628.
- Delbridge, R. (2014). Promising Futures: CMS, Post-Disciplinarity, and the New Public Social Science. *Journal of Management Studies*, 51(1), 95–117.
- Delmas, M. A. (2002). The Diffusion of Environmental Management Standards in Europe and in the United States: An Institutional Perspective. *Policy Sciences*, 35(1), 91–119.
- Delmas, M. A., & Toffel, M. W. (2004). Stakeholders and Environmental Management Practices: An Institutional Framework. *Business Strategy and the Environment*, 13, 209–222.
- Deng, G., & Kennedy, S. (2010). Big Business and Industry Association Lobbying in China: The Paradox of Contrasting Styles. *The China Journal*, 63, 101–125.
- Deresky, H. (2003). *International Management: Managing Across Borders and Cultures* (4th ed.). Upper Saddle River: Pearson Education.
- Detomasi, D. A. (2008). The Political Roots of Corporate Social Responsibility. *Journal of Business Ethics*, 82, 807–819.

- Dey, I. (2007). Grounding Categories. In A. Bryant & K. Charmaz (Eds.), *The Sage Handbook of Grounded Theory* (pp. 167–190). London: Sage.
- DiMaggio, P. J., & Powell, W. W. (1983). The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields. *American Sociological Review*, 48(2), 147–160.
- Ding, D. Z., Goodall, K., & Warner, M. (2002). The Impact of Economic Reform on the Role of Trade Unions in Chinese Enterprises. *The International Journal of Human Resource Management*, 13(3), 431–449.
- Doh, J. P., & Guay, T. R. (2006). Corporate Social Responsibility, Public Policy, and NGO Activism in Europe and the United States: An Institutional-Stakeholder Perspective. *Journal of Management Studies*, 43(1), 47–73.
- Donaldson, T. (1982). *Corporations and Morality*. New Jersey: Prentice-Hall.
- Donaldson, T., & Dunfee, T. W. (1994). Toward a Unified Conception of Business Ethics: Integrative Social Contracts Theory. *The Academy of Management Review*, 19(2), 252–284.
- Donaldson, T., & Dunfee, T. W. (1999). When Ethics Travel: The Promise and Peril of Global Business Ethics. *California Management Review*, 41(4), 45–63.
- Donaldson, T., & Preston, L. L. (1995). The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications. *Academy of Management Review*, 20(1), 65–91.
- Dong, S., Burritt, R., & Qian, W. (2014). Salient Stakeholders in Corporate Social Responsibility Reporting by Chinese Mining and Minerals Companies. *Journal of Cleaner Production*, 84, 59–69.
- Driver, C., & Thompson, G. (2002). Corporate Governance and Democracy: The Stakeholder Debate Revisited. *Journal of Management and Governance*, 6(2), 111–130.
- Drucker, P. F. (1984). Converting Social Problems into Business Opportunities: The New Meaning of Corporate Social Responsibility. *California Management Review*, 26(2), 53–63.
- Dumbaugh, K., & Martin, M. F. (2009). *Understanding China's Political System* (CRS Report for Congress No. R41007). U.S. Congressional Research Service. Retrieved March 16, 2015, from <https://fas.org/sgp/crs/row/R41007.pdf>

- Dunning, J. H. (2013). *International Production and the Multinational Enterprise* (Vol. 12). London; New York: Routledge.
- Dunning, J. H., & Lundan, S. M. (2010). The Institutional Origins of Dynamic Capabilities in Multinational Enterprises. *Industrial and Corporate Change*, 19(4), 1225–1246.
- Du, X., Jian, W., Zeng, Q., & Du, Y. (2014). Corporate Environmental Responsibility in Polluting Industries: Does Religion Matter? *Journal of Business Ethics*, 124(3), 485–507.
- ECOLEX. (2014a). *Regulation of Hubei Province on Prevention and Control of Water Pollution*. Retrieved May 5, 2017, from <https://www.ecolex.org/details/legislation/regulation-of-hubei-province-on-prevention-and-control-of-water-pollution-lex-faoc136607/>
- ECOLEX. (2014b). *Regulations of Beijing Municipality on Prevention and Control of Air Pollution*. Retrieved May 5, 2017, from <https://www.ecolex.org/details/legislation/regulations-of-beijing-municipality-on-prevention-and-control-of-air-pollution-lex-faoc136215/>
- Edele, A. (2005). *Non-Governmental Organizations in China*. Geneva: CASIN - Centre for Applied Studies in International Negotiations. Retrieved January 20, 2017, from <https://www.files.ethz.ch/isn/20365/05.2005.pdf>
- Edin, M. (2003). Remaking the Communist Party-State: The Cadre Responsibility System at the Local Level in China. *China: An International Journal*, 1(1), 1–15.
- Eisenhardt, K. M. (1989). Building Theories from Case Study Research. *The Academy of Management Review*, 14(4), 532–550.
- Environmental Protection Law of the People's Republic of China (2014). Retrieved from <https://www.chinadialogue.net/Environmental-Protection-Law-2014-eversion.pdf>
- Epstein, E. M. (1998). Business Ethics and Corporate Social Policy. *Business and Society*, 37(1), 7–39.
- Eriksson, P., & Kovalainen, A. (2016). *Qualitative Methods in Business Research* (2nd ed.). London: Sage.

- Esherick, J. W. (2008). On the “Restoration of Capitalism”: Mao and Marxist Theory. In G. Benton (Ed.), *Mao Zedong and the Chinese Revolution: Marxism, Politics and Culture* (Vol. 3, pp. 151–179). London; New York: Routledge.
- European Commission. (2017). Corporate Social Responsibility (CSR). Retrieved May 17, 2017, from [http://ec.europa.eu/growth/industry/corporate-social-responsibility\\_de](http://ec.europa.eu/growth/industry/corporate-social-responsibility_de)
- Feng, C. (2003). Between the State and Labour: The Conflict of Chinese Trade Unions’ Double Identity in Market Reform. *The China Quarterly*, 176, 1006–1028.
- Flammer, C. (2015). Does Corporate Social Responsibility Lead to Superior Financial Performance? A Regression Discontinuity Approach. *Management Science*, 61(11), 2549–2568.
- Fleming, P., & Jones, M. T. (2013). *The End of Corporate Social Responsibility: Crisis and Critique*. Thousand Oaks, CA: Sage.
- Flick, U. (2014). *An Introduction to Qualitative Research* (5th ed.). London: Sage.
- Foster, K. W. (2002). Embedded Within State Agencies: Business Associations in Yantai. *The China Journal*, 47, 41–65.
- Freeman, I., & Hasnaoui, A. (2011). The Meaning of Corporate Social Responsibility: The Vision of Four Nations. *Journal of Business Ethics*, 100(3), 419–443.
- Freeman, R. E. (1984). *Strategic Management: A Stakeholder Approach*. Boston: Pitman.
- Friedman, E., & Lee, C. K. (2010). Remaking the World of Chinese Labour: A 30-Year Retrospective. *British Journal of Industrial Relations*, 48(3), 507–533.
- Friedman, M. (1970, September 13). The Social Responsibility of Business is to Increase its Profits. *The New York Times Magazine*.
- Frynas, J. G., & Stephens, S. (2015). Political Corporate Social Responsibility: Reviewing Theories and Setting New Agendas. *International Journal of Management Reviews*, 17, 483–509.
- Galbreath, J. (2006). Corporate Social Responsibility Strategy: Strategic Options, Global Considerations. *Corporate Governance*, 6(2), 175–187.



- Gallagher, M., Giles, J. T., Park, A., & Wang, M. (2013). China's 2008 Labour Contract Law: Implementation and Implications for China's Workers. *IZA Discussion Paper, No. 7555*.
- Gan, S. (2014). *How to Do Business in China: An Inside View on Chinese Culture and Etiquette*. Bloomington, IN: AuthorHouse.
- Garriga, E., & Melé, D. (2004). Corporate Social Responsibility Theories: Mapping the Territory. *Journal of Business Ethics, 53*, 51–71.
- Gibson, B., & Hartman, J. (2013). *Rediscovering Grounded Theory*. London: Sage.
- Gioia, D. A. (1999). Practicability, Paradigms, and Problems in Stakeholder Theorizing. *The Academy of Management Review, 24*(2), 228–232.
- Giuliani, E., & Macchi, C. (2014). Multinational Corporations' Economic and Human Rights Impacts on Developing Countries: A Review and Research Agenda. *Cambridge Journal of Economics, 38*, 479–517.
- Glaser, B. G. (1992). *Emergence Vs Forcing: Basics of Grounded Theory Analysis*. Mill Valley, CA: Sociology Press.
- Glaser, B. G., & Strauss, A. L. (1967). *The Discovery of Grounded Theory: Strategies for Qualitative Research*. Chicago: Aldine.
- Godfrey, P. C. (2005). The Relationship between Corporate Philanthropy and Shareholder Wealth: A Risk Management Perspective. *The Academy of Management Review, 30*(4), 777–798.
- Godfrey, P. C., Merrill, C. B., & Hansen, J. M. (2009). The Relationship between Corporate Social Responsibility and Shareholder Value: An Empirical Test of the Risk Management Hypothesis. *Strategic Management Journal, 30*(4), 425–445.
- Gomm, R. (2008). *Social Research Methodology: A Critical Introduction* (2nd edition). New York: Palgrave Macmillan.
- Goulding, C. (2002). *Grounded Theory: A Practical Guide for Management, Business and Market Researchers*. Thousand Oaks, CA: Sage.
- Gray, D. E. (2009). *Doing Research in the Real World* (2nd ed.). London: Sage.
- Groenewegen, J., Spithoven, A., & Van den Berg, A. (2010). *Institutional Economics: An Introduction*. London: Palgrave Macmillan.

- Guan, J., & Noronha, C. (2013). Corporate Social Responsibility Reporting Research in the Chinese Academia: A Critical Review. *Social Responsibility Journal*, 9(1), 33–55.
- Guba, E. G., & Lincoln, Y. S. (1994). Competing Paradigms in Qualitative Research. In N. K. Denzin & Y. S. Lincoln (Eds.), *Handbook of Qualitative Research* (pp. 105–117). Thousand Oaks, CA: Sage.
- Guidelines to the State-Owned Enterprises Directly under the Central Government on Fulfilling Corporate Social Responsibilities (2008). Retrieved May 5, 2017, from <http://en.sasac.gov.cn/n1408035/c1477196/content.html>
- Guo, P. (2005). *Corporate Environmental Reporting and Disclosure in China*. CSR Asia; Tsinghua University Beijing. Retrieved March, 24, 2014, from <http://www.csr-asia.com/upload/environmentalreporting.pdf>
- Guo, S. (2013). *Chinese Politics and Government: Power, Ideology, and Organization*. London; New York: Routledge.
- Hah, K., & Freeman, S. (2014). Multinational Enterprise Subsidiaries and their CSR: A Conceptual Framework of the Management of CSR in Smaller Emerging Economies. *Journal of Business Ethics*, 122, 125–136.
- Harris, P. G. (2011). Diplomacy, Responsibility and China's Climate Change Policy. In P. G. Harris (Ed.), *China's Responsibility for Climate Change* (pp. 1–21). Bristol: The Policy Press.
- Hawkins, D. E. (2006). *Corporate Social Responsibility*. New York: Palgrave Macmillan.
- He, D. (2014). Reforms Give NGOs a Level Playing Field. *China Daily USA*. Retrieved July 8, 2015, from [http://usa.chinadaily.com.cn/china/2014-03/31/content\\_17390892.htm](http://usa.chinadaily.com.cn/china/2014-03/31/content_17390892.htm)
- Hemingway, C. A., & Maclagan, P. W. (2004). Managers' Personal Values as Drivers of Corporate Social Responsibility. *Journal of Business Ethics*, 50, 33–44.
- Henderson, D. (2001). *Misguided Virtue: False Notions of Corporate Social Responsibility*. London: The Institute of Economic Affairs.
- Hildebrandt, T. (2011). The Political Economy of Social Organization Registration in China. *The China Quarterly*, 208, 970–989.

