

An Alternative Conceptualisation of Corporate Social Responsibility

- A Comparison of SME in China and UK

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Abstract: Various differences in CSR practices in different countries have captured the attentions of media, academic researchers and business practitioners. However knowledge for causing such divergence in CSR practices remains limited. This paper discusses the definition of CSR from the ethical and stakeholder perspectives under a conceptual framework of three influential dimensions of CSR: Society, Organisation and People. This three-dimension framework has restructured the Carroll's theory of four CSR components and repositioned relevant stakeholder groups according to their spheres of influence, providing an alternative viewing angle to conceptualise relevant issues about corporate social responsibility from an integrative perspective. It also highlighted the interactions of stakeholder groups and interdependency of corporate responsibilities.

This research examines the effects of cultural influence, CSR development pattern and globalization on CSR attitudes and performance. Through survey and secondary data collection, it compares the attitudes towards and actual motivation of CSR practice to examine the extent to which SMEs in two contrasting countries, UK and China, react differently to corporate social responsibility.

The empirical data reveals that Chinese SMEs focus more on CSR dimension of Society while British SMEs emphasize more on CSR dimension of People. It is also found that CSR development within domestic boundary exerted varied influences on CSR attitudes and performances significantly. Meanwhile, the globalisation factor affects the two other factors, culture and CSR development pattern, and indirectly influenced the attitudes and practices of CSR at less significant level. In addition, the results indicate the sharp differences, estimated by Hofstede, in certain cultural dimensions between UK and China might not be valid.

Keyword: CSR Practice SME Development Culture Globalisation

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1. Chapter One Introduction

Illustrated by the historical background and the present situation, the importance of CSR has been well observed by business practitioners and academic researchers. This thesis has carefully scrutinised many recently published CSR literatures in the leading management journals, since CSR has become an increasingly salient feature of business and its environment (Lockett et al., 2006). The definition of CSR has been discussed from the ethical and stakeholder perspectives under an alternative conceptual framework of three integrative dimensions of CSR:

- **Society**
- **Organisation**
- **People**

This three-dimensional framework restructured Carroll's theory (1979) of four CSR components and repositioned relevant stakeholder groups according to their spheres of influence. This thesis has then discerned the motivations for CSR practices and further developed the understanding of the concept of CSR from normative, instrumental and financial perspectives under such framework.

This study probes into the corporate social responsibility (CSR) practice in two contrasting countries, UK and China to examine the causes that resulted in different levels of various CSR practices. The statistics data sets from reputable sources and questionnaire results from a survey in both countries demonstrated the different levels of CSR attitudes and practices in two different countries. And they have provided fertile ground for this research to explore the proposed effects of culture, development pattern and globalisation on CSR. The thesis then examines the data and interprets the results with quantitative analysis methods. So it could formulate a framework for small and medium sized enterprises (SME) to implement CSR practices on a rational, practical, economic and ethical basis.

This chapter provides an introduction to the thesis. It contains an overview of research background and then is expanded upon discussion of research motivation and framework. This chapter goes on to describe the specific research questions

designed to address the key research areas. Lastly, it discusses the structure of the thesis as the broad approach to research.

1.1 Research Background

1.1.1 The past

In the 1800s, corporate social responsibility had little meaning for entrepreneurs in Britain. Certain concepts and issues such as friendly societies, poor relief, Quakers, along with child labour and welfare state, had been well recognized in public discussion, business practice and policy-making processes two centuries ago, especially in the “Hungry Forties” (Johnson and Nicholas, 1995; Boot, 1999). Encouraged by utilitarianism, many mill owners and managers in Britain held poor opinions of their workers, regarding them as replaceable part of their factories and often taking the view that the kind of conditions they complained of were not more than they deserved. The first half of the nineteenth century witnessed development without social responsibilities neglected by both society and entrepreneurs. Many publications at the time had clearly described the scenes of misery endured by the working class in Britain. For example, Engels’s (1845) *Condition of the Working Class in England* had put the focus on the infamous slums of some major British cities. Illustrated in Engels’s book, the economic and technological developments brought forward by industrialisation, combined with the greed of pursuing profits at all costs, had driven factory owners to reduce production costs further, by either prolonging working hours or replacing male workers with female and juvenile workers, who were relatively cheaper.

Nevertheless, gradually some employers began to think that immoral and ill-management policies and practices might work against their own best interests by means of high turnover rate and employee sabotage. Thus, they started to follow what was deemed acceptable, and recommended by moral practitioners like the Cadburys of Birmingham or the Huntleys and Palmers of Reading (Windsor, 1980). Clean and healthy working conditions with improved work relations between

entrepreneurs and workers would lead to efficient and profitable production with improved performance. Friendly societies also worked as intermediate means to introduce mutualism into the work place, and emphasized the common interests between capital and labour (Gorsky, 1998; Cordery, 2002).

1.1.2 The Present

Since the 1950s, the idea of corporate social responsibility (CSR) has been raised in western economies, and many scholars such as Friedman (1962) and Carroll (1991) have been searching for a better understanding and a clear definition of it. Although the concerns regarding CSR were initially imposed on domestic producers and local issues, with the development of globalisation and expansion of business undertaken by transnational corporations (TNC), more and more consumers expressed their concerns about the manufacture of products abroad.

In fact, the last few decades have witnessed several industrial disasters and controversial conduct both in developed and developing countries. In the 1970s and early 1980s, Nestle S.A. was criticised for its controversial promotion of infant formula in less-developed countries (LDCs) in Africa and then was boycotted in the American market (Baker, 1985). On December 3, 1984, the Bhopal Tragedy in India became the worst ever recorded industrial accident when Union Carbide emitted a 20 km² toxic methyl isocyanate (MIC) gas cloud around Bhopal, which killed over 3800 local inhabitants within few days and left more than fifty thousand injured, according to the Centre for Rehabilitation Studies (CRS) (Crabb, 2004). Other environmental catastrophes like the Exxon Valdez disaster, and ill-conduct such as waste dumping in Asia and Africa have been brought to the world's attention. In 1992, the Washington Post exposed Levi-Strauss's guarded sweatshop of Chinese forced labour making jeans on the Island of Saipan (Swoboda, 1992) and, in 1996, the American broadcaster CBS reported on Nike's Vietnamese sweatshops, manufacturing its famous products (CBS, 1996). It has also been revealed that Primark's garment workers in Bangladesh and Tesco's in India make less than a living wage and are subject to precarious working conditions (OneWorld, 2008).

Moreover, the tainted milk scandal in September 2009 has sparked global concerns about Chinese food imports and product recalls in numerous countries of Chinese made milk-related products (MaCartney, 2008). Most recent cases in the spotlight are the repeated employee suicides at Foxconn in Shenzhen, China (Moore, 2010) and the dramatic Deepwater Horizon oil spill in the Gulf of Mexico, by BP.

These tragedies clearly illustrate the urgency of maintaining corporate social responsibility to achieve the sustainable development of society, and of companies themselves. These environmental disaster and sweatshop conditions have led to a societal concern about business conduct and its effects on the surrounding environment which is at an all-time high.

With a view to addressing those concerns and raising self-awareness, large multinational enterprises (MNEs), industrialized nations, and international organisations have established considerable labour or environmental standards, such as ISO14001 and SA8000, to enhance the domestic or international CSR practices in their lines.

1.1.3 SMEs

Over the last couple of decades, small and medium-sized enterprises (SMEs) have become more important, both numerically and economically. Not only are most enterprises in the world small, but they also account for a significant amount of employment and economic activity. Statistics indicate that SMEs make up over 90 per cent of businesses worldwide and account for between 50 and 60 per cent of employment (UNIDO, 2002). For example, in 2003 there were more than 19 million enterprises in the European Union, providing jobs for almost 140 million people. Therefore, SMEs constitute 99.8% of all business in the EU, responsible for 66% of total employment and half of the total added value in the EU (Observatory of European SMEs, 2003).

SMEs also have become one of most vital drivers of economic development in China, and account for 99% of the total amount of registered companies, more than 60% of total gross output and around 40% of total tax income. They also provide

more than 75% of employment opportunities and have formed the major part, around 60%, of Chinese exporters, manufacturing most of China's export products (SDPC, 2005).

On the other hand, small and medium sized enterprises have actually born much of the cost of CSR practices due to market demands, basically through subcontracting relationships, or the strategic choice to obtain certain competitive advantages in comparison to competitors (Observatory of European SMEs, 2002). Large businesses have generally transferred the burden of their corporate responsibilities to their suppliers, subcontractors or distributors by requiring fulfilment of certain standards or codes of conduct.

In recent years at least 200 of the foreign companies purchasing in China have requested factory inspections before placing their orders, which include wages, medical insurance and labour protection. In fact, noncompliance with CSR standards established by ISO, SAI¹ or large TNCs may impede a small firm's chances of entering the global marketplace. Statistics indicate that more than 120,000 Chinese manufacturing firms have received CSR inspections or audits from their clients and some of them have lost their qualifications as suppliers due to poor CSR practices, or failing to meet SA8000 standard (Tang, 2004).

Therefore, many SMEs in developing countries fear that they may not be able to meet the operating and monitoring costs of the social and environmental requirements of global buyers and supply chains without losing their competitive edge in international markets. They are also aware that if they do not meet these requirements in a cost effective way, they will not be in a position to access new foreign markets or large international buyers which stipulate their own codes of corporate ethics, in addition to the usual cost and quality requirements. In fact, in the light of the ever more integrated world economy and business and prevailing concerns over the environment and labour, SMEs, as well as their large counterparts, are all encouraged to perform socially and responsibly to maintain their sustainable

¹ Social Accountability International (SAI) is best known for SA8000 – its comprehensive and flexible system for managing ethical workplace conditions throughout global supply chains.

development.

1.2 Research Motivation

History has demonstrated the adverse effects of corporate unawareness of the importance of social responsibility. Entering the twentieth century, along with the gradually improved economic conditions and enforcement of environment and labour protection laws, business practitioners have increasingly recognized the need to perform responsibly or ethically, thus seeking guidelines and good examples of this particular aspect in business world. Though classic economists thought CSR a mere means of self-advertisement, social-economists recognized it as a fruitful instrument in resolving social problems and improving the productivity and competitiveness of a business (Ma, 2000; Ning, 2000; Xia, 2001; Zhu and Guo, 2004). Nevertheless, it still remains unclear how CSR should be practiced, and this puzzles many scholars, managers and authorities.

In contrast to their counterparts in developed countries, firms in developing countries cannot always rely on multiple supportive structures, such as access to information, high educational levels of employees, voluntary networks and governmental subsidies, to enhance their CSR practices. And while some large firms in developed countries may improve their CSR performance with less difficulty, due to those supportive instruments, small firms in developing countries face extremely harsh conditions which seem to exclude the possibilities of enhancing their corporate social performance (Jenkins, 2004). As a matter of fact, some small businesses seek to carry out unethical or even illegal, operations to maximum their profits, at the cost of the deterioration of the natural environment, the interests of consumers and workers and the credit and reputation of their own companies. Along with the promotion of CSR practices in transnational firms, these companies have increasingly become the focus of consumer groups seeking to reinforce the idea of CSR.

Moreover, according to several authors, research on CSR from an SME perspective is significantly different from studies based on CSR practices in large enterprises

(Tilley, 2000; Jenkins, 2004); while most current research has been carried out based on the experiences of large companies, or conducted from their perspective. SMEs are subject to certain distinctive and intrinsic characteristics, such as being managed by owner and time/cash limited, which differentiate them from their larger counterparts; therefore affecting the contents, the nature and the extent of the SMEs' CSR activities.

Unfortunately, very little is known of the attitudes and activities of SMEs regarding CSR involvement, especially in comparison to their large scale counterparts, or from an international/European comparative perspective (Observatory of European SMEs 2002). Research indicates that limited information has been gathered and little research and discussion have been carried out regarding the implementation of CSR practices in SMEs, which is considered as lack of sufficient resources to carry out CSR practices.

In light of the increasingly more integrated world economy and business, and prevailing concerns over the environment and labour, the enforcement of relevant laws and regulations would drive SMEs to operate with more social responsibility concerns than before (SDRC, 2005). Furthermore, from the perspective of SMEs, the development of suitable CSR practices would help them to secure loyalty from customers as well as employees, and achieve sustainable development. As a result, socially responsible SMEs would create or maintain their comparative advantages against domestic rivals and overseas counterparts.

Considering the above, a study to investigate the causes behind different CSR practices among SMEs in different countries has become quite necessary and urgent. It is apparent that most current CSR research has been done from the perspective of large corporations (Fischer and Groeneveld, 1976) and the usefulness and applicability of those findings are limited for SMEs. Thus, the aim of this present study is to identify and examine the characteristics of CSR practices; and develop and test the effects of influencing factors on CSR performance, especially in SMEs. However, this research is neither about exploring whether large firms have better CSR performance than small ones, nor is it about probing the superiority of British

companies versus Chinese companies in CSR practices or profiles. Only after recognising the factors and understanding the reasons influencing different conducts among SMEs in different countries, could rational, practical, economic and ethical CSR implementation guidelines be suggested for concerned SME owners, their CSR practitioners and government officials to improve overall CSR performance in SMEs.

1.3 Research Framework

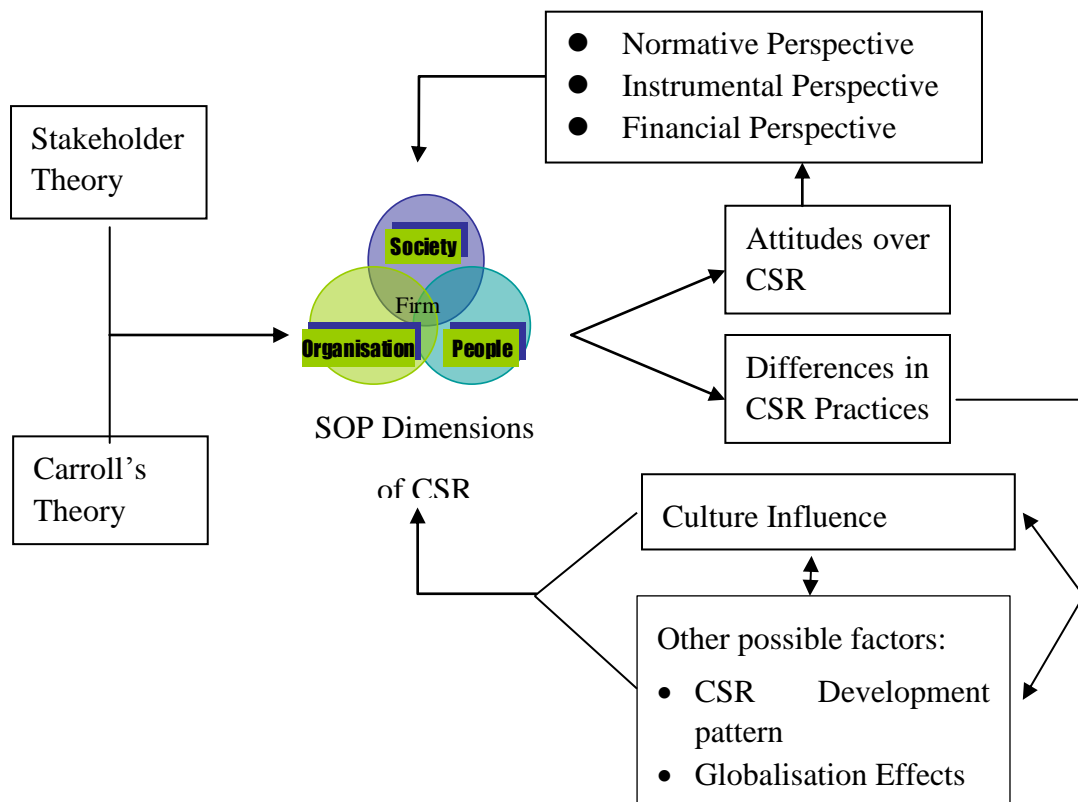


Figure 1.1 Theoretical Research Framework

Source: Author

After tracing the historical roots of the CSR concept from ancient times to the modern day, the Carroll and stakeholder theories are identified as most important conceptual frameworks in contemporary conceptualisation of CSR. Accordingly, this study suggests the concept of corporate social responsibility should cover three influential dimensions: Society, Organisation, and People. The proposed Society-Organisation-People (SOP) framework indicates that corporate social responsibility

would describe how to maintain the relationship between the firm and its different stakeholder groups: Society at macro-level, Organisation at meso-level and People at micro-level. Also, it also implies that corporate social responsibility could be regarded as the aggregation of responsibilities under all three dimensions, which is consistent with Carroll's four components of CSR.

In terms of attitude, the most important reason for firms to perform with social responsibility is that it should protect the interests of the relevant stakeholder groups in the three dimensions mentioned above, so as to realize sustainable development, from the normative perspective. Therefore the firm should maximise shareholders' profits along with promoting the society and stakeholders' interests simultaneously, in order to exchange for its legitimacy indicated by implicit social contract. The instrumental stakeholder theory also suggests that CSR could help companies to effectively manage the stakeholder relationships so as to sustain their competitive advantages. In addition, a "virtuous circle" between corporate social performance and corporate financial performance would persuade these companies to undertake CSR practices, which strengthens the normative foundation of, and instrumental arguments, for CSR concepts.

In practice, the possible explanations for differences in CSR performances in different countries are also related with proposed three dimensions of CSR.

Cultural dissimilarities have influenced the attitudes of various stakeholder groups and their ethical ideologies in different countries, thus creating different expectations about the priorities of CSR practices and leading firms to have different CSR focuses respectively.

Other factors, such as CSR development pattern and globalisation effects, may also have the similar influence on CSR. The rising ethical concerns from different stakeholder dimensions successively create a similar development path for CSR performance level in developed and developing countries. The effects of globalisation have further initiated the interactions between stakeholder groups, stimulated the progress of CSR development and affected the convergence of cultures across national boundaries.

Taking into account that this research will focus mainly on the comparison of CSR performance among SMEs in different countries, certain types of organisation theory, such as agency theory and stewardship theory, might be less relevant to this study. In most cases, SMEs are owned and managed by the same person or the same group of people, which means there is little chance that agency issues will become primary problems, as they can be in large firms and public limited companies. Agency theory and stewardship theory, though providing contradicting prescriptions to the influence of managers on a firm's performance from different perspective, are very relevant to agency issues, thus becoming less relevant in the context of SME corporate governance. However, those theories are still pertinent to a certain degree in some scenarios, depending on the particular effects of theoretical predictions and also the interactions of different factors from two theories.

To sum up, from concept to practice, stakeholder theory and Carroll's theory both imply that a firm should cover not only the economic responsibility required by its shareholders and fulfilled by the management, but also the legal responsibility requested from the dimension of Society, as well as the ethical responsibility expected by the relevant stakeholder groups in the dimension of People. Therefore, both theories will be used in this research as an integrative theoretical framework to understand the present CSR practices in different countries, which will be discussed in detail in the next chapter.

1.4 Research Questions

The specific research questions that were developed in order to achieve the aims of research were listed as follows:

- Why do small firms' attitudes and practices vary between different countries regarding relevant CSR issues?
 - Is the CSR performance of firms from oriental countries different from those from western countries due to cultural effects?
 - Would other factors, namely, CSR development pattern and globalisation, also influence the attitudes towards and performance of CSR practices

among SMEs?

- ◆ Do firms in the developing world act in a different way from firms in the developed nations on relevant CSR issues because of different stages of development?
- ◆ Do companies with more international business relations have higher CSR performance levels compared to companies with more domestic business relations, owing to globalisation?
- If CSR practice were implemented, would other factors also influence the performance of CSR practices among SMEs?
- Could the proposed SOP framework be applied in other comparison studies?

1.5 Key Research Areas

This study will focus mainly on the two following research areas and explore the research questions presented above according to the research framework.

First of all, the influence of cultural differences in CSR practice is the main research target, questionnaires will be sent to managers in participating SMEs in UK and China. In this survey, Hofstede's (1994) cultural typology could help to understand differences in national culture, while attitudes of managers and actual practices of SMEs on CSR issues would reveal the significant impacts of those five cultural values on corporate social responsibility.

Then, the effects of two other factors on CSR are another important research targets. The proposed CSR development pattern will be examined to see if different countries would take similar action against unethical and illegal behaviours in different times. Historical data in two countries, such as minimum wage levels, mining accidents and fatality rates, and SO₂ and CO emissions, will be gathered from national statistics bureaus to analyse the changes over time in different countries. These changes will then be compared to each other to identify whether there is similar pattern of development on issues of CSR. This study will also endeavour to find out what effects globalisation has on CSR practices among SMEs, through correlation analyses of international involvement and corporate social

attitude, awareness and performance.

1.6 Structure of Thesis

The first chapter is an introduction, which outlines the thesis in terms of its philosophical theoretical framework, exhibits the key research areas and provides an overview of the thesis. Chapter Two reviews literature on corporate social responsibility, with reference to stakeholder theory and Carroll's theory, and introduce three influential dimensions of CSR. The attitudes over CSR and differences in practice are also discussed in this chapter. Chapter Three then tries to identify the contextual factors that have impacts on CSR practices. The development of CSR in SME is discussed and certain suitable CSR approaches for SMEs are suggested in this chapter to help SME incorporate CSR practices into daily operations and reach feasible targets.

After introducing the research paradigm and design of this study in Chapter Four, the purpose of this study, research questions and hypotheses are illustrated afterwards. Then a suitable research strategy and data collection method are adopted to test the hypotheses proposed, as well as the quantitative data analysis approach to measure different context factors with firms' CSR attitudes, awareness and performance. In addition, some problems in the research process are predicted, and solutions offered. A detailed explanation of the data collection process is included in the latter part of this chapter.

Obtained data and materials from first- and second-hand sources, the results are presented in following two chapters for detailed analysis of the effects of culture and other possible factors, i.e. development pattern and globalisation. In the fifth chapter, the cultural influences on attitudes and practices of CSR are discussed and the relevant results obtained from questionnaire are analysed by SPSS to validate the proposed hypotheses. The sixth chapter demonstrates both the similarities and dissimilarities of CSR development in the UK and China to reveal whether there is a similar CSR development pattern over time. It also outlines the effects of globalisation on firms' CSR attitudes and practices and further validates the

influences of former two factors.

The conclusion drew from results are explored in Chapter Seven to verify the proposed hypotheses, thus validating the new theoretical framework by valid arguments and sound logic relations. In the final chapter, the academic contributions of this research to promoting CSR knowledge and practices are described. Several ad hoc recommendations in accordance with the research results and implications are also made for both policy-makers and entrepreneurs. The limitations of this research will also be discussed to pave the way for future studies.

2. Chapter Two Literature Reviews of CSR

Corporate social responsibility (CSR) has been a controversial subject that continues to attract considerable debate, commentary, theory building and research for many decades now. Ever since the debate over CSR began, vast array of supporters and critics have been articulated numerous arguments for and against the concept of CSR. This chapter describes how the research questions were explored through the literature by investigating key areas of conceptual work. The discussion is presented in four sections.

While the debate on the role of CSR in business is vital to understand the relationship between the firm and its surrounding environment, this chapter contributes to it by tracing the historical roots of the concept from ancient times to the modern day. It will also discuss the contemporary conceptualisation of CSR in recent decades and some important conceptual frameworks and criticism against CSR in the first section.

Considering various definitions and frameworks of corporate social responsibility summarised in previous section, the second section discusses the concept of CSR from two most prominent theoretical perspectives: Carroll's and stakeholder theories. Accordingly, the Society-Organisation-People theoretical framework is brought forward by the researcher to provide an alternative viewing angle to approach relevant CSR issues from an integrative perspective.

Then the following section explores pertinent theories to analyse the motivation for undertaking CSR practices from normative, instrumental and financial perspectives based on the proposed SOP framework. In the final section, key theories of CSR emerged from literature review are summarised and key findings are addressed in accordance with the research framework.

2.1 Historical Background of CSR

In order to understand the impact of CSR on business and motivations behind CSR practices, it is necessary to comprehend the conceptual development of CSR theories

and practices to see the whole picture of biography of the CSR concept. But, there are far too few studies concentrating on the comprehensive history of CSR in depth, comparing to the discourses on CSR concepts and practices. Most of researchers on CSR only spare few paragraphs when referring to the history of CSR and the referred researches usually start from mid-1950s, though the roots of CSR certainly extend before World War 2 (Carroll and Shabana, 2010). Asongu (2007) also contends that CSR shares the same long history as the business itself, despite the fact that the concept of CSR was formally formulated in the mid of last century and still remained vague. The CSR concept evolved over time, gradually arose from personal ethical ideas to some set of managerial policies, from a range of individual philanthropic practices of business owners to certain institutional movements of global level; while the discussion on CSR also moved from normative social and ethical perspective to instrumental organisational-level focusing on business process and performance.

In view of the on-going evolving concept and lacks of universal agreements on boundary and contents of CSR practices, this research will divide the evolving history of CSR into two broad spectrums, before 1950s and from 1950s to present, on a decade-by-decade basis. The turning point is set in accordance with the emergence of contemporary concepts initiated by Bowen's discussion on CSR in his seminal book in 1953 and the fact of limited debate and discourse about CSR by academic and practitioners before 1950s (Crane et al., 2008).

Among previous studies on the history of CSR, Carroll's study on 1999 provided a most comprehensive review on core academic CSR literatures since 1950s while de Bakker et al. (2005) offered a bibliometric analysis of CSR/CSP concepts in the past 30 years and identified certain most influential academic articles in this field. Other researchers like Dahlsrud (2006), Thomas and Nowark (2006), Asongu (2007), Crowther (2008), Spector (2008), Moura-Leite and Padgett (2011) have also presented interesting and useful insights on content analysis and historical development of CSR. This research will use the same chronological structure proposed by Carroll (1999) and followed by Thomas and Nowark (2006), Asongu (2007) and Moura-Leite and Padgett (2011), because it offers a clear map to

understand this evolving conceptualisation of CSR through decades. Considering many authors have made important contributions to the CSR literatures, only whose articles are most prestigious and frequently cited will be discussed in this literature review.

2.1.1 Background on Historical Perspectives

As indicated above, the early concept of CSR, which appears as the social and environmental concerns about business operations and individual ethical and philanthropic practices, came forth at the same period of emergence of trade or business in the ancient societies around the world. These thoughts and practices are involved in various areas of environment sustainability, community participation, management malpractice, consumer protection, labour condition, laws enforcement and so on, which are also concerned and contended by contemporary academics and business practitioners.

For example, the research paper from Peattie (2007) shows the commercial logging operation and laws to protect forest can both be traced back almost 5000 years. It has well indicated that the early concept of environment protection had emerged at a very early stage and the balance between the economic development and the sustainability of the nature have attracted the attention of ancient society, though these practices might not set environmental protection as their primary purposes.

Similarly, the African hunter in the Southern Cameroons or farmers in Eastern Nigeria usually bring part of their catch or harvest to the community because traditional African societies expected business to contribute benefits for the whole society (Asongu, 2007). And ancient Chinese businessmen were encouraged to donate their personal wealth to charitable activities like building bridges cross rivers or offering free congee to victims of natural calamities, as requested by the doctrines of Confucianism on Justice and Profit (Wu, 2007). Therefore, businesses around the world were stimulated by social norms or cultivated by national traditions of surrounding societies to participate in the community involvements to justify their social legitimacies.

In contrast to these benevolent activities undertaken by respectful business, some businesses were also accountable for negative externalities resulted by their business operations when they were pursuing profits at all costs. For example, the ancient Roman senators blamed massive tax evasion for the failure to fund military campaigns (Peattie, 2007) and Heather (2011) suggested the diminishing tax base contributed, more or less, to the fall of the Roman Empire. Almost identically, the last emperor of Ming Dynasty in China during 1627-1644 had to repeatedly levy extra land taxes on impoverished peasantry to finance military campaigns against barbarian tribes (Huang, 2001) after failing to collect sufficient commodity tax, one of major tax revenues for ancient Chinese governments. Just as one expected, the increasing tax burden on peasants had triggered and fuelled the furious peasant revolt and led to the fall of Ming Dynasty to the rebels.

The adverse effects of reckless pursuit of profits has been worsened by the expanding business scale in the era of industrial revolution, echoing with increasing public concerns over environment pollutions (Solomon and Thomson, 2009), horrible working condition (Engel, 1845), massive employment of child labour (Basu, 1999), despicable sweatshops (Black, 1907), poor quality of consumer products (Floud et al., 1990) and various other social and economic problems. During this period, many firms were more concerned about economic returns for their shareholders or owners, and gave little attention to actual or possible negative impacts of their activities towards external environment. And sometime the business owners themselves may fall victim to the wealth maximisation mind-set and have to suffer the bitter results of such indifference. For example, the disgruntled shareholders of Dutch East India Company scattered the pamphlets complaining the malpractices and “self-enrichment” of management (Peattie, 2007).

To minimise the negative influences and social unrest business malpractices brought with, governments had legislated various laws and regulations to remind the business the explicit and implicit social contracts they are bounded with wider environment. King Hammurabi of Ancient Mesopotamia is known for introducing professional codes and severe punishments for serious violations to builders, innkeepers or

farmers in around 1700BC (Peattie, 2007). Factory Act has been established in the UK in 1833 to restrict the working hour of juvenile labour (Basu, 1999) and facilitate the process of eliminating child labour at a later stage.

On the other hand, the business had also begun to be aware of the strengthening influence of society and more and more established stringent law and regulations intolerant of unethical behaviours. Thus, the business guilds in ancient Chinese society formed comprehensive self-enforced codes of conducts and regulations to maintain their competitiveness and avoid interferences from feudal governments (Sun, 2004). This form of voluntary self-regulations, such as code of conducts, had been widely adopted at present by firms to demonstrate their concerns over social responsibilities and form good practices in corporate governance.

In addition to the abovementioned relations between the business and its surrounding secular society, CSR had been deemed as a very Christian concept. And the relationship between religious beliefs and CSR or business ethics are usually validated on the basis of Christianity and samples are compared among Protestant (Clark and Dawson 1996; Arslan 2000), Catholic (Conroy and Emerson 2004), and Evangelic followers (Kennedy and Lawton 1998). However, the native CSR concepts of making profit in an ethical way or giving back to society also have shared many common grounds with the religious ideas both in western and oriental countries. The churches or temples have been served as shelters for the poor and underprivileged for many centuries and remained to be even to the 21st century, while religious and spiritual leaders like Pope Benedict XVI and late Paul II have continued to address the social need for sustainable development and explicitly advocated the idea of corporate responsibility (The Economist, 2011).

The etymological definition of “company” also suggests it is derived from two Latin words, cum and panis, which mean breaking bread together (Micklethwait and Wooldridge, 2003), and implies the corporations’ inherent social connotations. Meanwhile the early forms of commercial corporations are usually chartered by the royal governments. It indicates the emphasis of responsibilities they have to the societies within which they are based and operated. It conforms to the beliefs in

social contract for granting charters to corporations in exchange for the promotion of the public benefits, and also referring to the artificial entity doctrine. Similarly, the corporation, evolved from its origins in Roman law to today's multinational enterprises, has gone through four stages of transformations, while the boundary of native CSR practice has expands accordingly, along with the development of industrial revolution (Avi-Yonah, 2005). With industrialisation, the impact of business on society and environment reached an entirely new height. However, due to lack of comprehensive theoretic guidance and formal governmental regulations, the early CSR practitioners are usually spotted involving spontaneously with philanthropic activities or ethical treatments to labour force, often backed by their native thoughts of social contract or influenced by their religious beliefs. And corporate paternalism and philanthropic ventures have been seen by some advocates to mitigate the negative externalities of capitalism in the late 19th and early 20th centuries (Asongu, 2007), though economic concerns over no direct benefits for shareholders resulting from managers' decisions, have also been raised by some academics and jurists of that time who objected such operational behaviours under the aggregate theory (Avi-Yonah, 2005).

2.1.2 Contemporary Conceptualisations of CSR

Although this research has set the dividing point of CSR development at 1950s as the publication of Bowen's famous CSR seminar book, it should be noted that as early as the 1920s discussions about the social responsibilities of business had evolved into what could be recognised as the beginnings of the contemporary CSR movement. In 1929, the dean of Harvard Business School, Wallace B. Donham addressed to audience at North Western University over the social roles of business in civil society. He commented that the responsibilities of business are not just to enterprise but also to the society in which it operated (Peattie, 2007), which indicates early normative thinking about social responsibility the business should assume. His immediate successor, Dean Donald K. David had further advocated the expanded social responsibility for business to defend the collapsed capitalism after the Great

Depression in his speech to incoming MBA Class at Harvard Business School in 1946. David asserted that CSR could be used as means of remedy for free-market capitalism against the phantom menace of Soviet Communism and business leadership in social involvement is critical to the success, even the survival, of “our American way of life” as a capitalist society (Spector, 2008).

1950s

In the 1950s, there was scant discussion on CSR, until Howard Bowen (1953) defined CSR in his seminar book, *Social Responsibilities of the Businessman*, as an obligation for businessmen to make decisions, pursue policies, or act according to objectives and values of society. Bowen suggested firms are vital centres of power and their activities impact various aspects of surrounding society, so the firm should assume relevant social obligations accordingly. Bowen’s normative approach to business social responsibilities and his seminar work marked the beginning of formal writing in this field and significantly influenced many theorists on the subject (Suria, 2008; Carroll and Shabana, 2010), thus Carroll (1999) described him as the “Father of Corporate Social Responsibility”.

Peter Drucker also addressed the CSR issues in his 1954 book, *The Practice of Management*, and included public responsibility as one of the eight key areas of business objectives. In line with Bowen, Drucker asserted that business should make profits while considering promoting the public good and advancing the basic beliefs of American society. He believed that, from a normative standpoint, the firm must set its objectives in public responsibility according to prevailing political and social conditions (Thomas and Nowak, 2006).

However, Professor Theodore Levitt (1958) opposed the Bowen’s new idea on CSR, raised warnings about “the dangers of social responsibilities” and thought they will detract the business’ attentions from profit making that was primary objective for business. And there were barely a few discussions to link CSR with business benefits (Moura-Leite and Padgett, 2011).

1960s

In spite of Levitt's warnings, the term "corporate social responsibility" came to common use in 1960s. Along with important social movements of 1960s including civil right, feminism, consumerism and environment protections, CSR grew in popularity and developed into an important stage of formalisation of the concept (Carroll, 1999; Carroll and Shabana, 2010). Thus the foundation for CSR was being developed by its quickly changing social environment, shifting from previous indifferent to social issues to dramatically sensitive to social welfare. Consequently, the relevant academic literatures on CSR expanded significantly during the 1960s and tended to tackle the question of what CSR actually meant and its implications in business world.

Carroll suggested the most prominent academic CSR advocates during that time were Keith Davis, who made significant contributions to the crude definitions of CSR and advanced the CSR studies in both normative and financial perspectives. Keith Davis (1960, p70 in Carroll, 1999) firstly defined the CSR as "businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest". He further argued that the firm's social responsibilities should be proportionate with its social power, as the now-famous "Iron Law of Responsibility". In 1967, he revisited his normative concept and added that the firms should consider the level of impact of their operations on the whole social system because of mutual dependence between the firm and society (Carroll, 1999; Moura-Leite and Padgett, 2011). Meanwhile, Davis also stressed that some socially responsible business activities can be justified by the possibilities of bringing long-run economic gains to the firm as reward of acting socially responsibly (Carroll, 1999; Thomas and Nowak, 2006). And this argument became commonly acknowledged in the 1970s and 1980s when the CSR discourse focused on the correlations between corporate social performance and financial performance.

Joseph W. McGuire is another major author that contributed to the conceptual development of CSR. In his book *Business and Society* (1963), he insisted that the firm must act "justly" and assume certain responsibilities to society beyond its

economic and legal obligations. McGuire's definition is, to some extent, more precise than Davis' one because he explicitly posited three main obligations the firm should assumed as economic, legal and social responsibilities. Such three-dimensional CSR definition inspired many thinkers in this field, such as Carroll to develop their own conceptualisations of corporate social responsibility accordingly. In addition, William C. Frederick, another profound CSR advocator, argued that the firm should look beyond its narrow economic interests and assume broad responsibilities to society (Frederick, 1960 in Carroll and Shabana, 2010). And Clarence C. Walton (1967 in Carroll, 1999) emphasized the degree of voluntarism as opposed to coercion as key character of CSR in his book *Corporate Social Responsibilities*, after addressed many facts of CSR. But he also suggested that it is impossible to directly gauge the economic returns for socially responsible activities. Therefore, social responsibilities at that time are defined from normative perspective, driven by ethical beliefs (Frederick, 2008), echoing the changing social consciousness and recognition of social welfare (Murphy, 1978), rather than motivated by financial incentives to boost performance (Lee, 2008). Consequently, the then criticism of CSR mostly focused on the same normative perspective, begins with the classical economic argument articulated by the late Milton Friedman (1962). He contended that the only responsibility for business is to maximise the profits and responsibilities to alleviate externalities and tackle social problems should fall upon government under free market system. His case against CSR is consistent with Levitt's (1958) previous warning about the danger of CSR to defend the classic view of laissez-faire capitalism or free market system. And it found an echo in Hayek's fear of diluting business' primary purpose of profit-making into social fields that are unrelated with their proper aim (Hayek, 1969 in Carroll and Shabana, 2010).

1970s

The overall positive voices advocating the social responsibility movement had proliferated from the 1960s into early 1970s. One of the landmark conceptualisation of CSR was described by the US Committee for Economic Development (CED) in

its 1971 publication *Social Responsibilities of Business Corporations* (CED, 1971 in Carroll, 1999). The CED recognised the social contract between business and society, though always changing, and requested business to assume broader responsibilities to society than just offering goods and services.

The CED also elaborated a three-concentric-circle approach to social responsibility: the inner circle includes clear-cut responsibilities of economic functions like products and goods; the intermediate circle embraces previous circle with a broader sensitive awareness of social values and priorities, such as environmental protection while the outer circle encompasses first two circles with “newly emerging and still amorphous responsibilities” (CED, 1971 p. 15 in Carroll, 1999) like poverty tackling to improve the overall social environment. This three-circle CED definition is somewhat analogous to McGuire’s three obligations (1963) with slightly different perceptual boundaries for economic, legal and social responsibilities as inner, intermediate and outer circles. But, it somewhat reflects business practitioners’ view of social responsibilities in response to the changing social environments.

Meanwhile Davis discussed the case for and against social responsibilities from business perspective and redefined CSR as “firm’s consideration of and response to issues beyond the narrow economic, technical and legal requirements” (Davis, 1973 p312 in Carroll, 1999). To him, social responsibility is part of overall requirements the firm needs to fulfil and only fulfilled after previous obligations were met.

Followed McGuire’s definition and referred to CED and Davis conceptual frameworks, Archie B. Carroll offered early version of his most famous four-part definition of CSR in 1979, embedded in his conceptual model of corporate social performance. He suggested that the social responsibility of the firm consists of the economic, legal, ethical and discretionary expectations that society wants the firm to fulfil at a given time (Carroll, 1979). This research will use his definition as part of theoretical framework of this study, thus Carroll’s theory will be elaborated later.

Besides the expanded discussion on the CSR definition in 1960s, the corporate social performance gradually became the focus of discourses after the era of CSR awareness in the previous decade.

S. Prakash Sethi (1975) introduced a new definition of CSR, focusing on its voluntary nature, which was also stressed by Manne (1972) as one of three elements of any CSR definition. He claimed that CSR consists of social obligations, social responsibilities and social responsiveness. Social obligations are economic and legal requirements for the firm to achieve and social responsibilities imply “prevailing social norms, values and expectations of performance” that the firm should comply with. The third stage, social responsiveness, indicates the adaptation of business activities to emerging social needs.

In addition to four-part CSR definition, Carroll (1979) proposed the three-dimensional integrative conceptual model of corporate social performance (CSP) which integrated many previous definitions of CSR in the literature. He stated that the firm engaged in CSP needs to have basic definition of CSR, social issues need to be dealt with and corresponding responsive measures.

In 1978, Frederick also described the variances between corporate social responsibility (CSR1) and corporate social responsiveness (CSR2) as differentiated emphasises on normative and financial perspectives correspondingly. So the mid-1970s saw the rising academic and policy interests over corporate social performance (CSP), which endeavour to reconcile the importance of both CSR1 and CSR2 (Carroll and Shabana, 2010), and such emphases on CSP and economic returns have also stimulated the emergence of measures attempting to evaluate the performances of CSR policies and practices.

1980s

The 1960s and 70s saw the body of CSR literature expands and the 1980s produced fewer new definitions of the concept (Carroll, 1999). The prominent development in CSR literature was made by Thomas M. Jones (1980) in his discussion of CSR concept, as he insisted that CSR should be seen as a process rather than a set of outcomes because of vagueness in conceptualisation. With emphasis on voluntarism, his proposal has gradually shifted the research focus from the concept to the performance and towards more empirical validation of previous definitions or models.

Extensive empirical researches were carried out aiming to link CSP with corporate financial performance (CFP) to provide business cases for or against CSR. An excellent example of growing concerns in relationship between corporate social performance and financial performance is the empirical study undertaken by Philip Cochran and Robert Wood (1984). It supports the Peter Drucker's (1984) suggestions that CSR could improve financial profitability after converting its social responsibilities into business opportunities. But the insignificant (Abbott and Monsen, 1979) or negative relationships (Vance, 1975) between CSP and CFP found by other researchers are usually interpreted by CSR critics as the inexperience of business to handle social activities with high cost irrelevant to major operational targets.

In 1985, Aupperle et al has also examined the relationship between CSR and profitability and validated Carroll's (1979) four-part definitional construct of CSR through opinions from executives. Furthermore, Steven Wartick and Philip Cochran (1985) extend Carroll's three-dimensional CSP model of corporate social responsibility, corporate social responsiveness and social issues into a framework of principles, process and policies. They argued that CSR should be regarded as a principle; social responsiveness should be thought of as a process while social issues should be treated as policies. And this CSP model has been further extended by Wood (1991), when she revisited and discussed all previous CSR models.

In addition to profound empirical studies, there are thematic infusions of alternative themes like marketing, ethics and stakeholder theory into the CSR writings in the 1980s. Frederick (2008) suggested it is the stage of corporate/business ethics (CSR3) to foster ethical corporate culture. In 1987, the World Commission on Environment and Development (WCED) proposed the early definition of sustainable development and linked the sustainable development with economic growth, which echoes Cochran and Wood's (1984) findings.

Another prominent development in terms of CSR was the emergence of stakeholder theory, which induced extensive debates over interests of social groups beyond stockholders. Although Johnson (1971) presented his definition of CSR with the hint

of stakeholder approach when he referred interests of specific social group should be taken into account rather than stockholder only, it is Edward Freeman's (1984) landmark book, *Strategic Management: A Stakeholder Approach*, marked the beginning of discourses around stakeholders. Freeman recognised the importance of ethics in business decision making process and identified social groups to whom the firm should be responsible. From the perspective of stakeholders, the economic returns, social norms and ethical beliefs could be integrated under the same umbrella, since they reflect interests of different types of stakeholder groups the firm should look after simultaneously. The stakeholder theory has then become an important paradigm of CSR and knowledge of CSR from stakeholder approach has been further advanced by many academics in the 1990s, such as Donaldson and Preston (1995), Clarkson (1995), Jones (1995) and Mitchell et al. (1997).

1990s

The trend of empirical validations of CSP with CFP continued in the 1990s, while many refined theories emerged to provide new theoretical arguments for CSR policies and practices. In the meantime, the concept of CSR has become well perceived and promoted by all social groups from governments and business organisations to consumer and NGOs. And many international organisations, e.g. the United Nations, the International Labour Organisation, the OECD, have shown their full supports and set forth relevant guidelines or code of conducts to institutionalise such movement (Waddock and Graves, 2004).

One of the major contributions to the CSR/CSP was made by Donna J. Wood in 1991 (Carroll, 1999; Thomas and Nowak, 2006) when she revisited the CSP model that was proposed by Carroll in 1979 and extended by Wartick and Cochran in 1985. Wood reformulated Wartick and Cochran's principles, processes and policies into three basic principles. The first category is the CSR principles, which she identified how Carroll's four-part dimensions of CSR (economic, legal, ethic and philanthropic) related with social legitimacy (institutional level), public responsibility (organisation level) and managerial discretion (individual level). She then identified three main types of processes undertaken by business to implement their CSR principles as

environmental management, stakeholder management and issues management. And she reorganised Wartick and Cochran's policies and Carroll's social issues into a new topic: outcomes of corporate behaviour. Wood's CSP model is much more comprehensive than the earlier version of Carroll (1979) and Wartick and Cochran (1985) and puts explicit emphasis on the corporate social performance after she placed CSR into a broader context (Carroll, 1999).

In the meantime, Carroll (1991) revisited his CSR definition and proposed that CSR consists of economic, legal, ethical and philanthropic responsibilities all together in a pyramid shape. In the same paper, he also tried to link the stakeholder concept with CSR orientation and activities. In 2003, Carroll and Schwartz had further developed a three-domain Venn-diagram model of CSR, consisting of economic, legal and ethical responsibilities to avoid mis-conceptualisation of previous pyramid structure of CSR.

In respect of stakeholder approach, Donaldson and Preston (1995) discerned descriptive, instrumental and normative aspects of stakeholder theory and stressed the moral and ethical dimensions of CSR, as well as the business case for engaging in CSR practices. Jones (1995) has further extended to construct the "instrumental stakeholder theory" when he linked stakeholder model of CSR with classical economic theories and concluded that high level of mutual trust and cooperativeness between the firm and stakeholder groups can bring in significant competitive advantages. Clarkson (1995) has also offered a new way to handle the requirements from stakeholder groups with proper classifying criteria. Accordingly, Mitchell et al. (1997) defined the principles of stakeholder identification to find out who and what should really count. The advance in stakeholder theory will be elaborated later as well, as it formed another half of the theoretical framework of this study.

CSR in the 21st Century

The 1990s and 2000s had witnessed the similar concepts of or parallel expressions to CSR have simultaneously developed at a good pace, along with the development of CSR studies focused more and more on instrumental relationship between CSP and CFP.

Corporate Citizenship (CC) is more preferred by business practitioners than CSR while Corporate Social Performance (CSP) probes into moral, managerial and sociological issues and its applications and Corporate Social Responsiveness (CSR2) focuses on corporate reactions towards CSR concerns. In fact, these concepts have concurrently co-existed in the way like “an evolutionary tree with multiple branches” instead of a single evolutionary path (Fredrick 1995; Waddock 2004). Thus, Maignan (1999) defined corporate citizenship as “the extent to which businesses meet the economic, legal, ethical, and discretionary responsibilities placed on them by their various stakeholders”, based on Carroll’s (1979, 1991) CSR concept. Similarly, Matten et al. (2003, 2005) delineated three different perspectives on corporate citizenship. The conventional view of CC consists of the limited view that equates CC with philanthropic conduct and the equivalent view that equates CC with CSR, while the extended view goes beyond the voluntary form of CSR behaviours which implies “a necessary reconceptualization of business-society relations” (Matten et al., 2003: 115).

With the development of globalisation, discussions on CSR had also expanded from US-dominated discourse to an international phenomenon. Academics like Maignan in the Netherlands (2002), Perrini in Italy (2004), Newson in Australia (2002), Crowther in the UK (2008), and Aras in Turkey (2008) have applied the CSR theories into their own countries, as well as undertaking cross-country comparisons of national perceptions and practices of CSR.

However, some critics still suspect the motivation and feasibility of CSR. Bostock (2005) raised his doubts of CSR as a banner for left-wing politics and claimed it will weaken the institution of free-market capitalism. Others tried to seek the proof of the negative relationship between corporate social performance and financial performance (McWilliams and Siegel, 2006). In view of these opposing concerns and arguments, greater part of CSR research and empirical studies examined relevant issues from the perspective of corporation, and put too much emphasis on instrumental benefits rather than intrinsic value of CSR practices.

Meanwhile, the news headlines are occupied by the scandals of large corporation like Enron and WorldCom at the beginning of new century and subprime mortgage crisis in the late 2000s, which stirred up a nest of hornets in global financial market after Lehman Brothers and Bear Stearns filed for bankruptcy (Carroll, 2009). Consequently, CSR or its parallel concepts have become a dominant theme employed by business society to publicise close affinity with wider societal groups, legitimise their business activities and humanise its corporate or brand images among the public.

And the institutional movement of CSR promoted by domestic and international NGOs has brought new sets of rules or guidelines to regulate corporate behaviours. In response to such huge expectations, businesses also established self-regulative or voluntary code of conducts to incorporate CSR into their business strategies and boost corporate legitimacies. But, some bias still exist that the firm tends to assume some less costly and potentially profitable responsibilities while ignoring other more costly and urgent ones, as criticised by Lee (2008).

To sum up, the contemporary concept of CSR rooted in early individual philanthropic activities of business owners, along with certain harmful managerial malpractices in the past. Both society and business had legislated laws and regulations and established self-regulating guideline aiming at rectifying the notorious business practices in response to the adverse effects it brought along.

Although the early theoretical discussion on CSR could be traced back to 1920s, it was Bowen (1953) whose definition of CSR signalled the beginning of formal writing and invoked serious academic debates on this issue. Academic researchers such as Levitt (1958), Davis (1960), Frederick (1960), Friedman (1962), Sethi (1975), Carroll (1979; 1999) and Clarkson (1995) had also significantly contributed to the contemporary conceptualisation of CSR and discourse on its implications, through the confrontations of their thoughts and viewpoints. The progress of academic research and empirical studies on the CSR concept are illustrated in the following flow-chart Figure 2.1.

Contemporary Conceptualisations of CSR



Figure 2.1 Contemporary Conceptualisation of CSR

Source: Author

As the above flow-chart indicates, the idea of CSR was introduced as normative concept and primary focus of discussions in the 1950s and 1960s was on businesses' responsibilities to society with few interests in linking CSR with instrumental or financial benefits.

From the 1970s, more and more empirical CSR studies were undertaken to discern the relationship between the firm's social performance and financial performance. The focus of CSR research has gradually shifted from normative perspective to instrumental perspective and the level of analysis has moved away from broad level (society) to narrow level (organization and individual group) after many academics like Donaldson and Preston (1995) claimed only stakeholder groups the firm should be socially responsible to. The voluntary nature of CSR has also been stressed by many scholars in the meantime.

The idea of CSR became universally acknowledged around the world since the 1990s and it turned out to be an important strategic and institutional issue to many companies, especially to large firms, to enhance their corporate legitimacies in the society. The stakeholder involvement and integration of social and environmental concerns became the major themes of academic debates on CSR. In the 21st century, the concept of CSR and its parallel terms gained more global acknowledgement among academics and business practitioners and empirical studies of relationship between business and society as well as social performance and financial performance were undertaken in specific country settings globally.

2.2 Alternative Conceptualisation of CSR

As indicated in the previous section, since the mid-20th century, many academics have undertaken extensive studies in respect of corporate social responsibility (CSR) regarding its concept, boundaries, contents and practice. One of major problems in CSR studies is the lack of an agreed universal definition of corporate social responsibility as normative basis underpinning CSR practice (Campbell, 2007; Okoye, 2009). Thus, the cases in favour of or against CSR contested by many academics might simply be a result of a different apprehension of the concept and

boundary of CSR. For example, although Friedman (1970), like other neoclassic economists, denied the necessity of the concept of CSR by separating business from society, he still had to admit that business needs to conform to the law and ethical customs while pursuing profit as primary objective. In contrast, these law and ethical norms are usually recognised by most ethics researchers as integrated part of CSR.

Although the attempts to map the landscape of CSR theories and practices have already revealed the complexity, a clear and established CSR definition to consolidate the diverse interpretations, practices and regulatory mechanism would make it easier for business practitioners to deal with relevant CSR issues. In view of the constructs of CSR are slightly different by researchers as shown in Figure 2.1, this study intends to identify key domains of CSR by evaluating major frameworks of CSR. Therefore this research will shed briefly the light on two robust CSR conceptualisation approaches that well-grounded and widely cited in the academic fields, which is validated by De Bakker and Groenewegen's bibliometric analysis in 2005. The first approach is the Carroll's famous four-part definition of CSR that is rooted in the normative beliefs on social contract between the firm and society. Carroll's definition is widely acknowledged and referred to in the CSR and CSP literatures. The concept of social contract will also be examined to provide better understanding of Carroll's CSR theory. The second approach is the stakeholder theory introduced by Freeman (1984) and developed by many scholars, which placed CSR into a comprehensive framework to emphasize the interdependent, interactive and responsive relationship between the firm and surrounding stakeholder groups would maintain and increase the firm's legitimacy and reputations in the public. Then this section will attempt to explore CSR under such an alternative conceptual framework derived from both perspectives.

2.2.1 Carroll's Perspective

From the perspective of Carroll's theory, CSR could be regarded as the aggregation of social, economic and ethical responsibilities under three dimensions of Society, Organisation and People. This construct is consistent with his famous four

components of CSR pyramid (1991) and echoes with the evolved three-domain model of CSR developed by Schwartz and Carroll (2003).

Carroll's Pyramid

One of the first and most famous models of CSR is the Carroll's pyramid (1991), which is the most well acknowledged definition of CSR among academics (Gatewood and Carroll, 1981; Aupperle et al., 1985; Clarke, 1997; Waddock and Graves, 1997). Carroll (1979) first proposed four-part definition of CSR embedded in a conceptual model of corporate social performance (CSP). In this model, He attempted to bring a more accurate definition of CSR than one from McGuire (1963) and delineated four levels of corporate social responsibility: economic, legal, ethical, and philanthropic or discretionary, which constitute social responsibility in total. This multi-dimensional model of CSR has proved among the most widely referenced frameworks since it makes such important principles (Kim et al., 2011).

The first category Carroll (1979) identified is a responsibility that is economic in nature, including providing economic return on investment for owners and shareholders, creating jobs and decent pay for employees, developing new products and service for sustainability and so on. Thus, from this perspective, the firm is regarded as the basic economic unit in society and all its other roles are extended on this principal assumption (Carroll, 1979).

The second part of social responsibility the firm born with is the legal responsibility, which entails expectations of compliance with laws and regulations. In this respect, the firm is expected to pursue its economic target within the framework of legal requirements. Considering the reactive nature of legal regulations, laws have only explicitly circumscribed the limits of tolerable behaviour, but they didn't "legislate morality" (Solomon, 1994).

Therefore, Carroll (1979) emphasized that the first two responsibilities, economic and legal, represent the underpinning of corporate legitimacy without which the corporation would not possibly continue to exist, whilst the latter two responsibilities, ethical and philanthropic, reflect the voluntary/discretionary relationships between the firm and its societal and specific community stakeholders.

The third level Carroll identified is ethical responsibility, which reveals the ethical expectations the public held towards the firm. It expects the firm as being moral, considerate and fair, thus “doing well by doing good” as an old saying goes. The ethical responsibility isn’t as explicit stipulated as the legal responsibility and not necessarily codified as laws and regulations, but nevertheless are expected by societal members or local communities. One of the major disputes against this type of responsibility is its blurry definition and consequent difficulty for business to cope with various expectations from different social groups (Carroll, 1979).

The final type of responsibility is where the firm makes discretionary judgment on philanthropic contributions that might aim at giving something back to society. The roots of this type of responsibility might lie in the belief that business and society are intertwined with implicit social contract, which is the most controversial of all relevant debates on boundary of CSR. And its implications had conflicted with the insistence of liberalism on the economic and profit-making orientation of the firm.

In 1991, Carroll revisited his four-part definition of CSR and depicted these four dimensions of CSR in a pyramid construct as shown in Figure 2.2, in accordance with the expectations from society and the degree of legitimacy on which the corporation relies (Carroll, 1991; Jamali and Mirshak, 2007). In this pyramid, Carroll made the notion of CSR more explicit by suggesting the economic and legal responsibilities are socially “required”, the ethical responsibilities are socially “expected”, and the discretionary/philanthropic responsibilities are socially “desired” (Carroll and Shabana, 2010; Windsor, 2001) and each of these responsibilities comprise a component of total corporate social responsibility.



Figure 2.2 Carroll's Pyramid of CSR

Source: adapted from Carroll (1991):42 Figure 3

Thus, this revisited conceptualisation of CSR pyramid begins with economic responsibilities as foundation while the expectation to business extends legal obligations as codified and explicit social norms. In addition to the conventional economic and legal responsibilities of the firm endorsed by the schools of classic liberalism and neo-liberalism, business are also responsible to honour ethical values, expected by all relevant social stakeholder groups like employees, communities and government. Finally, the firm is desired to make philanthropic contributions with its financial and human resources to the society, especially its surrounding communities. And this philanthropic responsibility is the apex of the social responsibility, in contrast to the basic foundation of economic responsibility (Kim et al., 2011).

Alternative Conceptualisation

However, as the pyramid CSR framework suggests a hierarchical relation of social responsibilities, it might lead to misunderstanding about the priorities of these four responsibilities, which is one of the limitations of this model. One might either argue that the philanthropic responsibilities is the most important as the top of the pyramid, or conclude that the economic responsibility is the most critical as foundation of the pyramid structure. The pyramid structure will also lead to boiled debates over the

supremacy of economic responsibilities, advocated by different schools of neo-liberalism and social liberalism. Even Carroll (1991) have to note that economic and legal responsibilities are fundamental and required while ethical and philanthropic responsibilities are expected or desired in society, which implicitly indicate the different emphasis of corporate social responsibilities.

Therefore, unlike Carroll's pyramid, these components of CSR could also be conceptualized from an alternative perspective in the dimensions of Society, Organisation and People, as illustrated the Venn diagram in Figure 2.3. And this interpretation of CSR is quite similar to three-domain model of CSR developed by Schwartz and Carroll (2003).

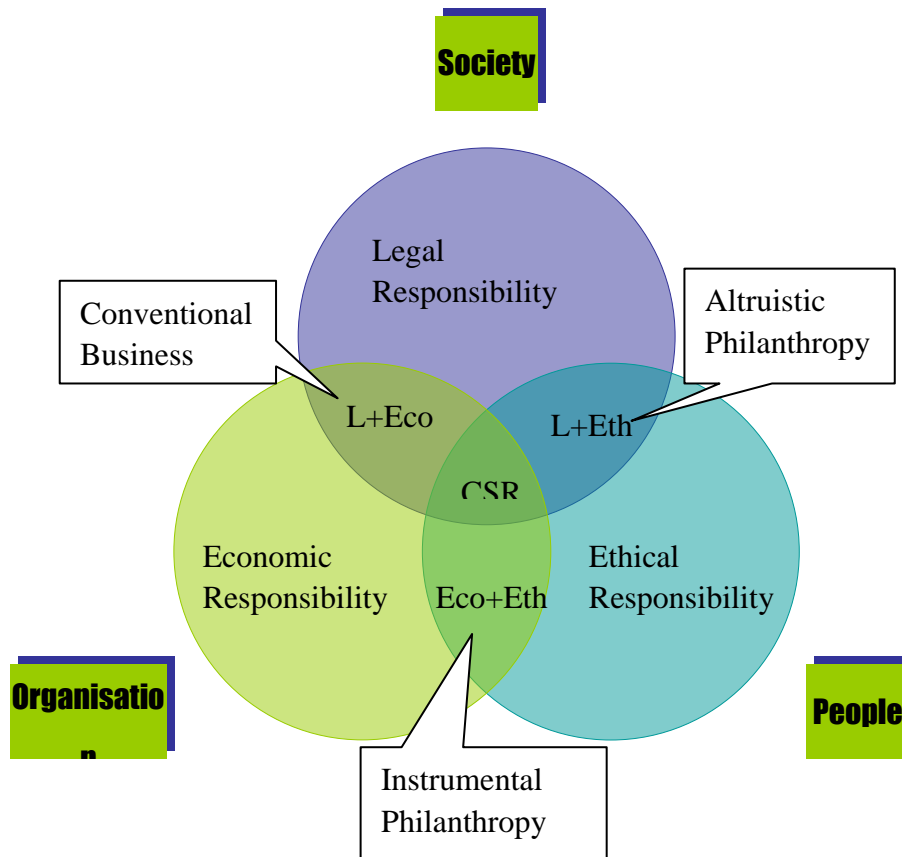


Figure 2.3 Influential Components of CSR

Source: Author

Here, the first three components of CSR occupy each of three overlapping circles in three dimensions accordingly, and the CSR resides in the centre of the overlapping area. Obviously, the organisation itself demands economic returns for its shareholders, as is its economic responsibility, which is fulfilled by the management as their acting agents. However, if the firm entirely motivated by economic returns might be engaged with illegal or unethical operations, such as Sanlu add melamine to milk in order to boost protein content level and Chinese farmers use banned feed additive Paylean to promote leanness in pigs raised for their meat.

