CSR IN CHINA FOR CHINA


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ABSTRACT

The present study has examined how national business systems influence the environment for CSR in China. This study has conducted qualitative interviews with Swedish firms and consultancy agencies in China to shed light to the challenges that these actors face when implementing CSR in a local context.

The business system approach has been useful to analyze how the political and cultural system in China may influence the environment for CSR. However due to China’s transitional character additional theories that pay attention to the possibility of multiple business system within China, informal rules and cultural hybrids has been used to better understand the environment for CSR in China today and future prospects.

The findings indicate how the Chinese central government actively promotes CSR but that the ambition and incentives to implement national level guidelines are silently discouraged at regional and local level of the political system. This suggests how CSR may converge to international standards on a national level while regional and local levels continue to diverge. Furthermore study of the cultural system indicates how the internal structure and inter-firm relations of Chinese Family Business may silently discourage an environment for CSR. Despite this the findings also suggest how local actors engage in networks with foreign counterparts where CSR practices are shared and absorbed which indicate a more long-term process of transformation of enduring business systems.

Key Words:

China │ Corporate Social Responsibility │ National Business System │ Informality │ Hybridity
1 INTRODUCTION

Corporate Social Responsibility (hereafter CSR) is a popular concept used by both governments and firms to describe the responsibility that firms have for its impact on the wider society. Despite the frequent use and promotion of CSR there is still no universal definition of the concept which may cause for confusion. However the challenge for business is not so much to define CSR, as it is to understand how CSR is socially constructed in a specific context and how to take this into account when business strategies are developed (Dahlsrud 2008:7). This has brought variations of CSR under the loupe for scholars that conclude that the nature, focus and salience of CSR is in fact highly contextual and dependent on the institutional environment in which firms are embedded (see e.g. Augilera, Rupp, Williams, Ganapathi & Campbell, 2007; Chapple and Moon, 2005; Welford, 2005; Matten & Moon 2008; Kang & Moon 2012). In addition it has been stressed in that CSR is viewed differently around the world due to cultural and historical circumstances which requires locally-specific and culturally sensitive solutions (World Bank Institute 2003:7). Despite its role in the political economy CSR in China is a relatively unexplored field and most of the previous literature has been descriptive in character.

This present study is interested in the growing attention that has been given to CSR and will contribute to the relatively new field by investigating more specifically how Chinese business systems may foster an environment in which CSR is “(…)actively promoted, latently sustained or silently discouraged.” (Jamali and Mirshak, 2007, p. 260).

This question relates to one long-lived dilemma within institutional theory and organizational theory about the effects of globalization on organizational forms and management practices. This debate has put scholars in a situation where they for long tended to take one sided view claiming either convergence or divergence of management practices. In this present study the business system approach will be used to understand how distinct elements in political and cultural system in China affect the environment for CSR. However due to its historical and political trajectories studying China as belonging to one unified business system becomes challenging. In addition the transitional character of the country is also posing implications to enduring business systems. In such environment the convergence-divergence dilemma may in fact give rise to a third option where management practices converge and diverge simultaneously resulting in a form of hybrid.
1.1 The emergence of CSR in China

To consume, to compete and to achieve that is what has characterized China’s economic growth since it opened its doors in 1978 and has been a guiding force during almost two decades of market reforms. Economic growth and progress has been a top priority on the political agenda no matter the costs which has contributed to a breath-taking 9 percent average annual GDP growth (Lieberthal & Liberthal 2004:2).

Low labor costs among Chinese workers, lack or minimal regulation and a weak currency has enabled China to become the workshop of the world, offering among the world’s lowest production costs (Roberts 2008). Concerns about CSR have been almost absent during this period of privatization, liberalization and breathtaking economic growth. Firms have made up for lost time by making profit at any cost (Ip 2009). The introduction of the western concept of CSR in the end of the 1990s, through requirements by foreign purchasers and introduction of codes of conduct by foreign MNCs, was passively accepted by the Chinese firms in the global supply chain who viewed it as a trade barrier restricting their competitiveness (Wang 2009).

However, following the increased pressure to play by the rules from its WTO membership in 2001; increased pressure from MNCs to ensure suppliers’ compliance with codes of conduct; increased societal expectations from both international customers and local customers; worsening environmental conditions (poor air quality and Sichuan earth quake 2008) and; the government’s ambition to move up the value chain and away from “Made in China” to “Innovation in China”, the tide seems to have turned.

In fact the Chinese National People’s Congress expressed that ‘anyone who believe that money overrides morality can no longer be tolerated in China’ (Levine 2008:51). In recent announcement by Chinese political leaders it has been pronounced that the long term goal is not only economic growth but the building of a harmonious society (Zheng 2005:2). Comprehensive laws such as new the Company Law (2006) and Labor Law (2008) signal the government’s commitment to CSR (Zadek, Forstater & Yu 2012:9). The new Company Law states that “corporations in their business operation must abide by the laws, regulation, social and business morality and good faith rules, must accept supervision by government and the public and must undertake social responsibilities (Zadek et al 2012:9). Thus a key political concern is how to sustain economic growth with greater sustainability in China’s global value chains and a harmonious society inside China (Hofman 2012).
However, irresponsible behavior seems to be reported more than frequent in China and has caused a huge amount of tragic accidents. Industrial disputes are increasingly growing with employees protests (Zheng 2006:4). The environmental degradation that has resulted as a consequence of the rapid economic growth is also causing protests from the citizens.

1.2 Problem

That firms have a responsibility not only towards their shareholders but also other stakeholders has become widely acknowledged and CSR are gaining momentum as a management practice. This can be seen in the evidence of global CSR conferences and best practice conferences in the field as well as increased adoption of United Nations Global Compact Principles, OECD guidelines on Multinational Corporations, Global Report Initiative and increased national legislation on mandatory CSR reporting. While these initiatives and practices are spreading from its origins in North America and lately Europe to developing countries one can question how well these are actually implemented in an emerging country context such as China? Moreover, how do local rules for the game influence the environment for CSR and what does this mean for Swedish firms working with CSR in a China?

1.3 Research Question

What will be of interest in this present study is to explore how national business system influence the environment for CSR in China and the challenges that Swedish firms face when implementing CSR practices in China. This interest have been formulate in the following research question:

**How does national business system influence the environment for CSR in China?**

To be able to explore this research questions two sub-questions will be investigated:

- How does the role of the political system influence the environment for CSR in China
- How does the role of the cultural system influence the environment for CSR in China?

The two national business system factors (the political and the cultural system) will be analyzed by their potential as creating an environment where CSR is actively promoted, latently sustained or silently discouraged. The political system is analyzed in terms of its national, regional and local influence on CSR thus it is concerned with the firm’s surrounding environment. The cultural system is analyzed in terms of norms that govern trust and authority relations and how these affect the internal structure of the firm and inter-firm relations. Thus it is concerned with the internal structures of the firm and how it influences the environment for CSR.
1.4 Purpose
The purpose of this study is to gain better understanding of how distinct national business systems influence the environment for CSR in China as this would condition how well global CSR practices and initiatives would succeed in a Chinese local environment. In addition the purpose has been to examine and challenge how the business system theory applies to a relatively unexplored empirical context. The aim is to contribute to the theory on business systems and offer additional depth and insights into the study of a transitional country such as China.

1.1 Implications
This present study has several implications both in practice and theory. The ability to understand and refine abstract theoretical logic by exemplify micro-level realities are one of this present study most valuable contributions.

In practice exploring the environment for CSR in China and understanding the tension that it contains will be of great importance for foreign firms sourcing from or established in China as it will condition the success of the implementation of their CSR practices in the Chinese market.

Theoretically this present study will contribute to both the business system literature by discussing its importance but also limitations in an emerging country context. The present study will provide insights from the field that will reflect and illustrate more concrete how the business systems influence the environment for CSR in China and what challenges Swedish firm working with CSR have in relation to these.
1.2 Structure of the Thesis

Chapter 1 – The Introduction chapter includes a short background that illustrates the need to understand how national business system factors affect the domestic environment for CSR in China. In addition the problem is described which in turn is formulated into research question. The purpose and novelty of the present study is also provided.

Chapter 2 – The Methodology chapter begins with a section on the research approach underlying this study. In addition research method, research strategy, research quality and research limitations will be discussed and reflected on.

Chapter 3 – The Theory chapter starts with a literature review of CSR and the integration of national business systems theories to understand the factors affecting the environment for CSR. Subsequently a section on the theoretical framework to be applied in the present study will be provided as well as discussion on the limitations of the theories at hand.

Chapter 4 - The Empirical Evidence chapter provides the findings related to the research questions that emerged from interviews with Swedish firm and consulting agencies on their experiences of working with implementing CSR practices in China.

Chapter 5 - The Discussion chapter analyzes and explores the findings presented in the empirical chapter with reference to the theoretical framework and literature presented in earlier chapter. The Discussion will also discuss some of the limitations.

Chapter 6 – The Conclusion chapter assess the implications of the findings for the theoretical framework and concepts applied in the present study. In addition the main contribution of the present study will be outlined and areas for further research proposed.

1.3 Abbreviations

CFB – Chinese Family Business

CME – Coordinated Market Economies

CPC - The Communist Party of China

CSR - Corporate Social Responsibility

NPC - National People’s Congress

ILO - International Labor Organization

LME – Liberal Market Economies
2 METHODOLOGY

This chapter provides the research approach for this present study which is of relevance to understand the chosen research strategy and how theories and concepts have been applied throughout the study. The chapter will also provide a discussion on the choice of research method and discuss how theories and concepts have been applied. In addition the quality of the research will be reflected on. In turn, the overall aim of the chapter is to provide the reader with an understanding of what methodological choices that have been made.

2.1 The Philosophy of Science

When pursuing research in the social sciences it is important to be aware of the philosophical position taken as it will guide the appropriate method, the ability to generalize the findings and draw conclusions from the research. This present study takes a Critical Realist approach which departs from the assumption that reality is differentiated, stratified, and complex (Danermark 2003).

Within the philosophy of science one finds considerations on ontology and epistemology which are deemed essential to be aware about when conducting scientific research. These two concepts will be clarified briefly for those readers who are not fully familiar with the concepts.

Ontology concerns the nature of the social world and questions if there is a reality external to social actors or whether reality should be considered as social constructions built by social actors (Bryman 2012:32). Here there is a clash between objectivism and constructivism where objectivism takes the opinion that social phenomena and their meanings exist independent of social actors’ knowledge of it. In contrast constructivism takes the stance that social phenomenon are only being accomplished through social actions and that the social world as well as scientific research always reflects a specific version of the reality where knowledge is indeterminate (Bryman 2012:33).

Epistemology concerns the questions of what is regarded as acceptable knowledge and deals with issues such as how can and should the social world be studied (Bryman 2012:27). Among the epistemological positions, positivism and interpretivism can be depicted as oppositions. These two strands have constituted a long-standing debate where the former advocates that methods of the natural sciences should be applied to study the social world while the latter emphasizes the need to understand the subject and meaning of social action (Bryman 2012:28).

Critical Realism provides a fruitful account to the ontological and epistemological considerations in social science. It takes as ontological position that there is a world independent of our
knowledge of it but it views the world as divided into three domains which will be explained in more detail below. To answer to the epistemological question Critical Realism takes a relativistic approach where theories and conceptualizations are seen as essential to gain knowledge about the world but that these theories and conceptualization are not necessarily given. Instead theories and conceptualization can always be replaced with improved accounts. In this present study this is acknowledged by the use of multiple theoretical lenses studying CSR in China which illustrates a commitment to challenge existing theories.

To fully understand the ontological and epistemological positions taken as a critical realist the next two sections have been dedicated to clarify the main assumptions of reality and knowledge from a critical realist approach. In contrast to pure objectivist or constructivist reasoning the reality for a critical realist is not an either/or discussion.

**Reality as Differentiated: the Real, the Actual and the Empirical**

Critical Realism sees the reality as differentiated and divided into three domains, The Real, The Actual and The Empirical. In the Real domain exists mechanisms that are independent of our knowledge of them. These mechanisms produce events which constitutes the Actual domain. The events in the Actual domain happen even though we observe it or not. It is only when these events are observed through theories and concepts it becomes an empirical object which constitutes the Empirical domain of reality (Danermark 2003:20).

The three domains of reality result in two dimensions of knowledge; the Intransitive and Transitive which will be explained below.

**The Intransitive and Transitive dimension of knowledge**

The Critical Realist response to the ontological and epistemological considerations can be understood by the two dimensions of knowledge intransitive and transitive, developed by the pioneering Critical Realist scholar Baskhar (1975). The intransitive dimension represents the objects that we study and which are independent of our knowledge of them. The transitive dimension constitutes the theories and discourses that are used to understand the world. As argued by Sayer (2000) “When theories change (transitive dimension) it does not mean that what they are about (intransitive dimension) necessarily changes too: there is no reason to believe that the shift from a flat earth theory to a round earth theory was accompanied by a change in the shape of the earth itself” (Sayer 2000:20)
Taking a Critical Realist approach means to take as assumption that there is a world independent of our knowledge. However important to point out is that this does not mean that reality equals the empirical observable as argued by empirical realists (Sayer 2000:11). Instead critical realists are accepting that theories, categories and discourses are likely to be provisional. As illustrated by Bhaskar (1975) “Science…is the systematic attempt to express in thought the structures and ways of acting of things that exist and act independently of thought” (Bhaskar 1975 cited in Bryman 2012:29).

These philosophical standpoints have implications for the relationship between theory and the empirical and the ability to draw conclusion from research. As illustrated above a critical realist research views theoretical concepts as crucial to be able to categorize and analyze the world. However these are concepts are evolving and can all be fallible but not as fallible (Danermark 2003:220). This places the research in a position where abstract logical thinking is crucial.

When guiding this present study the critical realist position means that the theories and concepts becomes crucial for the ability to analyze the empirical evidence. However bearing in mind that theories and concepts may evolve, existing theories will need to be reflected on. This is applied through the discussion and reflection of the business system approach and the introduction of additional concepts that challenges ones.

2.2 Research Approach

The purpose of this present study is gain understanding of how national business system influences the environment for CSR in China. This goes in line with the aim of Critical Realist research where explaining something is constituted by both describing and conceptualizing the conditions and mechanisms that generates certain events and how these are to be portrayed under specific circumstances (Danermark 2003:160). In this study the implications that Swedish firms face in China while working with CSR will be described. These implications are conceptualized in relation to distinct features in Chinese business systems. The use of abstraction and conceptualization is crucial to achieve this aim. Hence in this present study the theories and concepts are seen as a tool to shed light to the tendencies of the Actual domain of reality through observations of the Empirical domain.

Abductive Logic of reasoning

Important to note is that the logic of the reasoning does not follow a strict deductive theory-testing approach but neither a strict inductive logic where theories and concepts emerge from the
empirical data. Instead it follows logic more similar to abduction where the logic is to use and combine existing theories to explain CSR in China.

Abductive reasoning can be seen as, but should not be limited to, a mix between inductive and deductive reasoning and is usually applied in many case-based studies (Alvesson & Sköldberg 2008:55). An abductive reasoning approach means that during the process of the study the choice of theories and concepts have been evaluated and in some cases deleted or complemented to better handle the empirical evidence. Previous literature, theories and concepts are here seen as inspiration to understand a specific event or object it does not claim a strict mechanic application of concepts on particular cases (Alvesson & Sköldberg 2008:55-56). The reason for choosing this kind of reasoning is that the author of this study wanted to be able to take advantage of the information that was given in the interviews rather than following a strict deductive logic. To have a solely inductive research approach was not considered as an attractive choice due to possibility of ending up with too much information with little ability to draw any conclusions beyond the mere empirical.

2.3 Research Strategy:

As indicated above this study has been mainly qualitative in its nature. This section will begin with discussing the advantages and limitations of conducting a qualitative study for the purpose of this present study. This follows the Critical Realist stance that it is the nature of the object that should decide how it should be studied and what one wants to learn about it (Sayer 2000:21).

A qualitative research is not a straightforward strategy and scholars have for long debated what it actually means (Bryman 2012:381). In general, qualitative research emphasizes the importance of words over numbers and seeks to understand the world by interpreting its participants (Bryman 2012:381). Qualitative research has as its primary aim to understand the meaning of a certain object or experience and puts it focus on processes rather than end-results. It is concerned with actors’ experiences, how they interpret their experiences and the social structures in the social world (Merriam 1994:31). Important to point out is that in qualitative research it is the researcher herself that constitutes the primary instrument for data collection and analysis. This makes it a rather subjective strategy very much dependent on the researcher’s ability to ensure validity and credibility of its research (Merriam 1994:32).

As the focus of this study is to gain deeper insights into business systems influence the environment for CSR in China a qualitative strategy that allows questions such as how and why is fruitful. The qualitative nature of this study allows asking questions not only about if institutions
influence the environment for CSR but in what way and how it is experienced by social actors. As will be noted in further sections CSR is highly contextual and specific to time and space which makes it even more important to allow for qualitative research. Using quantitative research in this study would have given me yes and no answers to the question of whether the political or cultural system influences the CSR environment in China. However, this would give a black and white answer which does not tell the whole story of CSR in a transitional country like China. A qualitative research would here allow for nuances and tendencies to be shown which may in fact lead to theory development rather than theory testing.

Adopting a qualitative research is beneficiary for the purpose of this study. However an overreliance on one method does not come without criticism. Qualitative research has been criticized for being too subjective, difficult to replicate, problematic to generalize and with lack of transparency (Bryman 2012:405-406). Acknowledging these limitations to qualitative research this present study has chosen to adapt triangulation as a methodological avenue to help ensure validity of the research. Due to the importance of dealing with these limitations the way to handle these will be discussed in more detail below.