- Hillenbrand, C., & Money, K. (2007). Corporate Responsibility and Corporate Reputation: Two Separate Concepts or Two Sides of the Same Coin? *Corporate Reputation Review*, 10(4), 261–277.
- Hillman, A. J., & Wan, W. P. (2005). The Determinants of MNE Subsidiaries' Political Strategies: Evidence of Institutional Duality. *Journal of International Business Studies*, 36(3), 322–340.
- Ho, P. (2001). Greening without Conflict? Environmentalism, NGOs and Civil Society in China. *Development and Change*, 32, 893–921.
- Hsu, C. (2010). Beyond Civil Society: An Organizational Perspective on State-NGO Relations in the People's Republic of China. *Journal of Civil Society*, 6(3), 259–277.
- Husted, B. W. (2005). Risk Management, Real Options, and Corporate Social Responsibility. *Journal of Business Ethics*, 60, 175–183.
- Husted, B. W., & Allen, D. B. (2006). Corporate Social Responsibility in the Multinational Enterprise: Strategic and Institutional Approaches. *Journal of International Business Studies*, 37, 838–849.
- Husted, B. W., Montiel, I., & Christmann, P. (2016). Effects of Local Legitimacy on Certification Decisions to Global and National Standards by Multinational Subsidiaries and Domestic Firms. *Journal of International Business Studies*, 47(3), 382–397.
- Hwang, K.-K. (2000). Chinese Relationalism: Theoretical Construction and Methodological Considerations. *Journal for the Theory of Social Behaviour*, 30(2), 155–178.
- Hymer, S. (1976). *The International Operations of National Firms: A Study of Direct Foreign Investment*. Cambridge, MA: MIT Press.
- IEA. (2011). *World Energy Outlook 2011*. Paris: OECD/IEA. Retrieved June 20, 2015 from [https://www.iea.org/publications/freepublications/publication/WEO2011\\_WEB.pdf](https://www.iea.org/publications/freepublications/publication/WEO2011_WEB.pdf)
- IEA. (2013). *World Energy Outlook 2013*. Paris: OECD/IEA. Retrieved June 20, 2015 from <http://www.worldenergyoutlook.org/media/weowebiste/2013/LondonNovember12.pdf>

- ILO. (2006). International Labour Organization: Corporate Social Responsibility. Retrieved May 17, 2017, from <http://libguides.ilo.org/corporate-social-responsibility-en>
- ILO. (2016). *Subjects Covered by International Labour Standards*. Retrieved May 5, 2017, from <http://ilo.org/global/standards/subjects-covered-by-international-labour-standards/lang--en/index.htm>,  
[http://www.npc.gov.cn/englishnpc/Law/Integrated\\_index.html](http://www.npc.gov.cn/englishnpc/Law/Integrated_index.html)
- Ip, P. K. (2009a). Is Confucianism Good for Business Ethics in China? *Journal of Business Ethics*, 88, 463–476.
- Ip, P. K. (2009b). The Challenge of Developing a Business Ethics in China. *Journal of Business Ethics*, 88, 211–224.
- Ip, P. K. (2013). Daoism and Business Ethics. In C. Luetge (Ed.), *Handbook of the Philosophical Foundations of Business Ethics* (Vol. 2, pp. 935–954). Heidelberg; New York; London: Springer.
- Israeli, R. (2002). *Islam in China: Religion, Ethnicity, Culture, and Politics*. Lanham: Lexington Books.
- Jackson, G., & Apostolakou, A. (2010). Corporate Social Responsibility in Western Europe: An Institutional Mirror or Substitute? *Journal of Business Ethics*, 94(3), 371–394.
- Jackson, G., & Deeg, R. (2008). Comparing Capitalisms: Understanding Institutional Diversity and its Implications for International Business. *Journal of International Business Studies*, 39(4), 540–561.
- Jackson, G., & Rathert, N. (2017). Private Governance as Regulatory Substitute or Complement? A Comparative Institutional Approach to CSR Adoption by Multinational Corporations. In C. Dörrenbächer & M. Geppert (Eds.), *Multinational Corporations and Organization Theory: Post Millennium Perspectives* (Vol. 49, pp. 445 – 478). Bingley: Emerald.
- Jamali, D. (2007). The Case for Strategic Corporate Social Responsibility in Developing Countries. *Business and Society Review* 112:1 1–27, 112(1), 1–27.
- Jamali, D. (2010). The CSR of MNC Subsidiaries in Developing Countries: Global, Local, Substantive or Diluted? *Journal of Business Ethics*, 93(2), 181–200.

- Jamali, D., & Karam, C. (2016). Corporate Social Responsibility in Developing Countries as an Emerging Field of Study. *International Journal of Management Reviews*. Retrieved May 20, 2017, from <https://doi.org/10.1111/ijmr.12112>
- Jamali, D., & Neville, B. (2011). Convergence Versus Divergence of CSR in Developing Countries: An Embedded Multi-Layered Institutional Lens. *Journal of Business Ethics*, *102*, 599–621.
- James, H. S. J. (2006). Self-Selection Bias in Business Ethics Research. *Business Ethics Quarterly*, *16*(4), 559–577.
- Jarrett, K., & Ramsey, C. (2011, April). China's 12th Five-Year Plan. *Insights by AmCham Shanghai*. Retrieved March 19, 2014, from [http://www.amcham-shanghai.org/amchamportal/infovault\\_library/2011/China's\\_12th\\_Five-Year\\_Plan.pdf](http://www.amcham-shanghai.org/amchamportal/infovault_library/2011/China's_12th_Five-Year_Plan.pdf)
- Jennings, D., & Zandbergen, P. A. (1995). Ecologically Sustainable Organizations: An Institutional Approach. *The Academy of Management Review*, *20*(4), 1015–1052.
- Jensen, M. C. (2002). Value Maximization, Stakeholder Theory, and the Corporate Objective Function. *Business Ethics Quarterly*, *12*(2), 235–256.
- Johanson, J., & Vahle, J.-E. (1977). The Internationalization Process of the Firm - A Model of Knowledge Development and Increasing Foreign Market Commitments. *Journal of International Business Studies*, *8*(1), 23–32.
- Johanson, J., & Wiedersheim-Paul, F. (1975). The Internationalization of the Firm - Four Swedish Cases. *The Journal of Management Studies*, *12*(3), 305–323.
- Johnson, H. H. (2003). Does it Pay to Be Good? Social Responsibility and Financial Performance. *Business Horizons*, *46*(6), 34–40.
- Johnson, P., & Duberley, J. (2000). *Understanding Management Research: An Introduction to Epistemology*. London: Sage.
- Kaiman, J. (2014, February 25). China's Toxic Air Pollution Resembles Nuclear Winter, Say Scientists. *The Guardian*. Retrieved December 3, 2015, from <http://www.theguardian.com/world/2014/feb/25/china-toxic-air-pollution-nuclear-winter-scientists>
- Kao, C. (1996). "Personal Trust" in the Large Businesses in Taiwan: A Traditional Foundation for Contemporary Economic Activity. In G. G. Hamilton (Ed.), *Asian Business Networks* (pp. 61–69). Berlin; New York: de Gruyter.

- Kassinis, G., & Vafeas, N. (2006). Stakeholder Pressures and Environmental Performance. *The Academy of Management Journal*, 49(1), 145–159.
- Keim, G. D. (1978). Corporate Social Responsibility: An Assessment of the Enlightened Self-Interest Model. *The Academy of Management Review*, 3(1), 32–39.
- Kent, A. (1999). *China, the United Nations and Human Rights: The Limits of Compliance*. Philadelphia: University of Pennsylvania Press.
- Kieschnick, J. (2003). *The Impact of Buddhism on Chinese Material Culture*. Princeton: Princeton University Press.
- Kittilaksanawong, W. (2016). Institutional Perspectives on the Drivers of Green Innovations in Firms. In M. M. Erdoglu, T. Arun, & I. H. Ahmad (Eds.), *Handbook of Research on Green Economic Development Initiatives and Strategies* (pp. 440–472). Hershey, PA: Business Science Reference.
- Klein, T. (2007). *Geschichte Chinas: Von 1800 bis zur Gegenwart (Chinese History: From 1800 Until Today)*. Paderborn: Schöningh UTP.
- Knight, N. (2007). Applying Marxism to Asian Conditions: Mao Zedong, Ho Chi Minh and the “Universality” of Marxism. In D. Glaser & D. M. Walker (Eds.), *Twentieth-Century Marxism: A Global Introduction* (pp. 141–153). Oxon; New York: Routledge.
- Koerber, C. P., & Fort, T. L. (2008). Corporate Citizenship and Global Conflicts: The Baboon Moment. In A. G. Scherer & G. Palazzo (Eds.), *Handbook of Research on Global Citizenship* (pp. 208–221). Cheltenham: Edward Elgar.
- Komjathy, L. (2014). *Daoism: A Guide for the Perplexed*. London; New York: Bloomsbury Academic.
- Kostova, T., & Roth, K. (2002). Adoption of an Organizational Practice by Subsidiaries of Multinational Corporations: Institutional and Relational Effects. *The Academy of Management Journal*, 45(1), 215–233.
- Kostova, T., Roth, K., & Dacin, M. T. (2008). Institutional Theory in the Study of Multinational Corporations: A Critique and New Directions. *Academy of Management Review*, 33(4), 994–1006.
- Kostova, T., & Zaheer, S. (1999). Organizational Legitimacy Under Conditions of Complexity. *Academy of Management Review*, 24(1), 64–81.

- KPMG China. (2011, March). China's 12th Five-Year Plan: Overview. Retrieved May 1, 2014, from <http://www.kpmg.com/CN/en/IssuesAndInsights/ArticlesPublications/Publications/5-years-plan/Documents/China-12th-Five-Year-Plan-Overview-201104.pdf>
- Kraus, M. (2016). Taoism. In B. Hodge & R. Patterson (Eds.), *World Religions and Cults: Moralistic, Mythical and Mysticism Religions* (Vol. 2, pp. 41–58). Green Forest, AR: Master Books.
- Kurucz, E. C., Colbert, B. A., & Wheeler, D. (2008). The Business Case for Corporate Social Responsibility. In A. Crane, D. Matten, A. McWilliams, J. Moon, & D. Siegel (Eds.), *The Oxford Handbook of Corporate Social Responsibility* (pp. 83–112). Oxford: Oxford University Press.
- Labor Contract Law of the People's Republic of China (2008). Retrieved from [http://www.npc.gov.cn/englishnpc/Law/2009-02/20/content\\_1471106.htm](http://www.npc.gov.cn/englishnpc/Law/2009-02/20/content_1471106.htm)
- Labour Law of the People's Republic of China (1994). Retrieved May 6, 2017, from [http://www.npc.gov.cn/englishnpc/Law/2007-12/12/content\\_1383754.htm](http://www.npc.gov.cn/englishnpc/Law/2007-12/12/content_1383754.htm)
- Lai, K. L. (2008). *An Introduction to Chinese Philosophy*. Cambridge: Cambridge University Press.
- Lai, Q. (2006). *Corporate Social Responsibility of SMEs in China: Challenges and Outlooks* (Berichte des Arbeitsbereichs Chinaforschung No. 18). Bremen: Institut für Weltwirtschaft und Internationales Management der Universität Bremen.
- Lamin, A., & Zaheer, S. (2012). Wall Street vs. Main Street: Firm Strategies for Defending Legitimacy and Their Impact on Different Stakeholders. *Organization Science*, 23(1), 47 – 66.
- Lam, K.-C. J. (2003). Confucian Business Ethics and the Economy. *Journal of Business Ethics*, 43, 153–162.
- Lam, L. (2009). Beyond Credibility of Doing Business in China: Strategies for Improving Corporate Citizenship of Foreign Multinational Enterprises in China. *Journal of Business Ethics*, 88, 211–244.
- Lantos, G. P. (2001). The Boundaries of Strategic Corporate Social Responsibility. *Journal of Consumer Marketing*, 18(7), 595–630.

- Lau, D. C. (1963). *Lao Tzu: Tao Te Ching*. Harmondsworth; New York: Penguin.
- Law of the People's Republic of China on Labor-Dispute Mediation and Arbitration (2008). Retrieved May 6, 2017, from [http://www.npc.gov.cn/englishnpc/Law/2009-02/20/content\\_1471614.htm](http://www.npc.gov.cn/englishnpc/Law/2009-02/20/content_1471614.htm)
- Law of the People's Republic of China on Prevention and Control of Occupational Diseases (2001). Retrieved May 6, 2017 from [http://www.npc.gov.cn/englishnpc/Law/2007-12/10/content\\_1383440.htm](http://www.npc.gov.cn/englishnpc/Law/2007-12/10/content_1383440.htm)
- Law of the People's Republic of China on Promotion of Employment (2008). Retrieved May 6, 2017, from [http://www.npc.gov.cn/englishnpc/Law/2009-02/20/content\\_1471590.htm](http://www.npc.gov.cn/englishnpc/Law/2009-02/20/content_1471590.htm)
- Law of the People's Republic of China on Work Safety (2002). Retrieved May 5, 2017, from [http://www.npc.gov.cn/englishnpc/Law/2007-12/06/content\\_1382127.htm](http://www.npc.gov.cn/englishnpc/Law/2007-12/06/content_1382127.htm)
- Levine, M. A. (2008, December). China's CSR Expectations Mature. *China Business Review*. Retrieved January, 4, 2015, from [http://www.ebglaw.com/files/24063\\_Levine2.pdf](http://www.ebglaw.com/files/24063_Levine2.pdf)
- Levitt, T. (1958). The Danger of Social Responsibility. *Harvard Business Review*, 36(5), 41–50.
- Lewis-Beck, M. S., Bryman, A., & Liao, T. F. (Eds.). (2004). *The SAGE Encyclopedia of Social Science Research Methods* (Vol. 3). Thousand Oaks, CA: Sage.
- Lim, A., & Tsutsui, K. (2012). Globalization and Commitment in Corporate Social Responsibility: Cross-National Analyses of Institutional and Political-Economy Effects. *American Sociological Review*, 77(1), 69–98.
- Lincoln, Y. S., & Guba, E. G. (1985). *Naturalistic Inquiry*. Beverly Hills, CA: Sage.
- Lindgreen, A., & Swaen, V. (2010). Corporate Social Responsibility. *International Journal of Management Reviews*, 12(1), 1–7.
- Lin, L.-W. (2010). Corporate Social Responsibility in China: Window Dressing or Structural Change? *Berkley Journal of International Law*, 28(1), 64–100.
- Lin, T.-C. (2007). Environmental NGOs and the Anti-Dam Movements in China: A Social Movement with Chinese Characteristics. *Issues & Studies*, 43(4), 149–184.