Meanwhile the legal responsibility indicates the requirements from the society for the firm to obtain corporate legitimacy with explicit “social contract”. The firm acting mainly in accordance with the legal requirements might or might not have economic benefits, and even suffers certain economic loss, such as mandatory product recalls or warnings displayed on tobacco products to dismay smokers.

The ethical responsibility represents the attitude and requirements of the people for the firm to operate ethically, in accordance with their personal ethics and beliefs. Such deontological activities are carried out because they are measured and applauded to be ethically appropriate, even though they might not be required by laws or bring in any economic returns. The voluntary Tylenol recall by Johnson & Johnson in 1982 in light of possible serious side effects is one of typical examples of firms conforming to ethical responsibilities.

From a normative point of view, CSR lies in the centre of the model and combines all three domains of Society, Organisation and People, as indicated in Figure 2.3 In this category, the operations of the corporation are simultaneously motivated by economic benefits, abided by legal requirements and encouraged by ethical beliefs. Therefore, the definition of CSR rather consists of all three responsibilities and the corporation needs to simultaneously operate economically, legally and ethically so as to fulfil its social responsibilities in full.

The last component of Carroll’s CSR pyramid, philanthropic responsibility, could be considered as the higher level of ethical responsibility. It goes beyond the normal ethical expectation of the people and the community and leads the way in the

development of ethical responsibility and legal regulations. People and communities expect firms to contribute money, time, facilities or employees for ethical or philanthropic purpose, but they would not regard those firms as unethical if they did not provide such support. Moreover, those philanthropic activities carried out by contemporaneous moral entrepreneurs, for example, Cadburys provided their employees appropriate working conditions (Windsor, 1980), are now treated as proper ethical and legal responsibilities for firms to abide by. Therefore, philanthropic responsibility is within the sphere of ethical responsibility, rather than distinctly separated from ethical responsibilities as suggested by Carroll's CSR pyramid.

Reflected in the above Venn diagram in Figure 2.3, the philanthropic responsibility could be then divided into two combinations and relocated in two overlapping areas between dimensions of Society and People and dimensions of Organisation and People respectively. Altruistic philanthropy represents the combination of legal and ethical responsibilities, with a little more emphasis on the latter. And the company undertaking altruistic philanthropy, such as donation to local community or offering extra training opportunities for fellow employees, would usually have few concerns about the direct economic returns of such behaviour. To the contrary, instrumental philanthropy denotes the combination of economic and ethical responsibilities and more emphasis would be placed on the tangible and/or intangible returns of such activities. In reality, many companies like the Body Shop or O2 have carried out either altruistic or instrumental philanthropic conducts, such as campaign against animal testing, donating money to charity or sponsoring sports events, in addition to performing socially responsibly in their daily operations. Meanwhile, most conventional business activities in the world could be classified in the category that conforms to the third overlapping areas between dimensions of Society and Organisation to focus on their economic and legal responsibilities. Such activities like closing down production line and outsourcing manufacturing jobs to the third world countries, where there are lower law enforcements on the protections of

environment, health and safety and employees' rights, are quite vivid and ordinary examples occurring in the developed world.

Carroll's Three Domain Model

Schwartz and Carroll (2003) also proposed a similar three-domain Venn-diagram model of CSR, based on previous pyramid of CSR. This three-domain model consists of three main responsibilities: economic, legal and ethical, while philanthropic responsibility is incorporated into ethical responsibility (Kim et al., 2011; Pahor, 2009). By using similar Venn-diagram framework depicted in Figure 3, the new model represented an equal relation between three responsibilities and emphasise the “overlapping nature” of CSR and mutuality between domains. Schwartz and Carroll (2003) then argued that the central segment where the three domains of CSR are simultaneously overlapped represent the overall aim of CSR, which is similar to the alternative conceptualisation of CSR suggested by SOP framework.

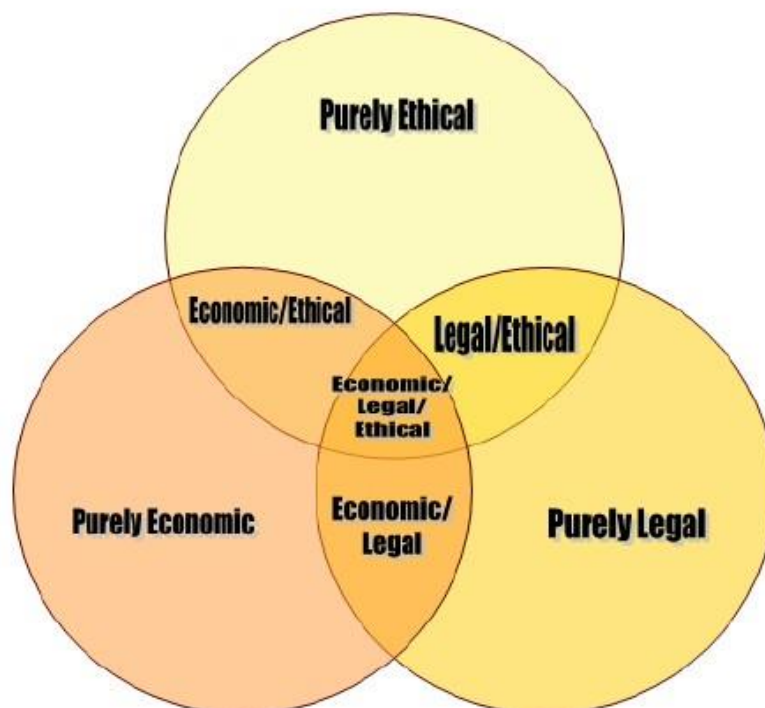


Figure 2.4 the Three Domain Model of Corporate Social Responsibility

Source: adapted from Schwartz & Carroll (2003): p509

Similarly, in this new model, the philanthropic responsibility is also subsumed under ethical and/or economic domains, due to the difficulty in distinguishing the third and fourth levels of CSR pyramid, the ethical and philanthropic responsibilities, and more importantly, different motivations for philanthropic activities (Schwartz & Carroll, 2003).

However, most of previous studies still take the hierarchical perspective of Carroll's theory for granted, as indicated by vast number of citation of his pyramid, and discussed the relationship between economic, legal and ethical responsibilities as hierarchical concepts, as shown by Figure 2.2. In contrast, this SOP framework offered an alternative viewing angle to conceptualise relevant issues about corporate social responsibility from an integrative perspective. The three-dimension framework of CSR is an upgrade of Carroll's pyramid, as developed further from his 2003 three-domains model with more emphases on the social contracts, either explicit or implicit ones, between the firm and its surrounding environments at different level. It eliminates the possible misconceptions of hierarchical structure and reflects the interactions and interdependencies among CSR dimensions.

2.2.2 Social Contract and CSR

As indicated in the previous section, the major dispute between Carroll's CSR theory and Friedman's neo-liberalism lies in the question of whether the firm signed social contract with its surrounding social group to assume relevant economic, legal or ethical responsibilities.

Carroll suggests the firm's operating performances are self-regulated by both explicit and tacit social contracts it signed in exchange for favourable attitudes and economic rights while Friedman contends the economic responsibility as the only bound term the firm agreed with its investors. Apparently, the normative concept and boundary of social contract has provided sound theoretical foundation for Carroll's CSR pyramid, if such social contracts exist, to explain the structure of rights and duties the firm enjoys. Thus, the discussion on social contract theory will lead to better understanding of Carroll's CSR theory.

The origin of Social Contract

Some ancient Greek philosophers had offered early rough concept of social contract in their writings, such as Plato's *Crito* and Epicurus' *Principal Doctrines*. However, it is widely recognized that Thomas Hobbes (1651), John Locke (1689), and Jean-Jacques Rousseau (1762) are the most famous theorists in historical development of social contract theory. Their writings define the most boundaries of contemporary social contract theory, though each person drew quite different and even contradictory conclusions from the same topic.

The "solitary, poor, nasty, brutish and short" lives of individual in the state of nature had led Hobbes advocate absolute monarchy against anarchic society. Meanwhile, Locke argued that government's legitimacy comes from citizens' delegation and it should provide "neutral judge" to protect the welfares of its residents, due to his strong belief in individuals' nature rights.

Rousseau believed collective sovereignty in the name of general will, outlined in his prominent treatise in 1762, the *Social Contract*. In contrast, Proudhon's social contract theory is based on individual sovereignty, maintaining the social contract is established among individuals themselves rather than between individual and the state, espoused by many individualists and anarchists.

In recent decades, Rawls (1971) has proposed a Kantian approach to social contract in his *Theory of Justice*, suggested a hypothetical "original position" to emphasise the notion of fairness in society. Similarly, Gauthier (1986) tried to explain social contract through neo-Hobbesian approach in his book *Morals By Agreement* and indicated moral solution to the challenge of the prisoner's dilemma.

Overall, the social contract is usually described as an intellectual and intangible device intended to explain the appropriate relationship between the firm and its surrounding social groups, such as government and communities. It played an important historical role in the emergence of political idea of justice and egalitarian.

Social Contract and CSR

Though emerged as political theory and key source of democratic belief, social contract has also been presented by many academics, explicitly or tacitly, as a

normative foundation of their attitudes towards and potential explanations on corporate social responsibility (Sacconi, 2006). Facilitated by the concept of social contract, academic researcher could then identify the terms of social agreements between involving stakeholder groups and define the social responsibilities of business.

Considering the poor and nasty state of nature described by Hobbesian scenario, the firms are subject to reciprocal opportunistic behaviour, rendering inefficient transactions and high bargaining costs. They also tend to be less concerned about the negative externalities caused on other affected parties. To address this problem, the involving parties would agree on certain explicit and tacit terms to reduce transaction accost and minimize negative external effects. As Mintzberg (2007) recent suggested in Harvard Business Review, corporations are social institutions. Therefore, the firm functions best when assuming its social responsibilities and cooperating as human beings, while Cohen (2010) maintained trust and self-regulation are less costly for business than external regulations posed by government.

Nevertheless, different social contract traditions of Locke and Rawls had often resulted in different attitudes towards CSR. Locke's advocacy of individual nature rights convinced his followers, many are also advocates of neo-liberalism, only include shareholders as involving parties in the social contract with firm and they are reluctant to acknowledge other social groups into ethical consideration. Thus, it is not surprised to see that Friedman (1970) asserted the only responsibility of the firm is to maximise its shareholder's value.

In contrast, the firm needs to reach explicit and tacit social agreements with more social groups, instead of shareholders only, according to Rawls' approach to social contract. The basic structure of such agreements involves the economic, legal and social institutions, comprising the firm's eco-system of social cooperation (Cohen, 2010). In a similar way, Rawls' approach require the firm, the artificial person, to fulfil its obligations of promoting social justice or contributing to common good as the nature person does within the society, while enjoying its economic rights as the nature person. Such claims also echoed with the social democratic propositions in

the economic context to achieve egalitarian society and attach both permissions and restrictions to the firm.

In addition, Donaldson (1982) has also embraced Locke's legacy of voluntary social agreements into his arguments of contemporary business ethics and draw attentions to the relationship between firm and other social groups. In view of this, numerous code of conduct are set up by various transnational organisations and corporations. And the concept of corporate citizenship highlighting its voluntary nature received much more positive feedbacks from business circles than its competitive term of Corporate Social Responsibilities. Meanwhile Rawls' disciples had argued that it is difficult to see how social justice are pursued through voluntary agreement and casted doubts on the effects of code of conduct as voluntary means to persuade firms to behave social responsible (Marens, 2007). So they are advocating more stringent rules and raise ethical standards to promote social justice in the economic sphere.

The Criticism of Social Contract

Interestingly, the criticism on social contract mostly comes from the libertarians rather than conservatives. The most common "myths" of social contract the critics claimed are focusing on the supposed voluntary participation vs. the coercive enforcement of social contracts between individual and government (Strekal, 2008), as well as the tacit consent of citizens lending the legitimacy to government to form society (Long, 2004).

On the one hand, many libertarians, especially anarchists, criticised that the social agreements of being governed should be voluntary, but government formed based on this consent has exerted coercive force against anyone who does not enter into such a contract, such as taxation or dictatorship. Some like Evers (1977) also maintained that social contract theory is no longer a valid account of the origins of the state and laws, only historically consistent with the contract law of the time of Hobbes, Locke and Rousseau. However, in the economic context, neo-liberalists succeeded Locke's legacy to emphasize the voluntary participation of the firm in social issues. Correspondingly, the self-regulations or codes of conduct rather than governmental bills should be introduced to the firm's daily operations to secure the nature rights of

the artificial person as well. Such assertion is discharged by social libertarians when they pointed out many irresponsible and opportunistic behaviours of the firm in the developing countries where enforcement is loose and punishment is weak. Thus, these libertarians advocated changes in the legal environment as a more appropriate tool to promote social justice in business world (Marens, 2007).

On the other hand, some libertarians (Long, 2004) also worried about the tacit consent of the citizen that legitimize the government might be abused and this kind of social contract open the door for certain degree of self-enslavement, whether it is formed in accordance with the principles of Plato, Hobbes, Locke, Rousseau or Rawls. Such angst had led these anarchists to claim only explicit consent exists in true contract. And it is complimentary to the neo-liberalists like Friedman's allegation that only explicit agreements with shareholder, stipulated in company memorandum or articles of association, should be recognised as firm's responsibility. From this prospective, Friedman's assertion on firm's responsibility can be interpreted as objecting to additional obligations beyond those set in the explicit social contract attached to the firm as restrictions on individual sovereignty and economic efficiency. But the counterarguments from Rawlsian justice approach indicate recognising broader sense of social agreements, which might be implicit with government or other social affected social groups, are critical for its sustainability. The firm's obligation to these implicit social contracts could promote social justice (Rawls, 2001) or relieve negative consequences (Marens, 2007), while a sound and supportive environment would in return offer the firm more opportunities for further developments.

Therefore, from Carroll's perspective and complimented by social contract theory, CSR could be regarded as the aggregation of responsibilities under all three dimensions, consistent with his four components of CSR. These responsibilities are contracted between the firm and its surrounding social groups from Society, Organisation and People dimensions respectively. According to this perception, a firm should fulfil all three responsibilities simultaneously instead of fulfilling its economic and legal responsibilities first.

2.2.3 *Stakeholder Perspective*

From the stakeholder perspective, CSR describes how to maintain the relationship between the firm and its stakeholders, society at macro level and people at micro level.

It is widely recognised that the initial academic concept and model of stakeholder was introduced to management theory by Freeman in 1984 and such theme had well developed into one of all-inclusive managerial concepts (Morsing and Schultz, 2006). Freeman's "stakeholder view of the firm" facilitated the re-conceptualisation of the nature of the firm when defining a stakeholder as "any group or individual who can affect or is affected by the achievement of the firm's objectives" (Freeman, 1984:25). His work demonstrated that there is the urgency for integrative approach to deal with various types of stakeholders on multiple issues and suggested the positive impacts on corporate financial performance due to better relationships with stakeholders. It encouraged consideration of external stakeholders, such as local community and environment, beyond the traditional view of shareholders. Rawl's principles of justice, which emphasizes the fairness in the society, had also offered further normative grounds for the rights of stakeholders in the firm (Cohen, 2010). Thus, from the perspective of stakeholder, the firm is expected to operate responsibly to care for all stakeholders' interests instead of acknowledging duty only towards traditional interest groups of shareholders or customers (Jamali, 2008).

In line with Freeman's thinking, many scholars have explored the idea and terminology of stakeholder, especially about the relationship between the firm and its surrounding environment in respect of corporate social responsibility or corporate social performance. Among them, Clarkson (1995) had provided a much narrow view of stakeholder for analysing and evaluating corporate social performance, in contrast to Freeman's broadest definition (1984) in the literature of stakeholder. He suggested that stakeholders should "have or claim ownership, rights or interests in a corporation and its activities" (ibid. 106) and mainly classified stakeholders into two groups: primary and secondary stakeholders. The primary stakeholder groups consist

of shareholders, employees, customers, supplier, governments and communities, and they participate as the foundation of corporate existence. In some sense, the corporation could be regarded as the system of primary stakeholder groups, a negotiating term between different primary stakeholder groups. The secondary stakeholder groups, the media and other relevant interest groups such as NGOs, are not involved in the daily operation of the corporation and are not essential for its survival. Figure 2.5 illustrates these stakeholder groups.

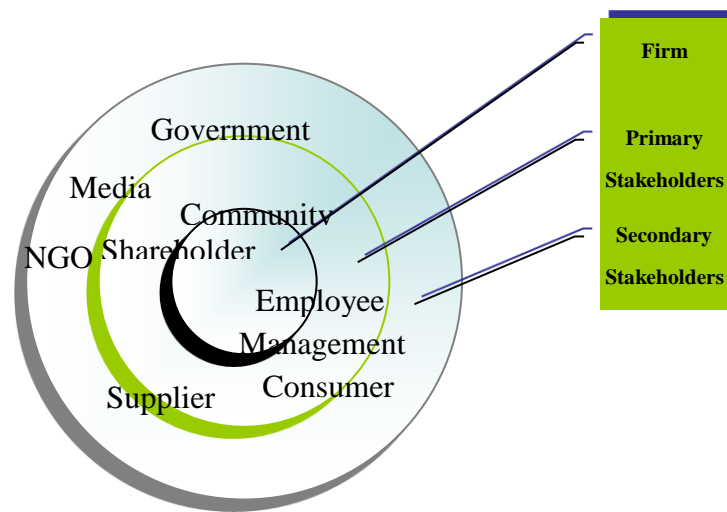


Figure 2.5 Stakeholder Groups of the firm

Source: Author

Meanwhile other scholars provided similar narrower definitions of stakeholder in terms of their moral claims so that managers are advised to focus on fewer legitimate stakeholders. Evan and Freeman (1988) proposed that stakeholder would benefit from or suffer loss by corporate activities. Clarkson also suggested in 1994 that stakeholder would bear some kind of risk as a result of the firm's activities. Bowie (1988) insisted that stakeholder's support would be crucial for firm's survival while Savage et al (1991) argued that stakeholder should have the ability to influence the organisation's actions. Therefore Donaldson and Preston (1995:85) concluded that stakeholder should be "person or groups with legitimate interests in procedural and/or substantive aspects of corporate activity".

The major differences between broad and narrow views of stakeholder could result from the different viewpoints towards the actual and potential influences stakeholder possessed. The narrow view of stakeholders recognised the practical reality of limited organisational resources, time, money, attention or personnel, could be allocated to meet the legitimate claims from various social backgrounds. Thus it attempts to define the relevant groups as stakeholders in terms of their capabilities to influence the firm's activities. Meanwhile the broad view of stakeholder is based on the normative ground to cover the interests of almost everyone whose legitimacy in the firm is bounded by explicit or implicit social contracts when the firm was established, though their influences on business activities may be very weak and hard to materialise. So the managers may use narrow definition to tackle different claims and cover various interests while utilising broad view to apprehend comprehensive situation of firm's social system.

However, the problem of how to identify and evaluate stakeholder groups for the sake of effective stakeholder management still remain unsolved, until Mitchell, Agle and Wood (1997) defined the principles of stakeholder identification to find out who and what really counts. Taken Clarkson's (1995) narrow view of stakeholder into further step, the authors noted that stakeholder becomes salient to managers simply because of three attributes it possessed: the power of stakeholders to influence the firm's operation and existence, the legitimacy of the stakeholders' relationship with the firm and the urgency of the stakeholders' claim on the firm. Power is the extent an organization can gain access to coercive power, utilitarian power, and normative power while legitimacy is required to provide authority and urgency is necessary for execution, which is based on time sensitivity and criticality (Friedman and Miles 2006). Basically, the more attributes stakeholder possessed are recognized, the more salient to manager it is. However power attribute has actually exercised more influence on stakeholder salience to managers than other two since managers are more willing or forced to deal with the claims of powerful, yet less-legitimate or less urgent stakeholders. To validate the proposed categorisation criteria, Agle, Mitchell and Wood (1999) had examined the relationships among the stakeholder attributes of

power, legitimacy, urgency and salience, corporate performance and chief executive officer (CEO) values in 80 large U.S. firms. They found certain more significant stakeholder salience to CEO among the traditional stakeholder groups, that is, shareholders, employees and customers, than that of the expanded stakeholder groups of governments and communities.

Therefore, similar to Carroll's theory, Stakeholder theory offered a new conceptual approach to comprehend the firm's social responsibilities. By suggesting there are more interests from other social groups than shareholders alone needed to be satisfied for its survival and operation, it refuted the assumption of profit maximisation as the firm's primary objective and challenged the neoclassic thinking of Chicago school of economics. Namely, the firm should endeavour to serve the interest of all stakeholders in addition to shareholders. The stakeholder theory also assumed the relationship between the firm and stakeholder would be interactive and responsive (Andriof et al., 2002) and participation and dialogue could be one of major interactive tools for firm to increase its legitimacy and enhance mutual understanding between the firm and stakeholders (Morsing and Schultz, 2006).

By the end of 20th century, many academic researchers and business practitioners had adopted the concept and terminology of stakeholder and many authors had employed stakeholder approach to examine CSR. The normative stakeholder approach had offered CSR advocates a feasible tool to evaluate the firm's social performance by assessing the effects of firm's activities on different stakeholder groups. The values derived from these assessments, usually associating with the degree of satisfaction of stakeholders' expectations, are then used as criteria for identifying social responsible or irresponsible business (Morsing and Schultz, 2006). Meanwhile, the instrumental stakeholder approach to CSR theory has arguably used stakeholders as an effective means to reach specific ends, though opposed by the Kantian imperative to treat individuals with respect. The firm's managers are suggested to focus on maintaining relationships with key stakeholder groups and balance cost and benefits of satisfying the expectations of the latter. The firm is also encouraged to engage in a long-term mutual relationship with stakeholder groups to

harvest possible benefits or avert conceivable risks. Companies like Bodyshop or Apple had utilised annual CSR reports and charitable programs involvement to retain favourable public reputations or rinse tainted image of sweatshop. So the focus of stakeholder approach to CSR issue has gradually shifted from short-term managerial issue to long-term relation-oriented process to build up advantageous position in social conscious consumers' preference in last decade (Munilla and Miles, 2005).

In short, the classification and sorting of stakeholder groups according to its salience have much facilitated the stakeholder management and generated more beneficial effects for the corporation, thus in return encouraging them to participate more actively in CSR practices.

Alternative Conceptualisation

The Clarkson (1995) classification of relevant social groups into primary and secondary stakeholders is based on the relationships between the firm and social groups from the firm-centred perspective. The academics or business practitioners adopted this approach might have more favourable attitudes towards the inner circle of primary stakeholders rather than outer circle of secondary stakeholders, which is not fully in line with the idea of fair and equal proposed by Rawls' social justice and broad view of stakeholder definitions.

In view of these conceptual discrepancies in firm-stakeholder interaction, the researcher suggests that those stakeholders could also be classified into the three parallel dimensions of CSR, Society, Organisation and People, in accordance with the sphere of their influences. The stakeholders in the dimension of Society represent the general interests of the overall public at macro-level, whereas the stakeholders in the dimension of People represent the specific interests of a particular group of the public at micro-level. The stakeholders in the dimension of Organisation stand for particular interests of groups within the firm at meso-level. In addition, according to the relationship between stakeholders and the firm suggested by Clarkson (1995), the stakeholders are divided into inside groups, who might have much closer relationships with the firm and exercise more influential impacts on business operations within the firm, and outside groups which are also involved and essential

for the firm's sustainability but cast influences outside the firm. Figure 2.6 shows the positions of these stakeholders within such dimensions.

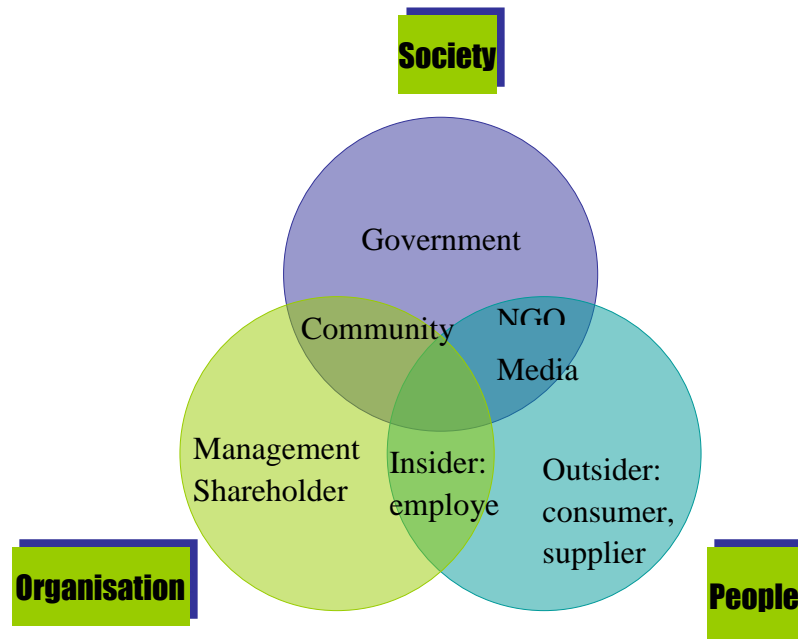


Figure 2.6 Influential Stakeholders of CSR

Source: Author

In the Society dimension, government might act for the common interests of all stakeholders, directly or indirectly affected by corporate operations, so it established laws and regulations for the stakeholders in the dimensions of Organisation and People to abide by and punishes anyone crossed the line. Meanwhile government relies on the supports from the other stakeholders and obtain legitimacy to rule. Similarly, community stands for the wellbeing of closer groups directly affected by the firm. They are usually stand together through thick and thin with the stakeholders in Organisation dimension and bear the direct impacts of business operations, such as employment boost or environmental deterioration. If their legitimate claims are not recognised by the firm, they would either take collective action to protect their interests or resort to government for legal or administrative actions against the firm. In the People dimension, though consumers, suppliers, distributors and so on are closely affected by the activities of the firm, they stay outside the boundary of the organisation while employees occupy their position inside the organisation as insiders. NGOs and the Media, as the intermediaries between society and people,

work outside the organisation to promote public interests as well. Interestingly, the roles of insiders or outsiders in this dimension are interchangeable because the employees of the firm may become the consumer of other firms and vice versa. The interests of employees are mostly reflected in issues of health and safety and wage level, which are usually regulated by the government and concerned by the consumer group or NGOs after revealed by the media.

Comparatively, in the Organisation dimension, management, the acting agent, settles inside the border of organisation and operates for the interests of the shareholders. It is common practice for the firm to recognise and respond to the fair and reasonable claims from other stakeholders so as to increase its legitimacy in the society and enhance the profitability. Ideally, the interest of management should coincide with the one of shareholders, though some managers may cause losses to the firm and society due to their personal gains, such as the Enron scandal. Thus, while acting for the shareholders' interest, management is also regulated by the government and exposed to public scrutiny for their managerial practices.

Unlike Clarkson's categorisation of stakeholder groups (1995), this alternative Society-Organisation-People (SOP) conceptual framework depicts the interaction between stakeholder groups and provides another viewing angle to examine the equal and interdependent relationship between a firm and its stakeholder groups. Accordingly, the firm is no longer the centre of stakeholder groups, as shown in Figure 2.5, but it is now influenced by all stakeholder groups, as illustrated in Figure 2.6. This Venn diagram reflects the original broad concept of stakeholder defined by Freeman (1984) as any group or individual affecting or being affected without any hierarchical order or preference, and it also represents the ideal condition of equal rights of every social groups regardless of the power they possessed or urgency of their claim (Mitchell et al., 1997), which is favoured by Rawl's social justice theory. Therefore, from the stakeholder perspective, CSR should reflect the interdependent, interactive and responsive relationship between the firm and its stakeholders at three different levels, Society at macro level, Organisation at meso level and People at micro level, in accordance with their sphere of influences.

Since firms and other stakeholder groups are interdependent, it seems clear that the operations of the firm should cover the interests of all stakeholders involved because it is capable of affecting its surrounding environment to a certain extent, either positively or negatively. Thus it is responsible for undertaking socially responsible practices so as to obtain corporate legitimacy with an implicit “social contract”. Chahal and Sharma (2006) consider corporate social responsibility as a firm’s obligation to protect and improve the welfare of society, and “generate equitable and sustainable benefits for the various stakeholders” (2006: p206).

In light of the instrumental stakeholder theory, CSR has also been viewed as a means of achieving commercial success (Chakraborty et al., 2004), a marketing instrument to differentiate the company from its competitors, distinguish its corporate or product image or provoke consumers’ preference (McWilliams and Siegel, 2006), in ways that embrace ethical norms, respect stakeholders and encompass all favourable actions positively affecting society and its wellbeing (Munilla and Miles, 2005).

2.2.4 Influential Dimensions of CSR

As discussed above, Carroll’s theory, complimented by social contract theory, has provided the normative foundation for corporate social responsibility. It brings a more clear and accurate definition of CSR and draws the explicit boundary of each component of his four-part responsibilities. But the hierarchical structure of his theory may cause misunderstanding about the priorities of these responsibilities and lead to dispute over supremacy of economic responsibilities.

Comparatively, the stakeholder theory has offered a new conceptual approach to understand CSR and inspire the firm to actively participate in CSR practices. It refuted the assumption of profits maximisation as the firm’s primary objective and illustrated the beneficial effects of the CSR practices. However, the Clarkson’s firm-centred categorisation of stakeholders could result in more favourable attitudes towards the primary groups of stakeholders, which contradicts the original broad view of stakeholder and isn’t supported by social contract theory as well.

In view of these conceptual discrepancies of CSR theory, the researcher sought for alternative conceptualisations of CSR from the perspectives of the Carroll's theory and stakeholder theory respectively and three conceptual dimensions that influence a firm's decision and way of performing socially responsibly had been identified in both approaches. These dimensions are Society, Organisation and People, as illustrated in the following Venn diagram in Figure 2.7, in accordance with the level of their influences.

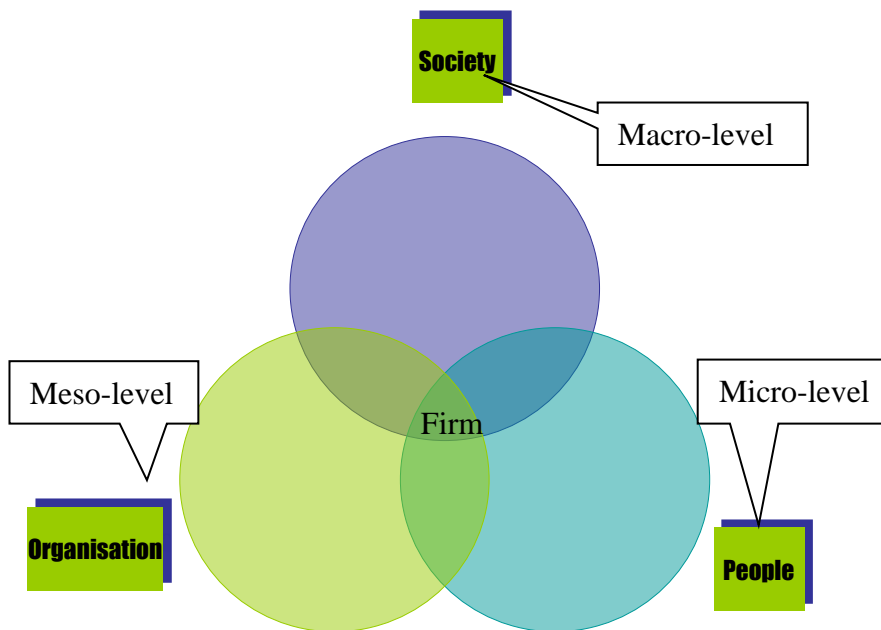


Figure 2.7 Influential Dimensions of CSR

Source: Author

Here, the dimension of People indicates any group of human beings, men or women, which exerts its influence on the firm's decision at micro-level. It includes individual stakeholders such as consumers, employees and they expect the firm to perform ethically in exchange for their supports.

While the dimension of Organisation reveals influencing groups or factors in pursuit of collective goals within the firm (Buchanan and Huczynski, 2004) that directly affect the firm at meso-level. So it consists of stakeholders like management and shareholder and the firm fulfils its economic responsibilities according to their expectations.

In contrast, Society, as an extended social group having a social, economic or cultural organisation (AHD, 2000), influences the decision process of the firm at macro-level. Thus the firm's business operations are under the surveillance of stakeholder groups like governments, community and NGOs and have to conform to the laws and administrative policies.

This society-organisation-people (SOP) framework, derived from stakeholder theory and Carroll's theory, has provided an alternative viewing angle to conceptualise relevant issues about corporate social responsibility from an integrative perspective, similar to Carroll and Schwartz's (2003) three domain model. In contrast, most of previous normative studies discussed the relationship between economic, legal and ethical responsibilities as hierarchical concepts. This SOP framework indicates the requirements from all three dimensions conform to the explicit or implicit social contracts the firm bounded to and help to build a sound and supportive environment in which the firm find more opportunities for future development. It also emphasised the interactions of stakeholder groups and interdependency of corporate social responsibilities. This SOP framework argued that the CSR is the aggregation of responsibilities that are contracted between firm and its surrounding stakeholders from Society, Organisation and People dimensions respectively; therefore, it suggested that the firm's operation should cover the interests of all stakeholders by fulfilling all responsibilities simultaneously. Managers are then encouraged to find out alternative approaches to create a win-win situation for all relevant stakeholder groups.

2.3 Debates over CSR

Many academic researchers have thrown themselves into the contest about CSR in the past few decades and contended their cases for or against corporate social responsibility. Some of these are illustrated below in order to discern the motivation underlying CSR practices from three main perspectives with respect to the SOP framework.

2.3.1 Normative Perspective

As indicated in the discussion on CSR definition, the responsibilities that corporations should undertake are contended by many academics. These academic researchers held different attitudes towards CSR, favourable or unfavourable, and claimed different responsibilities borne by the firm. These responsibilities have been summarised and categorized in three dimensions in accordance with the SOP framework, illustrated in Table 2.1 as follows.

Theories	Firms are responsible to			Source
	Organisation	Society	People	
Legitimacy Theory	Pursue economic return	Operate within legal framework	Perform ethically or even philanthropically	Adams et al., 1998
Normative Stakeholder Theory	Achieve shareholder's economic requirements	Abide by government's law and Community's expectation	Fulfil employees, customers' ethical expectations	Friedman and Miles, 2006: 2
Friedman's Theory	Maximise shareholders' value	Conform to the basic legal and ethical rules of society		Friedman, 1970
Hasnas' Theory	Fulfil fiduciary agency agreement with shareholders only	None until authorized by shareholders		Hasnas, 1998: 23
Integrative Social Contract Theory		Conform to hypernorms	Conform to authentic norms	Donaldson and Dunfee, 1994

Table 2.1 Firm's Responsibilities within SOP Dimensions of CSR from a Normative Perspective

Source: as indicated in the table

When a firm is founded, most of the expectation from society is for it to pursue the economic objectives of the shareholders within the legal framework, as a partial fulfilment of the "social contract" between business and society. After the firm grows, more and more people urge the firm to complete the remaining part of this contract, which is to be ethical or even philanthropic. Therefore, the firm is obliged to perform to economic, legal and ethical standards, which are the core components of the concept of CSR, whether the contract is specific or vague, once only or

continuous, formal or informal (Adams et al., 1998).

The normative stakeholder theory formed the major theoretical underpinning for the concept of CSR since 1984, when Freeman wrote *Strategic Management: a Stakeholder Approach*. He asserted that management bears a fiduciary relationship to stakeholders and to the corporations as an abstract entity (Friedman and Miles, 2006: 2; Garriga and Mele, 2004). As a result, a corporation should be managed for the benefit of its stakeholder groups, such as shareholders, employees, customers, government and community, in accordance with Kantian capitalism.

However, thoughts and arguments against the CSR practice did not cease to exist. Milton Friedman and his colleagues and proponents still held the neoclassic economic view towards the firm and an adamant belief in free market mechanism (Carroll, 1991; Husted and de Jesus Salazar, 2006). Friedman further questioned the ability of business managers to pursue the social interest and instead posited that management is “to make as much money as possible while conforming to the basic rules of society, both those embodied in the law and those embodied in ethical custom” (Friedman, 1970 in Carroll, 1991). Hasnas (1998: 23) has noted that managers (agents) could breach the agreement with the stockholders (principals) and spend other people’s money without their consent if the corporation pursues social goals that are not authorized by their stockholders.

Nevertheless, interpreted from another perspective, their viewpoints could just as well justify the need for the corporation to behave socially responsibly. It seems quite clear from Friedman’s statement that the corporation should maximize its shareholders’ profits in conformity with the law and ethical requirements demanded by society and people, has embraced the general foundation of the CSR concept—corporate behaving economically, legally and ethically (Carroll, 1991) within the three dimensions framework. The inefficacy of government and the consequential governmental and regulatory failure also call for business corporations, the powerful resource owner and distributor, to step in and contribute to resolve social problems and promote social wellbeing, which is part of the implicitly social contract (Husted and de Jesus Salazar, 2006).

Donaldson and Dunfee (1994) also advanced the abovementioned social contract theory and proposed an “Integrative Social Contract Theory” (ISCT), which can be regarded as a form of stakeholder theory infused into the social contract context. ISCT suggest that management should take into account the norms, either *hypernorms* provided by the macrosocial contract or *authentic norms* generated by the microsocial contract, of certain stakeholders “because society allows corporations to operate in exchange for the promotion of society’s interests” (Friedman and Miles, 2006: 55). Both norms clearly reflect the consent for the corporation to undertake social responsibilities, and for the legitimacy it may obtain. In accordance with the ISCT theory and stakeholder fairness, Donaldson and Preston (1995) narrowed the boundary of society the corporation is responsible for, and argued that the firm has social responsibility with society in general and stakeholders in particular.

2.3.2 *Instrumental Perspective*

Unlike the normative theories which emphasized the responsibilities that corporate should take in hand, instrumental stakeholder theories aim to allure business people to undertake CSR practices from the perspective of Society.

Clarkson (1995) and Donaldson and Preston (1995) suggested that businesses are only socially liable to their stakeholders, instead of to society in general. However, it does not mean that those stakeholder groups are not important to the sustainable development of the corporation. Corporation that operates socially irresponsibly might encounter various problems caused by each stakeholder group respectively.



Source: Author

Figure 2.8 illustrates this problematic situation when the firm fails to meet the expectations and requirements arising from shareholders, government, consumers, employees, and so on. The firm might attract tremendous poor publicity for its business malpractices, reported by the media and/or NGOs. Such activities would also induce a distrustful relationship between the firm and its surrounding communities and would be more likely to provoke hostile responses. Governments might impose legal sanctions on firms that violate relevant laws and regulations, such as discrimination against a minority workforce, while consumers might boycott the firm's product for its unethical practices, for example Nike's sweatshop factory. Thus, in return, the corporation are encouraged to facilitate stakeholder management and participate more actively in CSR practices to avoid those possible risks.

Also, Mohr and Webb (2005) found that favourable CSR practice might help to

enhance the reputation the firm enjoys among its customers, suppliers or distributors. Moreover, the influence of identification and loyalty would not be restricted only to the outside stakeholder groups, but it would also extend to the insider stakeholder groups, that is shareholders and employees, whose member identification would be strengthened if the firm were engaged in positive CSR agendas and who would dis-identify themselves from the firm as relevant parties if negative CSR messages were revealed (Morsing, 2006; Morsing and Schultz, 2006). Therefore, apart from being an advertising tool for the firm to differentiate it from competitors and obtain customer loyalty for its products, CSR could also help to recruit and retain a skilled workforce and acquire favourable interaction with shareholders and government.

On the other hand, Jones (1995) suggested that a set of ethical principles - trust, trustworthiness and cooperativeness, could help to efficiently minimize the sum of the agency costs together with transaction costs, resulting in significant competitive advantages for a firm which carries out CSR conducts. As noted, managers have also acknowledged the long-term characteristics of benefits from CSR practices (Burke and Logsdon, 1996). In other words, during the past decade senior executives have begun to perceive CSR issues as potential commercial opportunities to explore and align future corporate strategy in light of the increasingly pro-CSR environment (Burke and Logsdon, 1996; Carlisle and Faulkner, 2004). In this way, CSR would be some appraisable form of investment for a company which looks forward to reaping extraordinary future returns.

2.3.3 Financial Perspective

The nature of the relationship between the social performance of a corporation and its financial performance related with dimension of Organisation has given critics other reasons to hold opposite opinions on the concept of CSR. The negative association between a firm's CSR orientation and actual performance found by Vance (1975) and the neutral relationship discovered by McWilliams and Siegel (2001) have weakened the normative foundation of, and instrumental arguments for, CSR concepts. However, these negative or neutral relationships might result from

measurement problems of selecting and controlling variables that have plagued corporate social performance (CSP) research for so long; thus, misleading results might be observed and false conclusion might be drawn from the studies. Moreover, the pursuit of individual virtues and social common goods should not be impeded by the illusive high costs of conduct.

Following that logic, the corporation's social performance should be positively correlated with its corporate financial performance (CFP); as the saying goes, "doing well by doing good". Many scholars have argued that the better a firm performs in the CSR field, the better it can operate profitably with competitive advantages in resource attracting (Cochran and Wood, 1984), personnel recruiting (Turban and Greening, 1996), product marketing (McWilliams and Siegel, 2001), unforeseen opportunities (Fombrun et al., 2000) or even as a catalyst for innovation (Kanter, 1999; Blowfield, 2005). This positive association between corporate social performance and financial performance has been empirically testified by studies conducted by Cochran and Wood (1984), and Waddock and Graves (1997). In addition, Waddock and Graves (1997) also reported corporate social performance is found to be positively related with prior financial performance as well as future financial performance. Therefore, a kind of "virtuous circle" exists that better corporate financial performance leads to improved corporate social performance, and vice versa. The profitable corporation will have more abundant resources to improve its social performance, *ceteris paribus*, which is also a notable indicator of good management to reduce bad publicity, and in return enhanced CSP will contribute to generating more profits for the corporation. Therefore slack resources and good management are two antecedents for a firm to behave well in CSR.

In short, the legitimacy theory and stakeholder theory suggested that companies could achieve sustainable development by behaving socially responsibly, to answer the ethical expectations rising from dimension of People. Meanwhile, the instrumental stakeholder theories tried to persuade business people to undertake CSR practices from the perspective of Society. Furthermore, the positive association between corporate social performance and corporate financial performance has been

tested empirically (Waddock and Grave, 1997), which encourages more investment in CSR practices from the perspective of Organisation.

2.4 Summary of Key Issues

This chapter begins with the discussion on CSR concept from historical background to modern conceptualization. The first section illustrates how CSR evolves overtimes from individual ethical and philanthropic behaviours to institutional managerial policies. It also reveals the shift of CSR discussion from normative perspective concentrating on relationship between business and society to instrumental and financial perspective focusing on business process and performance in recent decades.

The second part discerns the definition of CSR from the perspectives of stakeholder and Carroll's theories (1985) and offers alternative explanations. CSR describes how to maintain the relationship between the firm and its stakeholders, from society at macro level to people at micro level. It is also regarded as the aggregation of economic, legal and ethical responsibilities under all three dimensions of Society, Organisation and People, due to the explicit and implicit social contracts between business and society.

Accordingly, the Society-Organisation-People (SOP) framework of CSR is brought forward, as shown in Figure 2.7. It provides an alternative viewing angle to approach relevant CSR issues from an integrative perspective, when most of previous studies discussed the relationship between economic, legal and ethical responsibilities as hierarchical concepts. This SOP framework indicates that the firm should theoretically cover the interests of and maintain relations with every stakeholder group in the dimensions of Society, Organisation and People simultaneously instead of fulfilling the ethical responsibility after realising economic and legal responsibilities first.

Pertinent theories are then explored in Section 2.3 to analyse the case for and against CSR practices from the normative, instrumental and financial perspectives, under the proposed SOP theoretical framework.

Both normative stakeholder theory (Freeman, 1984; Friedman and Miles, 2006) and legitimacy theory (Adams et al., 1998) argued that companies are accountable for the social impacts of their business activities and should operate for the benefits of their stakeholder groups, so as to fulfil ethical expectations arising from People dimension. Even the critics agreed on the conformity of firms to the basic legal and ethical rules of society when contesting the boundaries of stakeholders (Friedman, 1970; Hasnas, 1998).

The instrumental stakeholder theories also tried to convince business practitioners to undertake CSR practices from the perspective of Society. The corporations are encouraged to facilitate stakeholder management and participate more actively in CSR practices to avoid potential troubles, such as legal sanction, consumer boycott or member dis-identification, as demonstrated in Figure 2.8. Alternatively, CSR could turn out to be some appraisable form of investment for a company to obtain extraordinary future returns (Burke and Logsdon, 1996).

Furthermore, the “virtuous circle” of corporate social performance and financial performance proposed by Waddock and Graves (1997) had offered another motivation for the firm to perform socially responsibly from the perspective of Organisation. The positive association between corporate social performance and corporate financial performance has been tested empirically by many scholars like Cochran and Wood (1984), Turban and Greening (1996), Blowfield (2005). And the pursuit of ethical virtues would be achievable if supported by good management and slack resources of the firm.

3. Chapter Three Influencing Factors of CSR

The previous chapter proposed an alternative theoretical framework of SOP dimensions after examined CSR definitions from the perspectives of Carroll's theory and stakeholder theory, it also explored pertinent theories to analyse the cases for and against CSR practices from the normative, instrumental and financial aspects. It illustrated how CSR studies evolved from individual practices into academic researches and global phenomenon since the late 20th century (Katz, 2001). As businesses have expanded globally, the study of CSR becomes increasingly important because of the various national environments in which global businesses operate on a daily basis. Simultaneously, there are different levels of CSR practices in different countries, as well as many different guidelines of CSR or codes of conduct, due to the divergent factors affecting the outcomes of these issues.

Wotruba (1997) contended that countries differ greatly in terms of cultural standards, their levels of economic development, legal and political systems and expectations concerning business conduct. A customary business practice in one country may be considered unethical or even illegal in another nation and business practitioners need to be aware of these differences in ethical perspectives and learn to operate successfully within such diverse environments. Thus it is necessary to understand these factors that influence CSR attitudes and practices in various countries. Since there is little known about the nature of the perceived causal relationship between these factors and corporate social responsibility in oriental and developing countries, it is the part of research objectives to fulfil the knowledge gap. The discussion is presented in four sections.

This chapter will firstly describe how culture affects the CSR attitudes and practices among business in different countries. It will search for suitable definition of culture and explore its influences on behaviour. It examines different comparative culture approaches, such as Rokeach (1973), Inglehart (1997), Hofstede (1980), Schwartz (1994) and Trompenaars (1997), and chooses Hofstede's Value Survey Module as appropriate approach to explore the influences of culture on CSR. The limitations of

Hofstede's culture dimensions are also presented to prevent possible misinterpretations.

In the following part, this study explores other possible variances in, namely development and globalisation, which may exert similar effects on business' attitudes towards and practices of CSR. Besides these external factors, the characters of SMEs and CSR approaches for SMEs are discussed in the third section to probe into possible influences on CSR. In the end, main theories emerged from literature review are summarised and key findings are readdressed in accordance with the proposed SOP research framework.

3.1 Cultural Influences on CSR

In recent years, there are spurred research interests in comparative studies in international business ethics and CSR, and the culture is usually firstly recognised as the leading and encompassing factor which influences the ethical attitudes and conduct of business practitioners. Given that prior theories have established that culture affects the ethical decision-making process, it remains unclear about how culture influences attitudes and practices of CSR (Vitell et al., 1993) and essentially most of major studies on cultural influences on CSR were developed in the western developed worlds.

Thus the applicability of such effects in non-western cultures remains an open question. This study, however, will primarily address this issue to develop and describe a construct of corporate social responsibility across western and oriental countries and it will take a cross-cultural approach accordingly.

3.1.1 The Definition of Culture

Interpretation of culture is a key prerequisite to the analysis of national management practices in comparative researches (Morden, 1995). Thus, a clear-cut and unambiguous theoretical construction of culture would set the keynote and yield a sound and solid culture study. Many academics and business teachers, who are involved in trying to explain the impacts of culture on CSR and business ethics, keep

looking for a better way to conceptualise the culture (Beamer and Valentine, 2000; Vitell et al., 1993; Vitell and Paolillo, 2004).

However, there is no easy and simple definition of culture, described by Raymond Williams (1958) as one of most complicated words in English. Culture in its own right can be defined in a variety of ways, thus confronted with a vast array of definitions, as Kroeber and Kluckhohn (1952) already listed 164 definitions of culture in their famous review of culture in the eyes of anthropologists in 1952. The culture critic Stuart Hall (1980) claims that no single unproblematic definition of culture could be found, and there are considerable theoretical debates over the anthropological and normative concepts of culture (Bodley, 1994).

From an anthropological perspective, one of the first anthropological definitions was given by Sir Edward Burnett Tylor, the founder of cultural anthropology, in the late 19th century. Culture, he wrote, is “that complex whole which includes knowledge, belief, art, morals, law, custom, and any other capabilities and habits acquired by man as a member of society” (Tylor, 1924 (orig. 1871):1). The cultural anthropologist or social-cultural anthropologists’ view of culture emphasize on the delimited behaviours manifesting acquired values, beliefs and rules of conduct as sets of cognitive meanings within any given society. While in terms of culture-historical archaeology, culture or archaeological culture, refers to the material expression of culture, the remains of extinct human cultures – “pots, implements, ornaments, burial rites and house forms” (Childe, 1929, pp. v–vi) –, rather than the sociological culture indicated in cultural anthropology. Thus, it often comes alongside and works as a synonym of civilisation.

From a normative (sociological) perspective, a culture system can be defined as people sharing similar beliefs, customs, norms and mental programming, which is a much narrower definition, set by structural-functionalists in contrast to Boasian understanding of culture. As Parsons (1951) indicated the “cultural system” that regulate social action symbolically mainly consists of norms and values. According to Christie et al. (2003), culture is the way a group of people recognise and represent the world and life to themselves, a shared set of meanings and standards by which

the members of a society regulate their lives. Hofstede (1991) also defined culture as the collective programming of mind-set to separate members of one group from other ones, which is widely acknowledged in the field of cross-cultural comparison of management behaviours.

Although the concept of culture remains a complex one, a site of convergent interests, and is manifested in various forms, explicitly or implicitly, it could be interpreted in a holistic way. The anthropological view of culture may interest in norms and values, among many other things, but its main focus is specific explicit and observable manifestations of culture including symbols, artifacts and practices of humankind. The sociological view of culture puts more emphases on the implicit aspects of culture and identifies cultural differences with values (culture) and norms (society). So an integrative approach reconciling anthropological perspective with sociological view might provide a throughout and comprehensive understanding of culture and indicate the linkage between value and behaviour. Trompenaars (1996) has also briefly suggested a very similar approach, as shown in the following Figure 3.1.

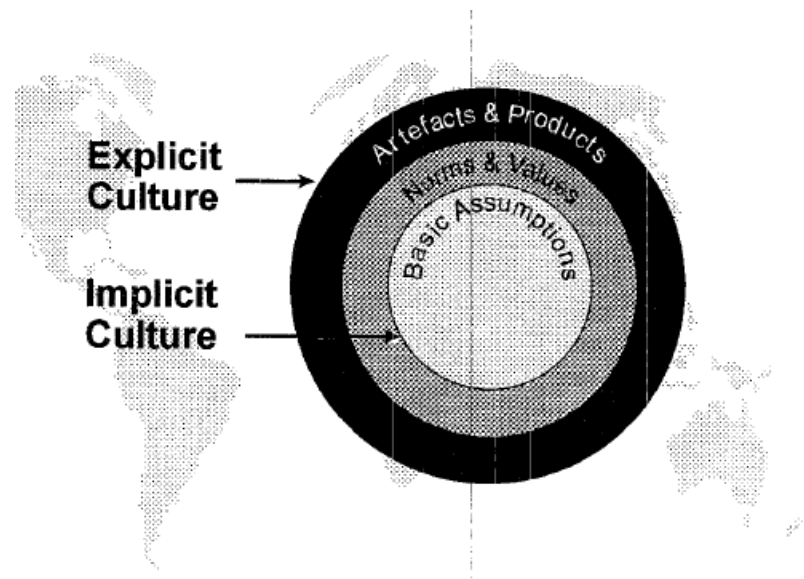


Figure 3.1 Model of Culture

Source: Trompenaars (1996)

Trompenaars (1996) indicates there are three layers of culture like onion. The outer layer is the visible artifacts and products “principally associate with culture” (p51.), which manifests the anthropological interpretation of culture. Meanwhile middle layer refers to norms and values the community holds, shown as implicit culture and

reflected as sociological view of culture. The core of culture is the unconscious process of problem solving based on basic assumptions of reality. Apparently, Trompenaars' culture model would be complementary to this holistic understanding of culture.

Thus, culture, conceptualised as common pattern of mental attitudes in this study, is essential to appreciate its distinctiveness, explain the behaviours of specific group of people at the country level and scrutinize the relationship between culture and CSR. People would construct their mindsets of social reality and self and implement as social practices respectively, according to social construction theory of culture.

3.1.2 Cultural Influence on Behavior

As indicated above, from both normative and anthropological perspectives, personal values and social traditions are the core of culture and provide guidelines for individual behaviours. Culture can perform as a fundamental determinant of ethical decision-making, as values provide people with normative and evaluative criteria for what's desirable and not desirable (Hofstede, 1991; Rokeach, 1973; Schwartz, 1994). It is possible for individuals from different cultural backgrounds behaving differently when faced with a common ethic or CSR issue. The Kwast's model of culture, demonstrated in Figure 3.2, has clearly illustrated how values, beliefs and worldview drive behaviour.



Figure 3.2 The Kwast's Model of Culture

Source: Kwast (1992)

Kwast (1992) contends that person's behaviour would reflect an underlying system of values, beliefs and worldview, as successive layers of understanding within a given cultural context. "At the very heart of any culture is its world view" (Kwast, 1992), which should be taken into account to appreciate the logic behind certain practices. Moreover, people from outside the cultural community would be surprised or disappointed when some behaviour, viewed as unethical or ill mannered at their home places, occurred in foreign cultures.

Taking gift giving as example, giving presents to business affiliates is an acceptable practice in many Eastern Asian countries. Such behaviour is greatly restricted and may be perceived as bribery as potential conflicts of interests of their roles in many northern European and Anglo-Saxon nations, according to the Transparency International Bribe Payers Index (Transparency International, 2008). From the recipient's perspective, taking gifts could be an appropriate sign of respect and facilitates the relationship or *guanxi* building; or gift may be treated as suspicious Trojan filled with ill motives and receiver might feel offended and report it to the authorities.

Moreover, small facilitation payments, outlawed by Bribery Act 2010 in the UK, are still tolerated in the US and the OECD, functioning as sign of corporate hospitality,

designed to preserve goodwill between firm and its external business environment. Thus, British businesses often feel placed in a less advantage position when competing with their American or European counterparts for foreign business opportunities (Raphael, 2010).

This means that the values, beliefs and world view or norm, all essential parts of individual culture, can influence the members of given cultural community to behave and act in a particular way, acceptable to the other members within the group. As Prasad and Rao (1982) also suggested, certain ethical beliefs or humane values, such as health and safety and courtesy for the disabled, are widely proclaimed as integral parts of any culture. Nevertheless, the level of adherence to such beliefs and priorities of individual values may vary greatly among various cultures, as illustrated by the small facilitation payments case. Thus, even modest cultural differences are not necessarily trivial in the context of CSR attitudes and practices.

Although Kwast's model of culture is "far too simple to explain the multitude of complex components and relationships that exist in every culture", as Kwast (1992) admitted, it explicitly indicated the effects of culture on individual's behaviour within a cultural community. Culture provides individual members with a definition of reality within which to operate (Thompson, 1990), furnishes individuals with an understanding of what is regarded as acceptable behaviour within a society of people (Feather, 1975) and directly affects how an individual perceives ethical problems, alternatives, and consequences (Hunt and Vitell, 1986, 1992). However, uncertainty still exists concerning the actual strength of cultural influences on moral judgements and ethical behaviours. Researchers have extensively tested culture-level associations between personal value and practices. And some studies have either found weak or little variances in ethical beliefs between different cultures (Lee, 1981; Izraeli, 1988; Tsalikas and Nwachakwu, 1988, 1989), which might result by interferences with other factors, such as economic development level or sharing similar cultural or historical backgrounds.

Nevertheless, the existing national culture constitutes the framework that provides guidance on ethical issues and standard procedure for interactions. It also determines

the context in which organizations apprehend and deploy activities and strategy (Ghobadian and O'Regan, 2006; Trompenaars, 1996) and significantly affects the organization's potential CSR development. Accepted as a member of society and directed by individual managers, the corporation is without a doubt under the influence of national culture wherever it is host or home. In addition, from a stakeholder-oriented perspective as suggested by Parnell and Hatem (1999), the values, beliefs and patterns of behaviour of domestic stakeholders have fundamentally characterized the way the given corporation performs in the home country, delimited the extent to which the corporation can support the development of CSR policies and initiatives. While the corporation expands business abroad, it is also subject to the influence of different type of reasoning process and acceptable practices, affected by the beliefs, values and individual behaviours of foreign cultures. The recent controversial bribery cases of Philips (Lloyd, 2011) and Avons (Bryon, 2011) reveal how the corporations behave differently at home and abroad when faced with a common ethic situation.

3.1.3 Different Comparative Culture Approaches

Values are usually considered by many researchers to be the core concepts that define culture (Kluckhohn and Strodtbeck, 1961; Hofstede, 1991; Smith, Peterson et al., 2002). So Spini (2003) argued that cultural values have served both as dependent variables of cultural differences and as independent variables to appreciate different attitudes and behaviours among various cultural groups. Meanwhile, not only the definition of culture remains controversial and hidden behind veils, but also there are various theoretical approaches to analyse the structure of cultural values and cross-cultural variations of values in comparative cultural studies. Some existing inventories of value or cultural dimensions have been used (e.g., Kluckhohn and Strodtbeck 1961; Rokeach 1973), which enable researchers to describe, in a quantitative fashion, the values of specific cultural group and to compare and contrast these differences among individual cultures.

Among them, Hofstede's cultural dimensions (1991) have been widely cited, acknowledged, and yet intensely contended and criticized, to appreciate the different business practices in various countries, when referring to culture in the domain of business management. Meanwhile, Rokeach Value Survey (RVS), Inglehart's World Value Survey (WVS), Schwartz's Value Survey Inventory (SVI) and Trompenaars and Hampden-Turner's Cross-Cultural Competence (CCC) are also well-known alternative comparative cultural frameworks of cross-cultural psychology and anthropology, representing current views of universal value studies with large datasets. These cultural frameworks have gained certain popularity in their specific fields (Shearman, 2008; Todeva, 1999).

Rokeach (1973)

Milton Rokeach (1973) indicated in his book "The Nature of Human Values" that two kinds of values, terminal and instrumental, are defined as a person's beliefs concerning desirable end-states of existence and preferable modes of behaviour respectively. The participants in Rokeach Value Survey (RVS) are required to rank 18 terminal values, followed by the 18 instrumental values, in accordance with their importance as guiding principles in the individual's life. The output of this ranking procedure is a values hierarchy.