2.3.1 Triangulation

Critical Realism offers a rationale for research in social science that is critical of the social practices that it studies as well as of other theories (Sayer 2000:18). As illustrated above theorizing and abstraction is essential to the social science therefore the research cannot be limited to one method. Also as appropriate for this present study the concepts are used as tools to think about and gain more understanding of how and why implications arises for Swedish firms. Critical Realism is suitable for this research as it allows for a study on a transitional economy where previous theories and categorization can be critically examined and re-thought. As suggested by Chapple and Moon (2007) research on CSR relies on wider disciplines and theories to be understood which also provides opportunities for theory development and evolution of existing theories.

This has led to a methodological avenue that is based on triangulation which is originally a call for multi-method in social science (Yeung 1997:64). Triangulation is also a tool to ensure validity and reliability (ibid). Denzin (1970) has illustrated four ways of conducting triangulation consisting of 1) Data Triangulation, 2) Investigator Triangulation) 3) Theoretical Triangulation and 4) Methodological Triangulation (Denzin 1970 from Yeung 1997:64). These will be discussed in turn:
1) Data Triangulation: The data (as will be discussed in more detail below) has been collected through both primary and secondary sources which can be reflected in a three-stage process. The first stage consisted of secondary data in terms of previous literature and reports on CSR in China that was used as a main source. During the second-stage of the process, the emphasis has been on the primary data collection in terms of qualitative, semi-structured, in-depth interviews with individuals working at Swedish firms in China and consultancy agencies focused on helping Swedish firms to work with CSR practices in China. This was done to provide more concrete understandings of how elements in the business system could influence the implementation of CSR practices in China. This also enabled valuable illustrations on the challenges that Swedish firms face in China. The data collected from the case-organization was very much limited to the Respondents’ own experiences from working at the Swedish firms in China and the questions asked were directed to the specific firm. The data collected from the consulting agencies were more general as they had broader experience of CSR in China. The data collected from both of these types of interviews were integrated and triangulated where data from the interviews with the firm was validated by data from the consultancy agencies. The interviews at the consulting agencies also assisted in mapping out common challenges for Swedish firms in China which also helped when conducting the interviews. In the third stage, the data collected from the interviews were again triangulated with secondary data such as previous related studies and reports on CSR in China, empirical cases and other theoretical literature to increase the reliability. This third stage of triangulation was deemed needed due to limited number of interviews. In some cases primary sources such as official websites and specific legislations have been used to validate the information from the secondary sources. In sum, the process has been a simultaneously relationship between primary and secondary data to ensure validity and reliability.

2) Investigator Triangulation: The study has used multiple researchers’ findings on the topic of business systems and its influence on management practices and firm behavior. Thus with researchers coming to rather different conclusions on its impact. However by acknowledging these differences and analyzing them in light of the empirical evidence is deemed as a contribution in itself especially when studying CSR in a transitional country context such as China.
3) Theory Triangulation: Theoretical concepts has been used from different angles to better explain the environment for CSR in China and the conditions and abilities for firm to work and implement CSR practices in a Chinese context. However important to acknowledge is the process maturation of this present study which made it essential to bring in a discussion of the hybridity-approach into the equation to fully understand and grasp the transitional environment for CSR in China. Additional concepts such as the role of Informality have also been included in a later stage at the process.

4) Methodological Triangulation: The methodological reliance on qualitative research has posed some implications for the Critical Realist call for multi-method.Acknowledging the lack of reliable statistical data on these issues in China and the lack of resources to pursue a quantitative research, the qualitative overreliance is deemed a valuable contribution in itself.

2.4 Research Design
The research design is mainly constituted by case-studies of Swedish firms and consulting agencies in China. A case study is a suitable tool in qualitative research as it allows for detailed and in-depth understandings of the case at hand (Merriam 1994). However only using one case study limits the possibility to identify any general tendencies or structures. Therefore a multiple case study design has been chosen that includes two firms and two consulting agencies.

2.5 Data Collection
In gathering the data needed this study has drawn on both secondary and primary data. The primary data has been collected through interviews with Swedish firms and consulting agencies in China. Several firms and consulting agencies were contacted before the author of this present study left Sweden. Six Swedish firms were identified having experience working with CSR in China all of them were contacted but only two had the ability and time for interview. Among the consultancy agencies seven were identified and contacted consisting of both Swedish and Chinese consulting agencies. Due to lack of responses and rejections by firms that did not have time for interview the field study ended up with totally four interviews; two Swedish firms and two consulting agencies.

Semi-structured interviews
The approach in qualitative interviews is rather different than in quantitative interviews. In qualitative interviews the purpose is to gain insights into the interviewee’s own point of view and
behavior whereas quantitative interviews is much more directed at the researchers’ interest (Bryman 2012:470). As the purpose of this present study were to gain insights into what challenges that Swedish firms face in China related to CSR qualitative semi-structured interviews were deemed appropriate.

When doing interviews in a qualitative research there are two different types of interview methods that can be used; unstructured and semi-structured (Bryman 2012:471). This present study chose to use a semi-structured because it allows for insights into the respondents own point of view. By using a semi-structured format the issue of how the different institutional factors influence CSR in China will emerge to some extent on their own. The interview guide that was formulated for the interviews is attached in Appendix 1: Interview Guide.

Using a totally unstructured interview type was not an option as it would make it difficult to analyze the answers and also be steered very much in the respondents’ own direction which could lead to too much inconsistency in the answers and therefore limit the possibility of cross-case comparability (Bryman 2012:472).

Therefore to be able to have some degree of structure while allowing for the interviewees to draw upon their own experience an interview guide was constructed that had questions that were open in character such as what are the challenges in your work with working with CSR in China? These questions were followed up by question such as would you say that the differences in culture have an influence on your work with CSR and if so in what way?

In most cases the political aspect and the cultural aspects were brought up by the interviewees themselves but not always explicitly stated. In some instances the researcher felt that when using the term culture the interviewees did not want to blame the problems they experienced in relation to CSR in China to just culture. Due to this semi-structured interviews were deemed appropriate as it allowed the respondents to talk from their own experience.

The interviews were held in Swedish and transcribed as quickly as possible after the interviews had been conducted. This allowed for the possibility of asking clarifying questions at the next interview. To maintain consistency in the language used writing this thesis, the quotes taken from the interviews were translated into English. For an example of how the interviews was transcribed and translated see Appendix 2: Example transcription
Criteria for choice of firms

Before going off on field work five criterions were set to the kind of firms that were being approached for interviews. These criterions are presented below.

The firm should have:

- Headquarter in Sweden
- Operations in China with offices in Shanghai
- CSR strategy and/or guidelines for CSR
- Experience working with or of implementing CSR practices in the Chinese context
- Swedish or English speaking staff

One criterion which was adjusted during the process was that the firms should be in the same industry to be able to identify industry praxis in relation to CSR. However due to the limited time and resources to identify firms, the criteria that was leading the search for firm to interview was that they had experience of working with CSR and implementing CSR practices in China.

The study has departed from Swedish firms’ challenges implementing CSR in China. The reason for this is twofold. First the author of this present study is a Swedish national with prospects of working in Sweden or abroad at Swedish firm. Second, Swedish firm are well-recognized for their business responsibility and Sweden has since 2007 a bilateral agreement with China on CSR (see Sino-Swedish Corporate Social Responsibility Cooperation) indicating the sharing and learning interchange between the two. The author of this present study therefore decided to limit the study to Swedish firms. For a presentation of the firms and consulting agencies see Appendix 3: Presentation of Respondents

2.6 Limitations

There are naturally limitations when conducting a study of this scope. These will be reflected upon below.

To begin with, no Chinese firms were interviewed which was partly due to the author’s lack of knowledge in Chinese but also due to limited time to identify and contact Chinese firms. This is a limitation as the interviews will only give insights to the environment for CSR in China through the eyes of representatives from Swedish firms and agencies. However, through the respondent’s experiences working with CSR in China they have hands-on knowledge and expertise of the environment for CSR which give valuable insights to this study. To gain better understanding of
the structures of Chinese firms this present study have drawn upon secondary literature, case studies and reports on the subject.

In addition no other foreign firms were contacted for this study which limits the generalizability of the findings from the empirical interviews. A possible option could have been to include other foreign firms in China to be able to identify challenges common for all foreign firms but also let distinct differences be singled out. Since Sweden is usually referred as a coordinated market economy according to Hall and Soskice’s VoC typology it could have been interesting to include firms from liberal market economies (such as American firms) to identify if they experience contrasting challenges. This could have provided more validation to the argument that implications related to implementing CSR in China is related to distinct elements in the Chinese business system.

The choice of consulting agencies was not intended to be limited to Swedish agencies. Both Chinese and other foreign consulting agencies were contacted without successful result. However, the two consulting agencies have extensive experience of CSR in China and with helping Swedish firms implementing CSR which is a valuable contribution to the present study. One of the consulting agencies (Scandic Sourcing) is not limited to handling Swedish firms but also take on clients originating from other companies.

In relation to the qualitative method applied in this study there are limitations in terms of the author being the sole interpreter of the transcribed data. If several authors would have analyzed the data then any issues related to actual meaning of the Respondents answers could have been discussed. However, while acknowledging the qualitative method as a rather subjective strategy the author has chosen to provide transcription from the interviews so that the reader can follow the process of interpretation. As mentioned above the data from the interviews have been integrated with secondary data such as previous literature, studies and reports on the same subject to provide a more extensive picture.
3 THEORY

This present study will draw upon the Business System Approach to examine how national institutions result in distinct Business Systems in China and in turn how it affects the environment for CSR. This chapter is divided in two main parts. The first part is a literature review with a brief review of a long-lived debate within organizational theory between divergence and convergence of management practices thus concluding that a cross-fertilization of the two is needed to fully understand the spread and diffusion of CSR. The theoretical framework will be examined in the second part of this chapter. This part includes a discussion and reflection of the theoretical approach used and how it is applied in the empirical chapter.

3.1 Literature Review

3.1.1 Divergence and Convergence of Management Practices

Globalization and its effects on preexisting structures and arrangements have for long been a debate within various fields of literature such as economics, politics, sociology and anthropology (for an overview of the globalization debate see Guilien 2001). One of the debates within institutional theory and organizational theory is the effects of globalization on organizational forms and management practices. This debate has put scholars in a situation where they for long tended to take one sided view claiming either convergence or divergence of management practices. Within the strand of institutional theory these two sides have been represented by new institutionalism taking the convergence side (DiMaggio & Powell 1991) and the business systems Approach claiming continued divergence (Whitley, 1992; 1999). In sum both theories focus on how organizations adapt to institutional environments but they arrive at different conclusion when it comes to the influence of global standardization of organizational forms and management practices (Tempel & Walgenbach 2007:1). In turn these two perspectives will be described briefly.

New institutionalism: The Convergence Thesis

Central to new institutionalism is the concept of legitimacy where certain organizational practices are adopted not because its efficiency but because it corresponds to institutional expectations by the environment which in turn provides a form of legitimacy to the organization (Tempel & Wagenbach 2007:2-3). One of the most well-known mechanisms in new institutionalism is the process of isomorphism (DiMaggio & Powell 1983).

DiMaggio and Powell introduced the concept of institutional isomorphism to the field of organizational theory as they sought to explain the homogeneity of organizational forms rather
than its variation (DiMaggio & Powell 1983:148). They identify three key processes of isomorphism that produce legitimacy for an organization which in turn could explain the homogenization of organizational practices across different contexts. These key processes are;

**Coercive isomorphism** results from formal and informal pressure on organizations by other organizations and from societies’ cultural expectation (DiMaggio & Powell 1983:150).

**Mimetic isomorphism** comes from a climate of uncertainty where organizations, in times of uncertainty, tend to consider “best practice” as a source of legitimacy. Hence organizations imitate other organizations that they consider legitimate and successful (DiMaggio & Powell 1983:152).

**Normative isomorphism** is a result of professionalization in which members of a certain occupation tend to set legitimate standards for the conditions and methods of their field (DiMaggio & Powell 1983:152). Two aspects that are essentially noteworthy here is; the formal education taught by universities reflected in their curriculums and; the growth of professional networks both of which develop legitimate organizational norms among students, staff and personnel (DiMaggio & Powell 1983:152).

When it comes to CSR the convergence proponents suggest that dominant forms of CSR established in the developed world diffuse to developing world through processes of isomorphism. An example of this is the spread of Global Compact Principles around the globe and the use of GRI reporting guidelines. Waddock (2008) observation that China sent the greatest number of delegates to the 2007 International Leaders’ Summit of the UN Global Compact is also representative for this convergence argument (Waddock 2008 from Jamali and Neville 2011:599).

However, one can question new institutionalism for how well these global practices are implemented in local contexts and if they are open for local interpretations or utilized differently in nationally distinct business systems. As has become evident in this present study, fulfilling ILO standards on the right to organize in a trade union is pragmatic in China as the employment relation are formally tripartite but in reality dominated by the Communist Party. This serves as one example of how national institutions influence the business system in terms of internal structure of the firm and consequently condition the environment for CSR.
Business System Approach: The Divergence Thesis

The business system approach focuses on the effect that national institutions have on organizations. It departs from the idea that various forms of capitalism institutionalize distinct economic rules for the game also called business systems that shape strategies, internal structures and competitiveness of firms (Whitley 1992; 1999).

According to the business system approach it is the national institutional arrangements that inform the business Systems which also explain why the organization of economic activities and managerial practices are considerably different across countries. In essence this implies that different institutional contexts encourage different types of firm and market organization which result in various managerial structures and practices to be established (Whitley 1992; 1999)

Proponents of the Business System approach reject the convergence thesis and argues that global management practices have to be adapted to each countries historical, cultural, economic and political context (Jamali & Neville 2011:206). For this present study the business system approach is a useful analytical framework to study how the political and cultural system in China has influenced the environment for CSR. However as will be evident is that the study of CSR also has implications for business system theory.

Cross-fertilization of the Convergence and Divergence

New institutionalism and the business system approach have constituted a dichotomy within organizational theory however recent scholars have sought to cross-fertilize these two strands and argue that they in fact have a lot to learn from each other. In the words of Tempel and Wagenbach (2007):

“New institutionalists tend to emphasize the global diffusion of practice and the adoption of these organizations, but pay little attention to how such practices are interpreted or “translated as they travel around the world…The business system approach highlights how business continues to be influence by the national institutional framework in which it is embedded, but tends to play down the effects of transnational developments on national patterns of economic organization…” (Tempel & Wagenbach 2007:2)
This attempt of cross-fertilization can be noted in the work of Matten and Moon (2008) and their study on implicit\(^1\) and explicit\(^2\) CSR. They integrate the business system approach and new institutionalism to explain variations in CSR between the US and Europe but also why explicit forms of CSR has spread globally (Matten & Moon 2008:407).

This type of integrative research broadens the picture of the either/or discussion of the standardization of organizational forms and management practices. However essential for this present study is how Matten and Moon (2008) study concludes that the explicit form of CSR that is spreading globally still reflect respective national institutional frameworks (Matten & Moon 2008:416). In this present study this constitutes an interesting aspect for foreign firms in China when implementing global CSR practices and guidelines.

Gjolberg (2009) in her study further illustrated the importance of understanding Business Systems by concluding that while CSR is for sure a phenomenon resulting from a global economy, national political-economic systems plays a significant role in firms' abilities to respond to these changes (Gjolberg 2009:629). This conclusion indicates that global practices such as CSR could converge globally but that they will have to be modified in local contexts due to conditions inherent in national business systems.

To retrieve this point Guillén (2001) in his review of the literature of globalization concludes that globalization does not seem to make firms and government to converge to the same type of behavior. Instead Guillén (2001) found evidence that firms pursue different economic strategies and take on various organizational forms depending on their institutional and social structures of their home country (Guillén 2001:246).

It is from this conclusion that this present study will draw upon the business system approach to understand the environment for CSR. However while acknowledging the global spread of particular forms and practices of CSR this present study is interested in examining the influence that national business system may have on its success.

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\(^1\) Implicit CSR is defined by Matten and Moon as: “…corporations’ role within the wider formal and informal institutions for society’s interest and concerns” and which usually consist of “…values, norms and rules that result in (mandatory and customary) requirements for corporations to address stakeholder issues and that define proper obligations of corporate actors in collective rather than individual terms” (Matten & Moon 2008:409)

\(^2\) Explicit CSR on the other hand is defined by Matten and Moon as: “…corporate policies that assume and articulate responsibility for some societal interests” and which usually consist of “…voluntary programs and strategies by corporations that combine social and business value and address issues perceived as being part of the social responsibility of the firm ” (Matten & Moon 2008:409)
Before moving on to a more explicit theoretical framework discussion the literature on CSR will be reviewed with focus on previous literature that draws upon the business system approach to study CSR.

3.1.2 National Business System meets Corporate Social Responsibility

“The term [Social Responsibility] is a brilliant one; it means something, but not always the same thing, to everybody…” (Votaw, 1973 as cited in Caroll, 1999:280).

The literature on CSR has been widely investigated (for a thorough review of the literature see Aguinis & Glavas 2012; Crane et al 2008) in the management literature during the 1990s and 2000s albeit the academic research on the responsibility of firm can be traced back to the beginning of the 1950s.

In 1953 Bowen wrote the influential book, Social Responsibilities of the Businessmen, where he brought to attention the question of “what responsibilities to society may businessmen reasonably be expected to assume” (Bowen 1953 cited in Caroll 1999:270). This question marked the beginning of the normative debate within the field of CSR. The question was responded by the economist Michael Friedman in his article titled ‘the social responsibility of business is to increase its profits’ (Friedman 1970). However Friedman’s view that social responsibility was profit maximization for shareholders was followed by criticism and a new paradigm emerged in response.

This new paradigm acknowledges that firms have responsibilities to a broader range of stakeholders (Freeman 1984). Caroll (1979) systemized the meaning of CSR by providing a conceptual model of corporate performance distinguishing between economic, legal, ethical and philanthropic responsibilities (Caroll 1979; 1999). The normative discussion of what ought to be the responsibilities of the corporations shifted to a discussion of how and why firms engage in CSR.