- Liou, R.-S., Rose, A. S., & Ellstrand, A. E. (2012). Emerging-Market Multinational Corporations as Agents of Globalization: Conflicting Institutional Demands and the Isomorphism of Global Markets. In L. Tihany, T. Devinney, & T. Pedersen (Eds.), *Institutional Theory in International Business and Management* (pp. 179–206). Bingley: Emerald.
- Li, S., Fetscherin, M., Alon, I., Lattemann, C., & Yeh, K. (2010). Corporate Social Responsibility in Emerging Markets: The Importance of the Governance Environment. *Management International Review*, *50*(5), 635–654.
- Locke, K. (1996). Rewriting The Discovery of Grounded Theory After 25 Years? *Journal of Management Inquiry*, *5*(3), 239–245.
- Lockett, A., Moon, J., & Visser, W. (2006). Corporate Social Responsibility in Management Research: Focus, Nature, Salience and Sources of Influence. *Journal of Management Studies*, *43*(1), 115–136.
- Lo, C. W. H., & Fryxell, G. E. (2005). Governmental and Societal Support for Environmental Enforcement in China: An Empirical Study in Guangzhou. *The Journal of Development Studies*, *41*(4), 558–588.
- Lo, C. W. H., Fryxell, G. E., & Wong, W. W.-H. (2006). Effective Regulations with Little Effect? The Antecedents of the Perceptions of Environmental Officials on Enforcement Effectiveness in China. *Environmental Management*, *38*(3), 388–410.
- Logsdon, J. M., & Wood, D. J. (2002). Business Citizenship: From Domestic to Global Level of Analysis. *Business Ethics Quarterly*, *12*(2), 155–187.
- Lopez, B., & Fornes, G. (2015). Corporate Social Responsibility in Emerging Markets: Case Studies of Spanish MNCs in Latin America. *European Business Review*, *27*(2), 214 – 230.
- Low, K. C. P., & Ang, S. L. (2012). Confucian Leadership and Corporate Social Responsibility (CSR), the Way Forward. *Asian Journal of Business Research*, *2*(1), 92–116.
- Lu, X. (1997). Business Ethics in China. *Journal of Business Ethics*, *16*, 1509–1518.
- Lu, X. (2009). A Chinese Perspective: Business Ethics in China Now and in the Future. *Journal of Business Ethics*, *86*, 451–461.

- Lu, Y. (2007). Environmental Civil Society and Governance in China. *International Journal of Environmental Studies*, 64(1), 59–69.
- Mackerras, C., Taneja, P., & Young, G. (1998). *China Since 1978* (2nd ed.). Melbourne: Addison Wesley Longman.
- Maignan, I., & Ralston, D. A. (2002). Corporate Social Responsibility in Europe and the U.S.: Insights from Businesses' Self-Presentations. *Journal of International Business Studies*, 33(3), 497–514.
- Mäkinen, J., & Kourula, A. (2012). Pluralism in Political Corporate Social Responsibility. *Business Ethics Quarterly*, 22(4), 649–678.
- Marano, V., Tashman, P., & Kostova, T. (2016). Escaping the Iron Cage: Liabilities of Origin and CSR Reporting of Emerging Market Multinational Enterprises. *Journal of International Business Studies*, 1–23.
- Margolis, J. D., & Walsh, J. P. (2003). Misery Loves Companies: Rethinking Social Initiatives by Business. *Administrative Science Quarterly*, 48, 268–305.
- Marquis, C., & Raynard, M. (2015). Institutional Strategies in Emerging Markets. *The Academy of Management Annals*, 9(1), 291–335.
- Martinez, C. A., & Williams, C. (2012). An Extended View of Institutional Domains and Implications for the Multinational Enterprise. In L. Tihany, T. Devinney, & T. Pedersen (Eds.), *Institutional Theory in International Business and Management* (Vol. 25, pp. 43–63). Bingley: Emerald.
- Matten, D., & Crane, A. (2005). Corporate Citizenship: Toward an Extended Theoretical Conceptualization. *The Academy of Management Review*, 30(1), 166–179.
- Matten, D., Crane, A., & Chapple, W. (2003). Behind the Mask: Revealing the True Face of Corporate Citizenship. *Journal of Business Ethics*, 45(1/2), 109–120.
- Matten, D., & Moon, J. (2008). “Implicit” and “Explicit” CSR: A Conceptual Framework for a Comparative Understanding of Corporate Social Responsibility. *Academy of Management Review*, 33(2), 404–424.
- McWilliams, A., & Siegel, D. (2000). Corporate Social Responsibility and Financial Performance: Correlation or Misspecification? *Strategic Management Journal*, 21(5), 603–609.

- McWilliams, A., & Siegel, D. (2001). Corporate Social Responsibility: A Theory of the Firm Perspective. *The Academy of Management Review*, 26(1), 117–127.
- McWilliams, A., Siegel, D., & Wright, P. M. (2006). Corporate Social Responsibility: Strategic Implications. *Journal of Management Studies*, 43(1), 1–18.
- Melé, D. (2008). Corporate Social Responsibility Theories. In A. Crane, A. McWilliams, D. Matten, J. Moon, & D. Siegel (Eds.), *The Oxford Handbook of Corporate Social Responsibility* (pp. 47–82). Oxford: Oxford University Press.
- Miller, J. (2003). *Daoism: A Beginner's Guide*. Oxford: Oneworld Publications.
- Wang, M. (2008). China's Pollutant Discharge Permit System Evolves behind Its Economic Expansion. *Villanova Environmental Law Journal*, 19(1), 95–121.
- Mitchell, R. K., Agle, B. R., & Wood, D. J. (1997). Toward a Theory of Stakeholder Identification and Salience: Defining the Principle of Who and What Really Counts. *Academy of Management Review*, 22(4), 854–886.
- Mol, A. P. J. (2006). Environment and Modernity in Transitional China: Frontiers of Ecological Modernization. *Development and Change*, 37(1), 29–56.
- Mol, A. P. J., & Carter, N. T. (2006). China's Environmental Governance in Transition. *Environmental Politics*, 15(2), 149–170.
- Monette, D. R., Sullivan, T. J., Dejong, C. R., & Hilton, T. P. (2014). *Applied Social Research: A Tool for Human Service* (9th edition). Belmont: Cengage.
- Moon, J. (2014). *Corporate Social Responsibility: A Very Short Introduction*. Oxford: Oxford University Press.
- Morsing, M., & Roepstorff, A. (2015). CSR as Corporate Political Activity: Observations on IKEA's CSR Identity–Image Dynamics. *Journal of Business Ethics*, 128, 395–409.
- Muller, A., & Kolk, A. (2009). CSR Performance in Emerging Markets: Evidence from Mexico. *Journal of Business Ethics*, 85, 325–337.
- Mullerat, R. (2010). *International Corporate Social Responsibility: The Role of Corporations in the Economic Order of the 21st Century*. Alphen aan den Rijn: Kluwer Law International.

- Muller, C., Vermeulen, W. J. V., & Glasbergen, P. (2012). Pushing or Sharing as Value-driven Strategies for Societal Change in Global Supply Chains: Two Case Studies in the British–South African Fresh Fruit Supply Chain. *Business Strategy and the Environment*, 21(2), 127–140.
- Myers, M. D. (2013). *Qualitative Research in Business and Management* (2nd edition). London: Sage.
- Naughton, B. (2007). *The Chinese Economy: Transitions and Growth*. Cambridge; London: The MIT Press.
- Navarro, P. (1988). Why Do Corporations Give to Charity? *The Journal of Business*, 61(1), 65–93.
- Nestlé. (2017). Nestlé: What is Creating Shared Value? Retrieved May 17, 2017, from <http://www.nestle.com/eg/en/csv/what-is-csv>
- Nevitt, C. E. (1996). Private Business Associations in China: Evidence of Civil Society or Local State Power. *The China Journal*, 36, 25–43.
- Ngok, K., & Zhu, Y. (2010). In Search of Harmonious Society in China: A Social Policy Response. In *Social Cohesion in Greater China: Challenges for Social Policy and Governance* (Vol. 23, pp. 69–94). Singapore: World Scientific.
- North, D. C. (1990). *Institutions, Institutional Change and Economic Performance*. Cambridge: Cambridge University Press.
- North, D. C. (2005). *Understanding the Process of Economic Change*. Princeton: Princeton University Press.
- Ogden, S., & Watson, R. (1999). Corporate Performance and Stakeholder Management: Balancing Shareholder and Customer Interests in the U.K. Privatized Water Industry. *The Academy of Management Journal*, 42(5), 526–538.
- Oi, J. C. (1995). The Role of the Local State in China's Transitional Economy. *The China Quarterly*, 114, 1132–1149.
- Oksenberg, M. (2009). China's Political System. Challenges of the Twenty-First Century. In A. Kipnis, L. Tomba, & J. Unger (Eds.), *Contemporary Chinese Society and Politics* (Vol. II Politics and Social Institutions, pp. 75–90). London; New York: Routledge.
- Oliver, C. (1991). Strategic Responses to Institutional Processes. *Academy of Management Review*, 16(1), 145–179.

- Orlikowski, W. J., & Baroudi, J. J. (1991). Studying Information Technology in Organizations: Research Approaches and Assumptions. *Information Systems Research*, 2(1), 1–28.
- Orlitzky, M., Schmidt, F. L., & Rynes, S. L. (2003). Corporate Social and Financial Performance: A Meta-Analysis. *Organization Studies*, 24(3), 403–441.
- Orr, R. J., & Scott, R. W. (2008). Institutional Exceptions on Global Projects: A Process Model. *Journal of International Business Studies*, 39(4), 562–588.
- Örtenblad, A. (2016). Introduction: Establishing the Art of Contextualizing CSR as a Research Area. In A. Örtenblad (Ed.), *Research Handbook on Corporate Social Responsibility in Context* (pp. 3–16). Cheltenham; Northampton: Edward Elgar.
- Palazzo, G., & Scherer, A. G. (2006). Corporate Legitimacy as Deliberation: A Communicative Framework. *Journal of Business Ethics*, 66(1), 71–88.
- Park, B. I., & Ghauri, P. N. (2015). Determinants Influencing CSR Practices in Small and Medium Sized MNE Subsidiaries: A Stakeholder Perspective. *Journal of World Business*, 50, 192–204.
- Patton, M. Q. (2014). *Qualitative Research & Evaluation Methods: Integrating Theory and Practice* (4th edition). Thousand Oaks, CA: Sage.
- PBL. (2016). *Trends in Global CO2 emissions: 2016 report*. The Hague: OBL Netherlands Environmental Assessment Agency. Retrieved April 5, 2017, from [http://edgar.jrc.ec.europa.eu/news\\_docs/jrc-2016-trends-in-global-co2-emissions-2016-report-103425.pdf](http://edgar.jrc.ec.europa.eu/news_docs/jrc-2016-trends-in-global-co2-emissions-2016-report-103425.pdf)
- Pearson, M. M. (1994). The Janus Face of Business Associations in China: Socialist Corporatism in Foreign Enterprises. *The Australian Journal of Chinese Affairs*, 31, 25–46.
- Peng, M. W. (2003). Institutional Transitions and Strategic Choices. *Academy of Management Review*, 28(2), 275–296.
- Peng, M. W., Wang, D. Y., & Jiang, Y. (2008). An Institution-Based View of International Business Strategy: A Focus on Emerging Economies. *Journal of International Business Studies*, 39(5), 920–936.

- Pew Research Centre. (2012). *Pew Research Religion and Public Life Project: The Global Religious Landscape: Buddhists*. Washington D.C. Retrieved August 8, 2015, from <http://www.pewforum.org/2012/12/18/global-religious-landscape-buddhist/>
- Pew Research Centre. (2017, May 15). Pew Research Center's Religion and Public Life Project - China. Retrieved May 15, 2017, from [http://www.globalreligiousfutures.org/countries/china#/?affiliations\\_religion\\_id=0&affiliations\\_year=2010&region\\_name=All%20Countries&restrictions\\_year=2014](http://www.globalreligiousfutures.org/countries/china#/?affiliations_religion_id=0&affiliations_year=2010&region_name=All%20Countries&restrictions_year=2014)
- Pfeffer, J., & Salancik, G. R. (1978). *The External Control of Organizations: A Resource Dependence Perspective*. New York: Harper & Row.
- Pinkse, J., & Kolk, A. (2007). Multinational Corporations and Emissions Trading. Strategic Responses to New Institutional Constraints. *European Management Journal*, 25(6), 441–452.
- Porter, M. E., & Kramer, M. R. (2002). The Competitive Advantage of Corporate Philanthropy. *Harvard Business Review*, 80(12), 56–69.
- Porter, M. E., & Kramer, M. R. (2006). Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility. *Harvard Business Review*, 84(12), 78–92.
- Powell, W. W., & DiMaggio, P. J. (1991). Introduction. In W. W. Powell & P. J. DiMaggio (Eds.), *The New Institutionalism in Organizational Analysis* (pp. 1–40). Chicago; London: The University of Chicago Press.
- Punch, K. F. (2014). *Introduction to Social Research: Quantitative and Qualitative Approaches* (3rd edition). London: Sage.
- Qing, T. (2008). Perception of Business Bribery in China: The Impact of Moral Philosophy. *Journal of Business Ethics*, 80, 437–445.
- Rarick, C. A. (2009). Historical Antecedents of Chinese Business Ethics. *Journal of Management Research*, 1(1), 1–9.
- Rasche, A. (2015). The Corporation as a Political Actor – European and North American Perspectives. *European Management Journal*, 33(1), 4–8.