Although the Rokeach Values Survey has been extensively used in empirical work of marketing studies in the past (Munson and McQuarrie, 1988), it is considered as biased toward Western values (Hofstede, 1984) and its applicability in other non-western countries remains relatively limited (Wang et al., 1994). Moreover, Munson and McQuarrie (1988) have successfully shortened the RVS and identified a subset of 24 out of its 36 value items relevant to product consumption. And Johnston (1995) has further indicated the RVS contains an underlying structure of values that consists of two distinct dimensions, individualism and collectivism, very similar to the Hofstede's (1980) individualism-collectivism continuum.

Inglehart (1997)

Comparatively, Inglehart (1997; Inglehart and Baker, 2000) revisited the modernisation theory and proposed two coherent cross-cultural differences over two

major dimensions: Traditional vs. Secular-Rational and Survival vs. Self-Expression, in accordance with aggregated national data obtained from the World Values Survey in 65 countries. The first dimension refers to the contrast between traditional and secular values concerning religious beliefs, familial obligations and respect for authority. Meanwhile the second dimension indicates the respondents' concern with economic and physical security over self-expression, autonomy and freedom, values usually characterised with postmodernism and post-materialism.

Apparently, Inglehart and Baker (2000) argued that industrialisation brings in the change in former dimension and affluent post-industrial society with the rise of service and knowledge sectors will tolerate the shift from economic efficiency to more emphases of individual expression in the latter dimension. Therefore, Inglehart and Baker (2000) provide a cultural mapping of the world with eight cultural groups: English Speaking, Protestant Europe, Catholic Europe, Ex-Communist, Confucian, South Asia, Latin America, and Africa.

Comparing to the emphases mostly placed on the link between cultural values and behaviours by Hofstede and Schwartz, Inglehart explored the association between individual values and social structural change, regarding the tension between traditional or secular values, or survival or self-expression values. Thus, he suggested the multi-linear progress of modernisation instead of a simplistic linear process and its influence on cultural values (Inglehart, 1997).

Hofstede (1980)

Hofstede (1980; 1990; 2005) is one of the first, most acknowledged and popular, and yet the most controversial researchers (McSweeney, 2002) in the field of international business management to develop an empirically validated culture typology (Todeva, 1999).

The major appeal of Hofstede's cultural dimension is that it is derived the systematic collection of cultural data from an extensive attitude survey (Values Survey Module, VSM) of more than 100,000 IBM employees located in 53 national cultures (50 individual countries and 3 regional areas) around the world in the 1970s.

Through a combination of multivariate statistics and theoretical reasoning from this survey, he identified and proposed a four-dimensional culture framework, which helps to differentiate national cultures and enhance the understanding of cultural differences. These four dimensions proposed by Hofstede for evaluation of culture dispositions are the following: Power Distance, Uncertainty Avoidance, Individualism/Collectivism, Masculinity/Femininity (Hofstede, 1984). A fifth dimension on people's focus on the present or the future, Confucian Dynamism or Long-Term Orientation, has also been identified and added into his cultural framework to extend its usage in oriental countries (Hofstede and Bond, 1988).

Magnusson et al. (2008), Todeva (1999) and McSweeney (2002) all suggested Hofstede's cultural dimensions could be traced to previous theories or borrowed from others' works. The term Power Distance was originally defined by Mulder (1976) and expressed as the degree of expectation and acceptance of societal inequality (Hofstede 1980; Cruz, 2011). Uncertainty Avoidance was noticeably influenced by Pugh and Hickson (1976), which is related with the level of stress in the face of unforeseeable future. The writings on Individualism/Collectivism about the integration of individuals into primary groups can be traced to Tonnies' theory (Magnusson et al., 2008) while Hofstede employs Margaret Mead's 1962 work as foundation of Masculinity/Femininity for explaining social division of roles between men and women (Crawford, 2004).

Despite its significance and apparent strong theoretical basis, Hofstede's framework has received abundant criticism, especially criticized by McSweeney (2002) for being theoretical, methodologically flawed, and outdated. Todeva (1999) also pointed out Hofstede's factors explain only 50% of the variances across countries. Because of these criticisms levied against Hofstede, several new frameworks are designed to capture the differences in cultural values (House et al., 2004; Schwartz, 1994; Trompenaars and Hampden-Turner, 1998).

Schwartz (1994)

Inspired by the works of Rokeach (1973) and Hofstede (1980), Schwartz (1994) developed an integrative and universal theory of values, summarising seven basic

types of cultural values from his own 1992 value survey of individuals across 67 nations and 3 sub-national ethnic groups of teachers and students. These seven values are identified as: conservation, hierarchy, intellectual autonomy, affective autonomy, competency, harmony and egalitarian compromise (Gouveia and Ros, 2000; Magnusson et al., 2008; Schwartz, 1994).

- Conservation describes the characteristic of society based on interdependent social relations, where security, conformity and tradition are priorities.
- Hierarchy places emphasis on hierarchical ascription of roles and fixed resources.
- Intellectual Autonomy emphasizes independent person to pursue intellectual ideas.
- Affective Autonomy focuses on affective stimulation and hedonism, sharing the same concept of an autonomous person.
- Competency or Mastery implies values give priority to controlling its surroundings through self-affirmation, related with affective individualism.
- Harmony indicates harmonious fit with nature and environment, in opposition to competency.
- Egalitarian Compromise describes typical societies sharing common concern for everyone's well-being (ibid)

Schwartz focuses his cross-culture studies on three main issues: relationship between the individual and groups, assuring responsible social behaviour and relationships between human and the surrounding environment (Crawford, 2004), which he claims are fundamental to society. Thus, these seven cultural values are then constituted into three bipolar, overarching dimensions: Autonomy vs. Conservation, Hierarchy vs. Egalitarian Compromise and Competency vs. Harmony, respectively (Smith et al., 2002).

The first dimension, Autonomy vs. Conservation, seems quite similar to Hofstede's Individualism/Collectivism dimension, describing the opposition between values of self-enhancement and self-transcendence. The second dimension, Hierarchy vs. Egalitarian Compromise, looks similar to Hofstede's Power Distance dimension,

addressing the society inequality with the social need to control for responsible behaviour. Schwartz's third cultural dimension, Competency vs. Harmony, seems similar to Hofstede's Masculinity/Femininity dimension, describing opposing idea of change vs. adaptation to the natural and social world.

Although Schwartz's studies (1994) have reinforced some Hofstede's cultural dimensions, he provided an integrated structure regarding cultural typology rather than dichotomy suggested by Hofstede. His unique theory of value orientations across cultures indicates both converging and diverging values are interrelated and coexisted with each other (Schwartz, 1994) and might be the most comprehensive, integrated and evolving theory of values (Shearman, 2008).

Trompenaars (1996)

Similarly, Trompenaars and Hampden-Turner (1997), informed and influenced by Hofstede's dimensional model (Draguns, 2007), proposed another seven cultural factors in contrast to Hofstede's five cultural dimensions, though not completely distinctive. Trompenaars (1996, p52) conceptualises culture as "the way people resolve dilemmas which emerge from universal problem" and focuses on the reconciliation of these dilemmas in three dimensions in connection with relationships, time and the external environment. Trompenaars and Hampden-Turner (1997, 2000) suggest national cultures differ remarkably in how they approach these dilemmas and the only real solution is to recognise, respect and then reconcile these opposing values (Moon and Woolliams, 2000).

Trompenaars' first dimension stems from functionalist sociologist Talcott Parsons' (1951) sociological work on dilemmas in relationship with people. Accordingly, he suggests five cultural scales on which individual responses to the relevant dilemmas (Draguns, 2007; Magnusson et al., 2008; Todeva, 1999):

- Universalism vs. Particularism indicates preference of applying universal set of rules without stressing particular circumstance.
- Individualism vs. Collectivism implies the conflict between society's emphasis on the individual and the community.
- Neutral vs. Emotional indicates the balance between reason and emotion,

signalling the amount of feelings displayed publicly.

- Specific vs. Diffuse emphasizes the degree of involvement in relationships with a holistic or specific area of life.
- Achievement vs. Ascription addresses the extent higher status is achieved or ascribed by certain members of society.

The other two of Trompenaars' seven cultural dimensions are drawn from the Value Orientations Method (VOM) of Kluckhohn and Strodtbeck (1961), addressing dilemmas in relationship to time and dilemmas in relations between people and the natural environment (Draguns, 2007; Hofstede, 1996; Trompenaars and Hampden-Tumer, 1997).

- Attitude toward time indicates the extent to which members of a society value the past, the present and future.
- Attitude toward environment emphasizes the degree of mastery over or harmony with nature

Trompenaars and Woolliams (2003) have developed a 2x2 model that is much simpler than Trompenaars and Hampden-Turner's seven cultural factors. This model assumes two related dimensions of Person vs. Task and Hierarchical vs. Egalitarian. Four competing organisational cultures, Incubator (fulfilment-oriented), Family (power-oriented), Guided Missile (Project oriented) and Eiffel Tower (role-oriented) are identified after combining these dimensions.

Apparently, some visible commonalities in cultural dimensions, such as hierarchy/power distance and individualism/autonomy, could be found in Hofstede, Schwartz and Trompenaars and Hampden-Turner's findings. Moreover, both Schwartz's and Trompenaars' frameworks have been applauded as contemporary, theoretically sound, and for using sophisticated and systematic sampling techniques. (Drogendijk and Slangen, 2006; Magnusson et al., 2008).

Summary

To sum up, culture needs to be recognised in a context. Most cross-cultural theoretical approaches to culture values discussed and interpreted national culture as a system of individual beliefs and values within a given society (Hofstede, 1984;

Trompenaars, 1996). National culture remains stable in the short term but will shift to different directions in the long run after the economic and social backgrounds changed. It is interacting with force of globalisation, shaping and shaped by its social and structural contexts, representing flexible guideline within which behaviour is negotiated. The academic researcher should be aware of the homogeneity of culture in state level and heterogeneity of subculture when interpreting the survey data and findings.

These competing cultural frameworks, either Rokeach Value Survey (RVS), Inglehart's World Value Survey (WVS) or Hofstede's Value Survey Module (VSM), Schwartz Value Survey (SVI) and Trompenaars' Cross-Cultural Competence (CCC), even Kluckhohn and Strodtbeck's Value Orientations Method (VOM) and House et al.'s (2004) GLOBE, are founded on one common assumption. They presume there may be universal values across national culture or it is applicable to apply single assessment of values across national cultures (Kluckhohn and Strodtbeck, 1961; Hofstede, 1991; Smith et al., 2002).

In addition, most of cultural scales of these approaches are derived from previous researches and the authors themselves have rejected some of them as too vague or too ambiguous for an empirical study (Trompenaars and Hampden-Turner, 1997). Although such universal cultural values framework may entail the risks of oversimplification of culture characters, it offers a comprehensive way to appreciate the contrasting, and sometime dynamic, characters of cultural values across various countries. The similarities of proposed cultural dimensions of competing cultural frameworks are presented in the following Table 3.1.

Obviously, individualism vs. collectivism and power distance are most recognized cultural dimensions across most of cross-cultural approaches discussed. And the works of Hofstede, Schwartz and Trompenaars are complementary to each other because of many similar dimensions could be found in their approaches to cultural values.

Rokeach (1973)	Inglehart (1997)	Hofstede (1980)	Schwartz (1994)	Trompenaars (1997)
Individualism and Collectivism, summarised by Johnston (1995)	Survival vs. Self- Expression	Individualism vs. Collectivism	Intellectual and Affective Autonomy vs. Conservation	Individualism vs. Communitarianism
	Traditional vs. Secular- Rational	Power Distance	Hierarchy vs. Egalitarian Compromise	Hierarchical vs. Egalitarian
		Masculinity vs. Femininity	Competency vs. Harmony	Nature and Environment
		Uncertainty Avoidance		
		Confucian Dynamism		Time

Table 3.1 Cultural Dimensions of Competing Cultural Frameworks

Source: author

In particular, the Rokeach Values Survey focuses more on the perspective of psychology and might be biased towards Western values. Inglehart indicates the interaction between culture values and social and economic context and provides mapping and clustering of individual cultures. Schwartz, like Hofstede and Trompenaars and Hampden-Turner, seeks the relations between social structural values and individual's attitudes and behaviours.

Comparatively, Hofstede's Value Survey Module (VSM) is neither as complex as RVS, SVI, CCC or GLOBE with many cultural factors quite interrelated in two or three bipolar dimensions, which make it difficult to isolate and examine the influences of factors on person's CSR attitudes and practices. Nor the VSM is as simple as Inglehart's World Value Survey with two consortiums of values concerning tradition and self-expression, which might be vague to induce culture's

influences on CSR. Mead (1993) also states that with its simplicity and well-structured approach, Hofstede's VSM would still exert major influences in comparative cultural studies for a long period (Todeva, 1999). It is not surprise to see Hofstede's culture model is most favoured and used by management researchers and practitioners (McSweeney, 2009), though attracting significant criticism levied against his static and etic approach to the cultural value at the same time.

In spite of these abundant criticism of Hofstede's work (McSweeney, 2002; 2009; Baskerville, 2003) and some academic claims cultural distance measures based on Schwartz's SVI or Trompenaars' CCC may be superior (Ng et al., 2007), Drogendijk and Slangen (2006) conclude that it may be premature to dismiss Hofstede's work as outdated or inaccurate. Magnusson et al. (2008) suggest that the more contemporary cultural frameworks like Schwartz's SVI or Trompenaars' CCC have only offered limited advancements, compared with Hofstede's work.

In addition, one of main research objectives of this study is to validate the cultural influences on CSR attitudes, awareness and practices in different countries, so that it could pave the path for researcher to undertake further studies on examining the influence of exact cultural factors on CSR in the future. Considering the limited amount of questions and number of pages suitable for this survey, Hofstede's five cultural dimensions with Likert scale seem to be a better approach to confirm rather than explore the uniqueness of British and Chinese cultures. In contrast, Schwartz Value Inventory contents too many dimensions and scales to measure the culture distance and Trompenaars' Cross-Cultural Competency uses too many spaces to describe a scenario in each dimension with dichotomous answer, which does not fit the main purpose of this research.

Therefore, Hofstede's culture typology, as most recognized and well-structured, is employed in this research as the other academics do, though greater awareness and cautions about its limitations are needed when analysing the survey data and interpreting the findings. This position suggests the future study will need to go beyond the national culture mapping and into a more useful, detailed understanding of the regional and micro-cultural context (Macnab et al., 2010).

3.1.4 Limitations of Hofstede's Cultural Dimensions

However, there are certain prerequisites for applying Hofstede's culture typology in cross-national culture studies. In other words, culture is said to be characterised enduring, distinctive, pervasive and constitutive (McSweeney, 2009). These imperative claims on culture have inevitably attracted many conceptual and empirical debates for its limited usefulness in other academic disciplines as a general epistemic framework of culture, which are illustrated below.

Cultural Change

Comparing to the evolutionist approach to culture, Hofstede (1980) insisted the stable traits of culture character with the dispositionalist or static stance, as having no temporal variation. "National values are as hard as a country's geographic position and while change sweeps the surface, the deeper layers remain stable, and the culture rises from its ashes like the phoenix", as stated by Hofstede and Hofstede (2005: 13). Once societal norms become very stable, cultural values are long-lasting and are not converging, supported by Child (1981) in theory and by Smith et al. (1996) in empirical study, according to the discussion from Black (2005). Thus, many diverse cultural differences could be analysed and interpreted from dispositional cultural dimensions (Briley et al, 2000). However, Wong (2008) argued the anatomical view of culture as a static approach might not be able to reproduce similar results in accordance with Hofstede's own analysis, which reflects the debate on the relative fixity or fluidity of national culture.

In terms of social constructionism, culture could be described as specific social behaviours or legacies reflecting how people construe reality and self within a particular group, most of which are acquired and reinforced through observation and imitation of others and interpretation of history and events. While reality is seen as an on-going, dynamic process, culture would also reflect the continuous changing of context in each society, so it is constantly reconstructed to fit its social context.

Similarly, although culture relativism has refuted the ethnocentric stance of cultural evolutionism, it still acknowledged the dynamic and fluid nature of culture, as Boas

(1920) suggested in his early essay “The Methods of Ethnology”. The antagonisms between these two most famous doctrines in culture theory mainly focus on the assuming superiority of universal culture and linear development of culture. Then the neo-evolutionism or evolutionary approach to culture (Briley et al, 2000) discards the determinism argument and linear, one-way divergent model of social progress, replacing with multilinear evolution theories of individual cultures so as to be acceptable to contemporary anthropology. The studies on non-Western cultural practices like Japanese culture since Meiji Reformation have provided abundant cases for the changing national culture (Se and Karatsu, 2004).

In addition, to define culture only as an enduring social heritage of values ignores the significant element of change, but it is also inappropriate to underestimate the internal resistance of culture to change. The inertia of old values and cultural practices, once formed and reinforced through cultural learning (Dietz and Burns, 1992), entrenches the capacity of cultural tradition to repel any attempt to change them. So national culture might be robust enough to withstand any attempt to cosmetic change involving the surface of the culture, as suggested by Hofstede (1980).

However, in the end, culture will reflect the particular changes in ethnic, social, economic, ecological and political complexities in which individuals are immersed. Once the coercive forces of change, internal or external, derived from contingent unprecedented major historical events, have surpassed the capacities of cultural resistance, the hard shell of culture will crack and it will adapt to new surrounding complexities. Therefore, national culture might appear stable in a rather long period, comparing to the more dynamic micro culture or subculture (Mitchell et al., 2002), if such event didn't occur. The sharp culture change in Japan since Meiji Reformation, greatly affected in various spheres by Western culture, has explicitly demonstrated the influences of the event that Commodore Perry's black ship ended the Sakoku (locked country) policy (The New York Times, 1953).

Culture and Globalisation

Globalisation is often seen as an economically, socially and culturally homogenising force (Crawford, 2000). Due to its fast progress in recent decades, countries, which were previously mostly separated by national boundaries, became exposed to universal cultural values. Owing to the free flow of cultural products and economic activities brought in by globalisation, the national culture is becoming increasingly deterritorialized and penetrated by elements from other cultures, resulting in cultural contamination or hybridization. Thus, one of the common charges against globalisation is that it destroys cultural diversity, leading to convergence among cultures in line with the lowest common denominator (Crawford, 2000), labeled as “The Tragedy of Cultural Loss” (Cowen, 2002).

Actually, the progress of globalisation has accelerated at the speed never before in the past few decades and the world is more integrated and closer than 1970s when Hofstede undertook his survey in IBM, thanks to the revolutions in transportation and exchange of product and information. Greater levels of cultural convergence, especially with widespread western or American cultural values around the world, have then been recognised in many academic cultural studies and media reports (Segall, 1986; Crawford, 2000; Kjeldgaard and Askegaard, 2006; Boyacigiller, 2008; Gao, 2009). Thus, after forty years of the globalisation process, the individual cultures of surveyed countries could be adjusted to a much more intensive involvement in the international marketplace (Svensson et al., 2009).

Comparing to national culture, the trend of cultural convergence in micro culture or subculture like youth culture or pop culture, across significant swathes of the world, is already a fait accompli. Significant level of uniformity generated by globalisation has affected the ways of thinking and living among various micro-culture or subculture groups, more liberal and dynamic than their national counterparts. As Marketing New (2002) described that it is pretty hard to identify the dissimilarities “other than language, among a teenager in Japan, a teenager in the U.K. and a teenager in China.” in 17 countries. The trend of convergence in identity, lifestyle in youth or teenage culture is also empirically supported by Appadurai (1990), Hassan

and Katsanis (1991), Kjeldgaard and Askegaard (2006) and other academics. And such tendency has more or less reflected the emerging homogenized global cultural economy, mostly derived from Western modernity.

In addition, globalisation has not only led to such convergence into global culture, sort of cultural diffusions of present dominated Western culture with receded meaningful differences between various less industrialised local cultures. But it also brings in cultural interaction that generates and organises new diversities of values and practices. Cultural homogenising and heterogenising resulted from globalisation “are two sides of the same coin, rather than the opposing processes” (Cowen, 2002, p129). The prosperous studies on Japanese management practices and infusion of the concept of guanxi have provided explicit cases to refute the simple asymmetric centre-periphery mode of globalisation effects on culture, which is advocated by those “radical diffusionists” (Foster, 1991). Sometimes globalisation even serves to sustain cultural activities by providing overseas markets. The Navajo rugs maker might more closely link with distant American consumers rather than his local trading partners, as Cowen (2002) suggested in his book. With respect to the globalisation effects on culture, either diffusive or interactive, Hofstede’s static approach to culture difference indicated greater cautions are needed to interpret his survey data and individual culture scores to avoid stereotype mindset of cultural characteristics.

National Level of Culture

According to the national culture model, national cultural homogeneity was taken as a given and self-evident fact, suggested by some social theorists like Weber and Marx. So each national culture is represented as the culture of each nation and culture (and national culture in particular) is conceptualised as coherent and distinctive. These dispositional assumptions on national culture provide the bedrock source to compare and identify individual cultures and serve as prerequisites of Hofstede’s culture dimensions. However, there is a long-standing controversial debate about whether culture uniformity exists at national level (Alvesson, 2002;

Martin et al., 2006) and such recognitions of national culture are often linked with the emergence and decline of nationalism in politics and anthropology.

While the anthropological definition of “nation” is usually treated as equivalent to the political meaning of “state” by many academics (Hofstede and Hofstede, 2005; Trompenaars and Hampden-Turner, 2000), a coherent national culture is deployed to facilitate the foundation of sovereign state and demarcate the boundaries of individual nation. Since the peace treaties of Westphalia and surge of romantic nationalism, there is increasing awareness of importance of national culture as pervasive homogenising force to form sovereign state from separate regions like Germany and Italy before the First World War, or seek independence from colonisation in post-World War II in Southeast Asia and Africa.

However, such assumption of national uniformity in culture is not perfectly flawless and subject to tremendous empirical and theoretical criticism (Duncan, 1980), in recent decades in developed countries. For instance, Ratner (2005) describe the national culture in his study with diversified characters rather than universal ones and McSweeney (2002) criticized Hofstede’s cultural dimension as generalisation of organisation culture or occupational culture with national attributes. In Europe, echoing the growing demand for national self-determination in those peripheral areas like Basque and Scotland (Spencer, 2010), anthropologists are more attracted to the local cultural difference rather than singular feature of national culture. Meanwhile anthropologists in developing countries are still keen to trace back to the old historical roots of national culture and its origin in a variety of ecological factors. Therefore, it is more appropriate to recognise the difference between anthropological “nation” and political territorialised “state” or “country” and bear it in mind in research of culture and its influences, as there were about 8,000 nations living in 159 states, estimated by the late Gellner (1983).

Also, Macnab et al. (2010) contend notable subcultural differences at regional or ethnic levels despite that national cultures are often described as homogeneous, and McSweeney (2009) claim that such variances undermine the plausible national uniformity as the theoretical foundation of national culture model. Actually, most

countries are overwhelmingly constituted by multiply clusters of ethnic group rather than single nations within a single state. And in a multiethnic country, the national culture may unfold its character of diversity in response to the robust ethnic, micro-cultural environment within the country (Sarwono and Armstrong, 2001). Canada, often metaphorised as cultural mosaic (Bowman, 2000), and the United States, described as cultural melting pot by Zangwill (1908), are just two impeccable examples of increasingly distinctive characteristics of ethnic culture within a multiethnic country, an equilibrium of cultural homogeneity and cultural heterogeneity, a compromise between multiculturalism and assimilationism. The Canadian culture, like American one, is comparatively robust enough to allow noticeable sub-cultural differences to coexist together (Macnab et al., 2007), while the collapse of communist rule in Soviet Union and split of Yugoslavia in the last century have demonstrated the incoherence and instability of national culture as the external political and economic milieu changed.

Besides the cultural differences are related with various ethnic groups, some researchers also articulated that regional aspects, particularly in relation to its historical development, might influence cultural patterns of group in question (Nisbett, 1993; Gao, 2009). Macnab et al. (2010) revealed sharp cultural differences in emphasis for integrity and loyalty among residents from Hawaii and Florida respectively, demonstrating unique regional-cultural patterns within the United States. They also indicated another more interesting example, seconded by McSweeney (2009), of cultural paradox in diverse regional-cultural context as the People's Republic of China (PRC) resumed sovereignty over Hong Kong in 1997 and Macau in 1999. Such events cast doubts on the generalisation of Chinese culture after reunification of Hong Kong and Macau into Mainland China, providing the previous two regions be said to have independent and distinctive cultures to that of China in spite of largely populated by same ethnic Han Chinese groups. Therefore, these academics insisted that the spurious "national" culture advocated by nationalist cultural anthropologist is more or less assertion of state culture.

Summary

To sum up, despite its widespread use in social science research, Hofstede's work has come in for considerable criticism over the years. McSweeney (2002) levies a number of charges against Hofstede, directing most criticism at his functionalist methodology and finding it fundamentally problematic. Gooderham and Nordhaug (2003) also criticize the number of cultural dimensions Hofstede identified and find them oversimplified.

Though criticized by these scholars, Hofstede's research has still been much used for references in the field of culture research, management, sociology rather than anthropology. Both Enger (2004), cited in Kwan (2005), and Peng (2009) conclude that the benefits outweigh the deficiencies of the Hofstede's work. And Hofstede's culture model is regarded as most appropriate approach to understand the cultural difference between sample groups and explore the cultural effects on CSR, considering the time, length and other resources available for current research. However, as suggested in previous section, the researcher will also remain cautious in analysing relevant data and interpreting results that may be twisted by these conceptual and methodological limitations.

3.1.5 Cultural Influences on CSR

Whether current CSR guidelines or codes could be applied in the global context, they have exactly reflected the contention of two distinctive ethical ideologies: ethical universalism and ethical relativism. Since ethical relativism is well influenced by, and interacts with, different personal values and social traditions, which are core parts of any national culture, it is quite important to examine the relationship between culture and corporate social responsibility within the various theoretical frameworks of culture and business ethics.

England (1975) contended that people brought up in different cultures held different values and ethical beliefs. Certain evidence of national culture in corporate social responsibility, corporate citizenship or business ethics has been well reported in the international context. Maignan (2001) found that consumers in different countries

actually rank four dimensions of CSR in a different order, and have different focuses respectively. Hamann et al. (2005) also pointed out the increasingly prominent tensions between universal, international norms and standards with respect to CSR, on the one hand, and national or local circumstances, priorities and dilemmas, on the other. In addition, Vitell and Hidalgo (2006) have shown that U.S. managers tend to have significantly higher corporate ethical values, greater enforcement of ethical codes, less organisational commitment and lower relativism than their Spanish counterparts, for example.

Nevertheless, Hofstede's cultural typology helps to understand the significant impacts of these five cultural values on corporate social responsibility or corporate citizenship, as well as business ethics (Hofstede, 1984; Vitell et al., 1993) (see Appendix One for detailed information). Therefore, these abovementioned findings have clearly supported the assumption that the existence of cultural differences influences actual corporate social performance in each different country.

However, some cross-national studies, particularly those which have utilized subjects from societies at similar levels of development or which share similar cultures, have not observed those ethical perceptual differences towards CSR among different ethnic managers (Khan and Atkinson, 1987; Quazi and O'Brien, 2000; Egri, 2004). For example, following the similar research methodology and measurement scale used by Orpen in 1987, Quazi (2000) employed a similar questionnaire with a modified style and direction in order to fit the current situation and purpose in the context of two dissimilar cultures: Australia and Bangladesh. The results implied that cultural difference may have little impact on the ethical perceptions of corporate managers, which is contradictory to Orpen's (1987) finding. Kam-Hon Lee (1981) concludes that the evaluation frameworks of British and Chinese managers in Hong Kong are extremely similar.

These findings of weak cultural influences have been supported by the results of later cross-cultural studies in the fields of both CSR and ethics. Egri (2004) also suggested that there was not a significant relationship between individualism or collectivism and the relative importance of corporate social responsibilities. Egri's

survey results that managers from countries with a high GDP are more conducive to CSR than those from countries with a relatively low GDP indicates that economic development, instead of cultural factors, has more influence on a manager's attitude towards CSR. In addition, the comparison of ethical beliefs among black and white students (Tsalikis and Nwachukwu, 1988) and Greek and American business students (Tsalikis and LaTour, 1995) both found that ethical beliefs varied little from culture to culture.

In conclusion, many academic researchers have already illustrated the significant relationship between culture and CSR through various empirical studies and sophisticated analyses of findings. Yet, this conclusion is not perfectly immune from criticism and scepticism due to the inherent slight flaws in the process of reasoning and sampling. It also indicates other factors might bring in such variances in CSR attitudes and practices, which will be discussed in the next section.

3.2 Other Influencing Factors

As Wotruba (1997) contended, there are other differences between countries in addition to cultural variances, such as economic development, legal and political system. The limitations of Hofstede's cultural model also indicate other factors like globalisation will affect certain characteristics of culture and its influences on relevant issues. Therefore it is quite sensible to theorise that other factors, that is to say, the development pattern of CSR and globalisation, could induce such variances in CSR attitudes and practices and should be taken into consideration as well.

3.2.1 CSR Development Pattern

Already illustrated in the Section 1.1.1, for a long time in the 19th century, encouraged by utilitarianism, many British mill owners and managers held poor opinions of their workers, regarding them as replaceable parts of the factories, and sickness among mill workers was exceptionally prevalent. It was also quite a common economical way to employ children over eight to reduce labour costs in early 19th century Britain. In fact, the reckless pursuit of profitability resulted in

increasingly unmanageable pollution problems, the depletion of non-renewable resources, habitat and species extinction. It is a typical indication of the Victorians' lack of environmental concern, particularly in comparison to people in the 21st century. At that stage, most companies were more concerned about economic returns for their shareholders or owners, and gave little attention to legal or ethical responsibilities towards society and their workers.

Nevertheless, gradually these employers began to think that immoral and ill-managed policies and practice might not be sustainable, even might work against their own best interests by means of a high turnover rate and sabotage from the employee. Thus, they started to follow what was acceptable, and recommended by moral practitioners like the Cadburys of Birmingham, or the Huntleys and Palmers of Reading (Windsor, 1980). At the same time, the business practitioners began to be aware of the strengthening influence of society and the more and more rigorous laws and regulations intolerant of unethical behaviour were established, such as the Factory Act in 1833 (Basu, 1999). At this stage, the economic and legal responsibilities of the company were simultaneously emphasized.

After the mid-20th century, people like consumers and suppliers became much more aware of the reputation of the product or company they were dealing with, and the sense of member identification pushed society to avoid or boycott unethical products or companies. At this stage, the idea of CSR was widely spread and many efforts undertaken to reduce ill practice. For example, the Supreme Court ruling of *Hammer v. Dagenhart* in 1918 in US, indicating the Keating-Owen Act of 1916 (US version of child labour law) was unconstitutional, was overruled in 1941 to reinforce the protection against child labour practices (Supreme Court, 1918). Figure 3.3 demonstrates how the theory and practice of CSR gradually gained its place in industrialized countries, such as Britain and the United States.

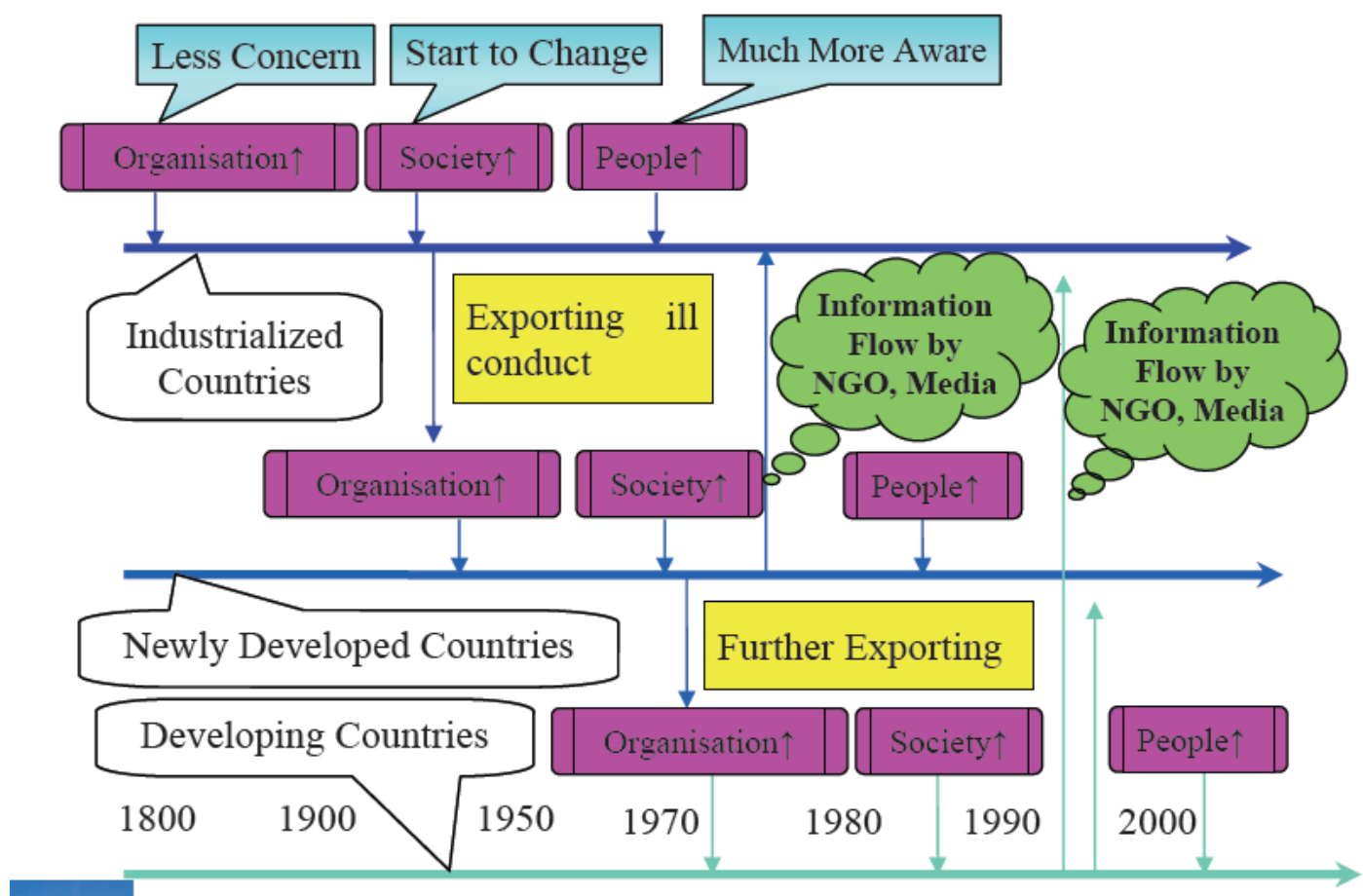


Figure 3.3 the Development Pattern of CSR

Source: Author

On the other hand, malpractice of firms did not cease to exist; rather it was exported to colonized regions and other newly developed and developing countries, such as colonised territories in China in the 1920s or Taiwan or South Korea in the 1970s, where this type of conduct was less controversial at that time. For example, the proposed child labour regulations by Shanghai Municipal Council in 1923 had never been put into practice because of strong opposition from industrial circles (SHTong, 2010).

The adverse effects were hardly revealed to the public in the home countries, partly due to the information being retained within national boundaries. Owing to the eagerness to attract investment capital to boost economic development and industrialisation, host countries were put in a relatively weak position, which led multinational enterprises to take full advantages of lax legal protection for the

environment and people, low labour costs and information isolation. Therefore, actual business practices in newly developed countries at that time were no better than those of industrialized countries in the 19th century.

As time has gone on, similarly to the CSR development pattern in western countries, the increasingly powerful societies in newly developed countries have called for strengthening laws to protect the environment and people. Simultaneously, NGOs and the media have helped to break the information isolation and reveal how companies operate in those regions to people in industrialized countries, as indicated in Figure 3.3. Thus, the pressures from governments of Society dimension in both types of countries, and from the public of People dimension in developed countries, would become gradually intense. These pressures have compelled the corporations involved to perform socially responsibly, not only in industrialized countries but in newly developed countries as well.

Alternatively, they might further export malpractices to the developing countries, then to the developing areas in the developing countries and the like. In this way, the same old story takes place in these places again, as illustrated in the previous chart (Figure 3.3). Elliott (2007) argues that Nike began operations in Japan during the early 1960s, then in China and Indonesia in the 1980s, and later in Vietnam, largely because the local labour costs were low. When labour became not so cheap, Nike pulled out to other countries for low-priced labour.

3.2.2 Effects of Globalisation

Moreover, when firms only operate within their national boundary, as indicated in Figure 3.4, they need to cover the interests of all relevant domestic stakeholder groups and aim to reach equilibrium or harmony of stakeholders' requirements.

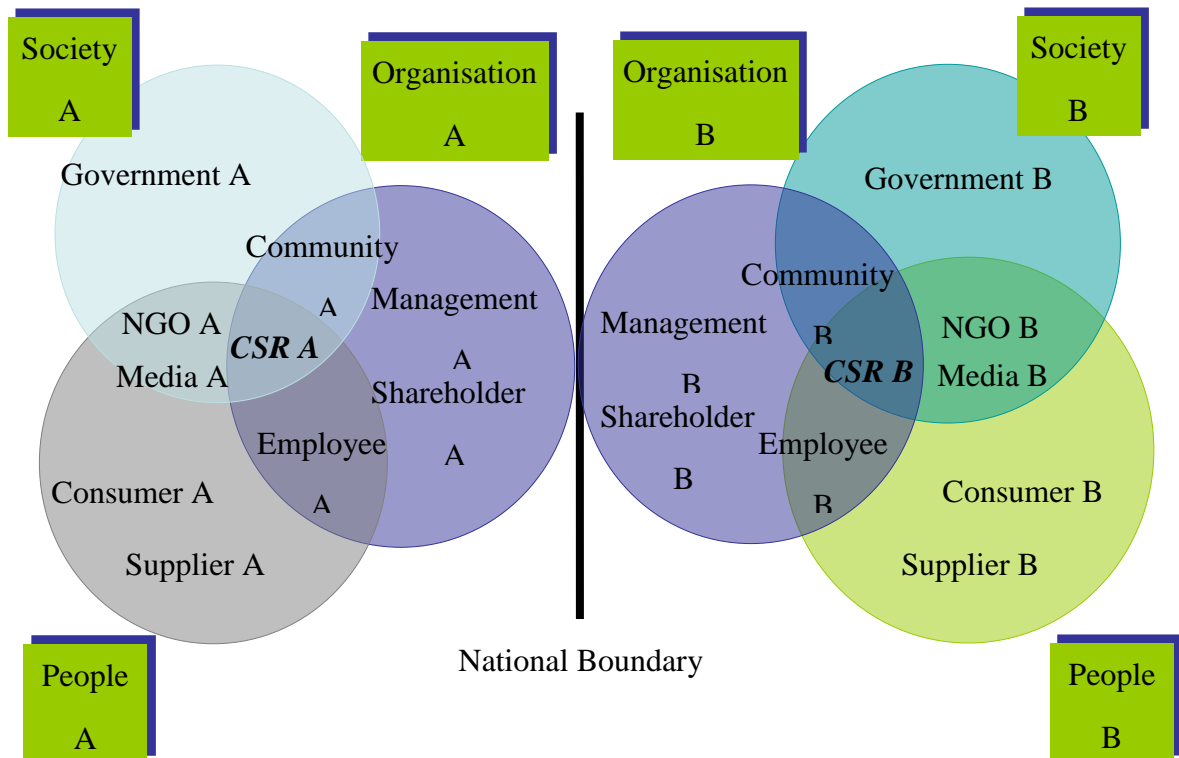


Figure 3.4 Stage Zero: Starting Point of Globalisation

Source: Author

Thus at this starting point, performing socially responsibly in accordance with the domestic background seems to be the best choice they might select.

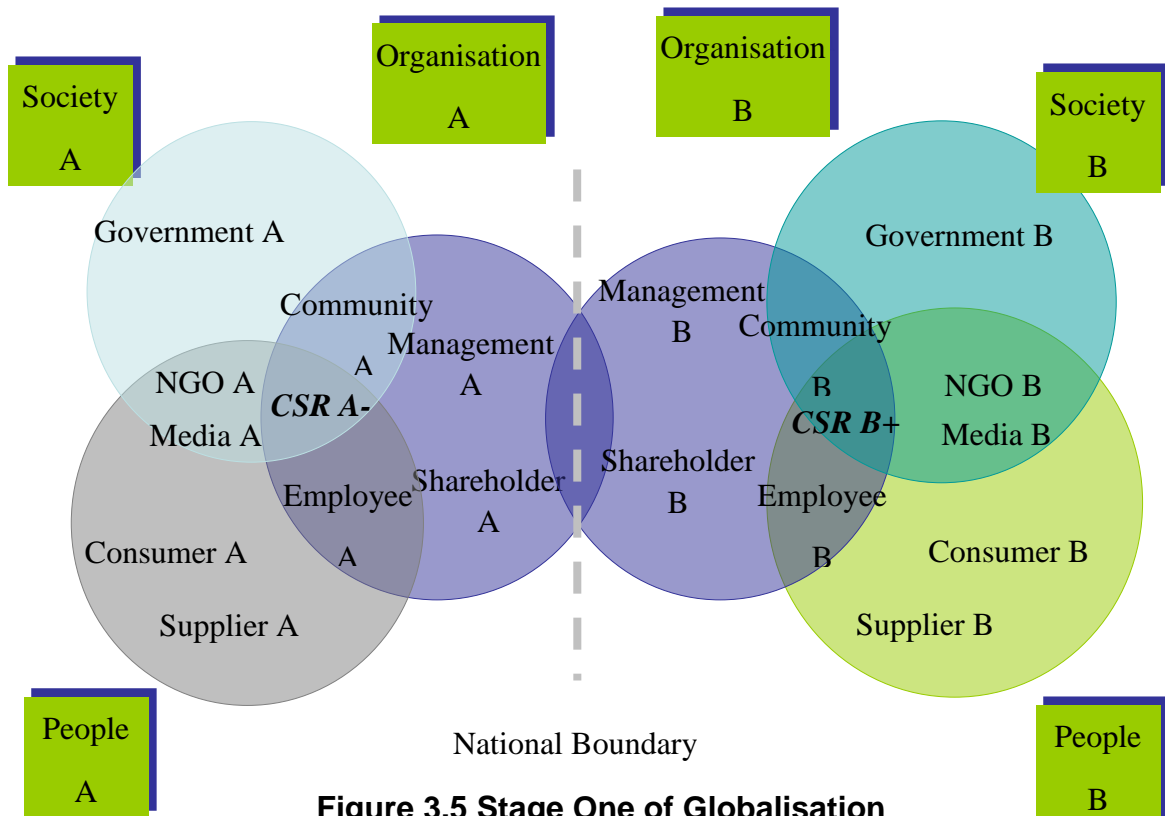
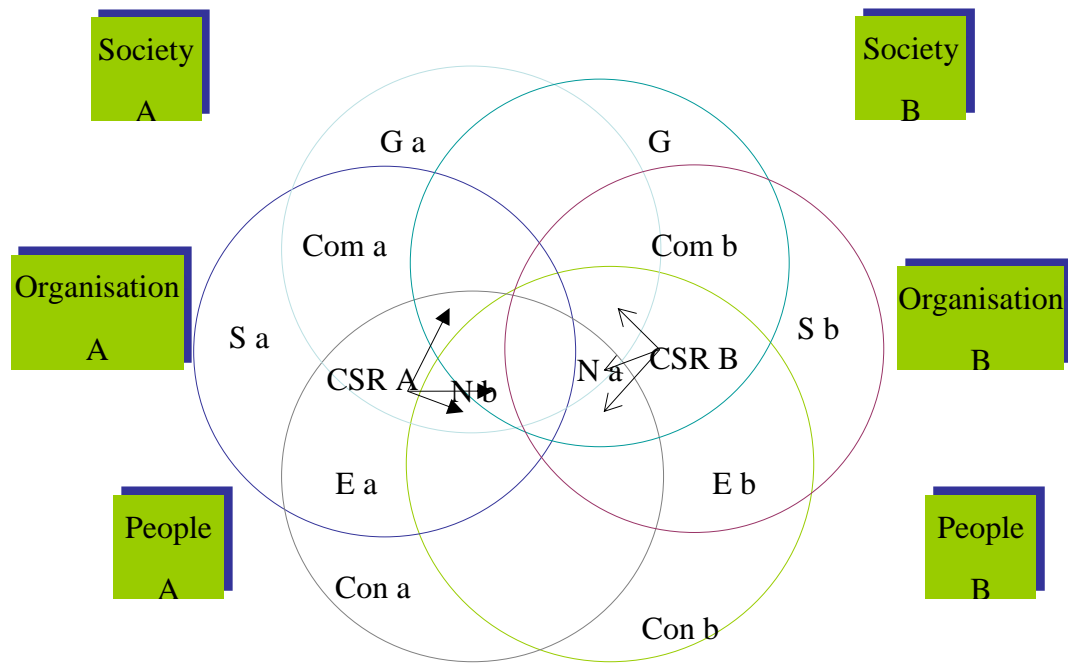


Figure 3.5 Stage One of Globalisation

Source: Author

However, stimulated by the prosperous foreign market, a company has embarked on its road to globalisation and started to sell its products abroad. The corporation would further extend its business activities in the host countries to set up either a wholly-owned subsidiary or a joint venture, or outsource its production overseas. At this stage, as illustrated in Figure 3.5 above, Societies A and B and People A and B are still relatively separated and isolated by the less transparent national boundary, while Firms A and B are interconnected across the national boundary by their trade relations or supply chain.

On the one hand, if Firm B is the subsidiary of Firm A in Country B, both companies might be faced with a conflict of interests between Shareholder A and Shareholder B for the profitability of the parent company, or sustainability of the subsidiary and allocation of profits between Management A and B. On the other hand, if Firm B is the supplier of Firm A in Country B, the cost driver for Firm A to outsource production to Firm B would prevent it directly requesting a similar CSR level A in Firm B. It would prefer to improve the CSR level more in Firm B from B to B+ instead. Given this fact and considering the cultural influence on stakeholders' requirements, Firm A is actually performing differently in different countries accordingly. Thus, this might lead to the harmony of stakeholder groups in both home country (Society A) and host country (Society B) at minimum cost, which means to operate in accordance with higher expectations in the home country and conform to lower standards in the host country, or vice versa.



G a: Government A; G b: Government B; S a: Shareholder A; S b: Shareholder B
 Con a: Consumer A; Con b: Consumer B; Com a: Community A; Com b: Community B
 E a: Employee A; E b: Employee B; N a: NGO A; N b: NGO B

Figure 3.6 Stage Two of Globalisation

Source: Author

At the second stage, as represented in Figure 3.6, the gradually eroded national boundaries have given opportunities to stakeholder groups in Society A and People A to interact with the stakeholder groups in Society B and People B, with help from NGO A & B and Media A & B. The requirements proposed by stakeholders in Society A or People A might conform to, or contradict, those suggested by their counterparts in Society B or People B. In fact, Firm A might need to take account of those requirements from Government B or Consumer B or both of them, in addition to maintaining its previous CSR level A when it is under pressure from Government B and Consumer B as well. And it is true for Firm B to do so. Until then, the new equilibrium of all involved stakeholder groups in both countries would be achieved. Taking Foxconn as an example, the working conditions of its factory in Shenzhen, China are better than the normal expectations of society and people within the Chinese context. It has also had to adjust its business practice to partly meet the

requirements from overseas clients such as Apple, Dell, IBM, Nokia, when Foxconn has always been pointed out as the negative example, as a sweatshop plant, compared with those in developed countries (Joseph, 2006). However, recent repeated employee suicides have illustrated the adverse impacts of impersonal scientific management in modern manufacturing. Under tremendous pressure from both clients and the public, Foxconn announced a further wage increase for qualified employees in July 2010 (Wang, 2010). And it had planned to relocate its production base from Chinese coastal regions where labour policy became more and more stringent to inland China, whose local officials promised maximum concession on land, tax and labour policy (Sun and Lu, 2010).

Similar issues also happened to producers in developed countries. Paylean, an adrenal stimulant used to make pork leaner, is approved by the U.S. Food and Drug Administration (FDA) but banned in over 160 countries, including the European Union since 1996 and China since 2002 (Ministry of Agriculture, Food and Rural Affairs of Canada, 2007). In order to gain access to the Chinese livestock market, the US-based largest pork processor Smithfield Foods has entered into an agreement with a Chinese trading company for the purchase of 60 million pounds of Paylean-free pork (Hostetter, 2007).

As shown above therefore, the effects of globalisation have driven firms to reconcile various expectations from different country settings and reach a new equilibrium among diverse stakeholder groups for sustainable development.

3.3 CSR and SME

3.3.1 The Development of CSR in SME

As indicated in the previous section, CSR has already become a controversial topic among consumers, academic researchers and business practitioners, and numerous labour or environmental standards have been established by large MNEs, industrial nations as well as international organisations to meet the expectations from the public.

However, those large businesses have in fact generally transferred the burdens of their corporate responsibilities to their suppliers, subcontractors or distributors by demanding various factory inspections but hardly sharing the increased cost (China Labor Watch, 2011). So the latter which are mostly small and medium sized enterprises have to take most of the costs of CSR practices. SMEs have to carry out certain CSR practices due to market demands, basically through subcontracting relationships, or the strategic choice to obtain certain competitive advantages in comparison to competitors (Observatory of European SMEs, 2002). Many SMEs in developing countries fear that they may not be able to meet the operating and monitoring costs of the social and environmental requirements of global buyers and supply chains without losing their competitive edges in international markets. They are also aware that if they do not meet these requirements in a cost effective way, they will not be in a position to access new foreign markets or large international buyers which stipulate their own codes of corporate ethics, in addition to the usual cost and quality requirements.

In recent years, at least 200 foreign companies purchasing in China have been required factory inspections before placing their orders, which include wages, medical insurance and labour protection. Besides, noncompliance with CSR standards established by ISO, SAI or large TNCs may impede a small firm's chances of entering the global marketplace. Statistics indicate that more than 120,000 Chinese manufacturing firms have received a CSR inspection or audit from their clients and some of them lost their qualifications as suppliers due to poor CSR practices, or failing to meet SA8000 standard (Tang, 2004).

On the other hand, over the last few decades, SMEs have become more important both numerically and economically. Not only are most enterprises in the world small, but also they account for a significant amount of employment and economic activity. Statistics show that SMEs make up over 90 per cent of businesses worldwide and account for between 50 and 60 per cent of employment (UNIDO, 2002). SMEs have also become one of most vital drivers of economic development in China and account for 99% of the total amount of registered companies, more than 60% of total

output and around 40% of total tax income (SDPC, 2005). Given the significant scale of small business in nearly every economy, their aggregate achievements in CSR performance would have a major effect worldwide. Underestimating or ignoring the impact of SMEs on CSR and society in research would be “in fact totally inappropriate” (Spence and Lozano, 2000: 43).

In fact, in the light of a more and more integrated world economy and business and prevailing concerns over environment and labour, SMEs, as well as their large counterparts, are all encouraged to perform socially responsibly to maintain their sustainable development.

While large companies are able to obtain technical assistance, managerial advice or tax rebate from academia and governments, most small firms are usually at a loss to know how to effect the technical and managerial changes that would enable them to meet emerging environmental and social standards requested by their global supply chains and governments. Although over the last decades CSR has gained great salience in academic literature (de Bakker et al., 2005) and could be applied to all sorts of businesses, regardless of their size or sector, it has been predominantly discerned at the level of the large firm (Spence, 1999) that the knowledge of the relationship between SME and CSR is still fragmented and has not yet developed into a coherent theory.

Moreover, implementing CSR in large enterprises is not necessarily the same in SMEs. Small firms are not little big firms and have certain specific characteristics which restrain or limit their capabilities to cope with CSR issues or undertake CSR practices. For example, rather than having the chance to design a medium or long-term strategy to develop their business, the owner-managers of small firms are mostly obsessed with routine work, and deal with urgent tasks only so that the enterprise can survive in the short term (Spence, 1999). Issues like CSR are of less importance to them and difficult to incorporate into SMEs’ daily operations.

3.3.2 The Idiosyncrasies of SMEs

As Spence (1999) finds out, small firms tend to be owner-managed and independent,

stretched by multitasking, restrained by limited time and cash, built on personal relationships, and controlled through informal mechanisms. These idiosyncrasies of SMEs suggest that they differ “in nature as well as in size from their larger counterparts” (Holliday, 1995:2). It implies not only that ethical issues in the small firm may be different in kind from those in large firms, but also that they may be influenced by characteristics specific to the small firm.

Owner-managed

A fundamental characteristic of small firms is that they are owner-managed and there is always a maximum percentage of shares that could be held by large firms. The coincidence of ownership and control means there isn't much problems related with agency issue, which is the primary problem of corporate governance in large firms and public limited companies as the managers generally only owns a small percentage of stock (Hufft, 2008). However, it also indicates that for the most part, as SME could only finance through partners or related shareholders.

Localised

There has been considerable research undertaken into small firms and their interconnectedness with local surroundings (Curran and Blackburn, 1994; Spence, 1999) and it is generally acknowledged that SMEs tend to have good relationships with local communities. Besser and Miller (2001), Southwell (2004), Spence and Schmidpeter (2003) and Spence et al. (2003) all support this notion of SME embedding in the local community in the US and EU. Evidence also suggests that the majority of SMEs believe that organisations like themselves should pay significant attention to their social and environmental responsibilities (Southwell, 2004).

Multi-tasking

Spence (1999) also reveals that along with autonomy in decision-making in the small firm, the owner-manager will also be responsible for a range of functions. Depending on the number of employees available, and the propensity of the owner-manager to delegate, the owner-manager is likely to be “multi-tasking” on a regular basis. The owner-managers commonly undertake a whole range of tasks, from production to

management and this makes time and task pressure on the owner-manager great. Realistically, 60% of SMEs are simply content to survive (Baker, 2003); as long as they are making a decent living, and there is little need to reduce the bottom line with CSR related schemes.

Time and cash-limited

The major result of multi-tasking the owner-managers have to deal with is the limited time to consider the SME's future strategically. The owner-managers of SMEs are usually occupied with daily routine issues rather than strategic planning (Hutchinson and Chaston, 1994). A further reason for taking a short-term view is the limited cash flow and finance resources available to small firms (Keasey and Watson, 1993). The major long-term investment in plant and equipment related with social or environmental issues would normally require careful consideration by owner-managers. Moreover, firms in socially and environmentally sensitive industries with a consumer focus were found to have higher levels of relative and absolute expenditure on CSR (Brammer, 2004).

Personal relationships and Informality

SMEs usually employ few employees in comparison with large counterparts, thus there is a personal relationship built up between owner-manager and employees and "work is both a technical and a social activity" (Spence, 1999: 165). The personal relationships between owner-manager, staff, suppliers, customers or even competitors allow the small firms to build up trust, which would act as a crucial factor of their success. Besides, the close personal contacts within the organisation lead to the fact that small firms usually rely on informal control mechanisms instead of formal and bureaucratic controls. Therefore, those externally dictated standards or procedures sometimes run contrary to the needs of the small firm.

3.3.3 CSR Approaches for SME

As mentioned above, communication, support resources, time and money and supply chains would be the major constraints on SME to participating in CSR practices. In view of these problems and the features of SMEs, their CSR activities should aim to

reach certain targets, suggested as follows.

Firstly, SMEs should balance CSR with their business strategies. This balance does not mean that the organisation would adopt some “unethical” practice; it simply means that SMEs could adapt those practices in the CSR agenda that are relevant to their business and that are feasible in relation to the organisation’s profitability (Tilley, 2000). Unlike large firms which have abundant slack resources to spend, SMEs should mainly tackle one or two of the most critical CSR issues, such as health and safety measures or community interactions, so as not to damage their financial health too deeply.

Secondly, SMEs should integrate CSR into their daily operations. The challenge for SME managers is to think about how they can promote and integrate these activities into the daily running of a business. This approach, creating an integrated management system to achieve business objectives within the CSR boundary, is widely recognized as the way to overcome the suspicion and perceived unrealism of the CSR agenda (Murillo and Lozano, 2006). For example, an SME could resource as ethically as possible if this is provided at a similar price level, instead of demanding its supplier or distributor abide by certain CSR standards, simply because of its weak position in the supply chain. An energy-saving or waste reduction policy could also contribute to creating a pro-CSR internal environment within SMEs (Simpson, 2004).

Thirdly, the community could be a major aspect for an SME to focus on. “Business Community Interaction” has been recognized as relevant and interesting to smaller companies (Besser, 1999), and evidence that perceived business success is significantly associated with SME managers’ support for, and commitment to, the community. Many SMEs are already engaged in community-related socially responsible activities, often called “silent CSR”. Such practices could successfully build up a favourable external environment for development.

Finally, SMEs could employ various communication instruments to achieve their CSR targets. A company could hold periodic meetings or release newsletters on notice boards to promote the idea of CSR (Spence and Lozano, 2000). Relevant

awards or certificates obtained could also be displayed in the public area to attract attention to CSR. Welcome packs for new staff are another way to effectively integrate the spirit of CSR into corporate culture.

3.4 Summary of Key Issues

In view of different levels of CSR awareness and practices in various countries, this chapter discusses the possible causes for such variances in Section 3.1 and 3.2. Under the SOP framework, relevant literatures suggest the differences in CSR attitudes and practices among various countries might be caused by sharp cultural differences. But other possible influencing factors like development pattern of CSR and progress of globalisation may contribute to similar results.

After having explored the concept of culture from both anthropological and sociological perspectives, an integrative approach reconciling both perspectives is recommended to understand the cultural influences on behaviour via the Kwast's Model of Culture (1992). Then, the merits and flaws of different comparative culture approaches, i.e. Rokeach Value Survey (RVS), Inglehart's World Value Survey (WVS), Hofstede's Values Survey Module (VSM), Schwartz's Value Survey Inventory (SVI) and Trompenaars and Hampden-Turner's Cross-Cultural Competence (CCC), were reviewed and Hofstede's five cultural dimensions (1984, 1988) is chosen to examine the extent to which cultural dimensions affects the practice of CSR undertaken by businessmen. Illustrated through previous studies, the differences in national culture between countries are found to affect the focus point of CSR attitudes and practices among firms.

Meanwhile, the researcher suggested that the CSR development pattern would cast significant influences on business persons' attitudes towards CSR through changing awareness in different period of time, as demonstrated in Figure 3.3. Consequently, firms tend to respond differently to meet the requests of stakeholders in different dimensions over time, in order to cope with subsequently rising pressures from the latter. Firms are also found to reconcile various expectations from different country settings in the context of globalisation with gradually eroded national boundaries and

reach a new equilibrium among diverse stakeholder groups for sustainable development.

The following section discusses the relationship between CSR and SME so as to examine the effects of CSR on SMEs. Small firms, as well as their large counterparts, are all encouraged to perform socially responsibly to maintain their sustainable development in a more and more integrated world economy and business and prevailing concerns over many CSR issues like environment and labour. However, most SMEs are usually at a loss to recognize the effective and efficient way to carry out CSR practices or meet social and ethical requests. Moreover, implementing CSR in large enterprises is not necessarily the same in SMEs because of their size and idiosyncrasies which might restrain or limit their capabilities to cope with CSR issues or undertake CSR practices. In view of these facts, it is suggested that SMEs should balance their CSR practices with business strategies, integrate the idea of CSR into their daily operations and employ various communication instruments to achieve their CSR objectives.

The next stage in this research is to test the validity of proposed SOP theoretical framework and the effects of culture and other possible factors against the reality of CSR attitudes and practices in SMEs. And next chapter will discuss the methods considered, rejected and selected for undertaking research.

4. Chapter Four Research Methodology

The purpose of this chapter is to provide a methodological discussion of the decisions regarding the research approach and the research strategy made after obtaining preliminary ideas about corporate social responsibility, its influencing factors and the interaction between CSR and small firms. It builds on some of the discussion in Chapter 2 and 3 and considers relevant methodological issues addressed while approaching the stage of data collection.