Margolis and Walsh (2003) in their literature review of CSR criticized previous research on the topic as being too focused on corporate financial performance as the sole dependent variable for why firm engage in CSR. Instead they argued that factors other than financial performance affect firms’ commitment to CSR (Margot & Walsh 2003:268). This critique signals a starting point for other perspectives on CSR beyond mere financial performance. Naturally financing is an important factor but as the author of this present study would argue that other factors such as the surrounding environment and internal organization of the firm influence how firms engage in CSR.
Brammer, Matten and Jackson (2012) pointed out in their study that “it may seem strange that institutional theory became the lens of CSR rather recently since its focus of how forms, outcomes and dynamics of economic organization are influence and shaped by social institutions seems to be at the heart of CSR” (Brammer et al 2012:4). Thus, it was first during the last decade that comparative institutional scholars (see Aguilera et al 2007, Campbell 2007; Matten & Moon 2008; Chapple & Moon 2005) started to pay attention to the societal aspects of CSR and focus on how institutions influences and give rises to varieties of CSR. These scholars moved beyond the financial outcome discussion and asked why forms of CSR differed between countries concluding that the ability, focus and salience of firms to engage in CSR should be studied in regards to the institutional context in which they find themselves.

This opened up a new field of CSR literature that do not assume a universal definition of the term but rather assumes that the behavior of firms to engage in CSR and the meaning of the concept itself is highly dependent on its institutional context (Campbell 2007:947-948). Two works that significantly marked the beginning of a comparative institutional analysis of CSR is the work by Aguilera et al (2007) and Campbell (2007).

Aguilera et al (2007) provide a multilevel theoretical model to understand why corporations engage in CSR initiatives. They argued that power relationships between actors are contingent on the environment which they are in. When CSR practices are diffused globally there will not be so much isomorphism but rather a process of translation where CSR practices adjust to local conditions and adapted to actors’ motives and relationships (Aguilera et al 2007:855).

They proposed that at each level of analysis, individual, organizational, national and transnational, actors and interest groups have three motives for pressuring firms to engage in CSR. These are explained briefly below;

The first motive is **instrumental** and refers to self-interest. This can for instance be seen on the national level when government promotes CSR as a way to enhance international competitiveness (Aguilera et al 2007:849).

The second motive is **relational** and concerns relationships among group members. On a national level this can be reflected in governments’ responsibilities to promote social cohesion and to develop relationships between the marginalized and the powerful (Aguilera et al 2007:849).
The third motive is a **moral one** which refers to ethical standards and moral principles. At the national level this is inherent in the understanding that firms have a collective responsibility towards society (Aguilera et al 2007:850).

By differentiate between different motives of why to engage in CSR Aguilera et al (2007) opens up for the possibility that governments and firms may have several motives to engage in CSR. For instance, as will be noted in this study is that the Chinese governments often promote CSR as a way to enhance Chinese firms’ competitiveness.

In similar vein Campbell (2007) argue that the relationship between economic conditions and corporate behavior is in fact mediated by several economic and political institutional conditions which affect firm behavior (Campbell 2007:948). Campbell in his analysis finds that institutional determinants (such as public-private regulation, the presence of nongovernmental organization, institutionalized norms regarding appropriate behavior, associative behavior among corporations and organized dialogue among corporations and their stakeholders) would determine why firms engage or not engage in socially responsible behavior (Campbell 2007:947). Campbell’s argument is interesting as it emphasize how there are certain institutional conditions that would push firms to engage in CSR. In this present study this could be reflected upon in terms of the limited presence of NGOs in China which could be an explanatory factor to the frequent reports of firms’ irresponsible behavior.

### 3.1.3 National Corporate Social Responsibility

As evident from the literature review above the focus of contextual understandings of CSR tends to be dominated by North American or a European focus (e.g. Campbell 2008, Aguilera et al 2007; Matten & Moon 2008) and studies on CSR in Asia is limited in number (Chapple & Moon 2007:186). In contrast to the literature focused on North America and Europe a critical research agenda has emerged arguing that research on CSR in developing countries cannot be solely approached by western concepts and frameworks but rather need to take into consideration perspectives that reflect the experiences in a developing country context (Prieto-Carrón, Lund-Thomsen, Chan, Muro & Bhushan 2006:977). In fact understanding CSR in a developing country is becoming increasingly more important but in the literature it is under-researched (Visser 2008). In addition much of the research on CSR in Asia has been under-theorized (Chapple & Moon 2007).

The influence of national institutional context is emphasized by Welford (2005) who demonstrated in a survey among countries in Europe, North America and Asia that CSR policies
was linked between the development of CSR and the country’s economic development although
acknowledging that CSR policies were also based on national arrangements such as local culture
(Welford 2005:31). For instance it was pointed out that one of the biggest problems in Asia is to
recognize the right of workers to standardized working hours (Welford 2005:51) which can be
understood by examining the culture where there seems to be an ethic of working long hours and
not be the first person to leave. This was concluded to be a result of seeing labor as a factor of
production rather than human capital (Welford 2005:51).

In similar spirit, Chapple and Moon (2005) argue that national factors could better explain
national CSR rather than their economic and social development. This was especially highlighted
in the case of India and Singapore where India had scored lowest on GNP per capita but highest
level on CSR, Singapore on the other hand scored highest on their GNP per capita but scored as
fourth on CSR level (Chapple & Moon 2005:432). Chapple and Moon (2005) explain that India’s
high level of engagement in CSR is associated with the countries “long-standing, religiously
derived, philanthropic traditions” (Chapple & Moon 2005:437). Singapore’s weaker score in CSR
was explained as being a result of the countries’ relatively large tax base where government
invested heavily in education and environmental. Other factors such as its low level of
unemployment and the absence of agriculture sector were also explained to limit the drivers for
CSR (Chapple & Moon 2005:437).

Jamali and Neville (2011) in their study of convergence and divergence of CSR in Lebanese
concluded that while explicit forms of CSR may be spread to Lebanon through processes of
isomorphism these convergence indications are only cosmetic. Instead patterns of path
dependency and national history trajectories result in traditional philanthropy activities, and deep
rooted religious values that impact the CSR expression of local actors (Jamali & Neville
2011:617). This conclusion shares similar points as the study by Matten and Moon (2008) where
global convergence of CSR is a fact but that the CSR expression by local firms is influenced by
features in their national business system.

These previous studies have opened up for an agenda that does not assume that differences in
CSR can only be reduced to developmental stages but rather examines how national institutional
contexts influence the environment for CSR. However few of these studies have examined the
possibility of variations within common national institutional frameworks.
3.1.4 CSR in China Research

It is just recently that scholars, limited in number, begun to research on the CSR agenda that are emerging in China arguing for an indigenous understanding of what it actually means (Xu & Yang 2010) where issues regarding business ethics must be seen against the background of China’s cultural and ideological background (Ip 2008). Thus Chinese CSR is different from its western counterparts and Chinese history and institutions are critical in fashioning CSR (Wong, 2008) therefore Western concepts of CSR does not adapt well to the Chinese market (Wang & Juslin 2009) This section therefore aims at briefly present the previous research and discuss how and why it is important for this present study.

Ip (2008) brought to attention in a normative study of business ethics in China the challenge of developing a Chinese business ethics without fully taking into consideration the cultural and ideological legacy that informs the Chinese context today (Ip 2008:217). In the study Ip (2008) proposed that it “…should be compatible with the reasonable core elements of local culture and ideology; relevant to the China’s developmental needs and challenges; problem oriented; consistent with universal principles of ethics or hypernorms shared by the world community; and able to generate mid-level principles and norms for prescribing behaviors” (Ip 2008:219). What this basically means is that elements from cultural strands such as Confucianism and Socialism are essential to address in relation to Chinese business ethics. For instance one should take into consideration and critically examine Confucian elements such as familial collectivism, authoritarian paternalism, hierarchism, guanxi networks and the preference social harmony (Ip 2008:221). As pointed out by Ip (2008) the political leadership also has an essential role in establishing a business ethics as it constructs the moral and ideological foundations in China (Ip 2008:218). Thus it is concluded that “constructing a workable and reasonable business ethics for China is daunting task that requires openness, critical spirit, imagination, commitment, and a lot of hard work” (Ip 2008:222). This study indicates that in the case of business ethics, one needs to take into account cultural elements to achieve successful result. It is interesting for CSR as it highlights the cultural system of Confucian elements that may influence the conditions for how firm adopt CSR. In this present study the cultural elements related to how it affects the internal structuring of the Chinese firms and inter-firm relations. For instance interpersonal trust and paternalism will be examined as one factor that influences the relationships between managers and employees.

In similar vein, Wang and Juslin (2009) proposed a new definition of CSR to better suit the Chinese market called the Harmony approach. This approach takes into consideration the
traditional Chinese culture and philosophy with special understanding of how Confucian philosophy has influenced the Chinese moral code. Despite recognizing the importance of natural, legal, market and political drivers of CSR in China the authors claim the ethical driver to be the primary one in explaining why firms engage in CSR in China (Wang & Juslin 2009:439-440). They refer to the overall goal of an individual according to Confucianism which is to become a superior person by contributing to a harmonious society. In line with this reasoning it is argued that the goal of an enterprise and that the primary reason to conduct CSR is to become a superior enterprise which will contribute to the construction of a harmonious society (Wang & Juslin 2009:446). In their study Wang and Juslin (2009) illustrates how the five cardinal relationships from Confucianism influence modern business relations this is illustrated in Figure 1.

**Figure 1 Confucian influences of Modern Business Relationships (Wang & Juslin 2009:441)**

<table>
<thead>
<tr>
<th>Cardinal Relationships</th>
<th>Modern Business Relationship</th>
<th>Principles</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Ruler and Subordinate relation</td>
<td>The relation b/n governmental administration, NGOs and firm</td>
<td>Loyalty and Duty</td>
</tr>
<tr>
<td>The Father and Son relation</td>
<td>The relation b/n customers and firm</td>
<td>Love and Obedience</td>
</tr>
<tr>
<td>The Husband and Wife relation</td>
<td>The relation b/n firm and employees</td>
<td>Obligation and Submission</td>
</tr>
<tr>
<td>The Elder brother and Younger brother relation</td>
<td>The relation b/n managers and ordinary employees</td>
<td>Seniority and Modeling Subject</td>
</tr>
<tr>
<td>The Friend and Friend relation</td>
<td>The relationship b/n firm and business partners (suppliers, distributors, etc)</td>
<td>Trust</td>
</tr>
</tbody>
</table>

Each relationship is governed by a principle which is illustrated in the figure above. When studying the environment for CSR in China these traditional relationships are interesting as can be transferred to modern day business relationships. For instance the relation between managers and ordinary employees as governed by a principle of Obligation and Submission could explain the hierarchical and paternalist structure inside Chinese Family Businesses. This could have an influence for instance on Processes of Due Diligence in relation to CSR where workers might not include criticisms to their superiors due to cultural values of seniority and respect. It is also
interesting to examine how the relation between the government and firms is influenced by a principle of loyalty and duty which could imply that engagement in CSR by firms will be a result of duty to the government policies. In contrast the relationship between the firm and its business partners indicates a principle of trust which corresponds to the role of business networks in China. This will be elaborated more in relation to the empirical evidence in later chapter.

3.2 Theoretical Framework

The business system approach is a fruitful framework to study how national institutions inform the rules for the game in different countries. The theoretical framework will draw upon the works of Whitley (1992), Witt and Redding (2012) and Yeung (2004) which is illustrated in Figure 2. Whitley (1992) is seen as one of the pioneers of the business system approach but as will become evident later on in this section Whitley’s theoretical framework is claimed to illustrate a more traditional view of Chinese Business System. In contrast Redding and Witt (2012) have pointed at implications for the traditional business system approach when studying China. These different version (or evolvements) of the business system approach is fundamentally similar but this present study claims that the latter version illustrates a more progressive view of Chinese business systems.

Furthermore, the business system approach has limitations when studying a transitional country such as China where the economy is changing in a fast pace. In this study the business system approach will be critically reflected on and additional theoretical concepts by Yeung (2004) on the Hybridization of Chinese Capitalism is discussed. In contrast to the business system approach, Yeung (2004) argues that Chinese Capitalism is not institutional-specific but rather actor-specific. Thus analyzing institutional factors influence on business system is not enough instead one should pay attention to the influence that social actors have on these systems as these actors are more mobile and receptive to change (Yeung 2004:8).
3.2.1 Varieties of Business Systems

The business system approach developed by Whitley (1992; 1999) is not the only business system model that has paid attention to the effect of institutions at national level of organizations (see e.g. Hall and Soskice 2001; Amable 2003; Redding 2005).

Despite the popularity of Hall and Soskice’s comparative capitalism model that distinguish between liberal-market economies (LMEs) and coordinated market economies it has been criticized for its dichotomous Eurocentric thinking (Morgan 2007:130). It has also been criticized for its inability to distinguish between countries falling in either of the groupings. For this present study the main limitation of the VoC approach is that it is not useful for understanding Asian business systems (Witt and Redding 2013:267). In fact, there are only two models of business systems that have been developed with Asia in mind: Whitley (1992; 1999) and Amable (2003).

Amable (2003) proposed a five-typology model focusing on the relationship between institutions and economic performance (product market competition, wage setting systems and labor markets, finance and corporate governance, social protection and the welfare state). Amable’s model constitutes of market-based, the social-democratic, the continental European, the Mediterranean and the Asian models. One drawback in Amable’s model is that it does not distinguish between Asian business models but rather lumps them together in one category. In comparison to Whitley (1992; 1999) Amable (2003) does not include the institutional influence of the state or the cultural aspect. Both of which has deemed essential to this present study.
3.2.2 Whitley’s National Business System framework

The purpose of this study is to understand the environment for CSR in China and how Swedish firms can navigate in the Chinese landscape when implementing CSR practices. The business system approach deals with this complexity by analyzing how firms follow different logics of rationality depending on their distinct national business systems (Whitley 1992).

Whitley (1992) criticized the neo-classical economic argument that successful firms would have to converge to the same efficient structure, practices and strategic decisions thus implying the need to follow the same business recipe to survive (Whitley 1992:2). Business systems are defined as “…particular ways of organizing, controlling and directing enterprises that become established in different contexts…” (Whitley 1992:7). These business systems tend to differ between countries due to their institutional context.

The strength with Whitley’s theory is how he allows for differences between East Asian business systems. Whitley argues how business systems in East Asia in comparison to those in western Europe and North America are more heterogeneous between them while homogenous within each country. This is explained by the distinctiveness of national institutional contexts in these countries which limits industry variations (Whitley 1992:12-15). For example Whitley points to how authority relations and structures between firms are considerably different between Japan, Korea and Taiwan while in most Western firms they are shared by a reliance of legal-rational norms (Whitley 1992:13).

Despite some inconsistency in the specification and labeling of the elements in the institutional context between Whitley’s early (1992) and later (1999) versions, variations in institutional context is divided in two groups. In the first group Whitley (1992; 1999) identifies key regulatory institutions which include the political system (including the structure and policies of the state), the financial system and the skill development and training system. In the second group is cultural institutions (hereafter called the cultural system) and refers to more diffuse factors such as dominant conventions and norms governing trust and authority relation (Whitley 1999:48).

These institutions are according to Whitley (1999) the most crucial ones as they guide and constrain the competitiveness of firm’s strategies, internal structure and external relationship (Whitley 1999:23). Whitley (1999) identifies several key dimensions of the Business System to enable comparison between countries. These are divided into three groups 1) ownership and coordination, 2) non-ownership and 3) Employment relations and work management. These are explained briefly below with reference to Chinese Family Business (CFB). This present study
claim that even though Whitley’s characterization of Chinese Family Business (1992) was developed with reference to Overseas Chinese (also called ethnic Chinese) in Hong Kong and Taiwan it is applicable to illustrate a traditional characterization of Chinese Business Systems that still exist in present day China. As consistent with findings from Witt and Redding (2013) Chinese private firms tend to be dominated by ethnic Chinese business and resemble the characteristics of the CFB (Witt & Redding 2013:285).

**Chinese Family Business characteristics**

*Ownership and co-ordination*

The first group ownership and co-ordination concerns the degree of owner’s direct involvement in managing businesses such as the degree of involvement in management, concentration of ownership, owners’ knowledge of business, risk-sharing and commitments, scope of owner interest, and exclusivity of ownership. (Whitley 1999:35).

CFB is characterized by high personal authority and owner domination. Sharing of control with others is relatively limited (Whitley 1991:3). In addition, CFB has also been characterized as pursuing opportunistic diversification strategies that are usually horizontal with some degree of integration into retailing and manufacturing (Whitley 1999:36).

*Non-ownership*

The second group, Non-ownership refers to inter-firm relations such as the degree of integration of activities between actors such as members of the production chain, collaboration between competitors and across sectors (Whitley 1999:39).

CFB is usually small and medium sized firms concentrated on a specific and restricted range of products, but the family business as a whole may be involved in a wide range of industries and sectors through shareholdings, partnerships and family alliances (Whitley 1992:68). The CFB is characterized with high level of interpersonal trust resulting in a high reliance on business networks. Witt and Redding (2013) identifies the presence of business groups known as “qiye jituàn” mostly common by larger SOEs (Witt & Redding 2013:271) Most relevant for this present study is the noteworthy reliance on personal networks (known as Guanxi) which exists in both state-owned and privately owned firm. Among the private firm these networks often includes relations with government officials.
The third group is concerned with the internal structure of firms which refer to the degree of employer-employee interdependence and the degree of delegation to and trust in employees (Whitley 1999:38). In the typical CFB the family head is the key decision maker and top management positions are usually filled by close family members. The relationship between the employer and employee which is not family is characterized with a low degree of trust and delegation (Tsang 2001:88). Thus, employees are often recruited through relatives or friends who are already working in the firm (Redding 2000).

However both private and state-owned Chinese firms have been characterized by both a top-down, centralized decision-making structure and low delegation by managers to employees which results in limited organizational competencies in tasks requiring “(…)extensive creativity or complex coordination” (Witt and Redding 2013:9).

The aim of this study is not to study business system in its totality but rather focus on how the political and cultural system in China have resulted in the dimensions that refer to the internal structure of Chinese firms which either actively promote, latently sustain or silently discourage adoption of CSR.