- Rathert, N. (2016). Strategies of Legitimation: MNEs and the Adoption of CSR in Response to Host-Country Institutions. *Journal of International Business Studies*, 47(7), 858–879.
- Reed, M. (2005). Reflections on the “Realist Turn” in Organization and Management Studies. *Journal of Management Studies*, 42(8), 1621–1644.
- Regnér, P., & Edman, J. (2014). MNE Institutional Advantage: How Subunits Shape, Transpose and Evade Host Country Institutions. *Journal of International Business Studies*, 45, 275–302.
- Regulations on the Registration and Management of Social Organizations (1998). Retrieved May 15, 2017, from <https://www.cecc.gov/resources/legal-provisions/regulations-on-the-registration-and-management-of-social-organizations>
- Reimann, F., Ehr Gott, M., Kaufmann, L., & Carter, C. R. (2012). Local Stakeholders and Local Legitimacy: MNEs’ Social Strategies in Emerging Economies. *Journal of International Management*, 18, 1–17.
- Reimann, F., Rauer, J., & Kaufmann, L. (2015). MNE Subsidiaries’ Strategic Commitment to CSR in Emerging Economies: The Role of Administrative Distance, Subsidiary Size, and Experience in the Host County. *Journal of Business Ethics*, 132, 845–857.
- Rettab, B., Brik, A. B., & Mellahi, K. (2009). A Study of Management Perceptions of the Impact of Corporate Social Responsibility on Organisational Performance in Emerging Economies: The Case of Dubai. *Journal of Business Ethics*, 89, 371–390.
- Ringov, D., & Zollo, M. (2007). Corporate Responsibility from a Socio-Institutional Perspective: The Impact of National Culture on Corporate Social Performance. *Corporate Governance*, 7(4), 476–485.
- Rivoli, P., & Waddock, S. A. (2011). “First They Ignore You...”: The Time-Context Dynamic and Corporate Responsibility. *California Management Review*, 53(2), 87–104.
- Rochan, M. (2014, January 6). Rising Wages May Erode China’s Low-Cost Manufacturing Advantage. *International Business Times*. Retrieved from <http://www.ibtimes.co.uk/rising-wages-may-erode-chinas-low-cost-manufacturing-advantage-1431142>

- Rodriguez, P., Siegel, D., Hillman, A., & Eden, L. (2006). Three Lenses on the Multinational Enterprise: Politics, Corruption, and Corporate Social Responsibility. *Journal of International Business Studies*, 37(6), 733–746.
- Roman, R. M., Hayibor, S., & Agle, B. R. (1999). The Relationship between Social and Financial Performance: Repainting a Portrait. *Business & Society*, 38(1), 109–125.
- Romar, E. J. (2002). Virtue Is Good Business: Confucianism as a Practical Business Ethic. *Journal of Business Ethics*, 38, 119–131.
- Romar, E. J. (2004). Globalization, Ethics, and Opportunism: A Confucian View of Business Relationships. *Business Ethics Quarterly*, 14(4), 663–678.
- Romar, E. J. (2013). Confucian Virtues and Business Ethics. In C. Luetge (Ed.), *Handbook of the Philosophical Foundations of Business Ethics* (Vol. 2, pp. 983–1004). Heidelberg; New York; London: Springer.
- Ruggie, J. G. (2007). Business and Human Rights: The Evolving International Agenda. *The American Journal of International Law*, 101(4), 819–840.
- Rupp, D. E., Wright, P. M., Aryee, S., & Luo, Y. (2015). Organizational Justice, Behavioral Ethics, and Corporate Social Responsibility: Finally the Three Shall Merge. *Management and Organization Review*, 11(1), 15–24.
- Saich, T. (2000). Negotiating the State: The Development of Social Organizations in China. *The China Quarterly*, 161, 124–141.
- Saich, T. (2009). The Blind Man and the Elephant: Analyzing the Local State in China. In A. Kipnis, L. Tomba, & J. Unger (Eds.), *Contemporary Chinese Society and Politics* (Vol. II Politics and Social Institutions, pp. 276–302). London; New York: Routledge.
- Santoro, A. M. (2009). *China 2020: How Western Business Can - and Should - Influence Social and Political Change in the Coming Decade*. Ithaca; London: Cornell University Press.
- Santoro, A. M. (2010). Post-Westphalia and Its Discontents: Business, Globalization, and Human Rights in Political and Moral Perspective. *Business Ethics Quarterly*, 20(2), 285–297.
- Saunders, M., Lewis, P., & Thornhill, A. (2016). *Research Methods for Business Students* (7th edition). Harlow: Pearson Education.



- Sayer, A. (2000). *Realism and Social Science*. London: Sage.
- Sceats, S., & Breslin, S. (2012). *China and the International Human Rights System*. Chatham House: The Royal Institute of International Affairs. Retrieved May 5, 2016, from [https://www.chathamhouse.org/sites/files/chathamhouse/public/Research/International%20Law/r1012\\_sceatsbreslin.pdf](https://www.chathamhouse.org/sites/files/chathamhouse/public/Research/International%20Law/r1012_sceatsbreslin.pdf)
- Scherer, A. G., & Palazzo, G. (2007). Toward a Political Conception of Corporate Responsibility: Business and Society Seen from a Habermasian Perspective. *The Academy of Management Review*, 32(4), 1096–1120.
- Scherer, A. G., & Palazzo, G. (2011). The New Political Role of Business in a Globalized World: A Review of a New Perspective on CSR and its Implications for the Firm, Governance, and Democracy. *Journal of Management Studies*, 48(4), 899–931.
- Scherer, A. G., Palazzo, G., & Baumann, D. (2006). Global Rules and Private Actors: Toward a New Role of the Transnational Corporation in Global Governance. *Business Ethics Quarterly*, 16(4), 505–532.
- Scherer, A. G., Palazzo, G., & Matten, D. (2014). The Business Firm as a Political Actor: A New Theory of the Firm for a Globalized World. *Business & Society*, 53(2), 143–156.
- Scherer, A. G., Rasche, A., Palazzo, G., & Spicer, A. (2016). Managing for Political Corporate Social Responsibility – New Challenges and Directions for PCSR 2.0. *Journal of Management Studies*, 53(3), 273–298.
- Schmidt-Glintzer, H. (2005). *Der Buddhismus (Buddhism)*. München: C.H. Beck.
- Scholte, J. A. (2005). *Globalization: A Critical Introduction* (2nd edition). Hampshire; New York: Palgrave Macmillan.
- Schram, S. R. (2004). *Mao's Road to Power: Revolutionary Writings 1912-1949* (Vol. 6). New York: M.E. Sharpe.
- Schroeder, P. (2011). Sustainable Consumption and Production in Global Value Chains. In P. G. Harris (Ed.), *China's Responsibility for Climate Change* (pp. 169–193). Bristol: The Policy Press.

- Schwartz, J. (2003). The Impact of State Capacity on Enforcement of Environmental Policies: The Case of China. *Journal of Environment & Development*, 12(1), 50–81.
- Scott, G., & Garner, R. (2013). *Doing Qualitative Research: Design, Methods, and Techniques*. Boston: Pearson.
- Scott, R. W. (1995). *Institutions and Organizations*. Thousand Oaks; CA: Sage.
- Scott, R. W. (2008). *Institutions and Organizations: Ideas and Interests* (3rd ed.). London: Sage.
- Scott, R. W. (2014). *Institutions and Organizations: Ideas, Interests and Identities* (4th ed.). Thousand Oaks; CA: Sage.
- See, G. (2009). Harmonious Society and Chinese CSR: Is There Really a Link? *Journal of Business Ethics*, 89, 1–22.
- SEPA Issues Measures on Open Environmental Information (2008). Retrieved May 5, 2017, from <https://www.cecc.gov/resources/legal-provisions/measures-on-open-environmental-information-trial-cecc-full-translation>
- Sethi, S. P. (1979). A Conceptual Framework for Environmental Analysis of Social Issues and Evaluation of Business Response Patterns. *The Academy of Management Review*, 4(1), 63–74.
- Shafer, W. E., Fukukawa, K., & Lee, G. M. (2007). Values and the Perceived Importance of Ethics and Social Responsibility: The U.S. versus China. *Journal of Business Ethics*, 70, 265–284.
- Shapiro, J. (2001). *Mao's War Against Nature: Politics and the Environment in Revolutionary China*. Cambridge: Cambridge University Press.
- Shen, X., & Fleming, C. (2008). "Made in China" and the Drive to Include CSR (CFC Working Paper No. 200803). Ningbo: Centre for Global Finance, The University of Nottingham. Retrieved May 17, 2017, from [http://www.nottingham.edu.cn/en/business/research/gfc/documents/research/gfc\\_research/2008/gfcworkingpaper200803shenximadeinchinaenglish.pdf](http://www.nottingham.edu.cn/en/business/research/gfc/documents/research/gfc_research/2008/gfcworkingpaper200803shenximadeinchinaenglish.pdf)
- Shenzhen Stock Exchange Social Responsibility Instructions to Listed Companies (2006). Retrieved May 5, 2017, from <http://www.szse.cn/main/en/rulseandregulations/sserules/2007060410636.shtml>

- Shieh, S., & Deng, G. (2011). An Emerging Civil Society: The Impact of the 2008 Sichuan Earthquake on Grass-Root Associations in China. *The China Journal*, 65, 181–194.
- Shi, W., & Hoskisson, R. E. (2012). Advantages of Foreignness: Benefits of Creative Institutional Deviance. In L. Tihany, T. Devinney, & T. Pedersen (Eds.), *Institutional Theory in International Business and Management* (Vol. 25, pp. 99–125). Bingley: Emerald.
- Sobh, R., & Perry, C. (2006). Research Design and Data Analysis in Realism Research. *European Journal of Marketing*, 40(11/12), 1194–1209.
- State Statistical Bureau. (various years). *Statistical Yearbook of China*. Beijing. Retrieved February, 5, 2017, from <http://www.stats.gov.cn/english/statisticaldata/AnnualData/>
- Stephan, U., Patterson, M., Kelly, C., & Mair, J. (2016). Organizations Driving Positive Social Change: A Review and an Integrative Framework of Change Processes. *Journal of Management*, 42(5), 1250–1281.
- Stone, G., Joseph, M., & Blodgett, J. (2004). Toward the Creation of an Eco-Oriented Corporate Culture: A Proposed Model of Internal and External Antecedents Leading to Industrial Firm Eco-Orientation. *Journal of Business & Industrial Marketing*, 19(1), 68 – 84.
- Strübing, J. (2011). Zwei Varianten der Grounded Theory? Zu den Methodologischen und Methodischen Differenzen Zwischen Barney Glaser und Anselm Strauss (Two Alternatives of Grounded Theory? About the Methodological and Methodical Differences Between Barney Glaser and Anselm Strauss). In G. Mey & K. Mruck (Eds.), *The Grounded Theory Reader* (2nd edition). Wiesbaden: VS.
- Strübing, J. (2014). *Grounded Theory: Zur Sozialtheoretischen und Epistemologischen Fundierung eines Pragmatistischen Forschungsstils (Grounded Theory: About the Social Theoretical and Epistemological Foundations of a Pragmatic Research Method)* (3rd edition). Wiesbaden: Springer VS.
- Suchman, M. C. (1995). Managing Legitimacy: Strategic and Institutional Approaches. *Academy of Management Review*, 20(3), 571–610.