This chapter first describes the purpose of the present study and explores the research problem by applying SOP theoretical framework to the possible influencing factors of CSR practices. Based on the research questions, which are revisited in Section 4.3, it proposes research hypotheses from the perspectives of culture and other influencing factor as development pattern and effects of globalisation.

Then the following section describes the specific data collection and analytical methods adopted. These are questionnaire and secondary data collection, in accordance with the characteristics of the hypotheses and limitations of prior studies, and in order to analyse the influence of, and the relationship between, the suggested factors.

The chapter continues with a description of data measurements, including both dependent and independent variables, and the sampling criteria of the survey subjects, as well as the expected response rate and numbers. It also discusses the validity of the sample and raises the awareness concerning the limitation of the data. The closing section provides a brief overview of the administration process of survey and sample characteristics.

4.1 Purpose of the Study

Taking into account the research philosophy of realism and adopting deductive research approaches, this research is a descriptive and explanatory study using longitudinal data for analysis.

The aim of this study is to identify and examine the characteristics of CSR practices.

By developing and testing the effects of influencing factors in CSR performance in small and medium sized enterprises by analysing quantitative longitudinal data and survey answers, a framework could be formulated for SMEs to implement CSR practice on a rational, practical, economic and ethical basis, drawing on the experiences of British SMEs regarding such practices.

The dependent variables are defined as various indicators of CSR awareness, knowledge and social performance indicators. The independent variables are defined generally as cultural factors, the demographic characteristics of owner/managers, size criteria of firms and their business relations with foreign or foreign-funded firms. In this study, the control variables are statistically controlled in the study.

4.2 Problem Statement

The increasing concern for corporations to perform socially responsibly and the damage that might be caused if they fail in this, has well captured the attention of both academic researchers and business practitioners. Nevertheless, it still remains unclear how CSR should be practiced in a firm, and this has preoccupied many scholars, managers and authorities. Moreover, most current researches have been carried out based on the experiences of large companies, or conducted from the perspective of large corporations. Information indicates that limited attention has been given to, and few studies and discussions have taken place on implementing CSR practices in SMEs (Spence, 1999), which are often considered as lacking sufficient resources to carry out these practices, as is the case in China.

In contrast to their counterparts in developed countries which could rely on multiple supportive structures such as access to information, high educational level of employees, voluntary networks, and governmental subsidies, SMEs in developing countries face extremely harsh conditions which seem to exclude the possibilities of enhancing their corporate social performances (Jenkins, 2004). In fact, some small businesses in such countries seek to carry out unethical or even illegal operations to maximise their profits, at the cost of the deterioration of the natural environment, the interests of consumers and workers and the credits and reputations of their own

companies.

However, this research is neither about exploring whether large firms have better CSR performance than small ones, nor is it about probing the moral superiority of British companies versus Chinese companies in CSR profile. Because in recent years Chinese manufacturers have already been faced with much criticism and pressure regarding their poor CSR records, this study is interested in finding out whether Chinese SMEs could compete in the global marketplace after adopting well-known CSR standards.

4.3 Research Questions Revisited

As indicated in the theoretical discussions in Section 3.1 and 3.2, this research theme correlates with two major parts of issues as the causes for differences in CSR practices between countries. In view of the contrasting CSR attitudes and practices among SMEs in the UK and China, this study aims to explore the following research questions and research hypotheses are then proposed in next section accordingly:

- Why do small firms' attitudes and practices vary between different countries regarding relevant CSR issues?
 - Is the CSR performance of firms from oriental countries different from those from western countries due to cultural effects?
 - Would other factors, namely, CSR development pattern and globalisation, also influence the attitudes towards and performance of CSR practices among SMEs?
 - ◆ Do firms in the developing world act in a different way from firms in the developed nations on relevant CSR issues because of different stages of development?
 - ◆ Do companies with more international business relations have higher CSR performance levels compared to companies with more domestic business relations, owing to globalisation?
- If CSR practice were implemented, would other factors also influence the performance of CSR practices among SMEs?

- Could the proposed SOP framework be applied in other comparison studies?

4.4 Research Hypotheses

As discussed in section 3.1, this study utilizes Hofstede's cultural typology to examine the influences of culture on CSR. In order to better understand whether culture does indeed affect CSR, the sampled respondents have been drawn from two culturally dissimilar western and oriental countries; i.e., the UK and China.

The UK is generally regarded as the prototypical individualistic culture, notable for its emphasis on self-expression, self-fulfilment, and self-reliance (Rose, 1997). British are egalitarian, action-oriented, and entrepreneurial. They value equality of opportunity and risk taking, which is consistent with their high scores on individualism and masculinity and low scores on power distance and uncertainty avoidance (Hofstede, 1984; 1994). In contrast, China is a collectivist society, within a Confucian culture that is low on individualism and uncertainty avoidance and high on power distance, masculinity (Hofstede, 2008). The individual scores on each cultural aspect of China and the UK according to Hofstede's survey and estimation are listed below.

Country	Power Distance (PDI)	Individualism (IDV)	Masculinity (MAS)	Uncertainty Avoidance (UAI)	Long-term Orientation (LTO)
China *	80	20	66	30	118
United Kingdom	35	89	66	35	25

Table 4.1 Hofstede Score on the UK and China

Source: Geert Hofstede™ Cultural Dimensions, www.geert-hofstede.com (* Estimated values by Hofstede)

Because the main purpose of this study is to determine whether culture affects attitudes towards corporate social responsibility and actual corporate social performance, it is very important to first ensure that there are significant cultural differences between British and Chinese subjects in those five aspects. Therefore manipulation checks were performed and tested for the following hypotheses:

Hypothesis 1A:

The Chinese will score significantly higher on PDI than their British counterparts.

Hypothesis 1B:

The Chinese will score significantly lower on IDV than their British counterparts.

Hypothesis 1C:

The Chinese will not differ significantly on MAS from their British counterparts.

Hypothesis 1D:

The Chinese will significantly differ on UAI from their British counterparts.

Hypothesis 1E:

The Chinese will score significantly higher on LTO than their British counterparts.

Only after the differences in cultural aspects between China and UK were confirmed, could the influences of culture on CSR then be examined by analysing survey data.

Since the literature review in Section 3.1 has clearly supported the assumption that the existence of cultural differences influences actual corporate social performance, corporate citizenship or business ethics in each country, Hofstede's cultural typology could help to understand the impacts of cultural values on corporate social responsibility or corporate citizenship as well as business ethics (Hofstede, 1984; Vitell et al., 1993).

Power Distance: Within the context of high PDI culture, business managers prefer to take the opinions and orders from superiors, whether ethical or unethical (Christie, Kwon et al., 2003). They also rely more on formal professional or industrial codes of conducts (Vitell et al., 1993) and feel less concern for the environmental protection and employees' rights (Katz et al., 2001) than their counterparts from low PDI culture. In the same way, it is deemed that Chinese managers under the influences of a rigid social hierarchy would appreciate the ethical issues concerning fellow employees or other people related matters less.

Individualism vs. Collectivism: Persons with low IDV context tend to perceive themselves in group rather than individual terms, thus placing the interests of the group ahead of themselves; they concern themselves more with group or local

welfare (Katz et al., 2001) and insist on loyalty to the “in-group” (Goodwin and Goodwin, 1999). On the other hand, individuals from high IDV cultures might be less accommodative to unethical deeds, more likely to challenge the corporation’s unethical behaviours, have wider concerns regarding broad social welfare and take on more philanthropic activities, for the sake of highly self-appreciated personal ethical attitudes (Christie et al., 2003; Smith and Hume, 2005). As a typical individualist country, UK firms are expected to have higher overall levels of ethical standards and perform more socially responsibly on issues related with individual people, while China would maintain better CSR performance involving collective society.

Masculinity vs. Femininity: “Masculine” managers are inclined to be less likely to perceive questionable ethical problems, undertake more aggressive and dollar-driven behaviours and emphasize the priority of economic interests, while “feminine” managers, on the contrary, adopt a more cooperative and less aggressive management style, operate benevolently towards the environment and define achievement in terms of close human relationships rather than material success (Hofstede, 1984; Goodwin and Goodwin, 1999; Katz et al., 2001; Christie et al., 2003). Therefore, it seems that the high level of masculinity scores in both countries would inevitably lower the CSR performance of firms in the China and UK at the same time.

Uncertainty Avoidance: Business managers in a high UAI context will become particularly anxious when faced with uncertain or ambiguous situations, thus tending to comply with legal requirements instead of ethical ones (Goodwin and Goodwin, 1999; Christie, Kwon et al., 2003). They are also less likely to perceive ethical problems and place themselves as less important stakeholders when there is a perceived negative consequence of their questionable behaviour (Vitell et al., 1993), and require more legislation on environmental and labour issues (Katz et al., 2001). However, individuals from low UAI contexts might rely more on informal rules, such as ethical norms, and even be risk takers, breaking a rule if this serves society’s best interests (Goodwin and Goodwin, 1999; Hood and Logsdon, 2002). The lower

scores of UK and China in this aspect indicate similar cultural effects would be observed in firms in both countries.

Long-term Orientation: Business managers within the high LTO context would appreciate the long-term effects of an ethical decision and will not easily approve a beneficial practice at the expense of damage to the environment (Goodwin and Goodwin, 1999; Lu et al., 1999; Christie et al., 2003). The sharp contrast of scores in this aspect suggests that this study should witness favourable attitudes and better CSR performances from the perspective of Society in Chinese firms.

Considering the influences of these five cultural perspectives on CSR and proposed cultural differences between China and UK, it could be hypothesized that:

Hypothesis 1F:

Chinese firms tend to focus more on the CSR dimension of Society while British firms tend to focus more on the CSR dimension of People because of cultural differences.

Hypothesis 1G:

Chinese firms perform better than British firms on the CSR dimension of Society.

Hypothesis 1H:

British firms perform better than Chinese firms on the CSR dimension of People.

As illustrated in Section 3.2, apart from cultural influences, there are other possible factors that may affect the attitudes towards and actual performance of CSR practices. The development pattern of CSR in developed countries has called for the strengthening of laws and regulations to protect the environment and people. Egri (2004) concludes that economic development level is positively related to the relative importance of corporate social responsibilities. As a result, companies in those countries began to review and modify their conventional business activities to meet the relevant requirements. However, those unethical corporate practices did not disappear but rather had been exported to other newly developed or developing countries. As reported both by the BBC and the New Economic Foundation in 2007, China has become the “environmental laundry” for the Western world (Simms,

Johnson et al., 2007: 2). And five years ago, U.S. researchers found that “14% of China’s carbon dioxide emissions were accounted for by exports to the U.S.”.(BBC, 2007) Elliott (2007) also mentions that Nike began operations from Japan during the early 1960s, then moved to China and Indonesia in the 1980s and later to Vietnam, largely because the local labour and environmental costs were low. The relatively low CSR awareness level among the public in developing countries made this conduct less controversial at that time. Both domestic and foreign companies operating in such environments are easily prone to adopt less ethical activities than those ones in western countries, though the media and NGOs have helped to reveal unethical operations in the developing world in attempt to call for socially responsible performance. Therefore, it is hypothesized that:

Hypothesis 2A:

The developing countries are experiencing a similar pattern of development in CSR awareness and practices as the developed countries.

Hypothesis 2B:

At present, firms in developing countries have lower levels of CSR performance compared to firms from developed countries.

The literature review presented in Section 3.2 has further indicated that globalisation of market and production provides another possible explanation for the differences in CSR performances between firms from different countries and areas. When firms only operate within their national boundaries, they need to cover the interests of all relevant domestic stakeholder groups and aim to reach equilibrium of key stakeholders’ requirements. Due to the effects of globalisation, companies are now less constrained by domestic society’s ethical norms than they have been in the past. Because different countries have different laws and standards, there are more ways to get away with less than ideal behaviour in the quest for greater profits (Falck and Heblich, 2007). Meanwhile the gradually eroded national boundaries brought on by cross-national business have also given opportunities to foreign stakeholder groups of other companies to interfere with the domestic stakeholders (Detomasi, 2007).

Consequently, the firm needs to take account of requirements proposed by both foreign and domestic stakeholders in the society and people dimensions. In this way, the effects of globalisation drive the firm to reconcile various expectations from different country settings and reach a new equilibrium among diverse stakeholder groups for sustainable development. Thus the final hypothesis comes as follows:

Hypothesis 2C:

The companies with more international business relations have a higher CSR performance level compared to the companies with more domestic business relations.

4.5 Previous Studies

4.5.1 Research Design of Prior Studies

The research design of previous studies on CSR issues are illustrated in Appendix Two, which could provide insightful ideas in the process of data collection and analysis.

According to the studies illustrated (see Appendix Two for detailed information), questionnaire and scenarios are mostly used as data collection methods and many researchers take the interpretation of CSR by managers or certain intermediate measures, such as KLD² database or Waste-reduction index, to evaluate the CSR performance of the company. The qualitative data collection method, for instance, semi-structured interview, could provide in-depth understanding of the decision to perform socially responsibly while the quantitative method would help the researcher to gain comprehensive knowledge about the correlations between the determinants and CSR performance.

In accordance with the characteristics of hypotheses of this study, further research will explore the cause-and-effect relationship between the proposed influencing factors of CSR practice and their influences on corporate social performance. Therefore, the quantitative data collection methods, survey and secondary data, are

² KLD Research & Analytics, Inc. is the leading authority on social research and indexes for institutional investors.

appropriate for analysing the influence of and relationship between the suggested factors.

4.5.2 Limitations of Prior Studies

As indicated in the previous section, various studies have been carried out into CSR and these have provided many contradictory results. The reasons for these mixed results include methodological and conceptual issues, such as ignoring other contextual factors and their effects on company performance, high complexity of the processes involved which cannot be captured adequately by statistical data, and the use of different measures of company performance.

It is also quite interesting to see that the same research questions studied with similar research methods have led to various conflicting and plausible findings. Although scholars from both sides have observed the differences in ethical attitudes or CSR practices between countries, the proposed cultural influences on CSR are rejected mainly because of insignificance. This insignificant relationship between culture and CSR might be the result of many factors, and the research sample could be one of the major causes, especially when most insignificant relationships were found among subjects with similar cultures, religious beliefs or historical backgrounds; or when they have been selected from certain types of universities. With respect to that fact, greater dissimilarities of sample groups in the level of cultural background would improve the external validity of findings on cultural influence, while the breakdown analysis of integrated scales on different CSR dimensions would also help to reveal the influences of culture.

On the one hand, most current CSR researchers have undertaken their studies from the perspective of large corporations, as is the case of Bondy et al. (2004), Clarke (1997), Roberts (1992) and Snider et al. (2003). They take either the Top 50 American Companies or Fortune 500 as their subjects to examine the relationship between firms and CSR. With respect to the differences in corporate governance structure between large and small firms, the usefulness and applicability of their findings are limited for SMEs. For example, Clarke (1997) suggests that large

companies are mainly motivated by strategic business objectives and evaluate the impacts of their practices in terms of publicity benefits, while Tilley (2000) indicates that most small firms are operating within an ethical system derived from conventional ethical discourse and, therefore, are more willing to adopt CSR practice in the aspect of community.

Moreover, most relevant CSR research is carried out within the domestic context, mainly in U.S. Transnational comparison studies of CSR performance in different countries, especially between developed and developing ones, are much less frequent. As a consequence, their research findings are then constrained to the specific cultural and economic context and it might not be appropriate for SMEs in developing countries to apply unaltered westernized CSR practices within their domestic settings.

On the other hand, many researchers use questionnaires and scenarios to collect and analyse quantitative data, such as attitudes of consumers or accounting indicators of firms at a specific time. Thus, most of the data obtained is rather static, lacking a time dimension and randomized control groups, and weakening the internal validity of CSR studies. Considering the lagged influence of and intangible returns from CSR practices on corporate financial performance (Barnett and Salomon, 2006), it is not particularly surprising to see so many contradictory findings on the effects of CSR practices are presented by various researchers when analysing those static statistical data.

Given this, the present research and data analysis pays attention to the abovementioned issues and tries to reveal a clearer picture of corporate social performance among SMEs in different countries. Only after understanding the influential factors affecting CSR conduct among SMEs in different countries can rational, practical, economic and ethical CSR implementation guidelines be formed for concerned SME owners, their employees and government officials to improve overall CSR performances.

4.6 Research Design

As mentioned previously, this study takes into consideration the research philosophy of realism and adopts deductive research approaches, thus employing the strategy of survey to explore the major research questions. The reason for choosing survey as the main research strategy is that it is usually associated with the deductive approach and is very popular and common in business and management research (Saunders et al., 2003: 92). It allows researchers to collect a large amount of data from a sizable population in a highly economical way, especially when taking into account the fact that no external research funds are available for current research. It also gives the surveyor more control over the research process and can be administered from remote locations using postal mail or email as means of communication. In addition, standardised questions make measurements of CSR attitudes and practices more precise and ensure that similar data can be collected and interpreted comparatively between British and Chinese SMEs. The cross-sectional data obtained from survey will provide opportunities to examine the proposed cultural influences on CSR attitudes and practices, as well as the effects of other possible factor, globalisation.

Secondary data collection is also employed as an assisting research strategy to provide a rich understanding of the context of the research and the process being enacted (Saunders et al., 2003). Because one of the research questions deals with exploring the similarity of CSR development pattern in different countries, secondary data is the best method of getting a great amount of longitudinal information regarding particular CSR issues, such as long-term air pollution in specific countries, where the direct collection of such data is not feasible. Considering the breadth of data and the resources available to the researcher, secondary data can be used very effectively for the comparison of historical statistics and then drawing inferences based on these comparisons.

The multi-method approach can help to answer different research questions in a study, as well as enabling triangulation to take place. Hence, observer subjectivity is greatly minimised and the validity and reliability of research can also be improved.

In view of one of the major disadvantages of using secondary data being that the researcher did not participate in the execution of the data collection process to ensure the validity of the data gathered, secondary data are mostly referred from reputable official or government sources, such as national bureaus of statistics of the countries involved and governmental reports. However, self-administrated surveys were conducted to collect primary data from both British and Chinese SMEs from certain industries in some locations.

The researcher approached relevant government departments and business associations, such as the statistics bureau of local authorities in China and UK, business associations in Norwich, and the Chamber of Commerce in Norfolk, to apply for access to the name list of sample groups in these countries, as well as basic business statistical data for local businesses. With these data, some simple relations between variables could then be tested, and used as screening instrument to choose suitable samples from local SMEs. Historical data from various countries with regard to wage levels, the mortality rate in the mining industry, CO₂ emissions for example, were gathered from national statistics bureaus and other reputable literature.

A pilot study was then used to assess the validity and likely reliability of the questions planned for the survey. In the next phase, a carefully structured questionnaire was sent by post with SAE or by email, depending on the respondents' convenience, to the owners/managers of small and medium sized companies, since they are typically the decision makers in implementing CSR practice. With regard to confidentiality, the individual respondents approached could request that their identity be withheld from the final report. The researcher maintained the confidentiality of the respondents and complied with data protection requirements so as to alleviate any worries. Participants were informed of the proposed use of the data and a consent form was sent with questionnaire. After collection, quantitative data were analysed through SPSS 18 programme and linked with the research questions and hypotheses established by the researcher.

4.7 Measurements

The reliability of research design is another critical issue. Data measurements should be both valid and reliable to yield consistent findings. If the aspects of measurement are weak then the results of the study that uses them might plausibly be attributed to poor measurement rather than telling us anything about social reality (De Vaus, 2004). Thus, the measurements were chosen in accordance with the hypotheses and previous research projects. As the research was undertaken to measure the CSR attitudes and performances of SMEs in both UK and China, the wording used in the data collection process was designed in English and then translated into Chinese. Therefore, the design and wording of this process followed the rules of Western grammar and aimed to be meaningful and precise. Extreme care was taken to assure an accurate and meaningful translation of the measurement items from English to Chinese. The translation was double-checked to ensure the accuracy of the wording in both languages.

4.7.1 *Independent Variables*

Based on the literature review and hypotheses described in the previous chapters and sections, the independent variables of this study are cultural factors, demographic characteristics of the owners/managers, CSR awareness level, company size and so on. These variables were measured by either open, such as age, or category questions, such as educational level. An implicit independent variable was the geographic location of company which was controlled by the sampling method. The respondents were then divided into different sub-groups to make comparisons between the dependent variables in the next phase.

1. Demographic characteristics of the owners/managers

In SMEs, the owner or senior manager is usually the main decision-maker when it comes to introducing the implementation of CSR practices. Thus, certain demographic characteristics of the owner/manager might affect the ethical perception of an SME (Serwinek, 1992), which can then lead indirectly to different

CSR performances. Generally, owners/managers with a higher educational background are more likely to undertake CSR practice in their companies (Besser and Miller, 2001). Age (Serwinek, 1992) and local involvement (Besser, 1999) are also found to be related with corporate social performance. These variables are measured by open or category questions in the questionnaire.

2. The CSR awareness of owners/managers

The survey reported by Canadian Business For Social Responsibility, CBSR, in 2003 found that many owners or managers have little knowledge about CSR, even though their firms actually engage in a range of socially and environmentally responsible business practices (Princic, 2003). They tend to lack of basic knowledge of CSR practices and haven less concern about CSR, let alone enhancing their participation level.

The measuring instruments used to assess the ethical attitude or perception of corporate social responsibility vary among different studies, but they are all, to some extent, attitude Likert scales ranging from “strongly disagree” to “strongly agree” with a 5-point or 7-point level. In such studies, participants are either required to read certain vignettes or scenarios and rate their responses (Becker and Fritzsche, 1987), or participants evaluate their attitudes with regard to statements about CSR or corporate citizenship (Becker and Fritzsche, 1987; Orpen, 1987; Izraeli, 1988; Lysonski and Gaidis, 1991; Abratt et al., 1992; Honeycutt et al., 1995; Jackson and Artola, 1997; Christie et al., 2003; Vitell and Paolillo, 2006; Vitell and Hidalgo, 2006). In the present study, questions derived and modified from The Survey on Perception and Evaluation of CSR by Chinese Entrepreneurs (2006) are used to measure the participants’ perception of CSR and the reasons for adopting CSR policies and performance in both UK and China. As to the reliability of these scales, the Cronbach’s Alpha is .835, which is quite adequate.

3. Business information

The CSR literature has found that larger businesses have more CSR initiatives underway than smaller companies (Thompson and Hood, 1993), as might be expected. Small and medium sized companies, however, are constrained by their

limited financial or productive resources, and are less likely to adopt CSR practices. The CBSR report argues that even in SMEs, the smaller and lower-profile companies have few, if any, community initiatives underway than larger and higher-profile companies (Princic, 2003). Except for the number of employees and duration of business operations, the international business relations of a company are measured by the shares owned by foreign investors, the percentage of products exported or provided to foreign-owned companies and business relations of its trading partners.

4. Cultural Influences

With a view to differentiating national cultures, the Value Survey Model 1994 (VSM 94), which was developed and refined by Geert Hofstede, has been employed in several cross-cultural comparisons (Goodwin and Goodwin, 1999; Lu et al., 1999; Hood and Logsdon, 2002; Christie et al., 2003; Smith and Hume, 2005). Hofstede computed the weighted mean scores of twenty questions to measure the subject's attitude on five cultural dimensions through answers ranging from "strongly disagree" to "strongly agree" with a 5-point level, on the basis of four questions per dimension. In order to boost response rate, only one question from each dimension with highest weight or most comprehensible was chosen to illustrate the degree of cultural differences in both countries. Moreover, these questions could help to identify the influences of cultural factors on corporate social practices. However, the incomplete scales from Hofstede's cultural value model (1994) do not allow the regression analysis between countries to examine the strength of cultural influence.

4.7.2 Dependent Variable

The dependent variables are the concrete knowledge, actual practices and past performances of CSR among British and Chinese firms. Within the broad definition, certain different dimensions of corporate social responsibility have been identified by various scholars (Preston and Post, 1975; Carroll, 1979; Sethi, 1979; Wartick and Cochran, 1985; Wood, 1991; Brummer, 1991). Corporate Responsibility has been depicted in four dimensions as economic responsibilities, legal responsibilities, moral responsibilities and social responsibilities by Brummer (1991), while Carroll

(1979) called the total corporate social responsibility of business entails the simultaneous fulfilment of economic, legal, ethical and discretionary/philanthropic responsibility. This study explores CSR in the following four issues: marketplace, workplace, community and environment, examined by CSR Europe/SME Key (2003) and Chinese Enterprise Survey System, CESS, (2006). The measures are used to assess the number of CSR programmes in practice and their effects among SMEs. Corporate Social Performance (CSP) is measured by questions 6 in the questionnaire used by this study. The Cronbach's Alphas of the adapted knowledge, practice and performance scales are .783, .740 and .880 respectively. Other variables addressed in the corresponding literature may also be examined according to their relevance to this study.

4.7.3 Analysing Tools

As indicated in Section 4.5, many previous studies used either mean comparison (Becker and Fritsche, 1987; Maignan, 2001; Haniffa and Cooke, 2005) or general linear model (Goodwin and Goodwin, 1999; Quazi, 2000; Vitell and Hidalgo, 2006) to analyse the effects of influencing factors on CSR. The parametric t-tests are often preferred over nonparametric tests because the t-tests are more powerful to detect the significant differences between two sets of data.

However, the t-tests are employed for analytical purpose based on the critical assumption that the data population conforms to a normal distribution. If the Kolomogorov-Smirnov Goodness-of-fit test does not indicate a normal distribution of data, the t-test will not produce reliable results (Massey, 1951).

The Student t-test also assumes that two groups of data share a common variance. If the data are assessed by ordinal measurements instead of scale ones, the equal distance between numbers can't be taken for granted and nonparametric tests are then more preferred

Although the data obtained from this survey are expected to be normally distributed, the type of data assessed in behavioural science is most likely to be ordinal instead of interval or ratio. Therefore, a nonparametric test is probably more suitable while still

provides similar results as t-test. This kind of test is highly recommended by Siegel (1956) and used by Kusku and Zarkada-Fraser (2004). Because there are only two groups of sample, the Mann-Whitney *U* test is employed in this study as a powerful and useful alternative to the parametric Student t-test for two independent samples.

Meanwhile, factor analysis and binary logistic regression as useful tools to explain the determinants of social phenomena (Zu and Song, 2009) are also used to provide validations of hypotheses from another perspective. Factor analysis searches for joint variations or common factors in response to unobserved latent variables and modelled as linear combination of the potential factors within proposed SOP framework. It is equivalent to low rank approximation of the matrix of observed variables and widely used in behavioural sciences and social science to deal with large set of data.

Afterwards, the scores in each factor will be loaded with coefficients and generate the dependent variables as CSR attitudes and performances. 0 is those which obtained low values of CSR scores and 1 is those whose CSR scores are higher. The odd ratios computed from the binary logistic regression would then provide useful insights about the strength of suggested effects of cultural variances, CSR development pattern and globalisation influences.

4.8 Sampling

The literature review in Section 3.3 has well illustrated the impact of SMEs on CSR and society and need for releasing their full potentials in CSR to have favourable business climate to operate in.

However, there is no universal recognized categorisation standard for SMEs, and various countries have taken different criteria of categorisation with native characteristics (Huang, 2003). Although at the early stage, the qualitative criteria, such as small market share, independent operations and owner management, were quite popular and extensively used among western economies to define SME, the quantitative criteria have constituted the most common and core criteria of the SME definition around the world in recent decades, as illustrated in the following table.

	Employee Number	Capital (£ million)	Turnover (£ million)	Additional Information
UK	50	2.8	5.6	Meet any two of three requirements
	250	11.4	22.8	
U.S.	500	4.34		Most prevalent size standards
EU	50	8.5 or	8.5	Less than 25% share owned by non SME as autonomous
	250	36.6 or	42.7	
China	2000	37.7	28.3	Manufacturing
	3000	37.7	28.3	Construction
	500		14.15	Retail
	200		28.3	Wholesale
	3000		28.3	Transporting
	1000		28.3	Mailing
	800		28.3	Hospitality
Japan	300	2.26		Manufacturing
	100	0.75		Wholesale
	50	0.38		Retail
	100	0.38		Service
Taiwan	200	1.65		Manufacturing and Mining
	100		2.07	Others
Hong Kong	100			Manufacturing
	50			Non-Manufacturing

Table 4.2 Quantitative Criteria of SME in Different Countries and Regions

Source: HMRC (2010) of UK, SBA (2010) of U.S., SETC (2003) of China, PRC, SME Agency Japan (1999), SMEA (2009) of ROC, SME Funding Scheme (2003) of HKSAR

As shown above, both British and Chinese governments have chosen employee number and turnover as main categorisation criteria, which are also the most popular in other countries. But, a British company would be treated as a small or medium-sized company if the number of employee is not more than 50 or 250 respectively (The Companies Act, 2006) while in China, the limit of number of employee has been extended to 2000 in manufacturing industry (SETC, 2003). Obviously, there are sharp difference in employee number and relative small variance in turnover as

categorisation criteria of SME between two countries. Given this, it raised the question whether a simple and universal sampling criterion on SME definition should be employed or complex and different definitions of SME could be used in the UK and China respectively to reflect their country-specific conditions.

On the one hand, the single criterion is clear and simple, which facilitates unified recognition and reduce the possible interference of size effects with the suggested influencing factors. On the other hand, complex criteria will relatively expand the sample data base, give the researcher the flexibility in conducting analyses of survey data in different countries and emphasise the qualitative characters of SME in comparison of large firms.

Table 4.2 has clearly indicated that it is quite common and popular to have different categorisation criteria in employee number in different industry sectors in various countries. The reasons to use complex standards are to appreciate the qualitative characters of SME in response to domestic and industrial characters and give the government the flexibility to choose the right target to stimulate the vital development of SMEs.

Following the same logic, it is reasonable to choose complex sampling criteria in the UK and China respectively, seeing that vast population in China. Therefore, the samples in the UK and China are initially selected by two criteria, annual turnover and employee number, in accordance with their domestic standards respectively. The sample company in the UK should have less than 250 full-time employees and an annual turnover of not more than £22.8 million (DTI, 2004), while the Chinese sample company should not have more than 2000 full-time employees with a turnover of less than £28.3 million (SETC, 2003) (in current prices).

However, cautious interpretation of survey results is still required to exclude the interferences of employee size and validation on potential effects of employee size should be undertaken to justify the choice of different sampling criteria of SMEs in UK and China.

Apart from the above-mentioned concern over employee size of sample companies, another major concern guiding the selection of subjects was that the respondents

should have sufficient knowledge about their organisation and its corporate social practices, therefore ensuring that the information they provided could be comparable. Since the survey included some managerial questions, owners/managers or business persons holding similar positions were sought. Meanwhile, in order to enhance the comparability of the data and results and boost the external validity of the findings, sample companies were selected from the registered list of the local chamber of commerce according to sampling criterion. So the second sampling criterion is set to select the owners or managers of registered SME from name list of local chamber of commerce.

Furthermore, the location of the SMEs in two countries is another concern this study has to address. The sample companies will be selected from East Anglia, UK and Jiangsu, China. Both regions have rich historical heritage and cultural backgrounds, which will facilitate the cultural comparison of two countries. Meanwhile, the East of England is often considered one of the most prosperous regions of England (InsightEast, 2011) and, similarly, Jiangsu Province has the second-largest economy in China (21st Century Business Herald, 2010). There are significant clusters of agriculture and IT based companies in East Anglia (Office for National Statistics, 2005) and Jiangsu is historically oriented towards light industries and agriculture production (National Statistics Bureau of China, 2006). However, in view of the facts that the development is not the main research theme and the second hypothesis is to find the similarities in CSR development pattern rather than the reasons behind such impacts, the differences in economic structure of two locations are not treated as influencing factors on CSR and might not affect the survey results, which implies only some caution and consideration instead of individual analysis will be given to the implied comparison and interpretation.

4.9 Sample Profile

Once the questionnaire was designed, pre-tested and amended and the sample group selected, it went to the final stage of administering. The questionnaires were self-administered and all respondents were contacted before the survey started to advise

them to expect a questionnaire. The carefully structured questionnaire was sent by post with SAE to the owners/managers of 556 SMEs in East Anglia, and 385 SMEs mainly in Jiangsu province, China. According to Roth and BeVier (1998) and Baruch (1999), the typical response rate in academic studies is around 30-40% in most western countries. The typical response rate in oriental countries is not widely discussed but is expected to be a little higher. With respect to the size of the sample, around 100 responses in each area were expected.

Sample profiles of the Companies

The mailing procedures resulted in 56 Chinese and 53 British completed valid questionnaires being received by the researcher. Given 15 Chinese and 10 British mailings were returned as undelivered, the response rates obtained were 17.29 and 10.07% in China and the UK respectively. The response rates could be considered quite favourable if compared to those of similar studies ranging from 6% to 13.84% obtained by Maignan (1999), Schlegelmich and Robertson (1995) and Kusku and Zarkada-Fraser (2004). The lower response rate obtained in the UK could be expected given that British managers are less compelled to participate in a mailed survey conducted by an unknown foreign researcher. The sample profiles of the companies are shown below.

Number of Employees	UK	China
Less than 50	30	17
50–250	17	19
250–2000	0	17
Average Length of Business Operation	40.10	11.34

Table 4.3 Sample Profiles of the Companies

Source: Author

As expected, Chinese firms are younger compared to British subjects, since China only began economic reforms and readmitted the private sector from the 1980s, and are inclined to employ more staff. But, employee size shows no significant effects on survey data via the correlation analysis. It indicates the different sampling criteria in

employee number employed in the UK and China do not significantly affect the outcomes of survey and it is valid in this study to use complex sampling criteria in different countries.

Sample Size

The relatively small number of the sample was partly the result of time and cost constraints for a PhD candidate to carry out a nationwide mailed survey among a high number of British and Chinese SMEs. However, there is concern raised about whether the small sample sizes relative to the vast population is adequately representative of the selected countries.

On the one hand, unlike the t-test, the set of assumptions for a nonparametric test is a bit smaller and less restrictive and it might be valid even for small sample sizes. Seeing that the outcome measure of this study is continuous and ordinal, according to van Belle (2002), the rule of 16 applies to determine minimum sample size required. The Std. Deviations of most measurements in CSR attitudes, knowledge and performance used in this survey are lower than 1.8 while 1 out of 7 in scale is substantially significant difference, so it means 0.55 is expected effect size (Cohen's d) and would be regarded as medium effect size in accordance with Cohen (1988)'s criteria for behavioral science. Apparently, the required sample size per group is 16 divided by the square of the effect size of 0.55, that is, 52.89, which we round up to 53. The actual study had 56 Chinese firms and 53 British firms, so the sample size appears adequate, presuming that the difference of 1 is reasonable value. The post hoc power analysis also indicates with the medium effect size of 0.5 and same level of significance at 0.05, the statistics power of the test is still maintained above 80% as normal.

On the other hand, it is not surprising that the size of the population is disregarded for the most part when the researcher tries to estimate an appropriate sample size (Newport, 2002). The finite population correction factor (fpc) indicates only when the size of the sample becomes a large fraction of the size of the population, the small samples of different population is indeed having an effect on precision. In view of the population of over one million SMEs in Jiangsu Province (Lv, 2008) and 210

thousand SMEs in Eastern England (North Norfolk Labour Party, 2012), even sample size of 5000 per group will only have 1% more precision than sample size of 50. In addition, no significant difference was found between early and late respondents in terms of sample profiles in both countries, in accordance with the extrapolation procedure suggested by Armstrong and Overton (1977). As a result, it is suitable to have relative small sample sizes for populations of very different sizes. Therefore, the sample size could still be accepted as adequately representative of the selected countries, supported by both effect sample size test and fpc indicator.

Sample profiles of the Respondents

Age	UK	China	Sig. (2-tailed)
Under 30	2	14	
30-60	36	39	
Over 60	11	0	
Mean	52.7	39.6	.000***
Education	UK	China	Sig. (2-tailed)
High School (1)	21	19	
Bachelor (2)	16	34	
Master (3)	9	1	
PhD or higher (4)	4	0	
Mean	1.92	1.67	.095*
Member of Local Community	UK	China	Sig. (2-tailed)
Yes (1)	22	11	
No (2)	25	49	
Mean	1.56	1.85	.001***

Table 4.4 Demographic Profiles of the Respondents

Source: Author, * significant at the 0.1 level (2-tailed); *** indicates significant level of 0.01 (two-tailed)

Illustrated in the above table, British respondents are relatively elder and more likely to participate in local community, compared with their Chinese counterparts. They are also more educated than the Chinese respondents, in terms of educational level.

But the latter has higher percentage of population obtained Bachelor Degree or above (65% in Chinese group) than the former group (58% in British group).

Although the demographic profiles of the respondents in the two countries vary significantly ($p < .01$), only community factor has positively correlated with certain survey scales significantly. Other factors, such as age or educational level, show no significant effects on survey data. The detailed analyses on the effects of these factors will be shown in next chapter. Therefore, the variances in the survey scales could be mainly attributed to the country rather than other demographic or size effects.

4.10 Summary

As illustrated above, this chapter has provided a methodological discussion on relevant issues. It described the purpose of the study, reviewed the research questions and raised research hypotheses from the perspective of culture and two other possible factors, CSR development pattern and globalisation.

This chapter then discussed the research strategies adopted, survey and secondary data, regarding the characteristics of the hypotheses and the limitations of prior studies, to analyse the influences of, and relationship between, suggested factors. The chapter also illustrated the measurements of data, including both dependent and independent variables, and sampling criteria of survey subjects.

After the survey was conducted, sample profiles were summarised. The results of the survey and data obtained from secondary sources are addressed in the following two chapters.

5. Chapter Five Culture and CSR

Although the concerns for corporate social responsibility was initially imposed on domestic producers and local issues, with the development of globalisation and expansions of business undertaken by transnational enterprises, more and more consumers expressed their concerns about the production of goods that manufactured abroad. Accordingly, NGOs and media have reported various irresponsible business practices in the aspects of CSR in the diverse world.

In view of these cases, consumers then become more preferred to purchase from responsible manufacturers besides the quality. With a view to those concerns and self-awareness, large MNEs, industrialized nations, international organisations have established considerable labour or environmental standards, such as UN Global Compact, ISO14000, SA8000 and Fair-trade to enhance the domestic or international CSR practices in their lines.

However, the efficiency of these guidelines or codes being applied in the global context is still under doubt. Ethical relativism describes the extent to which individuals reject universal moral rules or principles and highly relativistic individuals do not believe in moral absolutes (Forsyth, 1980). While most of guidelines for business practice or codes of conduct in this field were generally set by American organisations or corporations and gradually diffused into their local affiliations around the world. The influences and interactions between CSR and different personal values, beliefs, attitudes and social traditions indicated that CSR could vary depending on different cultures and countries.

Thus, this chapter is set to investigate the relationship between culture and CSR under an integrative conceptual framework of three influential dimensions of CSR: *Society*, *Organisation* and *People*. It begins by comparing cultural differences between Britain and China in first section so as to provide preconditions to test the culture influences on CSR. Then it discusses the attitudes towards and actual drivers for CSR practices in Section 5.2 with Mann-Whitney *U* test to examine the extent to which SMEs in UK and China react differently to corporate social responsibility.

Afterwards, it moves on to analyse corporate social awareness in sample SMEs with description and discussion of the differences against different culture backgrounds in Section 5.3.

In Section 5.4, the detailed differences in specific aspects of corporate social performance between SMEs in the two countries are presented for examination. A direct comparison of what correspondents believe and what firms actually perform regarding CSR practices is also taken to examine how SMEs would translate their favourable attitudes into practices.

In addition, factor analysis of CSR attitudes is undertaken in Section 5.5 to distinguish different CSR performances among SMEs while three interesting components of these performances are identified with regard to the SOP framework. Binary logistic regressions of cultural factors along with other influencing factors, such as demographic characters of sample subjects, are then performed to further verify the proposed hypotheses of cultural influences.

Discussion of these differences in CSR attitudes, awareness and practices is included in the final section to offer preliminary analysis of cultural effects on CSR. It would attempt to fill the gap in the literature regarding cultural dimensions affecting SMEs' perceptions and practices of CSR. It is hoped it will provide useful insights to the final understanding of causes of CSR differences.

5.1 Culture Difference

	Nation	Mean	Std. Deviation	t	Sig. (2-tailed)
Power Distance (PDI)	China	3.1	0.814	3.648	.000
	Britain	2.45	0.966		
Individualism (IDV)	China	4.27	0.56	-.918	.361
	Britain	4.38	0.69		
Masculinity (MAS)	China	3.04	1.17	-1.697	.093
	Britain	3.38	0.932		
Uncertainty avoidance (UAI)	China	2.25	0.907	-2.509	.014
	Britain	2.69	0.897		
Long-term Orientation (LTO)	China	3.89	0.916	.702	.484
	Britain	3.77	0.877		

Table 5.1 Cultural Variances between China and UK

Source: Author

Notes: independent Sample t tests are used. N China = 55; N UK = 52

As illustrated in Table 5.1 above, British respondents have higher means on IDV, MAS and UAI and have lower means on PDI and LTO than their Chinese counterparts have in these 5-point indices. But, only significant differences in PDI ($t=3.648$ $p<.001$) and UAI ($t=-2.509$ $p<.05$) indices and insignificant difference in MAS ($p>.05$) are found among participants in different countries. These statistics results confirm the impression that UK respondents tend to be individualistic, masculine and conservative, while Chinese participants are prone to be collectivist and masculine, and have adopted Confucian principles to preserve long-term relationship to a greater degree. Chinese are also more willing to accept a higher degree of power distance between themselves and their superiors and leaders. However, no significant differences being observed in the IDV and LTO indices imply that the sharp differences Hofstede suggested might not exist.

On the one hand, the significant variances between China and Britain have confirmed only some of hypotheses on cultural differences. While the insignificant differences in individualism and long-term orientation, which contradict Hypotheses 1B and 1E, might result from inadequate items chosen from original survey

questions Hofstede applied. Only five out of total twenty items are chosen from VSM 94 to examine the five aspects of Cultural Dimensions. Thus, introduction of complete questions of VSM 94 in survey might produce more significant and expected results of cultural differences.

On the other hand, Gomez (2008) suggested the cultural scales Hofstede used are not necessarily very complete. Taking LTO index as example, even Hofstede himself revealed that only 2 questions produce country scores correlated with other LTO measures in a large-scale consumer survey across 15 European countries. Thus the applicability of these questions in oriental cultural backgrounds would remain in doubts, especially when the Chinese scores are estimated instead of surveyed by Hofstede.

The unexpected insignificances might also attribute to the Hofstede's static approach to categorise culture while imports of prevailing western cultural products into oriental countries in the 21st century, as well as the influences of globalisation of trade, could alter the traditional attitudes towards thrift and individualism. Similarly, inconsistent low level of PDI index in South Korea found by Kim and Kim (2009) has also indicated that Hofstede's model cannot be applied to the Korean situation unilaterally after drastic social changes from the 1980s.

5.2 CSR Attitudes and Drivers

In your opinion,	Nation	Mean	SD	Mann-Whitney U	Sig. (2-tailed)
Company's primary objective is to make profits for shareholders	China	4.88	1.750	1616.500	.435
	Britain	4.91	2.124		
Company's primary objective is to create wealth for the society.	China	5.48	1.321	561.500	.000***
	Britain	3.23	1.739		
Corporate social responsibility is responsibility in addition to its primary	China	3.66	1.904	1175.500	.001**
	Britain	4.77	1.409		
Carrying out CSR practice will increase the cost.	China	4.54	1.767	1651.000	.781
	Britain	4.56	1.392		
Corporate social responsibility is matters of large companies.	China	2.58	1.675	1458.000	.164
	Britain	2.92	1.579		
CSR is a universal value that should be applied in both oriental and western countries.	China	5.37	1.726	1487.500	.230
	Britain	5.27	1.388		
CSR is only concerned for company having international business relations.	China	2.38	1.486	1685.000	.924
	Britain	2.27	1.330		
Entrepreneur would have strong sense of social responsibility.	China	6.14	1.413	565.000	.000***
	Britain	4.06	1.609		

Table 5.2 CSR Thoughts in China and UK

Source: Author

* These statements are evaluated by 7-point likert levels ranging from "strongly disagree" to "strongly agree" which larger mean indicates higher agreement; * significant at the .05 level (two-tailed); ** significant at the .01 level (two-tailed). *** significant at the .001 level; Mann-Whitney tests are used. N China = 56; N UK = 53

Both Chinese and British SMEs agree that company's primary objective is to make profits for shareholders while Chinese respondents consider creating wealth for the society is also the genuine responsibility of the firm ($U=912.5$ $p<.001$) and CSR isn't the additional responsibility for firm to fulfil ($U=1175.5$ $p<.01$). Participants from both countries reach consensus that undertaking CSR practice would increase the cost, however, as a universal value, CSR should be applied in both large and small companies in either oriental or western countries. In addition, Chinese participants think good entrepreneur would have strong sense of social responsibility ($U=565$ $p<.001$).

Scale	The company is responsible for	Favourable Attitude	Mann-Whitney U	Sig. (2-tailed)
	<i>Organisation Dimension</i>			
1	keep good operating performance	Britain	1335.500	0.011*
3	Retain the competitiveness of company	China	1614.000	0.360
8	establish sound management system	Britain	1470.500	0.095
18	protect shareholder's interests	China	1656.500	0.820
19	Build harmonious organizational culture	China	1279.500	0.009**
	<i>Society Dimension</i>			
2	participate in community projects	China	887.000	0.000***
4	pay relevant tax	China	1412.500	0.035*
5	provide employment opportunities	China	1317.000	0.018*
6	abide by laws	Britain	1727.500	0.834
10	be good neighbour	China	1609.500	0.372
12	control and compensate possible contamination	China	1479.000	0.264
	<i>People Dimension</i>			
7	not involve in bribery and corruption	Britain	1229.000	0.001**
9	provide a safe working environment	Britain	1246.000	0.002**
11	enhance equity in employment and workplace	China	1236.500	0.007**
13	help social minorities	China	710.500	0.000***
15	donate to charities	China	882.000	0.000***
16	safeguard the rights of employees	Britain	1697.500	0.736
17	provide excellent product or service	Britain	1426.500	0.056
20	offer staff opportunities of further development	China	1371.500	0.056
14	comply to principle of fair play in competition	China	1341.000	0.026*

Table 5.3 CSR Attitudes in China and UK

Source: Author

See Appendix 4.1 for detailed results; Mann-Whitney tests are used; N China = 56; N UK = 53; * significant at the .05 level (two-tailed); ** significant at the .01 level (two-tailed). *** significant at the .001 level.

Although both Chinese and British SMEs shared the same favourable attitudes towards the concept of CSR, their views varied on the specific aspects of CSR under different dimensions. Of total 20 items, compliance with law (M=6.67), paying tax

(M=6.59) and retaining competitiveness (M=6.52) are top priorities for Chinese firms. Similarly, British respondents rate compliance with law (M=6.73), providing a safe working environment (M=6.69) and not involving in bribery (M=6.67) as their top priorities. SMEs in both countries feel least responsible for helping social minorities and donation to charities, since their scores on these two items are lowest of overall. As illustrated in the above Table 5.3, these SMEs hold similar favourable attitudes towards responsibilities under Organisation dimension while their opinions towards responsibilities under Society and People dimensions differ significantly respectively. Thus Hypothesis 1F is valid in the aspect of CSR attitudes.

Specifically, Chinese respondents think their companies are more responsible for participating in community project ($U=887$ $p<.001$), paying tax ($U=1412.5$ $p<.05$) and providing employment opportunities ($U=1317$ $p<.05$). They also consider job equity ($U=1236.5$ $p<.01$), social minorities ($U=710.5$ $p<.001$), fair play ($U=1341$ $p<.05$), charities ($U=882.5$ $p<.001$) and harmonious organisational culture ($U=1279.5$ $p<.001$) are of their concerns. In contrast, British firms are less accommodative to bribery and corruption ($U=1229$ $p<.01$) and more prone to provide a safe working environment ($U=1341$ $p<.05$) and keep good operating performance ($U=1335.5$ $p<.05$). The attitudes of British and Chinese firms towards specific CSR aspects are illustrated in the Venn diagram below, in accordance with the suggested SOP framework of CSR.

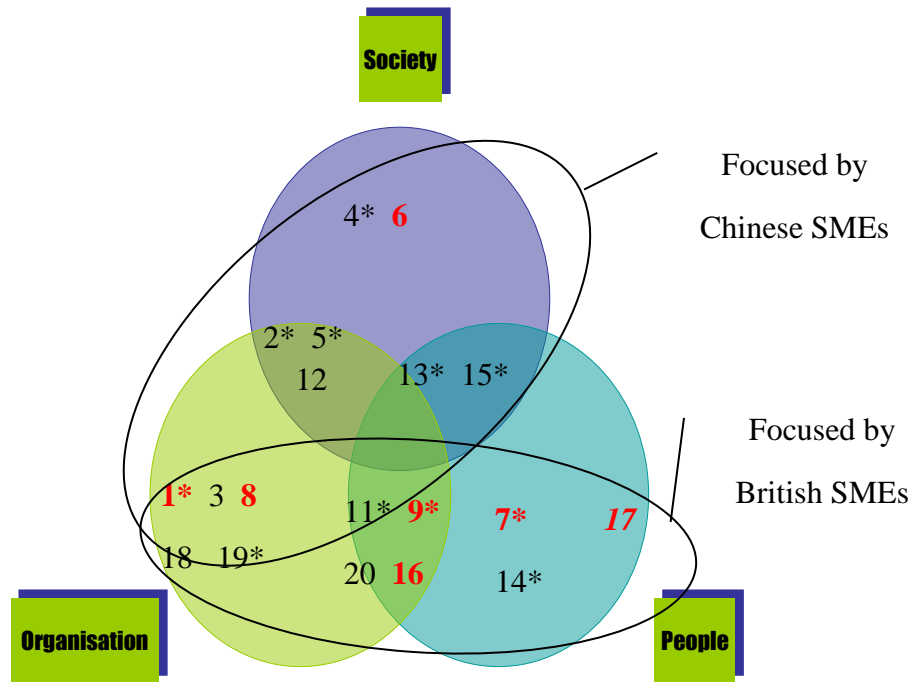


Figure 5.1 Attitudes towards Specific CSR Aspects

Source: survey data in Table 5.3, the number marked bold red means British Sample has higher mean in this scale and * indicates significant difference found on this scale

Noticeably, Chinese firms tend to focus more on issues related with CSR dimension of Society, especially related with the community and minority groups, while British firms tend to much concern about interests arisen from CSR dimension of People, especially employee and customers, as shown in Figure 5.1. Although Chinese participants would appreciate the long-term effects of their decisions, due to the rigorous power distance in society, they would be keener to keep good relationships with their closer and superior stakeholder groups, i.e. local communities and governments. Similarly, Chinese managers would less appreciate the ethical issues concerning fellow employees or other people related matters, because of the stricter hierarchy in working environment. The significant differences in safe working environment and educational assistance to employees have also disclosed similar messages.

Meanwhile the issues more appreciated by British SMEs, such as “not involved in bribery” or “safe working environment”, are mostly demanded by British laws and regulations. Comparatively, similar issues in China lack of strict enforcement among

business circles and mainly rely on self-regulation of business ethics. More eager to avoid uncertain or ambiguous situations and probably inspired by personal beliefs of owners/managers, British SMEs would rather strictly follow the stringent legal requirements than take chances.

	China		Britain	
	Normal Frequency	Weighted Frequency	Normal Frequency	Weighted Frequency
efforts to be acknowledged by government	36.51%	18.10%	7.27%	1.45%
reduce legislation risk	38.10%	17.14%	50.91%	26.18%
generate more profits	77.78%	60.63%	61.82%	51.64%
promote product image	88.89%	57.46%	70.91%	41.45%
cope with pressure from competitors	42.86%	20.63%	49.09%	23.64%
contribute to society	65.08%	31.43%	38.18%	13.82%
establish self-image for entrepreneur	9.52%	6.67%	5.45%	2.55%
pursuit personal value	17.46%	9.84%	16.36%	6.91%
create more values for customers	47.62%	28.89%	70.91%	48.00%
deal with pressure from public opinions	3.17%	0.95%	3.64%	1.82%
retain sustainable competitiveness	76.19%	50.16%	80.00%	55.27%

Table 5.4 Drivers to undertake CSR Practices in China and UK

Source: Author

During the survey, respondents are required to rank the first 5 main drivers in order for undertaking CSR practices. Apparently, “promote product image” (88.89%), “generate more profits” (77.78%), “retain sustainable competitiveness” (76.19%), “contribute to society” (65.08%) and “create more values for customers” (47.62%) are most chosen by Chinese participants while “retain sustainable competitiveness” (80.00%), “create more values for customers” (70.91%), “promote product image” (70.91%), “generate more profits” (61.82%) and “reduce legislation risk” (50.91%) are most chosen by British counterparts. Given the fact that these drivers are picked and ranked in order, the frequencies of these drivers are subsequently weighted according to their ranks. Thus the results show that “generate more profits” then becomes most prominent reason (60.63%) for Chinese firms and second important

driver (51.64%) for British firms while others remain in same order.

Except those common drivers chosen by most British and Chinese SMEs, different responses to the society contribution, government acknowledgement, legal requirement and customers reveal different focus points taken by Chinese and British participants as suggested in Figure 5.1. Combined influences of rigorous society hierarchy, loyalty to the traditional authoritarian values (Worden et al., 1987) as legacy of Confucianism and long term collectivism publicity in Communist China have made Chinese SMEs regard the factors in Society dimension more important over the factors in People dimension. And they wish to keep good relations with local community and government, their closer and superior stakeholder groups. In contrast, the liberal society, recognition of individual rights and praise for individual achievements through the ages and moral awe to the legislation have led British SMEs more inspired by the CSR aspects of People dimension. Consequently, though CSR practices have been regarded as a good way to promote product image so as to generate more profits by participants of both countries, it seems that Chinese respondents see themselves more encouraged by incentives from Society dimension. Meanwhile, British participants feel more pressures from responsibilities in People dimension, as suggested by Hypothesis 1F, because they are sensitive to stakeholder groups in different CSR dimensions.

5.3 Corporate Social Awareness

According to statistics, the average means for 5-point likert level awareness of domestic laws and regulations in Chinese and British SMEs are 3.9229 and 3.9259, which indicates both Chinese and British SMEs are quite familiar with domestic laws and regulations relevant to CSR. Specifically, the statistics in Table 5.6 below shows that British SMEs are more aware of domestic health and safety laws ($M=4.25$), as well as regulations about disability discrimination ($M=3.89$) at significance level of .05. However, Chinese SMEs are significantly cautious about regulations about working time ($M=4.28$, $p<.05$) and pensions ($M=4.00$, $p<.05$), ambiguity of which most conflict between Chinese employees and employers arise

from. Also all SMEs in China and UK are familiar with legislation about company, minimum wage and environmental protection and no significant differences of awareness are found on these areas.

Level of Awareness	China		Britain		Mann-Whitney U	Sig. (2-tailed)
	Mean	SD	Mean	SD		
<i>Domestic Laws and Regulations</i>	3.9229	.49939	3.9259	.50392		
Environmental Protection Act	3.64	.743	3.67	.840	1681.500	.644
Companies Act	4.02	.889	3.91	.800	1718.000	.911
Health and Safety at Work Act	3.91	.849	4.25	.584	1398.000	.029*
The Working Time Regulations	4.28	.576	3.91	.908	1393.000	.027*
Disability Discrimination Act	3.41	.904	3.89	.685	1197.000	.001**
Minimum Wage Act	4.06	.774	4.22	.809	1571.000	.264
Pensions Act	4.00	.690	3.63	.896	1367.000	.026*
<i>International Codes of Conduct and Guidelines</i>	2.9556	.84752	2.1127	.83563		
Global Compact	2.98	.984	1.94	1.018	789.000	.000***
ISO14001	3.14	1.052	2.87	1.344	1471.000	.271
OECD Guideline	2.82	1.017	1.88	1.013	808.500	.000***
SA8000	2.81	1.053	1.80	.917	773.500	.000***

Table 5.5 Level of Awareness on Relevant Codes of Conduct in China and UK

Source: Author

* The extent of awareness on laws, regulations and guideline are measured by 5-point likert levels ranging from 1 (Never heard of) to 5 (Understand Comprehensive). 3 is the neutral point; * significant at the .05 level; ** significant at the .01 level. *** significant at the .001 level; the mean score marked bold means it is higher than mean of the other sample group.

In contrast to the familiarity with domestic legislations, both Chinese and British respondents pay much less attention to international CSR codes of conduct or guidelines, such as Global Compact or SA8000. The average means of awareness Chinese and British SMEs in these items are 2.9556 and 2.1127. Considering more Chinese SMEs are found having trade relationships with foreign investors and/or business partners, indicated Section 6.1, it is not surprising to see that the mean scores of familiarity of these codes of conduct and guidelines in Chinese firms range from 3.14 to 1.80 while British ones vary from 2.87 to 1.80. As to particular items, ISO 14001 is most recognized by participants in both countries with no significant

differences in awareness, while SA8000 is relatively less known to SMEs in China and UK, possible due to its US origin and mainly affecting export-related businesses. In addition, sharp differences in average means of familiarity between domestic laws and regulations and international codes of conduct and guidelines indicate that SMEs in both countries probably connected more closely with domestic business partners than foreign trade partners. Thus cultural preference, rather than globalisation effects, has played an important role of determining the level of familiarity of specific laws and codes of conducts among SMEs.

The company has	Nation	Implemented and Percentage	Mean	SD	Mann-Whitney U	Sig. (2-tailed)
A responsible officer for sustainable development	China	51(91.07%)	4.43	.855	617.000	.014*
	Britain	34(64.15%)	3.82	1.267		
An environmental improvements program	China	44(78.57%)	4.27	.997	693.500	.105
	Britain	39(73.58%)	4.00	1.000		
Supporting local community projects with employee volunteering or financial contributions	China	43(76.79%)	3.67	.969	747.000	.616
	Britain	37(69.81%)	3.54	1.216		
Energy efficiency/ waste reduction measures	China	55(98.21%)	4.62	.527	1266.500	.836
	Britain	47(88.68%)	4.60	.538		
Providing a safe working environment and educational assistance to employees	China	51(91.07%)	4.57	.700	1044.500	.064
	Britain	49(92.45%)	4.82	.391		
An environmental assessment	China	43(76.79%)	4.09	.996	790.000	.495
	Britain	40(75.47%)	3.98	.974		
Improving customer service standards	China	52(92.86%)	4.77	.469	1177.000	.850
	Britain	46(86.79%)	4.67	.762		

Table 5.6 Implemented CSR Measures in China and UK

Source: Author; * significant at the .05 level (two-tailed)

Indicated in Table 5.6 above, with respect to the exact measures implemented for sustainable development of the company, both Chinese and British SMEs think highly of the energy efficiency or waste reduction measures ($M_B=4.59$, $M_C=4.63$) and arrangements to improve customer service standards ($M_B=4.69$, $M_C=4.75$). Correspondingly, at least 85% of British SMEs and 93% of Chinese SMEs keenly put these measures into practice.

Although almost half of surveyed British SMEs, 26 out of 53, didn't prefer to assign

a specific officer, they are more keen to provide a safe working environment and educational assistance to employees, another favourable measure among survey participants, and grade higher importance than Chinese counterparts did ($M_B=4.82$, $M_C=4.54$, $p=.019$), as shown in the following table. Comparatively, an environmental improvements program or environmental assessment is much less favourable to be employed by participants' company, as well as the supporting community projects.

As expected, significant differences in CSR awareness and actual policy of health and safety at work are positively linked with the significant difference of attitudes toward this same issue (coefficient=.237 $p<.01$). British managers highly appreciate the importance of maintain safe working environment leads to higher familiarity with relevant law and proactively implement related policy in their firms.

To sum up, there aren't too many significant differences between Chinese and British SMEs on actual knowledge about domestic or international laws or regulations related with society and organisation, which implies that they are quite familiar with. Correspondingly, they put more efforts to take energy saving or waste reduction measures and improve customer service, so as to boost their operating performance and cut costs.