3.2.3 Limitations to the business system approach

While the business system approach has become a useful tool to study management practices and differences among varieties it has not been without criticism. In sum the business system theory has been challenged for not taking into account the possibility of different rules for the game within the same economy (Tempel & Walgenbach 2007; Witt and Redding 2013); being too static to explain change and ignoring the role that social actors may have on the structuring on business systems (Yeung 2004). These will be explained in more detail below.

First, difficulties to explain multiple business systems in the same economy stems from the tight feedback loop between business systems and its national institutional framework. Tempel and Walgenbach (2007) points out how this tight feedback loop may in fact prevent business proponents to consider how actors such as firms may adopt practices and strategies that are deviant from their business system characteristics (Tempel & Walgenbach 2007:15). In contrast they propose that considering the possibility of firms as being subjects to multiple institutional environments could be more helpful to understand why some firms may converge to similar type of practices despite their distinct institutional framework (Tempel & Walgenbach 2007:15). These limitations are noteworthy as the present study will examine a transnational country such
as China which has been considered to be the home of multiple business systems (Witt and Redding 2013). Witt and Redding (2013) suggest that the multiple business system in China can be noted in the differential treatment of private and state-owned sectors. While their study is limited to distinguishing between the differential treatment between private and state sector they also acknowledge the possibility of geographical differences. In this present study the possibility for multiple business system is distinguished between national, regional and local political system in China. However important to point out in relation to China is that four municipalities (Beijing, Shanghai, Tianjin and Chongquin) have been considered so important that they are under direct control of the central government. This implies that there might also be variations between regions as some municipalities are considered more important than others. However while acknowledging the possibility of geographical variation within business systems this present study is focuses on the possibility of multiple business system within the same economy.

Second, the business system has been criticized for being too static and unable to account for changes over time which partly can be explained by the ideal type categorization of business systems. This limitation is related to the tight feedback loop mentioned above. While a recent interest by proponents of the business system approach has emerged and that is focusing on institutional change (see e.g. Morgan 2005) criticism has been raised towards the business system approach for the limited role of actors (Tempel and Wagenbach 2007:16). As argued in lined with Tempel and Wagenbach (2007) both new institutionalism and business system approach perceived organizations as passive prawns that willingly adapt to their environment (Tempel & Walgenbach 2007:16). In fact the business system approach downplays the possibility that business systems may in fact have some degree of openness. By doing this the business system approach limits the influence that actors such as multinational companies may have to promote standardization of management practices even though it runs against local business system characteristics. For the study of CSR this point is increasingly important as it in fact was brought to China by MNCs in the first place. This limitation has been addressed by Yeung (2004) as he explains that while Chinese Capitalism as an institutional structure might be resistant to change social actors within it are rather mobile and more receptive to change.

These limitations indicate that the business system approach may not be adequate to understand the environment for CSR in China on its own but rather needs additional theories to grasp the dynamics.
3.2.4 Progressive business system framework

Applying Whitley’s (1992;1999) framework on China is not as simple as one first might expect. One of the main concerns is the distinct differences between the state-owned and private sector in China where the latter has gone from being illegal in 1980 to now being main engine for economic growth in the economy (Redding and Witt 2010:83). Important to point out is that mainland China is not included in Whitley’s (1992) study of East Asian business systems. Instead the focus is on South Korea, Taiwan, Hong Kong and Japan and when describing the CFB characteristics refer to the overseas Chinese in Taiwan and Hong Kong. But even though Whitley himself did not include mainland China in his analysis others have used his business system framework to do so.

To understand the influence of national business systems Witt and Redding (2011;2013) have argued that China should be seen as having multiple business systems where they distinguish between state-owned, private and local corporate firms in China. Studying China as following one specific recipe and having one set of rules for the game is challenging as considering what has been permitted and encouraged. This does not mean that the business system approach should be thrown out the window but rather that it needs to be further developed to include aspects that can assist in understanding a more dynamic environment. As pointed out in earlier the CFB is still useful in understanding the domestic private firms in China and is in this present study used to illustrate a more traditional view of Chinese business systems. The progressive view of Chinese business system is illustrated by Witt and Redding’s suggestions to complement the business system approach with studies that acknowledge multiple business systems within the same economy (Witt and Redding 2013). Witt and Redding (2011; 2013) do not present a separate typology but rather argues for an amended version of Whitley’s model. The amendments does not change the fundamental structure but proposes that the business system approach needs to be complemented with further investigations on the role of social capital (trust), culture, informality and multiplexity (Witt & Redding 2013). For this present study the aspect of multiple business systems and informality is examined. These are explained below.

The multiple business system assumptions proposed by Witt and Redding distinguish between three types of ownerships forms which ultimately are subject to different rules thus resulting in three various business systems. These will be explained briefly below.

Prior the reforms in 1980s all business entities in China were owned and managed by the state. In this environment, state-owned enterprises (hereafter SOEs) preformed the functions that either the state or the society would perform. During the economic reforms many of the small and
medium sized SOEs were privatized and the state sector declined. However larger SOEs in strategically important industries were kept and are owned by the central government (Child & Tse 2001:16).

The domestic private sector in China is mostly constituted by small and medium size family-owned businesses with many intermediaries and much trading (Redding and Wit 2011:123). The domestic private sector is regarded to be the growth engine of the Chinese economy and has experienced a fast-growing growth and expansion (Redding and Wit 2010:83). Prior the 1980s private businesses were illegal in China and has after the privatization reforms experienced a harsh institutional environment and was only given full legal rights in 2000 (Child & Tse 2001:9).

The local corporate sector is characterized by complex internal structure and is result of a long transformation. Essential to point out is that these local corporates are in fact a mix between the private firms and local governments. Usually they look and behave like private firms but their ownership structure often includes a government post (Witt & Redding 2011:83). For the purpose of this present studies these type of firms will not be examined as their complexity and variation cannot be covered by the scope of this study.

However, relevant for this present study is the distinction between SOEs that are under control of the central government and domestic private firms that act under the jurisdiction of regional and local government. This allows for different rules for the game at the different political levels which could affect their ability to adopt CSR policies differently.

The role of informality is defined as “…reliance on informal (codified) institutions such as unwritten norms, conventions or codes of behavior (Witt & Redding 2013:292). The aspect of informality in China can be noted especially in the political system where officially it is the Parliament (National People’s Congress) that is the highest judicial organ. But in practice it is the Communist Party (CPC) that holds the actual power. This corresponds to the limitations that have been raised towards the business system approach where it has been argued that more consideration needs to be paid to the extent that actors may be exposed to unambiguous institutional imperatives.

### 3.2.5 The Hybridity of Chinese Capitalism

In contrast to Whitley’s (1992) and Witt and Redding’s (2010; 2013) top down approach, Yeung (2000, 2004) introduces a bottom-up perspective that seeks to explain the dynamics and hybridity of Chinese Capitalism. Yeung (2000) admits that the business system approach is “…particularly relevant in analyses of the political economies of the Asia-Pacific region where national business
systems are socially and institutionally embedded” (Yeung 2000:400). However interesting for this present study is how Yeung (2000) distinguish between business systems as enduring national structures and key actors within such system. By making this distinction Yeung (2000; 2004) argues that globalization tendencies may have a limited impact on national level but a transformative impact on the key organizational actors – such as Chinese firms (Yeung 2004:39). In fact, when it comes to the convergence/divergence dilemma of management practices Yeung offers an explanation in which diverse possibilities of change and endurance can occur simultaneously.

To clarify, Yeung (2004) argues that Chinese Capitalism is not only institution-specific but rather actor-specific (Yeung 2004:8). When key actors in Chinese capitalism are enrolled in global networks they are exposed to different managerial and organizational practices. These key actors are defined as political, social or business elites that have the capacity of effecting institutional changes at the national level (Yeung 2000:413). Through this exposure with for instance international business, finance, media, education and multilateral institutions Chinese key actors are in fact increasingly capable of influencing more systemic changes in Chinese business systems.

Furthermore Yeung (2000) illustrates how actors in Asian business systems are interested to learn new management and business practices from their competitors, supplier or customer. This also indicates that the same actors might need to change some of their previous practices to be able to compete. In contrast to Whitley (2001) Yeung argues that the two-way globalization between Asian firms and non-Asian firms may in fact result in a long-term process of changing dynamics in Asian business systems (Yeung 2000:413). This argument will be examined further in this study as it is representative the core dilemma of how well global practices of CSR are implemented in a Chinese environment.

In the case of the cultural aspect Yeung (2004) argues that culture in Chinese Capitalism needs to be conceptualized as something that responds and adapt to changing global, regional and local circumstances rather than being cast in stone. In the case of China this can be seen in the increased professionalization of Chinese firms as a response to the global economy. Other studies have indicated a similar trend. For instance Ralston et al (2006) found evidence of a generation shift in China towards more western values of individualism and materialism (Ralston et al. 2006). In addition empirical evidence put forward in a study by Yang (2009) posits that China is in fact the home of various management ideologies, Confucianism, socialism and capitalism and that China can be better understood by examining conflict and convergence of
these three (Yang 2009:177). In addition Child and Tse (2001) suggest their study that despite the presence of strong state paternalism it is not enough to say that global forces impact individual firms through their effects on national institutions. Instead many Chinese firms operate outside their home country borders and have partnerships with foreign firms or face direct competition from foreign firms resulting in direct influence of global forces on these firms (Child & Tse 2001: 15).

This argument of hybridity is interesting for this present study as it contributes to further insights to the possibility changing business system. While Witt and Redding (2010; 2013) opens up for the possibility of multiple business systems Yeung (2000, 2004) elaborates further and examines the transitional forms of business systems. These two additional theories are in this present study seen as contributing to the understanding of CSR in China.

3.2.6 Summary of Theoretical Concepts

This section will present the theoretical concept that has been derived from the theoretical framework in previous sections. These theoretical concepts will guide the empirical chapter and be discussed in terms of how they influence the environment for CSR. This section will aim at unpacking the concepts to the reader and introduce how they will be applied in upcoming chapters.

The Political System concerns the power of the state and how it engages in economic and social activity. In this present study the political system will be studied in terms of its influence of the environment for Chinese firms to engage in CSR. The political system will be looked upon from the interplay between macro and meso level government. The concept of Informality is examined as a consequence of the structure of the political system and will be examined how it influences the environment for CSR.

The Cultural System refers to more diffuse factors such as norms that govern trust and authority relations. This will affect the internal structure of the firm as well as the ways in which it deals with other firms. Interpersonal trust is claimed to be crucial as it influence delegation to employees as well as inter-firms relationships in terms of the presence of and reliance on business groups (Whitley 1999:52). Pre-dominance of paternalist authority relations is also deemed as an essential aspect influencing the internal structure of the firm as it affect the relationship between management and employees. These factors will be looked upon in terms of how they influence the environment for CSR. Thus while the political system can be seen as relating to how the
external surrounding of the firm creates an environment for CSR the cultural system can help explain how the firm’s internal organization creates an environment for CSR.

*Hybridity* is referred to the possibility of dual cultural environments which may lead to changes in enduring national business systems. Inspired by Yeung (2000, 2004) this will be studied in relation to the influence of the cultural system.
4 BUSINESS SYSTEM INFLUENCE ON CSR IN CHINA

This chapter presents the empirical findings of how national business systems influence the environment for CSR in China. The chapter is divided in two parts. The first part examines how the structure of the political system influences the external environment for CSR in China. In this part multiple business systems and tendencies of informality within the political system will also be discussed in terms of its influence on CSR. The second part of this chapter examines the role that the cultural system has in influencing firm’s internal environment for CSR. In addition tendencies of hybrid cultural elements will be examined as influencing CSR. Primary data collected from interviews with Swedish firms and consulting agencies will be interlinked with secondary literature and reports throughout the chapter to enable a more solid presentation of the empirical findings.

4.1 Chinese Political system and its influence on CSR

This section will start off with an illustration of the political system discussing the question to what extent and how the state engages in economic and social affairs. However an exhaustive description of the political structure will not be provided as such attempt would serve as a full-scale study in itself. However what will be distinguished are the various levels that the state executes power thus separating between national, regional and local levels. The aspect of informality will be looked upon from the point of view of the political system. This will be followed by evidence indicating how the political system influences the environment for CSR.

The Political System in China

According to the Chinese constitution the political power rests with National People’s Congress (hereafter NPC) which is China’s Parliament. Officially the NPC is the most important organ of the state and the highest decision-making body as well as the ultimate lawmaking body (National People’s Congress 2004). But this is only in theory. In practice the power is controlled by the Chinese Communist Party (hereafter referred to as the Party) or more accurately the nine standing members of the Politburo where the opinions of senior party leaders are given extra weight. Therefore when discussing China the state and the Party are often used interchangeably (see e.g. Witt & Redding 2012:4). The Party appoints the members of the central government as well as the president. Both the government structure at national, regional and local level mirrors that of the Party where it is common that the same party member’s holds equivalent positions in both organizations (Witt & Redding 2012:4). The main concern for the Party is to lose power therefore maintaining legitimacy is crucial to avoid unstable political order and public uprisings. To maintain this stability, public protest is suppressed and freedom of expression limited while
the improvement of material well-being is achieved through economic growth (Witt & Redding 2012:4).

China holds unique characteristics as its transition continues to be very much planned by the Party who preserves an active role in business affairs (Child & Tse 2001:5). China has been labeled as a developmental state with predatory characteristics (Witt & Redding 2012). The developmental dimension is mirrored in the Party’s ambition to remain in control and apparent in the industrial policy with targeted SOEs that are considered essential and too important to be left to the market forces alone (Witt & Redding 2012:4). The Predatory characteristic is visible by frequent attempts of personal enrichment by party officials including corruption and illegal appropriation of communal land or state property for personal advantage (Witt & Redding 2013:4).

China also lacks strong institutional trust and the reliability of information highly debatable (Redding and Witt 2011). According to Redding and Witt (2011) the questioning of corporate data is due to the absence of a strong and independent profession of accounting that can take responsibility and ensure quality of data (Redding & Witt 2011:55). Despite thousands of laws and regulations that have been passed during the last 30 years China still lacks the environment of a modern regulatory state (Zheng 2006:11). Furthermore, a strong rule of law which ensures players in industrialized countries to play by the rules is elusive in China. This is illustrated by Figure 3 (World Justice Project 2012).

**Figure 3 WJP Rule of Law Index China (WJP 2012)**

<table>
<thead>
<tr>
<th>Factors</th>
<th>Scores</th>
<th>Global Rankings</th>
<th>Income Group Rankings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited Government Powers</td>
<td>0.36</td>
<td>86/97</td>
<td>26/30</td>
</tr>
<tr>
<td>Absence of Corruption</td>
<td>0.52</td>
<td>40/97</td>
<td>10/30</td>
</tr>
<tr>
<td>Order and Security</td>
<td>0.78</td>
<td>32/97</td>
<td>4/30</td>
</tr>
<tr>
<td>Fundamental Rights</td>
<td>0.35</td>
<td>94/97</td>
<td>29/30</td>
</tr>
<tr>
<td>Open Government</td>
<td>0.42</td>
<td>69/97</td>
<td>23/30</td>
</tr>
<tr>
<td>Regulatory Enforcement</td>
<td>0.41</td>
<td>80/97</td>
<td>28/30</td>
</tr>
<tr>
<td>Civil Justice</td>
<td>0.43</td>
<td>82/97</td>
<td>27/30</td>
</tr>
<tr>
<td>Criminal Justice</td>
<td>0.54</td>
<td>39/97</td>
<td>8/30</td>
</tr>
</tbody>
</table>

The figure indicates a relatively weak rule of law but with improvements in upholding order and security (0.78/1) and criminal justice (0.54/1). Of interest for this present study is that Sweden
ranks as one of the best countries in both global rankings and high income group rankings (World Justice Project Rule of Law Index Sweden 2012).

However one crucial reform for the political system has been the decentralization of power to regional and local government especially in relation to economic policies. To further emphasize this point Xu (2011) has claimed that:

“under the supervision of the central government, they [the regional and local level governments] initiate, negotiate, implement, divert, and resist reforms, policies, rules and laws. They drive, influence, or hamper regional/national economic development, macroeconomic conditions, environmental conservation or degradation, social stability, etc. China’s reform trajectories have been shaped by centrally controlled regional decentralization.” (Xu 2011:1079)

In fact, counter to prior assumptions that the central government are in full control this above statement indicate that much of the policy-making and especially implementation are taking place at the regional and local levels of governments. This has led the political system to be referred to as a regionally decentralized authoritarian system (Xu 2011). This system is characterized by both a centralized political power and economic regional decentralization. The centralized power is visible in that the regional and local government officials are appointed by the central government. This is done to make sure that the regional and local official follows national policies. However the decentralization reforms delegate much of the governance of the national economy to regional and local levels (Xu 2011:1079-1080). These meso-level governments are in turn responsible for formulating their own policies to attract investment and govern business operations under their own jurisdiction although within the general framework set by the government (Child & Tse 2001:8).

Important to point out is that these decentralization reforms have been party deliberate to encourage local experimentation and experimentation (Witt & Redding 2013). This has resulted in a situation where high economic growth rate will ultimately give local officials more power and more likely to be promoted (Xu 2011:1079).

Informality in the Chinese Political System

The author of this present study claim that the aspect of informality (the deviance between formal rules and actual behavior) related to the political system can be illustrated as two-fold. First, the informality is visible at the national level between where the Chinese constitution claims the ultimate power to rest at the NPC but in practice belongs to the Party. Second the
decentralized structure that gives the regional and local government autonomous power to implement national policies opens up for a possibility of deviance from formal rules.

**Political System influence on CSR**

The empirical findings in this present study indicate how the structure of the political system allows different rules to be made at national, regional and local levels.