- Suen, H., Cheung, S.-O., & Mondejar, R. (2007). Managing Ethical Behaviour in Construction Organizations in Asia: How Do the Teachings of Confucianism, Taoism and Buddhism and Globalization Influence Ethics Management? *International Journal of Project Management*, 25, 257–265.
- Sun, M., Nagata, K., & Onoda, H. (2011). The Current Status and Promotion of Chinese Corporate Social Responsibility. Presented at the 2010 International Conference on Biology, Environment and Chemistry, Singapore. Retrieved May 17, 2017, from <http://www.ipcbee.com/vol1/95-B40011.pdf>
- Su, W., Peng, M. W., Tan, W., & Cheung, Y.-L. (2016). The Signalling Effect of Corporate Social Responsibility in Emerging Economies. *Journal of Business Ethics*, 134(3), 479–491.
- Svensson, M. (2002). *Debating Human Rights in China: A Conceptual and Political History*. Lanham: Rowman & Littlefield.
- Tan, J. (2009a). Institutional Structure and Firm Social Performance in Transitional Economies: Evidence of Multinational Corporations in China. *Journal of Business Ethics*, 86, 171–189.
- Tan, J. (2009b). Multinational Corporations and Social Responsibility in Emerging Markets: Opportunities and Challenges for Research and Practice. *Journal of Business Ethics*, 86(2), 151–153.
- Tan, J., & Wang, L. (2011). MNC Strategic Responses to Ethical Pressure: An Institutional Logic Perspective. *Journal of Business Ethics*, 98, 373–390.
- Tanner, M. S., & Green, E. (2009). Principals and Secret Agents: Central Versus Local Control Over Policing and Obstacles to “Rule of Law” in China. In A. Kipnis, L. Tomba, & J. Unger (Eds.), *Contemporary Chinese Society and Politics* (Vol. II Politics and Social Institutions, pp. 305–332). London; New York: Routledge.
- Tan, Y. (2014). Transparency without Democracy: The Unexpected Effects of China’s Environmental Disclosure Policy. *Governance: An International Journal of Policy, Administration, and Institutions*, 27(1), 37–62.
- Taylor, B., & Li, Q. (2007). Is the ACFTU a Union and Does it Matter? *Journal of Industrial Relations*, 49(5), 701–715.
- Thai, M. T. T., Chong, L. C., & Agrawal, N. M. (2012). Straussian Grounded-Theory Method: An Illustration. *The Qualitative Report*, 17(Article 52), 1–55.

- The Economist. (2012, October 3). The End of Cheap China. Retrieved March 3, 2017, from <http://www.economist.com/node/21549956>
- The Economist. (2013, June 4). China's Workplaces: Accident Prone. Retrieved March 3, 2017, from <http://www.economist.com/blogs/analects/2013/06/chinas-workplaces>
- The Economist. (2014). Chinese Civil Society: Beneath the Glacier. Retrieved March 3, 2017, from <http://www.economist.com/news/china/21600747-spite-political-clampdown-flourishing-civil-society-taking-hold-beneath-glacier>
- The Economist. (2017, April 3). Choking with Fury. Anti-Smog Activism. Retrieved May, 5, 2017, from <http://www.economist.com/news/china/21717975-government-wants-silence-them-chinas-citizens-are-complaining-more-loudly-about-polluted-air>
- The People's Republic of China's Law on the Management of the Activities of Overseas NGOs within Mainland China (2017). Retrieved June 5, 2017, from <http://chinadevelopmentbrief.cn/articles/the-peoples-republic-of-chinas-law-on-the-management-of-the-activities-of-overseas-ngos-within-mainland-china/>
- The World Bank. (2007). *Cost of Pollution in China: Economic Estimates of Physical Damage*. Beijing: The World Bank & The State Environmental Protection Administration. Retrieved May 20, 2017, from [https://siteresources.worldbank.org/INTEAPREGTOPENVIRONMENT/Resources/China\\_Cost\\_of\\_Pollution.pdf](https://siteresources.worldbank.org/INTEAPREGTOPENVIRONMENT/Resources/China_Cost_of_Pollution.pdf)
- The World Bank. (2014). *World Development Indicators: China* (World Bank Data). The World Bank. Retrieved February 25, 2015, from <http://data.worldbank.org/country/china>
- The World Bank. (2016). *The Cost of Air Pollution: Strengthening the Economic Case for Action*. The World Bank and Institute for Health Metrics and Evaluation University of Washington, Seattle. Retrieved March 3, 2017, from <http://documents.worldbank.org/curated/en/781521473177013155/pdf/108141-REVISED-Cost-of-PollutionWebCORRECTEDfile.pdf>
- The World Bank. (2017a). *China*. Retrieved May 14, 2017, from <http://www.worldbank.org/en/country/china/overview>
- The World Bank. (2017b). *Gini Index* (World Bank Data). The World Bank. Retrieved April 4, 2017, from <http://data.worldbank.org/indicator/SI.POV.GINI?page=1>

- Thompson, D., & Xiaoping, L. (2006). China's Evolving Civil Society: From Environment to Health. *China Environment Series*, 8, 27–39.
- Todd, N. (2008). Ideological Superstructure in Gramsci and Mao Tse-Tung. In G. Benton (Ed.), *Mao Zedong and the Chinese Revolution: Marxism, Politics and Culture* (Vol. 3, pp. 89–99). London; New York: Routledge.
- Trade Union Law of the People's Republic of China (2001). Retrieved June 5, 2017, from [http://www.npc.gov.cn/englishnpc/Law/2007-12/12/content\\_1383823.htm](http://www.npc.gov.cn/englishnpc/Law/2007-12/12/content_1383823.htm)
- Tsoukas, H., & Knudsen, C. (2003). Introduction: The Need for Meta-theoretical Reflection in Organization Theory. In C. Tsoukas & C. Knudsen (Eds.), *The Oxford Handbook of Organization Theory* (pp. 1–36). Oxford; New York: Oxford University Press.
- Unger, J. (1996). "Bridges": Private Business, the Chinese Government and the Rise of New Associations. *The China Quarterly*, 147, 795–819.
- Unger, J., & Chan, A. (1995). China, Corporatism, and the East Asian Model. *The Australian Journal of Chinese Affairs*, 33, 29–53.
- UN Global Compact. (2000). The Ten Principles of the UN Global Compact. Retrieved May 19, 2017, from <https://www.unglobalcompact.org/what-is-gc/mission/principles>
- UN Global Compact. (2017). United Nations Global Compact: Our Participants - China. Retrieved May 17, 2017, from <https://www.unglobalcompact.org/what-is-gc/participants/search?search%5Bcountries%5D%5B%5D=38>
- van Rooij, B. (2006). Implementation of Chinese Environmental Law: Regular Enforcement and Political Campaigns. *Development and Change*, 37(1), 57–74.
- Vogel, D. (2005). *The Market for Virtue: The Potential and Limits of Corporate Social Responsibility*. Washington D.C.: Brookings Institution Press.
- von Weltzien Hoivik, H. (2007). East Meets West: Tacit Messages about Business Ethics in Stories Told by Chinese Managers. *Journal of Business Ethics*, 74, 457–469.
- Waddock, S. A., & Graves, S. B. (1997). The Corporate Social Performance-Financial Performance Link. *Strategic Management Journal*, 18(4), 303–319.

- Waldman, D. A., de Luque, M. S., Washburn, N., & House, R. J. (2006). Cultural and Leadership Predictors of Corporate Social Responsibility Values of Top Management: A GLOBE Study of 15 Countries. *Journal of International Business Studies*, 37, 823–837.
- Wang, A. L. (2013). The Search for Sustainable Legitimacy: Environmental Law and Bureaucracy in China. *Harvard Environmental Law Review*, 37(2), 365–440.
- Wang, H., Appelbaum, R. P., Degiuli, F., & Lichtenstein, N. (2009). China's New Labour Contract Law: Is China Moving Towards Increased Power for Workers? *Third World Quarterly*, 30(3), 485–501.
- Wang, H., Tong, L., Takeuchi, R., & George, G. (2016). Corporate Social Responsibility: An Overview and New Research Directions. *Academy of Management Journal*, 59(2), 534–544.
- Wang, J., Qin, S., & Cui, Y. (2010). Problems and Prospects of CSR System Development in China. *International Journal of Business and Management*, 5(12), 128–134.
- Wang, L., & Juslin, H. (2009). The Impact of Chinese Culture on Corporate Social Responsibility: The Harmony Approach. *Journal of Business Ethics*, 88, 433–451.
- Wan, M. (2001). *Human Rights in Chinese Foreign Relations: Defining and Defending National Interests*. Philadelphia: University of Pennsylvania Press.
- Want China Times. (2012, October 30). Environmental Protests Growing 30% Every Year in China. Retrieved January 4, 2015, from <http://www.wantchinatimes.com/news-subclass-cnt.aspx?id=20121030000046&cid=1505&MainCatID=0>
- Wartick, S. L., & Cochran, P. L. (1985). The Evolution of the Corporate Social Performance Model. *The Academy of Management Review*, 10(4), 758–769.
- Watson, B. (2007). *The Analects of Confucius*. New York: Columbia University Press.
- WEF. (2017). World Economic Forum: Corporate Global Citizenship. Retrieved May 17, 2017, from <http://libertyparkusafd.org/Hancock/Special%20Reports/World%20Economic%20Forum/World%20Economic%20Forum%20-%20Corporate%20Global%20Citizenship.htm>

- Weissbrodt, D., & Kruger, M. (2003). Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights. *The American Journal of International Law*, 97(4), 901–922.
- Welford, R. (2005). Corporate Social Responsibility in Europe, North America and Asia: 2004 Survey Results. *Journal of Corporate Citizenship*, 17, 33–52.
- Wenzel-Teuber, K. (2012). People’s Republic of China: Religion and Churches Statistical Overview 2011. In *Religions and Christianity in Today’s China* (Vol. 2, pp. 29–54).
- Westney, D. E., & Zaheer, S. (2009). The Multinational Enterprise as an Organization. In A. M. Rugman (Ed.), *The Oxford Handbook of International Business* (2nd ed., pp. 341–366). Oxford: Oxford University Press.
- Wettstein, F. (2009). *Multinational Corporations and Global Justice: Human Rights Obligations of a Quasi-Governmental Institution*. Stanford; CA: Stanford University Press.
- Wettstein, F. (2012). CSR and the Debate on Business and Human Rights: Bridging the Great Divide. *Business Ethics Quarterly*, 22(4), 739–770.
- Whelan, G. (2012). The Political Perspective of Corporate Social Responsibility: A Critical Research Agenda. *Business Ethics Quarterly*, 22(4), 709–737.
- Whelan, G. (2016). Political CSR: The Corporation as a Political Actor. Retrieved February 15, 2017 from <https://ssrn.com/abstract=2726174>.
- Whelan, G., Moon, J., & Orlitzky, M. (2009). Human Rights, Transnational Corporations and Embedded Liberalism: What Chance Consensus? *Journal of Business Ethics*, 87(Supplement 2), 367–383.
- Whitcomb, L. L., Erdener, C. B., & Li, C. (1998a). Business Ethical Values in China and the U.S. *Journal of Business Ethics*, 17, 839–852.
- Whitcomb, L. L., Erdener, C. B., & Li, C. (1998b). Business Ethical Values in China and the U.S. *Journal of Business Ethics*, 17, 839–852.
- Williams, G., & Zinkin, J. (2008). The Effect of Culture on Consumers’ Willingness to Punish Irresponsible Corporate Behaviour: Applying Hofstede’s Typology to the Punishment Aspect of Corporate Social Responsibility. *Business Ethics: A European Review*, 17(2), 210–226.



- Wines, W. A., & Napier, N. K. (1992). Toward an Understanding of Cross-Cultural Ethics: A Tentative Model. *Journal of Business Ethics*, *11*, 831–841.
- Wolf, K. D. (2008). Emerging Patterns of Global Governance: The New Interplay Between the State, Business and Civil Society. In A. G. Scherer & G. Palazzo (Eds.), *Handbook of Research on Global Corporate Citizenship* (pp. 225–248). Cheltenham: Edward Elgar.
- Womack, B. (2008). Mao before Maoism. In G. Benton (Ed.), *Mao Zedong and the Chinese Revolution: Marxism, Politics and Culture* (Vol. 3, pp. 62–86). London; New York: Routledge.
- Wong, L. (2009). Corporate Social Responsibility in China: Between the Market and the Search for a Sustainable Growth Development. *Asian Business and Management*, *8*(2), 129–148.
- Wood, D. J. (1991). Corporate Social Performance Revisited. *Academy of Management Review*, *16*(4), 691–718.
- Wood, D. J., & Logsdon, J. M. (2001). Theorising Business Citizenship. In J. Andriof & M. McIntosh (Eds.), *Perspectives on Corporate Citizenship* (pp. 83–103). Sheffield: Greenleaf Publishing.
- World Bank. (2017). The World Bank: Our Commitment to Sustainable Development. Retrieved May 17, 2017, from <http://siteresources.worldbank.org/ESSDNETWORK/Resources/481106-1129303936381/1777397-1129303967165/chapter4.html>
- WTO. (2016). World Trade Statistical Review 2016. Retrieved May 5, 2017, from [https://www.wto.org/english/res\\_e/statis\\_e/wts2016\\_e/wts2016\\_e.pdf](https://www.wto.org/english/res_e/statis_e/wts2016_e/wts2016_e.pdf)
- Wylie, R. (2008). Mao Tse-Tung, Ch'en Po-ta and the “Sinification of Marxism”, 1936–38. In G. Benton (Ed.), *Mao Zedong and the Chinese Revolution: Marxism, Politics and Culture* (Vol. 3, pp. 180–213). London; New York: Routledge.
- Xiang, J. (2013). *Structural Economics in China: A Three-Dimensional Framework for Balanced Growth*. Singapore: Enrich Professional Publishing.
- Xinhua. (2013, October 11). China’s Trade Unions Have 280 mln Members. Retrieved May 8, 2017, from <http://www.globaltimes.cn/content/817211.shtml>