In particular, British participants are more familiar with domestic health and safety laws, as well as regulations about disability discrimination, and keener to provide a safe working environment and educational assistance to employees. In contrast, Chinese SMEs are more concerned about laws and regulation involving working time and pensions at the same significance level, which are constantly emphasized by Chinese government in recent years. They are also more supportive to environmental improvement program or environment assessment and more likely to support local community projects, though not significantly more favourable than British counterparts.

5.4 Corporate Social Performance

This research has used 17 items to evaluate the SMEs' actual CSR performances in

the perspectives of different stakeholder groups in both countries, referring to related surveys in the past (CSR Europe/SME Key, 2003; Chinese Enterprise Survey System, CESS, 2006) and pertinent literatures. The detailed results are listed as below.

Item		Better Practice	Mann-Whitney U	Sig. (2-tailed)
	<i>Shareholders</i>			
16	establish sustainable business model	Britain	889.000	.001**
17	has sound organisation structure	Britain	828.500	.000***
20	take appropriate tax minimisation measure	Britain	593.000	.000***
	<i>Community</i>			
10	has been complained for disturbing surrounding environment	Britain	1262.500	.335
15	Donate money or time to charities	China	1315.500	.692
18	actively participate in community project for public benefit	China	1081.000	.037*
	<i>Government</i>			
11	offer equal opportunities in recruiting and working	Britain	952.500	.004**
12	control and compensate possible contamination from operation	Britain	1130.500	.394
22	abide by law and regulations	Britain	619.000	.000***
	<i>Media</i>			
1	has positive image in media report	Britain	1177.500	.108
	<i>Employees</i>			
6	pay wages in full in time	Britain	915.500	.000***
9	has specific measures to safeguard staff's safety and health	Britain	1030.000	.008
21	offer staff training and education program	Britain	933.000	.003***
23	harmonious organizational culture	Britain	1333.000	.778
	<i>Customers</i>			
3	is favoured by customers	China	993.000	.051
8	provide excellent product or service	Britain	1242.000	.249
	<i>Competitors</i>			
14	have to take some irregular practice under fierce competition	Britain	940.000	.008**

Table 5.7 CSR Performance in China and UK

Source: Author; * The actual CSR performances of SME in different respects are measured by 7-point likert level of self-evaluation statement ranging from 1 to 7. The higher point indicates the better performance in this respect; *p< 0.05; **p < 0.01; ***p < 0.001

The survey results show that British SMEs outperformed Chinese counterparts significantly in 9 out of total 17 CSR performance items, mostly concentrated on the

perspectives of shareholders and employees, and insignificantly in another five items. In the meantime, Chinese firms only score significantly better in participating in community project while they are more likely to donate money or time to charity and favoured by customers at insignificant level. As shown in Figure 5.2, compared to Chinese correspondents, British firms are more likely to abide by law and regulations and offer equal opportunities in recruiting and working. They also had established sustainable business model, had sound organisation structure and intolerant of ill practice under fierce competition. Although Chinese firms actively participate in community project for public benefit, they are less likely to pay wages in full in time, have specific measures to safeguard staff's safety and health and offer staff training and education program, which indicate that they perform worse in most scales of the People dimension of CSR than British companies.

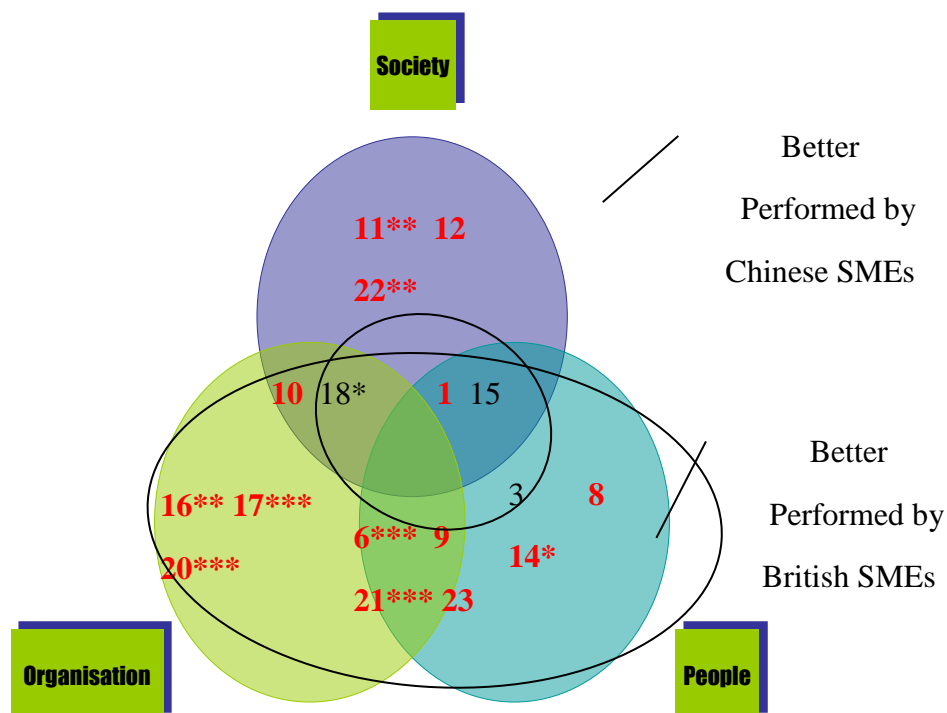


Figure 5.2 CSR Practices Performed by Chinese and British SMEs

Source: survey data in Table 5.7, the number marked bold red means British Sample has higher mean in this scale and * indicates significant difference found on this scale

Comparatively, two out of only three CSR practices in which Chinese firms outperformed British counterparts are involved with the Society dimension of CSR, though just fractional part of scales.

On the other hand, the implication of significant differences in actual CSR performances should not be interpreted exaggeratedly, since the average means of CSR performance in China and UK are 5.45 and 5.87, as shown in Appendix 4.2. Thus the differences in overall performance could be regarded as good practice vs. better practice instead of bad activities vs. good activities. For example, the means of item “pay wages in full in time” are 6.33 (China) and 6.81 (UK) respectively, which implies that SMEs in both countries, especially in Britain, have done well in this respect, though significant difference is observed ($U=1075.5$ $p<.001$).

To sum up, British firms carry out better CSR practices regarding employee, customer and competitor and media, which all are related with CSR dimension of People. They’ve also got higher level of awareness in the aspect of health and safety of employee. Thus Hypothesis 1H that British firms perform better on CSR dimension of People is solidly supported by those significantly better knowledge and people-friendly performance of British SMEs. In contrast, Chinese firms only perform better on community participation significantly and charity donation insignificantly, within the CSR dimension of Society. They failed to give better performance on other practices related with government and media indicate Hypothesis 1G that Chinese firms perform better on CSR dimension of Society could not be validated.

	China				UK			
	Attitude		Performance		Attitude		Performance	
	Mean	Std Dev.	Mean	Std Dev.	Mean	Std Dev.	Mean	Std Dev.
<i>Shareholders</i>								
take appropriate tax minimisation measure	6.61	.529	3.59***	1.858	6.20	1.050	5.48***	1.474
has sound organisation structure	6.15	.899	5.44***	1.254	6.44	.675	6.28	.701
<i>Community</i>								
actively participate in community project for public benefit	5.52	.771	4.98***	1.325	4.32	1.609	4.28	1.980
donate money or time to charities	5.27	.804	4.87*	1.402	4.29	1.486	4.84*	1.772
has been complained for disturbing surrounding environment	6.04	.699	5.56	1.860	5.92	.821	5.88	1.558
<i>Government</i>								
abide by law and regulations	6.62	.657	6.08***	.805	6.74	.487	6.84	.370
control and compensate possible contamination from operation	6.26	.899	5.38***	1.483	6.06	.899	5.49*	1.709
offer equal opportunities in recruiting and working	6.06	.899	5.67*	1.259	5.56	1.147	6.31***	.903
<i>Employees</i>								
has specific measures to safeguard staff's safety and health	6.24	.816	5.71*	1.370	6.71	.460	6.25**	1.129
offer staff training and education program	6.04	.744	5.25***	1.364	5.72	.902	6.00	1.043
Harmonious organisational culture	6.18	.722	5.78**	1.150	5.81	.891	5.83	1.260
<i>Customers</i>								
provide excellent product or service	6.47	.575	6.36	.762	6.67	.622	6.53	.612
<i>Competitors</i>								
have to take some irregular practice under fierce competition	6.02	.981	5.19**	1.914	5.60	1.192	5.96	1.517

Table 5.8 Comparison of Attitude and Performance in China and UK

Source: Author; Note: the item marked with grey area indicates significant difference in performance between sample groups found; the score marked bold means it is higher than the mean of the other item in same sample group; the score marked with * indicates significant difference between items in sample groups has been found; *p < 0.05; **p < 0.01; ***p < 0.001

After combing and analysing Table 5.3 and Table 5.7, here comes a direct comparison of what correspondents believe and what firms actually perform

regarding CSR practices in China and UK, as illustrated in Table 5.8 above. Specifically, largest negative differences between means of attitude and performance have been found on the same items on both China and UK sides at a significant level of 0.01, i.e. tax minimisation, -3.02 and -.72 respectively, and contamination control, -.88 and -.57 respectively. Another two negative differences appears on fair competition, -.83, and training opportunity, -.79, on Chinese side and positive differences in charity donation, +.55, and equal opportunity, +.75, on British side. Although Chinese correspondents held more favourable attitudes toward CSR in both dimensions of Society and People, the actual CSR performance they undertook are surprisingly lower on all items, mostly in a significant way. Similarly, British firms didn't perform better than they thought on half of listed items, but they did carry out better performance significantly on charity donation and equal opportunities and other 4 items which they held less favourable attitudes towards. Moreover, significant positive correlations between their attitudes and practices have been found on 11 out of 13 items among British SMEs and 6 out of 13 items among Chinese firms at .05 level, illustrated in the following Table 5.9. The correlations of rest items are either negative or insignificant.

Item		China		UK	
		Correlation Coefficient	Sig. (2-tailed)	Correlation Coefficient	Sig. (2-tailed)
	<i>Shareholders</i>				
2.4-6.20	take appropriate tax minimisation measure	-.356	.008**	.317	.023*
2.8-6.17	has sound organisation structure	.074	.593	.513	.000***
	<i>Community</i>				
2.2-6.18	actively participate in community project for public benefit	.546	.000***	.625	.000***
2.15-6.15	donate money or time to charities	.393	.003**	.619	.000***
2.12-6.10	has been complained for disturbing surrounding environment	.222	.106	-.068	.637
	<i>Government</i>				
2.6-6.22	abide by law and regulations	.091	.516	.559	.000***
2.12-6.12	control and compensate possible contamination from operation	.093	.522	.494	.000***
2.11-6.11	offer equal opportunities in recruiting and working	.367	.006**	.419	.003**
	<i>Employees</i>				
2.9-6.9	has specific measures to safeguard staff's safety and health	.096	.486	.376	.006**
2.20-6.21	offer staff training and education program	.374	.005**	.544	.000***
2.19-6.23	harmonious organisational culture	.383	.004**	.389	.006**
	<i>Customers</i>				
2.17-6.8	provide excellent product or service	.074	.593	.513	.000***
	<i>Competitors</i>				
2.14-6.14	have to take some irregular practice under fierce competition	.089	.524	.265	.069

Table 5.9 Correlation between Attitude and Performance in China and UK

Sources: Authors' calculations; * the item marked with grey area implies significant differences have been found in both counties.

* the score marked with * indicates the level of significance at .05, .001 and .000.

Although Chinese firms held more favourable attitudes toward specific aspects of CSR, more significant correlations between attitudes and practices found on British

side indicates British SMEs endeavour to keep their word on CSR items while such pattern is not very apparent for Chinese correspondents. Thus British firms outshine Chinese firms on actual practices of relevant aspects of CSR.

It also validates Hypothesis 2B again from another perspective that firms in developing countries have lower CSR performances than firms in developed countries.

5.5 Influence on Attitudes of Cultural Factors

As demonstrated in Table 5.3 and 5.7, there are some mixed impressions on CSR attitudes and performances among firms in the UK and China under the influences of culture. In order to further examine these effects of five cultural dimensions on CSR attitudes and performances, binary logistic regression model is employed to explain its determinants, assessing whether the cultural factors would have any effects on the firms' CSR attitudes and practices.

5.5.1 Factor Analysis of CSR Attitudes

First of all, factor analysis with principal component extraction is used to distinguish different CSR attitudes among firms, which would eventually provide a clearly cut line and indicate whether firms either favor or become indifferent to CSR.

According to the previous literatures, three different perspectives, normative, strategic and financial, of motivation could be distinguished for firms carrying out CSR practices. Thus the firm is either holding genuinely believes in CSR, or using its positive attitudes towards CSR to create good company image and attract more public resources strategically, or aiming to achieve better financial performance or avoid possible administrative penalties. The results of factor analysis are shown in the following Table 5.10.

Scale	The company is responsible for	CSR Attitudes					
		Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6
2.2	participate in community projects	.805					
2.13	help social minorities	.778					
2.15	donate to charities	.760					
2.5	provide employment opportunities	.664					
2.11	enhance equity in employment and workplace	.616					
2.19	build harmonious organisational culture	.574			.401		
2.14	comply to principle of fair play in competition	.524					
2.9	provide a safe working environment		.772		.344		
2.8	establish sound management system		.715				
2.10	be good neighbour	.491	.686				
2.3	retain the competitiveness of company			.862			
2.18	protect shareholder's interests			.782			
2.1	keep good operating performance		.306	.683			
2.16	safeguard the rights of employees		.456		.649		
2.17	provide excellent product or service				.642		
2.20	offer staff opportunities of further development	.444			.538		
2.4	pay relevant tax					.805	
2.6	abide by laws		.328			.773	
2.7	not involve in bribery and corruption						.814
2.12	control and compensate possible contamination	.324			.425		.496

Table 5.10 Results of Factor Analysis for CSR Attitudes of Firms

Extraction method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalisation.

Sources: Authors' calculations.

In total, these six factors have explained 66.99% of variances in CSR attitudes and three interesting components, *Society*, *Organisation* and *People*, could be recognized

as discussed below.

The first component represents the normative beliefs of firms in CSR. It includes community participation (.805), helping minority (.778), charity donation (.760), employment opportunity (.664), equal employment (.616), harmonious organisation culture (.574) and fair competition (.524) within cluster of Factor 1.

The second component consists of highly correlated factors like safe working environment (.772), sound management (.715) and good neighbour (.686) of Factor 2, paying tax (.805) and abiding by law (.773) of Factor 5, corruption (.814) and contamination control (.496) of Factor 6. Obviously it indicates the elaborate considerations to meet requirements from Society dimension to avoid legal sanctions or administrative problems.

The third component involves the correlated economic reflections among two factors, including retaining competitiveness (.862), protecting shareholder interests (.782) and good operating performance (.683) of Factor 3 and employee safeguard (.649), excellent product (.642) and further development for staff (.538) of Factor 4. These factors had indicated the organisation's contemplation to enhance employee morale and boost economic returns.

5.5.2 Binary Logistic Regression

Secondly, the scores in each factor loaded with coefficients will generate the dependent variable, CSR attitudes of firms, after categorized into two values. 0 is those which obtained low values of CSR scores and 1 is those whose CSR scores are higher. The independent variables are cultural factors and demographic characteristics of owner/manager and business information, as suggested in Section 4.7.1. Among the independent variables are:

- The countries' CSR development level
- The cultural factors as IDV, MAS, UAI, LTO and PDI
- Managers' age, education level and community participation
- The firms' size in terms of number of employees and length of operation

However, through preliminary screening of these influencing variables, the factor of

LTO is excluded in the analysis as its significance level is below .50. Table 5.11 provides the results of logistic regression. Another possible influencing factor, the countries' CSR development level, is added in each analysis to test whether CSR development would affect the firms' attitudes towards CSR.

Demographic Characters	Model 1 (Before Dev is added)		Model 2 (After Dev is added)	
	Odd Ratio	Sig.	Odd Ratio	Sig.
CSR Development Level			.468	.216
Age	.987	.498	1.006	.815
Education	1.332	.319	1.499	.186
Community	.637	.376	.744	.633
Cox & Snell R Square	.027		.045	
Business Information				
CSR Development Level			1.320	.639
Duration	.976	.041**	.971	.062*
Employee Number	1.001	.154	1.002	.151
Cox & Snell R Square	.108		.110	

Table 5.11 Binary Logistic Regression of Sample Characters on CSR Attitudes

Source: Author

Notes: Dependent variable is 0 when the attitudes of sample firms are identified as less favorable to CSR and is 1 when the attitudes are in favor of CSR. The models are estimated against the dependent variable when the value is zero.

*denotes statistical significance at 10% level while **denotes statistical significance at .05 level.

The results confirm that managers' demographic characteristics, age, education and community participation, are not statistically significant in determining their CSR attitudes. Although the more educated the owner/managers become, more favorable attitudes they would hold toward CSR (odds ratio is 1.499), such causality is not very significant as $p=.186$. Similarly, the marginal effect of size factor in terms of employee number is positive but very small (<1%) and not statistically significant. Surprisingly, the length of business operation has significant negative, though comparatively minor (<3%), effects on CSR attitudes at .10 level. Such causal relationship between CSR attitudes and operation length might be biased by the other variables like education.

On the one hand, most of Chinese firms are founded since China began the economic reform in the 1980s and allowed the re-emergence of private sectors in national economy. Thus the average business operation length of British firms is around four times than that of Chinese firms. On the other hand, higher percentage of Chinese respondents have Bachelor degree or above than British counterpart, which indicates they are more aware of social cry for responsibly business activities when they either establish or join the newly founded Chinese firms in recent years. Therefore, significant negative effects of business operation length on CSR attitudes might be brought in by the positive causal relationship between education and attitudes at significance level of .20 and pertinent short business operation length of Chinese firms.

5.5.3 Cultural Effects

Cultural Factors	Model 1 (Before Dev is added)		Model 2 (After Dev is added)	
	Odd Ratio	Sig.	Odd Ratio	Sig.
CSR Development Level			.604	.318
IDV	1.734	.162	1.886	.121
MAS	.751	.173	.788	.266
UAI	.571	.045**	.614	.089*
PDI	1.190	.475	1.085	.753
Cox & Snell R Square	.096		.105	

Table 5.12 Binary Logistic Regression of Cultural Characters on CSR Attitudes

Source: Author

Notes: Dependent variable is 0 when the attitudes of sample firms are identified as less favorable to CSR and is 1 when the attitudes are in favor of CSR. The models are estimated against the dependent variable when the value is zero.

*denotes statistical significance at 10% level while **denotes statistical significance at .05 level.

Thirdly, indicated in the above table, firms in liberal country (high IDV) are more likely to have favorable attitudes toward CSR (odds ratio is 1.886) while firms in masculist society are less likely to hold favorable attitudes towards similar issues (odds ratios is .788). In contrast, the positive effects of rigorous distance in society on CSR attitudes is marginal and highly insignificantly (odd ratio is 1.085, $p=.753$). The most significant finding from this model is, controlling for other variables, firms

in risk-avoiding countries are much less likely to have managers who have high CSR attitude scores than are firms in risk-taking countries in a significant way (odd ratio is .614, $p=.089$). The anxieties about uncertainty in relevant CSR issues have created less favorable attitudes towards CSR among firms in risk-avoiding society than those which would like to regard it as opportunities to obtain competitive advantages.

Comparatively, the country's CSR development level, as another possible influencing factor besides culture, has been added with all other independent variables remaining the same, as shown in Table 5.11 and Table 5.12. It causes mixed effects on firms' attitudes towards CSR when joined with other variables in equations, but all insignificantly. It also strengthens the tendency of effects of other variables on CSR attitudes, to a minor extent, though lowering their significance levels simultaneously. It is likely that the influences of CSR development on attitudes are diminishing when other variables are controlled. Therefore, CSR development has exerted less influence than culture on the attitudes towards specific CSR issues and its effects on CSR will be discussed in details in next chapter.

Overall, the results from both tables suggest that other influencing factors might have weak and insignificant effects of CSR attitudes, comparing to the factors of culture and CSR development pattern. And, it is found that individual cultural factors have affected on firms' attitudes toward relevant CSR issues respectively, as suggested by Hypothesis 1F. Firms in liberal society are more likely to have managers retaining a favorable CSR attitude. On the other hand, firms operating in masculist and risk-avoiding context would be more likely to have managers retaining less favorable CSR attitudes. Such effects have further verified the hypotheses that firms in different cultural background tend to focus on different CSR dimensions, as discussed in Section 5.3.

5.6 Summary

5.6.1 Culture Differences

Located in opposite ends of Eurasia, China and Britain had quite different cultures

which might affect the conception of corporate social responsibility. This research has empirically test cultural variances in five different dimensions. As expected, in comparison with British managers, Chinese managers tend to be less favourable to individualism, prone to preserve long-term relationship and accept higher degree of power distance, significantly or non-significantly.

However, the insignificant differences in individualism (IDV) and long-term orientation (LTO) had also revealed the inherent limitations in the use of Hofstede's model examining social and workplace attitudes across cultures. Firstly, the construct validity of Hofstede's scales in the aspect of long-term orientation is susceptible based on an examination of survey statistics. Since only two items are found correlated with other LTO measures in a large-scale consumer survey across 15 European countries (Hofstede, 1994), One of these two items had been employed in this survey and produced insignificant results. Considering these two items have same coefficient of 20 in the LTO index formula, the insignificant difference in this scale (0.18) could not yield the sharp contrast between China and UK, 25 vs. 128 as suggested by Hofstede, in any case. The similar issue occurs in individualism (IDV) index. Although the chosen IDV item has largest coefficient of 50 in the IDV index formula, the insignificant difference between China and UK (0.17) is not likely to produce distinct gap of 20 to 89 as well. If sharp cultural differences between China and UK in IDV and LTO indices predicted by Hofstede's cultural dimension model do exist, then the scales used to evaluate these indices should be adjusted accordingly to enhance its validity.

Secondly, the insignificant results in IDV and LTO might also reveal the fact that the dimensions of national culture are dynamic and shift over time. For example, according to the demographic statistics of respondents, the age factor has been found negatively correlated with IDV (coefficient=-.214, $p=.032$). It means the elder the participants became, the more they are likely to concern about the welfares of group and society. Interestingly, only younger Chinese participants scores significantly higher in IDV than their elder counterparts ($f=5.837$ $p=.019$) while such pattern isn't significant ($f=.069$ $p=.933$) in Britain. When China started its reform and opening to

the outside world since the 1980s, the imports of western cultural products in last three decades and influences of globalisation of trade, might also change the traditional attitudes towards individualism, as well as thrift. Thus the gap of differences in these two dimensions of culture between China and UK could be diminishing gradually.

In view of that Hofstede's Chinese scores are all estimated instead of surveyed, researchers and managers should be cautious before attempting to apply his cultural model to predict the behaviour of Chinese people to avoid pitfall of stereotyping.

5.6.2 Cultural Influences

This study has also suggested the differences in CSR practices among various countries might be caused by the sharp cultural differences between nations. The findings of previous studies provided insights into an area of concern for both society and business. Many academic researchers, such as Christie et al. (2003), Egri (2004), Tsalikis and Nwachukwu (1988), have already illustrated the significant relations between culture and CSR through various empirical researches and sophisticated analyses of findings. This study has observed the significant differences in attitudes and motivations in different dimensions of CSR between British and Chinese SMEs, consistent to similar findings of Maignan (2001). It found British firms are more likely to focus significantly on CSR dimension of People while Chinese firms tend to pay more attention on CSR dimension of Society. In view of that PDI and UAI are only two out of five cultural dimensions where significant differences between China and UK are found, also considering the similar scores of both sides on UAI predicted by Hofstede, it could be concluded that power distance (PDI) negatively influence the attitudes and practices on CSR in a significant way.

As suggested, within the context of high PDI culture, business managers would less appreciate the ethical issues concerning fellow employees or other people related matters while questionable business practices are more likely to be recognized and openly discussed if power distance is low. Though Ringov and Zollo (2007)

recommend masculinity is also found to have a significant negative effect on corporate social performance except for power distance, the insignificant difference in this dimension between China and UK could not help to support their findings.

Considering the influences of Hofstede's cultural perspectives on CSR and actual cultural differences between China and UK, it could be assumed that firms in different countries tend to focus and emphasize on different CSR dimensions of SOP framework, thus causing diverse CSR practices in various countries. Thus it requires those international CSR standards and guidelines to be adjusted to fit in local economic and cultural environment accordingly to promote local CSR practices more efficiently.

5.6.3 Attitudes vs. Performances

Except for indicating the inconsistency between word and act related with corporate social responsibility, the overall negative variances between attitudes and performance in both countries have somehow revealed how difficult it is to apply favourable attitudes into favourable practice among SMEs. While the general sensitisation of all Chinese and British SMEs towards CSR is similar, it is logical to reason out that the larger the difference is, the stronger significance level is, the more hurdles need to be removed in order to carry out satisfying CSR practices. Also, the largely positive correlations between attitude and performance have indicated the more favourable attitude towards specific CSR area would inspire the correspondents to overcome existing and/or potential difficulties in practice and lead to higher actual performance in that direction.

Comparatively, many CSR measuring items specified in Table 5.6 are either prevailing practices in the UK or required by British laws and regulations, especially in the area related with employees where trade union has strong influences to demand better CSR performance. As Lam (2009) suggested, lack of tax incentives in China may also discourage many companies' charitable actions. In contrast, most of Chinese sample groups have less knowledge to undertake proper CSR practices in the similar areas where laws and regulations are laxly enforced. Thus it is not

surprising to observe smaller negative or even positive variances between attitudes and performances among British firms.

Moreover, most current codes of conducts or CSR standards are more or less designed for large firms or formulated with advanced stage of capitalism (Ip, 2009) to improve social performance. Stretched by multitasking, restrained by limited time and cash, it is less applicable for SME to take similar route, such formal CSR report. In order to improve the overall CSR performance, industry policy should be then made according to the characteristics of local SMEs and domestic business environments. The research findings could be used as references when some unrealistic regulations could be removed or incompatible support system should be changed to fit the requirements from SMEs to raise their CSR performance levels.

Thus, according to the discussion above, this chapter has discussed the relationship between culture and corporate social responsibility under the integrative SOP framework of CSR.

The cultural differences between Britain and China are measured in terms of Hofstede's cultural dimensions. And the variances in CSR attitudes, awareness and practices among SMEs in two countries are compared in each section, through Mann-Whitney *U* test and binary logistic regression respectively, to analyse the cultural influences on specific CSR aspects.

A direct comparison of attitudes vs. practices among SMEs is then taken in Section 5.4 to examine how SMEs would translate their favourable attitudes into practices. The binary logistic regressions of other influencing factors are also performed to further validate proposed hypotheses of cultural influences.

The detailed results will be discussed and analysed in Chapter Seven while next chapter will investigate whether there is a similar pattern of CSR development in different countries and explore effects of globalisation, the proposed other two possible causes of CSR differences.

6. Chapter Six CSR Development Pattern and Globalisation

The previous chapter has demonstrated the CSR attitudes and performances differed sharply in firms in the UK and China and it suggests that such different CSR attitudes and practices in firms might be resulted by the cultural variances between countries. Chapter Three also advises that two other factors, CSR development pattern and interdependency of global business, might also induce similar variances in attitudes and practices. Consequently, the effects of proposed causes on CSR are discussed in details in this chapter to validate proposed hypotheses.

According to Davis (2003), the history of human society is developing at a spiral pattern. As time leaps, societies develop in an upward spiral through a series of similar stages. The development of CSR could also be regarded as a spiral development diffused from developed countries to newly developed countries, then developing countries and developing regions of developing countries in a progressive way, suggested by the researcher.

Thus, this chapter will firstly present findings on the effects of CSR development pattern on the aspects of labour and environment respectively. The past and present labour policy and working conditions in UK and China are examined in first section, so as to investigate the influences of CSR development pattern on business practices involving stakeholders under the People dimension. The similar experiences from other countries like U.S. are also introduced as supplements to the findings. Then the discussion moves to explore the relevant issues of industrial pollution and consequently environmental protection in the UK and China in Section 6.2 to identify the similarities of CSR development pattern in both countries.

Meanwhile, globalisation has deep social, cultural and environmental consequences on CSR as well (Kercher, 2007). Under such influences of various cultural products and closer economic relations stimulated by globalisation, the gradually eroded national boundaries have indicated the possible variances in the CSR attitudes, awareness and practices in firms which have connections with foreign counterparts

within domestic business circles. Given this fact, it is necessary to explore the potential relationship between CSR and globalisation to further validate proposed hypotheses on influences of culture and development pattern on CSR.

As a result, same dependent variables of CSR attitudes, awareness and practices will go through similar analysis process of Mann-Whitney *U* test against four independent variables of globalisation in Section 6.3 and binary logistic regressions of these dependents as well as other influencing factors are then undertaken in Section 6.4.

In the final section, similarities or dissimilarities of CSR development path involving issues under the People and Society dimensions in both countries would be summarised, as well as the findings in the perspective of globalisation. The conclusions based on the validation of proposed hypotheses on all three perspectives are drawn in next chapter.

6.1 Labour Perspectives

So history has observed the dynamic changes of conventional business practices throughout the period of industrial revolutions in the UK. Dating back to the 1800s, corporate social responsibility (CSR) has little meanings to the entrepreneurs in the nineteenth century in Britain. The first half of nineteenth century has witnessed what it could be worst for the developed countries if entrepreneurs only concerned about maximising the profits of organisations and other social responsibilities being neglected by both society and entrepreneurs, as indicated in Figure 3.3. The fierce conflicts between proletariat and bourgeoisie might also, to some extent, be the result of poor CSR practice conducted over all the industrialized nations, especially in the “Hungry Forties” (Unwin, 1904).

On the other hand, Solomon and Thomson (2009: 79) suggested that “the middle of the 19th century was a time when the social and environmental harm associated with industrialisation was highly visible, widely recognised as socially damaging and before the emergence of modern environmental regulatory systems.” Those problematic environmental and labour practices are no longer regarded as normal at

the end of laissez-faire period of industrial revolution and Bowen (1953) contended CSR could be working as a complementary and corrective measure for some social failures inherent in laissez-faire economy. Certain concepts and issues like friendly society, poor relief, environmental effects, Quakers, along with the child labour and welfare state, had started to be recognized in the public discussion, business practices and policy making process two centuries ago. Thus CSR gradually evolved from individual philanthropic activities in that period to systematic social norms and imprinted into law and regulation after widely recognised by the stakeholder groups in the Society dimension of CSR, as indicated in Figure 3.3.

In the same way, the CSR in China has gone through a very similar development route. When China began economic reform and opening up in 1978, the principal of economic activities has gradually shifted to boosting efficiency from promising an “iron rice bowl” for everyone in the past, under the slogan of “Giving priority to efficiency with due consideration to fairness”. The world has then witnessed both the rapid economic development in China since the economic reform and opening up in 1978 and the retreats from safeguarding role by government and loose or even reluctant enforcement in relevant labour laws and regulations, because of fear of losing investment and hindering economic development in the past few decades. Thus it has given the employers, domestic or foreign, an opportunity to exploit the interests of stakeholder groups in other CSR dimensions for the sake of profit maximisation.

Industrious and patient, tens of million ordinary workers, especially migrant workers from rural area and inland regions, haven’t been able to fully enjoy the benefits of economic prosperity. They have rather been awarded with the burden of economic boom by unchanged wage level in past 20 years, various violations of fundamental labour right and breach of first-ever Labour Law issued in 1994 (Lee and Lim, 2001), similar to their British counterparts in the Victorian industrialisation period.

The overemphasis on economic development at any cost has made “China’s capitalism unites aspects of crude Victorian capitalism with 21st century technology and corporate organisation” (McNally, 2008: 228). And numerous reports on

sweatshop conditions and industrial disasters have been released every now and then by the media and NGOs. Most recent spotlight cases are the repeated employee suicides at Foxconn, Shenzhen (Moore, 2010) and dramatic rescue from flood accident at Wang Jialing coal mine, Shanxi (Xinhua, 2010). These reports and discussions had successfully raised public awareness on relevant issues and required Chinese government to participate more actively in issues related with the dimension of Society and People.

6.1.1 Mining Disaster

The industrialisation in Britain is closely related with the rapid growth of coal mining. Without “the seemingly limitless mineral energy and a profusion of cheap iron” (Evans and Rydén, 2005: 2), Britain would not be able to develop steam power and durable machinery to lead its pioneering role in the industrialisation of the world. However the urgent demand for cheap energy sources also brought about continuous mining accidents thereafter. Senghenydd colliery disaster, the Oaks explosion and Blantyre mining disaster are just few of worst mining disasters happened in Wales, England and Scotland of that period. According to Raleys’ research on Mines Inspectors Reports on accidents (Raleys, 2010), the death and injury records increased dramatically from 3486 to 59580 in the late 19th century, as illustrated in the following table.

Year	Total Deaths and Injuries
1700-1750	93
1750-1800	267
1800-1850	3,486
1850-1900	59,580
1900-1950	84,331
1950-2000	16,599
Grand Total	164356

Table 6.1 Death and Injuries in Coal Mining in the UK

Source: Raleys (2010)

These mining disasters were either due to extracting coal in greater depths into gas-

containing strata, combined with inadequate health and safety measures or caused by poor management practices. And some collieries had suffered several disasters before being labeled as unsafe and shut down.

The arising concerns over numerous mining disasters had forced British government to tighten its regulations on coal mining, introducing new mining methods (e.g. longwall mining), gas monitoring (such as safety lamps), electrical extracting equipment and ventilation to lower risks of mining accidents (Winterton, 1993).

To further reduce its dependence on coal and fatalities in coal mining, Britain had closed unsafe underground collieries and turn to opencast, as well as obtaining low-cost coal from overseas sources, such as South Africa, Australia and Russia (Janes, 2006). Meanwhile Britain seeks other alternative energy sources as replacement for coal, such as petroleum, nuclear energy or renewable sources like water or wind (DTI, 2006).

As result, the working coal mines in the UK has decreased from 3384 in 1900 to merely 19 in 2004 within one century and the number of people employed in coal mining has also shrunk from one million at its peak time to six thousand in 2004. With fewer and fewer mines, improving technologies and stringent health and safety policy, the death rate in coal mining starts to drop from one per 200 colliers in 1860s, to one per 600 colliers at the beginning of 20th century, and then one per 1000 colliers during mid-20th century, and finally to zero in recent years, according to figures from National Coal Mining Museum for England (2010).

Similarly, the fast growth of coal production in China comes at the cost of continuous mining catastrophes and thousands of lives of colliers each year, in order to serve the imminent energy demand for economic development. In 2002, the most dangerous year on record, the death toll of Chinese collier accounts for more than 80% of total fatality in coal mining industry in the world with 35% of total coal production (Zhao and Jiang, 2004). And that count doesn't include tens of thousands more of the country's miners who die of lung afflictions and other work-related diseases every year. Thus China's coal mines are described as the world's deadliest, "where the coal is stained with blood" (Elegant and Zhang, 2007: para. 7), despite a

successful multiyear government effort to reduce fatalities. The latest figures from the State Administration of Coal Mine Safety (SACMS) indicates mining accidents killed 2,631 coal miners in China in 2009, down from record 6716 deaths in 2002. The fatality rate per million Mt of coal in Chinese coal mining industry has also dropped from 4.87 to 0.86, as shown in the following Table 6.2.

Year	Annual Coal Production (Mil Mt)	Fatality	Fatality per Mil Mt Coal	Fatality Rate per 1000 workers
2000	998	5798	5.81	1.69
2001	1161	5670	4.88	1.72
2002	1380	6716	4.87	2.06
2003	1667	6434	3.86	1.71
2004	1992	6027	3.03	1.55
2005	2205	5986	2.71	1.75
2006	2373	4746	2.00	1.33
2007	2526	3786	1.50	1.06
2008	2788	3215	1.15	0.90
2009	3050	2631	0.86	0.73

Table 6.2 Fatality and Production of Coal Mining Industry in China

Source: the Statistics Yearbook, China 2001-2009, the State Administration of Coal Mine Safety and China Statistics Bulletin 2009

Due to the complicated geological mining condition, explosions and inundation are common in Chinese mines, where underground mine accounts for 95% of coal production (SACMS, 2010). Low levels of mechanisation in coal mining, below 35% compared to almost 100% in the U.S. or Russia, also indicates the low efficiency of Chinese colliers, about 3% of the U.S. counterpart. Statistics indicate that more than 3 million people employed in coal mining in China produced 3 billion Mt coal annually, comparing to 100 thousand people employed in the same industry with 1 billion Mt annual coal output in the U.S. (China Statistics Bulletin, 2009; USEIA, 2009).

Thus, large number of coal miner has to go down in each shift and it would inevitably cause large number of casualty when profit-making become top priority

for mining companies if anything goes wrong. The case is quite apparent when more than 20 thousands of small mines only accounted for 35% of total coal production and 70% of the accidents and fatalities, according to the SACMS (Wen, 2010).

Most accidents are blamed on failure to follow health and safety regulations or lack of required ventilation, fire controls and safety equipment. For example, the flood at the Wang Jialing mine in Shanxi province started when workers digging tunnels broke through into an old shaft filled with water, a government safety body has said. It accused mine officials of ignoring safety rules and danger warnings in a rush to open the mine, which is quite common in Chinese mines to maximise their profits (Xinhua, 2010).

The overemphasis on interests of stakeholder in Organisation dimension and absent government safeguarding role in the aspect of health and safety has led to constant mining accidents and a vast number of victims, much the same as the U.S. experienced in the past. From 1880 to 1910, mine explosions and other accidents claimed thousands of victims annually in U.S. But after the health and safety standards for miners being adopted and strengthened by Coal Act 1969 and Mine Act 1977, the fatality rate in American coal mining continued to decrease from about .20 fatalities per 200,000 hours worked by miners (or one death per million production hours) in 1970 to about .07 fatalities in 1977 and an average of .03 fatalities for the 2001-2009 period. The injury rate has also been cut by more than half between 1990 and 2004.

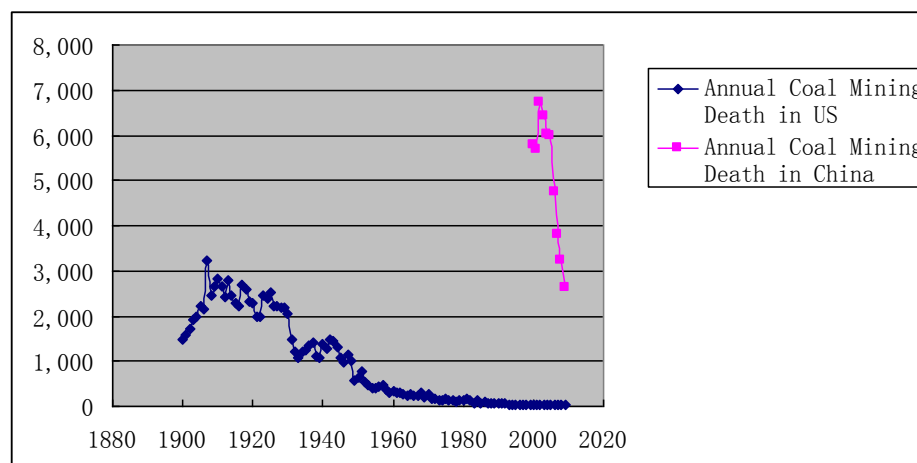


Figure 6.1 Comparisons of Annual Coal Mining Death in US and China

The same fatalities rate in China measured by the same statistics method showed its sharp decrease to .117 per million production hours, very close to the recent U.S. figures. Due to the tough measures enforced by SACAMS from 2003 on mining company to compensate at least 200 thousand Yuan for each death of collier and more than 3 billion Yuan investment on improvement of safety and health instruments, the fatality rate per 1000 workers in China began to drop, approaching the 1973 U.S. level while annual death of coal miner in China still remained high at the level in the beginning of 20th century in the U.S, as shown in the above Figure 6.1.

Obviously, the coal mining industries in the UK, US and China have gone down similar development route of protection in health and safety issues. Once the stakeholder groups in Society dimension recognise the importance of socially responsible business practices, the malpractices in mining industry are strictly regulated and mechanisation levels in coal mining are enhanced. Thus it results in dropping fatality rate and number in Chinese coal mining industry.

6.1.2 Child Labour

Nowadays child labour has been seriously condemned as immoral and illegal practice, but it was an intrinsic part of the agricultural and industrial economy in Britain before industrial revolution period and such practices was mostly carried out in the home or within family economy (Thompson, 1968).

Also it was quite prevailing economic way to employ children over eight to reduce the labour costs in the early nineteenth century's Britain, as well as in many other countries with similar historical background evolving from agricultural economy to industrial economy. The children from poor family were usually then expected to bring in additional incomes from early age and support their aged parents when grew up. Therefore the society at that time is more tolerable to the practice of employing child labourer in factories during industrialisation period. According to the Census of England and Wales in 1861, 36.9% of boys in the 10-14 age group were labourers

and the statistic for girls was 20.5% (Basu, 1999).

In order to justify child labour employed in the cotton mill and curb the opposition against the usage of child labour, British manufacturers and their advocates had even tried to argue that “being constantly employed at least twelve hours in a day... would at length prove agreeable and entertaining to them” (Hutchins and Harrison, 1903: 5) and emphasize the distinct advantages children has possessed in working. However, after the enforcement of Factory Act in 1833, Factory Extension Act 1867 and Education Act 1870 to monitor the compulsory school attendance and restrict the working hours of juvenile labour, the participation rate of child labour in the factory had sharply dropped off (Basu, 1999). Similar situations happened in the US as well. The Supreme Court ruling of *Hammer v. Dagenhart* in 1918 in US, indicating the Keating-Owen Act of 1916 (US version of child labour law) was unconstitutional, was overruled in 1941 to reinforce the protection against child labour practices (Supreme Court, 1918).

Meanwhile, the large scale withdrawal of child labour could result in the wage rise of adult labour so much that working class household is better off. Cunningham (2000) and Edmonds (2005) had both argued that improving family economic status has also contributed to the decreasing child labour in Britain. When the wages of male-breadwinner could steadily afford the daily expenses of the whole family, the children once again become the focus and priority of the family instead of additional income resource, in view of animal instinct.

The following figures have illustrated the peaks of numerous reports on child labour practices respectively in the UK and US since 1750. It implicitly indicated the unsurprising widespread of child labour in the first half of 19th century in Britain, at the turn of 20th century in the US, which all occurred in their industrialisation periods.

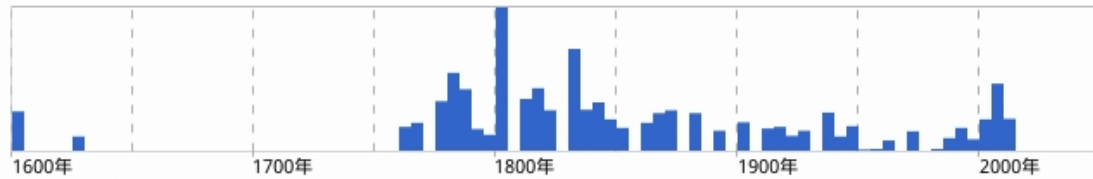


Figure 6.2 Reports on Child Labour in the UK through Timeline

Source: [http://www.google.com.hk/search?hl=zh-CN&safe=strict&client=aff-os-](http://www.google.com.hk/search?hl=zh-CN&safe=strict&client=aff-os-maxthon&hs=q5K&tbs=tl:3A1&q=%E8%8B%B1%E5%9B%BD%E7%AB%A5%E5%B7%A5%E5%8E%86%E5%8F%B2&aq=f&aqi=&aql=&oq=&gs_rfai=)

[maxthon&hs=q5K&tbs=tl:3A1&q=%E8%8B%B1%E5%9B%BD%E7%AB%A5%E5%B7%A5%E5%8E%86%E5%8F%B2&aq=f&a](http://www.google.com.hk/search?hl=zh-CN&safe=strict&client=aff-os-maxthon&hs=q5K&tbs=tl:3A1&q=%E8%8B%B1%E5%9B%BD%E7%AB%A5%E5%B7%A5%E5%8E%86%E5%8F%B2&aq=f&aqi=&aql=&oq=&gs_rfai=)

[qi=&aql=&oq=&gs_rfai=](http://www.google.com.hk/search?hl=zh-CN&safe=strict&client=aff-os-maxthon&hs=q5K&tbs=tl:3A1&q=%E8%8B%B1%E5%9B%BD%E7%AB%A5%E5%B7%A5%E5%8E%86%E5%8F%B2&aq=f&aqi=&aql=&oq=&gs_rfai=)

*the bar in each sector roughly represents the number of reports on child labour in UK in paper publication or internet every 5 years

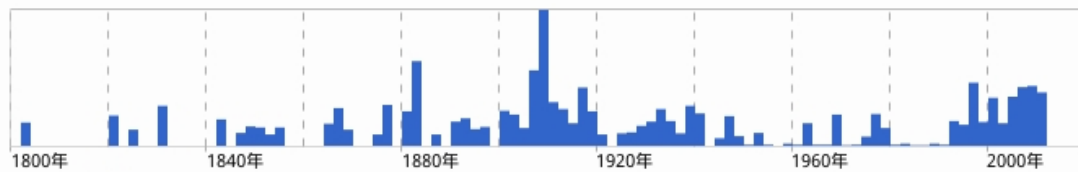


Figure 6.3 Reports on Child Labour in the US through Timeline

Source: [http://www.google.com.hk/search?hl=zh-CN&safe=strict&client=aff-os-](http://www.google.com.hk/search?hl=zh-CN&safe=strict&client=aff-os-maxthon&hs=Dkf&tbs=tl:3A1&q=%E7%BE%8E%E5%9B%BD%E7%AB%A5%E5%B7%A5%E5%8E%86%E5%8F%B2&aq=f&aqi=&aql=&oq=&gs_rfai=)

[maxthon&hs=Dkf&tbs=tl:3A1&q=%E7%BE%8E%E5%9B%BD%E7%AB%A5%E5%B7%A5%E5%8E%86%E5%8F%B2&aq=f&a](http://www.google.com.hk/search?hl=zh-CN&safe=strict&client=aff-os-maxthon&hs=Dkf&tbs=tl:3A1&q=%E7%BE%8E%E5%9B%BD%E7%AB%A5%E5%B7%A5%E5%8E%86%E5%8F%B2&aq=f&aqi=&aql=&oq=&gs_rfai=)

[qi=&aql=&oq=&gs_rfai=](http://www.google.com.hk/search?hl=zh-CN&safe=strict&client=aff-os-maxthon&hs=Dkf&tbs=tl:3A1&q=%E7%BE%8E%E5%9B%BD%E7%AB%A5%E5%B7%A5%E5%8E%86%E5%8F%B2&aq=f&aqi=&aql=&oq=&gs_rfai=)

*the bar in each sector roughly represents the number of reports on child labour in US in paper publication or internet every 2 years

Noticeably, the child labour practices in the UK and US revived shortly in the menace of World War I and II when both countries run short of young labour force, as indicated above.

On the other hand, the child labour practice didn't cease to exist but rather had been imitated in the colonized regions and other developed and developing countries where such conduct was less controversial and of less concern to or less known to the public of industrialised countries. Figure 6.4 demonstrated similar phenomenon of child labour in China, especially during 1920s-1930s.

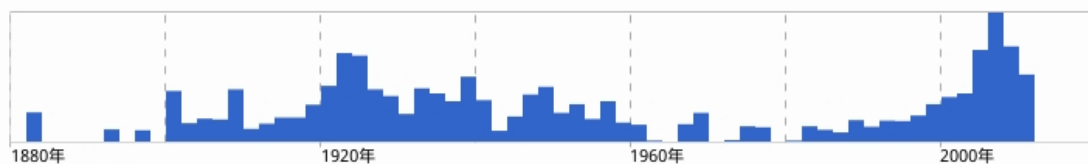


Figure 6.4 Reports on Child Labour in China through Timeline

Source:

[http://www.google.com.hk/search?q=%E4%B8%AD%E5%9B%BD%E7%AB%A5%E5%B7%A5%E5%8E%86%E5%8F%B2&hl=zh-](http://www.google.com.hk/search?q=%E4%B8%AD%E5%9B%BD%E7%AB%A5%E5%B7%A5%E5%8E%86%E5%8F%B2&hl=zh-CN&safe=strict&client=aff-os-maxthon&hs=xN1&tbs=tl:1&tbo=u&ei=iGJeTJSRNZ280gSiufHLBw&sa=X&oi=timeline_result&ct=title&resnum=12&ved=0CEYQ5wIwCw)

[CN&safe=strict&client=aff-os-](http://www.google.com.hk/search?q=%E4%B8%AD%E5%9B%BD%E7%AB%A5%E5%B7%A5%E5%8E%86%E5%8F%B2&hl=zh-CN&safe=strict&client=aff-os-maxthon&hs=xN1&tbs=tl:1&tbo=u&ei=iGJeTJSRNZ280gSiufHLBw&sa=X&oi=timeline_result&ct=title&resnum=12&ved=0CEYQ5wIwCw)

[maxthon&hs=xN1&tbs=tl:1&tbo=u&ei=iGJeTJSRNZ280gSiufHLBw&sa=X&oi=timeline_result&ct=title&resnum=12&ved=0CEYQ](http://www.google.com.hk/search?q=%E4%B8%AD%E5%9B%BD%E7%AB%A5%E5%B7%A5%E5%8E%86%E5%8F%B2&hl=zh-CN&safe=strict&client=aff-os-maxthon&hs=xN1&tbs=tl:1&tbo=u&ei=iGJeTJSRNZ280gSiufHLBw&sa=X&oi=timeline_result&ct=title&resnum=12&ved=0CEYQ5wIwCw)

[5wIwCw](http://www.google.com.hk/search?q=%E4%B8%AD%E5%9B%BD%E7%AB%A5%E5%B7%A5%E5%8E%86%E5%8F%B2&hl=zh-CN&safe=strict&client=aff-os-maxthon&hs=xN1&tbs=tl:1&tbo=u&ei=iGJeTJSRNZ280gSiufHLBw&sa=X&oi=timeline_result&ct=title&resnum=12&ved=0CEYQ5wIwCw)

*the bar in each sector roughly represents the number of reports on child labour in China in paper publication or internet every 2 years

Due to the fast economic development in that period, the employment of female and child labour prevailed in domestic and foreign factories in Shanghai international settlement, similarly in yarn and silk factories. Thus Shanghai Municipal Council proposed child labour regulations in 1923, to prohibit employing children under 10 immediately and under 12 within four years (SHTong, 2010). But it had never been put into practice because of strong opposition from industrial circles and labour activists accusing it of allowing employment of children over 10 implicitly to work under 12 hours a day with night shift.

Moreover, such unethical practices of child labour gradually reappeared in China since the economic reform to introduce foreign investment. And relevant reports reached its climax in the first decade of 21st century along with strong economic growth and fast process of industrialisation, as shown in Figure 6.4. The child labour rate in China had only started dropping from 11.55% in 1996 to 7.86%, comparing to 6.4% of Europe in 1950 only after the stringent enforcements of Provisions on Prohibition of Child Labour introduced in 1986 (ILO Bureau of Statistics, 1996; PPI, 2002).

6.1.3 Sweatshop and Minimum Wage

UK

As a “dynamic phenomenon and formed an integral part of a developing capitalism” (Blackburn, 2006: 100), sweating was quite sweeping practice in the industrialisation period and widely debated in the 19th century. Although in 1795 Samuel Whitbread proposed a bill to enable the government to set the minimum and maximum wages for labourers in agriculture, which is first of its kind, the strong and prevailing beliefs in the principle of spontaneous order and dislike of government intervention in the labour market has led William Pitt to criticise the bill as encouragement of idleness among the poor and forced its rejection. In fact, the irregular and flexible employment, the pouring Irish and Jewish immigrants into Scotland and England and complementary character of female and child labour to family income, all of these factors are contributing to the notion of sweatshop. As a result, the British

labour has to accept “unduly low wage and work excessive long hour under precarious working conditions”, sweating defined by SCSS (Select Committee on the Sweating System, 1890), in order to compete in the labour market and earn a living wage.

To fully appreciate why sweating occurred in the Victorian and Edwardian periods, the particular circumstances of that time should be focused. First of all, as advocates and followers of laissez-faire economy, Pitt and other economic philosophers argued that determination of wages should rely on the market mechanism. Consequently, they had “steadfastly held that intervention in the wages contract would be disastrous for Britain” (Blackburn, 2006: 99), which give the typical sweating employers chances to pursue immediate gains at the cost of their fellow employees by subcontracting and informalisation of employment relations. As Black and Gardiner (1907) noted the prolonged working hours, precarious condition, late pay and constant unemployment are notoriously prevalent during that period.

Secondly, the seemingly limitless supply of cheap, relatively less skilled Irish and Jewish immigrants occupied the pools of low cost labour, who were accused of devaluing British labour (James, 2005). The laissez-faire competition of labour resulted in “wages were determined not by the intrinsic cost of the work performed but by the relative needs of the worker to sell and the paymaster to buy” (Black, 1907: 152). The unregulated and suicidal competition for jobs and making a living wage inevitably leave the worker in a weaker position to bargain a better pay or safer workplace.

At last, labour market analysis indicated many families necessarily depended on earnings of female workers as supplemental to the cash income of the household, even though casual and low paid. It is also true that low wages of male breadwinner cast overwhelming impacts on child labour because of inadequate parental earning. Used as flexible, cheap and adaptive workforce by factories and sweatshop, female and child labour, as well as immigrant workers, undercut male wage earners, which in return push more women and children out of family to make both ends meet. Therefore it is not surprising that Beatrice Potter remarked the sweater is in the fact

the whole nation and Clementina Black (1907) suggested the evil is the lack of legislation to maintain necessary pay scales until the passing of the Trade Boards Act in 1909 (Blackburn, 2006).

However, gradually improved employment and working conditions in Britain didn't imply other countries had learned lessons from the ugly scenarios, as shown in Figure 3.3. Although some countries have been equipped with necessary laws and regulations regarding minimum wages or health and safety, it is the rule rather than the exception that companies do not comply with existing legal frameworks, in countries like India or Pakistan (Prieto-Carrón et al., 2006). Also the benefits of flexibility for companies at the top of global supply chains have come at the cost of precarious employment for those at the bottom. For example, women in factories in Bangladesh "have little alternative but have to work inhumane hours and under precarious conditions that are determined by powerful buyers in global supply chains" (Bloomer, 2005: 1).

China

The development of labour condition in China in the past 30 years has shown high level of similarities to the past experiences in Britain. Inferior to remarkable fast economic development, the wage level in China is increasing at a rather stagnant pace. These normal production line workers haven't enjoyed the fruits of economic development and in some region, such as Pearl River Delta, their incomes have been stagnated in the last two decades, or even decreasing when calculating the currency depreciation. The percentage of compensation of employee accounted in national income has also continuously decreasing from 53.4% in 1990 to 39% in 2007, comparing to the soaring operating surplus from 23% to 31% in the same period (People's Daily, 2007).

The stagnant low wage is partly resulted from the huge surplus of work force both in urban and rural areas of China since the 1980s. Similar to the industrial revolution period in the UK, large number of agricultural labour moved from rural areas to urban locations to look for jobs. In Britain, it was largely a result of the enclosure movement; while in China, it was resulted from gradually loosening household

registration system and comparatively higher income in urban area. Between 1750 and 1850, the percentage of urban population in total population in Britain jumped from 21% to 52% (Kearns and Withers, 2007), meanwhile in China, the urbanisation rate increased from 21.1% in 1982 to 46.6% in 2009 in two decades (China.com.cn, 2009). The fast urbanisation in China has created a tremendous number of peasant workers, which is over 225 million; 62.3% of them are migrant workers and 62.5% of them are employed in more economic developed eastern regions of China (Department of Rural & Social Economic Survey, 2009).

This colossal immigration of peasant workers into urban area and sweeping number of abundant workers being laid off from state-operating enterprises since 1994, have inevitably given employers a favourable position to hire workers, with or without proper labour contract, at a low wage level.

Like Irish and Jewish labour flooded British labour market in the Victorian era, these migrant workers, who usually go out to coast area to seek job after graduated from high school, lack of relevant skills and knowledge about industrial work (ibid.). Thus they are even less capable to negotiate a normal contract with the employer at an average wage level, comparing to their urban peers.

The weak law enforcement and government policy is another factor contributing to weaker bargaining power of employees. Although the system of minimum wage has been established in 1994, the actual level and pace of increment does not match the economic development. Feared of fleeing capital and economic slowdown, local governments tend to set low minimum wage level and hesitate to increase afterward, taking low wage as one of major attracting points to capital investment. For example, the minimum monthly wage in Guangzhou, one of most developed metropolis in China, increased from 320 RMB to 1030 RMB per month in 15 years. As demonstrated in Table 6.3 below, the level of minimum wage went up at a pace of 7.6% at current price, but only 4.5% at fixed price. In 2009, the minimum monthly wage in Guangzhou is merely 860 RMB, less than half of 1765 RMB, supposing the minimum monthly wage had been set to rise at the same speed of GDP growth.

Year	Minimum Monthly Wage (MMW)		Average Annual Earning (AAE)		Percentage of MMW in AAE
	in Guangzhou	at GDP growth rate	in China	at GDP growth rate	
1995	320	320	5348	5348	71.80%
1996	320	375	5980	6314	64.21%
1997	320	416	6444	7051	59.59%
1998	320	444	7446	7638	51.57%
1999	320	472	8319	8131	46.16%
2000	320	522	9333	8929	41.14%
2001	320	577	10834	9880	35.44%
2002	450	633	12373	10764	43.64%
2003	510	715	13969	12046	43.81%
2004	574	842	15920	14172	43.27%
2005	684	964	18200	16189	45.10%
2006	780	1116	20856	18530	44.88%
2007	780	1354	24721	22219	37.86%
2008	860	1583	28898	26917	35.71%
2009	860	1765			
2010	1030				

Table 6.3 Minimum Monthly Wage in Guangzhou (1995-2010) and Average Annual Earnings in China (1995-2008)

Source: Regulations on Minimum Wage issued by Guangdong Provincial government and the Statistics Yearbook 1996-2009

Therefore, many employers apply the minimum wage as the maximum basic wage for unskilled or less skilled posts and evaluation criterion for other jobs. It resulted in continuously falling share of compensation of employee in GDP and ordinary employees couldn't fully enjoy the economic achievement they contributed to.

Meanwhile the average annual earning in China had increased from 5348 RMB to 28898 RMB, rising at a speed of 13.5% at current price and 10.3% after deducting the depreciation. Comparatively, it actually exceeds the annual GDP growth rate in most of 15 years. Unsurprisingly, the percentage of minimum wage in average annual earning had sharply shrunk from 71.8% to 35.71% between 1995 and 2008, according to the calculation from the figures in the above Table 6.3.

This falling percentage explicitly indicates that migrant workers, who usually take unskilled or low skill jobs mostly, have to work overtime “voluntarily” in order to obtain a decent pay to live in urban areas. It is not hard to predict the overtime working hour in China will remain high above the national limits of 36 hours. Liu Jinming, a waiter in Shanghai, had to voluntarily work 12 hours a day to get paid 1200 RMB per month instead of 690 RMB for 8 hours working a day, as he told the reporters of People’s Daily (People’s Daily, 2009). In some manufacturing factories in Pearl River Delta, the average working hours per month is over 300, with more than 100 overtime working hours. The situation is worse than decades ago when employees in private and foreign invested enterprises had to work 70 to 80 overtime hours on average in the same region (People’s Daily, 2009). Though working overtime has become a sort of privilege rather than negative practice for production workers to get higher income, the detrimental effects of intensive overtime have constantly reminding the public by numerous industrial injuries and Karoshi suicide. The repeated suicides at Foxconn is one of most recent examples (Moore, 2010). Discerned from the discussion above, it is apparent that low-skilled labour forces emigrated from rural areas in China are enormous, relatively abundant and mostly unorganised. Meanwhile the stakeholder groups in Society and People dimensions of CSR have just begun to appreciate the importance and beneficial effects of CSR practices, as their British counterparts did in the late Victorian era. Thus, the independent trade unions and government interventions on labour issues are still sparse and insufficient, considering vast number of industrial conflicts in current China (Fox et al., 2005).