At the national level, a shift can be identified from passively accepting CSR standards and practices imposed by foreign firms to the central government actively promoting national CSR guidelines and standards that are increasingly in harmony with international standards. Examples of this political shift can be noted in official endorsements of CSR in China such as amendments of the new Company Law in 2006 that explicitly states that firms must undertake social responsibilities (Zadek et al 2012). In 2007 the Chinese Labor Law was further amended to enhance the protection of labor rights (Chinese Ministry of Commerce 2007). Furthermore in 2008 the central government also launched mandatory guidelines on CSR directed at SOEs (SASAC 2008).

However interesting findings discovered from the empirical interviews indicate that the role of the central government should not be exaggerated. Instead the empirical findings seem to indicate that there is a clash between national rules for the game and local rules for the game.

In fact the Respondent from Scandic Sourcing explained that despite former president Jintao’s motto of a harmonious society the reality for Chinese business men is quite different where it is the regional and local governments that set the rules (President at Scandic Sourcing, 18-08-2013, 33:12). The following statement by the Respondent illustrates that:

"China makes very good laws, but they are made at relatively high levels but there is a small group in Beijing that make laws and they look around the world how do other countries, so the laws that come out they are pretty good but when they get out they are sent out in the country and uh ... then it takes maybe ten years before these laws have been implemented well and often they are implemented in different ways in different provinces and districts and interpreted differently by different people so after a while when a law has been issues there comes clarifications and it may come to the province or center but it is a process that can take many years, but as a Swede you often believe that if you read the law, it is this that apply but it is not in China, but what applied for a Chinese factory that is what his local authority tells him ..." (President at Scandic Sourcing 18-08-201314:45)
This above statement indicates that there are in fact various distinct political systems in China which enables different rules for the game. On the one hand there is the national government that decides the political agenda and focus of policies while on the other hand you have regional and local governments that are responsible for how these are implemented in their own jurisdiction. This indicates a situation where domestic firms respond to the political system closest to them which is the regional and local government. This has for example been the case in relation to improving workplace safety where the issue have been given paramount attention by the central government while frequently being comprised by local governments and firms (Zheng 2006:4).

Furthermore the Respondent from Business Sweden shared explained in the following statement how the laws that are drafted on a national level are comprehensive but that there is lack of enforcement:

”(…) there is good legislation in China that comes from the politicians but there is extremely bad enforcement of this legislation and extremely bad consequences eh…and a lot seeing between fingers and eh…but naturally as in all countries…it has a certain meaning but sometimes I think that the force is stronger in China” (Manager Sustainable Business at Business Sweden 15-04-2013, 25:20)

From this statement one can assume that there is a strong force in China that distinguishes between political system on a national and local level. This in turn opens up for the possibility that proactive rules are being written at the national level but not harmonized with regional and local rules. The Respondent indicates that the legislation is good which also corresponds to the indications of official endorsement of CSR mentioned above. While not explicitly expressed by the Respondent there seems to be tendencies of convergence to international standards and guidelines on CSR on the national level but continued divergence due to distinct regional and local levels in the political system.

Furthermore the Respondent from H&M explained how initiative and programs coming from the central government is naturally given more weight but that it is important to involve domestic firm so that they understand the business case (Sustainable Project Leader at H&M, 16-04-2013,01:09:37). This touch upon an interesting point where it can be assumed that due to the inconsistency between national and local political system the state’s role in driving CSR may only have a limited effect. From this statement it could be argued that firms only do what they are required to do but when the political system diverge the firms are left with no actual incentive to adopt national level laws.
Inconsistency between international standards/guidelines and actual practice in China

It was pointed out during the empirical interviews that there is an inconsistency between international standards and guidelines related to CSR and the actual system in China. Empirical findings in this present study indicate that this relates to informality in the political system in China. To illustrate this point the Respondent from Scandic Sourcing explained in the following statement that:

"Many of these systems are built on the UN Global Compact and the OECD Guidelines or the international chamber of commerce and what they have in common all the systems is that they are all very grounded in ILO international labor organization so they are all very clear on the requirements that there should be free trade unions and working hours and child labor and all those things huh so so ... and what is special in China is that the laws here do not fit the ILO rules and it makes it impossible to use them these systems in China because there are no free trade unions and you look at things in a different way and have a different standard... so there is a huge gap there "(President at Scandic Sourcing 18-08-2013,11:00)

This statement indicates how international standards and guidelines based on ILO standards regarding labor rights do not correspond with actual system in China. The interesting point however is that in relation to labor laws, China has a comprehensive system (Zheng 2006) and levels of employment protection often exceed those in coordinated market economies (Witt & Redding 2012:10). In addition, China has ratified more ILO conventions related to labor issues than United States (Zheng 2006: 11). This inconsistency can be explained by paying attention to the informal structure within the political system in relation to employment relations. China formally have a tripartite structure between representatives of the government, employers and workers. In practices this structure is highly fragmented at various geographical levels. Independent trade unions are not allowed and the only legal trade union, The All-China Federation of Trade Unions (ACFTU) does in practice not represent employee’s interest but are rather under direct control of the Party. In fact it has been indicated that the ACFTU often fails to represent the interest of the workers due to interest by local governments to received tax receipts from local firm and investments. Thus, the ACFTU tends to side with the employers in labor disputes with workers (Witt and Redding 2012:9).

This separation between formal and actual practice is indicated to cause implication for the success of international standards and guidelines. The importance of understanding this was
emphasized during the interview by the Respondent from Scandic Sourcing who expressed how they have to modify global CSR systems to fit the Chinese environment. This was illustrated in the following statement by the Respondent from Scandic Sourcing:

“…it does not work to run the international systems that are available partly because they do not have an understanding of how it works here and partly because from a Swedish point you either have right or wrong or yes or no there is no free trade unions yes or no but you cannot simply say yes then it has to be no but there is a vast scale …” (President at Scandic Sourcing 18-08-2013, 21:40)

The above statement illustrates a challenge for foreign firms that are to implement global CSR systems in China where the political system is characterized by a degree of informality. It is indicated that this puts Swedish firms in a paradoxical situation where a commitment to formal laws is contrasted with actual practice. Thus it also indicates the need to be very pragmatic when working with such issues in China.

4.2 Chinese Cultural system and its influence on CSR

As illustrated in the theory chapter the dimension of the Cultural System refers to more diffuse institutions influencing trust and authority relations. In this section we move away from the way that the political system influences the external environment of the firm. Instead this section will examine how the cultural system visible in the internal structure and inter-firm relation influence the environment for CSR. The first part of this will present the cultural system in China with reference to Confucian values, the traditional internal structure of CFB and Guanxi. The second part will present the findings from the empirical interviews that indicate the influence that the cultural system have on CSR.

The Cultural System in China

Despite the diversity in business systems, China holds a large degree of unity which is partly due to the predominance of the ethnic group, the Han that constitutes 90 percent of the population (Chen 2001:3). The unity also originates from the long-lived tradition of Confucian values that has, and still is governing the Chinese society through regulating social relationship both familial and civic (Chen 2001:3). The ultimate goal in Confucianism is to maintain a harmonious society. The political ambition expressed as achieving a harmonious society indicates the influence of Confucianism in present-day China.

It has been shown in previous theoretical discussions how Confucianism cardinal relationships may be transferred to modern business relationships. Three of these cardinal relationships (Husband and Wife; Elder and younger brother; Friend and Friend) have been used to illustrate
the modern business relationship between firms and employees; managers and ordinary employees and; the relation between business partners. These cardinal relationships indicate the importance of family and paternalism which resembles the characteristics of the CFB. The Husband and Wife relation as well as the Elder and Younger brother relation can both help to understand the internal relationships within Chinese firms. As the figure above indicates these relations are governed by principles of obligation and submission and seniority and modeling subject. These governing principles can be seen in the traditional CFB as it is characterized by a top-down, centralized structure where it is the head of the family that is the key decision-maker. Top management positions are usually given to close family members or friends and the relationship with employees that are not family is characterized by a low degree of trust. The relationship between the manager and ordinary employees also indicate influence of paternalism as visible in the principle of seniority. In addition the principle of seniority and modeling subject also indicate a relation where the elder party is given senior status where his/her opinion is given higher weight.

The cardinal relation between friends is governed by a principle of trust. This relation where trust is crucial corresponds well to the inter-firm relations. The reliance on inter-personal trust is noted in reliance of networks of personal connections especially in regards to the CFB. This is visible in terms of the use of Guanxi which is mentioned as a distinct element in Chinese business culture and indicates a reciprocal relationship often extended to family members and friends. Guanxi is often understood from a Western perspective as equal to corruption and bribery but it is in fact a concept that stems from the Confucian philosophy and has been present in the Chinese societies for thousands of years (Chen 2001). Important to acknowledge is that China’s economic growth is considered to owe much of its success to the use of Guanxi which enabled global networks of Chinese firms.

Interesting for our study is evidence that shown that “…while highly personalized social relations and exchanges may increase personal trust at the dyadic level between Guanxi parties, it runs the risk of lowering the procedural justice and trust at the institutional level” (Chen, Chen & Xin 2004:207). As became evident in the previous section on the influence of the political system in China institutional trust is reported as weak. This situation of low institutional trust can be understood by looking at the principle of trust that is governing the relation between business partners. It has been claimed that it is the development of legal support for the terms of contracts and of transparency in legal processes that will encourage a shift from personal to impersonal enforcement of business transactions (Child & Tse 2001:14). However when cultural institutions
are diffuse they influence the regulatory institutions. The element of inter-personal trust between business partners which is evident in CFB could then be claimed to hinder an actual shift from personal to impersonal.

**Cultural System influence on CSR**

As touched on in the previous section it is evident that the role of the central government in China has a limited influence and that due to decentralization reforms local governments plays an important role in the daily-life of Chinese firms.

Interesting findings from the interview was that both the Respondents from the consulting agencies and Swedish firms indicated that they experienced that their business partners lacked trust in regulatory institution. As claimed in earlier sections this seems to have cultural origins as also became evident in the empirical interviews. Three aspects of how the cultural system influenced CSR can be noted from the empirical findings; internal structure of CFB; inter-firm relations and the tradition of Guanxi and; hybrid tendencies in the cultural system. These will be presented in turn below.

**Internal structure of CFB influence on CSR**

A lack of ownership over CSR policies, limited channels for employees to express grievances and a climate in which environmental offences are easier to get away with. These were the concerns that the Respondents from H&M expressed in regards to the challenges that they have working with CSR in China. These challenges were indicated as a result of the cultural systems influence on the internal structure of traditional CFB.

The Respondent from H&M explained during the interviews that the challenges working with encouraging Worker’s Empowerment had connections with the hierarchical structure of Chinese firm. Although the Repondent saw changes relating to this a common challenge was that the management rarely sees the meaning of listening to its employees. This was illustrated in the following statement:

".... I think you have a traditionally very hierarchical corporate culture in China in factories as well as in the office when I talk to my Chinese friends who work at brokerage firms or advertising agencies or whatever the case you do not dare to really talk to the manager therefore critical feedback constructive feedback to your boss it does not exist in China and that is a huge problem so partly from the management side that they (say) what do we have to win on having them (the workers) share what they think to us  but as I said more and more management
realize this as a way if not to keep workers ehm but in many supplier organization it is a problem that management does not recognize the importance of listening to its staff, uh (...) It is a classic hierarchical organization ehm...from the perspective of the workers it is connected to that and where we often see a challenge where workers neither see the importance...to do so partly that they lack the opportunities to do so but partly that there are immature structures...there might exists a worker committee but they rarely meet and where there are some kind of grievances there might be a suggestion box but it does not work as it is unsure there is something with the workers that they do not trust that information is treated confidentially you do not trust that it reaches any result uh so you...choose more often to change employer if you are dissatisfied uhm..."(Sustainable Project Leader at H & M 16-04-2013, 01:02:07)

It can be indicated from the above statement that hierarchical internal structure between employees and managers influences the work with CSR especially in relation to taking into consideration the opinion of internal stakeholders. As illustrated in earlier section the governing principle between managers and employees were seniority which can be seen in this situation were the management does not listen to its employees as they regard themselves as older and wiser. What is also interesting to discover from this statement is the lack of trust between employees and managers. This corresponds to the characteristics of CFB were there is a low degree of trust between staff that belongs to the family and those that do not.

Relating to the position that the employees have inside a Chinese firm the Respondent expressed how the Chinese employees had much lower position inside the firm and were not represented in the same way. As mentioned in the structure of the political system there is a gap between formal employment relations and actual practices especially when it comes to trade unions. As indicated by the Respondent from H&M this lower position of employees could possibly be a factor to the Chinese environment in which legal breaches against environmental laws or economic laws are more often breached. The Respondent explained that:

"... There's a very strong culture in Sweden, we are a very small country we have a pretty strong identity uh firm in Sweden are much more see themselves as part of Sweden somehow they are closer to their societal environment in some way ehm it's quite difficult in Sweden to get away with not taking your responsibility to follow laws and rules ehm you are more strictly regulated you are audited harder it is difficult to escape it, there are environmental crime and economic crime and so on but I think it also has to do with that I think that the employees in Swedish firm have much stronger position than they employed in Chinese firm ehm so the community is inside the firm, so to speak, and people say what they think people are represented by trade unions and so on "(Sustainable Project Leader at H&M 16-04-2013, 01:21:06)
This above statement illustrates the absence of internal pressure on firms to act responsible. This can in turn be linked to the traditional relationship between firms and its employees as governed by a principle of obligation and submission. In such environment the obligation that firms have is to provide jobs while expected submission in return from its employees. Furthermore when being asked about how the Respondent regarded the awareness of CSR among its business partners the Respondent explained how the awareness among its suppliers are very high but what is missing is the ownerships is lacking. This was expressed in the following statement:

"... I think that the awareness if one means it in fairly simple terms then I think it is very high but what is lacking and what we say are lacking is ownership that suppliers themselves take ownership of a sustainability strategy ... they do it mostly because you demand it so the sustainability of this is not very high because if we would stop working with this let say us and GAP are the major buyers on one supplier then if we would stop buying from this supplier then most likely this routine and so on and all aspects of this would most likely fall apart…"  
(Sustainability Project Leader at H & M in 16-04-2013, 39:53)

The above statement on the lack of ownership over sustainability strategies could be explained with reference to the absence of internal pressure. As the Respondent from H&M indicated in earlier statement Chinese employees are more likely to change employer than to express their grievances.

Guanxi influence on CSR

As indicated in the earlier section on the Chinese political system institutional trust is low in China. One possible explanation for this could be found in the cultural system as the mutual reciprocal relationship referred to as Guanxi. This can also be linked to the governing principle between business partners which is trust. In an environment where inter-personal trust is highly valued and reciprocal connections used in business transactions, the establishment of regulatory institutions may in fact be undermined. The Respondent from H&M explained that one of the main problems related to working with CSR was the lack of transparent document from Chinese suppliers. One of the explanations for this was expressed to be the relationship between low institutional trust and high reliance on interpersonal trust. The Respondent said:

"...there is definitely a culture in China that it is more flexible, it is more a culture of negotiation even more to follow regulations and ordinances to the letter uh ... it is a business culture that is much more focused on personal relationships and yes I would also like to say that China ... uh ... I think just the fact or in the context that the laws are not implemented in
strict or stringent, but it is very much about what is the issue on the political agenda it's not rule of law but rule by law in China ... and this Chinese businessmen are not more stupid than others so they see all this so I think there is a culture where you do not respect the law because you know that it is not fair it is implemented not stringent uh ... they are not equal before the law, you are smart enough to understand that it is about acquiring a really strong and personal connection and networks of contacts because then you are safer than if you were to follow the law so I believe this is a natural adaptation to the circumstances it is a problem for us, we would surely rather see that all suppliers comply with the law and therefore fake documents are still a problem for some firm because they do not accept at all that you are not following the law” (Sustainable Project Leader at H&M 16-04-2013 24:53)

In this above statement one can indicate that in context where laws do not get fully and equally implemented, reliance on personal relationships becomes more essential. A personal network would in such case provide more security than trusting the law. However by including the Chinese cultural feature where trust between businesses partners are a core condition one could argue that it is the reliance on personal connections that results in lack of legal enforcement and low institutional trust. One interesting finding that further illustrates this point was when the Respondent from H&M explained that how they temporarily accept that their suppliers exceeds legal requirements on working hours as long as they have an action plan on how to correct so we would rather see that they are transparent to us than they give us false documents for it is an industry problem I would say that there are very few textile factories that follow the laws in China to the letter in terms of wages and working hours ”(Sustainability Project Leader at H & M 16-04-2013, 21:33)

The statement indicates the need to be pragmatic when working with CSR in China where in this case transparency is valued higher than full compliance. However it is also interesting from the point of view that this is in fact an example of how trust between business partners is valued higher than compliance with the law. This illustrates how Swedish firms have to adapt to the Chinese informal rules for the game.
The need to be pragmatic when working in China was a feature that all the Respondents expressed in their work with CSR. For example the Respondent from Business Sweden explained that one general challenge that Swedish firms have in relation to CSR is to control working hours. The Respondent expressed it as a clash between two environments where Swedish firms find themselves in a dilemma where working long hours are not a problem in China (host country) but may have a negative impact on the firm if being revealed by media in Sweden (home country) (Manager Sustainable Business at Business Sweden 15-04-2013, 21:21). In addition the Respondent from Scandic Sourcing emphasized the importance of internally defining the firm’s codes of conduct and values especially in regards to bribes. The Respondent explained that in China there was a culture of giving gifts which is reflected in the business life and what is of value is things that you can used in practice such as cash or transportation cards (President at Scandic Sourcing 18-04-2013, 06:05).

However what stroke the author of this present study when conducting the interviews was what influence that the Respondent had on their Chinese business partners when it comes to attitudes towards CSR. The Respondents that were interviews for this study all filled positions that aimed at bridging the Swedish firms’ global strategies to a local Chinese environment and vice versa. The concept of hybridity proposed by Yeung (2004) is useful in this regard as it emphasizes the role that social actors may have to influence and change established systems. In such environment one can question how the values and standards that are used by Swedish firms affect the landscape for CSR?