- Xinhua. (2014, September 3). Chinese Top Legislator Hails “New Steps” in Legislative Work. *Xinhuanet*. Retrieved April 8, 2015, from [http://news.xinhuanet.com/english/special/2014-03/09/c\\_133171748.htm](http://news.xinhuanet.com/english/special/2014-03/09/c_133171748.htm)
- Xinhua. (2015, May 19). Air Quality Top Public Environmental Complaint in China. Retrieved January 7, 2015, from [http://news.xinhuanet.com/english/2015-05/19/c\\_134251808.htm](http://news.xinhuanet.com/english/2015-05/19/c_134251808.htm)
- Xu, D., & Shenkar, O. (2002). Institutional Distance and the Multinational Enterprise. *Academy of Management Review*, 27(4), 608–618.
- Xu, K., & Hitt, M. A. (2012). Entry Mode and International Learning: A Polycentric Perspective. In L. Tihany, T. Devinney, & T. Pedersen (Eds.), *Institutional Theory in International Business and Management* (Vol. 25, pp. 149–178). Bingley: Emerald.
- Xu, Y., & Zhao, L. (2010). *China’s Rapidly Growing Non-Governmental Organizations* (EAI Background Brief No. 514). Retrieved October 7, 2015, from <http://www.eai.nus.edu.sg/BB514.pdf>
- Yang, D. (2009). Market Transition and the Remaking of the Administrative State. In A. Kipnis, L. Tomba, & J. Unger (Eds.), *Contemporary Chinese Society and Politics* (Vol. 2, pp. 146–182). London; New York: Routledge.
- Yang, G. (2005). Environmental NGOs and Institutional Dynamics in China. *The China Quarterly*, 181, 46–66.
- Yang, X., & Rivers, C. (2009). Antecedents of CSR Practices in MNCs’ Subsidiaries: A Stakeholder and Institutional Perspective. *Journal of Business Ethics*, 86, 155–169.
- Yao, X. (2000). *An Introduction to Confucianism*. Cambridge: Cambridge University Press.
- Yin, D. (2009). China’s Attitude Toward Foreign NGOs. *Washington University Global Studies Law Review*, 8(521), 521–544.
- Ying, H. (2001). The Practice of Business Ethics in China: We Need a Parent. *Business Ethics: A European Review*, 10(2), 87–91.
- Yin, J., & Jamali, D. (2016). Strategic Corporate Social Responsibility of Multinational Companies Subsidiaries in Emerging Markets: Evidence from China. *Long Range Planning*, 49(5), 541–558.

- Yin, J., & Zhang, Y. (2012). Institutional Dynamics and Corporate Social Responsibility (CSR) in an Emerging Country Context: Evidence from China. *Journal of Business Ethics*, *111*(2), 301–316.
- Yin, R. K. (2003). *Case Study Research: Design and Methods* (3rd ed.). Thousand Oaks, CA: Sage.
- Yin, R. K. (2014). *Case Study Research: Design and Methods* (5th ed.). Thousand Oaks, CA: Sage.
- Yuan, T., & Xu, F. (2007). China's Textile Industry International Competitive Advantage and Policy Suggestion. *Journal of the Washington Institute of China Studies*, *2*(1), 74–83.
- Yue, P. (2006, December 15). Evolution of an Ecological Civilization. *Beijing Review*. Retrieved February 20, 2017, from [http://www.bjreview.com.cn/expert/txt/2006-12/15/content\\_50890.htm](http://www.bjreview.com.cn/expert/txt/2006-12/15/content_50890.htm)
- Yu, X. (2008). Impacts of Corporate Code of Conduct on Labor Standards: A Case Study of Reebok's Athletic Footwear Supplier Factory in China. *Journal of Business Ethics*, *81*, 513–529.
- Zaheer, S. (1995). Overcoming the Liability of Foreignness. *The Academy of Management Journal*, *38*(2), 341–363.
- Zaheer, S., & Mosakowski, E. (1997). The Dynamics of the Liability of Foreignness: A Global Study of Survival in Financial Services. *Strategic Management Journal*, *18*(6), 439–463.
- Zhang, L.-Y. (1999). Chinese Central-Provincial Fiscal Relationships, Budgetary Decline and the Impact of the 1994 Fiscal Reform: An Evaluation. *The China Quarterly*, *157*, 115–141.
- Zhao, M. (2012). CSR-Based Political Legitimacy Strategy: Managing the State by Doing Good in China and Russia. *Journal of Business Ethics*, *111*(4), 439–460.
- Zhao, M., Tan, J., & Park, S. H. (2014). From Voids to Sophistication: Institutional Environment and MNC CSR Crisis in Emerging Markets. *Journal of Business Ethics*, *122*(4), 655–674.
- Zheng, Y., & Tok, S. K. (2006). *Hu Jintao Firmly in Command: The Sixth Plenum of the 16th Central Committee of the Chinese Communist Party* (Briefing Series - Issue 13). Nottingham: China Policy Institute University of Nottingham.

- Zhu, Q., Sarkis, J., Lai, K., & Geng, Y. (2008). The Role of Organizational Size in the Adoption of Green Supply Chain Management Practices in China. *Corporate Social Responsibility and Environmental Management*, 15, 322–337.
- Zhu, W., & Yao, Y. (2008). On the Value of Traditional Confucian Culture and the Value of Modern Corporate Social Responsibility. *International Journal of Business and Management*, 3(2), 58–62.

# Appendix

## Appendix A: List of Interview Questions<sup>31</sup> (English version<sup>32</sup>)

### I. Factual questions on firm characteristics

1. Global number of employees
2. Number of employees in China
3. Founding year of Chinese subsidiary
4. Industry
5. Global turnover
6. Turnover in China
7. Manufacturing activities in China yes/no

### II. Open-ended questions on CR in the Chinese context

#### 1. The Chinese state

##### 1.1 Environmental protection<sup>33</sup>

- 1.1.1 How does Chinese law affect your company's environmental protection practices in China?
- 1.1.2 Do Chinese government agencies actively influence your company's environmental protection practices in China and if so, how?
- 1.1.3 What is your stance towards Chinese government's requirements in the field of environmental protection?
- 1.1.4 How does your company react to Chinese government's requirements in the field of environmental protection?
- 1.1.5 Are you in contact with government agencies concerning matters of environmental protection and if so, what do you hope to achieve?

---

<sup>31</sup> As outlined in section 4.2.5.1 and in accordance with Straussian Grounded Theory guidelines, the list of interview questions was used flexibly. In order to obtain the richest information possible and adhere to the explorative nature of the research, neither the sequence, nor the set of questions addressed was unanimous across all interviews. Rather, structure and choice of questions were adapted flexibly to fit interviewees' knowledge and insights, as well as the research progress.

<sup>32</sup> As outlined in section 4.2.5.1, interviews were conducted either in English or in German, depending on interviewees' preferences.

<sup>33</sup> As outlined in section 4.2.5.1 and in accordance with the 'umbrella term' approach to defining CR (see section 2.1.1.1), CR was addressed flexibly. Depending on the degree of familiarity of interviewees with the CR concept, 'environmental protection' and 'labour rights protection' were substituted with more general CR terminology.

## 1.2 Labour rights protection

- 1.2.1 How does Chinese law affect your company's employment and labour rights practices in China?
- 1.2.2 Do Chinese government agencies actively influence your company's employment and labour rights practices and if so, how?
- 1.2.3 What is your stance towards Chinese government's requirements in the field of labour rights protection?
- 1.2.4 How does your company react to Chinese government's requirements in the field of labour rights protection?
- 1.2.5 Are you in contact with government agencies concerning matters of labour rights protection and if so, what do you hope to achieve?

## **2. The Chinese non-governmental sector**

### 2.1 Environmental protection

- 2.1.1 In your Chinese environment, do you observe environmental activities by non-governmental organizations (e.g. NGOs, the media, research institutions, etc.) and if so, what kind of activities and by whom?
- 2.1.2 How does that affect your firm's environmental protection practices?
- 2.1.3 What is your stance towards these organizations' demands in the field of environmental protection?
- 2.1.4 How does your company react to these organizations' demands in the field of environmental protection?
- 2.1.5 Does your company adhere to certified standards in the field of environmental protection and if so, to which standards and why?
- 2.1.6 Does your company include environmental standards into its supply chain requirements in China and if so, which standards and why? What is your experience with Chinese suppliers in this regard?
- 2.1.7 Are you in contact with NGOs/the media/ research institutions concerning matters of environmental protection and if so, what do you hope to achieve?

## 2.2 Labour rights protection

- 2.2.1 In your Chinese environment, do you observe labour rights related activities by non-governmental organizations (e.g. NGOs, the media, research institutions, etc.) and if so, what kind of activities and by whom?
- 2.2.2 Are labour unions actively involved in your company and if so, how?
- 2.2.3 How does that affect your firm's employment and labour rights practices?
- 2.2.4 What is your stance towards these organizations' demands in the field of labour rights protection?
- 2.2.5 How does your company react to these organizations' demands in the field of labour rights protection?
- 2.2.6 Does your company adhere to certified standards in the field of labour rights and safety and if so, to which standards and why?
- 2.2.7 Does your company include social and labour standards into its supply chain requirements in China and if so, which standards and why? What is your experience with Chinese suppliers in this regard?
- 2.2.8 Are you in contact with NGOs/ the media/ research institutions concerning matters of labour rights protection and if so, what do you hope to achieve?

## 3. Chinese culture

### 3.1 Environmental protection

- 3.1.1 How would you describe Chinese mentality in matters of environmental protection?
- 3.1.2 What is your stance towards this mentality?
- 3.1.3 How does this mentality affect your company's environmental practices?
- 3.1.4 How does your company react to this mentality in matters of environmental protection?

### 3.2 Labour rights protection

- 3.1.1 How would you describe Chinese mentality in matters of employment and labour rights?
- 3.1.2 What is your stance towards this mentality?
- 3.1.3 How does this mentality affect your company's employment and labour rights practices?
- 3.1.4 How does your company react to this mentality in matters of employment and labour rights?

## 4. **Corporate responsibility of foreign businesses in China**

- 4.1 Is it important to your firm to adapt to local Chinese social, environmental and labour rights standards and if so, why?
- 4.2 As a foreign company in China, do you perceive the same level of/ more/ less social and environmental responsibility than local firms and why?
- 4.3 Compared to local companies, does your Chinese environment generally expect the same level of/ more/ less social and environmental responsibility of you as a foreign firm and why?
- 4.4 Can you, as a foreign firm, contribute to changing social, environmental and labour rights standards in China? If so, what kind of contribution can and would you like to make?
- 4.5 In your opinion, does your Chinese environment desire such proactive social and environmental engagement by foreign firms and if so, to what degree?
- 4.6 Has your firm ever considered giving up its China operations for social, environmental or labour rights related reasons? If so, could you please describe these considerations?
- 4.7 Are there any social and/or environmental factors and current developments that are encouraging your China operations?
- 4.8 In your opinion, what are the most significant changes in the social and environmental field that have taken place in China over the past years and how do they affect your company?
- 4.9 Are there important topics we haven't addressed so far? Is there something you would like to add?