6.2 Environmental Protection and Industrialisation

6.2.1 Environmental Protection in Developed Countries

The transformation of industrial motive power to steam engines has stimulated the wide spread of usage of coal as primary energy source. The soaring increase of coal consumption has inevitably led to the colossal amount of emissions of soot, dust,

SO₂ and other related pollutants. The deadly fog and smoke hung over Manchester, Sheffield and London in Victorian era (Clapp, 1994), fluorine intoxication in Meuse Valley, Belgium, in 1930 (Roholm, 1937) and Donora Death Fog, Pennsylvania, in 1948 (Bryson, 1998) have well illustrated some of the worst industrial air pollutions in civil history about the danger of business ignoring adverse environment effects of industrial activities.

Beside the air, the water had also fallen victim to industrial and domestic pollutions. In 1853 Frederick Braithwaite produced a detailed report on a heavily polluted river, Wandle, at a time where there was an absence of specific regulations on river pollution (Solomon and Thomson, 2009). The Minamata disease discovered in 1956 has indicated the trace of toxic chemical pollutants in fish eaten by local residents resulted in mercury poisoning in Minamata city, Japan.

In addition, a series of other catastrophic disasters caused by nuclear power (Three Mile Island accident), pesticide (DDT and BHC), oil or chemicals have continuously stroked the degree of public tolerance to environmental pollutions in the golden ages of western economies. These environmental degradations have reached their peaks in the 1970s in industrial nations and United Nation Environment Programme (UNEP, 1972: para 4) admitted that “those environmental problems are generally related to industrialisation and technological development”. The widespread environment concerns arising from community, government or media at the society level have inspired several major multilateral modern environmental movements, such as the first Earth day on 22 April 1970, Declaration of the United Nations Conference on the Human Environment in June 1972 and the Declaration of Tokyo of the World Medical Association in October 1975.

With this understanding, domestic governments gradually realised the importance of environment protection in addition to affluent and prosperous society. Thus, various environmental protection agencies were established and vast amount of related legislations had been enacted around the world. More and more preventative, other than administrative, measures were also brought forward to preserve and enhance human environment, especially restricting discharging visible and smelly pollutants.

Under ever-increasing environment concerns and pressures arising from Society dimensions, business practitioners of those heavy polluters in industrial nations could either upgrade their equipment or change procedures by relying on new technologies or resources. For example, as illustrated in the following Table 6.4, the number of coal-fired power station in Britain was continuously dropping in last three decades after Britain turning to natural gas and nuclear power for new energy sources to cut down its SO₂ emissions.

	Total SO ₂ emissions (1K tonnes)	Large combustion plants			Total SO ₂ emissions (1K tonnes)	Large combustion plants
1980	4,859	3,490		1991	3,534	2,747
1981	4,401	3,223		1992	3,462	2,674
1982	4,190	3,084		1993	3,115	2,329
1983	3,851	2,877		1994	2,676	1,969
1984	3,702	2,805		1995	2,363	1,756
1985	3,720	2,818		1996	2,025	1,468
1986	3,880	2,948		1997	1,665	1,107
1987	3,875	3,028		1998	1,588	1,207
1988	3,812	2,946		1999	1,210	894
1989	3,698	2,859		2000	1,165	899
1990	3,721	2,930				

Table 6.4 UK Sulphur Dioxide Emissions 1980-2000

Sources: Digest of Environmental Statistics, Published November 2002, Department for Environment, Food and Rural Affairs

<http://www.defra.gov.uk/environment/statistics/index.htm>

Similarly, according to research of Vestreng et al. (2007), SO₂ emission in Europe increased sharply after World War II and reached its peak of 57 million Mt in 1975, more than 2 times than the current SO₂ emission level in China. After stringent environment policies established around that period, SO₂ emission in Europe experienced dramatically reduction to 15 million Mt in 2004, similar to its 1930s level.

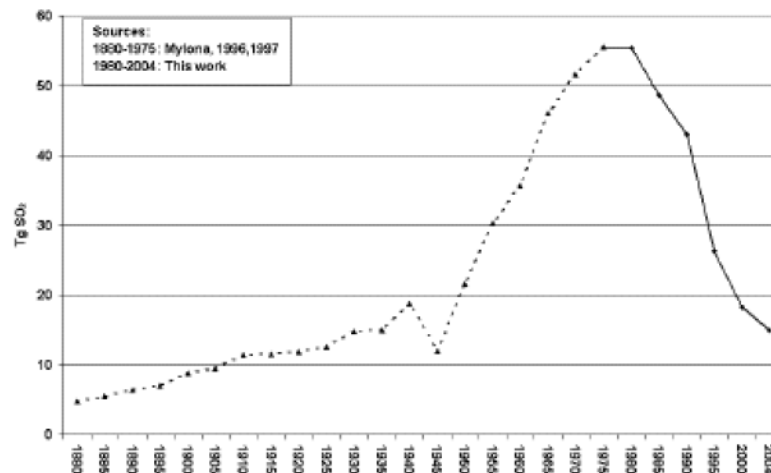


Figure 6.5 SO2 Emissions in 1880-2004 in Europe

Sources: Vestreng et al., 's (2007) work

This curve of historical SO₂ emissions in Europe is a main inspiration of the Environmental Kuznets Curve, as Grossman and Krueger (1995) depicting that emissions of pollutants would rise at first and then fall as GDP per capita grows.

Alternatively, these heavy polluters in the developed world would relocate their outdated facilities to the newly developed nations where environment protection was still not the primary concern of host governments or enforcements of relevant laws and regulations were relatively weak. The fast development of chemical industry in Taiwan and consequently environmental deterioration since the 1950s had demonstrated such adverse trends (Zhai, 2002). The four big pollution diseases of Japan had also illustrated the social catastrophes caused by careless handling of industrial wastes when restoring its industrial capacities at no cost after World War II (Salgado, 2008).

Name	Symptom	Causes	Time
Minamata Disease	mercury poisoning	Chisso chemical factory	1932-1968
Niigata Minamata Disease	mercury poisoning	Showa Electrical Works	1965
Yokkaichi Asthma	sulphur dioxide and nitrogen dioxide	air pollution in Yokkaichi	1961
Itai-itai Disease	cadmium poisoning	mining in Toyama Prefecture	1912-1970

Table 6.5 the Four Big Pollution Diseases of Japan

Source: Salgado (2008)

In the meantime, with the improvement of environment, the public concerns in developed countries have gradually shifted to the reduction of those invisible pollutants, such as carbon dioxide in the air or nitrous oxide in the water.

Comparatively, the urgent call for environmental protection in developing nations still largely remains in reductions of waste matters like sulphur dioxide, soot or dust. For example, until 2006 the National Statistics Bureau of China started to record the total volume of CO₂ discharged in its annual statistics yearbook while the log of SO₂ had been carried out for a long while. The failure to reach consensus on quotas of carbon dioxide emissions in Copenhagen Summit 2009 has also indicated sharp differences in environment emphasis between developed and developing countries.

6.2.2 Environmental Protection in China

The previous subsection 6.2.1 has discussed the development of environmental pollution and consequently environment protection through time in industrialised nations while similar issues in developing countries like China will be explored in this section. When China began its economic reform in early 1980s, the eager pursuit of economic achievement while neglecting relevant stakeholders was implicitly endorsed by the General Secretary Deng's famous Cat Theory: "It doesn't matter whether the cat is black or white, as long as it catches mice" (Sina, 2008). Thus, accompanied with the vast expansion of private sector and fast economic development in China, the surrounding environmental conditions deteriorated at the same time.

Meanwhile the heavy industrial pollution might also be bearable for the relevant stakeholders in exchange for the improving living standard and growing economy. Six environmental officers in Guzhen County, Bengbu, China, have been suspended by county government for hindering foreign investment after issuing several environmental warning and fines in a newly-introduced \$15 million tyre manufacturing project (Pan, 2010).

The latest national statistics (National Bureau of Statistics of China, 2009) shows that China has become the largest sources of SO₂ pollution. And in the past 13 years,

except in 1997 and 2001 when Asian Financial Crisis and 911 Attack struck the global market as well as the domestic economy, there were steady increases at the same time in GDP and industrial SO₂ emission, which is validated by the Pearson Correlation coefficient (.943) at the 0.01 level (2-tailed).

The close correlation between economic development and air pollution has produced a major problem in the era of industrialisation in China. On the one side, with relative cheap skilled labour force and lax law enforcement, China has gradually become the world's largest manufacturing base. Although the unit GDP energy consumption in China has dropped from 1.73 kgoe (kg oil equivalent) per US dollar in 1978 to 0.46 kgoe per dollar in 2008 by 73.41%, as shown in Table 6.6, the energy intensity in China is still two times higher the world average level of 0.21 kgoe/dollar and three times higher than 0.14 kgoe/dollar in the UK (World Energy Council, 2010).

Year	Energy Consumption (mil. tce)	GDP (bil. USD)	Energy Consumption per unit GDP (kgoe per USD)
1978	571.44	231.13	1.73
1980	602.75	297.04	1.42
1985	766.82	307.01	1.75
1986	808.5	297.59	1.90
1987	866.32	323.97	1.87
1988	929.97	404.15	1.61
1989	969.34	451.22	1.50
1990	987.03	390.23	1.77
1991	1037.83	409.22	1.78
1992	1091.7	488.20	1.57
1993	1159.93	613.23	1.32
1994	1227.37	559.22	1.54
1995	1311.76	728.01	1.26
1996	1389.48	856.08	1.14
1997	1377.98	952.65	1.01
1998	1322.14	1019.46	0.91
1999	1338.31	1083.11	0.86
2000	1385.526	1198.47	0.81
2001	1431.992	1324.82	0.76
2002	1517.973	1453.82	0.73
2003	1749.903	1640.89	0.75
2004	2032.267	1931.64	0.74
2005	2246.82	2236.62	0.70
2006	2462.7	2658.41	0.65
2007	2655.83	3383.82	0.55
2008	2850.00	4329.24	0.46
2008	3100.00	4908.49	0.44

Table 6.6 Energy Intensity in China since Economic Reform

Source: National statistic Yearbook 1995-2009, National Bureau of Statistics of China; tce stands for tonne of coal equivalent

Such energy inefficiency accompanied with fast economic development has created tremendous demand in energy supply. Since 2000, both electricity generation and consumption have increased by over 110%. Currently China is the second-largest electricity-generating country after the United States. It installed 874 GW of power production capacity by the end of 2009, and generated 3650 TWh of electricity, over 15% of the world total in 2009 and quickly approaching 4119 TWh of U.S.

generation (U.S. Energy Information Administration, USEIA, 2009). Installed capacity is expected to continuously grow in the next two decades to meet rising demand, and China had added another 90 and 83 GW of new installed capacity in 2008 and 2009 respectively.

On the other side, China has heavily relied on coal as primary energy source for a very long period, which accounts for 83% of conventional thermal sources and the coal-fired power station consists of 76.7% of installed electrical capacity (National Statistic Yearbook of China, 2009). In the foreseeable future, the coal will still firmly take leading role in energy production, though other alternative renewable sources like hydropower, nuclear power or wind power might occupy a growing share. Coal-fired electricity has not only provided the strong assurance for economic development but also exerted enormous pressure on the environment protection. Since 2002, the average level of annual industrial SO₂ emission has gradually shifted from 15 million tons to 20 million tons, as illustrated by the following Figure 6.6.

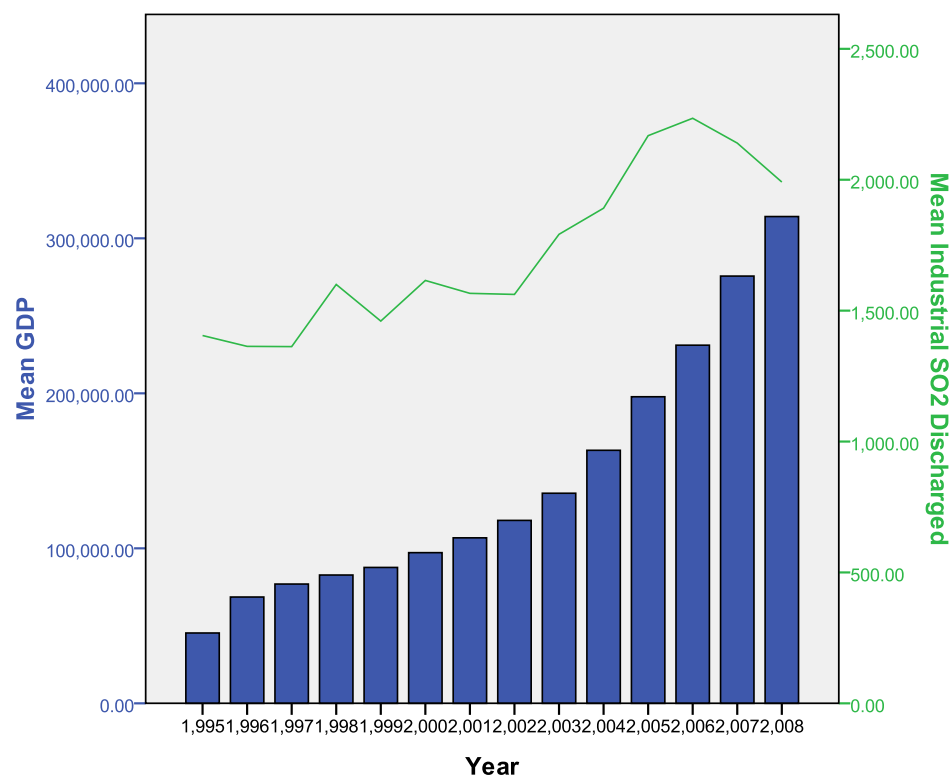


Figure 6.6 GDP and Industrial SO₂ Emission in 1995-2008 in China

Source: National statistic Yearbook 1995-2009, National Bureau of Statistics of China

It is not surprising to see that with increasing dependency on coal for energy source, the annual SO₂ emission by thermal power stations will still remain at a relevant high level, growing from one third in 1998 to 46% in 2007 (11.47 out of 24.68 million tons total SO₂ emission).

The other types of pollutions have encountered similar situations in China. The rapid economic development has brought up eutrophication in 75% of water areas and polluted 90% of urban water space. In 2008, China has to deal with 1.235 billion ton of industrial solid waste and 103 million ton of municipal waste. Among them, more than 200 million ton of industrial solid waste has to be stored each year, creating a huge pressure on surrounding environment (National Statistic Yearbook of China, 2009).

Thus, with regard to the increasing number of environmental incidents, more and more pressures arose from the Society dimension to request firms to perform in an environmentally friendly manner and to reduce the amount of waste produced. Taking the energy industry for example, all new installed thermal power stations have been equipped with desulphurisation systems and existing power plants have gone through technical transformation with desulphurisation instruments since 2002. By the end of 2008, 362GW power units have certain desulphurisation mechanism, comprising 60.4% of total electrical capacity. The technological upgrade also provides an opportunity to reduce the emission of the pollutants. By the end of 2009, more than 60GW of small thermal power units have been replaced with 600MW supercritical power unit and 1000MW Ultra-supercritical power unit. The 300MW subcritical power units and above have accounted for 65.18% of total installed capacity (Research in China, 2009), which facilitated the decrease of coal consumption for power supply from 412 g/kWh in 1995 to 349 g/kWh in 2008 (Wang, 2009; Wang, 2010). The reduced coal consumption and installed desulphurisation systems have helped to hold back the surge of SO₂ and CO₂ emissions in recent years. The removal rate of SO₂ has also increased from 19% in 1995 to 49% in 2007 (National Statistic Yearbook of China, 1996-2009).

Such phenomenon is partly due to the installation of emissions reduction equipment,

in response to stringent emission standards required by Emission Standard of Air Pollutants for Thermal Power Plants (GB13323-1996) implemented in 1997. While in 2003 the third edition of emission standard of air pollutants for thermal power plants has been released that includes the specific SO₂ emission allowances for each power generation unit. Figure 6.6 shows significant reductions to emissions of sulphur dioxides in 2007 after more and more outdated small power units have been replaced by new power unit with desulphurisation system. The SO₂ emission has been dropping since then. On the contrary, the NO_x emission in China has continuously increased from 1.93 million tons in 1991 to 5.5 million ton in 2010 (estimated figure) (Dong et al., 2004). Such phenomenon is resulted by laxly regulated standard on NO_x and it is not primary concern of domestic government and its damages to environment are not deeply recognised by the public like SO₂ yet.

6.3 CSR and Globalisation

Previous sections have well illustrated how the attitudes, awareness and practices are under the influences of domestic culture and restrained by the different stage of CSR development pattern. However, when firms started to sell its products abroad or traded with foreign-funded companies, they are supposed to be interconnected across national boundaries by their trade relations or supply chains.

In this section, four independent variables are introduced as Foreign-funded (FDI), Exporting (EXP), Trading with Foreign-funded (TFR), and Partner Trading with Foreign-funded (TBF) to perform the same Mann-Whitney U test to validate the influences of globalisation on CSR attitudes and practices. The analysis results, listed in the Appendix 6, will also be compared with the effects of culture and CSR development pattern to improve the rationality of proposed hypotheses.

Among 109 total sample subjects in the UK and China, 90 of them replied Question 17 on whether it is owned by foreign investors or not. And it is not surprising to see that most of SMEs, 81 firms, are founded by domestic investors and only 9 firms, 7 Chinese and 2 British ones, have certain amount of shares owned by foreign

investors. However, this disproportional rate of foreign invested firms among British samples, 2 out of 40, make it unsuitable to perform comparison analysis of British survey data and the results will be very unreliable because of very small group size. Thus, only Chinese survey data, divided into two groups of foreign invested and domestic invested firms, would be compared against each other and analysis results should be interpreted with cautions of its inherent limitations.

Meanwhile, 85 of total 109 SMEs answered Question 18 on whether it exports products or service. Among them, 25 firms are Chinese exporters and 14 are British exporters. In contrast, 23 Chinese firms and 23 British firms only deal with domestic business partners. Both Chinese and British firms are divided into two groups as exporters and non-exporters to facilitate the analysis of influences of trading relations on CSR thoughts.

Furthermore, 83 firms replied Question 19 on whether it deals with foreign-owned domestic companies. Among them, 21 Chinese and 18 British firms are trading with foreign-owned companies. In contrast, 27 Chinese and 17 British firms only deal with domestic-funded business partners. The Chinese and British firms are then divided into two groups again in accordance with their answers.

Finally, 74 firms answered Question 20 on whether their trading partners provide products or service for foreign companies. Among them, 23 Chinese and 12 British firms have business partners trading with foreign companies. Comparatively, 24 Chinese and 16 British firms do not have any business partners related with foreign firms. The British and Chinese firms are divided into two groups according to their answer as well.

Considering the relatively smaller subgroup of the respondents in the test, either the power of analysis will drop sharply to below 70% or the expected effect size will have to increase from medium (0.5) to large (0.8 or even 0.9) to maintain the same level of significance and statistics power. Thus it should be borne in mind that the test might yield weaker and insignificant correlations between CSR and globalisation effects.

6.3.1 CSR Attitude and Globalisation

CSR Thoughts and Globalisation

The effects of globalisation have little influence on Chinese and British firms regarding the cost and applicability of CSR practices. Although both Chinese and British firms realized that CSR practices would increase their costs, they still suggested it should be applied in firms around the world, in spite of locations of the firms' trading partners. Considering insignificant variances on same items found on Table 5.2 obtained from same sample groups divided by their cultural differences, the idea of CSR has been well received by the organisations around the world.

		China			
Item	Opinion	Foreign-funded	Exporting	Trading with Foreign-funded	Partner Trading with Foreign-funded
1.5	Corporate social responsibility is matters of large companies.	∨	∨	∨	↓
1.8	Entrepreneur would have strong sense of social responsibility.	∧	∧	↑	↑
		Britain			
Item	Opinion		Exporting	Trading with Foreign-funded	Partner Trading with Foreign-funded
1.1	Company's primary objective is to make profits for shareholders		↓	∨	∨
1.3	Corporate social responsibility is responsibility in addition to its primary		↑	∧	∧

Table 6.7 Significant Variances on CSR thoughts of Chinese and British Firms

Source: Author

*the symbol of ↓ or ↑ stand for significant variances among different types of firms while the symbol of ∧ and ∨ stand for insignificant variances among different types of firms

In addition, if Chinese firms have foreign trade relations or deal with foreign-owned companies, they are more prone to advocate strong sense of social responsibility in entrepreneur and less likely to treat CSR as matters of large companies. Meanwhile

the tendency of firms treating CSR as additional responsibility has been strengthened in Britain, significantly and insignificantly, if firms are related with foreign or foreign-funded firms, as shown in Table 6.1. Interestingly, British firms' emphases on shareholders' profits are also weakened under the influences of globalisation, indicated on item 1.1 in Table 6.1. Such phenomenon indicates British firms have embraced the concept of CSR and are clearly aware of the difficulties of implementation, once they are trading with foreign partners.

Considering only significant differences found on item 1.2, 1.3 and 1.8 between Chinese and British firms shown in Table 5.2, the significant results listed in Table 6.7 on item 1.5 and 1.8 among specific type of Chinese firms and item 1.1 and 1.3 among exporting British firms are comparatively fewer and weaker. It indicated that the differences of CSR thoughts observed in Table 5.2 between Chinese and British firms are most likely to be resulted by their cultural differences or development levels rather than globalisation effects.

Specific Aspect of CSR Attitudes

Although both Chinese and British SMEs shared similar favourable attitudes towards the concept of CSR, as discussed in previous chapter and last sub-section, their views varied on the specific aspects of CSR under different CSR dimensions because of cultural influences. Moreover, these attitudes towards specific aspects of CSR might change depending on their relationships with foreign or foreign-owned companies.

The significant variances on specific aspects of CSR attitudes among Chinese and British firms are illustrated in the following Table 6.8. Referring to Figure 5.1, it is quite obvious that significant incremental changes, occurred in Chinese firms dealing with foreign business, concentrated on the items which British firms hold significant favourable attitudes towards. Especially Chinese firms began to appreciate the importance of providing safer working environment and offering excellent product or service, both relevant to the perspective of People, when related or dealt with foreign businesses. In contrast, British firms demonstrate significantly decremental changes in the perspective of Organisation, especially on protecting shareholder's

interests. With respect to the most of lower means of British sample found on same items shown in Table 5.3, British firms show less and less concerns about these issues in the dimension of Organisation under the influences of globalisation.

		China			
Item	The company is responsible for	Foreign-funded	Exporting	Trading with Foreign-funded	Partner Trading with Foreign-funded
2.1	keep good operating performance	∧	↑	∧	∧
2.8	establish sound management system	∧	∧	∧	↑
2.9	provide a safe working environment	∧	↑	↑	↑
2.17	provide excellent product or service	↑	∧	↑	∧
		Britain			
Item	The company is responsible for		Exporting	Trading with Foreign-funded	Partner Trading with Foreign-funded
2.18	protect shareholder's interests		↓	↓	↓
2.4	pay relevant tax		∨	↓	∨
2.5	provide employment opportunities		∨	↓	↓
2.6	abide by laws		∨	↓	∨
2.13	help social minorities		∨	∨	↓
2.20	offer staff opportunities of further development		∨	↓	↓

Table 6.8 Significant Variances on CSR Attitudes of Chinese and British Firms

Source: Author

*the symbol of ↓ or ↑ stand for significant variances among different types of firms while the symbol of ∧ and ∨ stand for insignificant variances among different types of firms

Also, considering similar negative changes found in CSR attitudes of British firms trading with foreign-owned companies, these vast insignificant and significant decremental changes in CSR attitudes observed have clearly indicated that effects of globalisation on previous sample groups, no matter how slightly they might be, have been passed to the group of British firms divided by the trade relations of their

business partners. Similar positive movements of CSR attitudes reflected from Chinese firms, illustrated in Appendix 6.10, also favour such finding.

To sum up, when firms start to trade with firms in other countries, or foreign-owned firm within domestic boundaries, or even owned by foreign investors, they are under certain influences of globalisation and their attitudes towards specific CSR are also affected. Undoubtedly, Chinese and British firms are inter-communicating their attitudes with outsiders. Under such influence, some specific attitudes towards CSR issues in the dimensions of Organisation and People are becoming more and more favourable in China. In contrast, British firms' attitudes in the same dimensions gradually become less favourable and it seems that British firms are withdrawing their overemphasis on the dimensions of Organisation. Interestingly, firms in both countries are, slightly or dramatically, less willing to pay relevant tax, abide by laws and help social minorities, significantly or insignificantly, when they related with foreign firms in different ways.

6.3.2 CSR Awareness and Globalisation

Similar to the analysis of influence of globalisation on CSR attitudes, the globalisation effects on CSR awareness are verified by the same four independent variables. Since there aren't significant overall differences in awareness between Chinese and British SMEs in domestic laws and regulations according to the analysis of cultural influences, it is expected that effects of globalisation will also cast limited influences on the same matters. Meanwhile the sharp differences of awareness in international codes of conduct and guidelines observed in different countries are expected to be seen in different groups of domestic firms according to their foreign relationships, if such relationship would implicitly affect their awareness.

Level of awareness in China	Foreign-funded	Exporting	Trading with Foreign-funded	Partner with funded	Trading Foreign-funded
Minimum Wage Act	↑	≈	↓	=	
Domestic Company	∨	↓	↓	∨	
Level of awareness in UK		Exporting	Trading with Foreign-funded	Partner with funded	Trading Foreign-funded
Minimum Wage Act		∨	↓	↓	
Health and Safety at Work Act		↓	↓	∨	

Table 6.9 Significant Variances on CSR Awareness of Chinese and British Firms

Source: Author

*the symbol of ↓ or ↑ stand for significant variances among different types of firms while the symbol of ∧ and ∨ stand for insignificant variances among different types of firms; the symbol of ≈ indicates the insignificant difference is very minor and the symbol of = means the awareness among firms are the same

In summary, except the abovementioned differences among Chinese and British firms shown in Table 6.9, there aren't significant overall variances found on different types of firms in their CSR awareness according to their trade relations. It indicates that significant differences of awareness observed in British and Chinese firms on these issues are most likely caused by their cultural variances, instead of effects of globalisation. The similar significant decremental changes in “health and safety” and “minimum wages” are found in British firms and significant descending changes in “minimum wages” are observed in Chinese firms as well. Such phenomena imply that with the progress of globalisation, domestic firm's attentions on specific domestic issues might be diverted because they might feel they are more closely connected with foreign firms or foreign-owned firms. In contrast, firms only with domestic trade relations might be more aware of CSR practices undertaken by other domestic companies and willing to learn from their experiences, which are examined in the following section.

6.3.3 CSR Performance and Globalisation

This research used the same 17 items to evaluate the SMEs' actual CSR performance from the perspectives of different stakeholder groups in both countries and the

influences of globalisation on CSR practices are also testified by the same four independent variables. Although there are significant decremental differences in 11 out of 17 CSR performance items between groups of firms divided by countries, relatively few significant changes found in specific CSR attitudes between groups of firms categorised by trade relations, especially fewer observed in China, suggest fewer negative changes in CSR performances should be expected.

		China			
Item	The company	Foreign-funded	Exporting	Trading with Foreign-funded	Partner Trading with Foreign-funded
18	actively participate in community project for public benefit	∧	∨	↓	∧
21	offer staff training and education program	↑	∨	∨	∧
		Britain			
Item	The company		Exporting	Trading with Foreign-funded	Partner Trading with Foreign-funded
17	has sound organisation structure		∨	∨	↓
20	take appropriate tax minimisation measure		↓	↓	↓
22	abide by law and regulations		∨	∨	↓
14	have to take some irregular practice under fierce competition		∨	∨	↓

Table 6.10 Significant Variances on CSR Performances of Chinese and British Firms

Source: Author

*the symbol of ↓ or ↑ stand for significant variances among different types of firms while the symbol of ∧ and ∨ stand for insignificant variances among different types of firms

As demonstrated above, there are only one significant decremental change and one significant incremental change occurred among different types of Chinese firms on community participation and staff training respectively. All the other changes observed in Chinese firms, either positive or negative, are at insignificant level.

Similarly, tax minimisation is the only item with significant negative changes observed among all three types of British firms. Besides, negative changes are found among British firms on sound organisation structure, law abidance and fair competition, significantly or insignificantly.

Therefore, the firms with more international business relations, whether in the UK or China, do not necessarily have higher CSR performance level, compared to the SMEs with more domestic business relations.

Although the statistics imply that the proposed Hypothesis 3 is not statistically supported, it still could be concluded that globalisation has weaker influences on CSR performances than it has on CSR attitudes, according to the number of significant changes found on specific items. Both firms in China and UK affected by foreign trade relations would like to take similar approaches as their trade partners, either domestic or foreign, improving their weaker CSR performances while receding from their better CSR practices.

6.4 Influence on Performance of Globalisation Effects

As discussed in Section 5.5, there are some mixed impressions on CSR attitudes among firms in the UK and China under the influences of culture. Similarly, in order to further examine the effects of globalisation on CSR performances, binary logistic regression model is applied again to explore its determinants, assessing whether globalisation effects would have any impacts on firms' CSR practices.

6.4.1 Factor Analysis of CSR Performance

At first, factor analysis with principal component extraction is used to distinguish different CSR performances among firms, which would clearly indicate whether firms undertake better CSR practices. The results of factor analysis are shown in Table 6.11 below. In total, these five factors have explained 66.733% of variances in CSR performances and three interesting components are identified with regard to the SOP framework of CSR.

	The Company	CSR Performance				
		Factor 1	Factor 2	Factor 3	Factor 4	Factor 5
17	has sound organisation structure	.776	.314			
22	abide by law and regulations	.751				
16	establish sustainable business model	.729				
11	offer equal opportunities in recruiting and working	.682	.400			
21	offer staff training and education program	.676		.372		
12	control and compensate possible contamination from operation		.708			
9	has specific measures to safeguard staff's safety and health	.389	.693			
8	provide excellent product or service		.519			
6	pay wages in full in time	.413	.487			
18	actively participate in community project for public benefit			.811		
15	donate money or time to charities			.720		
23	harmonious organisational culture	.302	.493	.521		
3	is favoured by customers				.868	
1	has positive image in media report				.838	
14	have to take some irregular practice under fierce competition	.390				.804
20	take appropriate tax minimisation measure	.450		-.316		-.637
10	has been complained for disturbing surrounding environment		.479			.591

Table 6.11 Results of Factor Analysis for CSR Performances of Firms

Sources: Authors' calculations.

Extraction method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalisation.

The first component includes establishing sound organisation structure (.776), abiding by law (.751), offering equal opportunities in recruiting and working (.682) and providing training and educational program for staffs (.676) of Factor 1 and act decently under fierce competition (.804), take appropriate tax minimisation measure (-.637) and not disturbing surrounding environment (.591) of Factor 5. This component represents the ethical practices to enhance the organisation's sustainability and retain harmonious relations with its stakeholder groups.

The second component consists of contamination control and compensation (.708), safeguarding safety and health (.693), excellent product or service (.519) and wages in full in time (.487) of Factor 2. These sub-factors indicate the organisation needs to

fulfill the legal requirements from Society dimension to avoid legal sanctions or administrative troubles.

The third component involves the correlated philanthropic activities of community participation (.811), charity donation (.720) and harmonious organisational culture (.521) within Factor 3 and their effects in public involving customer preference (.868) and positive media report (.838) of Factor 4. These factors have indicated the firm's contemplation to meet the ethical demands from People dimension to so as to enhance its CSR performances.

Moreover, certain factors are interrelated with other dimensions regarding to the SOP framework. For example, harmonious organisational culture would not only create relaxing working environment to enhance the employee's moral, but also boost working efficiency by retaining experienced staff through low turn-over rate.

6.4.2 Binary Logistic Regression of Globalisation Effects

The scores in each factor loaded with coefficients will produce firms' CSR performance as the dependent variable after categorized into two values. 0 is those which obtained low values of CSR performance scores and 1 is those whose CSR performance scores are higher. The independent variables are globalisation factors and business information, as suggested in Section 4.7.2. Among the independent variables are:

- The countries' CSR development level
- The firms' trading relations with foreign funded companies as Foreign-funded (FDI), Exporting (EXP), Trading with Foreign-funded (TFR), Partner Trading with Foreign-funded (TBF)
- The firms' size in terms of number of employees and length of operation

However, through preliminary screening of these influencing variables, the factors of FDI and TFR are excluded in the analysis as its significance level is below .50. Table 6.12 provides the results of binary logistic regression. The countries' CSR development level is added in each analysis as well to test whether CSR development pattern would affect the firms' overall CSR performances.

Globalisation Factors	Model 1 (Before Dev is added)		Model 2 (After Dev is added)	
	Odd Ratio	Sig.	Odd Ratio	Sig.
CSR Development Level			1.561	.421
EXP	1.047	.935	1.027	.962
TBF	1.615	.392	1.562	.429
Cox & Snell R Square	.015		.025	
Business Information				
CSR Development Level			3.020	.081*
Duration	1.015	.195	1.001	.951
Employee size	.763	.376	.926	.814
Cox & Snell R Square	.037		.072	

Table 6.12 Binary Logistic Regression on CSR Performances

Sources: Authors' calculations.

Notes: Dependent variable is 0 when the CSR performances of sample firms are identified as good and is 1 when the CSR performances are better than the previous. The models are estimated against the dependent variable when the value is zero.

*denotes statistical significance at 10% level.

The results confirm that firms' employee size and length of business operation are not statistically significant in determining their CSR performances and their effects are quite minor (odds ratio are .926 and 1.001 respectively). The insignificant influence of employee size found through binary logistic regression has further supported the choice of using different criteria for employee size in different countries during sampling process will not distort the survey result.

In view of similar weak and insignificant effects of demographic factors and business information on CSR attitudes discerned in Section 5.5.2, it could be concluded that the proposed other influencing factors have brought much weaker and insignificant effects on CSR practices among SMEs, comparing with the effects of culture and CSR development pattern.

Similarly, globalisation factors have also exerted insignificant marginal influences over firms' CSR performances, as discussed in previous subsection 6.3.3. The exporting firms would have a bit more chances to undertake higher CSR performances than those only having domestic trade relations. It is also true for firms

whose trading partner having foreign trade relations, though the causal relation is also statistically insignificant.

The most enlightening finding from this regression analysis is, controlling for other variables, firms in developed countries are 3.02 times higher likely to have better CSR performances than those in developing countries that have lower CSR development level at the significance level of .10. Thus it indicates that CSR development pattern has greater influences than other two causes, culture and globalisation, on the firms' CSR performances.

In summary, it is found that firms' trading relations haven't exerted significant effects on the firm's CSR performances, compared to the influence of development. It is in conformity to the findings revealed in previous section 6.3 that there are only relatively weak effects of globalisation on CSR awareness and performances, which invalidates Hypothesis 3 again. And it further validated the effects of culture on CSR attitudes and development pattern on CSR performances through the binary logistic regressions of the same variables used in analyses in Chapter Five and Chapter Six.

6.5 Summary

CSR development Pattern

According to the results from above-mentioned analyses, with respect to the issues about industrial accidents, child labour, labour conditions and pollutions, developing countries like China are experiencing similar pattern of development in CSR awareness and practices as developed countries like UK, US and Japan.

Firms usually tend to focus their interests and allocate their resources on maximising profits at the costs of other stakeholders, when their ill conducts are either less noticed by the public or laxly regulated by governments at the beginning stage of development. Thus, the conducts of employing child labour and sweatshop are seen as common practices in the early era of industrialisation when pollutions and contaminations in atmosphere and waters are widespread in developed world.

But, what was bearable during the transformation from agricultural economy to industrial economy may not be constantly tolerable in the present situation. In view

of the rising awareness among stakeholders from Society and People dimensions of CSR in developed countries, firms start to improve working conditions and reduce industrial accidents, voluntary or coercive, to avoid legal and ethical risks and possible consumer boycott.

However, such development route had been spread to and repeated in the newly developed nations and then imitated in developing countries in a continuous way. The CSR performance in these regions had also gone through a similar pattern of deterioration at first and then improvement in the later stage, as indicated in Hypothesis 2A. Therefore, it is not surprising to see that at present firms in developing countries have lower CSR performances compared to firms from developed countries, as proposed in Hypothesis 2B.

The factor analysis and binary logistic regression also indicate firms in developed countries are 3.02 times more likely to have better CSR performance than those in developing countries that have lower CSR development level at the significance level of .10 while the average length of business operation of SMEs in UK is also 3.53 times longer than that of firms in China, as illustrated in Table 6.12.

Globalisation Effects

Meanwhile, it is found that globalisation impacted weaker, most of times negative, influences on CSR attitudes and performances of the firm, which invalidates the Hypothesis 3.

The thoughts on corporate social responsibilities between firms are quite similar and the significant differences in treating CSR as additional responsibility and strong sense of CSR in entrepreneur have indicated the firm's perceptions about CSR are converging at a certain point where neglects being recognised and overemphasis being contracting. The specific attitudes of firms in the dimensions of Society, Organisations, and People have also illustrated the similar tendency.

The relatively weak effects of globalisation on CSR awareness and performance might be resulted from smaller subgroup of respondents in the test, which implies only large effect size of 0.8 could be significantly detected. However, it has further validated the effects of culture from an alternative angle since it eliminates one of

possible causes to such differences between countries. The insignificant differences among domestic firms have clearly indicated that the significant variances between Chinese and British firms on CSR would most likely result from their cultural differences, rather than by trade relations or foreign ownership. The effects of other influencing factors, such as demographic factors and business information, on CSR attitudes and practices are also identified as weaker and relatively insignificant. Thus, the firm operating in a specific country would tend to focus on certain aspects of CSR dimension due to the country's cultural preferences and carry out relevant practices in accordance with the country's CSR development level.

7. Chapter Seven Results and Conclusion

As discerned in previous chapters, the idea of corporate social responsibility was well received by SMEs around the world, but the on-going CSR attitudes, awareness and practices of SMEs are still differed from country to country, specifically in certain aspects of CSR dimensions.

These differences, significant and insignificant, were observed and noted down in the last two chapters, then analysed in accordance with the specific characters of sample groups. The in-depth analyses of factors causing such variances in CSR are performed in this chapter to validate the proposed hypotheses.

This chapter begins with exploration of the observed application of cultural effects on CSR attitudes and performances via both Mann-Whitney U test and binary logistic regression. It then searches for the insights into similar development pattern experienced by both developed and developing countries, in terms of working conditions, child labour, wages and living condition and environment pollution and protection. The Section 7.3 also addresses to the influences of globalisation to provide a comprehensive understanding of factors leading to differences in CSR between countries.

In final section, it summarises the key elements of analyses results and relevant conclusions are drawn subsequently based on previous discussion.

7.1 Culture

Many researchers have argued that the person's attitude and behaviour are usually shaped by his/her cultural background (Hofstede, 1991; Kwast, 1992), which influences how we interpret the world around us, perceive ourselves, relate to other people and undertake certain practices. Considering the organisation is formed and operated by human beings, its awareness toward and practices of corporate social responsibility would be under the same influences of domestic culture. In order to examine the possible influences of culture on CSR attitudes and practices, it is necessary to test the cultural variances first between different countries, such as the

UK and China.

Though there isn't a common easy definition of culture (Williams, 1958) which has been considerably significantly debated, Hofstede's Value Survey Module (1984) is most recognised and used by many management researchers and practitioners in the field of business management to understand the various business practices in different countries. Although there are certain criticism of Hofstede's work (McSweeney, 2002; 2009), Hofstede's VSM is neither too complex to isolate specific cultural factors, nor too simple to induce cultural influences on CSR. Thus, it has been employed in this study to empirically assess the cultural differences in these five dimensions between Britain and China.

According to Hofstede's prediction on British and Chinese cultures, the British is generally regarded as the prototypical individualistic person, notable for his emphasis on self-expression, self-fulfilment, and self-reliance (Rose, 1997). They value equality of opportunity and risk taking, which is consistent with their high scores on individualism and masculinity and low scores on power distance and uncertainty avoidance (Hofstede, 1984; 1994). In contrast, China is a collectivist society, with Confucian culture that is low on individualism and uncertainty avoidance and high on power distance, masculinity (Hofstede, 2008).

7.1.1 Cultural Variances

As expected, comparing to British managers, Chinese managers tend to be less favourable to individualism, prone to maintain long-term relationship, likely to take risks and accept higher degree of power distance, significantly or non-significantly. In addition, managers from both countries appear high in masculinity. Thus, Hypothesis 1A is valid that the Chinese score significantly higher on power distance (PDI) than their British counterparts at significance level of .000. Hypothesis 1D is also validated that Chinese significantly differ on uncertainty avoidance (UAI) than British at the level of .01. Considering the highly similarity of both British and Chinese managers on the item of masculinity (MAS), Hypothesis 1C is confirmed. However, Hypothesis 1B and 1E are both void at significance level of .05. Chinese

managers had neither displayed significant degree of collectivism, nor illustrated considerably high level of long-term orientation (LTO) than British counterparts.

The insignificant differences in individualism (IDV) and LTO had revealed some of inherent limitations of Hofstede's culture model when examining social and work attitudes across countries. As suggested in Chapter Five, the small differences in these two cultural dimensions could not produce huge contrasts predicted by Hofstede between two countries, even timing with largest coefficients. It indicates the construct validity of Hofstede's scales is susceptible, as contended by McSweeney (2009). And the current two indices used to assess LTO might need to be adjusted again accordingly to enhance its validity.

This research has also confirmed the fact that certain dimensions of national culture, such as IDV and UAI, are dynamic and shifting over time, which is one of major criticism attracted to the static approach of culture by Hofstede (Ailon, 2008). Although national cultural might be robust enough to withstand the attempts to cosmetic change involving the surface of the culture, it will eventually adapt to new changing surrounding complexities (Wong, 2008).

The accelerated development of globalisation and trends of economic reform in the developing countries in the past three decades had impacted deeply on the previously-isolated domestic economy as well as its national culture. The gap of differences in cultures between nations are diminishing gradually because international trades of goods and cultural products like movies accompanied by free flow of information, all could change the traditional attitudes towards thrift or individualism, as recognised in many academic cultural studies and media reports (Segall, 1986; Crawford, 2000; Gao, 2009)..

The inconsistencies within national culture had revealed another Hofstede's supposition of single national culture within countries might not be valid McSweeney (2002). As Ratner (2005) described the national culture with diversified characters, generally in this study, the younger the participants are, the more individualist activities they advocate and more concerns focused on personal welfare and rights. Similarly, the more education the participants received, the less risks they

are willing to take and more certainty they would prefer to maintain in the work. However, only younger Chinese ($f=5.837$ $p=.019$) and educated British participants ($f=1.878$ $p=.059$) demonstrated certain level of significant differences from their domestic opponents. The age and education factors haven't casted significant influences over other cultural dimensions within nations.

Overall, British and Chinese samples had demonstrated adequate differences in cultural dimensions required to carry out the validation on the possible effects of culture on corporate social responsibility. In view of the Hofstede's estimated Chinese scores and the found inconsistencies of cultural values within nations, the researcher would be cautious before attempting to analyse the results of CSR awareness and practices in China to avoid pitfall of stereotyping.

7.1.2 CSR Awareness and Culture

As illustrated in Chapter Five, this research has observed both similarities and variances on attitudes and awareness on different dimensions of CSR between British and Chinese correspondents, similar to findings of Maignan (2001).

Both British and Chinese SMEs shared similar favourable attitudes towards the idea of CSR and thought it should be applied in all types of companies, large or small, domestic or foreign, exporting or not, around the world as a universal value. More specifically, they all agreed that companies should make profits for shareholders and protect their interests ($U=1656.5$ $p=.820$). Consensus has also been reached that firms should abide by the law ($U=1727.5$ $p=.834$) and safeguard the rights of employees ($U=1697.5$ $p=.736$).

However, the views of correspondents differed on which specific perspective of CSR dimensions should be prioritised for firms in two countries. As illustrated in Table 5.3, their opinions towards responsibilities under Society and People dimensions varied significantly. Chinese firms tend to focus more on issues related with CSR dimension of Society, especially concerning the community and minority groups. Meanwhile British firms are inclined to much care about interests arisen from CSR dimension of People, such as health and safety and quality of products. The most of

significant differences are found on these two dimensions, respectively, as shown in Figure 5.1, though they shared many mutual interests in the dimension of Organisation.

Similarly, CSR practices have been commonly regarded as a good way to promote product image so as to generate more profits in both countries. In addition, Chinese respondents see themselves more stimulated by incentives from Society dimension, such as government acknowledge. In contrast, British participants feel more inspired by the responsibilities in People dimension, such as customer recognition.

Influenced by the similarities of their attitudes and impetus, there aren't significant differences between Chinese and British SMEs on the actual knowledge about domestic or international laws or regulations related with Society and Organisation. SMEs of both nations put more efforts to take energy saving or waste reductions measure and improve customer service, so that they could boost the operating performances and cut costs.

But, as expected, the significant differences in CSR awareness and actual policy of health and safety at work are positively linked with the significant difference in attitudes toward the same issue (coefficient=.237 $p<.01$). The statistics also indicate that British SMEs are more aware of disability discrimination, at significance level of .05.

Besides, British participants are more likely to provide a safe working environment and educational opportunities to their fellow employees. Comparatively, Chinese correspondents concern about regulations on working time and pensions at the same significance level, which are constantly emphasized by Chinese government in recent years. In addition, Chinese SMEs are more supportive to environmental improvement programme or environment assessment and more likely to support local community projects, though insignificantly to British counterparts.

In view of these significant differences found in specific attitudes of CSR perspectives and corresponding awareness and actual policies, Hypothesis 1F has been proven to be valid that British firms are more likely to focus significantly on CSR dimension of People while Chinese firms tend to pay more attentions on CSR

dimension of Society.

7.1.3 CSR Performance and Culture

This survey has clearly manifested that British SMEs significantly outperformed Chinese counterparts in 9 out of total 17 CSR performance criteria, and other 5 performance standards insignificantly, as shown in Table 5.7. Many of their better performances are concentrated on the perspectives of shareholders, employees, competitor and government. British firms are most likely to abide by law and regulations, pay wage in full in time, offer excellent product or service. They had also established sustainable business model, had sound organisation structure and less tolerant to ill practice under fierce competition. Influenced by their higher levels of awareness in health and safety issues, they employed specific measures to ensure the employee's interest in this aspect. Thus, Hypothesis 1H that British firms perform better than Chinese firms on CSR dimension of People is solidly supported by the significantly better knowledge and people-friendly performances of British SMEs, also indicated in Figure 5.2.

Comparatively, Chinese firms only demonstrated their significant better performances in participation in community project and relatively insignificant better performances in charity donation and customer trust. Comparing to British counterparts, these Chinese SMEs didn't endeavour to improve equal opportunities in recruiting and working. And they are less likely to strictly abide by the law and regulations, which results in few positive images in media reports either. They failed to give enhanced performance on other practices related with government and media. Figure 5.2 indicates that Chinese firms did not perform better in the dimension of Society than British companies, though they actively participate in community project for public benefit. Therefore, Hypothesis 1G that Chinese firms perform better than British firms on CSR dimension of Society could not be validated.

However, the largest difference is found on usage of appropriate tax minimisation measures where Chinese firms score only 3.59 on average, comparing to the mean of 5.49 in British firms. All the other significant differences founded between two

countries are less than 1. Thus, the differences in actual CSR performances should be regarded as good practices vs. better exercises rather than bad conducts vs. good practices, since the average means of CSR performances in China and the UK are 5.45 and 5.87 out of 7. It indicates British correspondents are more likely than not sensitive to the CSR issues and implement their beliefs in their organisations.

In fact, comparing to the firms' attitudes and awareness, there are significant falls in many perspectives of CSR performances in firms in both countries, as shown in Table 5.8. Specifically, similar negative differences between attitudes and performances have been found on tax minimisation, contamination control and safety measures on both Chinese and British sides at significance level of at least .05. And it is not surprising that the largest negative difference appears on tax minimisation, -3.02 and -.72, in Chinese and British firms respectively. In contrast to the full-scale fall of performances and attitudes in Chinese firms, British firms carry out better performances significantly than they thought on charity donation, +.55, and equal opportunities in workplace, +.75, and other 4 items insignificantly which they held less favourable attitudes towards.

On the other hand, lower than expected CSR performances doesn't mean that firms' attitudes towards CSR have nothing to deal with their CSR performances in the specific aspect. Actually, significant correlations between attitudes and performances have been observed on 6 items in China and on 11 items in the UK, illustrated in Table 5.9.

Under normal conditions, the firm's attitude on specific issue would positively influence their business activities in the relevant aspect significantly, as British firms do on 11 items of CSR performance criteria. Following the same logic, similar number of strong correlations should be found on Chinese side and Chinese firms should relatively outperform British firms because Chinese correspondents held more favourable attitudes toward CSR in the dimensions of Society. Apparently, due to their more favourable attitudes towards CSR and significant corrections found on the aspects of community participation and charity donation, Chinese firms could outshine British firms on these relevant perspectives.

However, significant correlations are only found on 6 out of 13 items in Chinese firms, compared to 11 in British firms. The insignificant correlations between attitudes and performance in rest of items had clearly shown the level of difficulties Chinese firms faced with or other factors they have to consider before implementing the managers' beliefs into actual business activities. Actually, besides the cultural variances, Chinese and British firms are operating in countries that progressed in the different stages of CSR development, which also exert influences on their actual CSR performances. In such case, it is not surprising that British firms could perform better than Chinese firms in most of CSR aspects, significantly or insignificantly. Thus it validates Hypothesis 2B again from another perspective that firms in developing countries have lower CSR performances than firms in developed countries.

7.1.4 Conclusion

According to the descriptions about the attitudes and performances of firms in different countries, some conclusions could be drawn on culture and its influences on relevant CSR aspects.

Firstly, culture is dynamically changing over times rather than remains static. And certain perspectives of different cultures around the world are converging to the universal values gradually, under the influences of globalisation (Crawford, 2000). However, Hofstede's cultural dimensions had still provided a clear theoretic framework to appreciate and analyse the changing nature of culture, after discarding its static interpretation of national cultures.

As Axelrod (1997) suggested, national culture will affect or be affected by its neighbouring countries, depending on its comprehensive national strength and information flow in different periods. The cultural characters of powerful nation will disseminate through foreign trades or cultural products to its neighbours, even without physical contact of the geographic territories. The homogeneity of the East-Asian cultures in Confucian dynamism in the past had well represented such trend of prevailing Chinese culture disseminated in its neighbours. The rise of western

countries in contemporary era, especially the U.S., had demonstrated another trend of cultural changes over oriental countries on dimension of individualism and long-term orientation.

According to the estimated values and surveyed scores of Chinese culture, the positive changes in IDV and negative movements in LTO had precisely illustrated such tendency which affected the predicted cultural variances between China and the UK. When China started its reform and opening to the outside world since the 1980s, the imports of western cultural products in last three decades and the influences of globalisation of trade, might also affect the traditional attitudes towards individualism, as well as thrift. Thus the gap of differences in these two cultural dimensions between China and the UK are diminishing gradually. And the interpretation of differences in attitudes and behaviours related with these two dimensions should be cautious to prevent stereotyping.

Secondly, despite tendencies toward convergence, differences between countries continue to exist in national cultures, which would exert influences on the beliefs, attitudes and practices of CSR. Because of such cultural diversities, it could be assumed that firms in different countries tend to focus and emphasize on different CSR dimension of SOP framework, thus causing diverse CSR attitudes and practices in various countries.

Considering the insignificant differences found on MAS, LTO and IDV between China and Britain, the existing differences of attitudes and awareness in specific CSR aspects are resulted by the variances on PDI and UAI. And this research has well illustrated the negative influences of power distance (PDI) and positive effects of uncertainty avoidance (UAI) on certain CSR attitudes and awareness in a significant way.

The long period of feudal society occupying three-fourths of total China history and corresponding rigorous power distance in society had made Chinese firms more likely to maintain good relationships with their closer and superior stakeholder groups, i.e. local communities and governments. Similarly, Chinese managers would less appreciate the ethical issues concerning fellow employees or other people

related matters, because of the stricter hierarchy in working environment. The significant differences in safe working environment and educational assistance to employees have also disclosed similar messages. This factor also explains the phenomenon that Chinese firms are more likely to be stimulated by the incentives from Society dimension, such as acknowledge from government.

Comparatively, the loose power distance in British society and relatively higher level of individualism, though insignificantly, would inspire British correspondents to challenge the unethical behaviours more likely. The issues more appreciated by British SMEs, such as “not involved in bribery” or “safe working environment”, are mostly demanded by British laws and regulations. Eager to avoid uncertain or ambiguous situations and probably inspired by the personal beliefs, British SMEs would rather strictly follow the stringent legal requirement than taking chances. Thus, this study has found British firms are more likely to focus significantly on issues related with CSR dimension of People while Chinese firms tend to pay more attention on subjects relevant to CSR dimension of Society, though insignificantly.

However, the influences of national culture on the CSR practices are relatively weaker than its effects on CSR attitudes and awareness. Normally, affected by their favourable attitudes towards and familiarities in specific CSR dimensions of Society and People, firms in China and UK should have undertaken enhanced CSR practices in such dimensions as well. Despite the overall negative changes from attitudes to practices in both countries, British firms had still carried out better CSR practices involving almost every stakeholder groups. With respect to the fewer and weaker correlations found between attitude and performance in Chinese firms than in British firms, it is inevitable to see that Chinese firms only outperform British counterparts in the aspect of community, though they held more favourable attitudes in many CSR aspects. This fact indicates that the link between culture and CSR practices through the proxy of attitudes is relatively weak and may be interfered by other factors such as development stage of CSR.

In the developed countries like Britain, well-grounded infrastructures, advanced technologies, experienced supporting networks, favourable policies and government

incentives, all contribute to the transition from favourable attitudes to enhanced practices in the relevant aspect of CSR. Firms in the developing countries usually do not have the access to these supporting structures so as to enhance their CSR practices. In the meanwhile they have to rely on self-regulation of business ethics to cope with difficulties in implementations. So it has further validated the influences of development on CSR performances from another angle.

7.2 CSR Development Pattern

As suggested by the researcher in Chapter Six, the development of CSR could be regarded as a spiral development diffused from developed countries to newly developed countries, then developing countries and developing region of developing countries in a progressive way.

Dating back to the 19th century, corporate social responsibility means little to the most of conventional entrepreneurs in Britain or other developed countries during the industrialisation period. And time has witnessed what it could be worst if social responsibility had been ignored by both society and entrepreneurs. However, the increasing public awareness and growing pressures from governments make CSR gradually evolve from individual philanthropic activities to systematic social norms and imprint into law and regulation after widely recognised in western world.

After the mid-20th century, the prominent movements of boycotting unethical products or companies had marked the rising demands from dimension of People, such as consumers or suppliers, to satisfy their ethical standards. At this stage, the idea of CSR is widely spread and many efforts have been undertaken to reduce unethical conduct.

However, the corporations' malpractices did not cease to exist. They had rather been exported to the colonized regions and other newly developed and developing countries, where these sorts of conduct are less controversial and regulated by the local government at that time. Therefore the actual business practices in newly developed countries were not better than those occurred in industrialized countries in 19th century.

As time leaps forward, similar to the CSR development pattern in western countries, the increasing powerful society in newly developed countries has called for strengthening laws to protect the environment and people. Simultaneously, the NGO and media have helped to break up the information isolations between countries and revealed the adverse effects of such ignorance in industrialized countries. Thus, the pressures from the governments in both countries and people in developed countries compel the involved corporations to perform socially responsibly, not only in industrialized countries but also in newly developed countries as well.

Alternatively, they might further export ill conduct to the developing countries, then the developing areas in the developing countries and the like. And the similar pattern of CSR development takes place in these places again, as illustrated in Figure 3.3, which are validated against the proposed Hypotheses 2A and 2B.

7.2.1 Mining Disasters

The rapid growth of coal mining fuelling the process of industrialisation also brought on continuous mining accidents of that period. The Table 6.1 indicates that the death and injury records in Britain increased dramatically from 3486 to 59580 in the late 19th century (Raleys, 2010), with several worst mining disasters occurred in Wales, England and Scotland. Thus, Britain had to close unsafe underground colliers and turn to open cast under severe public pressure, as well as obtaining low-cost coal from overseas sources, such as South Africa, Australia and Russia. With fewer mines, improving technologies and stringent health and safety policies, the fatality rate in coal mining starts to drop from one per 200 colliers in 1860s to one per 1000 colliers during mid-20th century, and finally to zero in recent years, according to figures from National Coal Mining Museum for England (2010). The industrial accident in American mining industry has also gone through similar pattern of development after the Mine Act 1977 and the Coal Act 1969 put into effects, as described in Chapter Six, to prevent constant mining disasters.

Similarly, the fast growth of coal production in China comes at the cost of continuous mining catastrophes and thousands of lives of colliers each year. For

example, the death toll of Chinese collier accounts for more than 80% of total fatality in the global coal mining industry with 35% of total worldwide coal production in 2002 (Zhao and Jiang, 2004). And it doesn't count in tens of thousands more of miners with occupational diseases every year. Under such huge pressures from the public, more stringent measures are implemented by State Administration of Coal Mine Safety (SACAMES) from 2003. Though China is still the country with most fatality in industrial accidents in recent years, the death rate per 1000 mining workers in China also began to drop, approaching the 1990 U.S. level while annual fatality of coal miner in China still remained high at the level of the beginning of 20th century in the U.S. Moreover, the industrial fatalities rate in China had now decreased to .117 per million production hours, very close to the recent U.S. figures and in a similar downward tendency as the U.S. experienced in the past.

7.2.2 Child Labour

Nowadays, child labour has been deemed as immoral and illegal practice in both developed and developing countries, while it was a common and economic way to employ children over eight to reduce the labour costs when evolving from agricultural economy to industrial economy. Until Factory Act 1833 and Education Act 1870 have been enforced in Britain, the participate rate of child labour in the factories started to drop off sharply. Similar situations occurred in the US as well. The Hammer v. Dagenhart case was overruled in 1941 to reinforce the constitutional protection against child labour practices enacted by the Keating-Owen Act of 1916 (Supreme Court, 1918).

However, the stringent laws and regulations against child labour practice in the developed world do not imply such ill conduct cease to exist. The child labour practices had rather been imitated in the colonized regions and other developed and developing countries like China, where such conducts are less controversial and of little concern of or known to the public in developed countries.

Gradually similar laws and regulations were employed in these developing countries to protect children from exploitation and the overall employment rate of child labour

and juvenile labour is falling by half since 1980 (PPI, 2002). After the enforcement of Compulsory Education Law in 1986 and Special Protection Regulations for Juvenile Labour in 1994 in China, the child labour rate declined from 11.55% in 1996 to 7.86% in 2000, comparing to 15.19% of child labour rate in Asia (ILO Bureau of Statistics, 1996).

7.2.3 Labour Condition

As demonstrated in Chapter Six, the economic and technological developments brought forward by the industrialisation, combined with the greed of pursuing profits at any cost, had driven factory owners to reduce production costs further. They either prolonged the working hours or replaced male workers with female and juvenile workers, who were relatively cheaper. Therefore, the employees couldn't fully enjoy the benefits of fast economic development and have to deal with poor clothing and food as well as scarce literacy and medical services, which were disgraceful even in accordance with the criteria of that time (Engels, 1845), let alone the modern moral standards. The Chartism in Britain since 1837 and Revolution in European Continent in 1848 had reflected the misery lives that British employees endured to certain extent.

The gradually improved employment and working conditions in Britain did not imply other countries had learned lessons from the ugly scenarios. Although some countries have equipped with necessary laws and regulations regarding minimum wages or health and safety, it is the rule rather than the exception that companies do not comply with existing legal frameworks (Prieto-Carrón et al., 2006).