Empirical findings from the interview with the Respondent from Business Sweden illustrated this exchange of knowledge. The Respondent explained that when she arrived to China she was surprised by the huge interest to learn about CSR from universities in the Shanghai area. The Respondent expressed that

"Before I started this job CSR was not something I thought of in a daily basis but the thing that has surprised me since I started working is the great interest a tremendous interest from universities in the Shanghai area especially at the MBA programs so there is a large interest to partly invite me to lectures or get help and advice on how we can arrange a good CSR activity ... the students are demanding it but also to invite representatives from Swedish firms to share
This above statement indicates the growing interest among Chinese universities and students to learn about the Swedish way to work with CSR. Another finding that was pressing in all the interviews was the generation shift in labor and the new expectations that the new younger generation had on their work place.

The Respondent from Atlas Copco expressed how this generation shift affected them in terms of being an attractive employer. The Respondent explained this in the following statement:

"We also have a situation today where we have people in your age as one calls princesses and princes because they are brought up in a completely different culture than what is available elsewhere as a result of the one-child policy and there you have a situation where children and young people will enter the labor market with expectations of what they should do is sky-high they have expectations that are unrealistic what they will get out of it compared to what they should do to get it so that is a difficulty and we also many Chinese young people who think of sustainability in a completely different way "(Communication and CSR Manager at Atlas Copco 16-04-2013, 24:25)

This above statement indicates a generation shift that is occurring in China with children and young people that have been growing up as a result of the one child policy. The implicit statement here can be said to indicate that these children have been used to get what they want. In addition to this one child policy these children and young people have also been growing up during a period of breath-taking economic growth. What is interesting with this statement is how it illustrates that the generation that is entering the Chinese labor market does not resemble any other. This indicate that there might be influence of different cultures but where it does not lead to a convergence to the one or the other but rather a hybrid form that incorporates both tendencies but in a new format. The changing attitudes among workers were also reflected upon in the interview with the Respondent from H&M. The Respondent expressed the need among their Chinese business partners to attract the new generation that might be more interest in personal development than accepting to work in a factory with minimum pay. This was indicated in the following statement:

"... You have another generation of workers it is no longer the staff who left his native village in Hunan province and moved to Hanjou to work fifteen hours a day for minimum wage but it is their children who are born in Hanjou and may not want to sit in a textile factory so we see that
it is getting harder and harder to recruit these young workers today in this business several have left the industry many work in cafes bars hotels restaurants shops supermarket which is a less demanding job but many and there are studies of this that many young workers seem if one generalizes seems more interested in working to learn something and to see new things and to develop as a human being so there they start to sound like us...so if you should attract people with that attitude to your factory you need to invest in other things you have to raise the social quality of your factory somehow huh and then factories that fail and that do not make the connection eh many such factories have gone under "(Sustainable Project Leader at H&M 16-04-2013)

These above statements indicate the changes many Chinese employers need to make to be able to attract new workers. This relates to the changes in the cultural system where employees in a traditional CFB have not been regarded as a factor of production rather than human capital.
5 DISCUSSION

Based on the various findings from the empirical chapter this chapter will discuss what the political and cultural system influence on CSR mean for the theoretical concepts used. The structure of each section will follow a critical realist back-and-forward logic between abstract and empirical (see figure 2). In this study the theoretical concepts have functioned as abstract lenses to examine the empirical business environment for CSR. From the empirical data that has been collected the theoretical concepts have been given a concrete facet. The empirical study of CSR has shown evidence of informal and hybrid forces and realities that make it worth to revisit and discuss what that means for the abstract theoretical concepts.

Figure 4 Logic of Analysis

![Logic of Analysis Diagram]

Source: Own illustration inspired by the critical realist logic of reasoning (see Danermark 2003)

5.1 Political system and CSR

According to Whitley distinct national political system’s result in distinct rules for the game that are likely to differ between nations. In a developmental state such as China we would assume that the state to set clear requirement for how to do business. When China opened its doors in 1978 the political message to domestic firm was to achieve economic growth at any cost. However during the last decade this message has change and the central government has been the key driver of CSR. But despite the shift in the political discourse the findings of this present study indicate that there are differences within political system between pro-active national level and static regional and local levels.
As became evident in the empirical chapter was how the challenge with CSR in China is not so much a macro-level problem but rather a meso-level problem. As explained by one of the Respondents there is a group of politicians in Beijing that inspired by best practice create laws and guidelines that are increasingly in harmony with international standards. However the problem is apparent on regional and local level where the empirical findings indicate how it is the rules that the local government set that are most important for domestic firm. This can be explained by decentralization reforms especially in relation to economic policies to attract investments local experimentation and variation have been encouraged. This has led to a situation where regional and local governments have quite large leeway for how to implement national laws and policies resulting in a trade-off situation between local economic growth and corporate responsibility. This has resulted in a situation where one can claim that there are different playing fields for domestic firms. Relating to the convergence-divergence dilemma of management practices the environment for CSR on a national level seem to be increasingly harmonized with international guidelines and standards while distinct rules for the game on regional and local levels seems to indicate continued divergence of CSR.

The study of CSR in China further indicates that informality may in fact play an essential role in determining the influence that national institutions have. One issue that became illustrative of this in the empirical findings was the difficulty of implementing western CSR guidelines that were based on ILO conventions. The formal structure of employment relations in China are in fact tripartite but in practice the trade union is controlled by the Party and more than often sides with employers when it comes to labor disputes. For the business system theory this means that considering the influence of formal laws on business systems may not be sufficient where you instead have deviant informal rules for the game. Convergence would then only visible if looking at the formal political system.

5.2 Cultural system and CSR
In contrast to the political system the cultural system includes more diffuse factors such as norms that govern trust and authority relations. As predicted by Whitley (1992; 1999) the influence of cultural institutions on business systems has proven to be essential when understanding the challenges that Swedish firms face working with CSR in China. However evidence from the empirical interviews indicates how the cultural influence includes hybrid elements of both traditional cultural features as well as transformative elements. Yeung’s (2004) concept of hybridity seems to be a fruitful explanation to these co-existing tendencies.
The findings in this present study suggest that Confucian elements can be found in the internal structure of CFB. Authorial paternalism and hierarchism between employer and employees have been expressed as elements that make implementation of CSR from a Swedish perspective challenging in the Chinese environment. As emphasized from the empirical interviews, the hierarchical internal structure poses implications to CSR in terms of internal stakeholders being able to express its grievances. From the interviews it also became evident how management rarely understood the importance of including the opinions of its employees.

In addition, the findings in this present study also indicate how the cultural system influences inter-firm relations. According to Confucian values the governing principle between business partners is trust. To maintain stability in this relation trust is essential. The author of this present study claim that in such environment the reliance on business networks becomes essential. This claim was evident in present study of CSR where personal relations were indicated play a more important role than for instance reliance on laws and regulations. However it has been argued in previous literature that it is the development of legal support for the terms of contracts and of transparency in legal processes that will encourage a shift from personal to impersonal enforcement of business transactions (Child & Tse 2001:14). While this is certainly the case the author of this present study would also point to that when inter-personal trust is regarded as the crucial in a business transaction that would in turn hamper the building of institutional trust.

So far the findings indicate how challenges for CSR can be found in the distinct cultural system. However as became evident from the interviews the reality is more complex. From the empirical interviews it was expressed how a Chinese generation shift has contributed to changing values and priorities among Chinese employees resulting in more pressure on domestic firms to be more responsible. While the Respondents expressed the challenges working with CSR in China they also explained how there is a growing interest in learning from Swedish firms and consulting agencies about CSR. These indications are interesting as it corresponds to Yeung’s concept of hybridity. In contrast to Whitley, Yeung (2004) argues that to fully understand Chinese capitalism one needs to distinguish between business systems as enduring national structures and key actors within such system. As emphasized by Yeung (2004) Chinese key actors may be involved in global actor networks were they are exposed to various managerial and organizational practices. When these key actors return home they have the capacity to effect national institutions. When it comes to CSR, the empirical findings indicate how the increasing internal pressure by young workers on their workplace and expectations on their employer. One can also link this discussion to the observation of the influence in the political system where political leaders on a national
level are exposed to global standards and best practice in the field resulting in national laws and guidelines being harmonized with international standards. However while the problem in the political system was indicated to be a result of the multiple political systems in China one could claim these tendencies as a result of what Yeung (2004) claimed to be a long-term process of changing business systems.
6 CONCLUSION

This present study has examined the influence of national business systems on the environment for CSR in China. The study has shown how the political system is more diverge between national, regional and local levels than often suggested. In addition, it has been indicated that key actors may in fact have more influence on change in national business system than previously argued which open up for the possibility of both convergence and divergence tendencies within the same national business system. Qualitative interviews with two Swedish firms and two Swedish consulting agencies located in Shanghai have been conducted to shed light to the challenges that they face working with CSR in China that can be found in the Chinese business system. Secondary literature and reports have been used to compensate for the reliance on firms originating from Sweden.

Examining an increasing popular concept CSR in an emerging country such as China has contributed to the literature on national business systems but it has also brought with it some implications both in theory and practice.

Theoretically, the business system approach has assisted in examining the influence that the state has over the environment for CSR. While the findings identifies this influence it has also shown how the Chinese central government actively promotes CSR but that the ambition and incentives to implement national level guidelines are silently discouraged at regional and local level of the political system. Thus more emphasis on the possibility of multiple business systems and deviance between formal laws and actual behavior is deemed to be of more importance than what has been suggested by Whitley (1992; 1999). Furthermore the business system approach has assisted in identifying how Chinese business system resembles the archetype of CFB but also how it deviates from it. For instance it has been helpful when examining how high reliance on personal networks, low degree of trust in employees and hierarchical internal structure of Chinese firm latently sustain challenges to implement global CSR practices. However what has also been shown is the possibility of how various cultural norms are influencing actors which may in fact lead to a long-term process of change in national business systems. This implies that the role of actors may have more possibility to influence business systems than has been previously suggested by business system proponents.

These findings imply challenges for Swedish firms in terms of understanding how to navigate their CSR systems in the Chinese landscape. As the present study indicate the political system is
more diverge than what one might expect which results in the importance to understand where and how these differences appear and what consequences that they have for implementing CSR. Furthermore, the findings of hybridity suggest that the environment for CSR in China is changing thereby the knowledge of knowing when to adapt or standardize CSR initiatives and practices becomes even more delicate.

Due to the limited number of respondents in this present study the findings should not be used to draw too generalized conclusions. However hopefully this present study has contributed to valuable indications of how national business system influences CSR but also how the study of CSR in China has posed implications for existing theories. In addition the limited nature of this present study makes further research on the subject matter needed. Interesting to further investigate is the aspects of informality in relation to different levels of the political system. In addition it could be valuable to understand how Chinese actors engage with foreign counterparts on a regional and local level and how this might bring about changes in the business systems on a local level.
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8 APPENDICES

Appendix 1: Interview Guide

Case firm

- Can you tell me about what your responsibilities are and how you work with CSR?
- What are the challenges that you face in your work with CSR?
- How you experience the role of Business Culture in working with CSR in China?
- What are the opportunities in China in regards to the culture, what works what does not work and what role does culture have in your work with CSR?
- Are the codes of conducts modified to a Chinese context?
- Do you experience that there are any areas that are easier to work with in regards to CSR in China than others? If so, why?
- How do you experience the awareness of CSR amongst your Chinese business partners (e.g. suppliers, employees etc) and why do you think that is the reason?
- What role do you think that the political system has? National government? Local government?
- What would you say is the main difference between a Swedish and Chinese view on CSR?

Consultancy agencies / CSR experts

- Can you tell me about your work with CSR?
- How would you say that CSR has developed since you first came to China?
- What would you regard to be the drivers for CSR in China? Is there a difference between Swedish and Chinese firm?
- What would you say is the main difference between Swedish and Chinese view on CSR?
- What would you say are the main challenges for Swedish Firm working with CSR in China? Cultural factors? Political factors?
- How well do you think that international guidelines and practice on CSR fits in the Chinese context?
Appendix 2: Example transcription and translation

Extract of how the recorded interviews where transcribed

Selection of transcribed interview with Sustainability Project Leader at H&M, Shanghai Office

Date: April 16th 2013

Duration of interview: 1h 33m 26 sec

F: Kan du kort berätta hur du arbetar med CSR för jag kan tänka att det skiljer sig åt i hela verksamheten?

J: Ja det gör det absolut…eh…jag har en presentation så jag undrar om vi har en organisationskarta som jag kan…men jag kan berätta vad jag själv gör jag jobbar som sustainability project leader och vi pratar inte längre om CSR utan om hållbarhet och sustainability då vilket hänger ihop med en förändrad syn på det hör området från en slags vi tar ansvar för vi på något sätt moraliskt borde ta ansvar för impacten av vår operationer i lokala communities och så vidare till då mer vi försöker se det som en mer integrerad del av vår företags verksamhet men också att man försöker fokusera på just eh…aspekten att det här arbetet vi gör med inspektioner och stärkandet av leverantörer och lagliga krav och kommunikationsmekanismer i fabriker att dels är det bra för människor och bra för miljön om man renar avfallsvatten och använder mindre vatten och så där men sen leder det också till en mer hållbar affärsmodell i frågan om resurshushållande och vad gäller social bitten för att ta ett exempel så arbetare som känner att dom har kanaler för att dom har grievances alltså att dom har att deras rättigheter på något sätt har blivit trampade på arbetsplatser och de då finns kanaler för dom säkra trygga konferenslokaler att behandla dom här grievances då det gör ju också vill jag tro arbetare som gärna vill stanna kvar längre för du tillvaratar deras rättigheter alltså lagliga och andra rättigheter men det gör ju också att om du känner att du har någon som lyssnar på dig så finns det också större chans att stanna kvar på den arbetsplatsen istället för att rösta med fotterna och byta fabrik som är väldigt vanligt och och det leder ju då till en fabrik eller en leverantör får stanna kvar högre effektivitet eh…mindre problem i termer av kvalitet och så vidare så det blir ett mer hållbart sätt att arbete på så det är från det skifte från vi gör det här för något slags ansvarstagande till vi gör det här för det är bra för alla stakeholders ehmm…utan att såklart tumma på aspekten i viss mån så handlar det ju faktiskt om människors rättigheter eh…så därav sustainability istället för CSR
F: aa kan man då säga att det har blivit en mer integrerad del av er affärsstrategi eller vart kommer det initiativet ifrån inifrån organisationen är det från ledningen eller?

J: det är en bra fråga var det kommer ifrån men jag tror såhär att din första fråga hur det här manifesterar sig det gör det på lite olika sätt alltså man pratar om business alignment eh…som gäller ett sätt som man försöker genomdriva business alignment det är då att just att man försöker samjämka inköpsprocedurer inköpsstrategier med ansvarstagande med en mer hållbar strategi eh…och där har vi tagit vissa steg absolut ehm…men det finns även mycket mer att göra men vart det kommer ifrån och jag kan gärna utveckla det här men…var det kommer ifrån det finns absolut en insikt i HM som i många andra företag att det går inte bara att köra på utan att ha ett hållbarhetsperspektiv eh…dels för att alltså miljöaspekten som är den som jag jobbar mest med blir vissa utmaningar i världen blir tydligare ta vattenfrågan till exempel det är väldigt svårt nu förtiden att missa poängen att tillgången till färskt vatten är en utmaning vi får inte mindre av den för färskt vatten försvinner inte men det föröre ih…det flyttar på sig eh…i takt med globala klimatförändringar så förändras också tillgången till vatten och det är ju något som förhållandevis i modebranschen jag menar vissa av våra produkter är väldigt vatten intensiva alltså omhuggasningen till exempel infärgningen av material jeans produktionen där har vi väldigt vattenintensiva så det här måste du liksom räkna med också från ett rent affärsperspektiv eh….rätt konkret kan det betyda att för vi har väldigt många människor som spenderar rätt så mycket tid på att arbeta upp en leverantör alltså du jobbar tillsammans med exempelvis en jeansleverantör du utbildar dom här steg för steg så när vi samma nivå och vi har samma förståelse av för vilken slags produkt vill HM ha till vilket pris vilken kvalité vilket stuk hur ska den sitta och det här är ju en väldigt lång process och det är därför vi som många andra föredrar att jobba med leverantörer över tid och gör du det så alltså vi lägger ner ganska mycket resurser alltså nu betalar det ju tillbaka sig givetvis men det är ju en process som du gärna gör en gång och sen sådan leverantör du vill ju inte att den ska stänga ner eller bli nedstämd av lokal regeringen för att dom inte använder vatten på ett hållbart sätt i en region där det är vattenbrist till exempel eller där man inte möter lokala regeringens mål på hur mycket vatten man får använda till exempel så där har vi väldig naturlig koppling liksom så men för att avsluta där så jag jobbar alltså som sustainability project leader eh…det betyder att jag jobbar med eh…projekt som rör allt som går utanför vår uppförandekod vår code of conduct eh…men jag har tidigare jobbat med vår code of conduct och vad man kallar code implementation compliance och du får ursäkta anglosaxismen här men den här compliance är den här mest klassiska det är fabriksinspektioner och man följer upp och så vidare och där har vi väldigt många människor som jobbar vi har en stor verksamhet men jag jobbar då med ett projekt som syftar till att ta vårt hållbarhetsarbete till
nästa steg och jobba med mer träning mot leverantör förbättring metodförbättring och så vidare så där är jag nu eh...jag har en presentation...för jag tänkte såhör du hade ju ganska allmänna frågor till och börja med what CSR activites and practices does your company pursue in China eh...och där har jag en presentation som vi brukar ge till nya kollegor så vi kan prata utifrån den och sen gå vidare där ifrån så då har vi mycket just svart vitt information om vad vi faktiskt gör

F: Aa...sen förstår jag att det är svårt att prata om det generellt men eh...jag tänker du pratar utifrån dina utmaningar som du stöter på i ditt arbete

J: Ja givetvis och du får gärna avbryta och ställa frågor det har jag verkligen inget emot