## Appendix B: Overview of Case Companies

Case company	No. of employees (global) *	Industry**	Nationality of parent company	Founding year of Chinese subsidiary	No. of employees (China) ***	Location in China****
CC 1	500 – 2,000	Manufacturing (machinery & equipment)	German	2013	< 50	Jiangsu & Guangdong
CC 2	2,000 – 20,000	Manufacturing (machinery & equipment)	German	2005	50 – 200	Shanghai
CC 3	20,000 – 100,000	Manufacturing (machinery & equipment)	German	1998	2,000 – 10,000	Jiangsu
CC 4	500 – 2,000	Manufacturing (machinery & equipment)	German	2005	50 – 200	Shanghai
CC 5	2,000 – 20,000	Manufacturing (machinery & equipment)	German	1998	200 – 2,000	Jiangsu
CC 6	500 – 2,000	Manufacturing (machinery & equipment)	German	1999	50 – 200	Jiangsu
CC 7	2,000 – 20,000	Manufacturing (machinery & equipment)	German	1984	200 – 2,000	various, head office Shanghai
CC 8	> 100,000	Manufacturing (various)	German	1988	> 10,000	various, head office Beijing
CC 9	> 100,000	Manufacturing (vehicles)	German	2001	> 10,000	various, head office Beijing
CC 10	20,000 – 100,000	Manufacturing (machinery & equipment)	German	2000	2,000 – 10,000	various, head office Hong Kong
CC 11	< 500	Manufacturing (fabricated metal products)	Italian	1984	gave up China operations	gave up China operations
CC 12	< 500	Services (managerial consultancy)	German	2016	< 50	Hong Kong

Case company	No. of employees (global) *	Industry**	Nationality of parent company	Founding year of Chinese subsidiary	No. of employees (China) ***	Location in China****
CC 13	20,000 – 100,000	Manufacturing (wearing apparel)	German	n.a.	n.a.	various, head office Shanghai
CC 14	> 100,000	Manufacturing (various)	German	1909	> 10,000	various
CC 15	500 – 2,000	Manufacturing (transportation equipment)	French	1996	200 – 2,000	Shanghai & Jiangsu
CC 16	< 500	Manufacturing (wearing apparel)	Swedish	n.a.	< 50	Jiangsu
CC 17	2,000 – 20,000	Manufacturing (various)	German	n.a.	n.a.	various, head office Hong Kong
CC 18	500 – 2,000	Manufacturing (machinery & equipment)	German	2004	< 50	various
CC 19	2,000 – 20,000	Manufacturing (machinery & equipment)	German	1993	200 – 2,000	Jiangsu
CC 20	500 – 2,000	Manufacturing (machinery & equipment)	German	2011	50 – 200	Jiangsu
CC 21	500 – 2,000	Manufacturing (machinery & equipment)	German	2007	50 – 200	Jiangsu
CC 22	< 500	Services (managerial consultancy)	German	n.a.	< 50	Jiangsu
CC 23	20,000 – 100,000	Services (certification)	French	1990	> 10,000	various, head office Shanghai
CC 24	2,000 – 20,000	Manufacturing (machinery & equipment)	German	n.a.	200 – 2,000	Shanghai & Jiangsu

\* Case companies were classified into one of the following 5 categories: (1) : < 500; (2) 500 – 2,000; (3) 2,000 – 20,000; (4) 20,000 – 100,000; (5) > 100,000

\*\* Industry was specified based on the UN Industry Classification System

\*\*\* Case companies were classified into one of the following 5 categories: (1) : < 50; (2) 50 – 200; (3) 200 – 2,000; (4) 2,000 – 10,000; (5) > 10,000

\*\*\*\* Province/directly controlled municipality/special administrative region

## Appendix C: Interview Schedule

Case company	No. of interviewees	No. of interviews	Interviewee manager position	Date of interview	Form of interview
CC 1	1	2	ManA: General manager China	18.02.2016	personal, via video conference
				15.06.2016	personal, face-to-face
CC 2	1	1	ManA: General manager China	11.03.2016	personal, via telephone
CC 3	1	1	ManA: Executive Vice President Asia	17.03.2016	personal, via telephone
CC 4	1	1	ManA: General manager China	18.03.2016	personal, via telephone
CC 5	3	1	ManA: Financial director China	22.03.2016	personal, via telephone
			ManB: Head of administration China		
			ManC: Head of HR China		
CC 6	1	1	ManA: Director Asia Pacific	31.03.2016	personal, via telephone
CC 7	1	1	ManA: Director Greater China	31.03.2016	personal, via telephone
CC 8	1	1	ManA: CEO Regional Headquarter China	05.04.2016	personal, via telephone
CC 9	1	2	ManA: Head of HR China	07.04.2016	personal, via telephone
				13.04.2016	
CC 10	2	3	ManA: Director Asia Pacific	11.04.2016	personal, via telephone
			ManB: Managing Director (plant level)	11.04.2016	personal, via telephone
			ManB: Managing Director (plant level)	14.06.2016	personal, face-to-face

Case company	No. of interviewees	No. of interviews	Interviewee manager position	Date of interview	Form of interview
CC 11	1	1	ManA: Head of Production and Engineering Germany (previously responsible for China operations)	13.04.2016	personal, via telephone
CC 12	1	1	ManA: Owner CEO	18.04.2016	personal, via telephone
CC 13	1	1	ManA: Vice President Global Social and Environmental Affairs	19.04.2016	personal, via telephone
CC 14	1	1	ManA: Executive Vice President China	26.04.2016	personal, via telephone
CC 15	1	1	ManA: CEO Asia	02.05.2016	in writing
CC 16	1	1	ManA: Chief Sustainability Officer	30.05.2016	personal, via telephone
CC 17	1	1	ManA: Director Corporate Responsibility	01.06.2016	personal, via telephone
CC 18	1	1	ManA: General Manager China	13.06.2016	personal, face-to-face
CC 19	1	1	ManA: General Manager China	16.06.2016	personal, face-to-face
CC 20	1	1	ManA: General Manager China	17.06.2016	personal, face-to-face
CC 21	1	1	ManA: General Manager China	17.06.2016	personal, face-to-face
CC 22	1	1	ManA: Owner CEO	17.06.2016	personal, face-to-face
CC 23	1	1	ManA: Vice President China	20.06.2016	personal, via telephone
CC 24	1	1	ManA: Director Finance and Administration	20.06.2016	personal, face-to-face

**Appendix D: Schedule of On-Site Company Visits**

<b>Case Company ID</b>	<b>Location of visit</b>	<b>Date of on-site visit</b>
CC 1	Jiangsu	15.06.2016
CC 10	Jiangsu	14.06.2016
CC 18	Shanghai	13.06.2016
CC 19	Jiangsu	16.06.2016
CC 20	Jiangsu	17.06.2016
CC 21	Jiangsu	17.06.2016
CC 22	Jiangsu	17.06.2016
CC 24	Shanghai	20.06.2016

## **Appendix E: Code Hierarchy**

### **1. The impact of the Chinese context**

#### **1.1 The Chinese state**

##### 1.1.1 The regulative framework

###### 1.1.1.1 Government policy

###### 1.1.1.2 The law

###### 1.1.1.2.1 Stricter legal requirements

###### 1.1.1.2.2 Home vs. host country regulation

###### 1.1.1.2.3 Effects of legal change

##### 1.1.2 Government attitude towards foreign investment

##### 1.1.3 Government authority

###### 1.1.3.1 Pivotal role of government

###### 1.1.3.1.1 Local government

###### 1.1.3.1.1.1 Importance of local government

###### 1.1.3.1.1.2 Central-local relationship

###### 1.1.3.1.1.3 General support of local firms

###### 1.1.3.1.1.4 Support of corporate CR initiatives

###### 1.1.3.1.1.5 Significance of foreign investment

###### 1.1.3.1.1.6 Persons and positions of interest

###### 1.1.3.2 Limits and concerns

###### 1.1.3.2.1 Losing government goodwill

###### 1.1.3.2.2 Addressing sensitive topics

##### 1.1.4 Regulative enforcement

###### 1.1.4.1 Appraisal

###### 1.1.4.1.1 Model plant

###### 1.1.4.1.2 Awards

###### 1.1.4.2 Control

###### 1.1.4.2.1 Channels of enforcement

###### 1.1.4.3 Consequences of misconduct

###### 1.1.4.3.1 Legal consequences

###### 1.1.4.3.2 Political consequences

###### 1.1.4.4 Systematic enforcement deficiencies

###### 1.1.4.4.1 “Deliberate” deficiencies

###### 1.1.4.4.1.1 Corruption

###### 1.1.4.4.1.1.1 “Effectiveness” of corruption

###### 1.1.4.4.1.1.2 Effects of corruption

- 1.1.4.4.1.2 Balancing economic and socio-ecological objectives
- 1.1.4.4.1.3 Central-local conflicts of interest
- 1.1.4.4.2 “Inherent” deficiencies
  - 1.1.4.4.2.1 Size of the country
  - 1.1.4.4.2.2 Lack of government competence and capacity
  - 1.1.4.4.2.3 Lack of societal pressure
  - 1.1.4.4.2.4 Unrealistic regulative objectives
- 1.1.4.4.3 Flexible enforcement
  - 1.1.4.4.3.1 Double standard
    - 1.1.4.4.3.1.1 Distinction based on nationality
    - 1.1.4.4.3.1.2 Distinction based on ownership
    - 1.1.4.4.3.1.3 Distinction based on CR topic
    - 1.1.4.4.3.1.4 Distinction based on location
    - 1.1.4.4.3.1.5 Distinction based on reputation and relationships
    - 1.1.4.4.3.1.6 Distinction based on industry

## **1.2 The Chinese non-governmental environment**

- 1.2.1 NGOs
  - 1.2.1.1 Impact on corporate activity
    - 1.2.1.1.1 Government control
- 1.2.2 Labour unions
  - 1.2.2.1 Impact on corporate activity
    - 1.2.2.1.1 Activities at the firm-level
    - 1.2.2.1.2 Union-government relationship
      - 1.2.2.1.2.1 Employee representation
    - 1.2.2.1.3 The effect of government relationships
- 1.2.3 The media
  - 1.2.3.1 Relevance of media
    - 1.2.3.1.1 Government control

## **1.3 Chinese society**

- 1.3.1 Awareness of CR issues
  - 1.3.1.1 Generational change
- 1.3.2 Social activism
  - 1.3.2.1 Activism towards firms
    - 1.3.2.1.1 Being personally affected
  - 1.3.2.2 Activism towards government
    - 1.3.2.2.1 Transfer of responsibility

- 1.3.3 Culture and mindset
  - 1.3.3.1 Individual responsibility
  - 1.3.3.2 Passivity
  - 1.3.3.3 Authority and the role of the state
- 1.3.4 Societal attitudes towards foreign firms
  - 1.3.4.1 Drivers
    - 1.3.4.1.1 Scepticism
    - 1.3.4.1.2 Positive image

#### **1.4 Local stakeholders**

- 1.4.1 Workforce
  - 1.4.1.1 CR understanding
  - 1.4.1.2 Mindset and behaviour
    - 1.4.1.2.1 Passivity
    - 1.4.1.2.2 Flexibility
    - 1.4.1.2.3 Generational change
  - 1.4.1.3 Expectations
    - 1.4.1.3.1 General expectations
      - 1.4.1.3.1.1 Monetary expectations
      - 1.4.1.3.1.2 Non-monetary expectations
    - 1.4.1.3.2 Expectations towards foreign firms
      - 1.4.1.3.2.1 Monetary expectations
      - 1.4.1.3.2.2 Non-monetary expectations
  - 1.4.1.4 Labour market
    - 1.4.1.4.1 Shortage and fluctuation
    - 1.4.1.4.2 Qualification
- 1.4.2 Local firms and competitors
  - 1.4.2.1 The competitive landscape
    - 1.4.2.1.1 Technological and quality standards
  - 1.4.2.2 The CR landscape
- 1.4.3 Local customers
  - 1.4.3.1 Explicit CR requirements
    - 1.4.3.1.1 CR certification
      - 1.4.3.1.1.1 International certification
      - 1.4.3.1.1.2 Domestic certification
    - 1.4.3.1.2 Auditing
  - 1.4.3.2 Implicit CR requirements



- 1.4.3.2.1 Efficiency
- 1.4.3.2.2 Technological and quality standards

## **1.5 The economic context**

- 1.5.1 Economic development
  - 1.5.1.1 Growing competition
  - 1.5.1.2 Economic cool down
  - 1.5.1.3 Rising costs
  - 1.5.1.4 Technological upgrading
  - 1.5.1.5 Market potential
    - 1.5.1.5.1 Market for eco-friendly products
- 1.5.2 Institutional distance
  - 1.5.2.1 Cultural and linguistic foreignness
  - 1.5.2.2 Perpetual change

## **2. ECC reactions to the Chinese context**

### **2.1 Institutional avoidance**

- 2.1.1 National avoidance
  - 2.1.1.1 Forms of national avoidance
    - 2.1.1.1.1 Relocate to home country
    - 2.1.1.1.2 Relocate to other foreign market
    - 2.1.1.1.3 Relocate to less developed market
  - 2.1.1.2 Rationales of national avoidance
    - 2.1.1.2.1 Inferiority of standards
      - 2.1.1.2.1.1 Market potential
      - 2.1.1.2.1.2 Alternative location choices within China
      - 2.1.1.2.1.3 Firm-level compensation for inferiority
    - 2.1.1.2.2 Excessiveness of standards
      - 2.1.1.2.2.1 Market potential
      - 2.1.1.2.2.2 Benefits of high-level standards
        - 2.1.1.2.2.2.1 Value-based reasoning
        - 2.1.1.2.2.2.2 Economic reasoning
    - 2.1.1.2.3 Economic impairment
      - 2.1.1.2.3.1 Secondary effects
        - 2.1.1.2.3.1.1 Costs
        - 2.1.1.2.3.1.2 Insufficient government support
        - 2.1.1.2.3.1.3 Regulative uncertainty
        - 2.1.1.2.3.1.4 Regulative discrimination