Similarly, the wage level in China is increasing at a rather small pace comparing to the remarkable fast economic development. The incomes of normal workers in Pearl River Delta have experienced stagnant increase in past two decades, or even decreasing when calculating the currency depreciation. Such phenomenon is partly due to the huge surplus of work force, weak law enforcement and government policy. As indicated in Table 6.3, the percentage of minimum wage in average annual earning in Guangzhou had sharply shrunk from 71.8% to 35.71% between

1995 and 2008. This falling percentage explicitly indicates that, as British worker t had not enjoyed the benefits of industrialisation until 1950s, Chinese worker have to suffer similar conditions. And the migrant workers have to work overtime “voluntarily” in order to obtain a decent pay to live in urban areas and working overtime had become a sort of privilege in some factories.

7.2.4 Environment

Similar to the CSR development pattern on the perspective of labour conditions, the zealous pursuits of profits had let business operators neglect or ignore the environmental impacts of their business practices, thus put the interests of every stakeholders at risk. As discerned in Chapter Four, the environment pollution has accompanied the economic development and industrialisation since late 18th century, and it gradually becomes a global menace embarking from isolated areas in industrial nations of Europe.

Various environmental disasters such as fluorine intoxication, deadly fog, have well warned the public the dangers of ignoring the adverse environment effects of industrial activities (Clapp, 1994; Roholm, 1937). The SO₂ emission in Europe shown in Table 6.5 indicated the environment deteriorates with economic development at first and then fall as GDP per capita grows (Grossman and Krueger, 1995).

Similarly, the total discharged SO₂ in China has grown from 18.91 million ton to 24.68 million ton in the past thirteen years (National Statistic Yearbook of China, 1996-2009), accompanied with the fastest pace of industrialisation and colossal demand for cheap energy supply in China. Since 2000, China has become the largest source of SO₂ pollution and it has the third largest region affected by acid rain in the world, after North America and Europe, covering most of developed regions in South and East of China (MEP, 2009).

However, domestic governments gradually realised the importance of environment protection in addition to affluent and prosperous society. And more and more preventative measures, especially those that restrict discharging visible and smelly

pollutants, were also brought forward to preserve and improve surrounding environment.

Under such ever-increasing environment concerns and pressures arising from Society and People dimensions of CSR, business practitioners of the heavy polluters in industrial nations could either upgrade their equipment or change procedures by relying on new technologies or resources. Britain has turned to natural gas and nuclear power for new energy sources to cut down its SO₂ emissions (Department for Environment, Food and Rural Affairs, 2002). Figure 6.5 of historical SO₂ emission in Europe revealed similar effects of environment protections after stringent environment policies established in Europe around the 1970s and total SO₂ emission fall sharply to 15 million Mt in 2004, less than one fourth of its peak level in 1978 (Vestreng et al., 2007).

Therefore, in view of increasing public concerns over health and safety issues voiced in the developed countries, those heavy polluters in the developed world gradually relocated their outdated facilities to the newly developed nations, where environment protection was still not the primary concern of host governments or enforcements of relevant laws and regulations were relatively weak (Zhai, 2002). The fast development of chemical industry in Taiwan and consequently environmental deterioration since the 1950s had demonstrated such adverse trends.

In a similar way, increasing number of environmental incidents pushes Chinese government to pass more stringent laws and regulations on pollution and environment protection, which demand firms to perform environment friendly and reduce waste produced. All new installed thermal power stations in China have been equipped with desulphurisation systems and existing power plants have been gone through technical transformations with desulphurisation instruments, since the third edition of Emission Standard of Air Pollutants for Thermal Power Plants (GB13323-2003) came into effect in 2004. The reduced coal consumption for power supply and installed desulphurisation systems have helped to hold back the surge of SO₂ and CO₂ emissions in China in recent years. The removal rate of SO₂ has also increased from 19% in 1995 to 49% in 2007 (National Statistic Yearbook of China, 1996-

2009). Thus, the Figure 6.6 illustrated downward changes of emissions of sulphur dioxides since then. In addition, sharp decreases in emissions of soot and dust since 1998 are also partly due to the installation of emissions reduction equipment in response to the Environmental Protection Bureau's Emission Standard of Air Pollutants for Thermal Power Plants (GB13323-1996) implemented in 1997.

7.2.5 Conclusion

According to the description and discussion above, the Hypothesis 2A that the developing countries are experiencing a similar pattern of development in CSR awareness and practices as the developed countries is valid. Firms in both type of countries focused their interests mainly on maximising profits at the costs of other stakeholders like environment or employees, when the government is less willing or capable to regulate their malpractices, or the public is less concern about their adverse effects. However, what was bearable under the historical background may not be constantly tolerable in the present situation. The domestic and local governments gradually realised the importance of environment protection and labour force and established relevant laws to regulate and restrict existing and future negative activities of firms. In view of the rising awareness among the public in developed countries, firms also self-restrained their business practices to avoid ethic risks and possible consumer boycotts.

But such malpractices had been spread to and repeated in the newly developed nations and then imitated in developing countries in a continuous way. The CSR performances in these regions had also gone through a similar pattern of deterioration at first during fast economic development and improvement in practices when countries become affluent.

In contrast, the developing countries or developing regions in the developing countries at the beginning stage of development are nowadays more eager to attract both domestic and foreign investments to stimulate economic development. Thus, environment and labour protection are not on the top of their priority lists. For example, Foxconn had planned to relocate its production base from Chinese coastal

regions in which the labour policy became more and more stringent to inland China where local officials promised maximum concession on land, tax and labour policy (Sun and Lu, 2010). Considering the different stage the developing countries settles in the proposed CSR development route, it is not surprising to see that at present firms in developing countries have lower CSR performances compared to firms from developed countries. Thus Hypothesis 2B is also valid.

Economic Development

The possible causes behind such phenomenon of similar CSR development pattern in both developed and developing countries could be development of economy, advancing technology or changing awareness. First of all, economic development has been found closely correlated with the environment issues, as well as the labour disputes. The less developed national economy before the industrialisation often indicates less serious environmental problems and fewer employee-manager conflicts. The industrialisation process helped to stimulate the economic development, but also started the circles of deterioration and improvement in CSR performances.

Taking Portugal as example, it is much less developed economy compared to the UK and France. Its industrialisation process began later than former two countries at much smaller scale. So its SO₂ emission fluctuated upward until 1992 and its peak level had never reached the half million Mt barrier. In contrast, the peak level of SO₂ emission appeared in the UK in 1970 of 6.09 million Mt and in France in 1979 with 3.615 million Mt (OECD, 2007; Vestreng et al. (2007).

The Environmental Kuznets Curve Grossman and Krueger (1995) suggested the environment quality will worsen as the economy develops. However it will bounce back after GDP per capita grows to certain point, usually 3000 USD by estimation. The labour issues might also experience similar kind of curve because affluent society would become less and less tolerable to the adverse effects of unethical business activities and request for higher CSR performances and reforming legislations against such practices within domestic boundary. When the developing country started its industrialisation process and stimulated domestic economy, it can

hardly escape such pattern of CSR development by its own efforts, though the assistances from international community would speed up such process, lifting it upward to the turning point. The domestic governments in developing countries had always found difficulties in balancing economic development and protection of environment and labour. The stringent enforcement of environmental and labour policy might deter those investors, who seek the differences in labour cost and environmental protection between countries and regions, while the governments are in urgent need for investments to stimulate local or domestic economies. Thus it might be true that “the only thing worse than being exploited is not being exploited” (Lund-Thomsen, 2008).

Advancing Technology

Then, advancing technology brought up changes to the employment and environment. Transformed from agricultural economy, the steam-powered factories marked the beginning of industrial revolution, which required easy access to coal, water and raw materials. Domestic industry developed from small-scale cottage industries to large-scale highly labour intensive factories employing thousands of workers to operate the machinery. Such technology upgrade also triggered much more environment accidents than previous centuries. The improvements within agriculture caused rising rural unemployment as mechanisation increased farm output, which forced huge surplus of work force to migrate to the towns in search of jobs (NWLG, 2010). Consequently, they have to put up with worse working condition and poor living standard with high mortality rate and outbreaks of epidemics in industrialisation era, competing with female and child labour.

But the technologic changes in manufacturing process had also effectively exclude child labour from major industrial sectors (Hindman, 2009). These structural changes in industries fuelled by new technical processes had required worker to master new technical skills or bear more intensive work. Therefore, child labour is gradually replaced by male worker, especially after Factory Act (1833) and Education Act (1870) came into effect in the UK (Smelser and Swedberg, 2006).

Consequently, with the help of advancing technologies and new energy sources,

nations could effectively reduce environmental waste and improve labour conditions accordingly. Britain and U.S. could gradually close down their underground mines after turning to petrol-fired and nuclear power stations so as to reduce mining disasters, as well as employing large amount of extracting machinery to replace colliers down under. In China, the small thermal power units are replaced by 600MW supercritical power unit and 1000MW Ultra-supercritical power unit, which efficiently reduce the coal consumption for power supply from 412 g/kWh in 1995 to 356 g/kWh in 2009. Thus it helped to hold back the surge of SO₂ and CO₂ emissions in China in recent years.

However, the breakdown of modern manufacturing process into small and tedious working procedure in the developing countries offers another chance to revive child labour in these countries. Taking Apple as example, the design work in the U.S. requires highly sophisticated technologies and skills while the outsourced manufacturing in China is not much advanced from assembly line in the era of mass production. Thus in 2008, Apple found that a total of 25 child workers had been employed to build iPods, iPhones and its range of computers (Moore, 2010).

Changing Awareness

Finally, changing awareness has also contributed to the variance in practices between countries in different stages of CSR development. In accordance with the Maslow's hierarchy of needs (Simons et al., 1987), the public and firms' CSR awareness progressed through different stages of CSR development. Thus, the business practices of firms in different countries or different times differed accordingly.

Taking the child labour as example, it was an intrinsic part of the agricultural and industrial economy in Britain before industrial revolution period and such practices was mostly carried out in the home or within family economy (Thompson, 1968).

But the public would not tolerate hideous activities for always, once the physiological needs have been met and society becomes affluent gradually. Safety needs, such as health and safety and emotional based relationships, had turned into major concerns of the public in the later period of industrialisation. The working class had begun to appreciate the values that endorse the preservation and protection

of childhood. So they gave up short-term income brought in by their children to invest for their futures, under the background of improving family incomes (Nardinelli, 1991). And relevant stakeholder groups in the dimension of Society then put forward laws and regulations to reduce and restrict those unethical business conducts. Thus, these practices were gradually diminished to a small amount within the domestic boundaries. Illustrated in Figure 6.2, 6.3 and 6.4, it is obvious that the phenomena of child labour had sharply shrunk after legal enforcements of relevant school education and factory employment being introduced in Britain, America and China.

Furthermore, the top two levels of Maslow's hierarchy of needs, esteem and self-actualisation, had indicated that citizens in wealthy society might expand their interests in unethical business behaviours abroad in pursuit of their personal ethics. In the meantime, the employees would also expect to be respected in their working places and valued by the others, in addition to installing basic health and safety measures and decent wages.

It is quite common phenomenon that the relevant stakeholder groups like NGOs or the media in the developed countries are keen to reveal the ill labour or environmental practices in the developing countries. They are also seen to be actively involved in certain types of activities, aimed to diminish the miseries the local residents or employees suffered. In the same way, similar stakeholder groups in the developed regions of developing countries had expressed identical interests in the welfare of the locals from the less-developed regions of developing countries. Such interests and participations by these stakeholder groups had stimulated the reciprocal flow of information and knowledge about CSR beyond regional and national boundaries, and promoted the CSR development in local and domestic areas accordingly, as described in Figure 3.3.

The growing emphasis on needs of esteem or self-respect had also encouraged organisations in the developed countries to recognise these types of needs arisen from the employees and discarded certain extreme types of practices advocated by scientific management or Taylorism, so as to rehumanise the workplace and inspire

the employees. But these controversial managerial theories or practices had been revived and welcomed in the developing countries to improve production efficiency while the adverse effects of these practices are mostly neglected by firms. The recent repeated suicide jumps in Foxconn manufacturing base in Shenzhen had vividly demonstrated how the implemented scientific management had de-skilled the workers and alienated them from the society (Moore, 2010).

To sum up, the CSR performances of firms are largely determined by the stage the countries or regions locate in the CSR development pattern. When the public endeavoured to make both ends meet, the sense of fairness had been sacrificed to improve efficiency, and firms were free to choose profitable but risky activities to pursue the profit maximisation. The economic development laid the foundation for promoting socially responsible business activities while advancing technology enhanced the feasibility of such ethical movements. Without the development of atomic power for civil purpose, alternative overseas sources of coal and mechanisation of coal mining, Britain could not find easy ways to preserve excellent record of health and safety in coal mining and reduce SO₂ emission at the same time. The changing awareness comes along with economic development and technology advancing had further persuaded or driven firms to become more socially responsible, so that firms could tackle rising pressures from the stakeholder groups in the dimensions of Society and People. However, the unethical conducts might disappear from the developed countries but are restored in the developing countries or developing regions of the developing countries. The similar cycle of CSR development would go through again until new virgin land with inadequate enforcement and weak CSR awareness has been spotted. As to the locals, few choices had been left shaped by their economic conditions and available technology before poverty and social security being tackled.

7.3 Globalisation

Similar to the pattern of cultural dissemination, when firms begin to sell their

products abroad or trade with foreign-funded companies, they are interrelated and interacted on each other across national boundaries by their trade relations. Under the influences of various cultural products and closer economic relationships brought in by such trade relations, the gradually eroded national boundaries meant the possible variances in the CSR attitudes, awareness and practices would appear among domestic firms having different types of trade relations.

But, comparing to the influences of CSR development and national culture on attitudes and practices of CSR, globalisation has exerted less and weaker effects on the similar aspects of CSR. The thoughts on corporate social responsibilities among firms with different types of trade relations are quite similar. And the significant differences in treating CSR as additional responsibility and strong sense of CSR in entrepreneur have indicated the firm's perceptions about CSR in different countries are converging towards a certain point. At such point, mutual understanding is reaching where neglects being recognised and overemphasis being contracting. Similar findings have been observed in the attitudes towards specific aspect of CSR among British and Chinese firms with different trading relations. Some specific attitudes towards CSR in the dimensions of Organisation and People are becoming more and more favourable in Chinese firms with foreign trade relations. In contrast, British counterparts' attitudes in the same dimensions have experienced decremental changes and it seems that British firms are withdrawing their overemphasis on the dimensions of Organisation. Many insignificant differences among domestic firms on CSR attitudes have clearly indicated that the significant variances between Chinese and British firms on same subjects would result from their cultural differences or stage of CSR development, rather than by the relationships with foreign firms.

Moreover, the overall slight insignificant decreases in CSR awareness levels among British and Chinese firms dealing with foreign-owned firms suggest that such trading relations would only create minor negative influences on existing CSR awareness of firms. Most of decremental changes in CSR practices saw in firms trading with foreign-owned firms are also insignificant and minor. This phenomenon is quite

similar to the effects of culture on same aspects of CSR practices.

Thus, Hypothesis 3 is invalidated by most of insignificant differences found on specific items of CSR practices among firms with different types of trade relations. However, it still could be concluded that the influences of globalisation on CSR are most likely to be exerted on the attitudes rather than actual practices. Along with the progress of globalisation, domestic firms' attentions on specific domestic issues seem to be diverted because they might feel they are more closely connected with foreign firms or foreign-owned firms. In contrast, firms only with domestic trade relations might be more aware of CSR practices undertaken by other domestic companies and are willing to learn from their experiences. Therefore, British firms tend to put less emphasis on protecting shareholders' interest, less willing to help social minorities or offering further development opportunities while Chinese firms become to favour providing safer working environment and excellent product or service.

The relative weak effects of globalisation on CSR awareness and performance might be resulted by the relative small size of subgroups of the respondents which means only large effect size of 0.8 will be significantly detected in the test. But it has also further validated the effects of CSR development from an alternative angle. It eliminates one of three possible causes to such differences between countries while culture has also been proved to cast little influences on similar subjects. Thus CSR development has exercised greater level of influences on CSR practices than culture and globalisation.

7.4 Summary

The first part of this chapter has discussed the influences of culture on corporate social responsibility. It is found that despite tendencies toward convergence, differences between countries continue to exist in national cultures, affecting the beliefs, attitudes and practices of CSR. Thus firms in different countries tend to focus and emphasize on different CSR dimension of SOP framework, resulting in diverse CSR attitudes and practices in various countries.

However, the influences of national culture on CSR practices are relatively weaker than its effects on CSR attitudes and awareness. Firms in the developing countries usually do not have the access to the supporting structures, enjoyed by their counterparts in the developed nations, to enhance their CSR practices. And they have to rely on self-regulation of business ethics to cope with difficulties in CSR implementations. So it has further validated the stage of CSR development pattern as complimentary influencing factor to culture on CSR performance from another perspective.

Section 7.2 has well demonstrated the similarities in CSR development pattern among developed and developing countries since the industrial revolution. Both types of countries have progressed in a similar way in CSR awareness and practices. Firms tended to maximise the interests of organisation at the costs of other stakeholders like community or employees, when their malpractices were laxly regulated by the government or less concerned by the public in the past. But, these bearable activities of that time may not be constantly tolerated in the present situation. In view of the rising pressures from the government and public, firms began to restrain their business practices to avoid administrative troubles or consumer boycotts. And such malpractices had been spread to and repeated in the newly developed nations and then imitated in developing countries in a continuous way.

Considering the different stage the developing countries settles in the CSR development pattern, it is not surprising to see that at present firms in the developing countries have lower CSR performances comparing to firms from the developed countries. And such phenomenon could be resulted by development of economy, advancing technology or changing awareness.

Moreover, closer economic integration and frequent culture exchange between nations boosted by globalisation have casted influences on the CSR attitudes, awareness and practices among domestic firms with different types of trade relations, as shown in Section 7.3. It is found that the thoughts on CSR among firms in different countries are converging towards common ground where neglects being

recognised and overemphasis being contracting.

But, compared to the influences of national culture and CSR development pattern on attitudes and practices of CSR, globalisation has exerted less and weaker effects on the similar aspects of CSR, illustrated by many insignificant differences among domestic firms. And the influences of globalisation on CSR are most likely to be exerted on the attitudes rather than actual practices. Such weak effects of globalisation on CSR have further validated the effects of culture on CSR attitudes and development on CSR performances from an alternative angle.

In summary, this chapter has demonstrated the effects of culture, CSR development pattern and globalisation on CSR attitudes and practices with the primary and secondary data. Although some hypotheses on causal relationships between culture, globalisation and CSR practices are not fully supported by significant survey data, the influences of these factors on CSR attitudes and awareness are still vividly presented from alternative perspective in this chapter. Further exploration of implications on research findings is the subject of the final chapter.

8. Chapter Eight Implications and Limitations

Previous chapters had analysed the proposed effects of culture, CSR development pattern and globalisation on attitudes and practices of corporate social responsibility in different countries. Conclusion had been made to describe the significance levels of these effects and hypotheses proposed in Chapter Four are verified accordingly. The implications of these results are discussed in details in this chapter so as to provide throughout comprehension of the Society-Organisation-People framework of CSR and the relationship among three influencing factors. The researcher then reveals the academic, managerial and policy contributions of this study, and certain limitations to which need to be paid attentions are addressed.

8.1 Implications of Study

8.1.1 SOP Framework

In order to understand the relationships of influencing groups of CSR, this study has proposed three conceptual dimensions, *Society*, *Organisation* and *People*, which are transformed from stakeholder theory and Carroll's theory. The Society-Organisation-People (SOP) framework has revealed the relationship of each stakeholder group with the firm in three dimensions, along with the responsibilities requested by stakeholder groups for such organisation to fulfil, as illustrated in the following figure.

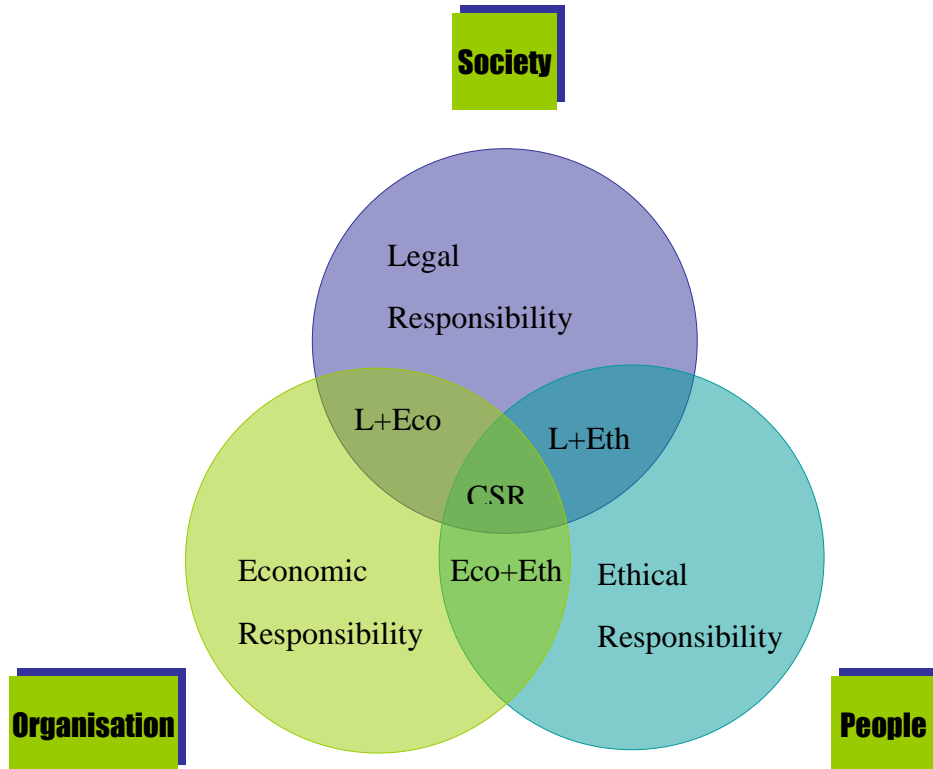


Figure 8.1 Society-Organisation-People CSR Framework

Source: Author

The validity of this alternative theoretical framework of CSR had been verified by the survey results of cultural influence shown in Chapter Five and historical cases and data of development pathway illustrated in Chapter Six. The globalisation effects demonstrated in Chapter Six, though not significant, had also advocated the existence of SOP framework. Thus this theoretical framework has provided a valid alternative viewing angle to conceptualise relevant issues about corporate social responsibility from an integrative perspective, while most of previous studies discussed the relationships among economic, legal and ethical responsibilities in a hierarchical order.

The integrative analysis of CSR indicated that all components of corporate social responsibilities are parallel to each other rather than in cascade order, as described by Carroll (1994). Accordingly, the firm should theoretically cover the interests of and

maintain relationships with every stakeholder groups in the dimensions of Society, Organisation and People simultaneously, instead of fulfilling the ethical responsibility after realising economic and legal responsibilities at first. This SOP framework of CSR would facilitate the understanding of existing condition of CSR practices in different countries and help to define suitable boundaries for small business to carry out CSR practices in specific country.

8.1.2 Influencing Factors of CSR

Under the SOP framework, this study has suggested the differences in CSR attitudes and practices among various countries might be not only induced by the sharp cultural differences, but also resulted from similar CSR development pattern and the progress of globalisation. The effects of these influencing CSR factors had been witnessed in Chapter Five and Six and analysed in last chapter subsequently to explore the rationales behind such phenomena. The internal relations among suggested influencing factors and external effects on CSR attitudes and practices are depicted as following Figure 8.2.

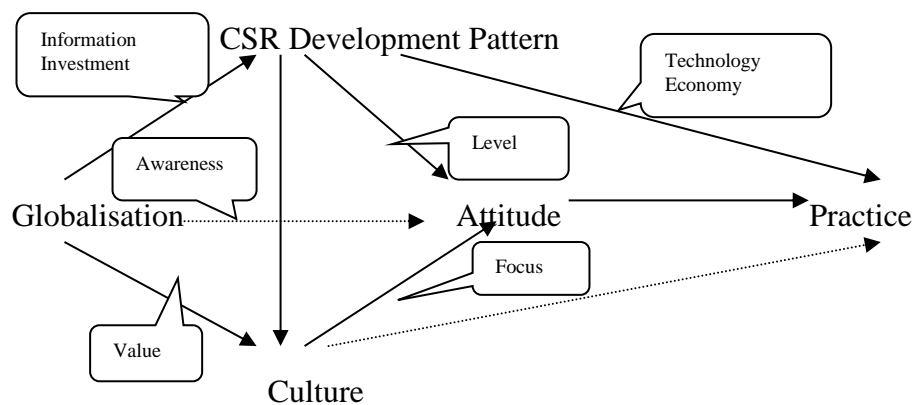


Figure 8.2 Relations and Effects of Influencing Factors of CSR

Source: Author

Firstly, the national culture and CSR development pattern within domestic boundary had exerted varied influences on CSR attitudes significantly. The differences in national culture between countries continue to exist which would exert influences on the focus point of CSR beliefs and attitudes among firms. This research has well illustrated the negative influences of power distance (PDI) and positive effects of

uncertainty avoidance (UAI) on certain CSR attitudes and awareness in a significant way.

More than 2000 years of imperial era of Chinese feudal society and corresponding rigorous power distance in society had let Chinese firms prefer to maintain good relations with stakeholder groups in Society dimension more likely and less concern about ethical issues related with stakeholder groups in People dimension. Comparatively, British correspondents are inspired to challenge the unethical behaviour more likely and follow the demands from laws and regulations rather than taking chances. Therefore it is not surprising that this study has found British firms are more likely to focus significantly on issues related with CSR dimension of People while Chinese firms tend to pay more attentions on subjects relevant to CSR dimension of Society.

Meanwhile, the stage of CSR development pattern had casted significant influences on the normal attitudes of business person towards corporate social responsibility. The changing awareness brought up by the development progress had encouraged domestic firms to change their indifferent attitudes towards CSR in order to cope with subsequently rising pressures from relevant stakeholder groups in different dimensions. Consequently, organisations tend to respond differently to meet the requests of stakeholders in different period of time.

As illustrated in Figure 3.3, although China now has exceeded UK and become the second largest economy in the world after US in last year (BBC, 2011), it still remains between the second and third stage of CSR development pattern which indicated that the pressures from stakeholder groups in Society dimensions exerted most significant influences on attitudes and practices of firms. In contrast, UK has completed the industrialisation decades ago and British firms are more sensitive and responsive to the requests from the stakeholder groups in People dimensions. Thus firms in China and UK would have different levels of favourable attitudes towards CSR.

Secondly, CSR development pattern casts more significant effects on CSR practices than culture at different significance levels. The favourable attitudes towards CSR

and focuses on different CSR issues won't be necessarily transformed into better CSR practices on relevant aspects, illustrated by the insignificant links between culture and CSR. The conversion from attitudes to practices is most likely under the influences of development of economy and technology.

The advancing technologies had provided firms the opportunities to enhance their CSR performances while prosperous economy has created solid material basis for better CSR practices. The gradually decreased fatality rates of colliers in the both UK and US had exactly demonstrated the influences of such two factors. The sophisticated heavy mining machineries replacing colliers in underground extracting had reduced the risk of human loss in mining hazards tremendously. Meanwhile steering to open-pit mining and importing from overseas energy sources after dangerous mines being abandoned had contributed favourable effects on solving health and safety issues and environment concerns in both countries.

In contrast, developing countries usually lack of technologies, funds and other supporting structures to implement such transition to enhance their CSR practices. So firms in the developing countries are faced with more difficulties to convert their favourable attitudes into concrete practices in the relevant aspects of CSR than their counterparts in the developed and newly developed countries.

Thirdly, the globalisation had affected other two factors, culture and CSR development pattern, and indirectly influenced the attitudes and practices of CSR at less significant level. The interactions between countries brought up by globalisation have accelerated the development in CSR in the host countries to cope with the rising pressures from relevant dimensions. The free flow of information and cultural products accompanied with global trades had also facilitated the dissemination of powerful culture in surrounding countries even without physical contact of national boundaries. The homogenous attitudes in Confucian dynamism and rising tendency of individualism among youth in recent decades in East Asia had demonstrated influences both Chinese and western cultures in these regions in the past and present. Globalisation has also affected the CSR attitudes and practices through its influences on culture and CSR development pattern, but to a less and weaker extent. Many

insignificant differences among domestic firms on CSR attitudes have clearly indicated that the significant variances between Chinese and British firms on same subjects would result from their cultural differences or stage of CSR development pattern, rather than by trade relations or foreign ownership. The influence of globalisation materialised as enhanced level of awareness and mutual understanding of CSR concept and practices where neglects being recognised and overemphasis being contracting. As Thompson and Arsel (2004) suggested, local cultures and the forces of globalisation are thoroughly interpenetrated and co-shaping the interpretation of CSR concepts within domestic context. Thus CSR in the dimensions of Organisation and People are becoming more and more favourable in Chinese firms while British firms are withdrawing their overemphasis on the dimensions of Organisation.

In addition, such effects of three influencing factors are not only in China and Britain, but in most other developing and developed economies as well, such as Japan. In 1853, Commodore Perry's black ship representing American superior military force had effectively ended more than 200 years of Sakoku (locked country) period in Japan (The New York Times, 1953). The following fast process of industrialisation since Meiji Restoration in 1868 had witnessed the deterioration of working and living conditions in the late 20th century, highlighted by massive female and child employment, poverty, long working hour and the lack of safety measures (Hunter, 1993). But these problems were generally ignored, because they were taken for granted, by Japanese society under the strong influences of a rigid hierarchical and masculinist context in pre-war Japan.

Similarly, the environment deterioration has accompanied industrialisation since the Meiji period and environmental concerns were often neglected by the domestic and local governments, especially during their reindustrialisation process after World War II. One of the earliest environmental cases is the copper poisoning caused by drainage from the Ashio Copper Mine since 1885 (Shoji and Sugai, 1992) and several catastrophic industrial accidents were resulted in industrialisation era, such as famous four big pollution diseases (Salgado, 2008).

However, the prosperous economic conditions and growing pressures on Japanese governments had gradually enhanced the awareness level and improved the actual practices of social responsibility amongst Japanese corporate business. The western-led definition of CSR had been slowly accepted by Japanese public through the process of interpenetrating of different cultures and coshaping under three influencing factors to generate a country-specific apprehension of CSR (Fukukawa and Teramoto, 2009), termed as glocalisation of CSR in Japan.

Therefore the Japanese case of CSR development has demonstrated the effects of three influencing factors and clearly indicated that the proposed SOP framework could be applied in other comparison studies.

8.1.3 *Firms under Influencing Factors*

As stated above, this study has found that firms' performances on relevant CSR issues are affected by three influencing factors, culture, CSR development pattern and globalisation, which are illustrated in Figure 8.3 below. The positive culture characters signalled in the vertical axis would also yield to favourable CSR attitudes and raised awareness. Meanwhile the progress of development is reflected in the horizontal axis, which contributes to the enhancement of CSR attitudes and awareness and improvement of CSR practices over times. Besides, the effects of globalisation would stimulate the forward or backward movement of CSR performance.

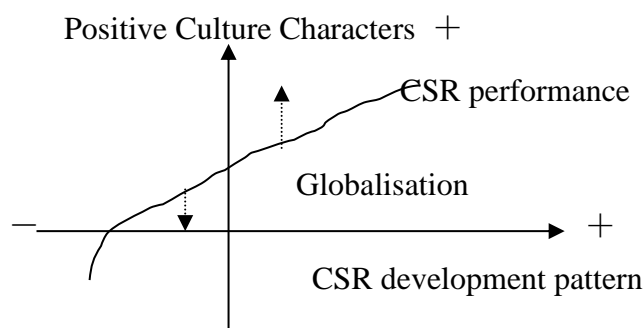


Figure 8.3 Firms under Influencing CSR Factors

Source: Author

Certain characters of national culture would lead normal firms of specific country to

hold different attitudes, either favourable or indifferent, towards pertinent CSR issues. Although the Hofstede's Cultural Dimensions contain certain inherent problems as criticised above, it is still served as an effective tool to recognise the influences of culture on businessmen's attitudes towards CSR. Just as Mitchell, Agle and Wood (1997) suggested the stakeholder groups are identified partly due to the legitimacy of their relationships with the organisation, while in a hierarchical society, certain stakeholders in weaker positions with the organisation, such as employees, could be neglected and the urgency of their claims on improving CSR practices could be underestimated. Therefore, business operators would be more responsive to the requests from stakeholders in closer or superior relations rather than claims from other CSR aspects.

Considering the disclosed negative influences of PDI affecting CSR attitudes and the dynamic changing environment of more liberal society in China since reform in the 1980s, the interaction between culture and time would eventually lead to more positive changes in attitudes towards specific CSR aspects.

But turning such favourable attitudes into actual good practices largely depends on the stage of CSR development pattern of specific country the firm hosts. Culture had affected the focus points of firms on relevant CSR aspects while development laid the material basis for achieving better CSR performances. Without the financial sources, available technologies and other supporting structures, it is difficult for firms in the developing country to implement such transition to enhance their CSR practices. The large number of significant negative differences between means of attitudes and performances found in Chinese correspondents are shown in Table 5.8. It has explicitly implied that firms in developing countries are faced with more difficulties to convert their favourable attitudes into concrete practices in the relevant aspects.

Globalisation would also stimulate the forward or backward movements of firms along the performance curve, though slightly. The nature of pursuing profits in firms indicate the common purpose of foreign investment and overseas trade is to exploit the existing differences in CSR practices between countries rather than help to close

such gap. The rising awareness on CSR issues brought up by the interactions of the media or NGOs between countries would contribute to better CSR practices in the developing countries in the later stage of development. But as by-product of globalisation, firms in the developed countries would withdraw the overemphasis from the focus point set by their cultural characters. Thus, mutual understanding has been reached where neglects have been recognised and overemphasis have been retreated.

In addition, it has to be noted that Figure 8.3 has depicted the average performance level of normal firms of specific time in a specific country. The actual CSR performance of the firm more or less depends on its financial conditions and determination to put favourable attitudes into actual practices. The Quaker beliefs of Cadbury's founder have made it the pioneering CSR practitioner of Victorian era with its model factory in Bourneville (Windsor, 1980). Such philanthropic business conducts had not only successfully created community-friendly working environment and heightened the morale of its workforce, but also built up competitive advantages against its competitors and raised the entry threshold of confectionery manufacturing industry. These business activities had nowadays become standard business practices in Britain as the definition of CSR practice evolves and UK has reached higher level of CSR development pattern.

Thus, the liberal prosperous society with more external connections with outside world could point out a new direction for academic researchers to advocate, reducing business practitioners' resistance to CSR concept and improving CSR performances in China or other countries with similar cultural backgrounds.

8.2 Significance of the Study

8.2.1 Academic Contributions

Firstly, this study has proposed three influential dimensions of CSR: *Society*, *Organisation*, and *People*, derived from stakeholder theory and Carroll's theory. The study reviewed existing literatures to search for explanations for differences in the

concept and practices of CSR accordingly. Most of previous studies discussed the relations between economic, legal and ethical responsibilities as hierarchical concepts while these three dimensions have provided an alternative viewing angle to conceptualise relevant issues about corporate social responsibility from an integrative perspective. This theoretical SOP framework also helped to define suitable boundaries for small business to carry out CSR practices.

Secondly, this study has suggested the differences in CSR practices among various countries might be not only caused by the sharp cultural differences, but also induced by the CSR development pattern and pertinent globalisation effects.

It shifted the discussion focus of CSR from domestic background to international surroundings and attempted to predict the complete diagram of CSR through understanding the interaction of stakeholders and ethics between countries. The survey results had indicated the idea of corporate social responsibility has been widely appreciated across the world, though business people in different countries held varied opinions on which aspects of CSR should be prioritised. It is also indicated in this study the possible channels and focus for promoting CSR practices among firms in particular country. Thus, in order to enhance CSR performances in the world, choosing the suitable aspects to endorse in different countries on the basis of appreciation of their cultural differences and national environments would turn out to be much more valuable in the long run, rather than simply requesting to accept predefined western CSR concept without any critical judgements.

Thirdly, both stakeholder theory and Carroll's theory are used in this research to form an integrative theoretical framework to understand the status quo of CSR practices in different countries. While two popular theories, agency theory and stewardship theory, are excluded because the owner-managed character of SME corporate governance make them less relevant to the study. Through this integrative theoretical framework, this research could be undertaken direct towards improving CSR performances among SMEs.

Finally, this research has well demonstrated the intrinsic limitation of statistic view of Hofstede's cultural model and dynamic nature of culture, affected by the

interaction of globalisation. The sharp differences in the dimensions of individualism and long-term orientation between China and the UK are actually diminishing gradually, since China started its reform and opening to the outside world after the 1980s. In view of this, researchers and managers should be cautious before attempting to apply Hofstede's cultural model to predict the behaviours of business people in different countries to avoid pitfall of stereotyping.

8.2.2 Managerial Contributions

The proposed three dimensions of CSR indicated the components of corporate social responsibilities are parallel to each other rather than in cascade order. The firm should cover the interests of society, organisation and people simultaneously instead of fulfilling the ethical responsibility after realising its economic and legal responsibilities at first. This SOP framework of CSR would facilitate the understanding of present situations of CSR practices in different countries and help to define suitable boundaries for small business to carry out CSR practices.

This study has also testified the influence of culture on CSR attitudes and effects of development pattern on CSR practices, which indicated the efficient ways to enhance CSR performance within organisation. The firm could undertake relevant CSR practices according to its focus on CSR dimension and these practices should fit with its financial situation and cultural background. Managers are then encouraged to find out alternative approaches to create win-win situation for all relevant stakeholder groups rather than dogmatically following the western oriented code of conducts or standard.

8.2.3 Policy Contributions

This study has offered some contributions to policy makers as well. During the research, attentions on differences among CSR practices undertaken by SMEs in different countries have been raised. Industry policy should be then made to encourage firms to improve the overall CSR performances in accordance with the characters of domestic culture and stage of CSR development patter. The research

findings could be used as references when some unrealistic regulations could be removed or incompatible support system should be changed to fit the requirements from SMEs to raise their CSR performance level.

Furthermore, most current codes of conducts or CSR standards are more or less designed for large firms to improve social performances, hence less applicable for SMEs to take similar routes. In this research, attentions on various attitudes towards CSR among SMEs in different countries have been raised. In order to improve the overall CSR performances, industry policy should be then made according to the characters of local SMEs and domestic business environments. After all, small firms are more subject to the influences of domestic culture and local environment in the competitive buyer's market than their large counterparts like Google (Meserve and Ahlers, 2010), which could argue for favourable operating conditions with governments or set the standards of industry practices. The research findings could be used as references when some unrealistic regulations could be removed or incompatible supporting system should be changed to fit the requirements from SMEs to raise their CSR performance levels.

8.3 Limitations

Yet, the findings of this research are not perfectly immune from criticism and scepticism due to several research limitations.

First of all, the present research suffered from a major problem with small sample size ($n=109$). Though still acceptably representative in term of extrapolation test of effect sample size and fpc (finite population correction factor), such sample size is not fully convincing to cover the larger populations of firms in the UK and China, comparing to the 8604 samples in SMEnvironment UK Survey in 2003 and 4586 samples in Chinese CSR Enterprise Survey 2007 where most of survey questions derived from. The small sample size relative to the populations means that some caution should be taken when interpreting the statistic data.

And the prediction of the relationship between globalisation effects and CSR might also be interfered when the sample group has to be further divided into two smaller

groups and the power of such test will be less than 70% for the same effect sample size and level of significance (alpha).

Then, certain questions that are not very relevant to the research topic would be withdrawn from questionnaire to save respondent's time and boost response rate. But the partial selection of cultural Value Survey Module 1994 also restricted full-scale usage of regression analysis to identify influence of specific cultural dimensions on CSR. Hence, surveys of larger and more representative samples with complete questions from VSM 94 are definitely required in future. It is also necessary to compare firms in other nations, such as the U.S. or Japan, to examine the influences of other cultural dimensions besides the power distance and further validate the effects of three influencing factors on CSR.

Finally, previous studies also suggested individuals' ethical perceptions of CSR might also differ across micro-cultures, such as religions, organisational culture or other subdivisions of the whole, which represent an additional source of norms and ethical judgments (Burns et al., 1994). Some scholars like Maignan et al. (1999) have found the certain characters of organisational culture are associated with improved level of CSR performance. Lee's (1981) also revealed though the Chinese managers in Hong Kong are under the influences of traditional Chinese culture, the long history of Hong Kong colonized by Great Britain has made significant impacts of British culture on the daily thinking and reasoning of Hong Kong managers, who shared extreme similar ethical attitudes with their British counterparts. Since the sample group is targeted as SME which is less affected by micro-culture than larger firms, the elements in micro-culture could also be good research targets to explore the rationales to carry out CSR project masked by national cultural differences.

8.4 Afterword

This thesis discusses the CSR concept from both ethical and stakeholder perspectives under a conceptual framework of three influential dimensions of CSR: Society, Organisation and People. Under this SOP framework, this research examines the effects of culture and two other possible factor, development and globalisation, on

CSR attitudes and actual performances of SMEs in two contrasting countries, the UK and China, through survey and secondary data collection.

It is observed in the survey that British SMEs emphasize more on CSR dimension of People while Chinese SMEs focus more on CSR dimension of Society because of cultural differences, though the latter face with more difficulties to implement their favourable attitudes into actual CSR practices. The historical and empirical data reveals that CSR development pattern exercised varied influences on CSR attitudes and performances significantly. Meanwhile, the globalisation factor affects the two other factors, culture and CSR development pattern, and indirectly influenced the attitudes and practices of CSR at less significant level. Therefore three key academic themes worth further reflection in the future researches.

8.4.1 Corporate Social Responsibility

In view of the research limitations discussed in the previous section, this study could be regarded as a pilot work of the proposed SOP framework. As discussed in the literature review, the contemporary concept of CSR rooted in early individual philanthropic activities of business owners in the past and Bowen's work in 1953 had signalled the beginning of formal writing and invoked serious academic debates on the CSR issue while many academic researchers such as Levitt (1958), Friedman (1962), Carroll (1991) and Clarkson (1995) had also made significant contributions through the confrontations of their thoughts and viewpoints.

Consequently, this SOP framework is inspired by Carroll's CSR Pyramid (1991) and developed further from Carroll and Schwartz (2003)'s three domain model of corporate social responsibility and depicts the interaction between stakeholder groups in an equal and interdependent relationship rather than any hierarchical order or preference. It provides an alternative viewing angle to conceptualise relevant CSR issues from an integrative perspective and also highlights the interactions of stakeholder groups and interdependency of corporate responsibilities. It represents the ideal condition of equal rights of social groups regardless of the power they possessed or urgency of their claims, as favoured by Rawl's social justice theory

(1971).

However, the main theoretical weakness of this SOP model is a lack of further discussion on the fundamental intellectual compatibility of both normative and stakeholder perspectives of CSR theories. This study has broadly discussed various CSR theories and concepts from Carroll's work and stakeholder theory, but the linkage of theories was made with little reflection on how these issues are weaved into the alternative explanations on different focus of SOP framework between UK and China in the discussion part of the thesis.

Meanwhile various evidences are put forward in this study to illustrate the impact of CSR, such as the rises and declines of deaths involved in mining accidents and volume changes of air pollution in different countries. Although the statistical interpretations of these data are presented to validate the proposed links between corporate social performance and identifiable CSR practices or policies, alternative explanations like technological upgrade for these outcomes are not fully explored in Chapter 7. Therefore null hypotheses of proposed different focus on SOP framework could not be completely ruled out and further validations of proposed hypotheses are in need via alternative statistical techniques. Three possible causes, economic development, advancing technology or changing awareness, proposed in section 7.2.5 as drives behind such phenomenon of similar CSR development pattern in both developed and developing countries could be probed to a greater extent in the literature review and then tested in the process of discussion on statistics and survey result.

Thus, the future study will be needed to readdress the theoretical derivation of the SOP model from the Carroll and Stakeholder theories in greater details, with reference to its historical background on both advocates and critics of CSR in the past century and critical review of recent CSR issues, to strengthen the theoretical foundation of this alternative conceptual framework of CSR. New statistical measurements and analysing methods would also be introduced while alternative interpretations would be discussed thoroughly to justify the robustness and fitness of SOP framework.

8.4.2 *Culture*

In this research, the Hofstede's culture model is chosen to explore the impact of culture on CSR attitudes and performance. Meanwhile the rival cultural frameworks from other prominent authors like Rokeach, Inglehart and Trompenaars have also been covered to justify the selection of Hofstede's Value Survey Model as main statistic measurement to compare the cultural difference between subjects in two different countries. However, as indicated in the discussion on research limitations, it has to be admitted that Hofstede's model may not be most appropriate measurement of cultural differences, considering the incomplete scales used and insignificant results obtained on some cultural dimensions in this survey, which might weaken the feasibility of applying the SOP framework to other similar research studies. As to the problems inherited in different sample size of original Hofstede's theory, the analysis of survey data could seek reconciliation via different statistical instruments or discuss the impact of small sample size and possible analytical bias resulted on current research findings.

Furthermore, the Hofstede's theory has mainly focused on the national level of culture influences while some scholars like Maignan et al. (1999) have found the certain characters of organisational culture are associated with improved level of CSR performance. It is quite interesting to see that the same research questions studied with similar research methods has led to various conflicting and plausible findings. For example, Orpen (1987) and Quazi and O'Brien (2000) both employed the similar questionnaires used by Davis (1973) and Ostlund (1977) to explore the relationship between cultures and CSR, but they still discovered the contradictory results against each other. It indicates that the member of society, though influenced to a great extent by the norms of the overall culture, may find themselves also affected to a great extent by the norms of their micro-culture, such as organisational culture or religious beliefs (Burns, Fawcett et al. 1994).

Therefore it could be expected then that individuals' ethical perceptions of CSR/CC might also differ across micro-cultures, which represents cultures-within-a-culture. It

is not surprised for Lee (1981) to find out that Chinese managers share extreme similar ethical attitudes with their British counterparts. And it is quite the similar case for Jackson and Artola (1997)'s survey to find significant difference in both perceived top management beliefs and company policy are found by national ownership of the company rather than the country in which it is situated. This is an interesting result, as it indicates that the managers are influenced by the organizational culture which is affected by the national culture of the parent company. Survey results from Maignan, Ferrell et al. (1999) also suggested that the greater market orientation and the greater humanistic orientation in its organizational culture would all lead to the more responsible business practices of the company, which in turn is associated with improved levels of employee commitment, customer loyalty, and business performance. With respect to that fact, the similarity of different samples in the level of micro-cultural background would also be of interest to the researchers to explain those complicated results.

The intersection of national and organisational culture implies the choice of Hofstede's model on the questionnaire on the culture effects will require a further justification while its weakness comparing to the current other research themes on culture should be admitted. More analytical discussions on both the similarities and differences of various cultural model mentioned in the literature review will be linked to the main research themes and questions of differences on the CSR attitudes and performance in different countries. Alternative research model on the effects of national culture and micro-culture for future studies on similar research topic will be proposed based on the previous discussion on relevant literature review. Except the influences of culture on CSR, other explanations for such differences will be proposed in the future studies to introduce another theme of development/modernisation.

8.4.3 Development/Modernity

This study offers a comparative illustration of selected key areas of CSR performance among developed and developing countries since the industrial

revolution to demonstrate the similarities in CSR development pattern over the years. It also suggests the effects of globalisation on culture could provide another explanation for changes in CSR attitudes and performance globally. Thus culture influences complemented with development/modernisation factors and globalisation effects would help to render the maximum scope of forces shaping the CSR attitudes and practices in different countries.

However, as indicated in the research limitations, this study has provided an integrative but only descriptive model of CSR development on which further research efforts might build. Many scholars endeavour to answer concerns and engage in efforts to conceptualise CSR development from a more dynamic and implementation-oriented perspective, enhancing the understanding of the internal and external factors of social change in organizations and integration of CSR principles into business models and processes (Basu and Palazzo, 2008; Zadek, 2004). These conceptualizations commonly rely on the idea of a level-by-level process along which internal capabilities gradually get applied to societal issues and drive CSR development. Thus, the theoretical link between development and the adoption of CSR practice also need to be made more explicitly and the causal mechanisms identified.

Meanwhile, the core debates in development including inexorable stages vs leap-frogging stages, singular form of capitalism vs multiple variants of capitalism will be addressed to explain why both countries might follow the same route of development path of CSR but still have different focus on CSR issues. Especially the explicit models of modernisation will be discussed as the idea of a singular normative path to modernity has always become problematic, if not untenable (Hong, 2005) and some scholars request to discard “falsely uniform pattern” (Taylor, 1999, p.160) of modernity in response to the call for treating all cultures at the same level instead of as backward or inferior to the western model (Greenstein, 2009). Thus new insights could be drawn from the literatures on multiple modernity to render a schematic picture of various models of development. And it could produce possible explanations for the observed divergence in convergence of CSR attitudes and

performance, such as emphasised the different dimensions in China (Society) and the UK (People) found in this study, in countries of the world.

Furthermore, future research would further validate the influences of cultural differences, CSR development pattern and globalisation effects on CSR among a large group of SMEs in the UK and China, in conjunction with relevant governmental agencies or NGOs. The concerns on different definitions of SMEs and comparison of samples on like-for-like basis will be readdressed to justify the sampling choice of different SME standard in different countries properly. The group size of sample subjects should be sufficient to cover the whole area of both countries and all sort of industrial sectors while maintaining adequate power to detect an effect size of 0.5 or less.

Therefore, it could attempt to systematically investigate whether the cross-national variations observed on CSR attitudes or practices are still significantly correlated with suggested cultural variances, as well as CSR development pattern and globalisation effects. The influences of other factors, except firm size and length of business operation that are already proven to have weak and insignificant influences, might also be examined through the same nonparametric test and binary logistic regression analysis. If the proposed hypotheses were also validated in a larger sample group with higher level of divergence in the UK and China, future research could explore the fitness of SOP framework in other country settings with different economic and cultural backgrounds.

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Appendix One Hofstede's Cultural Typology and CSR

the Cultural Typology	High Context	Low Context	Source
Power distance (PDI)	Prefer to take the opinions and orders from superiors, rely more on formal professional or industrial code, felt less concern for the environmental protections and employees' right	Prefer to take the opinions and orders from colleagues and think independently, rely less on formal professional or industrial code, felt more concern for the environmental protections and employees' right	Christie et al. 2003; Katz et al. 2001; Vitell, Nwachukwu et al. 1993
Uncertainty avoidance (UAI)	Tend to comply with legal requirements, less likely to perceive ethical problems and place themselves as less important stakeholders when perceived negative consequence, require more legislation on environment and labour issue	rely more on informal rules, like ethical norms, and even be a risk taker to break a rule if this serving the society's best interest	Christie, Kwon et al. 2003 Goodwin and Goodwin 1999; Hood and Logsdon 2002; Katz, Swanson et al. 2001; Vitell, Nwachukwu et al. 1993
Individualism (IDV)	less accommodative to unethical deeds, more likely to challenge the corporation's unethical behaviours, having wider concerns to broad social welfare and taking more philanthropic activities, for the sake of highly self-appreciated personal ethical attitude	look after the social wellbeing of the society and community and believe that group interests are more important than personal interests	Christie, Kwon et al. 2003; Goodwin and Goodwin 1999; Lu, Rose et al. 1999; Katz et al. 2001; Smith and Hume 2005; Vitell, Nwachukwu et al. 1993
Masculinity (MAS)	less likely to perceive questionable ethical problems, undertake more aggressive and dollar-driven behaviours and emphasize the priority of economic interests	feminine managers, on the contrary, adopt a more cooperative and less aggressive management style, operate benevolently towards environment and define achievement in terms of close human relationships rather than material success	Christie, Kwon et al. 2003; Goodwin and Goodwin 1999; Katz, Swanson et al. 2001
the Cultural Typology	High Context	Low Context	Source
Confucian dynamism or Long-term Orientation (LTO)	appreciate the long-term effects of an ethical decision and won't easily approve a beneficial practice at the expense of damage to the environment	may perceive practices such as profiting at the expense of damage to the environment as less unethical, focus is more on short term effects and adherence to tradition	Christie, Kwon et al. 2003; Goodwin and Goodwin 1999; Lu, Rose et al. 1999

Appendix Two Previous Studies

Study (Year)	Sample	Method	Instrument	Finding
Barnett, Bass et al. (1994)	Undergraduate students	Vignettes and Ethical position questionnaire	Ethical judgement	The ethical judgments of individuals regarding several business-related issues varied, depending upon their ethical ideology
Barnett and Salomon (2006)	SRI Fund	Plot and RAP Model	Risk-adjusted performance (RAP)	A curvilinear relationship between CSP and CFP is found. Also the financial performance varies with the types of social screens used.
Betz, O'Connell et al. (1989)	Master Business Students	Questionnaire	Attitude: the willingness to engage in unethical conduct, work orientations and interests, career goals	Men are more than two times as likely as women to engage in actions regarded as unethical but it is also important to note that relatively few would engage in any of these actions with the exception of buying stock with inside information.
Boehm (2002)	Corporate leader and community leader	interview		Instead of "philanthropy" characterized by a one-way, top-down (corporate-community) relationship, CSR is described as "collaboration" and as an economic, social, or psychological "contract" between corporate leaders and community leaders.
Bondy, Matten et al. (2004)	Top 25 Companies in U.S.	Website	Code and Signallers	Three types of codes were identified: internal, external, and third party.
Boyd (2005)	Case Study			Steps to improve CSR performance
Carlisle and Faulkner (2004)	Managers	Survey		Since 1994 most company start to be aware of the CSR concept and move towards to integrating an operable code of conduct and verifying external CSR managerial system.
Clarke (1997)	Manager in Top 24 British Donors	Questionnaire		Corporate giving is not motivated by altruism but mainly by strategic business objectives. Many of firms evaluated the impact of their contributions in terms of these objectives, particularly in terms of the publicity benefit.
Folkes and Kamins (1999)	Undergraduate Students	Questionnaire with Scenarios	Brand attitude	Consumers' attitudes toward superior products differed depending on the type of ethical behaviour enacted by the firm, whether refraining from unethical behaviour or acting prosocially. However, when a

Gatewood and Carroll (1981)	Case study	Case study		product attribute was inferior, firms' ethics had less impact Society seems to expect business to act in a socially responsible manner; if business fails to do so voluntarily, it may find itself compelled to do so by a government regulatory agency.
Jonker and Nijhof (2006)	Companies NGOs	SERVQUAL questionnaire	Attitude and Statement	Common understanding and clear arrangements can diminish problems based on misunderstanding further down the process of collaboration.
Johnson and Greening (1994)	KLD database		Accounting, marketing performance indicators, corporate social performance	The investors are concerned with product quality, environmental exposure and compensation issues (those items that may affect the bottom line).
Labatt (1997)	Manager	Questionnaire	Waste Reduction Index	The presence of environmental affairs function in a firm can have a moderating effect on its awareness of NAPP and thus affect its social performance in terms of packaging-waste reduction effort.
Mohr, Webb et al. (2001)	Consumer	Scenarios, interview		A typology of consumers whose purchasing behavior ranges from unresponsive to highly responsive to corporate social responsibility was developed from the analysis
Mohr and Webb (2005)	Consumer	Scenarios, Questionnaire	SRCB Purchase intention, attitude	Corporate social responsibility in both domains had a positive impact on evaluation of the company and purchase intent.
Pedersen (2006)	NGOs	Case study		The stakeholder dialogue can be interpreted as a modelling process in three phases.
Roberts (1992)	Fortune 500	Published data	Accounting indicators	Measures of stakeholder power, strategy posture, and economic performance are significantly related to levels of corporate social disclosure.
Pimenova and van der Vorst (2004)	SMEs	Questionnaire	environmental support initiatives and effects	Environmental concerns, constraints to environmental performance improvements, key incentives to caring for the environment, and the role of support initiatives and bodies in promoting best environmental practices in SMEs.
Sanchez (2000)	NGOs	Case study		Philanthropic acts by Salvadoran firms are driven by altruistic and politically strategic motives, and reflect individualistic and

Snider, Paul et al. (2003)	Top 50 U.S. and top 50 multinational firms of non-U.S.	Website		paternalistic attitudes. Firms concentrate their attention on the same stakeholder groups and advancing statements often are interchangeable except for the company name and the product category.
Tencati, Perrini et al. (2004)	SME	Questionnaire	Attitude toward CSR and adoption	It provides a detailed picture of the general scheme designed to carry out the research project.
Thomas and Simerly (1995)	CEO	CEO with KLD database		Top managers are important internal determinants of a firm's CSP, and top management teams and CEO's are both important to social performance outcomes.
Tilley (2000)	SME	Semi-structured interviews		Most small firms are operating within an ethical system derived from the conventional ethical discourse, and they therefore regard the environmental challenge from a shallow ecology perspective.
Waddock and Graves 1997	U.S. companies	KLD		Corporate social performance (CSP) is found to be positively associated with prior financial performance, supporting the theory that slack resource availability and CSP are positively related.
Waldman, Siegel et al. 2006	U.S. and Canadian companies	Questionnaire with KLD		Charismatic leaders may be effective at forming a collective identity based on appealing values that go beyond the self-interests of individuals and even the greater organization.
Weaver, Trevino et al. (1999)	Fortune 500	Questionnaire	Attitude and awareness	External pressures for social performance encourage easily decoupled processes but that top management commitments can encourage both easily decoupled and integrated processes.
Worthington, Ram et al. (2006)	Asian-owned and/or managed SMEs	Interview		Research suggests that SME are not recognized for their practice of "silent social responsibility"

Appendix Three Questionnaire

Dear Participant,

This is a survey of business ethics in small and medium-sized enterprises in UK. We are interested in your opinions so we can understand and improve our understanding on current situation of CSR practiced among SMEs. This questionnaire will take approximately 10 minutes to complete. Please read the instructions before you begin. Kindly take time to answer all the questions since incomplete questionnaire cannot be used for the purpose of the survey. Please circle or write your answers as appropriate.

Thank you for your time and support.