J. Ja just det vi kan börja med code of conduct arbetet för det är liksom en det är fortfarande kärnan för det var där som CSR började någon gång på nittiotalet bland dom amerikanska företagen man frågade vad man hur ser det ut i leverantörskedjan och det spenderar vi fortfarande mycket tid på och vi publicerar siffor på det här också i vår hållbarhetsrapport där har vi exempelvis hur många audits vi har gjort eh...men code of conduct det heter själva dokumentet och det är vår uppförandekod som i princip säger att alla våra leverantörer ska följa dels internationella konventioner alltså baserat på ILO konventionen FN:s konvention om mänskliga rättigheter och konventionen om barnens rättigheter eh och lokal lagstiftning

F: ja jag tänkte fråga om den koden är modifierad till lokala marknader

J: Nej koden är aldrig modifierad vi har en kod eh...som gäller för alla våra underleverantörer sen drar man en gräns för hur långt den gäller alltså den gäller den gäller exempelvis inte bomullsfarmar men den gäller alla vad vi kallar tier one suppliers det vill säga cut and ”stitches-enheter” alltså sömnadsenhet eller om det är skor eller om det är snycket accessorer alltså fabriker där man gör den huvudsakliga arbetet fabriker som producerar den färdiga produkten så koden gäller för dom fabriken och dom leverantören och deras eh...underenheter så för att ta ett exempel så inom tier one alltså första nivån så räknar man till exempel sömnadsfabrik och om vederbörande använder eh...ett tvätteri broderi eller ett tryckeri till exempel den nivån av underleverantörer däremot gäller den inte för eh..infärgningsenheten alltså som säljer materialet till den här fabriken alltså dom som säljer metervaran oftast för det finns för nästa steg är att någon köper eh...gray fabric alltså ofärgat spunnet material som man sedan färgar och säljer till dom här killarna och steget innan dess är att någon köper bomull och k*** och spinner det till exempel eh...så vi har koden och implementering av koden gäller för alla tier one så sömnadsfabrik och tvätteriet till exempel vad gäller nästa steg då tier two som till exempel infärgningsenheten vi har vissa projekt där de implementerar koden men det gäller inte alla av
vissa skäl till exempel att vi har ju inget eller framförallt skulle jag vilja säga för att vi har ingen direkt affärsrelation med tier two alltså med tier one här har vi ju en direkt affärsrelation vi köper färgade produkter av sömnadsenheten eh vi har ingen direkt relation med tvätteriet men det har dom men där har vi arbetat oss neråt eller uppströms så från början sedan nittiosju när vi lanserade den här koden så gällde den inte för underleverantörer eftersom åren har gått så nu gäller den det är också ett minimikrav för dom däremot inte för nästa steg för där är vi liksom ytterligare ett steg i vägen för dom säljer ju till dom här som säljer till dom här också och utmaningen där är ju att vi har ganska liten volym i dom här infärgningsenheterna dom levererar till stora företag som säljer till vädligt många leverantörer som sedan säljer till många utländska köpare så men det är också en process jag tror att vi kommer att komma dit vi har börjat sedan tjugo-hundranio började vi arbeta med just infärgningsenheterna och olika projekt så vi arbetar på det men är inte där än men för tier one det gäller för alla det är ett minimikrav i koden alltså som jag sa det täcker liksom en nations lagar ILOs konventioner eh…konventionen om barns rättigheter och allmänna mänskliga rättigheter och på sista sidan i code of conducten så skriver en leverantör under och säger att HM har tillåtelse att auditera mig eh…anmält eller oanmält så dom går med redan där när dom skriver under att vi alltså har rätt att auditera deras enheter eh…men det här om lagliga krav för det står också att det är det lokala kravet som gäller eller våra krav om det finns glap i lokal lagstiftning vilket det finns i viss lagstiftning på marknaden så är det vår code of conduct som gäller nu är ju den ganska vissa delar är ganska allmänt hållet men om den täcker delar som inte täcks av lokal lagstiftning så är det vår kod som gäller så vad gäller vatten till exempel där använder vi oss av något som heter BSR water standards BSR är en vädligt stor känner du till BSR

F: mm ja den organisationen mm

J: ja dom har ju vattenstandards för ph COD BD TSS fyra vädligt grundläggande parametrar som man mäter vattenkvaliteten så där säger vi att dom har valt leverantörer som genererar avfallsvatten och är själva renade deras vatten efter att gått igenom deras reningsanläggning måste hålla lokal lagstiftning eh…eller BSR standard eller vilket som är striktast

F: ja okej så det är alltid det som är mest strikt?

J: ja precis så det är ett sådant typexempel eller handfastexempel ehm…så code of conduct eh…innefattar ett antal minimikrav det är alltså krav som alla leverantörer måste möte det är barnarbete det är grundläggande force labor alltså frånvaro av forced labor är ett minimikrav sen har vi också ett nästa steg eh…där vi har ett antal ganska många krav där vi tillåter våra
leverantörer att dom kan ha problem med dom här kraven men att dom måste ha en action plan för att lösa dom över tid och då har vi liksom krav för hur dom ska göra en ROT analysis sätta upp tidsplan i ett antal steg när ska vad vara gjort och dom ska utse en ansvarig person som har ansvar för att just lösa det problemet så det ska finnas en action plan en tidsplan och en ansvarig och rot cost analysis eh...och det är i dom allra flesta kraven som täcks av det här vi har ett audit formulär med kanske tvåhundra frågor och åttio procent av dom är vad jag kallar additional alltså inte minimikrav eh...och andra leverantörer och alla ny leverantörer får igenom en full audit jag ska se om...ja där har vi den...ja som man skriver under alla nya leverantörer skriver under den här eh...och HM requirements based on legal requirements alltså koden är relativt allmänt hållet dom specifika frågorna som vi mäter dom mot sen är baserade på lokala lagar förutom där det är glapp eller där vi har som med vattenstandard där vi säger att det måste vara minst på den här nivån eh...det kan också vara barnarbete där FN och ILO har tydliga där dom säger sexton men i vissa undantagsfall femton eller fjorton i vissa utvecklingsländer eh...så ett land som inte har något ålderskrav eller vi producerar inte i något land som inte har det men skulle det hända så går vi enligt ILOs information då eh...a just det och dom går då på att bli inspektorer av oss så det här ja just det vi genomför alla inspektioner själva och en del brands jobbar med externea men det gör inte vi förutom när det är väldigt specifika saker om vi behöver kemikaliekonsulter för ett visst projekt men alla dom standardinspektioner gör vi själva så vi har auditsteam i vi har tre team i kina en tjej i korean ett litet team i Vietnam ett team i Kambodja Indonesien Bangladesh två team i indien och ett i Europa baserat i Istanbul som ansvarar för Nordafrika så vi har liksom egna team på hela marknaden eh...ja som sagt den är rent allmän hållen a just det vi tillåter inte något som vi tittar väldigt noga på är underkläder production units eh...jag vet inte om du hörde vi var ju i blåsväder häromsisten i Kambodja eh...där det var arbetare som strejkade som inte fått betalt fabriken hade stängt ner och dom hade inte fått betalt den fabriken var en så kallad underkläder unit där det händer tyvärr att vi har samarbete med leverantör och de har skrivit under vår code of conduct och alla andra dokument eh...kvalitetsdokument och generella affärsdokument men men att dom då har outsourcet till en annan fabrik som inte vi känner till alltså vi råkar ju ut för oärliga leverantörer och det gör dom för att tjäna pengar dom har kontakt med någon som är billigare då eh...och det är ju vi jätte emot det är ju ett minimikrav för där har vi ju liksom ingen koll på våra code of conduct krav eller kvalitetskrav eller kemikaliekrafter och så vidare allting kan gå fel och vi känner inte till det när det händer så så vi ger varningsbrev första gången det händer och andra gången så avslutar vi samarbetet med och fabriken i Kambodja var just en sådan fabrik och vår leverantör hade outsourcet till en fabrik som inte vi kände till eh...fejkdokument det borde vi egentligen skriva om men det handlar om transparens
det handlar om att vi vill ha en transparant relation med vår leverantör för det påverkar så mycket transparens vad gäller löner i Kina så är det det klassiska att det finns i den här branschen ett jätteproblem med just förfalskade lönelistor och tidslistor alltså attendance records när arbetare punschar in och punschar ut vilket är ett jätte jätteproblem i Kina och i en del andra länder också som har att göra med alltså vad ska man säga den kinesiska arbetslagen och kontraktslagen är väldigt sträng när det gäller timmar och löner eh…medans i realiteten så framförallt lönerna och arbetstimmarna har många fabriker problem med

F: är det övertid då att kontrollera att som stannar längre att dom får

J: ja exakt vad lagen säger är att du får jobba trettiosex timmar övertid i månaden så det är en fyrtiotimmarvecka fem dagars vecka där får du jobba trettiosex övertidstimmar eh…men i dom allra flesta textilfabrikena jobbar man mer än så och då uppstår problemet att dom flesta alltså nu har det förändrats men under nittio talet och första delen av tvåtusentalet första delen utav tjugo hundratalet så dom flesta köporna vägrade godta något annat än dom lagliga kraven alltså vi kräver att alla våra leverantörer ska följa lagen men det var en så stark industriell praxis i den här branschen att man jobbade mer och det kom ju sig i en tid där man hade väldigt mycket migration i Kina sådana migrant workers som lämndade sin hembygd i Kina och åkte Han jou, Beijing Shanghai för att arbeta och många var väldigt beredda på att jobba mer samtidigt då som leverantörer lovat låga priser till utländska köpare som pressades ner då människor jobbade väldigt länge men fick då ganska dåligt betalt så det det här var ju ett problem absolut men då när dom utländsk köporna började kräva att få se dokumentation och kräva att man skulle få lagliga krav för det gjorde man inte i Kina på attta talet när man kom hit det var ingen som ställde sådana krav så när vi då började ställa krav och säga att vi vill att ni ska följa lagarna när det gäller arbetstid och löner så befann dom flesta fabrikanter i en situation där dom var rätt långt ifrån att följa dom här lagarna med arbetstid och löner och dom allra flesta utländska köporna oms inklusive på den tiden hade liksom ingen koll på det där att det var ett sådant glapp för när vi sa att ni måste följa dom här lagarna lönerna till exempel om ett minimikrav så reaktionen från deras sida var då okej för dom tyckte sig inte ha någon annan lösning än att förfalska dokument för glappet var så stort och det fick branschen dras med jätte jätte länge eh… jag vill tro att vi har hittat en ganska bra sätt att tackla det här på men väldigt många köpare framför allt dom som inte auditerar själva har problem med falska dokument där deras leverantör visar dom förfalskade dokument för oss är det absolut ett minimikrav att ha transparanta dokument däremot kan vi godta att våra fabriker har att dom överskriver lagliga krav vad gäller arbetstimmer så länge dom har en action plan för att rätta till så vi ser hellre att dom är transparant mot oss än att dom ger
oss förfalskade dokument för det är ett branschproblem jag skulle vilja säga att det är väldigt få
textilfabriker som följer lagarna i Kina till punkt och pricka vad gäller löner och arbetstimmar

F: vad tror du att det beror på alltså om man går till bakomliggande mekanismer inte bara det här
övergripande varför är det så svårt

J: ja alltså jag tror att hela affärsmodellen och prissättningsmodellen bygger på helt orealistiska
grunder alltså som man grundlade då just under åttiotalet och nittiotalet då där man nådde en viss
prisnivå och man vande sig vid ett visst prisläge i väst på våra kläder och eh…och där blev ett
glapp sen introducerade ju Kina men det har även fler länder gjort men Kina introducerade en
arbetslag och en kontraktsslag men alltså China labor law kom nog redan nittiofem tror jag och
där lades arbetstimmarna att det skulle vara trettiosex timmar jag tror att det fastlades där men
man implementerade aldrig dom alltså det är väldigt typiskt i…alltså jag vet inte hur väl insatt du
är i det lagliga systemet i kina och hur det funkar med implementering eh…och det var inget man
ville implementera man krävde inte att textilfabriker skulle följa dom här lagarna för man var och
är i viss mån fortfaraende mer intresserad av att hålla den ekonomiska utvecklingen i gång än att
företag ska följa lagen och implementering av lagar i Kina är ju väldigt sporadiskt det hänger på
hur politisk känslig en lag är och korruption kan man stöta på väldigt mycket ibland och börjar
man implementerar miljölagar mer och mer däremot ser man väldigt sällan som myndigheter
implementerar till exempel arbetes eller restriktioner på arbetstimmar för det är inte högts på
deras prioriteringslista så det här eh…det här leddes då till vacuum som vi fortfaraende dras med
att man la nivån på ett orimlig nivå förstår du vad jag menar

Selection of quotes translated from Swedish to English

“det finns en bra lagstiftning i Kina som kommer från politikerna men det finns extremt dålig
uppföljning av den lagstiftning och extremt dålig påföljd eh…och mycket se mellan fingrarna och
eh…men självklart så som i alla länder så…har det viss betydelse men ibland så tror jag att det är
samma kraft som är starkare just i Kina” (Manager Sustainable Business at Business Sweden 15-04-2013 25:20)

”there is good legislation in China that comes from the politicians but there is extremely bad
enforcement of this legislation and extremely bad consequences eh…and a lot seeing between
fingers and eh…but naturally as in all countries…it has a certain meaning but sometimes I think
that the force is stronger in China” (Manager Sustainable Business at Business Sweden 15-04-
2013 25:20)
”…det är nog väldigt viktigt att näringslivet är inblandat och driver det till exempel kinesiska leverantörer ser ett business case i det och att man ser att det finns olika sorters fördelar med det men också givetvis till högre grad att deras kunder att deras västerländska köpare också ser det här va eh ….jag tror bara när det finns ett starkt en en när det finns ekonomiska motiv som det faktiskt blir implementerat för det kommer så mycket från regeringens sida som inte alltid blir implementerat jag tror att om du vill se faktiskt impact så är det nog väldigt viktigt att det är förankrat i företagskulturen i Kina…” (Sustainable Project Leader at H&M 16-04-2013 01:09:37).

”…it is very important that the enterprise are involved and driving it (CSR) for example so that Chinese suppliers sees a business case in it and that one see that there are different kinds of benefits with it but also naturally so that to a larger extent their customers western buyers also sees this…eh because…I think that it is only when there is a strong economic incentive that it actually gets implemented because there is so much coming from the government side that don’t get implemented…I think that if you want to see real impact it is very important that this is anchored in the business culture in China” (Sustainable Project Leader at H&M 16-04-2013 01:09:37).

“Det som har hänt de senaste tre åren det är… miljöfrågan så har den klättrat upp väldigt högt på agendan framför allt efter vintern då vi haft så extremt dålig luft både i Shanghai och i Peking så det är inte bara en miljöfråga för Kinas ledare skulle jag säga utan det är också ett som man ser….en fråga som berör medborgarna så mycket att det också är en risk för potentiell social oro om man inte jobbar med frågan….så det är en CSR fråga fast det är en miljöfråga men det är också en…man måste ta tag i det för att hålla stabiliteten vilket man vill…” (Manager Sustainable Business at Business Sweden 15-04-2013 05:02)

”What has happened the last three years is that….the environmental issue has climbed very high on the agenda especially after this winter where we have had extremely bad air both in Shanghai and in Beijing so it is not only a environmental issue for Chinese leaders I would say but also a…question that concerns the citizens so much so that there is also a risk for potential social instability if you do not work with the issue….so it is a CSR issue but it is a environmental issue….that one need to deal with to maintain the stability which one wants” (Manager Sustainable Business at Business Sweden 15-04-2013 05:02)
“… China Labor Law kom nog redan nittiofem tror jag och där lades arbetstimmarna att det skulle vara trettiosex timmar jag tror att det fastlades där men man implementerade aldrig dom alltså det är väldigt typiskt i…alltså jag vet inte hur väl insatt du är i det lagliga systemet i kina och hur det funkar med implementering eh…och det var inget man ville implementera man krävde inte att textilfabriker skulle följa dom här lagarna för man var och är i viss mån fortfarande mer intresserad av att hålla den ekonomiska utvecklingen i gång än att företag ska följa lagen och implementering av lagar i Kina är ju väldigt sporadiskt det hänger på hur politisk känslig en lag är och korruption kan man stöta på väldigt mycket ibland och börjar man implementerar miljölagar mer och mer däremot ser man väldigt sällan som myndigheter implementerar till exempel arbetes eller restriktioner på arbetstimmar för det är inte högts på deras prioriteringslista så det här eh…det här leddes då till vacuum som vi fortfarande dras med att man la nivån på ett orimlig nivå …. ” (Sustainble Project Leader at H&M 16-04-2013 22:33)

”…China Labor Law came already in nighty five I think and there the number of working hours were set to thirty six hours I think was agreed but these were never implemented it is very typical in…I don’t know how aware you are of the legal system in China and how it works with implementation….but this was not anything that one wanted to implement and one did not force the textile factories to follow these laws because in a sense one was more interested in keeping the economic development than firm should follow the law and implementation in China is very sporadic it depends on how politically sensitive a law is and corruption is something that you encounter very often and one starts to implement environmental laws more and more however one seldom see that authorities implement for example labor or restrictions on working hours because that is not on top of their priority list so this is…this led to a vacuum that we still are dragging with that one set the level at an impossible level” (Sustainble Project Leader at H&M 16-04-2013 22:33)

“i Kina att man gör väldigt fina lagar men dom görs på ganska hög nivå men det finns en liten grupp i Beijing som gör lagar och dom tittar jorden runt hur gör andra länder så lagarna som kommer ut dom är då ganska bra men när dom kommer ut så skickas dom ut till landet och eh…sen tar det kanske tio år innan dom här lagarna har blivit implementerade ja och ofta blir dom implementerade på olika sätt i olika provinser och olika distrikt och tolkas olika av olika personer så efter ett tag när man utfärdat en lag då kommer det förtydliganden och det kan komma provinensen eller centralet men det är en process som kan ta många år men som svensk
så tror man ofta om man läser lagen så är det det här som gäller men så är det inte i Kina utan vad som gäller för en kinesisk fabrik det är vad hans lokala myndighet säger åt honom …”