## 2.1.2 Local avoidance

### 2.1.2.1 Forms of local avoidance

#### 2.1.2.1.1 Going west

#### 2.1.2.1.2 Avoid metropolitan areas

### 2.1.2.2 Rationales

#### 2.1.2.2.1 Inferiority of standards

##### 2.1.2.2.1.1 Corporate values, policies and directives

##### 2.1.2.2.1.2 Quality and technology

##### 2.1.2.2.1.3 Operational standards

#### 2.1.2.2.2 Excessiveness of standards

##### 2.1.2.2.2.1 Benefits of high-level standards

###### 2.1.2.2.2.1.1 Value-based reasoning

###### 2.1.2.2.2.1.2 Economic reasoning

#### 2.1.2.2.3 Economic impairment

##### 2.1.2.2.3.1 Secondary contribution

###### 2.1.2.2.3.1.1 Costs

###### 2.1.2.2.3.1.2 Insufficient government support

###### 2.1.2.2.3.1.3 Regulative uncertainty

###### 2.1.2.2.3.1.4 Regulative discrimination

## 2.2 Institutional adaptation

### 2.2.1 Regulative adaptation

#### 2.2.1.1 Rationales

##### 2.2.1.1.1 Explicit compulsion

###### 2.2.1.1.1.1 Government cooperation

###### 2.2.1.1.1.2 Benign penalties

##### 2.2.1.1.2 Implicit compulsion

###### 2.2.1.1.2.1 Unpredictable government reaction

###### 2.2.1.1.2.2 Regulative interference

##### 2.2.1.1.3 Economic gain

###### 2.2.1.1.3.1 Government support

###### 2.2.1.1.3.2 Reputation

###### 2.2.1.1.3.3 Orientation

##### 2.2.1.1.4 Commitment

###### 2.2.1.1.4.1 Corporate values, policies and directives

###### 2.2.1.1.4.2 Managerial values and beliefs

### 2.2.2 Standards-based adaptation

- 2.2.2.1 Rationales
  - 2.2.2.1.1 Non-governmental legitimacy
    - 2.2.2.1.1.1 Domestic NGOs
      - 2.2.2.1.1.1.1 Lack of pressure
    - 2.2.2.1.1.2 International NGOs
  - 2.2.2.1.2 Economic gain
    - 2.2.2.1.2.1 ECC-specific customers
    - 2.2.2.1.2.2 Reputation
    - 2.2.2.1.2.3 Superior stakeholder expectations
  - 2.2.2.1.3 Commitment
    - 2.2.2.1.3.1 Corporate values, policies and directives
- 2.2.3 Behavioural adaptation
  - 2.2.3.1 Inferior behavioural benchmark
    - 2.2.3.1.1 Rationales
      - 2.2.3.1.1.1 Economic gain
        - 2.2.3.1.1.1.1 Special government scrutiny
        - 2.2.3.1.1.1.2 Corporate values, policies and directives
        - 2.2.3.1.1.1.3 Superior stakeholder expectations
  - 2.2.3.2 Superior behavioural benchmarks
    - 2.2.3.2.1 Rationales
      - 2.2.3.2.1.1 Economic gain
        - 2.2.3.2.1.1.1 Quality and technological upgrade
        - 2.2.3.2.1.1.2 Operational benefits
        - 2.2.3.2.1.1.3 Superior stakeholder expectations
      - 2.2.3.2.1.2 Social legitimacy
        - 2.2.3.2.1.2.1 Being part of local society
        - 2.2.3.2.1.2.2 Superior stakeholder expectations
      - 2.2.3.2.1.3 Commitment
        - 2.2.3.2.1.3.1 Localization
          - 2.2.3.2.1.3.1.1 Operational benefits
          - 2.2.3.2.1.3.1.2 Sense of belonging
        - 2.2.3.2.1.3.2 Corporate values, policies and directives
        - 2.2.3.2.1.3.3 Managerial values and beliefs
        - 2.2.3.2.1.3.4 Cultural imprint

## **2.3 Institutional co-evolution**

### 2.3.1 Individual co-evolution

#### 2.3.1.1 Channels

##### 2.3.1.1.1 Individual lobbying

###### 2.3.1.1.1.1 Means

###### 2.3.1.1.1.1.1 Direct communication with government

###### 2.3.1.1.1.2 Objectives

###### 2.3.1.1.1.2.1 Secure government assistance

###### 2.3.1.1.1.2.2 Bottom-up consultation

###### 2.3.1.1.1.3 Prospects

###### 2.3.1.1.1.3.1 ECCs' individual political influence

##### 2.3.1.1.2 Supply chains

###### 2.3.1.1.2.1 Means

###### 2.3.1.1.2.1.1 Supplier qualification requirements

###### 2.3.1.1.2.1.1.1 Explicit certification demands

###### 2.3.1.1.2.1.1.2 Implicit attention to performance

###### 2.3.1.1.2.1.2 Cooperation with suppliers

###### 2.3.1.1.2.1.2.1 Auditing and Control

###### 2.3.1.1.2.1.2.2 Self-governance approaches

###### 2.3.1.1.2.2 Objectives

###### 2.3.1.1.2.2.1 Secure quality and technological standards

###### 2.3.1.1.2.2.2 Operational consistency

###### 2.3.1.1.2.2.3 Transmit corporate values, policies and directives

###### 2.3.1.1.2.3 Prospects

###### 2.3.1.1.2.3.1 Limits of control

###### 2.3.1.1.2.3.2 Empowerment

##### 2.3.1.1.3 Internal measures

###### 2.3.1.1.3.1 Means

###### 2.3.1.1.3.1.1 Training and education of workforce

###### 2.3.1.1.3.1.1.1 Training

###### 2.3.1.1.3.1.1.2 On-the-job coaching

###### 2.3.1.1.3.2 Objectives

###### 2.3.1.1.3.2.1 Secure operational standards

###### 2.3.1.1.3.2.2 Secure product standards

###### 2.3.1.1.3.2.3 Transmit corporate values and policies

###### 2.3.1.1.3.3 Prospects

###### 2.3.1.1.3.3.1 Social spill-over

- 2.3.1.1.3.3.2 Limitations of customary conduct
- 2.3.1.1.4 Benchmark setting
  - 2.3.1.1.4.1 Means
    - 2.3.1.1.4.1.1 Products and technologies
      - 2.3.1.1.4.1.1.1 Eco-friendly products
    - 2.3.1.1.4.1.2 Processes and approaches
  - 2.3.1.1.4.2 Prospects
    - 2.3.1.1.4.2.1 Peer imitation
    - 2.3.1.1.4.2.2 Social spill-over
    - 2.3.1.1.4.2.3 Regulative impulse
- 2.3.1.2 Rationales
  - 2.3.1.2.1 Induce inferior benchmarks
    - 2.3.1.2.1.1 Corporate values, policies and directives
    - 2.3.1.2.1.2 Managerial values and beliefs
    - 2.3.1.2.1.3 Reputation
    - 2.3.1.2.1.4 Quality and technological upgrade
    - 2.3.1.2.1.5 Operational benefits
  - 2.3.1.2.2 Induce superior benchmarks
    - 2.3.1.2.2.1 Quality and technological upgrade
    - 2.3.1.2.2.2 Drive direction of economic change
    - 2.3.1.2.2.3 Corporate values, policies and directives
    - 2.3.1.2.2.4 Localization
    - 2.3.1.2.2.5 Managerial values and beliefs
    - 2.3.1.2.2.6 Operational benefits
  - 2.3.1.2.3 Induce international benchmarks
    - 2.3.1.2.3.1 Organizational consistency
  - 2.3.1.2.4 Create an even playing field
    - 2.3.1.2.4.1 Reduce enforcement deficiencies
      - 2.3.1.2.4.1.1 Reduce competitive disadvantage
        - 2.3.1.2.4.1.1.1 Reduce regulative discrimination
      - 2.3.1.2.4.1.2 Mitigate environmental and social predicament
- 2.3.2 Collective co-evolution
  - 2.3.2.1 Channels
    - 2.3.2.1.1 Collective lobbying
      - 2.3.2.1.1.1 Means
        - 2.3.2.1.1.1.1 Local ECC business associations
        - 2.3.2.1.1.1.2 Chambers of commerce

- 2.3.2.1.1.1.3 Consulting councils
- 2.3.2.1.1.1.4 Trade associations
- 2.3.2.1.1.2 Objectives
  - 2.3.2.1.1.2.1 Raise problems and concerns
  - 2.3.2.1.1.2.2 Request government support
  - 2.3.2.1.1.2.3 Bottom-up consultation and knowledge transfer
- 2.3.2.1.1.3 Prospects
  - 2.3.2.1.1.3.1 ECCs' collective political influence
  - 2.3.2.1.1.3.2 Adhere to political rules of the game
    - 2.3.2.1.1.3.2.1 Low pressure
    - 2.3.2.1.1.3.2.2 Accept government authority
    - 2.3.2.1.1.3.2.3 Respect political boundaries
  - 2.3.2.1.1.3.3 Administrative limitations
- 2.3.2.1.2 Inter-organizational exchange
  - 2.3.2.1.2.1 Means
    - 2.3.2.1.2.1.1 Local ECC associations
    - 2.3.2.1.2.1.2 Chambers of commerce
    - 2.3.2.1.2.1.3 Trade associations
    - 2.3.2.1.2.1.4 Joint programmes and initiatives
  - 2.3.2.1.2.2 Objectives
    - 2.3.2.1.2.2.1 Share problems and concerns
    - 2.3.2.1.2.2.2 Exchange best practices
      - 2.3.2.1.2.2.2.1 Among ECC peers
      - 2.3.2.1.2.2.2.2 With non-ECC peers
      - 2.3.2.1.2.2.2.3 With experts
    - 2.3.2.1.2.2.3 Disseminate CR knowledge and practice
  - 2.3.2.1.2.3 Prospects
    - 2.3.2.1.2.3.1 Industry spill-over
    - 2.3.2.1.2.3.2 Lack of understanding among peers
- 2.3.2.1.3 Knowledge transfer to society
  - 2.3.2.1.3.1 Means
    - 2.3.2.1.3.1.1 Publicly available documents and reports
    - 2.3.2.1.3.1.2 Educational initiatives
  - 2.3.2.1.3.2 Objectives
    - 2.3.2.1.3.2.1 Enhance CR awareness
    - 2.3.2.1.3.2.2 Create an advantageous operational context
  - 2.3.2.1.3.3 Prospects

- 2.3.2.1.3.3.1 ECC image
    - 2.3.2.1.3.3.2 ECC expertise
  - 2.3.2.1.4 Benchmark setting
    - 2.3.2.1.4.1 Means
      - 2.3.2.1.4.1.1 Joint programmes and initiatives
    - 2.3.2.1.4.2 Objectives
      - 2.3.2.1.4.2.1 Enhance awareness
      - 2.3.2.1.4.2.2 Reputation
    - 2.3.2.1.4.3 Prospects
      - 2.3.2.1.4.3.1 Peer imitation
      - 2.3.2.1.4.3.2 Social spill-over
      - 2.3.2.1.4.3.3 Regulative impulse
      - 2.3.2.1.4.3.4 Lack of social comprehension
      - 2.3.2.1.4.3.5 Political boundaries
- 2.3.2.2 Rationales
  - 2.3.2.2.1 Induce inferior benchmarks
    - 2.3.2.2.1.1 Corporate values, policies and directives
    - 2.3.2.2.1.2 Managerial values and beliefs
    - 2.3.2.2.1.3 Reputation
    - 2.3.2.2.1.4 Quality and technological upgrade
    - 2.3.2.2.1.5 Operational benefits
  - 2.3.2.2.2 Induce superior benchmarks
    - 2.3.2.2.2.1 Quality and technological upgrade
    - 2.3.2.2.2.2 Drive direction of economic change
    - 2.3.2.2.2.3 Corporate values, policies and directives
    - 2.3.2.2.2.4 Localization
    - 2.3.2.2.2.5 Managerial values and beliefs
    - 2.3.2.2.2.6 Operational benefits
  - 2.3.2.2.3 Induce international benchmarks
    - 2.3.2.2.3.1 Organizational consistency
  - 2.3.2.2.4 Create an even playing field
    - 2.3.2.2.4.1 Reduce enforcement deficiencies
      - 2.3.2.2.4.1.1 Reduce competitive disadvantage
        - 2.3.2.2.4.1.1.1 Reduce regulative discrimination
      - 2.3.2.2.4.1.2 Mitigate environmental and social predicament

# Curriculum Vitae

## Sarah Maria Blickle

Date and place of birth: September 05, 1985 in Balingen, Germany  
Nationality: German, French

### Education

---

02/2013 – present      **PhD in Management, Focus: International Business**  
University of St. Gallen (HSG)  
St. Gallen, Switzerland

09/2011 – 09/2012      **Master of Science (MSc) in China & Globalization**  
King's College, University of London  
London, United Kingdom

10/2006 – 07/2010      **Bachelor of Science (BSc) in International Business  
Administration and East Asian Studies**  
Eberhard Karls University Tübingen  
Tübingen, Germany

**Semester Abroad**  
Peking University  
Beijing, China

09/1996 – 07/2005      **Abitur**  
Allgemeines Gymnasium  
Balingen, Germany

### Professional Experience

---

09/2013 – present      **Blickle Räder + Rollen GmbH u. Co. KG (part time)**  
Rosenfeld, Germany

09/2012 – 06/2013      **University of St. Gallen (HSG), Asia Research Centre**  
St. Gallen, Switzerland

08/2010 – 05/2011      **German Chamber of Commerce in China**  
Shanghai, China

03/2009 – 06/2009      **Liebherr AG**  
Beijing, China

05/2006 – 07/2006      **Blickle Räder + Rollen GmbH u. Co. KG**  
Rosenfeld, Germany

### Other

---

10/2005 – 04/2006      **Voluntary Service**  
Kindernothilfe e.V.  
La Paz, Bolivia

### Languages

---

German, French, English, Spanish, Chinese