Section One Personal Opinions

01. Please circle one number for each question that comes closest to reflecting your opinion.

In your opinion,	Strongly Disagree	Disagree	Probably disagree	Neither agree nor disagree	Probably Agree	Agree	Strongly Agree
(1) company's primary objectives is to make profits for shareholders	1	2	3	4	5	6	7
(2) company's primary objectives is to create wealth for the society	1	2	3	4	5	6	7
(3) corporate social responsibility is responsibility in addition to its primary responsibility	1	2	3	4	5	6	7
(4) carry out CSR practice will increase the cost	1	2	3	4	5	6	7
(5) corporate social responsibility is matters of large companies	1	2	3	4	5	6	7
(6) CSR is a universal value should be applied in both oriental and western countries.	1	2	3	4	5	6	7
(7) CSR is only concerned for company having international business relations.	1	2	3	4	5	6	7
(8) entrepreneur would have strong sense of social responsibility	1	2	3	4	5	6	7

02. You think your company is responsible for

	Completely unnecessary	unnecessary	Maybe unnecessary	Neither necessary nor unnecessary	Maybe necessary	necessary	Completely necessary
(1) keep good operating performance	1	2	3	4	5	6	7
(2) participate in community projects	1	2	3	4	5	6	7
(3) retain the competitiveness of company	1	2	3	4	5	6	7
(4) pay relevant tax	1	2	3	4	5	6	7
(5) provide employment opportunities	1	2	3	4	5	6	7
(6) abide by laws	1	2	3	4	5	6	7
(7) not involve in bribery and corruption	1	2	3	4	5	6	7
(8) establish sound management system	1	2	3	4	5	6	7
(9) provide a safe working environment	1	2	3	4	5	6	7
(10) be good neighbour	1	2	3	4	5	6	7
(11) enhance equity in employment and workplace	1	2	3	4	5	6	7

(12) control and compensate possible contamination	1	2	3	4	5	6	7
(13) help social minorities	1	2	3	4	5	6	7
(14) comply to principle of fair play in competition	1	2	3	4	5	6	7
(15) donate to charities	1	2	3	4	5	6	7
(16) safeguard the rights of employees	1	2	3	4	5	6	7
(17) provide excellent product or service	1	2	3	4	5	6	7
(18) protect shareholder's interests	1	2	3	4	5	6	7
(19) build harmonious organizational culture	1	2	3	4	5	6	7
(20) offer staff opportunities of further development	1	2	3	4	5	6	7

03 Please rank in order the first 5 main drives for undertaking the above measures (from 1 to 5)

efforts to be acknowledged by government	establish self-image for enterpriser
reduce legislation risk	pursuit personal value
generate more profits	create more values for customers
promote product image	deal with pressure from public opinions
cope with pressure from competitors	retain sustainable competitiveness
contribute to society	others (please specify) _____

04 Please indicate the extent of your awareness on following laws, code of conducts and standards

	Never heard of	Unfamiliar	Neither familiar nor unfamiliar	Familiar	Understand comprehensively
(1) Policies and Regulations	1	2	3	4	5
Environmental Protection Act 1990	1	2	3	4	5
Companies Act 2006	1	2	3	4	5
Duty of Care Regulations 1991	1	2	3	4	5
Health and Safety at Work Act 1992	1	2	3	4	5
The Working Time Regulations 1998	1	2	3	4	5
Human Rights Act 1998	1	2	3	4	5
Data Protection Act 1998	1	2	3	4	5
Disability Discrimination Act 1995	1	2	3	4	5
Minimum Wage Act 1998	1	2	3	4	5
Pensions Act 2004	1	2	3	4	5
Others _____	1	2	3	4	5
(2) typical CSR norm or practices in the same or similar industry s	1	2	3	4	5
(3) typical CSR norm or practices by domestic companies	1	2	3	4	5
(4) typical CSR norm or practices by foreign companies	1	2	3	4	5
(5) relevant international standards of CSR	1	2	3	4	5
Global Compact	1	2	3	4	5
ISO14001	1	2	3	4	5

OECD Guideline	1	2	3	4	5
SA8000	1	2	3	4	5
Others_____	1	2	3	4	5

05. Please indicate which kind of practical measures your company implemented and then rate its importance to sustainable development of your company by circle the number.

Our Company has_____		not very important	not important	no effect	a bit important	very important
A responsible officer	<input type="checkbox"/>	1	2	3	4	5
An environmental improvements program	<input type="checkbox"/>	1	2	3	4	5
Supporting local community projects with employee volunteering or financial contributions	<input type="checkbox"/>	1	2	3	4	5
Energy efficiency/ water reduction measures	<input type="checkbox"/>	1	2	3	4	5
Providing a safe working environment and educational assistance to employees	<input type="checkbox"/>	1	2	3	4	5
An environmental assessment	<input type="checkbox"/>	1	2	3	4	5
Improving customer service standards	<input type="checkbox"/>	1	2	3	4	5
Others_____	<input type="checkbox"/>	1	2	3	4	5

06 Please circle the number for each following statement that comes closest to reflecting the real situations of your company? (1 = It didn't reflect the real situations of our company at all *to* 7 =It definitely illustrate the real situations of our company.)

Our company...	Not at all	Not Much	Probab ly not	Not Sure	Some time s	Much	Defi nite ly
(1) has positive image in media report	1	2	3	4	5	6	7
(2) is a hot spot for job hunting	1	2	3	4	5	6	7
(3) is favored by consumer under the same condition	1	2	3	4	5	6	7
(4) has low staff turnover rate	1	2	3	4	5	6	7
(5) is trusted by customers	1	2	3	4	5	6	7
(6) pay wages in full in time	1	2	3	4	5	6	7
(7) provide excellent product or service	1	2	3	4	5	6	7
(8) has specific measures to safeguard staff' s safety and health	1	2	3	4	5	6	7
(9) has been complained for disturbing surrounding environment	1	2	3	4	5	6	7
(10) offer equal opportunities in recruiting and working	1	2	3	4	5	6	7
(11) control and compensate possible contamination from operation	1	2	3	4	5	6	7
(12) have to take some irregular practice under fierce competition	1	2	3	4	5	6	7
(13) donate money or time to charities	1	2	3	4	5	6	7
(14) establish sustainable business model	1	2	3	4	5	6	7
(15) has sound organization structure	1	2	3	4	5	6	7
(16) actively participate in community project for public benefit	1	2	3	4	5	6	7

(17) take appropriate tax minimization measure	1	2	3	4	5	6	7
(18) offer staff training and education program	1	2	3	4	5	6	7
(19) abide by law and regulations	1	2	3	4	5	6	7
(20) harmonious organizational culture	1	2	3	4	5	6	7

Section Two Cultural Influence

07. How frequently, in your experience, are subordinates afraid to express disagreement with their superiors? Please circle the number that comes closest to reflecting your opinion about it.

Frequent rate	very seldom	seldom	sometimes	frequently	very frequently
	1	2	3	4	5

08. Please circle the number for each question that comes closest to reflecting your opinion.

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
Having sufficient time for your personal or family life is important	1	2	3	4	5
When people have failed in life it is often their own fault	1	2	3	4	5
Competition between employees usually does more harm than good	1	2	3	4	5
In your private life, respect for tradition is important	1	2	3	4	5

Section Three Personal Information

09. Please indicate your current position in organization (Multiple Choices)

☐ Owner ☐ General Manager ☐ Function Manager ☐ Others (please specify)_____

10. How old are you? (please specify)_____

11. Please indicate your highest educational achievement

☐ High School ☐ Bachelor ☐ Master ☐ PhD or higher

12. Are you member of local community? (If chose Yes, please complete Question 12A as well)

☐ Yes ☐ No

12A. How long have you been member of local community? (please specify)_____

Section Four Organization Information

13. Your company was established in _____, currently employed _____ staff, _____ % of them obtaining Bachelor degree or higher. Female employees have occupied _____% of middle managerial position. In 2007, the expenditures on staff training and education accounts for _____% of sales revenues and the technical and administrative workers account for _____% of total employees.

14. Your company has been located in this local area since _____

15. The operation of your company has reached _____

	Serious Loss	Loss	Breakeven	Profitable	Very Profitable
(1) in 2006	1	2	3	4	5
(2) in 2007	1	2	3	4	5

16. Your company operates in _____

(01) Agriculture

(02) Construction

(03) Electrical

(04) Equipment and Machinery Manufacture

- (05) Fabricated Metal Products
- (06) Food and Drink Manufacture
- (07) Hotels and Restaurants
- (08) Machinery Manufacture
- (09) Mining and Quarrying
- (10) Non Metallic Mineral Product Manufacture
- (11) Printing
- (12) Publishing and Reproduction of Recorded Media
- (13) Recycling, Sewage, Waste and Cleansing
- (14) Textiles and Clothing
- (15) Transport by Land and Wood and Wood Products.
- (16) Others_____

17. How many shares of your company are owned by foreign investors?

☐ 0% ☐ 1-25% ☐ 21-49% ☐ 50% ☐ 51-75% ☐ 76-99% ☐ 100%

18. Does your company export product? (If chose Yes, please complete Question 18A)

☐ Yes ☐ No

18A. How long has your company traded with foreign companies?(please specify)_____And _____% of your sales revenue is currently exported to foreign companies.

19. Does your company provide products or service for foreign-owned companies? (If chose Yes, please complete Question 19A)

☐ Yes ☐ No

19A. How long has your company traded with foreign-owned companies?(please specify)_____And _____% of your sales revenue is currently linked with foreign-owned companies.

20. Does companies that your company trading with provide products or service for foreign companies? (If chose Yes, please complete Question 20A)

☐ Yes ☐ No

20A. Please specify _____% of them have international business relations.

Optional Part

If you would like to have an executive report of the aggregated results and conclusions of this study please provide your name and email address below:

Name: _____

Address: _____

E-mail: _____

Appendix Four Tables of Cultural Effects on CSR

Scale	The company is responsible for	China		Britain		Mann-Whitney U	Sig. (2-tailed)
		Mean	SD	Mean	SD		
	<i>Organisation Dimension</i>						
1	keep good operating performance	6.33	.619	6.60	.564	1335.500	0.011*
3	retain the competitiveness of company	6.52	.563	6.35	.799	1614.000	0.360
8	establish sound management system	6.17	.846	6.44	.660	1470.500	0.095
18	protect shareholder's interests	6.17	.767	5.89	1.625	1656.500	0.820
19	build harmonious organizational culture	6.22	.723	5.80	.898	1279.500	0.009**
	<i>Society Dimension</i>						
2	participate in community projects	5.59	.796	4.35	1.554	887.000	0.000***
4	pay relevant tax	6.59	.526	6.20	1.007	1412.500	0.035*
5	provide employment opportunities	5.89	.825	5.38	1.225	1317.000	0.018*
6	abide by laws	6.67	.619	6.73	.489	1727.500	0.834
10	be good neighbour	6.08	.697	5.91	.845	1609.500	0.372
12	control and compensate possible contamination	6.19	.895	6.02	.909	1479.000	0.264
	<i>People Dimension</i>						
7	not involve in bribery and corruption	6.34	.930	6.67	1.166	1229.000	0.001**
9	provide a safe working environment	6.27	.802	6.69	.466	1246.000	0.002**
11	enhance equity in employment and workplace	6.08	.867	5.54	1.128	1236.500	0.007**
13	help social minorities	5.48	.908	3.98	1.569	710.500	0.000***
15	donate to charities	5.38	.826	4.19	1.518	882.000	0.000***
16	safeguard the rights of employees	6.09	.791	6.15	.756	1697.500	0.736
17	provide excellent product or service	6.49	.564	6.65	.615	1426.500	0.056
20	offer staff opportunities of further development	6.08	.719	5.77	.869	1371.500	0.056
14	comply to principle of fair play in competition	6.03	.950	5.47	1.345	1341.000	0.026*

Appendix 4.1 CSR Attitudes in China and UK

Source: Author

* 7-point likert levels scored from 1 to 7, with 7 being Completely Necessary. Mann-Whitney tests are used. N China = 56; N uk = 53;

* significant at the .05 level (two-tailed); ** significant at the .01 level (two-tailed). *** significant at the .001 level; the mean score marked bold means it is higher than mean of the other sample group.

Item		China		Britain		Mann-Whitney U	Sig. (2-tailed)
		Mean	SD	Mean	SD		
	<i>Shareholders</i>						
16	establish sustainable business model	5.29	1.181	6.02	.990	889.000	.001
17	has sound organization structure	5.44	1.254	6.27	.695	828.500	.000
20	take appropriate tax minimization measure	3.59	1.858	5.49	1.461	593.000	.000
	<i>Community</i>						
10	has been complained for disturbing surrounding environment	5.56	1.860	5.90	1.550	1262.500	.335
15	donate money or time to charities	4.87	1.402	4.84	1.754	1315.500	.692
18	actively participate in community project for public benefit	5.02	1.340	4.24	1.986	1081.000	.037
	<i>Government</i>						
11	offer equal opportunities in recruiting and working	5.65	1.250	6.32	.891	952.500	.004
12	control and compensate possible contamination from operation	5.38	1.483	5.50	1.693	1130.500	.394
22	abide by law and regulations	6.08	.805	6.84	.367	619.000	.000
	<i>Media</i>						
1	has positive image in media report	4.49	1.665	4.94	1.697	1177.500	.108
	<i>Employees</i>						
6	pay wages in full in time	6.35	.844	6.81	.627	915.500	.000
9	has specific measures to safeguard staff's safety and health	5.71	1.370	6.25	1.118	1030.000	.008
21	offer staff training and education program	5.25	1.364	5.98	1.040	933.000	.003
23	harmonious organizational culture	5.78	1.150	5.82	1.240	1333.000	.778
	<i>Customers</i>						
3	is favoured by customers	5.15	1.156	4.68	1.369	993.000	.051
8	provide excellent product or service	6.35	.756	6.52	.610	1242.000	.249
	<i>Competitors</i>						
14	have to take some irregular practice under fierce competition	5.15	1.919	5.98	1.509	940.000	.008

Appendix 4.2 CSR Performance in China and UK

Source: Author * The actual CSR performances of SME in different respects are measured by 7-point likert level of self-evaluation statement ranging from 1 to 7. The higher point indicates the better performance in this respect;* the item marked with grey area indicates significant difference in practice has been found on this item;* the score marked bold means it is higher than the mean of the other sample group. *p< 0.05; **p < 0.01; ***p < 0.001

Appendix Five Fatality Rate of Coal Mining

Year	Number of Miner	Fatality	Fatality Rate per 1000 workers	Year	Number of Miner	Fatality	Fatality Rate per 1000 workers
1900	448581	1489	3.32	1938	541528	1105	2.04
1901	485544	1574	3.24	1939	539375	1078	2
1902	518197	1724	3.33	1940	533267	1388	2.6
1903	566260	1926	3.4	1941	546692	1266	2.32
1904	593693	1995	3.36	1942	530861	1471	2.77
1905	626045	2232	3.57	1943	486516	1451	2.98
1906	640780	2138	3.34	1944	453937	1298	2.86
1907	680492	3242	4.76	1945	437921	1068	2.44
1908	690438	2445	3.54	1946	463079	968	2.09
1909	666552	2642	3.96	1947	490356	1158	2.36
1910	725030	2821	3.89	1948	507333	999	1.97
1911	728348	2656	3.65	1949	485306	585	1.21
1912	722662	2419	3.35	1950	483239	643	1.33
1913	747644	2785	3.73	1951	441905	785	1.78
1914	763185	2454	3.22	1952	401329	548	1.37
1915	734008	2269	3.09	1953	351126	461	1.31
1916	720971	2226	3.09	1954	283705	396	1.4
1917	757317	2696	3.56	1955	260089	420	1.61
1918	762426	2580	3.38	1956	260285	448	1.72
1919	776569	2323	2.99	1957	254725	478	1.88
1920	784621	2272	2.9	1958	224890	358	1.59
1921	823253	1995	2.42	1959	203597	293	1.44
1922	844807	1984	2.35	1960	189679	325	1.71
1923	862536	2462	2.85	1961	167568	294	1.75
1924	779613	2402	3.08	1962	161286	289	1.79
1925	748805	2518	3.36	1963	157126	284	1.81
1926	759033	2234	2.94	1964	150761	242	1.61
1927	759177	2231	2.94	1965	148734	259	1.74
1928	682831	2176	3.19	1966	145244	233	1.6
1929	654494	2187	3.34	1967	139312	222	1.59
1930	644006	2063	3.2	1968	134467	311	2.31
1931	589705	1463	2.48	1969	133302	203	1.52
1932	527623	1207	2.29	1970	144480	260	1.8
1933	523182	1064	2.03	1971	142108	181	1.27
1934	566426	1226	2.16	1972	162207	156	0.96
1935	565202	1242	2.2	1973	151892	132	0.87
1936	584582	1342	2.3	1974	182274	133	0.73
1937	589856	1413	2.4	1975	224412	155	0.69
1976	221255	141	0.64	1994	143645	45	0.31
1977	237506	139	0.59	1995	132111	47	0.36
1978	255588	106	0.41	1996	126451	39	0.31
1979	260429	144	0.55	1997	126429	30	0.24
1980	253007	133	0.53	1998	122083	29	0.24

Year	Number of Miner	Fatality	Fatality Rate per 1000 workers	Year	Number of Miner	Fatality	Fatality Rate per 1000 workers
1981	249738	153	0.61	1999	114489	35	0.31
1982	241454	122	0.51	2000	108098	38	0.35
1983	200199	70	0.35	2001	114458	42	0.37
1984	208160	125	0.6	2002	110966	28	0.24
1985	197049	68	0.35	2003	104824	30	0.29
1986	185167	89	0.48	2004	108734	28	0.26
1987	172780	63	0.36	2005	116436	23	0.2
1988	166278	53	0.32	2006	122975	47	0.38
1989	164929	68	0.41	2007	122936	34	0.28
1990	168625	66	0.39	2008	133827	30	0.22
1991	158677	61	0.38	2009	133433	18	0.13
1992	153128	55	0.36	2008	133827	30	0.22
1993	141183	47	0.33	2009	133433	18	0.13

Appendix 5 Fatality Rate of Coal Mining in the U.S.

Source: statistics from Mine Safety & Health Administration (MSHA) website

Appendix Six Tables of Cultural Effects on CSR Attitudes and Practices

Items	In your opinion,	Owned by Foreign Investors	China			
			Mean	SD	Mann-Whitney U	Sig. (2-tailed)
1.1	Company's primary objective is to make profits for shareholders	No	4.86	1.767	114.500	.301
		Yes	4.00	2.082		
1.2	Company's primary objective is to create wealth for the society.	No	5.47	1.316	149.000	.965
		Yes	5.00	2.160		
1.3	Corporate social responsibility is responsibility in addition to its primary	No	3.51	1.778	127.000	.503
		Yes	3.14	2.116		
1.4	Carrying out CSR practice will increase the cost.	No	4.36	1.737	125.000	.522
		Yes	3.71	2.215		
1.5	Corporate social responsibility is matters of large companies.	No	2.54	1.598	114.500	.330
		Yes	2.00	1.414		
1.6	CSR is a universal value that should be applied in both oriental and western countries.	No	5.55	1.626	149.000	.107
		Yes	4.14	2.410		
1.7	CSR is only concerned for company having international business relations.	No	2.40	1.365	120.000	.366
		Yes	2.14	1.773		
1.8	Entrepreneur would have strong sense of social responsibility.	No	6.05	1.447	126.500	.457
		Yes	6.00	2.236		

Appendix 6.1 Chinese firms on CSR thoughts

In your opinion,	Exporting Goods or Service	China				UK			
		Mean	SD	Mann-Whitney U	Sig. (2-tailed)	Mean	SD	Mann-Whitney U	Sig. (2-tailed)
Company's primary objective is to make profits for shareholders	Yes	4.88	1.833	267.000	.663	4.14	2.248	98.500	.045**
	No	4.74	1.738			5.61	1.469		
Company's primary objective is to create wealth for the society.	Yes	5.68	1.215	238.000	.275	2.93	1.774	131.500	.347
	No	5.30	1.428			3.48	1.729		
Corporate social responsibility is responsibility in addition to its primary	Yes	3.16	1.700	231.000	.234	5.14	1.167	108.500	.088*
	No	3.83	1.875			4.48	1.275		
Carrying out CSR practice will increase the cost.	Yes	4.40	1.780	256.500	.688	4.57	1.158	157.500	.907
	No	4.18	1.868			4.61	1.469		
Corporate social responsibility is matters of large companies.	Yes	2.17	1.403	209.000	.205	3.00	1.840	131.000	.330
	No	2.83	1.723			3.52	1.648		
CSR is a universal value that should be applied in both oriental and western countries.	Yes	5.28	2.031	271.000	.930	5.29	1.139	145.000	.761
	No	5.59	1.297			4.95	1.558		
CSR is only concerned for company having international business relations.	Yes	2.24	1.165	276.500	.810	2.00	.877	113.500	.171
	No	2.57	1.674			2.82	1.680		
Entrepreneur would have strong sense of social responsibility.	Yes	6.40	1.155	218.500	.111	4.15	1.463	129.000	.625
	No	5.87	1.604			3.91	1.716		

Appendix 6.2 Chinese and British firms on CSR thoughts divided by exportation

In your opinion,	Trading with Foreign-owned Companies	China				UK			
		Mean	SD	Mann-Whitney U	Sig. (2-tailed)	Mean	SD	Mann-Whitney U	Sig. (2-tailed)
Company's primary objective is to make profits for shareholders	Yes	5.19	1.504	213.000	.131	4.67	2.223	125.500	.352
	No	4.44	1.867			5.59	1.121		
Company's primary objective is to create wealth for the society.	Yes	5.43	1.076	251.500	.477	3.06	1.662	113.000	.180
	No	5.48	1.477			3.82	1.741		
Corporate social responsibility is responsibility in addition to its primary	Yes	3.71	1.736	251.500	.498	4.94	.938	112.500	.162
	No	3.41	1.866			4.53	1.375		
Carrying out CSR practice will increase the cost.	Yes	4.81	1.861	195.000	.089*	4.67	1.237	151.000	.942
	No	3.96	1.685			4.71	1.047		
Corporate social responsibility is matters of large companies.	Yes	2.40	1.569	241.000	.661	3.17	1.689	131.500	.465
	No	2.62	1.602			3.65	1.801		
CSR is a universal value that should be applied in both oriental and western countries.	Yes	5.33	1.826	272.500	.991	5.33	1.138	140.500	.900
	No	5.46	1.630			5.13	1.455		
CSR is only concerned for company having international business relations.	Yes	2.62	1.564	244.500	.392	2.22	1.003	125.000	.493
	No	2.22	1.311			2.81	1.834		
Entrepreneur would have strong sense of social responsibility.	Yes	6.57	.926	187.000	.026**	4.39	1.461	123.000	.458
	No	5.78	1.601			4.06	1.731		

Appendix 6.3 Chinese and British firms on CSR thoughts divided by trading relations

In your opinion, Business Partner Trading with Foreign-owned Companies		China				UK			
		Mean	SD	Mann-Whitney U	Sig. (2-tailed)	Mean	SD	Mann-Whitney U	Sig. (2-tailed)
Company's primary objective is to make profits for shareholders	Yes	4.65	1.774	263.500	.784	4.42	2.065	65.500	.149
	No	4.88	1.777			5.44	1.632		
Company's primary objective is to create wealth for the society.	Yes	5.39	1.118	232.500	.321	3.58	1.881	87.000	.672
	No	5.54	1.503			3.31	1.887		
Corporate social responsibility is responsibility in addition to its primary	Yes	2.91	1.676	171.500	.023**	4.83	.835	84.500	.580
	No	4.08	1.767			4.63	1.544		
Carrying out CSR practice will increase the cost.	Yes	4.30	2.032	258.500	.893	4.75	1.055	92.000	.841
	No	4.35	1.613			4.75	1.238		
Corporate social responsibility is matters of large companies.	Yes	2.14	1.590	172.000	.059*	2.92	1.621	83.000	.527
	No	2.88	1.541			3.38	1.821		
CSR is a universal value that should be applied in both oriental and western countries.	Yes	5.18	2.108	262.000	.964	5.25	1.055	86.500	.646
	No	5.58	1.283			4.94	1.436		
CSR is only concerned for company having international business relations.	Yes	2.13	1.359	208.000	.127	2.50	1.508	89.500	.980
	No	2.67	1.494			2.60	1.724		
Entrepreneur would have strong sense of social responsibility.	Yes	6.43	1.161	196.500	.059*	3.55	1.809	59.000	.146
	No	5.83	1.579			4.50	1.506		

Appendix 6.4 Chinese and British firms on CSR thoughts divided by trading relations of their business partner

	Chinese firms owned or invested by Foreign investors	NonForeign		Foreign			
Scale	The company is responsible for	Mean	SD	Mean	SD	Mann- Whitney U	Sig. (2- tailed)
	<i>Organisation Dimension</i>						
1	keep good operating performance	6.26	.658	6.57	.535	112.500	.226
3	retain the competitiveness of company	6.49	.592	6.43	.535	138.500	.703
8	establish sound management system	6.19	.906	6.29	.756	146.000	.892
18	protect shareholder's interests	6.16	.721	5.86	.690	115.500	.288
19	build harmonious organizational culture	6.14	.774	6.43	.535	122.500	.393
	<i>Society Dimension</i>						
2	participate in community projects	5.52	.804	5.86	.690	111.500	.274
4	pay relevant tax	6.56	.548	6.71	.488	129.500	.492
5	provide employment opportunities	5.81	.917	6.14	.378	119.000	.389
6	abide by laws	6.58	.698	6.71	.488	141.500	.758
10	be good neighbour	5.95	.722	6.14	.378	130.500	.524
12	control and compensate possible contamination	6.23	.972	6.17	.408	107.000	.467
	<i>People Dimension</i>						
7	not involve in bribery and corruption	6.28	1.031	6.29	.756	137.500	.687
9	provide a safe working environment	6.16	.871	6.57	.535	113.500	.259
11	enhance equity in employment and workplace	6.02	.924	6.43	.535	114.500	.322
13	help social minorities	5.42	.982	5.57	.535	136.000	.668
15	donate to charities	5.23	.841	5.43	.535	134.500	.629
16	safeguard the rights of employees	6.00	.816	6.29	.756	122.500	.398
17	provide excellent product or service	6.38	.582	7.00	.000	63.000	.006**
20	offer staff opportunities of further development	6.07	.799	6.00	.577	139.000	.728
14	comply to principle of fair play in competition	5.95	1.035	6.43	.787	109.000	.251

Appendix 6.5 CSR attitude of foreign-funded firms in China

	Chinese Firms exporting goods or service (Q18)	Exporting		Not Exporting			
Scale	The company is responsible for	Mean	SD	Mean	SD	Mann-Whitney U	Sig. (2-tailed)
	<i>Organisation Dimension</i>						
1	keep good operating performance	6.48	.510	6.09	.733	205.000	.052*
3	retain the competitiveness of company	6.56	.507	6.39	.656	253.000	.419
8	establish sound management system	6.28	.936	6.13	.815	247.000	.367
18	protect shareholder's interests	6.16	.746	6.13	.694	279.500	.858
19	build harmonious organizational culture	6.24	.779	6.09	.733	255.000	.465
	<i>Society Dimension</i>						
2	participate in community projects	5.54	.721	5.57	.843	270.500	.899
4	pay relevant tax	6.48	.586	6.65	.487	245.500	.314
5	provide employment opportunities	5.80	.764	5.86	.990	261.500	.757
6	abide by laws	6.48	.770	6.70	.559	246.000	.300
10	be good neighbour	6.12	.666	5.83	.717	228.500	.170
12	control and compensate possible contamination	6.24	.970	6.23	.922	271.000	.926
	<i>People Dimension</i>						
7	not involve in bribery and corruption	6.08	1.038	6.43	.945	218.500	.118
9	provide a safe working environment	6.56	.712	5.87	.869	150.000	.002**
11	enhance equity in employment and workplace	6.16	.943	6.00	.816	236.500	.380
13	help social minorities	5.36	.952	5.52	.947	257.500	.514
15	donate to charities	5.16	.800	5.35	.832	236.000	.253
16	safeguard the rights of employees	6.12	.833	6.00	.798	261.500	.562
17	provide excellent product or service	6.60	.500	6.32	.646	212.500	.131
20	offer staff opportunities of further development	6.04	.790	6.04	.767	282.500	.911
14	comply to principle of fair play in competition	6.00	1.000	6.00	1.069	270.000	.910

Appendix 6.6 CSR attitude of exporting firms in China

	British Firms exporting goods or service (Q18)	Exporting		Not Exporting			
Scale	The company is responsible for	Mean	SD	Mean	SD	Mann-Whitney U	Sig. (2-tailed)
	<i>Organisation Dimension</i>						
1	keep good operating performance	6.50	.519	6.74	.449	122.500	.145
3	retain the competitiveness of company	6.14	1.027	6.57	.590	126.000	.217
8	establish sound management system	6.29	.611	6.52	.665	125.000	.207
18	protect shareholder's interests	5.07	2.056	6.52	.593	88.500	.014**
19	build harmonious organizational culture	5.93	.917	5.68	.894	129.500	.401
	<i>Society Dimension</i>						
2	participate in community projects	4.29	1.204	4.09	1.564	155.500	.859
4	pay relevant tax	5.86	1.292	6.48	.593	121.000	.167
5	provide employment opportunities	5.36	1.008	5.48	1.473	140.000	.497
6	abide by laws	6.64	.633	6.78	.422	147.500	.571
10	be good neighbour	6.07	.730	6.04	.706	155.000	.820
12	control and compensate possible contamination	6.23	1.013	6.09	.811	122.500	.453
	<i>People Dimension</i>						
7	not involve in bribery and corruption	6.93	.267	6.64	1.293	143.500	.532
9	provide a safe working environment	6.71	.469	6.70	.470	158.000	.906
11	enhance equity in employment and workplace	5.36	1.277	5.48	1.201	156.500	.881
13	help social minorities	3.36	1.499	3.83	1.614	136.000	.418
15	donate to charities	4.71	1.204	4.17	1.302	123.000	.196
16	safeguard the rights of employees	6.14	1.167	6.17	.576	142.000	.511
17	provide excellent product or service	6.79	.426	6.52	.790	136.500	.337
20	offer staff opportunities of further development	5.69	.751	5.91	.900	121.500	.326
14	comply to principle of fair play in competition	5.50	1.345	5.35	1.496	153.500	.804

Appendix 6.7 CSR attitude of exporting firms in the UK

	Chinese firms trading with foreign-owned companies	Trading		No Trade			
Scale	The company is responsible for	Mean	SD	Mean	SD	Mann- Whitney U	Sig. (2- tailed)
	<i>Organisation Dimension</i>						
1	keep good operating performance	6.38	.498	6.19	.736	250.500	.431
3	retain the competitiveness of company	6.57	.507	6.41	.636	249.000	.415
8	establish sound management system	6.29	.784	6.07	.958	252.500	.489
18	protect shareholder's interests	6.10	.831	6.11	.641	283.000	.991
19	build harmonious organizational culture	6.29	.784	6.04	.706	229.500	.219
	<i>Society Dimension</i>						
2	participate in community projects	5.57	.746	5.50	.812	257.500	.720
4	pay relevant tax	6.57	.507	6.56	.577	282.000	.971
5	provide employment opportunities	5.76	.768	5.88	.952	251.500	.621
6	abide by laws	6.62	.590	6.56	.751	280.500	.940
10	be good neighbour	6.10	.768	5.85	.602	221.000	.138
12	control and compensate possible contamination	6.24	.889	6.19	.981	269.500	.935
	<i>People Dimension</i>						
7	not involve in bribery and corruption	6.00	1.225	6.48	.753	228.000	.202
9	provide a safe working environment	6.43	.746	6.04	.898	210.500	.099*
11	enhance equity in employment and workplace	6.24	.831	5.88	.909	211.000	.157
13	help social minorities	5.14	.854	5.59	.931	204.000	.080*
15	donate to charities	5.24	.700	5.22	.892	282.000	.973
16	safeguard the rights of employees	6.00	.837	6.04	.808	277.500	.893
17	provide excellent product or service	6.62	.498	6.31	.618	201.000	.081*
20	offer staff opportunities of further development	6.10	.768	5.96	.759	260.000	.596
14	comply to principle of fair play in competition	6.00	.949	5.96	1.076	273.000	1.000

Appendix 6.8 CSR attitude of Chinese firms trading with foreign-owned companies

	British firms trading with foreign-owned companies	Trading		No Trade			
Scale	The company is responsible for	Mean	SD	Mean	SD	Mann-Whitney U	Sig. (2-tailed)
	<i>Organisation Dimension</i>						
1	keep good operating performance	6.50	.514	6.76	.437	112.500	.110
3	retain the competitiveness of company	6.11	.963	6.65	.493	104.500	.074*
8	establish sound management system	6.22	.732	6.59	.618	110.000	.115
18	protect shareholder's interests	5.22	1.833	6.59	.507	72.500	.004*
19	build harmonious organizational culture	5.72	.895	5.69	.946	144.000	1.000
	<i>Society Dimension</i>						
2	participate in community projects	4.39	1.195	4.06	1.638	140.500	.671
4	pay relevant tax	5.89	1.183	6.59	.618	97.500	.045*
5	provide employment opportunities	5.17	.857	5.65	1.579	100.500	.072*
6	abide by laws	6.56	.616	6.88	.332	110.500	.065*
10	be good neighbour	6.06	.725	5.94	.748	139.500	.596
12	control and compensate possible contamination	6.18	.951	6.06	.929	125.000	.673
	<i>People Dimension</i>						
7	not involve in bribery and corruption	6.89	.323	6.63	1.500	138.000	.674
9	provide a safe working environment	6.61	.502	6.71	.470	138.500	.561
11	enhance equity in employment and workplace	5.39	1.243	5.41	1.228	152.500	.986
13	help social minorities	3.56	1.464	3.82	1.741	136.500	.574
15	donate to charities	4.61	1.092	4.00	1.369	116.000	.186
16	safeguard the rights of employees	6.00	1.085	6.18	.529	149.000	.885
17	provide excellent product or service	6.67	.485	6.65	.606	150.000	.903
20	offer staff opportunities of further development	5.47	.624	5.94	1.029	97.500	.085*
14	comply to principle of fair play in competition	5.56	1.199	5.00	1.581	124.500	.320

Appendix 6.9 CSR attitude of British firms trading with foreign-owned companies

China	Business Partner Trading with foreign-owned firms	Trading		No Trade			
Scale	The company is responsible for	Mean	SD	Mean	SD	Mann-Whitney U	Sig. (2-tailed)
	<i>Organisation Dimension</i>						
1	keep good operating performance	6.43	.507	6.13	.741	217.000	.151
3	retain the competitiveness of company	6.52	.511	6.46	.658	270.500	.894
8	establish sound management system	6.35	.982	6.04	.751	199.000	.078*
18	protect shareholder's interests	6.09	.793	6.17	.637	263.000	.763
19	build harmonious organizational culture	6.30	.822	6.00	.659	202.500	.088*
	<i>Society Dimension</i>						
2	participate in community projects	5.73	.631	5.38	.875	195.000	.101
4	pay relevant tax	6.57	.590	6.54	.509	263.000	.749
5	provide employment opportunities	5.83	.834	5.83	.937	264.500	1.000
6	abide by laws	6.57	.788	6.58	.584	262.500	.730
10	be good neighbour	6.04	.638	5.88	.741	246.000	.468
12	control and compensate possible contamination	6.26	1.010	6.17	.887	241.000	.576
	<i>People Dimension</i>						
7	not involve in bribery and corruption	6.22	.998	6.29	1.042	262.500	.751
9	provide a safe working environment	6.43	.896	6.00	.780	176.500	.021**
11	enhance equity in employment and workplace	6.17	.778	5.96	.976	235.000	.488
13	help social minorities	5.35	.714	5.46	1.103	248.000	.528
15	donate to charities	5.17	.778	5.29	.859	257.000	.664
16	safeguard the rights of employees	6.13	.869	5.96	.751	238.000	.381
17	provide excellent product or service	6.52	.593	6.39	.583	231.500	.412
20	offer staff opportunities of further development	6.04	.825	6.00	.722	261.000	.730
14	comply to principle of fair play in competition	6.04	1.107	5.91	.949	234.500	.487

Appendix 6.10 CSR attitude of companies whose business partners trade with foreign-owned firms in China

UK	Business Partner Trading with foreign-owned firms	Trading		No Trade			
Scale	The company is responsible for	Mean	SD	Mean	SD	Mann-Whitney U	Sig. (2-tailed)
	<i>Organisation Dimension</i>						
1	keep good operating performance	6.50	.674	6.63	.500	89.000	.704
3	retain the competitiveness of company	6.08	1.165	6.44	.512	88.500	.701
8	establish sound management system	6.08	.793	6.50	.632	67.500	.148
18	protect shareholder's interests	5.00	2.174	6.38	.806	60.000	.076*
19	build harmonious organizational culture	5.27	1.009	5.81	.911	62.000	.180
	<i>Society Dimension</i>						
2	participate in community projects	3.83	1.528	4.38	1.586	73.000	.271
4	pay relevant tax	5.83	1.267	6.44	.814	67.500	.149
5	provide employment opportunities	5.00	.953	5.63	1.586	57.500	.066*
6	abide by laws	6.58	.515	6.81	.544	70.500	.117
10	be good neighbour	5.50	1.000	6.31	.479	52.000	.016**
12	control and compensate possible contamination	6.00	1.155	6.13	.806	80.000	1.000
	<i>People Dimension</i>						
7	not involve in bribery and corruption	6.92	.289	6.60	1.549	89.000	.914
9	provide a safe working environment	6.58	.515	6.63	.500	92.000	.826
11	enhance equity in employment and workplace	5.17	.937	5.50	1.549	70.000	.205
13	help social minorities	2.67	1.303	4.19	1.515	40.500	.007**
15	donate to charities	4.67	1.073	4.06	1.389	78.500	.374
16	safeguard the rights of employees	5.92	1.084	6.19	.655	87.000	.638
17	provide excellent product or service	6.75	.452	6.56	.629	82.500	.442
20	offer staff opportunities of further development	5.25	.866	6.00	.894	52.000	.032**
14	comply to principle of fair play in competition	4.67	1.826	5.63	1.088	66.000	.140

Appendix 6.11 CSR attitude of companies whose business partners trade with foreign-owned firms in the UK

Level of awareness	NonForeign Mean	Std Deviation	Foreign Mean	Std Deviation	Mann-Whitney U	Sig. (2-tailed)
<i>Domestic Laws and Regulations</i>	3.85034	.536338	3.87755	.415913	140.000	.841
Environmental Protection Act	3.51	.768	3.57	.787	137.000	.680
Companies Act	3.86	.647	3.71	.488	125.000	.429
Health and Safety at Work Act	3.84	.949	4.00	.577	144.500	.854
The Working Time Regulations	4.30	.513	4.14	.690	132.500	.549
Disability Discrimination Act	3.37	1.001	3.14	.900	133.000	.606
Minimum Wage Act	3.91	.840	4.43	.535	98.000	.090*
Pensions Act	3.95	.722	4.14	.690	132.000	.551
<i>International Codes of Conduct and Guidelines</i>	2.83537	.856245	2.78571	.727847	137.500	.859
Global Compact	2.81	.982	3.29	.951	109.000	.226
ISO14001	3.02	1.102	3.14	1.069	134.500	.643
OECD Guideline	2.73	1.001	2.43	1.134	121.500	.501
SA8000	2.68	1.011	2.29	1.113	113.000	.355
Same Industry	3.64	.821	3.71	.756	130.500	.609
Domestic Company	3.55	.705	3.43	.787	138.500	.787
Foreign Company	3.10	.656	3.14	.900	138.000	.771

Appendix 6.12 CSR awareness of foreign-funded firms in China

Level of awareness in China	Exporting Mean	Std Deviation	Non-Exp Mean	Std Deviation	Mann-Whitney U	Sig. (2-tailed)
<i>Domestic Laws and Regulations</i>	3.85714	.609012	3.84472	.441185	268.000	.864
Environmental Protection Act	3.44	.870	3.57	.662	267.000	.645
Companies Act	3.79	.658	3.87	.626	257.000	.616
Health and Safety at Work Act	3.84	1.068	3.91	.733	278.500	.838
The Working Time Regulations	4.36	.569	4.22	.518	248.500	.343
Disability Discrimination Act	3.28	1.100	3.35	.885	272.000	.737
Minimum Wage Act	3.96	.841	4.00	.853	278.000	.823
Pensions Act	3.96	.841	4.00	.603	282.000	.897
<i>International Codes of Conduct and Guidelines</i>	2.83000	.871182	2.90476	.735171	257.000	.902
Global Compact	2.80	1.000	3.00	.905	265.000	.627
ISO14001	3.12	1.166	3.04	.976	276.000	.805
OECD Guideline	2.68	1.030	2.76	.995	250.500	.782
SA8000	2.72	.980	2.62	1.071	250.000	.774
Same Industry	3.48	.770	3.83	.834	227.000	.178
Domestic Company	3.32	.690	3.74	.689	199.500	.044**
Foreign Company	3.00	.707	3.17	.650	256.000	.458

Appendix 6.13 CSR awareness of exporting firms in China

Level of awareness in UK	Exporting Mean	Std Deviation	Non-Exp Mean	Std Deviation	Mann-Whitney U	Sig. (2-tailed)
<i>Domestic Laws and Regulations</i>	3.69388	.411213	3.93168	.490862	123.000	.231
Environmental Protection Act	3.57	.756	3.70	.822	152.000	.749
Companies Act	3.64	1.082	3.91	.668	148.000	.650
Health and Safety at Work Act	3.93	.616	4.35	.573	106.000	.049**
The Working Time Regulations	3.64	.745	3.78	1.043	136.500	.400
Disability Discrimination Act	3.86	.663	3.74	.619	151.000	.711
Minimum Wage Act	3.93	.829	4.30	.876	116.500	.134
Pensions Act	3.29	.914	3.74	.915	117.000	.111
<i>International Codes of Conduct and Guidelines</i>	1.80357	.597902	2.16250	.791713	101.000	.169
Global Compact	1.57	.938	1.86	.854	112.500	.206
ISO14001	2.71	1.204	3.05	1.396	126.500	.479
OECD Guideline	1.57	.938	1.85	.875	109.000	.237
SA8000	1.36	.633	2.00	.973	84.500	.034**
Same Industry	3.00	1.155	2.93	1.141	44.500	.726
Domestic Company	2.70	1.160	2.53	.964	85.000	.633
Foreign Company	2.00	1.000	2.20	.676	54.500	.401

Appendix 6.14 CSR awareness of exporting firms in the UK

Level of awareness in Chinese firms trading with foreign-owned companies	Trading Mean	Std Deviation	NoTrade Mean	Std Deviation	Mann-Whitney U	Sig. (2-tailed)
<i>Domestic Laws and Regulations</i>	3.65986	.487552	3.97253	.486586	172.500	.031**
Environmental Protection Act	3.33	.730	3.63	.792	214.000	.116
Companies Act	3.71	.463	3.88	.711	220.500	.152
Health and Safety at Work Act	3.67	1.017	4.00	.784	234.000	.253
The Working Time Regulations	4.24	.539	4.30	.542	268.500	.710
Disability Discrimination Act	3.10	.995	3.44	.934	206.500	.091*
Minimum Wage Act	3.71	.902	4.15	.718	206.500	.064*
Pensions Act	3.86	.727	4.04	.706	245.000	.354
<i>International Codes of Conduct and Guidelines</i>	2.73810	.834701	2.84000	.825631	242.000	.647
Global Compact	2.67	.856	2.96	1.055	237.500	.318
ISO14001	3.14	1.062	2.89	1.086	238.500	.332
OECD Guideline	2.52	1.078	2.76	.970	231.500	.475
SA8000	2.62	1.117	2.60	.957	254.500	.854
Same Industry	3.50	.889	3.74	.764	233.000	.391
Domestic Company	3.20	.696	3.74	.656	162.000	.010**
Foreign Company	2.95	.686	3.19	.681	226.000	.282

Appendix 6.15 CSR awareness of Chinese firms trading with foreign-owned companies

Level of awareness in British firms trading with foreign-owned companies	Trading Mean	Std Deviation	NoTrade Mean	Std Deviation	Mann-Whitney U	Sig. (2-tailed)
<i>Domestic Laws and Regulations</i>	3.65873	.416176	3.89916	.489076	110.000	.152
Environmental Protection Act	3.33	.907	3.65	.786	131.500	.434
Companies Act	3.67	.970	3.88	.600	142.500	.688
Health and Safety at Work Act	3.89	.583	4.35	.493	94.000	.020**
The Working Time Regulations	3.78	.732	3.71	1.160	147.000	.828
Disability Discrimination Act	3.83	.514	3.71	.772	139.500	.603
Minimum Wage Act	3.83	.786	4.35	.931	94.500	.040**
Pensions Act	3.28	.895	3.65	.996	117.000	.175
<i>International Codes of Conduct and Guidelines</i>	1.88889	.570231	1.93333	.734766	131.500	.898
Global Compact	1.61	.916	1.75	.683	119.000	.344
ISO14001	2.94	1.162	2.47	1.356	102.500	.227
OECD Guideline	1.44	.616	1.73	.799	109.000	.293
SA8000	1.56	.856	1.80	.775	106.500	.257
Same Industry	3.00	1.118	2.78	1.093	34.000	.548
Domestic Company	2.64	1.151	2.38	.870	77.500	.496
Foreign Company	2.00	.853	2.10	.738	53.000	.611

Appendix 6.16 CSR awareness of British firms trading with foreign-owned companies

Level of awareness in Chinese firms' partner trading with foreign-owned companies	Trading Mean	Std Deviation	NoTrade Mean	Std Deviation	Mann-Whitney U	Sig. (2-tailed)
<i>Domestic Laws and Regulations</i>	3.80745	.496011	3.85093	.537082	254.000	.817
Environmental Protection Act	3.48	.790	3.50	.780	273.000	.945
Companies Act	3.74	.541	3.87	.694	237.500	.453
Health and Safety at Work Act	3.96	.928	3.75	.897	235.000	.335
The Working Time Regulations	4.30	.559	4.25	.532	261.500	.714
Disability Discrimination Act	3.30	1.020	3.25	.944	271.000	.911
Minimum Wage Act	3.96	.638	3.96	.999	257.000	.642
Pensions Act	3.91	.668	4.00	.780	256.500	.633
<i>International Codes of Conduct and Guidelines</i>	2.88636	.888844	2.78261	.687983	215.500	.388
Global Compact	2.87	.869	2.88	1.035	275.500	.991
ISO14001	3.04	1.107	3.04	.999	268.500	.868
OECD Guideline	2.73	1.120	2.65	.885	238.000	.721
SA8000	2.82	1.097	2.48	.898	204.500	.251
Same Industry	3.52	.730	3.75	.897	235.500	.353
Domestic Company	3.48	.665	3.54	.779	268.500	.860
Foreign Company	3.00	.674	3.17	.702	246.500	.476

Appendix 6.17 CSR awareness of companies whose business partners trade with foreign-owned firms in China

Level of awareness in British firms' partner trading with foreign-owned companies	Trading Mean	Std Deviation	NoTrade Mean	Std Deviation	Mann-Whitney U	Sig. (2-tailed)
<i>Domestic Laws and Regulations</i>	3.63095	.461740	3.91964	.542026	66.000	.160
Environmental Protection Act	3.42	.996	3.63	.719	87.000	.646
Companies Act	3.50	.905	3.81	.834	81.000	.436
Health and Safety at Work Act	4.08	.669	4.19	.655	88.000	.676
The Working Time Regulations	3.83	1.030	3.81	1.047	93.000	.882
Disability Discrimination Act	3.58	.900	3.88	.619	76.000	.311
Minimum Wage Act	3.83	.937	4.44	.727	60.000	.073*
Pensions Act	3.17	1.115	3.69	.946	71.000	.201
<i>International Codes of Conduct and Guidelines</i>	2.00000	.885489	1.80357	.741481	75.000	.640
Global Compact	1.42	.996	1.67	.617	59.500	.089*
ISO14001	3.42	1.240	2.36	1.447	48.000	.058*
OECD Guideline	1.42	.996	1.64	.745	62.000	.180
SA8000	1.75	1.215	1.57	.756	83.000	.953
Same Industry	2.60	1.342	2.90	.994	21.000	.608
Domestic Company	2.22	1.202	2.54	.877	47.000	.423
Foreign Company	2.29	1.254	2.09	.831	37.000	.887

Appendix 6.18 CSR awareness of companies whose business partners trade with foreign-owned firms in the UK

Item	Chinese firms owned or invested by Foreign investors	No Mean	Std Dev.	Yes Mean	Std Dev.	Mann-Whitney U	Sig. (2-tailed)
	<i>Shareholders</i>						
16	establish sustainable business model	5.26	1.170	5.57	1.397	122.500	.467
17	has sound organization structure	5.36	1.322	6.00	1.000	101.500	.169
20	take appropriate tax minimization measure	3.64	1.832	3.50	1.761	118.000	.800
	<i>Community</i>						
10	has been complained for disturbing surrounding environment	5.67	1.762	4.67	2.582	94.500	.296
15	donate money or time to charities	4.88	1.383	5.00	1.826	140.000	.837
18	actively participate in community project for public benefit	4.98	1.370	5.43	1.397	121.500	.452
	<i>Government</i>						
11	offer equal opportunities in recruiting and working	5.64	1.226	5.86	1.345	130.500	.626
12	control and compensate possible contamination from operation	5.43	1.500	5.00	1.414	93.500	.373
22	abide by law and regulations	6.14	.814	5.67	.816	90.000	.232
	<i>Media</i>						
1	has positive image in media report	4.43	1.684	4.86	2.193	119.000	.414
	<i>Employees</i>						
6	pay wages in full in time	6.29	.891	6.71	.488	107.000	.204
9	has specific measures to safeguard staff's safety and health	5.69	1.388	6.00	1.000	133.500	.684
21	offer staff training and education program	5.19	1.234	6.14	.900	81.000	.048**
23	harmonious organizational culture	5.76	1.100	6.14	.690	120.000	.415
	<i>Customers</i>						
3	is favoured by customers	5.14	1.221	5.00	1.155	137.000	.766
8	provide excellent product or service	6.33	.816	6.43	.535	146.000	.975
	<i>Competitors</i>						
14	have to take some irregular practice under fierce competition	5.21	1.855	4.14	2.478	110.500	.283

Appendix 6.19 CSR performance of foreign-funded firms in China

Item	Chinese Firms exporting goods or service	Exp Mean	Std Dev.	NoExp Mean	Std Dev.	Mann-Whitney U	Sig. (2-tailed)
	<i>Shareholders</i>						
16	establish sustainable business model	5.20	1.225	5.36	1.177	263.000	.790
17	has sound organization structure	5.64	1.036	5.14	1.521	220.500	.219
20	take appropriate tax minimization measure	3.60	1.633	3.48	2.015	252.500	.823
	<i>Community</i>						
10	has been complained for disturbing surrounding environment	5.68	1.701	5.52	1.914	256.000	.879
15	donate money or time to charities	4.60	1.443	5.14	1.390	216.500	.199
18	actively participate in community project for public benefit	4.84	1.344	5.18	1.402	225.500	.276
	<i>Government</i>						
11	offer equal opportunities in recruiting and working	5.60	1.291	5.73	1.202	262.500	.783
12	control and compensate possible contamination from operation	5.48	1.358	5.25	1.682	238.000	.778
22	abide by law and regulations	5.96	.841	6.24	.831	215.000	.266
	<i>Media</i>						
1	has positive image in media report	4.24	1.855	4.77	1.688	214.500	.188
	<i>Employees</i>						
6	pay wages in full in time	6.40	.577	6.27	1.120	258.000	.687
9	has specific measures to safeguard staff's safety and health	5.84	1.214	5.59	1.532	253.500	.630
21	offer staff training and education program	5.28	1.242	5.32	1.249	260.500	.746
23	harmonious organizational culture	5.72	.936	5.91	1.192	225.000	.259
	<i>Customers</i>						
3	is favoured by customers	5.20	1.118	4.95	1.327	247.000	.535
8	provide excellent product or service	6.32	.627	6.36	.953	241.000	.420
	<i>Competitors</i>						
14	have to take some irregular practice under fierce competition	4.96	1.814	5.23	2.092	244.500	.504

Appendix 6.20 CSR performance of exporting firms in China

Item	British Firms exporting goods or service	Exp Mean	Std Dev.	NoExp Mean	Std Dev.	Mann-Whitney U	Sig. (2-tailed)
	<i>Shareholders</i>						
16	establish sustainable business model	6.00	.913	5.87	1.140	145.000	.876
17	has sound organization structure	6.08	.760	6.26	.689	129.500	.473
20	take appropriate tax minimization measure	4.77	1.691	5.96	1.022	87.000	.034**
	<i>Community</i>						
10	has been complained for disturbing surrounding environment	5.77	1.691	5.74	1.630	145.000	.873
15	donate money or time to charities	4.92	2.019	4.61	1.616	120.500	.310
18	actively participate in community project for public benefit	4.23	2.351	3.91	1.929	132.500	.565
	<i>Government</i>						
11	offer equal opportunities in recruiting and working	6.00	1.291	6.23	.752	141.000	.942
12	control and compensate possible contamination from operation	5.31	1.843	5.45	1.503	142.000	.972
22	abide by law and regulations	6.77	.439	6.83	.388	141.000	.683
	<i>Media</i>						
1	has positive image in media report	4.46	2.145	5.17	1.466	126.500	.440
	<i>Employees</i>						
6	pay wages in full in time	6.62	1.121	6.91	.288	138.500	.506
9	has specific measures to safeguard staff's safety and health	5.92	1.382	6.35	1.152	123.000	.329
21	offer staff training and education program	5.92	.862	5.86	1.283	137.000	.829
23	harmonious organizational culture	5.85	.801	5.59	1.623	142.500	.986
	<i>Customers</i>						
3	is favoured by customers	4.33	1.670	4.95	1.234	92.000	.252
8	provide excellent product or service	6.62	.506	6.48	.665	137.000	.636
	<i>Competitors</i>						
14	have to take some irregular practice under fierce competition	5.75	1.603	6.00	1.581	109.500	.482

Appendix 6.21 CSR performance of exporting firms in the UK

Item	Chinese firms trading with foreign-owned companies	Trade Mean	Std Dev.	NoTra Mean	Std Dev.	Mann-Whitney U	Sig. (2-tailed)
	<i>Shareholders</i>						
16	establish sustainable business model	5.33	1.065	5.15	1.255	244.000	.517
17	has sound organization structure	5.48	.928	5.31	1.517	271.000	.964
20	take appropriate tax minimization measure	3.86	1.711	3.44	1.828	227.000	.426
	<i>Community</i>						
10	has been complained for disturbing surrounding environment	5.62	1.802	5.60	1.803	251.000	.787
15	donate money or time to charities	4.62	1.244	5.00	1.549	223.500	.274
18	actively participate in community project for public benefit	4.67	1.155	5.23	1.478	194.500	.082*
	<i>Government</i>						
11	offer equal opportunities in recruiting and working	5.62	1.244	5.62	1.235	272.000	.982
12	control and compensate possible contamination from operation	5.35	1.348	5.33	1.633	230.500	.817
22	abide by law and regulations	5.90	.700	6.20	.913	201.500	.153
	<i>Media</i>						
1	has positive image in media report	4.24	1.609	4.58	1.858	236.500	.425
	<i>Employees</i>						
6	pay wages in full in time	6.14	.910	6.46	.811	206.000	.113
9	has specific measures to safeguard staff's safety and health	5.71	1.189	5.69	1.490	259.000	.753
21	offer staff training and education program	5.10	1.179	5.38	1.235	232.500	.362
23	harmonious organizational culture	5.52	1.209	5.96	.871	223.000	.257
	<i>Customers</i>						
3	is favoured by customers	5.05	1.117	5.08	1.262	263.000	.824
8	provide excellent product or service	6.29	.644	6.35	.892	241.500	.453
	<i>Competitors</i>						
14	have to take some irregular practice under fierce competition	5.00	1.924	5.19	2.000	257.000	.724

Appendix 6.22 CSR performance of Chinese firms trading with foreign-owned companies

Item	Chinese firms trading with foreign-owned companies	Trade Mean	Std Dev.	NoTra Mean	Std Dev.	Mann-Whitney U	Sig. (2-tailed)
	<i>Shareholders</i>						
16	establish sustainable business model	5.76	1.091	5.94	1.029	131.500	.637
17	has sound organization structure	6.12	.781	6.29	.588	128.000	.532
20	take appropriate tax minimization measure	5.00	1.658	6.00	.935	93.500	.070*
	<i>Community</i>						
10	has been complained for disturbing surrounding environment	5.76	1.678	5.71	1.724	144.000	.985
15	donate money or time to charities	4.76	1.921	4.71	1.759	135.500	.746
18	actively participate in community project for public benefit	4.35	1.967	3.82	2.069	121.500	.418
	<i>Government</i>						
11	offer equal opportunities in recruiting and working	6.00	1.173	6.25	.775	126.500	.714
12	control and compensate possible contamination from operation	5.71	1.160	5.38	1.857	133.000	.911
22	abide by law and regulations	6.71	.470	6.88	.332	119.000	.210
	<i>Media</i>						
1	has positive image in media report	4.47	1.841	5.29	1.611	107.000	.187
	<i>Employees</i>						
6	pay wages in full in time	6.71	.985	6.88	.332	143.500	.951
9	has specific measures to safeguard staff's safety and health	5.94	1.249	6.29	1.312	111.500	.211
21	offer staff training and education program	5.75	1.291	5.88	.993	135.000	.970
23	harmonious organizational culture	5.65	.862	5.75	1.653	109.500	.321
	<i>Customers</i>						
3	is favoured by customers	4.38	1.360	5.07	1.542	78.000	.141
8	provide excellent product or service	6.41	.712	6.53	.624	133.000	.654
	<i>Competitors</i>						
14	have to take some irregular practice under fierce competition	5.81	1.642	6.06	1.569	113.500	.528

Appendix 6.23 CSR performance of British firms trading with foreign-owned companies

Item	Business Partner Trading with foreign-owned firms	Trade Mean	Std Dev.	NoTra Mean	Std Dev.	Mann-Whitney U	Sig. (2-tailed)
	<i>Shareholders</i>						
16	establish sustainable business model	5.26	.915	5.22	1.413	260.000	.918
17	has sound organization structure	5.74	.619	5.00	1.651	204.000	.159
20	take appropriate tax minimization measure	3.65	1.774	3.55	1.819	246.000	.872
	<i>Community</i>						
10	has been complained for disturbing surrounding environment	5.43	1.727	5.73	1.882	217.500	.393
15	donate money or time to charities	4.78	1.085	4.87	1.740	240.000	.579
18	actively participate in community project for public benefit	5.13	1.058	4.83	1.642	246.500	.683
	<i>Government</i>						
11	offer equal opportunities in recruiting and working	5.61	1.340	5.65	1.152	261.500	.946
12	control and compensate possible contamination from operation	5.39	1.270	5.29	1.736	234.000	.856
22	abide by law and regulations	5.96	.825	6.18	.853	216.000	.372
	<i>Media</i>						
1	has positive image in media report	4.57	1.590	4.30	1.941	257.000	.866
	<i>Employees</i>						
6	pay wages in full in time	6.39	.583	6.26	1.096	252.000	.761
9	has specific measures to safeguard staff's safety and health	5.87	1.100	5.52	1.592	243.500	.628
21	offer staff training and education program	5.52	.947	5.00	1.414	217.000	.273
23	harmonious organizational culture	5.78	.671	5.78	1.347	229.000	.408
	<i>Customers</i>						
3	is favoured by customers	5.09	.949	5.00	1.414	258.000	.882
8	provide excellent product or service	6.26	.619	6.39	.941	213.000	.209
	<i>Competitors</i>						
14	have to take some irregular practice under fierce competition	4.74	1.936	5.39	1.948	211.000	.227

Appendix 6.24 CSR performance of companies whose business partners trade with foreign-owned firms in China

Item	Business Partner Trading with foreign-owned firms	Trade Mean	Std Dev.	NoTra Mean	Std Dev.	Mann-Whitney U	Sig. (2-tailed)
	<i>Shareholders</i>						
16	establish sustainable business model	5.64	1.286	5.81	.981	84.000	.836
17	has sound organization structure	5.82	.874	6.38	.500	54.000	.068*
20	take appropriate tax minimization measure	4.64	1.912	6.13	.806	48.000	.042**
	<i>Community</i>						
10	has been complained for disturbing surrounding environment	6.27	1.272	5.38	1.821	65.000	.217
15	donate money or time to charities	5.09	1.700	4.63	1.821	71.500	.396
18	actively participate in community project for public benefit	4.45	2.207	3.75	2.017	70.500	.376
	<i>Government</i>						
11	offer equal opportunities in recruiting and working	5.70	1.252	6.25	.931	58.500	.229
12	control and compensate possible contamination from operation	5.60	1.350	5.31	1.815	76.500	.849
22	abide by law and regulations	6.55	.522	6.94	.250	53.500	.018**
	<i>Media</i>						
1	has positive image in media report	4.82	1.722	4.94	1.879	82.000	.761
	<i>Employees</i>						
6	pay wages in full in time	6.55	1.214	6.88	.342	82.000	.631
9	has specific measures to safeguard staff's safety and health	6.18	1.250	6.00	1.414	83.500	.808
21	offer staff training and education program	5.36	1.433	6.13	.915	56.500	.157
23	harmonious organizational culture	5.73	.786	5.73	1.668	67.500	.416
	<i>Customers</i>						
3	Is favoured by customers	4.10	1.370	4.64	1.646	53.500	.317
8	provide excellent product or service	6.64	.674	6.44	.629	70.500	.320
	<i>Competitors</i>						
14	have to take some irregular practice under fierce competition	5.40	1.776	6.27	1.534	48.000	.080*

Appendix 6.25 CSR performance of companies whose business partners trade with foreign-owned firms in the UK