(President at Scandic Sourcing 18-04-2013 14:45)

" China makes very good laws, but they are made at relatively high levels but there is a small group in Beijing that make laws and they look around the world how do other countries, so the laws that come out they are pretty good but when they get out they are sent out in the country and uh … then it takes maybe ten years before these laws have been implemented well and often they are implemented in different ways in different provinces and districts and interpreted differently by different people so after a while when a law has been issues there comes clarifications and it may come to the province or center but it is a process that can take many years, but as Swedish one often believe that if you read the law, it is this that apply but it is not in China, but what applied for a Chinese factory that is what his local authority tells him … "

(President at Scandic Sourcing 18-04-2013 14:45)

“… det finns ju en väldigt stark kultur i Sverige vi är ju ett väldigt litet land vi har en ganska stark identitet eh företag i Sverige är mycket mer ser sig som en del av Sverige på något sätt man är närmre sin samhälliga omgivning på något sätt ehm det är ganska svårt i Sverige att komma undan med att inte ta ditt ansvar inte följa lagar och regler ehm du är hårdare reglerad du är hårdare granskad det är svårare att komma undan det sker miljöbrott det sker ekobrott och så vidare men jag tror att det har också att göra med att jag tror att dom anställda på svenska företag har mycket starkare position än dom anställda på kinesiska företag ehm så samhället finns inne i företaget så att säga och folk säger vad dom tycker folk är representerade av fackföreningar och så vidare” (Sustainable Project Leader at H&M 16-04-2013 01:21:06)

"... There's a very strong culture in Sweden, we are a very small country we have a pretty strong identity uh firm in Sweden are much more see themselves as part of Sweden somehow they are closer to their societal environment in some way ehm it's quite difficult in Sweden to get away with not taking your responsibility to follow laws and rules ehm you are more strictly regulated you are audited harder it is difficult to escape it, there are environmental crime and economic crime and so on but I think it also has to do with that I think that the employees in Swedish firm have much stronger position than they employed in Chinese firm ehm so the community is inside the firm , so to speak, and people say what they think people are represented by trade unions and so on ”(Sustainable Project Leader at H&M 16-04-2013 01:21:06)
"…there is definitely a culture in China that it is more flexible, it is more a culture of negotiation even more to follow regulations and ordinances to the letter uh ... it is a business culture that is much more focused on personal relationships and yes I would also like to say that China ... uh ... I think just the fact or in the context that the laws are not implemented in strict or stringent, but it is very much about what is the issue on the political agenda it's not rule of law but rule by law in China ... and this Chinese businessmen are not more stupid than others so they see all this so I think there is a culture where you do not respect the law because you know that it is not fair it is implemented not stringent uh ... they are not equal before the law, you are smart enough to understand that it is about acquiring a really strong and personal connection and networks of contacts because then you are safer than if you were to follow the law so I believe this is a natural adaptation to the circumstances it is a problem for us, we would surely rather see that all suppliers comply with the law and therefore fake documents are still a problem for some firm because they do not accept at all that you are not following the law" (Sustainable Project Leader at H&M 16-04-2013 24:53)

“... jag tror att du har en traditionellt sett väldigt hierarkisk företagskultur i Kina i fabriker såväl som på kontor när jag pratar med mina kinesiska vänner som jobbar på måklarbyråer eller reklambyråer eller vad det nu gäller så du vägar inte riktigt snacka med chefen alltså kritisk
"...I think you have a traditionally very hierarchical corporate culture in China in factories as well as in the office when I talk to my Chinese friends who work at brokerage firms or advertising agencies or whatever the case you do not dare to really talk to the manager therefore critical feedback constructive feedback to your boss it does not exist in China and that is a huge problem so partly from the management side that they (say) what do we have to win on having them (the workers) share what they think to us but as I said more and more management realize this as a way if not to keep workers .... ehm ... but in many supplier organization it is a problem that management does not recognize the importance of listening to its staff, uh ... there is an idea that I'm sitting here in management (and) I say how it should be It is a classic hierarchical organization ehm...from the perspective of the workers it is connected to that and where we often see a challenge where workers neither see the importance...to do so partly that they lack the opportunities to do so but partly that there are immature structures...there might exists a worker committee but they rarely meet and where there are some kind of grievances there might be a suggestion box but it does not work as it is unsure there is something with the workers that they do not trust that information is treated confidentially you do not trust that it reaches any result uh so you...choose more often to change employer if you are dissatisfied uhm..." (Sustainable Project Leader at H & M 16-04-2013 01:02:07)
"det där sitter djupt i den kinesiska kulturen hur man ger presenter och att cash eller saker som man omsätta i praktiken eh…är väldigt vanligt. jag har också varit med om ofta när man har en invigning av en fabrik …när massa journalister kommer och man tror att de kommer dit för nyhetsvärdet men dom blir ju ditsända och eh… vad dom är intresserade av är det är att få någon busskort transportation card ja och det förväntar dom sig och ja då stoppar man in några hundra på ett sånt och om de tycker att de fått tillräckligt då ja då skriver de om en…skulle de inte få någonting då blir det ingenting" (President at Scandic Sourcing 18-04-2013 06:05)

“That is deeply ingrained in Chinese culture how to give gifts and cash or things that you put into practice uh … is very common. .. I have also been through times when you have an opening ceremony of a factory … when a lot of journalists come and you think they are going there for news value but they get the sent there and uh … what they're interested in is to get some sort of bus pass (or) transportation card and yes that is what they expect and yes then you simply insert a few hundred on one of those and if they think they had enough then yes then they write about it ... would they get nothing then there will be nothing…” (President at Scandic Sourcing 18-04-2013 06:05)

”jag skulle vilja säga att även för små företag fem personer på plats här i Kina så är det jätteviktigt att jobba med frågorna och att adressera dem på något sätt sen tror jag också att …man måste också vara extremt noggrann när man jobbar i ett annat land för det är inte säkert att konfidentialitet eller mänskliga rättigheter eller vad det nu kan vara…bara för att det står i en code of conduct så behöver inte det betyda att man uppfattar det på samma sätt utan man kan tycka att det är helt två helt skilda saker och jag tror att har man en ambition att ta ansvar när man är här i Kina då måste man också föra en dialog internt med sina anställda om vad det innebär det spelar liksom ingen roll om du som general manager eller country manager som lever upp till det här eller har all dokumentation på plats om det inte finns i organisationen…” (Manager Sustainable Business at Business Sweden 15-04-2013 30:56)

"I would say that even for small businesses five people on site here in China it is very important to work with these issues and to address them in any way then I think also that…you have to be extremely careful when working in another country because it is not sure that confidentiality or human rights, or whatever it may be … just because it is stated in a code of conduct that does not mean that you perceive it the same way but you can think that it is entirely two different things and I think that if you have an ambition to take responsibility when you are here in China then
you must have a dialogue internally with your employees about what it means it does not matter if you as a general manager or country manager lives up to this or have all documentation in place if it does not exist in the organization... "(Manager Sustainable Business at Business Sweden 15-04-2013 30 : 56)

"utmaningen är att förklara varför därför att vi har en helt annan kultur många gånger så rullar ju CSR program ut från ett europeiskt perspektiv och det ska landa här hos oss i en kinesisk kultur vilket gör att du måste förklara hur det kan påverka hela din affärsverksamhet om du ger dig i kast med mutor eller om du accepterar korruption hur påverkar det dig och varför är det fel varför är det fel att inte ha barnarbete för alla förstår att man inte får ha det alla förstår det och det kan vi garantera att vi inte har på något sätt men att förklara på riktigt varför det är fel för för människor som kommer från en kultur där man har fått kämpa för mat och har fått kämpa för helt andra saker än vad vi har som kommer från en nordeuropeisk kultur där vi kämpar för en rättvisa som betyder något helt annat... hur vi definierar en muta i Sverige är ju inte riktigt på samma sätt som man definierar om du åker ut till Zhenjang i norra kina... och varför är det fel att betala extra för att få något att gå snabbare så tittar dom på oss och säger köper inte du DHL express då betalar ju du för att få det att gå fortare..." (Communication and CSR Manager at Atlas Copco 16-04-2013 20:40)

"The challenge is to explain why, because we have a completely different culture many times CSR programs rolls out from a European perspective, and it should land here with us in a Chinese culture, which means that you have to explain how it can affect your entire business if you give yourself to grips with bribes or to accept corruption how does it affect you and why it is wrong why is it wrong to not have child labor because everyone can understand that you can not have it and we can guarantee that we do not have it in any way but to explain properly why it is wrong for people who come from a culture where you have had to fight for food and has been fighting for entirely different things than what we have coming from a northern European culture in which we are struggling for a justice that means something completely different ... how we define a bribe in Sweden is not quite the same way as you define if you go out to Zhenjang in northern china... and why is it wrong to pay extra to get something to go faster so they look at us and say do you not buy DHL express then you pay to get it to go faster..." (Communication and CSR Manager at Atlas Copco 16-04-2013 20:40)
"jag tror att medvetandet är väldigt högt bland leverantörer och tillverkare som jobbar mot exportindustrin eh för det har pågått så himla länge så jag tror att medvetenheten om man menar ganska enkelt sett så tror jag att den är väldigt hög men däremot vad som brister och vad vi ser som brister det är ägandekap att leverantörer själva tar ägandekap över en hållbarhetsstrategi...dom gör det mest för att du kräver det så hållbarheten i det är här inte särskilt hög för skulle vi sluta jobba med det här så säg att vi och gap är dom stora köparna på en leverantör skulle vi sluta köpa av den här leverantören då skulle förmodligen den här rutinen och så vidare och vad rör allt som har med det här att göra så skulle det förmodligen falla ihop” (Sustainability Project Leader at H&M 16-04-2013 39:53)

"I believe that the awareness is very high among suppliers and manufacturers who work against the export industry eh for it has been going on for so long so I think that the awareness if one means it in fairly simple terms then I think it is very high but what is lacking and what we say are lacking is ownership that suppliers themselves take ownership of a sustainability strategy ... they do it mostly because you demand it so the sustainability of this is not very high because if we would stop working with this let say us and GAP are the major buyers on one supplier then if we would stop buying from this supplier then most likely this routine and so on and all aspects of this would most likely fall apart…” (Sustainability Project Leader at H & M, 16-04-2013 39:53)

"jag vill tro att vi har hittat ett ganska bra sätt att tackla det här på men väldigt många köpare framför allt dom som inte auditerar själva har problem med falska dokument där deras leverantör visar dom förfalskade dokument för oss är det absolut ett minimikrav att ha transparanta dokument däremot kan vi godta att våra fabriker har att dom överskrider lagliga krav vad gäller arbetstimmar så länge dom har en action plan för att rätta till så vi ser hellre att dom är transparant mot oss än att dom ger oss förfalskade dokument för det är ett branschproblem jag skulle vilja säga att det är väldigt få textilfabriker som följer lagarna i Kina till punkt och pricka vad gäller löner och arbetstimmar” (Sustainability Project Leader at H&M 16-04-2013 21:33)

"I like to think we have found a pretty good way to tackle this but many buyers especially those who do not audit themselves have problems with false documents where their supplier shows them faked documents to us it is an absolute minimum requirement to have transparent documents however, we accept that our factories have that they exceeds legal requirements regarding working hours as long as they have an action plan on how to correct so we would rather see that they are transparent to us than they give us false documents for it is an industry
problem I would say that there are very few textile factories that follow the laws in China to the letter in terms of wages and working hours "(Sustainability Project Leader at H & M 16-04-2013 21:33)

"många av dom här systemen är bygdda på UN global compact eller OECD guidelines eller international chamber of commerce och vad dom har gemensamt alla systemen är att de är alla väldigt förankrade i ILO international labor organisation så dom är alla väldigt tydliga när det gäller krav på att det ska finnas fria fackföreningar och arbetstider och barnarbete och allt sånt där va så så...och vad som är speciellt i Kina är att lagarna här passar inte in i ILOs regelverk och det gör att det inte går att använda dom här systemen i Kina för det finns inga fria fackföreningar och man ser på saker på ett annat sätt och man har en annan standard...så vad vi har gjort och eh... ofta på dom stora företagen så jobbar man centralt liksom här är vår globala uppförande kod och såhär ska dom leverantörerna vi jobbar med jobba annars ska vi inte ha att göra med dom säger man och så kan man prata när man sitter i Sverige sen så brukar man ge det till någon konsult eller någon student sätt ihop vårat system här så kan vi skicka ut det över hela världen och så kommer det till någon stackars fabrikskille här eller inköpare på något svenskt bolag i Kina på ett papper att såhär ska vi jobba nu och man tittar på det här då att man måste ha fria fackföreningar och ja just det och så lägger man det på hyllan någonstans eller några kanske går vidare och försöker förklara detta för sina egna inköpare här då att såhär måste leverantörerna se ut men liksom ingen förstår vad han pratar om och vad är en fri fackförening...så det är ett väldigt gap där" (President at Scandic Sourcing 18-04-2013, 11:00)

"Many of these systems are built on the UN Global Compact and the OECD Guidelines or the international chamber of commerce and what they have in common all the systems is that they are all very grounded in ILO international labor organization so they are all very clear on the requirements that there should be free trade unions and working hours and child labor and all those things huu so so ... and what is special in China is that the laws here do not fit the ILO rules and it makes it impossible to use them these systems in China because there are no free trade unions and you look at things in a different way and have a different standard...so there is a huge gap there "(President at Scandic Sourcing 18-04-2013,11:00)

“... det går inte att köra internationella systemen som finns dels att dom inte har förståelse för hur det funkar här och dels för att dom på svenskt sätt så har man antingen rätt eller fel ja eller nej finns det fria fackföreningar ja eller nej man kan liksom inte säga ja så då måste det bli nej men det finns ju en väldig skala…” (President at Scandic Sourcing 18-04-2013 21:40)
"...it does not work to run the international systems that are available partly because they do not have an understanding of how it works here and partly because from a Swedish point you either have right or wrong or yes or no there is no free trade unions yes or no but you cannot simply say yes then it has to be no but there is a vast scale …" (President at Scandic Sourcing 18-04-2013 21:40)

“innan jag började jobba här så var inte CSR något jag tänkte på i daglig dags så men det som har förvånat mig sen jag började jobba är ett stort intresse ett himla stort intresse från universiteten i Shanghai området framförallt på MBA utbildningarna så finns det ett stort intresse av att dels bjuda in mig som föreläsare eller få hjälp och råd i hur vi kan ordna en bra CSR aktivitet…studenterna efterfrågar det men också att bjuda in representanter från svenska företag att berätta hur dom jobbar med det” (Manager Sustainable Business at Business Sweden 15-04-2013 06:41)

"Before I started this job CSR was not something I thought of in a daily basis but the thing that has surprised me since I started working is the great interest a tremendous interest from universities in the Shanghai area especially at the MBA programs so there is a large interest to partly invite me to lectures or get help and advice on how we can arrange a good CSR activity …the students are demanding it but also to invite representatives from Swedish firm to share how they are working with it"(Manager Sustainable Business at Business Sweden 15-04-2013 06:41)

“vi har också en situation idag där vi har människor i din ålder som man ju kallar prinsessor och prinsar för dom är uppväxta i en helt annan kultur än vad som finns någon annanstans i och med enbarnspolitiken och där …har du också en situation där barn och ungdomar kommer ut i arbetslivet med förväntningar på vad dom ska göra som är skyhöga dom har förväntningar som är orealistiska vad dom ska få ut av det jämfört med vad dom ska göra för att få det så det är också lite grann en svårhet och vi se ju mycket kinesiska ungdomar som som tänker hållbarhet på ett helt annat sätt” (Communication and CSR Manager at Atlas Copco 16-04-2013, 24:25)
Appendix 3: Presentation of Respondents

Scandic Sourcing

Scandic Sourcing belongs to the Scandic Group and provides services within supplier search, supplier improvement (includes CSR/Code of conduct programs and audit process improvement), factory set-up. The firm has been active in China since 2006 and has 22 employees with office in Shanghai. The President Per Linden has extensive experience working in China with assisting firms to enter the Chinese market with a lot of knowledge in implementing CoCs in China. Linden has previously been employed at the Swedish firm Sandvik and responsible for their Asia division were he was also worked with developing and implementing CoC.

Business Sweden Shanghai

Business Sweden (previously Swedish Trade Council) has been present in China since 1994 and is providing consultancy services to Swedish firm both in Sweden and abroad with the aim to enhance Swedish firm ’ competitiveness and success on the international market. Hanna Elving is Head of the Swedish Sustainable Business in China which is a project that aims at increasing the knowledge in Swedish firms about CSR-issues and creates meeting places for collaboration between Swedish firms and Chinese firms. Elving has been present in China since 2010 but at this position since August 2012.

H&M

H&M is a Swedish global retail firm which has its HQ in Sweden and is listed on the Swedish Stock Exchange. It has a global presence with approximately 2800 stores in 49 different markets. China is not only a consumer market for H&M but also a production source with one thirds of its purchase coming from China. H&M is working actively with CSR and Jonah Wigerhäll is working as Sustainable Project Leader at one of H&Ms Shanghai offices. Wigerhäll has previously been working with Auditing of Suppliers in China and has extensive experience of working in a Chinese context.

Atlas Copco

Atlas Copco is an industrial group with providing services within the following business areas; Mining and Rock Excavation, Construction equipment and Portable Energy; Stationary Compressors and Industrial Tools. Atlas Copco was founded in 1873 and has its base in Stockholm, Sweden and is listed on the Swedish Stock Exchange. Atlas Copco has a global reach
and is active in more than 170 countries. Atlas Copco sold its first products to China in 1920 through exports from Europe and had a local presence since 1980s. Atlas Copco has approximately 6300 employees in China which is the largest market in terms of numbers of employees. Marie Brolin is the Corporate Communication and CSR Manager for Atlas Copco in China, Hong Kong and Taiwan and has experience from working with communicating Atlas Copco’s CSR activities.